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Burkina Faso: Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burkina Faso

In the context of the fourth review under the three-year arrangement under the Poverty Reduction and Growth Facility and a request for modification of a performance criteria, the following documents have been released and are included in this package:

- The staff report for the Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on April 1, 2009, with the officials of Burkina Faso on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 5, 2009. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff supplement on the joint IMF/World Bank debt sustainability analysis.

- A Press Release summarizing the views of the Executive Board as expressed during its June 22, 2009, discussion of the staff report that completed the review.

- A statement by the Executive Director for Burkina Faso.

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

Letter of Intent sent to the IMF by the authorities of Burkina Faso*
Memorandum of Economic and Financial Policies by the authorities of Burkina Faso*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

BURKINA FASO

Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Modification of Performance Criteria

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

Approved by Michael Atingi-Ego and Anthony Boote

June 5, 2009

This report is based on discussions in Ouagadougou March 18–April 1, 2009. The mission comprised Mr. Funke (head), Mr. Gudmundsson, Mr. Yartey, Ms. Nyankiye (all AFR), and Ms. Adenauer (resident representative). The mission met with Minister of Economy and Finance Bembamba; Central Bank of West African States (BCEAO) National Director Sanou; other ministers and senior government officials; representatives of the private sector, labor unions, nongovernmental organizations, and development partners; and the media. The mission worked closely with staff of the World Bank.

PRGF arrangement and program review: The three-year PRGF arrangement was approved on April 23, 2007, with access of SDR 6.02 million. On January 9, 2008, the Executive Board approved additional access of SDR 9.03 million (15 percent of quota) to help address the impacts of higher oil prices and an adverse shock to the cotton sector. Outstanding loans amount to SDR 35.26 million (58.6 percent of quota). Staff recommends completion of the fourth review based on Burkina Faso's broadly satisfactory performance under the PRGF-supported program.

Political background: Burkina Faso has benefited from a stable political environment and democratic multiparty elections. Following parliamentary elections in May 2007, Mr. Tertius Zongo was appointed Prime Minister. The next presidential election is scheduled for late 2010.

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List of Acronyms

BCEAO	Central Bank of West African States
CPIA	Country Policy and Institutional Assessment
FSAP	Financial Sector Assessment Program
ICAC	International Cotton Advisory Committee
LTO	Large taxpayer office
MEFP	Memorandum of Economic and Financial Policies
MTO	Medium taxpayer office
NPV	Net present value
PC	Performance criterion
PFM	Public financial management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
REER	Real effective exchange rate
SOFITEX	Société Burkinabè des Fibres Textiles
SONABHY	Société Nationale Burkinabè d'Hydrocarbures
SONABEL	Société Nationale D'Electricité du Burkina
SSA	Sub-Saharan Africa
TA	Technical assistance
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union
WEO	World Economic Outlook

EXECUTIVE SUMMARY

Macroeconomic performance and implementation of the Fund-supported program have been satisfactory despite a difficult external environment and some delays in structural reforms.

Economic developments: Real GDP growth rose to an estimated 5 percent in 2008 as agricultural production rebounded. Declining commodity prices have eased inflationary pressure. The impact of the global financial crisis is becoming more visible. Trade-related revenues are facing downward pressure and lower world cotton prices pose new challenges for the cotton sector. Real GDP growth is expected to decline to 3.5 percent in 2009.

Program performance: All quantitative performance criteria were met, notably the targets for the fiscal deficit, revenues, and social expenditure. The authorities reiterated their commitment to reforming tax policy. Despite progress on preparation, some delays have occurred because of delays in delivery of technical assistance, inadequate domestic capacity, and the challenging external context.

Priorities: The priority for 2009 is to sustain the reform momentum in a difficult environment. The program focuses on (i) using macroeconomic and structural policies to manage the impacts of the global financial crisis and the remnants of the food and oil price shocks; (ii) advancing tax reform; (iii) broadening and deepening the financial sector; and (iv) moving ahead with other structural reforms, including to make the cotton sector more efficient and promote private sector development.

Risks: The main risks relate to the possibility of a heavier impact of the global financial crisis, deterioration in the cotton sector, and slow progress in structural reforms, in part because of capacity constraints.

I. Recent Economic Developments and Program Performance

1. **In 2008 and early 2009, Burkina Faso's economy weathered the triple external shocks (oil, food, and the global financial crisis) fairly well:**

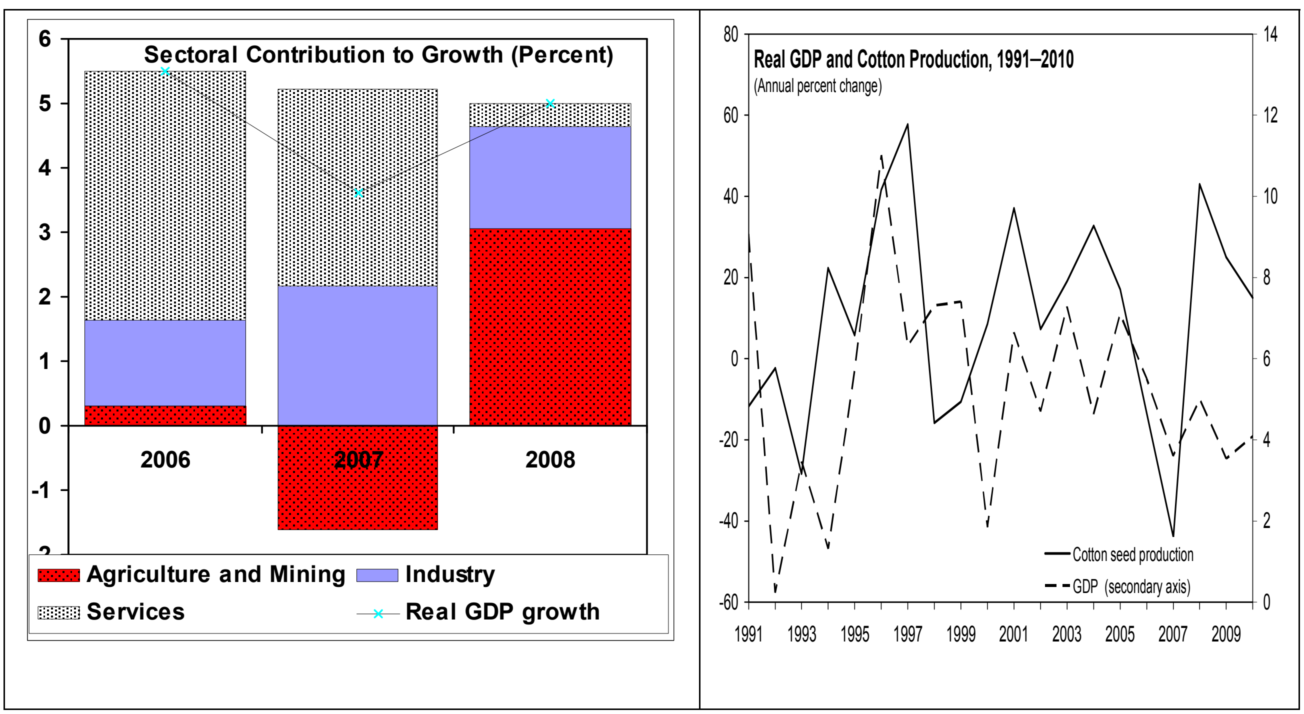
- Real GDP growth reached an estimated 5 percent in 2008, supported by a rebound in agricultural production and the opening of three new gold mines (Figure 1).

- The decline in commodity prices is easing inflationary pressure (Figure 2). Inflation fell to 8.5 percent year-on-year in February 2009 after peaking at 15.1 percent in June last year. Domestic food prices, however, have declined less than international prices.

- The authorities privatized ONATEL, the phone company, in March 2009.

2. **Despite difficult economic conditions, program performance was broadly in line with objectives.** All quantitative performance criteria were met, including the targets for the fiscal deficit, revenues, and social expenditure. However, foreign-financed capital expenditure was some 2¾ percent of GDP lower than programmed, mainly due to poor project planning and execution and higher costs that required renegotiation of loans.

Figure 1: Burkina Faso: Real Sector Indicators



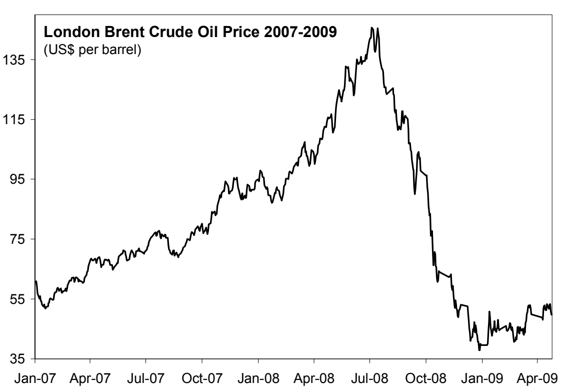
Sources: Burkinabè authorities and IMF staff estimates and projections.

Figure 2. Burkina Faso: Recent Economic Developments

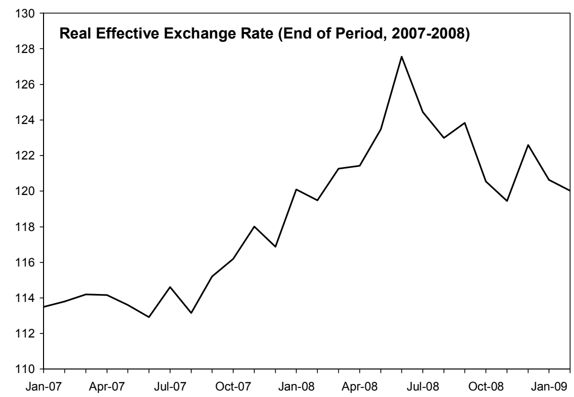
Inflation is declining….

... as pressure from food prices lessens ...

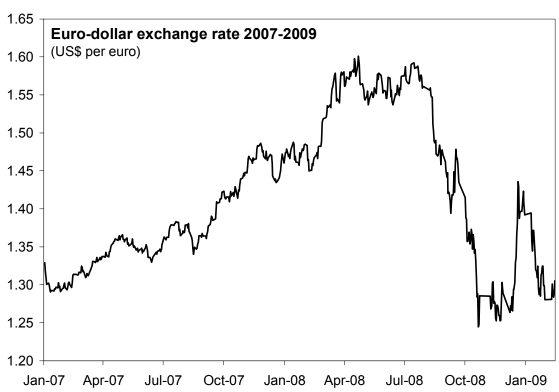
... and oil prices decline.



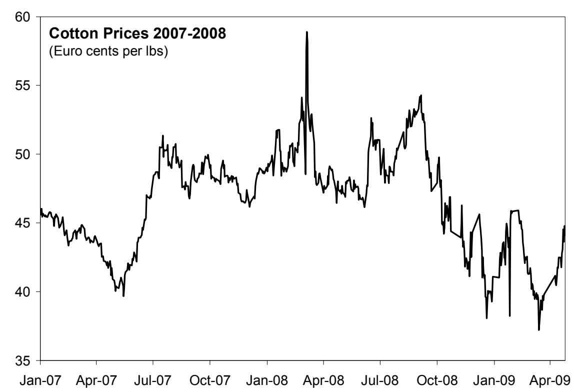
The REER has depreciated….



….along with the euro reducing pressure on competitiveness.



. . . However, cotton prices fell from their peak in early 2008.



Sources: Burkinabè authorities, IMF *World Economic Outlook*; and IMF staff estimates and projections.

3. **The authorities have made progress in meeting structural reform objectives, but three benchmarks were missed, though two only narrowly** (Text Table 1; MEFP ¶9**).** The authorities submitted to the Cabinet a financial sector action plan with key actions (PC), established a plan to clear payments identified in the domestic debt audit, and conducted an audit of SOFITEX (benchmark, MEFP ¶26). In customs and tax administration, the large nonfiler rate was kept below 7 percent (indicative target, December 2008) and the authorities met the requirement to assign at least 30 percent of customs declaration to the green and blue channels, though assignments for further controls were above 10 percent. There was a delay of one month in finalizing the plan for expenditure controls.

4. **Preparation of tax policy reform is advancing, but more slowly than planned (MEFP ¶9).** A preliminary database has been set up but simulation of reform options, a precondition for submitting detailed reform proposals to the Cabinet (benchmark, end-April 2009) is moving more slowly than expected due in part to a three-month delay in critical technical assistance (TA) and limited capacity.

II. The Impact of the Global Financial Crisis

5. **The global financial crisis influences the near-term outlook and is constraining growth**. Monthly trade indicators and trade-related revenues are slackening. While lower prices dampen the outlook for cotton, agricultural initiatives, lower international oil prices, and higher gold prices will cushion some of the impact. Real GDP growth is projected to decline to 3½ percent in 2009, as in the rest of the region (Figure 3). Changes in commodity prices are expected to improve the terms of trade and slightly narrow the current account deficit (Text Table 2).

6. **There are risks to the outlook.** Further declines in world cotton prices could threaten the financial stability of the ginning companies, which would have negative side-effects for the entire economy. A worsening global crisis could also further push down remittances, foreign direct investment (FDI), and other financial flows, lowering investment and consumption. An unexpectedly fast global recovery would support a turnaround in Burkina Faso.

Text Table 1. Structural Reforms and Conditionality, December 2008–April 2009

Measures	Timing	Conditionality	Status
Tax policy			
Submit to Cabinet detailed proposals for the reform of the business tax, the investment code, and the VAT, based on IMF recommendations, the tax policy reform strategy, and WAEMU directives.	April 30, 2009	Structural benchmark	Not met
Customs administration			
During the fourth quarter of 2008, assign at least 30 percent of customs declarations to the green and blue channels and keep the percentage of declarations selected but assigned for further controls by individual inspectors to less than 10 percent.	December 31, 2008	Structural benchmark	Not met: 30 percent objective met but assignments for further controls are at 13 percent.
Public financial management			
Prepare an action plan to improve the effectiveness of ex ante and ex post expenditure controls, including elimination of redundant procedures.	December 31, 2008	Structural benchmark	Not met; delayed until January 2009
Ensure the operational implementation of a general system for the tracking of poverty-reducing spending incorporating all domestically funded expenditures except salaries.	February 28, 2009	Structural benchmark	Met
Submit to Cabinet a plan to clear outstanding payments identified in the domestic debt audit.	March 31, 2009	Structural benchmark	Met
Financial sector			
Submit to Cabinet a financial sector action plan with a timetable for reforms. The action plan, based on the FSAP recommendations, will cover the following areas: (i) facilitating cotton sector financing; (ii) reducing government ownership in the banking sector; and (iii) improving microfinance supervision.	March 31, 2009	Performance criterion	Met
Cotton sector			
Conduct an audit of SOFITEX with a view to supporting transparency and privatization.	March 31, 2009	Structural benchmark	Met

Text Table 2. Burkina Faso: Macroeconomic Indicators	2007	2008	2009 Pre-crisis proj.	2009 Latest Proj.	Change Latest vs Pre-crisis proj
Real GDP growth (%)	3.6	5.0	6.2	3.5	-2.6
Inflation annual average (%)	-0.2	10.7	2.5	4.8	2.3
Foreign reserve (months of imports)	6.8	5.8	5.3	5.3	0.0
Overall fiscal balance, commitment basis (incl. grants, % of GDP)	-5.7	-4.5	-4.9	-5.1	-0.2
Overall fiscal balance, cash basis (incl. grants, % of GDP)	-5.2	-4.0	-4.9	-5.3	-0.4
Current account balance (incl. grants, % of GDP)	-8.3	-11.0	-13.1	-10.0	3.0
Terms of trade (% change)	-1.4	-2.8	-1.4	12.4	13.8

Note: Pre-crisis projections refer to June 2008.
Sources: Burkinabè authorities and IMF staff estimates and projections.

7. **The banking system has so far weathered the global storm**. Banks are generally adequately capitalized with capital averaging 12.4 percent of risk weighted assets. Asset quality though fragile has improved recently. The ratio of non performing loans (net of provisions) declined from 6.7 in 2007 to 5.9 percent in 2008 but remains high for some institutions. The major risks, however, relate to significant exposure to the cotton sector, an increase in nonperforming loans as the economy slows or a withdrawal of foreign banks. Nevertheless, banks are well positioned for a slowdown and have a strong capital buffer.

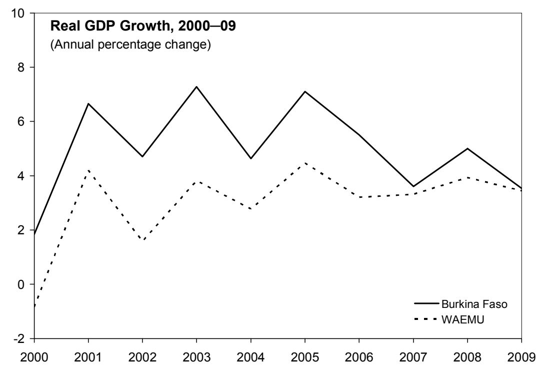
Text Table 3. Burkina Faso:Financial Soundness Indicators (2007-2008)

	Dec-07	Jun-08	Dec-08
Capital adequacy			
Capital to total assets	8.4	8.0	8.3
Regulatory capital to risk-weighted assets	13.0	13.0	12.4
Non performing loans to capital	47.0	49.7	34.1
Asset composition and quality			
Total loans to total assets	60.4	62.9	59.2
Gross NPLs to total loans	17.5	17.9	15.8
Provisions to NPLs	66.3	64.9	66.7
NPLs net of provisions to total loans	6.7	7.1	5.9
Earnings and profitability			
After-tax return on average assets	0.6	1.0	n.a
After-tax return on average equity	6.7	10.6	n.a
Interest margin to gross income	37.0	50.5	46.7
Noninterest expenses to gross income	76.0	68.0	86.1
Liquidity			
Liquid assets to total assets	43.7	57.8	42.4
Liquid assets to short term liabilities	71.6	71.6	67.5
Total deposits/Total loans	96.2	94.2	93.6

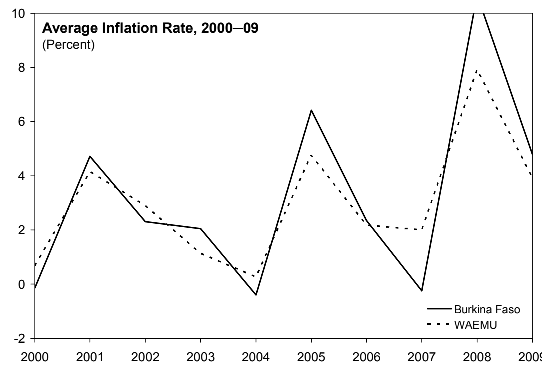
Source: BCEAO and staff estimates

Figure 3. Burkina Faso: Economic Outlook in a Regional Perspective

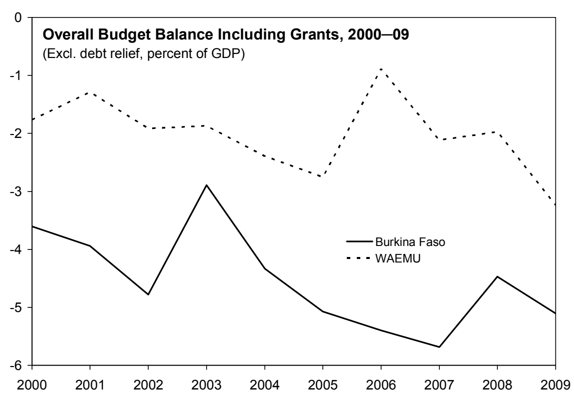
Real GDP growth for 2009 is projected to remain below trend and slow to the regional average.



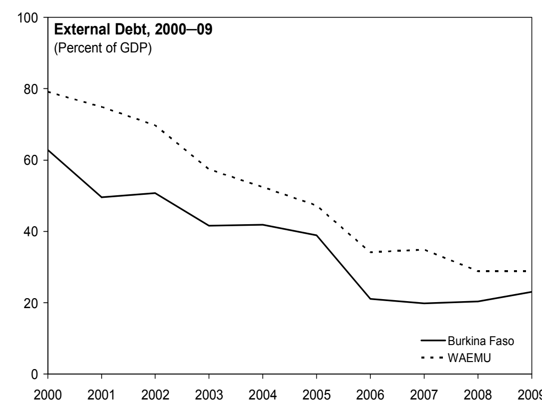
Inflationary pressures are expected to decline along with commodity prices.



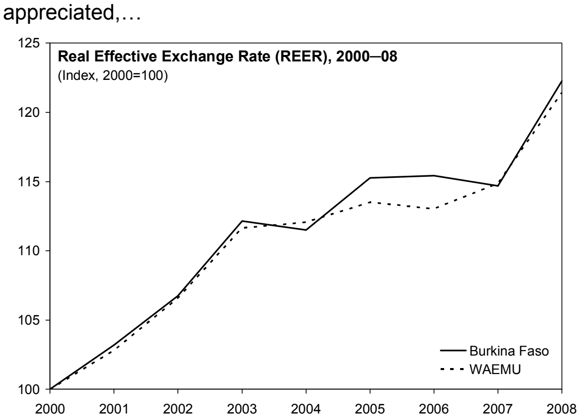
The fiscal deficit is expected to rise as trade-related taxes slow, …



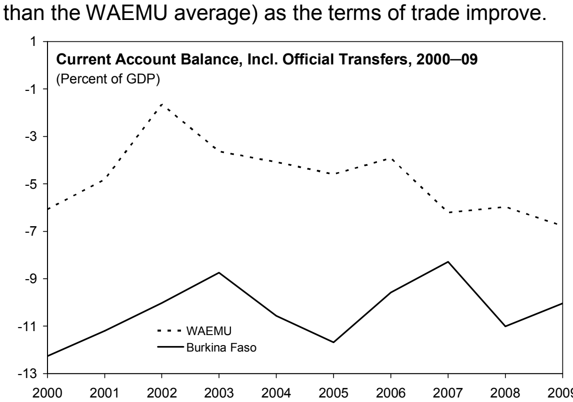
… but external debt relative to GDP is somewhat lower than elsewhere in the region.



In recent years the real effective exchange rate has appreciated,…



… but the current account deficit will narrow (though still higher than the WAEMU average) as the terms of trade improve.



Sources: Burkinabè authorities and IMF staff estimates and projections.

III. Economic and Structural Policies Through 2009

8. **Policy discussions focused on how to sustain the reform momentum under current conditions**. Key issues included:

A. the scope for countercyclical policies to mitigate the impact of the global financial crisis and manage what remains of the food and oil price shocks;

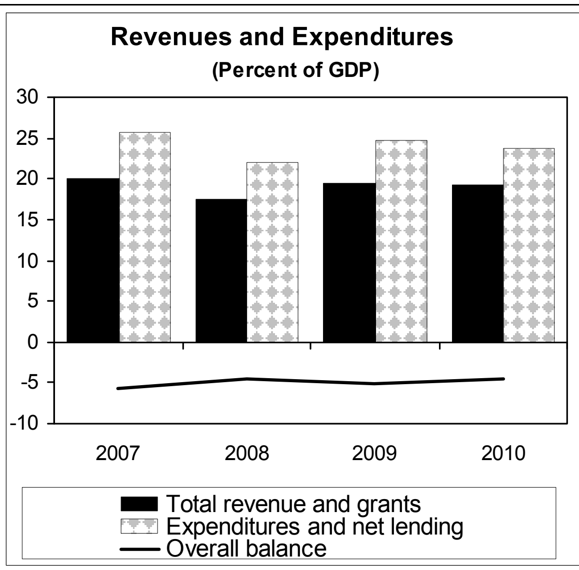
B. fiscal reforms to raise revenues; and

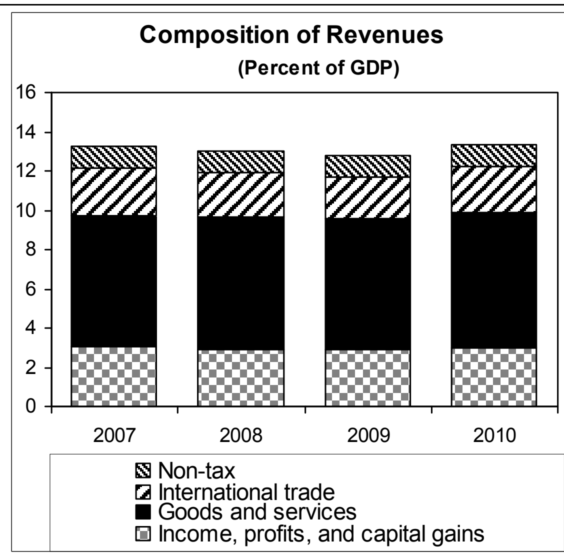
C. other structural reforms including to make the cotton sector more efficient and the financial sector stronger.

A. Macroeconomic Policy

9. **With social and infrastructure needs pressing, and consistent with a projected resurgence of the global economy in 2010–2011, a modest temporary increase in the deficit seems warranted (Figure 4).** To offset the projected decline in tax revenues (0.6 percent of GDP below target) a modest increase in the fiscal deficit target from 4.9 percent of GDP to 5.3 percent of GDP (including 0.2 percent of GDP to clear payments identified in the domestic debt audit) was agreed. Higher projected grants (0.3 percent of GDP more than initially programmed) will help maintain expenditure at previously agreed levels. In addition, the authorities plan to issue a medium-term bond in the regional market, which they are confident they will succeed in placing. Staff encouraged the authorities to sustain revenue mobilization efforts and explore how to reprioritize spending to protect poorer citizens.

Figure 4. Burkina Faso: Fiscal Indicators



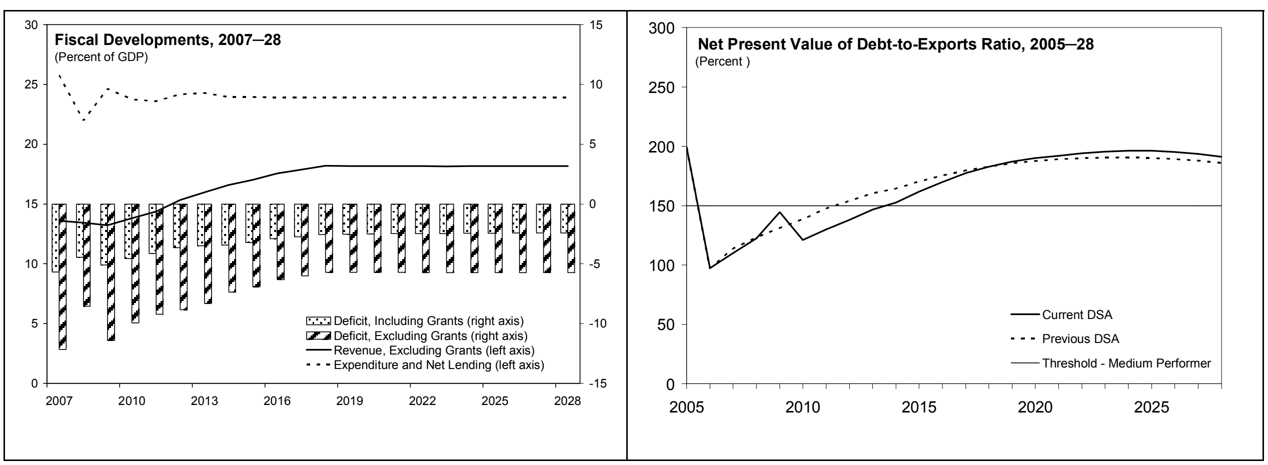


Sources: Burkinabè authorities and IMF staff estimates and projections.

10. **New measures to protect the most vulnerable are welcome.** Measures to shield the poorest households from higher food and energy prices in 2008 were not sufficiently well targeted. With donor support the authorities are putting in place a functional cash transfer system in the two largest cities. They also continue to promote agricultural production through the provision of irrigation facilities and rural infrastructure.

11. **The authorities remain committed to medium-term fiscal consolidation, as is essential to reduce the high risk of debt distress, which in turn limits the scope for further fiscal stimulus (see Figure 5).** Staff encouraged the authorities to reduce the budget deficit; work to attract additional donor aid; closely monitor public enterprises to avoid quasi-fiscal losses; and move ahead with reforms to improve their policies and institutions. To address debt vulnerabilities, the authorities are focusing on efforts to diversify the economy, which could raise the export potential. They also aim to improve the institutional environment, which could be conducive to regaining their strong performer status based on the CPIA rating. The authorities are also working to identify concessional financing for infrastructure projects, such as the Samendeni dam, but they appealed to the Fund to make concessionality requirements more flexible in its programs. Staff encouraged the authorities to present a careful cost-benefit analysis of the Samendeni project, preferably by an outside institution, before proceeding and identifying additional concessional financing.

Figure 5. Debt Sustainability Outlook



Sources: Burkinabè authorities and IMF staff estimates and projections.

B. Fiscal Reforms

12. **To boost tax revenues, the authorities plan to continue rollout of the tax management system (SINTAX) in 2009** at the Ouagadougou Tax Department. They also intend to intensify their efforts to streamline customs clearance. Priority will be given to the use of the ASYCUDA transit module in at least five border posts, which will be connected with inland customs offices (new benchmark, end-December 2009; Text Table 4).

13. **The authorities reiterated their commitment to submitting to the National Assembly in October reforms to revise the business tax, streamline tax exemptions, and strengthen VAT (MEFP ¶**12). Following two TA missions, the authorities now plan to submit to the Council of Ministers in July detailed proposals for reform (new benchmark, end-July 2009; Text Table 4).

14. **In public financial management, the authorities plan to follow-through on the domestic debt audit,** increase the transparency of public procurement, and better track poverty-reducing expenditure. In the latter area, they plan to improve the functionality of the new system (new benchmark, end-September 2009).

C. Growth-Enhancing Structural Reforms

Financial sector reforms

15. **Preparation for financial sector reform is proceeding steadily**. The authorities have prepared a financial sector action plan based on recommendations of the Financial Sector Assessment Program (FSAP; PC). With support from a World Bank consultant, the authorities plan to refine the plan as part of a broader financial sector strategy. The revised plan is expected to be adopted by the Council of Ministers in early 2010 (new benchmark, end-January 2010) and will take into account the impact of the global crisis (MEFP ¶27).

Cotton sector reforms

16. The cotton sector has been hit hard by depressed world cotton prices and lower demand for textiles (see Box 1), though financing for the next campaign has been secured on conditions similar to last year's. The capital base of SOFITEX is eroding, and producer association internal arrears have risen. Staff stressed the need to closely monitor developments in the sector, working closely with the World Bank, which may increase its financial support. The authorities stressed their commitment to follow through on financial and operational audits of SOFITEX, including preparation of an action plan (new benchmark, September 2009).

Text Table 4: Burkina Faso — Structural Conditionality, June 1, 2009–January 31, 2010

Measure	Rationale	Deadline Benchmark
Tax policy and tax administration		
Submit to the Council of Ministers detailed proposals on the reform of corporate tax, the investment code, and VAT, based on IMF recommendations, the strategy for comprehensive reform of tax policy, and WAEMU Community directives (MEFP¶ 14).	Important to raising tax revenue	Benchmark, July 31, 2009
Submit to the National Assembly tax policy reform related to VAT, corporate tax, and the investment code, which will enter into force with the 2010 budget law. It is planned to include in the budget law the raising of VAT thresholds for small, medium, and large enterprises as of January 2010, and to make small enterprises liable for simplified taxation instead of VAT, in accordance with IMF recommendations and WAEMU directives (MEFP¶ 15-17).	Tax reform is necessary to raise revenues, reduce the deficit, and ensure debt sustainability.	Benchmark, October 31, 2009
Customs administration		
Electronically connect five additional border posts and the General Directorate of Customs (MEFP¶19).	Limit discretion at customs, increase revenues, and improve governance.	New benchmark, December 31, 2009
Public financial management and governance		
Improve the performance of the system for monitoring poverty reduction expenditure, incorporating all expenditure financed by own resources except for personnel (MEFP¶24).	Increase the efficiency of expenditure.	New benchmark September 30, 2009
Financial sector		
Have the Council of Ministers adopt a comprehensive, detailed action plan for strengthening the financial sector, with a timetable for major reforms (MEFP¶27).	Reduce financial sector vulnerabilities and support growth.	New benchmark January 31, 2010
Cotton sector		
Submit for discussion by the SOFITEX Board of Directors an action and monitoring plan based on financial and operational audits (MEFP¶,26).	Increase transparency and limit budgetary risks.	New benchmark September 30, 2009

Text Table 5. West Africa: Cotton Producer Prices and Production

	Producer prices (CFAF per kg)			Total production (thousands of tons)		
COUNTRY	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Benin	175	180	185	240.6	268.6	237.9
Burkina Faso	164	155	165	649.3	363.5	460.0
Côte d'Ivoire	145	150	185	145.6	219.4	201.2
Mali	165	160	200	410.0	247.0	197.0
Senegal	180	180	180	52.0	50.0	50.0
Togo	160	160	160	399.8	n.a	n.a

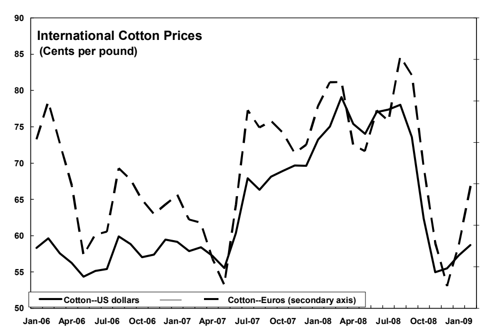
Sources: National authorities and IMF staff.

Box 1. The Global Financial Crisis and the Burkina Faso Cotton Sector

Cotton prices have fallen about 40 percent since August 2008. The crisis affects the farmers, ginning companies, and the government in different ways:

Cotton *farmers* were at first insulated from the worst effects of the price shock. A new producer price mechanism gave them certainty about sale prices at the beginning of the 2008/09 season, isolating them from the price decline later in the year. However, depressed prices, if sustained, would feed through to producer prices in coming years.

The lower cotton price is putting substantial pressure on the balance sheet of ***ginning companies***. They protected part of their income by selling about one-third of their production forward when the average price was still relatively high. While they have recently sold most of the remaining production, prices were substantially lower. Ginning companies could lose an estimated CFAF 9 billion (0.3 percent of GDP), only a small part of which would be covered by the smoothing fund, which uses average prices in 2008 as the basis for compensation.

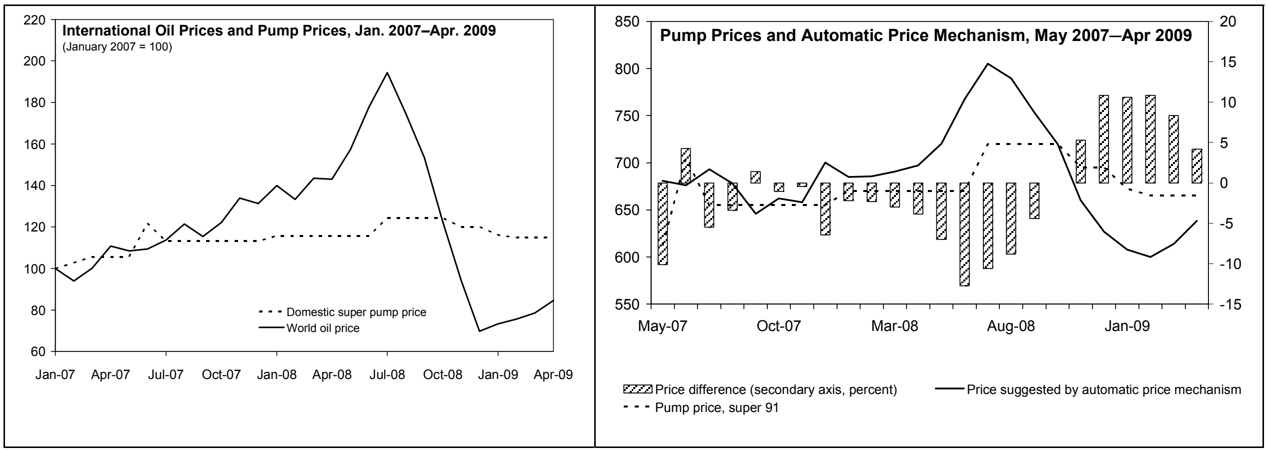


Though the ***government*** plans to gradually withdraw from the sector, it is having difficulty identifying a strategic partner for SOFITEX. If cotton prices continue to be depressed, the smoothing fund could dry up and, with ginning company losses, there could be calls for government support. Recapitalizing SOFITEX may be required to ensure the viability of the sector and prevent an increase in poverty.

Burkina Faso is now experimenting with genetically modified cotton, which promises a productivity gain of about 30 percent.

17. **The authorities aim to close the gap between petroleum pump prices and prices mandated by the price adjustment mechanism (Figure 6).** Since mid-2007 SONABHY, the national oil company, has had margin losses from incomplete price pass-through of about 0.8 percent of GDP. The authorities lowered pump prices in December, though by less than the automatic price mechanism would have suggested. Gradual reduction of pump prices will make it possible to recover these losses by year-end.

Figure 6. Burkina Faso: Structural Reform in the Petroleum Sector



Sources: Burkinabè authorities, IMF *World Economic Outlook*, and IMF staff estimates and projections.

IV. Program Issues and Risks

18. **The authorities welcomed changes in the Fund's structural conditionality and the new reform initiatives take into account the impact of the global crisis.** Letting automatic stabilizers work slightly widens the deficit beyond the initial target. Planned reforms include interconnection of custom offices, a more comprehensive financial sector action plan, tracking social expenditure more closely, and following up on the operational and financial audits of SOFITEX. Tax reform measures in 2009 might be less comprehensive than initially envisaged because implementation capacity is inadequate and TA delivery has been delayed. While a large increase in capital spending is expected in 2009, this is in line with levels observed previously, and includes new projects financed by the Millennium Challenge Account. Staff and the authorities agreed to review the case for augmentation of access during the next mission, when the impact of the financial crisis can be better gauged.

19. **The program entails risks related to global financial turmoil and domestic lack of capacity**. A continued decline in world cotton prices could weaken the balance sheet of ginning companies and could put pressure on the fiscal target. Financing of the deficit could also be undermined if plans to issue bonds on the WAEMU market are hampered by limited regional liquidity. Poor implementation capacity and delays in TA could slow structural reforms. While further delays in tax reform could undermine revenue objectives, continued progress in tax and customs administration should compensate at least part of the shortfall.

V. Staff Appraisal

20. **Burkina Faso's near-term macroeconomic prospects are mixed, and the outlook is uncertain.** The global financial crisis has lowered external demand and cotton prices and put pressure on financial flows. Lower international oil prices, higher gold prices, and another good harvest could cushion some of the shock. Real GDP growth is projected to slow to 3.5 percent in 2009.

21. **While there is some scope for countercyclical fiscal policy, debt sustainability concerns call for caution.** A modest increase in the deficit target is warranted given the projected decline of revenues as a share of GDP and social needs, but medium-term fiscal consolidation is necessary to reduce the high risk of debt distress. Subsidies and transfers need to be better targeted; commendably, the authorities are implementing, with donor support, a cash transfer system in Burkina Faso's two biggest cities.

22. **Despite the financial crisis, Burkina Faso must move ahead forcefully with tax reform.** Measures are planned to revise the business tax, streamline the investment code, and strengthen VAT. Staff encouraged the authorities to make every effort to submit reform proposals to the National Assembly in October.

23. **The financial system has so far weathered the global financial storm, but could be vulnerable** to a drying-up of liquidity, an increase in nonperforming loans as the economy slows, credit concentration, or withdrawal of foreign banks if disruptions in international financial markets should intensify. Better surveillance, supervision, and risk management at both national and regional levels are thus essential. A comprehensive financial action plan is vital to kick-start the necessary structural reforms.

24. **Reforming the cotton sector is critical if the country's medium-term growth and development objectives are to be achieved**. The authorities are firmly committed to increasing the transparency and efficiency of SOFITEX by formulating a plan to implement audit recommendations. The authorities must now carefully monitor developments in the sector, work closely with the World Bank, and take the necessary steps to increase productivity.

25. **Staff recommends completion of the fourth review.** Implementation has been generally satisfactory, and new commitments have been made for the next phase of the arrangement.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2007–11

	2007	2008		2009		2010		2011
	Est.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
GDP and prices								
GDP at constant prices	3.6	4.5	5.0	4.9	3.5	6.0	4.1	5.3
GDP deflator	3.6	5.1	5.9	3.4	3.0	2.1	2.1	2.0
Consumer prices (annual average)	-0.2	9.7	10.7	5.0	4.8	2.1	2.3	2.0
Consumer prices (end of period)	2.3	5.5	11.6	3.5	3.3	2.0	2.0	2.0
Money and credit								
Net domestic assets (banking system) [2]	-5.5	9.9	16.9	12.1	8.2	8.3	4.4	5.4
Credit to the government [2]	-9.6	1.8	4.2	4.5	-0.9	0.6	0.6	0.0
Credit to the economy [2]	0.6	8.1	14.4	7.6	9.1	7.8	3.8	5.4
Broad money (M2)	22.9	9.8	12.0	8.5	6.7	8.2	6.3	7.4
Velocity (GDP/M2)	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
External sector								
Exports (f.o.b.; valued in CFA francs)	-2.9	6.6	-2.8	21.0	13.1	10.1	44.4	6.3
Imports (f.o.b.; valued in CFA francs)	4.1	25.0	17.1	8.2	3.1	3.5	12.6	3.2
Terms of trade	-1.4	-3.1	-2.8	1.0	12.4	-3.6	-2.6	-1.3
Real effective exchange rate (– = depreciation)	-0.6	7.0	6.6	...	...	...	...	...
World cotton price (US$ cents per pound)	63.3	75.0	71.4	70.0	55.0	69.0	59.0	61.0
Average petroleum spot price (US$ per barrel)	71.1	99.8	97.0	68.0	52.0	75.0	62.5	67.5
	(Percent of GDP, unless otherwise indicated)							
Central government finances								
Current revenue	13.6	13.5	13.4	13.6	13.2	14.2	13.8	14.4
Of which : Tax revenue	12.5	12.6	12.3	12.7	12.1	13.2	12.7	13.3
Total expenditure	25.8	24.9	22.0	24.5	24.6	24.4	23.8	23.6
Of which : Current expenditure	13.9	13.1	12.6	12.4	12.6	12.0	11.8	11.5
Overall fiscal balance, excl. grants (commitments)	-12.2	-11.4	-8.5	-10.8	-11.4	-10.2	-9.9	-9.2
Overall fiscal balance, incl. grants (commitments)	-5.7	-5.3	-4.5	-4.8	-5.1	-4.4	-4.6	-4.1
Overall fiscal balance, incl. grants (cash basis)	-5.2	-5.5	-4.0	-4.9	-5.3	-4.4	-4.7	-4.3
Domestic financing	2.1	1.4	1.1	0.9	1.5	0.1	1.0	0.8
Savings and investment								
Current account balance (including current official transfers)	-8.3	-11.9	-11.0	-11.1	-10.0	-10.7	-10.7	-10.3
Current account balance (excluding current official transfers)	-12.6	-16.0	-14.7	-14.9	-14.0	-13.4	-13.2	-12.7
Gross investment	19.5	19.9	18.1	19.5	18.2	20.0	19.5	20.4
Government	9.0	8.0	6.4	8.5	8.6	8.7	8.5	9.8
Private	10.5	11.9	11.7	11.1	9.5	11.3	11.0	10.6
Gross domestic savings	5.3	2.7	2.1	3.5	2.9	5.4	5.2	6.8
Government	0.8	1.5	2.4	1.7	1.3	2.3	2.3	2.9
Private	4.5	1.1	-0.3	1.7	1.7	3.2	3.0	3.8
Gross national savings	11.2	7.9	7.1	8.4	8.1	9.2	8.8	10.1
Government	4.8	5.3	5.7	5.2	5.0	4.7	4.5	5.0
Private	6.5	2.6	1.4	3.2	3.1	4.6	4.3	5.1
External sector and debt indicators								
Exports of goods and services	10.6	10.2	9.3	11.3	9.8	11.7	12.8	12.7
Imports of goods and services	24.8	27.4	25.4	27.3	25.0	26.2	27.1	26.3
External debt	19.8	21.4	20.1	24.4	22.7	26.8	24.0	24.7
NPV of external debt	11.6	12.6	11.4	14.8	14.1	16.2	15.5	16.5
NPV of external debt (percent of exports)	110.0	123.2	122.6	131.3	144.7	138.6	121.0	130.0
NPV of external debt (percent of revenues)	85.5	93.2	85.1	108.5	106.9	114.4	112.3	114.5
Memorandum item :								
Nominal GDP (CFAF billions)	3,239	3,549	3,603	3,851	3,844	4,166	4,084	4,388

Sources: Burkinabè authorities, and IMF staff estimates.

[1] IMF Country Report 09/38.

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

Table 2. Burkina Faso: Consolidated Operations of the Central Government, 2007–11

	2007	2008			2009								2010		2011
	Real.	Jun.	Dec.		Mar.		Jun.		Sep.		Dec.		Prog.[1]	Proj.	Proj.
		Réal.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.			
	(CFAF billions)														
Total revenue and grants	650.5	307.3	698.7	630.8	179.4	165.6	400.6	394.2	582.3	599.9	757.1	751.0	833.6	783.6	853.4
Total revenue	440.2	245.2	479.6	483.8	125.1	121.6	283.8	274.5	403.0	391.0	524.7	508.4	590.9	563.7	630.9
Tax revenue	405.2	230.8	446.0	444.7	116.1	111.0	265.8	253.2	376.0	359.2	488.7	466.0	548.9	518.8	582.6
Income and profits	98.2	63.1	109.2	103.5	22.8	21.4	72.9	67.5	97.3	89.9	120.5	111.5	145.8	122.5	142.6
Domestic goods and services	217.3	122.1	238.4	243.8	67.9	65.6	139.8	135.1	200.6	194.7	263.4	255.6	287.4	281.8	309.3
International trade	78.1	38.9	84.7	81.8	21.5	19.8	45.2	42.1	66.4	61.8	89.3	81.9	98.9	96.0	108.8
Other	11.6	6.8	13.8	15.6	3.9	4.2	7.8	8.5	11.7	12.8	15.6	17.0	16.8	18.4	21.9
Nontax revenue	35.0	14.4	33.6	39.2	9.0	10.6	18.0	21.2	27.0	31.8	36.0	42.4	42.0	44.9	48.3
Grants	210.3	62.1	219.1	146.9	54.3	44.0	116.8	119.7	179.3	208.9	232.3	242.6	242.7	219.9	222.5
Project	114.7	27.4	118.5	58.7	33.7	33.7	67.4	67.4	101.1	101.1	134.851	134.9	177.0	162.4	164.1
Of which: Millenium Challenge Corporation (MCC)	0.0	0.0	1.4	1.0	9.5	9.8	19.1	19.6	28.6	29.4	38.2	39.2	49.5	50.8	50.6
Program	95.6	34.7	100.6	88.2	20.6	10.3	49.4	52.3	78.2	107.7	97.5	107.7	65.7	57.5	58.5
Expenditure and net lending [2]	834.8	399.2	885.5	791.9	235.9	235.6	471.9	471.2	707.8	706.7	942.3	947.1	1015.2	970.1	1035.2
Current expenditure	450.3	240.1	466.6	455.2	120.0	119.6	240.0	239.3	360.0	358.9	478.5	483.3	500.4	482.8	506.2
Wages and salaries	187.6	95.9	198.0	198.8	52.9	52.9	105.9	105.7	158.8	158.6	211.8	211.4	224.9	218.5	230.4
Goods and services	94.8	60.6	99.3	95.3	25.0	25.0	50.1	50.0	75.1	75.0	100.1	99.9	109.6	98.0	105.3
Interest payments	13.1	4.0	13.7	12.7	3.5	3.3	7.0	6.7	10.5	10.0	14.0	13.4	15.9	15.1	16.9
Current transfers	154.8	79.6	155.6	148.4	38.5	38.4	77.0	76.9	115.5	115.3	152.6	158.6	150.0	151.1	153.6
Of which: Safety net and other expenditures	0.9	1.6	1.5	1.6	0.4	0.4	0.8	0.8	1.2	1.2	1.6	1.6	1.8	1.7	1.8
Subsidies	20.5	18.3	26.5	24.4	3.3	8.1	6.5	16.3	9.8	24.4	13.0	32.5	71.7	36.8	39.5
Investment expenditure	383.3	159.6	404.1	325.1	116.5	116.5	232.9	232.9	349.4	349.4	465.8	465.8	516.7	489.3	531.0
Domestically financed	175.7	98.9	179.4	200.4	45.9	45.9	91.7	91.7	137.6	137.6	183.5	183.5	194.8	200.1	237.9
Capital transfers	32.9	5.7	13.7	6.2	1.8	1.8	3.5	3.5	5.3	5.3	7.0	7.0	7.0	7.0	7.0
Exonerations	18.8	15.4	20.2	27.1	8.3	8.3	16.5	16.5	24.8	24.8	33.0	33.0	20.0	20.0	20.0
Other investment expenditure	124.0	77.8	145.5	167.2	35.9	35.9	71.7	71.7	107.6	107.6	143.5	143.5	167.8	173.1	210.9
Externally financed	207.6	60.7	224.7	124.6	70.6	70.6	141.2	141.2	211.8	211.8	282.3	282.3	321.9	289.2	293.0
Of which: MCC	0.0	0.0	1.4	1.0	9.5	9.8	19.1	19.6	28.6	29.4	38.2	39.2	49.5	50.8	50.6
Net lending	1.2	-0.4	14.8	11.6	-0.5	-0.5	-1.0	-1.0	-1.5	-1.5	-2.0	-2.0	-2.0	-2.0	-2.0
Overall balance (commitment basis)	-184.2	-91.8	-186.8	-161.1	-56.5	-70.0	-71.3	-77.0	-125.5	-106.8	-185.3	-196.1	-181.6	-186.5	-181.8
Excluding grants	-394.5	-154.0	-405.9	-308.0	-110.8	-114.0	-188.1	-196.7	-304.8	-315.7	-417.6	-438.7	-424.3	-406.4	-404.3
Cash basis adjustment	17.2	15.1	-8.8	15.8	-0.5	-1.5	-1.0	-3.0	-1.5	-4.5	-2.0	-6.0	-2.0	-6.5	-6.8
Change in payment arrears	0.0	0.0	-8.8	0.0	-0.5	-1.5	-1.0	-3.0	-1.5	-4.5	-2.0	-6.0	-2.0	-6.5	-6.8
Expenditures authorized without payment orders	8.8	-29.6	0.0	-36.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment orders not executed	-2.9	3.8	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in treasury commitments	7.3	40.8	0.0	50.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-167.0	-76.7	-195.6	-145.3	-57.0	-71.5	-72.3	-80.0	-127.0	-111.3	-187.3	-202.1	-183.6	-193.0	-188.6
Excluding grants	-377.3	-138.9	-414.7	-292.2	-111.3	-115.5	-189.1	-199.7	-306.3	-320.2	-419.6	-444.7	-426.3	-412.9	-411.1
Errors and omissions	-1.0	0.7	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	168.0	73.4	192.8	143.2	57.0	71.5	71.6	79.3	127.0	110.7	185.8	200.8	182.9	192.2	188.6
Foreign financing	99.3	26.8	144.3	102.3	34.4	32.9	68.7	80.6	103.1	113.5	152.0	146.4	178.2	153.6	153.9
Drawings	114.5	33.2	160.2	115.3	36.9	36.9	73.7	88.6	110.6	125.5	162.1	162.4	193.2	169.1	172.0
Project loans	93.0	33.2	106.2	69.3	36.9	36.9	73.7	73.7	110.6	110.6	147.5	147.5	144.9	126.8	129.0
Program loans	21.5	0.0	54.0	45.9	0.0	0.0	0.0	14.9	0.0	14.9	14.6	14.9	48.3	42.3	43.0
Amortization (excl. IMF)	-15.2	-6.4	-16.0	-13.0	-2.5	-4.0	-5.0	-8.0	-7.6	-12.0	-10.1	-15.9	-15.0	-15.5	-18.1
Domestic financing	68.7	46.5	48.6	40.9	22.7	38.6	2.9	-1.3	23.2	-2.8	33.8	54.4	4.7	38.7	34.7
Bank financing	-63.9	14.7	12.0	34.3	22.7	-6.4	2.9	-38.3	23.2	-89.8	38.4	-9.3	4.7	4.7	0.0
Central bank	-70.8	27.1	30.3	47.3	23.9	-5.1	5.4	-35.8	27.7	-86.0	43.4	-4.3	4.7	4.7	0.0
Commercial banks	6.9	-12.5	-18.3	-12.9	-1.3	-1.3	-2.5	-2.5	-3.8	-3.8	-5.0	-5.0	0.0	0.0	0.0
Nonbank financing	132.6	31.9	36.6	6.6	0.0	45.0	0.0	37.0	0.0	87.0	-4.6	63.7	0.0	34.0	34.7
Government bonds	-25.2	8.0	6.6	-12.3	0.0	18.0	0.0	10.0	0.0	60.0	-12.6	36.7	0.0	34.0	34.7
New issues	23.8	15.0	24.9	30.9	0.0	18.0	0.0	28.0	0.0	88.0	0.0	98.0	0.0	34.0	34.7
Amortization	-49.0	-7.0	-18.3	-43.3	0.0	0.0	0.0	-18.0	0.0	-28.0	-12.6	-61.3	0.0	0.0	0.0
Privatization revenue	139.1	0.0	30.0	2.9	0.0	27.0	0.0	27.0	0.0	27.0	8.0	27.0	0.0	0.0	0.0
Other nonbank financing	18.7	23.9	0.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [3]	0.0	2.7	2.8	0.0	0.0	-0.1	0.7	0.7	0.7	0.6	1.5	1.3	0.7	0.7	0.0
Memorandum items:															
Poverty-reducing expenditure	182.6	97.0	195.0	198.5	...	45.4	...	106.0	...	164.4	216.4	216.4	237.0	236.9	259.4
Of which: Education	76.6	45.5	81.8	82.2	...	...	...	...	...	...	91.0	91.0	104.5	100.4	113.6
Health	60.2	24.1	64.2	60.1	...	...	...	...	...	...	69.8	69.8	80.2	76.9	89.4
Nominal GDP	3,239	... .	3,549	3,603	...	...	...	...	...	...	3,851	3,844	4,166	4,084	4,388

(continued)

Table 2. Burkina Faso: Consolidated Operations of the Central Government, 2007–11 (concluded)

	2007	2008		2009		2010		2011
	Real.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)							
Total revenues and grants	20.1	19.7	17.5	19.7	19.5	20.0	19.2	19.4
Total revenue	13.6	13.5	13.4	13.6	13.2	14.2	13.8	14.4
Tax revenue	12.5	12.6	12.3	12.7	12.1	13.2	12.7	13.3
Income and profits	3.0	3.1	2.9	3.1	2.9	3.5	3.0	3.2
Domestic goods and services	6.7	6.7	6.8	6.8	6.7	6.9	6.9	7.0
International trade	2.4	2.4	2.3	2.3	2.1	2.4	2.4	2.5
Other	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Nontax revenue	1.1	0.9	1.1	0.9	1.1	1.0	1.1	1.1
Grants	6.5	6.2	4.1	6.0	6.3	5.8	5.4	5.1
Project	3.5	3.3	1.6	3.5	3.5	4.2	4.0	3.7
Of which: MCC	0.0	0.0	0.0	1.0	1.0	1.2	1.2	1.2
Program	3.0	2.8	2.4	2.5	2.8	1.6	1.4	1.3
Expenditure and net lending [2]	25.8	24.9	22.0	24.5	24.6	24.4	23.8	23.6
Current expenditure	13.9	13.1	12.6	12.4	12.6	12.0	11.8	11.5
Wages and salaries	5.8	5.6	5.5	5.5	5.5	5.4	5.4	5.3
Goods and services	2.9	2.8	2.6	2.6	2.6	2.6	2.4	2.4
Interest payments	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4
Current transfers	4.8	4.4	4.1	4.0	4.1	3.6	3.7	3.5
Of which: Safety net and other expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	0.6	0.7	0.7	0.3	0.8	1.7	0.9	0.9
Investment expenditure	11.8	11.4	9.0	12.1	12.1	12.4	12.0	12.1
Domestically financed	5.4	5.1	5.6	4.8	4.8	4.7	4.9	5.4
Capital transfers	1.0	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Exonerations	0.6	0.6	0.8	0.9	0.9	0.5	0.5	0.5
Other investment expenditure	3.8	4.1	4.6	3.7	3.7	4.0	4.2	4.8
Externally financed	6.4	6.3	3.5	7.3	7.3	7.7	7.1	6.7
Of which: MCC	0.0	0.0	0.0	1.0	1.0	1.2	1.2	1.2
Net lending	0.0	0.4	0.3	-0.1	-0.1	0.0	0.0	0.0
Overall balance (commitment basis)	-5.7	-5.3	-4.5	-4.8	-5.1	-4.4	-4.6	-4.1
Excluding grants	-12.2	-11.4	-8.5	-10.8	-11.4	-10.2	-9.9	-9.2
Cash basis adjustment	0.5	-0.2	0.4	-0.1	-0.2	0.0	-0.2	-0.2
Change in payment arrears	0.0	-0.2	0.0	-0.1	-0.2	0.0	-0.2	-0.2
Expenditures authorized without payment orders	0.3	0.0	-1.0	0.0	0.0	0.0	0.0	0.0
Payment orders not executed	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Change in treasury commitments	0.2	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-5.2	-5.5	-4.0	-4.9	-5.3	-4.4	-4.7	-4.3
Excluding grants	-11.6	-11.7	-8.1	-10.9	-11.6	-10.2	-10.1	-9.4
Errors and omissions	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financing	5.2	5.4	4.0	4.8	5.2	4.4	4.7	4.3
Foreign	3.1	4.1	2.8	3.9	3.8	4.3	3.8	3.5
Drawings	3.5	4.5	3.2	4.2	4.2	4.6	4.1	3.9
Project loans	2.9	3.0	1.9	3.8	3.8	3.5	3.1	2.9
Program loans	0.7	1.5	1.3	0.4	0.4	1.2	1.0	1.0
Amortization (excl. IMF)	-0.5	-0.5	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4
Domestic financing	2.1	1.4	1.1	0.9	1.4	0.1	0.9	0.8
Bank financing	-2.0	0.3	1.0	1.0	-0.2	0.1	0.1	0.0
Central bank	-2.2	0.9	1.3	1.1	-0.1	0.1	0.1	0.0
Commercial banks	0.2	-0.5	-0.4	-0.1	-0.1	0.0	0.0	0.0
Nonbank financing	4.1	1.0	0.2	-0.1	1.7	0.0	0.8	0.8
Government bonds	-0.8	0.2	-0.3	-0.3	1.0	0.0	0.8	0.8
New issues	0.7	0.7	0.9	0.0	2.5	0.0	0.8	0.8
Amortization	-1.5	-0.5	-1.2	-0.3	-1.6	0.0	0.0	0.0
Privatization revenue	4.3	0.8	0.1	0.2	0.7	0.0	0.0	0.0
Other nonbank financing	0.6	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Financing gap [3]	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:								
Nominal GDP (CFAF billions)	3,239	3,549	3,603	3,851	3,844	4,166	4,084	4,388

Sources: Burkinabè authorities, and IMF staff estimates.

[1] IMF Country Report 09/38

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

[3] To be covered by PRGF and other disbursements.

Table 3. Burkina Faso: Monetary Survey, 2007–2011

	2007	2008		2009				2010	2011
	Real.	Dec.		Jun.		Dec			
		Prog.[1]	Est	Prog.[1]	Proj	Prog.[1]	Proj	Proj	Proj
	(CFAF billions)								
Net foreign assets	409.3	408.8	369.0	376.4	354.4	376.7	354.7	373.3	394.4
Central Bank of West African States (BCEAO)	355.0	354.5	315.0	322.4	300.4	322.4	300.4	318.9	340.1
Assets	457.0	461.7	438.7	429.7	424.1	429.7	424.1	442.2	461.5
Liabilities	102.0	107.3	123.7	107.3	123.7	107.3	123.7	123.2	121.4
Commercial banks	54.3	54.3	54.0	54.1	54.0	54.3	54.3	54.3	54.3
Net domestic assets	403.9	484.2	541.6	553.1	593.5	592.2	616.6	658.9	714.5
Net domestic credit	452.6	532.9	603.7	601.8	655.5	640.9	678.7	720.9	776.6
Net credit to government	-94.0	-79.2	-59.7	-75.6	-97.3	-39.3	-67.5	-62.1	-62.1
Treasury	-18.0	-3.2	34.8	0.4	-2.7	36.7	27.0	13.9	13.9
BCEAO	-54.7	-21.5	-3.4	-15.4	-38.4	23.4	-6.2	-4.8	-4.8
Commercial banks	36.7	18.3	38.2	15.8	35.7	13.3	33.2	18.8	18.8
Other central government	-76.0	-76.0	-94.5	-76.0	-94.5	-76.0	-94.5	-76.0	-76.0
Of which: project deposits	-122.6	-122.6	-146.3	-122.6	-146.3	-122.6	-122.6	-122.6	-122.6
Credit to the economy	546.6	612.2	663.4	677.4	752.7	680.2	746.2	783.1	838.7
Crop credit	18.1	20.4	14.1	22.7	16.1	22.8	16.0	16.8	18.1
Other	528.5	591.7	649.3	654.7	736.6	657.4	730.2	766.3	820.7
Other items (net)	-48.7	-48.7	-62.0	-48.7	-62.0	-48.7	-62.0	-62.0	-62.0
Broad money	813.2	893.0	910.6	929.5	947.8	968.9	971.4	1032.2	1108.9
Of which : bank deposits	555.7	627.2	638.2	641.4	652.8	670.5	669.4	713.2	768.4
	(Annual changes in percent of broad money from 12 months earlier, unless otherwise indicated)								
Memorandum items:									
Net foreign assets	28.5	-0.1	-5.0	3.8	0.1	-3.6	-1.6	1.9	2.0
Net domestic assets	-5.5	9.9	16.9	8.6	14.2	12.1	8.2	4.4	5.4
Net credit to government	-9.6	1.8	4.2	0.6	-2.2	4.5	-0.9	0.6	0.0
Credit to the economy	0.6	8.1	14.4	8.4	17.5	7.6	9.1	3.8	5.4
(annual percentage change)	0.8	12.0	21.4	11.5	23.8	11.1	12.5	4.9	7.1
(excluding crop credit)	13.2	12.0	22.8	15.5	29.9	11.1	12.5	4.9	7.1
Money supply	22.9	9.8	12.0	12.3	14.3	8.5	6.7	6.3	7.4
Of which : bank deposits	13.0	8.8	10.1	3.8	5.5	4.8	3.4	7.7	5.3
Currency velocity (GDP/broad money)	4.0	4.0	4.0	4.1	4.1	4.0	4.0	4.0	4.0

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

[1] IMF Country Report 09/38

Table 4. Burkina Faso: Balance of Payments, 2007–11

	2007	2008		2009		2010		2011
	Est.	Prog.[1]	Proj.	Prog.[1]	Proj.	Prog.[1]	Proj.	Proj.
	(CFAF billions)							
Current account	-268.4	-422.9	-396.6	-429.3	-386.0	-446.0	-435.2	-451.1
Excluding official transfers	-406.6	-567.5	-528.7	-526.8	-493.8	-511.7	-492.7	-509.6
Trade balance	-286.6	-415.6	-395.4	-409.3	-378.3	-398.6	-321.8	-317.5
Exports of goods	298.6	315.8	290.1	382.0	328.1	420.5	473.8	503.4
Of which: cotton	166.4	98.5	93.5	139.6	103.6	152.7	120.2	130.0
gold	16.1	85.0	67.1	100.2	121.6	119.6	237.0	239.2
Imports of goods	-585.1	-731.4	-685.5	-791.3	-706.4	-819.1	-795.6	-820.9
Of which: oil	-143.3	-196.1	-194.9	-165.2	-124.9	-181.5	-173.3	-197.6
Millenium Challenge Corporation (MCC)	0.0	-0.8	-0.9	-22.9	-23.5	-29.7	-30.5	-30.3
Services, net	-173.9	-193.9	-182.6	-209.2	-206.3	-205.9	-260.2	-280.6
Exports of services	43.8	46.8	46.0	51.7	47.6	67.2	49.5	52.2
Imports of services	-217.7	-240.7	-228.6	-260.9	-253.9	-273.1	-309.8	-332.8
Of which: freight and insurance	-138.7	-162.9	-145.7	-176.3	-155.4	-182.5	-165.1	-177.4
Income, net	-1.1	-7.2	-10.0	-7.9	-10.7	-8.1	-13.5	-16.4
Of which: interest on public debt (incl. IMF charges)	-6.9	-7.6	-8.3	-8.2	-7.6	-10.0	-9.3	-11.1
Current transfers	193.3	193.8	191.4	197.2	209.2	166.6	160.4	163.5
Private transfers, net	55.0	49.3	59.3	54.5	56.3	54.4	56.4	57.1
Of which: remittances, net	-0.5	1.0	2.4	3.4	2.7	6.1	13.1	18.6
Official transfers, net	138.3	144.5	132.1	142.7	152.9	112.2	104.0	106.3
Of which: program grants	95.6	100.6	88.2	97.5	107.7	65.7	57.5	58.5
Capital account	140.2	145.3	85.5	163.0	153.3	206.5	181.7	184.4
Project grants	114.7	118.5	58.7	134.9	134.9	177.0	162.4	164.1
Other capital transfers	25.5	26.8	26.8	28.1	18.4	29.5	19.3	20.3
Financial account	316.3	280.0	271.2	235.7	216.7	238.9	271.3	287.9
Direct investment	164.5	109.0	124.0	49.7	44.0	23.8	50.0	62.0
Portfolio investment	3.6	4.0	6.1	4.3	10.4	4.7	8.2	9.2
Other investment	148.1	167.0	141.1	181.7	162.2	210.5	213.0	216.7
Long-term investment	113.5	161.9	118.6	171.7	160.3	200.1	178.6	180.8
Project loans	93.0	106.2	69.3	147.5	147.5	144.9	126.8	129.0
Program loans	21.5	54.0	45.9	14.6	14.9	48.3	42.3	43.0
Amortization of public loans (excl. IMF)	-15.2	-16.0	-13.0	-10.1	-15.9	-15.0	-15.5	-18.1
Private investment	14.2	17.6	16.3	19.7	13.9	21.9	25.0	26.9
Short-term investment	34.6	5.2	22.5	10.0	1.9	10.4	34.4	35.9
Errors and ommisions / gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	188.1	2.3	-40.0	-30.6	-16.1	-0.6	17.8	21.1
Financing	-188.1	0.5	40.0	32.1	14.6	1.4	-18.5	-21.1
Net foreign assets of the central bank	-151.6	0.5	40.0	32.1	14.6	1.4	-18.5	-21.1
Of which: gross official reserves	-181.7	-4.8	18.2	32.1	14.6	1.9	-18.0	-19.3
IMF	0.4	5.3	8.1	0.0	0.0	-0.5	-0.5	-1.8
Uses of resources	0.4	5.3	8.1	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	0.0	0.0	0.0	0.0	0.0	-0.5	-0.5	-1.8
Net foreign assets of commercial banks	-36.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [2]	0.0	2.8	0.0	1.5	1.5	0.7	0.7	0.0
	(Percent of GDP, unles otherwise indicated)							
Memorandum items:								
Trade balance (– = deficit)	-8.8	-11.7	-11.0	-10.6	-9.8	-9.6	-7.9	-7.2
Cotton export volume (thousands of metric tons)	276.0	149.3	147.9	210.0	193.2	234.1	210.0	220.5
Current account (– = deficit)	-8.3	-11.9	-11.0	-11.1	-10.0	-10.7	-10.7	-10.3
Excluding official transfers	-12.6	-16.0	-14.7	-13.7	-12.8	-12.3	-12.1	-11.6
Overall balance (– = deficit)	5.8	0.1	-1.1	-0.8	-0.4	0.0	0.4	0.5
Gross international reserves								
CFAF billions	457.0	461.7	438.7	429.7	424.1	427.8	442.2	461.5
Months of imports of goods and services	6.8	5.7	5.8	4.9	5.3	4.7	4.8	4.8
GDP at current prices (CFAF billions)	3,239	3,549	3,603	3,851	3,844	4,166	4,084	4,388

Sources: Burkinabè authorities and IMF staff estimates.

[1] IMF Country Report 09/38.

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

Table 5. Burkina Faso: Medium-Term Selected Economic and Financial Indicators, 2007–13

	2007	2008	2009	2010	2011	2012	2013
	Est.	Projections					
	(Annual percentage change, unless otherwise indicated)						
GDP and prices							
GDP at constant prices	3.6	5.0	3.5	4.1	5.3	6.0	6.0
GDP deflator	3.6	5.9	3.0	2.1	2.0	2.1	2.0
Consumer prices (annual average)	-0.2	10.7	4.8	2.3	2.0	2.0	2.0
Consumer prices (end of period)	2.3	11.6	3.3	2.0	2.0	2.0	2.0
Money and credit							
Net domestic assets (banking system) [1]	-5.5	16.9	8.2	4.4	5.4	3.7	4.8
Credit to the government [1]	-9.6	4.2	-0.9	0.6	0.0	0.0	0.0
Credit to the economy [1]	0.6	14.4	9.1	3.8	5.4	3.7	4.8
Broad money (M2)	22.9	12.0	6.7	6.3	7.4	8.2	8.1
Velocity (GDP/M2)	4.0	4.0	4.0	4.0	4.0	4.0	4.0
External sector							
Exports (f.o.b.; valued in CFA francs)	-2.9	-2.8	13.1	44.4	6.3	7.4	6.9
Imports (f.o.b.; valued in CFA francs)	4.1	17.1	3.1	12.6	3.2	1.7	7.2
Terms of trade	-1.4	-2.8	12.4	-2.6	-1.3	-0.2	-0.9
Real effective exchange rate (– = depreciation)	-0.6	7.1	...	...	...	...	...
World cotton price (US$ cents per pound)	63.3	71.4	55.0	59.0	61.0	63.0	64.0
Average petroleum spot price (US$ per barrel)	71.1	97.0	52.0	62.5	67.5	70.5	72.5
	(Percent of GDP, unless otherwise indicated)						
Central government finances							
Current revenue	13.6	13.4	13.2	13.8	14.4	15.3	16.0
Of which : Tax revenue	12.5	12.3	12.1	12.7	13.3	14.2	14.8
Total expenditure	25.8	22.0	24.6	23.8	23.6	24.2	24.3
Of which : Current expenditure	13.9	12.6	12.6	11.8	11.5	11.8	11.8
Overall fiscal balance, excl. grants (commitments)	-12.2	-8.5	-11.4	-9.9	-9.2	-8.8	-8.3
Overall fiscal balance, incl. grants (commitments)	-5.7	-4.5	-5.1	-4.6	-4.1	-3.7	-3.5
Domestic financing	2.1	1.1	1.5	1.0	0.8	0.0	0.0
Savings and investment							
Current account balance (including current official transfers)	-8.3	-11.0	-10.0	-10.7	-10.3	-9.2	-9.2
Current account balance (excluding current official transfers)	-12.6	-14.7	-14.0	-13.2	-12.7	-11.6	-11.5
Gross investment	19.5	18.1	18.2	19.5	20.4	23.1	23.1
Government	9.0	6.4	8.6	8.5	9.8	9.8	9.7
Private	10.5	11.7	9.5	11.0	10.6	13.2	13.4
Gross domestic savings	5.3	2.1	2.9	5.2	6.8	10.4	10.6
Government	0.8	2.4	1.3	2.3	2.9	3.6	4.2
Private	4.5	-0.3	1.7	3.0	3.8	6.8	6.4
Gross national savings	11.2	7.1	8.1	8.8	10.1	13.9	13.9
Government	4.8	5.7	5.0	4.5	5.0	5.7	6.2
Private	6.5	1.4	3.1	4.3	5.1	8.1	7.7
External sector and debt indicators							
Exports of goods and services	10.6	9.3	9.8	12.8	12.7	12.6	12.4
Imports of goods and services	24.8	25.4	25.0	27.1	26.3	25.2	24.9
External debt	19.8	20.1	22.7	24.0	24.7	25.5	26.2
NPV of external debt	11.6	11.4	14.1	15.5	16.5	17.3	18.2
NPV of external debt (percent of exports)	110.0	122.6	144.7	121.0	130.0	138.1	146.6
NPV of external debt (percent of revenues)	85.5	85.1	106.9	112.3	114.5	113.1	113.9
Memorandum item :							
Nominal GDP (CFAF billions)	3,239	3,603	3,844	4,084	4,388	4,748	5,134

Sources: Burkinabè authorities, and IMF staff estimates.

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

Table 6. Burkina Faso: Indicators of Capacity to Repay the Fund, 2007–15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Actual	Projections							
Fund obligations based on existing credit									
(SDR millions)									
Principal	0.0	0.0	0.0	0.7	2.4	4.7	5.1	6.3	5.6
Charges and interest	0.5	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Fund obligations based on existing and prospective credit									
(SDR millions)									
Principal	0.0	0.0	0.0	0.7	2.4	4.7	5.1	7.2	6.9
Charges and interest	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Total obligations based on existing and prospective credit									
SDR millions	0.5	0.4	0.3	1.0	2.7	5.0	5.4	7.4	7.1
CFAF billions	0.4	0.3	0.2	0.7	1.9	3.4	3.7	5.0	4.8
Percent of exports of goods and services	0.1	0.1	0.1	0.1	0.3	0.6	0.6	0.7	0.7
Percent of debt service [1]	1.7	1.4	0.9	2.7	6.1	9.4	8.8	11.0	9.4
Percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Percent of Tax Revenue	0.1	0.1	0.0	0.1	0.3	0.5	0.5	0.6	0.5
Percent of quota	0.8	0.7	0.5	1.7	4.5	8.3	8.9	12.3	11.8
Outstanding Fund credit									
SDR millions	23.7	35.3	37.3	37.6	35.2	30.5	25.4	18.2	11.4
CFAF billions	17.4	24.3	25.5	25.7	24.0	20.8	17.3	12.4	7.7
Percent of exports of goods and services	5.1	7.2	6.8	4.9	4.3	3.5	2.7	1.8	1.1
Percent of debt service [1]	79.2	117.3	107.4	100.0	78.3	57.4	41.6	27.0	15.0
Percent of GDP	0.5	0.7	0.7	0.6	0.5	0.4	0.3	0.2	0.1
Percent of Tax Revenue	4.3	5.5	5.5	5.0	4.1	3.1	2.3	1.5	0.8
Percent of quota	39.4	58.6	61.9	62.4	58.4	50.6	42.2	30.3	18.9
Net use of Fund credit (SDR millions)	0.5	11.5	2.0	0.3	-2.4	-4.7	-5.1	-7.2	-6.9
Disbursements	0.5	11.5	2.0	1.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.0	0.7	2.4	4.7	5.1	7.2	6.9
Memorandum items:									
Exports of goods and services (CFAF billions)	342.4	336.1	375.7	523.3	555.6	596.1	636.7	689.3	728.1
Debt service (CFAF billions) [1]	22.0	20.7	23.7	25.7	30.6	36.1	41.6	45.9	51.5
Nominal GDP (CFAF billions)	3,239	3,603	3,844	4,084	4,388	4,748	5,134	5,551	6,032
Tax Revenue (CFAF billions)	405.2	444.7	466.0	518.8	582.6	676.0	761.0	854.4	951.8
Quota (SDR millions)	60.2	60.2	60.2	60.2	60.2	60.2	60.2	60.2	60.2

Sources: IMF staff estimates and projections.

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

Table 7. Burkina Faso: Schedule of Disbursements Under the PRGF Arrangement, 2007–10

Amount	Date Available	Conditions Necessary for Disbursement [1]
SDR 0.5 million	April 23, 2007	Following Executive Board approval of the three-year PRGF arrangement
SDR 3.51 million	January 9, 2008	Observance of the performance criteria for June 30, 2007, and completion of the first review under the arrangement [2]
SDR 4.014 million	June 30, 2008	Observance of the performance criteria for December 31, 2007, and completion of the second review under the arrangement [2]
SDR 4.014 million	November 30, 2008	Observance of the performance criteria for June 30, 2008, and completion of the third review under the arrangement [2]
SDR 1.004 million	May 31, 2009	Observance of the performance criteria for December 31, 2008, and completion of the fourth review under the arrangement
SDR 1.004 million	November 30, 2009	Observance of the performance criteria for June 30, 2009, and completion of the fifth review under the arrangement
SDR 1.004 million	March 30, 2010	Observance of the performance criteria for December 31, 2009, and completion of the sixth review under the arrangement

Source: IMF

[1] In addition to the generally applicable conditions under the Poverty Reduction Facility and Growth Facility arrangement.

[2] Includes augmentation of access of 15 percent of quota (SDR 9.03 million), phased equally over the three disbursements in 2008.

Table 8. Burkina Faso: Poverty-Reducing Social Expenditures, 2001–09

	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Realisation								Proj.
	(CFAF billions)								
Total poverty-reducing social expenditure	80.4	108.9	116.6	145.0	161.8	167.2	182.6	198.5	216.4
Total current expenditure	64.9	76.7	83.8	94.0	112.6	121.7	143.1	146.2	168.7
Total capital expenditure	15.5	32.2	32.8	50.9	49.2	45.5	39.5	52.2	47.7
Health	27.3	38.5	37.9	48.1	54.2	55.7	60.2	60.1	69.8
Current expenditure	24.1	31.5	29.9	31.9	39.4	43.6	50.6	49.9	56.5
Capital expenditure	3.2	6.9	8.0	16.3	14.8	12.1	9.6	10.2	13.4
Education	35.1	42.7	47.9	56.9	64.5	70.6	76.6	82.2	91.0
Current expenditure	29.8	30.5	37.6	44.2	53.1	59.5	67.6	72.8	83.1
Capital expenditure	5.3	12.2	10.3	12.7	11.4	11.1	9.0	9.5	7.8
Rural roads	1.9	1.8	2.3	3.3	3.7	3.9	2.7	2.3	3.4
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1
Capital expenditure	1.9	1.8	2.3	3.3	3.6	3.7	2.7	2.2	3.3
Women's welfare and other poverty-reducing social expenditure	16.2	25.9	28.5	36.6	39.4	37.0	43.2	53.8	52.1
Current expenditure	11.1	14.7	16.3	18.0	20.1	18.5	24.9	23.5	28.9
Capital expenditure	5.1	11.2	12.2	18.6	19.3	18.6	18.3	30.3	23.2
	(Percent of GDP)								
Total poverty-reducing social expenditure	3.9	4.8	4.6	5.5	5.7	5.5	5.6	5.5	5.6
Total current expenditure	3.1	3.4	3.3	3.5	3.9	4.0	4.4	4.1	4.4
Total capital expenditure	0.8	1.4	1.3	1.9	1.7	1.5	1.2	1.4	1.2
Health	1.3	1.7	1.5	1.8	1.9	1.8	1.9	1.7	1.8
Current expenditure	1.2	1.4	1.2	1.2	1.4	1.4	1.6	1.4	1.5
Capital expenditure	0.2	0.3	0.3	0.6	0.5	0.4	0.3	0.3	0.3
Education	1.7	1.9	1.9	2.1	2.3	2.3	2.4	2.3	2.4
Current expenditure	1.4	1.3	1.5	1.7	1.9	2.0	2.1	2.0	2.2
Capital expenditure	0.3	0.5	0.4	0.5	0.4	0.4	0.3	0.3	0.2
Rural roads	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Women's welfare and other poverty-reducing social expenditure	0.8	1.1	1.1	1.4	1.4	1.2	1.3	1.5	1.4
Current expenditure	0.5	0.6	0.6	0.7	0.7	0.6	0.8	0.7	0.8
Capital expenditure	0.2	0.5	0.5	0.7	0.7	0.6	0.6	0.8	0.6
	(Percent of total expenditure)								
Total poverty-reducing social expenditure	17.5	22.3	20.0	24.9	24.7	22.3	21.9	25.4	22.8
Total current expenditure	14.1	15.7	14.4	16.1	17.2	16.3	17.2	18.7	17.8
Total capital expenditure	3.4	6.6	5.6	8.7	7.5	6.1	4.7	6.7	5.0
Health	5.9	7.9	6.5	8.3	8.3	7.4	7.2	7.7	7.4
Current expenditure	5.2	6.4	5.1	5.5	6.0	5.8	6.1	6.4	5.9
Capital expenditure	0.7	1.4	1.4	2.8	2.3	1.6	1.1	1.3	1.4
Education	7.6	8.7	8.2	9.8	9.8	9.4	9.2	10.5	9.6
Current expenditure	6.5	6.2	6.5	7.6	8.1	8.0	8.1	9.3	8.8
Capital expenditure	1.2	2.5	1.8	2.2	1.7	1.5	1.1	1.2	0.8
Rural roads	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	0.4
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	0.3
Women's welfare and other poverty-reducing social expenditure	3.5	5.3	4.9	6.3	6.0	4.9	5.2	6.9	5.5
Current expenditure	2.4	3.0	2.8	3.1	3.1	2.5	3.0	3.0	3.0
Capital expenditure	1.1	2.3	2.1	3.2	3.0	2.5	2.2	3.9	2.4

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

Table 9. Burkina Faso: Selected Indicators on the Millennium Development Goals, 1990–2007

	1990	1995	2000	2007
Eradicate extreme poverty and hunger	(2015 target: halve 1990 US$ 1 a day poverty and malnutrition rates)			
Income share held by lowest 20 percent	..	5.1	5.9	6.9*
Malnutrition prevalence, weight for age (percent of children under 5)	..	32.7	34.3	37.7*
Poverty gap at $1 a day (PPP, percent)	..	19.5	14.4	7.3*
Poverty headcount ratio at $1 a day (PPP) (percent of population)	..	51.4	44.9	27.2*
Poverty headcount ratio at national poverty line (percent of population)	..	..	54.6	46.4*
Prevalence of undernourishment (percent of population)	21.0	19.0	..	10.0
Achieve universal primary education	(2015 target: net enrollment to 100)			
Literacy rate, youth total (percent of people ages 15-24)	..	..	..	31*
Persistence to grade 5, total (percent of cohort)	70.0	..	69.0	72*
Primary completion rate, total (percent of relevant age group)	20.0	20.0	25.0	33.0
School enrollment, primary (percent net)	29.0	..	36.0	53.0
Promote gender equality and empower women	(2015 target: education ratio 100)			
Proportion of seats held by women in national parliament (percent)	..	4.0	8.0	15.0
Ratio of girls to boys in primary and secondary education (percent)	61.0	..	70.0	84.0
Ratio of young literate females to males (percent ages 15-24)	..	..	..	65*
Share of women employed in the nonagricultural sector (percent of total nonagricultural employment)	12.5	13.0	13.9	14.6
Reduce child mortality	(2015 target: reduce 1990 under 5 mortality by two-thirds)			
Immunization, measles (percent of children ages 12-23 months)	79.0	43.0	59.0	94.0
Mortality rate, infant (per 1,000 live births)	113.0	107.0	100.0	104.0
Mortality rate, under-5 (per 1,000)	210.0	204.0	196.0	191.0
Improve maternal health	(2015 target: reduce 1990 maternal mortality by three-fourths)			
Births attended by skilled health staff (percent of total)	..	*42.0*	31.0	*54.0*
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	1000.0	700.0
Combat HIV/AIDS, malaria, and other diseases	(2015 target: halt, and begin to reverse, AIDS, etc.)			
Contraceptive prevalence (percent of women ages 15-49)	..	*25.0*	12.0	17*
Incidence of tuberculosis (per 100,000 people)	158.0	155.0	182.0	226.0
Prevalence of HIV, female (percent ages 15-24)	..	..	..	1.0
Prevalence of HIV, total (percent of population ages 15-49)	..	..	..	1.6
Tuberculosis cases detected under DOTS (percent)	..	11.0	17.0	18.0
Ensure environmental sustainability	(2015 target: various)			
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1
Forest area (percent of land area)	26.0	..	25.0	25.0
GDP per unit of energy use (constant 2000 PPP $ per kg of oil equivalent)	..	..	..	..
Improved sanitation facilities (percent of population with access)	7.0	..	..	13.0
Improved water source (percent of population with access)	38.0	..	..	72.0
Nationally protected areas (percent of total land area)	..	..	..	14.0
Develop a global partnership for development	(2015 target: various)			
Aid per capita (current US$)	38.0	50.0	30.0	63.0
Debt service (PPG and IMF only, percent of exports of G&S, excl. workers' remittances)	7.8	14.6	20.3	7.0
Internet users (per 1,000 people)	0.0	0.0	1.0	6.0
Personal computers (per 1,000 people)	0.0	0.0	1.0	2.0*
Total debt service (percent of exports of goods, services and income)	6.8	11.9	14.9	..
Unemployment, youth female (percent of female labor force ages 15-24)	..	..	..	..
Unemployment, youth male (percent of male labor force ages 15-24)	..	..	..	..
Unemployment, youth total (percent of total labor force ages 15-24)	..	..	..	..
Other				
Fertility rate, total (births per woman)	6.9	6.9	6.5	6.0
GNI per capita, Atlas method (current US$)	350.0	240.0	250.0	430.0
GNI, Atlas method (current US$) (billions)	2.9	2.4	2.8	6.4
Gross capital formation (percent of GDP)	18.2	22.8	22.7	18.1
Life expectancy at birth, total (years)	48.0	46.0	47.0	52.0
Literacy rate, adult total (percent of people ages 15 and above)	..	..	..	29.0
Population, total (millions)	8.5	9.8	11.3	14.8
Trade (percent of GDP)	35.4	40.7	34.3	38.3

Note: * refers to 2006 data

Source: World Development Indicators database, 2009.

APPENDIX I. LETTER OF INTENT

Ouagadougou, June 3, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn:

1. On December 17, 2008, the IMF Executive Board approved the third review of our economic and financial program, financed by the Poverty Reduction and Growth Facility (PRGF).

2. The attached Memorandum on Economic and Financial Policies (MEFP) reviews recent economic developments and progress made in the implementation of our program throughout the last quarter of 2008 and the first quarter of 2009. It also sets out the policies the government intends to pursue during the remainder of 2009 and early 2010.

3. The government's continuous efforts to strengthen the tax and customs administrations and to implement the other structural reforms enabled it to observe all quantitative performance criteria and most of the benchmarks. In particular, the revenue, fiscal deficit, and social expenditure targets were met.

4. As regards the tax reform, which is a crucial reform element of the 2008–09 program, the agreed work plan for the preparation of detailed proposals was generally followed. The working groups set up under the supervision of the tax policy committee were able to make progress on the project. But it is essential that, while discussions with all the stakeholders take place, the tax policy simulations be performed before concrete proposals can be submitted to the government. Particularly because of delays in the provision of technical assistance, we were unable to submit to the Council of Ministers by end-April 2009 detailed proposals for the tax policy reform, and intend to do so by end-July 2009.

5. In light of our overall performance and based on the policies set forth in the attached MEFP, we request completion of the fourth review of the PRGF-supported program and the fifth disbursement, in an amount of SDR 1.004 million.

6. The government believes that the policies set forth in the attached MEFP will enable it to meet its program objectives in a difficult economic environment, characterized by high prices and the effects of the global economic and financial crisis. The government therefore remains vigilant and is determined to take any other appropriate measures that may prove necessary. Burkina Faso

would then consult with the Fund before revising any of the policies contained in the attached MEFP, in accordance with the Fund's policy on such consultation. It is expected that the fifth review of the PRGF-supported program will be completed by end-January 2010.

7. The government plans to make available to the public the contents of the IMF staff report, including this letter, the attached MEFP, the Technical Memorandum of Understanding, and the debt sustainability analysis and annexes for information. Therefore, it authorizes the IMF to publish these documents on the IMF website once the Executive Board completes its review.

Sincerely yours,

/s/

Lucien Marie Noël BEMBAMBA
Minister of Economy and Finance
Officer of the National Order

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

Appendix I—Attachment I

Memorandum on Economic and Financial Policies of the Government for 2009–10

Introduction

1. This memorandum updates Burkina Faso's economic and financial program under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement with the IMF for the period 2007–10. The first part describes recent economic developments and program implementation performance. The second part discusses the economic outlook for the period 2009–10 and the government's commitments to pursuing the ongoing fiscal reforms. The program, which was approved by the IMF's Executive Board on April 23, 2007, is aimed at consolidating macroeconomic stability and establishing conditions conducive to sustained economic growth and poverty reduction.[1] It therefore focuses on: (i) optimally mobilizing domestic revenue to expand fiscal space and ensure debt sustainability; (ii) strengthening public financial management (PFM) in an effort to absorb as much assistance as possible and maximizing the impact of poverty reduction expenditure; and (iii) increasing private sector participation to accelerate growth and diversify the economy. The third review was completed on December 17, 2008. During the second half of 2008 and in early 2009, the government made considerable progress in implementing structural reforms, especially strengthening tax and customs administrations and pursuing tax policy reform.

I. Recent Economic Developments and Program Implementation in 2008 and in the First Quarter of 2009

A. Recent Economic Developments

2. **Despite difficult domestic economic circumstances resulting from unprecedented exogenous shocks in 2008, Burkina Faso's economic performance began to recover towards its previous trend.** Indeed, GDP growth rebounded to 5.0 percent, compared with 3.6 percent in 2007, as a result of growth in cotton production on the order of 29 percent, following a decline of over 40 percent the previous year, a 36 percent increase in cereal production, and higher gold production (5.5 tons instead of 1.5 tons in 2007). The stimulus measures adopted by the government to help producers increase agricultural productivity, favorable agro-climatic conditions, and the start-up of production by three

[1] The program document was published in the form of an IMF Country Report (CR 07/153) on the IMF website (www.imf.org).

industrial gold mines are the main reasons for this evolution of the real sector, along with the continued strength of the telecommunications sector. Inflation, averaging 0.3 percent in 2007, rose again to 10.7 percent in 2008, mainly because the continued high prices of food items, despite a good cereal harvest, and of imported energy products.

3. **The government made a number of changes to its policies to protect the most vulnerable segments of the population, in an attempt to improve its targeting.** As of end-September 2008, after monitoring developments, the government revoked the temporary suspension of customs duties and/or VAT on certain essential goods. These measures had been taken in an effort to ease the social climate and protect the most vulnerable segments of the population. It also gradually adjusted hydrocarbon prices to help reconstitute the import capacity of the national petroleum company (SONABHY), which was hard hit by the freeze of pump prices. Also noteworthy was the launching, in the context of better targeting subsidies, of an experiment to transfer cash to the most vulnerable segments of the population by distributing purchase vouchers, with the support of the World Food Programme (WFP).

B. Program Implementation

4. **The principal program objectives for the fourth review were met,** particularly because of continued strengthening of the tax and customs administrations and proper expenditure control. Generally speaking, the fiscal position as a whole remains relatively satisfactory.

5. **Indeed, the overall deficit of government financial operations, on a commitment basis and including grants, was contained within the program limits** because of rigorous, efficient expenditure management. The deficit stood at CFAF 161.1 billion (on a commitment basis) at end-2008 compared with a planned ceiling of CFAF 195.6 billion.

6. **The floor on total government revenue, projected at CFAF 475 billion at end-2008, was exceeded** (CFAF 483.8 billion), despite CFAF 5.3 billion in losses linked to government measures whereby duties and fees were suspended on certain products of mass consumption for seven months. This performance can be attributed to the strengthening of control, steps taken to combat fraud, and a better collection of nontax revenue, as a result of closer monitoring and improvements in the revenue-collecting agencies.

7. **Burkina Faso contained public expenditure in 2008, although the year was marked by the food crisis**. Indeed, while limiting total expenditure, the government pursued its efforts to maintain priority expenditure, the execution level of which, estimated at CFAF 198 billion at end-2008, exceeded the programmed floor by CFAF 3 billion. Total externally funded capital expenditure was lower than planned because of, among other things, postponement of the start-up of the Samendeni dam and various road projects. The government put in place innovations to improve its control of expenditure execution and to streamline spending. Those innovations included, in particular**:**

- Streamlining fuel consumption by introducing the use of the electronic chip system for up to 60 percent of all allocations, thus saving about CFAF 300 million on this expenditure category; and

- Taking steps to control public utility (water, electricity, and telephone) costs.

8. **The partnership with donors and lenders present in Burkina Faso is becoming stronger from one year to the next**. This is illustrated especially by the continuous improvement of disbursements by the partners that are members of the CGAB-PRSP, by way of general budgetary support, and by the 2008 launching of the investment program supported by the United States of America through the Millennium Challenge Account, in an overall sum on the order of CFAF 240 billion, spread over five years.

9. **Progress was made in implementing structural reforms**.

- **Tax policy reform:** The established work plan was generally followed, despite a few delays. The short-term measures announced in the reform strategy adopted by the government in October 2008 were taken into account in the 2009 budget law; they relate, in particular, to eliminating withholding taxes and levies on large enterprises and expanding the scope of excise taxes. As regards the medium- and long-term measures related especially to the introduction of a corporate tax, the investment code, and VAT, working groups were established to prepare detailed tax reform proposals for submission to the Council of Ministers in April 2009. The first draft laws on these three priority areas of the reform will be discussed by the tax policy committee before they are sent to the various domestic and external partners (including the IMF) for comments with a view to their finalization. The preliminary statistical databases have been set-up to facilitate the simulations announced in the work methodology. There was a delay of about three months in implementing the initial work plan, as the planned technical assistance could be obtained only as of March 2009 instead of January 2009.

- **Tax administration:** As regards revenue collection and taxpayer management, the systematic editing of the list of late filers and nonfilers by the DGE in the case of VAT, the BIC, and the IUTS, and the sending of reminder letters led to positive results. The non-filer rate at end-2008 stood at 5.6 percent compared with a target of 7 percent. Nearly all taxpayers are now registered with the DGE and the DME in Ouagadougou and in Bobo-Dioulasso, where the DGE office is now operational. The tax audits performed in 2008 facilitated the reclassification of taxpayers from a lower regime to another and the issuance of reminder notices increased revenues on the order of CFAF 1.8 billion.

- **Customs administration:** The value file has now been updated at all the computerized customs offices. This file is updated periodically on the basis of data collected using ASYCUDA, the COTECNA value file, and other sources of information. The database thus established enables inspectors to check the legitimacy of declared merchandise values.

- To facilitate customs clearance procedures and increase the transparency of collection operations, the ASYCUDA++ selectivity module is activated, and the objective of assigning at least 30 percent of all declarations to the green and blue lanes was largely exceeded, actual performance being 69 percent. We reduced to 13 percent (compared with a target of 10 percent) the proportion of declarations thus selected but assigned to inspectors for additional checks. In addition, licensed customs brokers (*commissaires en douane*) in Ouagadougou and Bobo-Dioulasso can now file their declarations on line, using ASYCUDA++.

- **The integrated revenue information system (CIR)** has been in use since its introduction in January 2008, thus facilitating the entry of data on the collection operations of the revenue-collecting agencies and their general monitoring. The sharing of databases facilitated by this integrating software will lead to better cross-data use among revenue-collecting agencies and improved audit targeting.

- **Program budget reform:** In the context of program budget reform, a committee was set up by decree to steer the reform plan. To ensure observance of the 2012 horizon set for the full introduction of the government program budget, an action plan was prepared on the basis of directives given by the Council of Ministers in December 2007. This plan hinges on 10 key areas of policy covering actions to sensitize the partners, training those involved in the process, adaptation of the management tools in use, and the timetable for gradual introduction of the program budget in all ministries and institutions, starting with tests in five pilot ministries.

- **Adoption in February 2008 of the new public debt and debt management policy,** which is built around six strategic focal points and has among its objectives strengthening the legal and institutional frameworks; improving debt management instruments, and enhancing the quality and use of borrowed resources. A public debt strategy paper for 2009 was prepared in 2008 to provide guidance on borrowing, the principles underlying the public debt policy for 2009 (a ceiling on indebtedness and guarantees), and the profiles of medium- and long-term public debt sustainability.

- **Government procurement:** The new government procurement arrangements that took effect on July 1, 2008, formalized the separation between control functions, performed by the General Directorate of Government Procurement (DGMP), and regulatory functions, entrusted to the Government Procurement Regulatory Authority (ARMP). Data available for 2008 show an increase in the transparency of the government procurement system. For instance, of the 2,479 contracts concluded, 1,843 (74 percent) were based on the open bidding procedure, 81 (3 percent) on the mutual agreement procedure, and 555 (22 percent) on the restricted bidding procedure. Efforts will be geared toward strengthening the preparation and management of procurement plans and introducing the integrated government procurement system (SIMP), which will help improve the administration of government purchasing.

- **Fiscal transparency**: In this area, a noteworthy effort has been made to provide information on the FY 2009 government budget to the press, civil society, and the country's 13 regions. Similarly, the Audit Office published in 2008 its reports on FY 2006 and FY 2007, which were widely carried by the media. The government has undertaken to pay all the required attention to the recommendations made by the top fiscal control institution, by establishing a monitoring mechanism at the highest level.

- **Budget execution:** To improve expenditure execution, the government introduced the requirement for ministries and institutions to establish procurement plans, to be adopted by the Council of Ministers at the beginning of each financial year. To this end, it introduced the midterm budget execution review, which allows to take stock of constraints experienced by the ministries and institutions and to make any necessary adjustments to improve expenditure execution in the second half of the year. The review facilitates the preparation of the supplementary budget and the initial budget law.

- **Implementation of the recommendations generated by the domestic debt audits is being monitored.** At end-February 2009, more than CFAF 49 billion in claims from various government suppliers had been settled. We prepared a plan for settling residual debt that was submitted to the Council of Ministers in March 2009 (benchmark). This plan provides, in particular, for the creation of an ad hoc committee to review the claims and propose, in the case of debts recognized as valid, procedures for their settlement.

- **Financial sector**: Following the regional adoption of the action plan for financial sector reform, the government formulated proposals for actions to reform the national financial sector, in conformity with the regional plan. This draft plan defines actions, assigns responsibilities, and draws up a timetable for following key FSAP recommendations. It covers several areas, including: (i) facilitating cotton sector financing; (ii) reducing the role of the state in the banking system; and (iii) improving the control of microcredit institutions. We submitted the draft plan to the Council of Ministers at end-March (March 2009 performance criterion).

- **Promotion of the private sector**: Since 2006, the government has worked to strengthen the ongoing actions aimed at simplifying procedures relating to estates and lands. In the context of these efforts, and with the aim of facilitating access to land ownership titles, it has set up a one-stop shop for land transactions, officially launched in March 2009.

II. Outlook for the Period 2009–10

A. Macroeconomic Framework

10. **We must do everything possible to maintain strong economic growth and to ensure its equitable distribution**. The global financial crisis is already being felt in Burkina Faso, and its effects could become more pronounced during the year. So far, the main channels of transmission are the slowdown in global growth, the fall in cotton and oil prices, the problems faced in selling cotton stocks, and the reduction in trade-related tax revenues since late 2008. The other channels through which the slowdown is felt, namely, the contraction of private transfers (remittances of funds), foreign direct investment, trade credits, and other financial flows, could become more important. The impact on the banking sector could be more profound, in particular because of liquidity constraints and the increase in credit risk as economic growth slows. According to projections, the rate of real GDP growth will decline to about 3.5 percent, supported by the effects of sound cotton seed production in the 2008/09 crop year and a positive outlook for the industrial production of gold as a result of the beginning of an increase in capacity related to the discovery of new mines. Inflation could persist but is expected to return to 3 percent as envisaged in the WAEMU convergence criteria. In this regard, the supply of food products should be encouraged and better organized. The actions initiated to restore the competitiveness of the

cotton sector will therefore be supplemented by efforts to develop new production sectors so as to gradually reduce the vulnerability of the economy to external shocks. It is important, in this context, to maintain and increase the flows of budgetary support.

B. Fiscal Policy

11. **Revenue collection is experiencing strong pressures because of exogenous shocks**. It will be difficult to achieve the previously envisaged revenue objectives. At the same time, new pressures could appear in the area of social welfare expenditure. Nevertheless, during the period 2009–10 the government intends to pursue its efforts to contain the fiscal deficit as a share of GDP and to ensure fiscal sustainability over the medium term. For 2009, the government adopts the objective of maintaining the deficit, on a commitments basis and including grants, at slightly over 5 percent of GDP.

12. **The FY 2009 government budget provides for an increase in the share of domestic resources in the financing of budget expenditure**. Accordingly, own revenue is projected, in the program framework, to increase by about 5 percent, to CFAF 508 billion or 13.2 percent of GDP. To achieve such a performance, the continued strengthening of the tax administration and observance of the timetable for the tax policy reform program are essential for ensuring a sustainable increase in revenue. The budget law for the financial year under review contains, among new tax initiatives, the short-term measures envisaged in the context of the overall tax policy reform strategy, an expansion of the range of goods subject to excise tax to include cosmetics and higher tariffs on tobacco, and the elimination of withholdings from large enterprises for profit taxes. To achieve the revenue target, the government has established a priority program for revenue collection based on target contracts with the three major revenue-collecting agencies. Implementation of this program, which will be closely monitored, is supported by the provision of considerable resources to collection units and by the stepping up of efforts to combat fraud and forgery.

13. **Actions aimed at streamlining expenditure and better controlling its execution will be strengthened to increase its effectiveness**. Careful monitoring of operating costs will continue so as to prevent the inefficient use of public resources. In this context, the measures taken in FY 2008 to contain expenditure on fuel as well as on water, electricity, and telephone services will be enhanced, while further arrangements will be made to achieve savings on the consumption of supplies and equipment, through a better organization of government orders. At the same time, the government will maintain the effort to increase social spending, but with better targeting of the recipients of social transfers, following an assessment of the experience under way in Ouagadougou and Bobo-Dioulasso with WFP support. Concerning oil products, the government will accelerate the process of fully reviving the mechanism for adjusting the price structure based on developments in world prices.

C. Structural Fiscal Reforms

Tax reform

14. **The government is working intensively to prepare the detailed tax policy reform program**, with the aim of submitting it to the National Assembly in time for the debate on the 2010 budget law (by end-October 2009). This program will give details of the tax reform measures related to VAT, corporate tax, and the investment code, which will enter into force with the 2010 budget law. However, compliance with the end-April 2009 deadline for the discussion of the proposals by the Council of Ministers was not possible, because of a delay in the provision of technical assistance to help the tax policy committee establish the database and carry out the simulations that are essential for determining which proposals are to be submitted to the government. It is planned to submit to the Council of Ministers at end-July 2009 detailed proposals for reform related to VAT, corporate tax, and the streamlining of tax incentives in the investment code (benchmark).

15. **The VAT reform**, which falls within the framework of improving the management and yield of indirect taxes, will consist primarily of broadening coverage and improving the management procedures, namely, tax thresholds, the refund mechanism, the elimination of withholdings, and the elimination of double taxation on certain operations.

16. **As regards the taxation of corporates**, the aim is, in the context of a simplification and modernization of the tax legislation, to merge the various schedules of taxes on the income of legal entities to create a corporate income tax.

17. **As regards the streamlining of tax incentives**, the proposals will relate to different incentives granted under the various investment promotion codes, in the context of broad consultations with all concerned. In particular, the aim will be to clarify certain general provisions and the definition of priority sectors, to reformulate the classification of preferred regimes, and to review the terms for granting certain specific benefits, taking account of the government's priorities in the context of pursuing the country's development objectives.

Administration of collections

18. **The rollout of the tax management system (SINTAX) will continue in 2009 at the tax divisions of the Ouagadougou Tax Department, in the interests of increasing staff productivity.** Also, a new taxpayer survey will be conducted with a view to broadening the tax base, and its results will be exploited gradually to have a direct impact on the taxpayer rolls in the regular tax system and the simplified system, both expected to increase by 5 percent as a result of the operation.

19. **The customs administration will in 2009 intensify efforts to modernize its customs clearance procedures**, by giving priority to use of the ASYCUDA transit module in at least five border posts, which will be interconnected with the inland customs offices, to strengthen the surveillance of these operations(benchmark, end-December 2009). It is also adopting the objective of maintaining (continuously), at 40 percent at least, the proportion of customs declarations assigned to the green and blue lanes, so as to keep physical inspections of operations in customs at reasonable levels.

20. **The government will also put into place the means necessary for generating the full revenue potential from non tax revenue, under the supervision of the Public Treasury**. In this context, it will continue to establish specialized collections at ministries and institutions, so as to improve the organization of collection and the regular handover of collections to the Public Treasury through constant presence in the field, as well as to identify new sources of increases in their respective contributions to the government budget.

Combating fraud and forgery

21. **Efforts to combat fraud and forgery are designed to support the efforts of collection units in 2009, with a view to improving their overall performances.** Actions to be taken in this area will hinge mainly on the following key points:

- Safeguarding the documents used in the financial administration's transactions with third parties, to eradicate or at least reduce the increasingly widespread use of forgeries. Indeed, in recent years the administration has been faced with a resurgence of forgeries of all types in its relations with users, especially in the context of import operations, the payment of taxes, and services under government contracts. Following a survey of all the documents used by the revenue-collecting agencies, the General Directorate of Government Property, the General Directorate of Government Procurement, and the General Directorate of Financial Control, it was decided to give priority, in the short-term, to ensuring the security of documents having an impact on revenue collection. Comprehensive approaches are then envisaged, especially including the use of holograms and dry signatures. The promotion of information sharing between the General Directorate of Customs and the General Directorate of Taxes through the integrated revenue information system (CIR), to facilitate information sharing and cross-checking by the two revenue-collecting agencies; and

- Interconnecting the General Directorate of Customs with the import inspection company (COTECNA) to facilitate information sharing with a view to improving the control function. Better coordination of the actions of the control structures and enhancement of the joint Customs/Taxes Unit created in 2006, in particular through the appointment of permanent staff, who will be provided with ample means to make the Unit more operational.

Public expenditure management

22. **In 2009 fiscal policy will consolidate the achievements of the previous year**. Thus, in the FY 2009 government budget the operating expenditure forecasts are nearly the same as in 2008, reflecting the government's desire to streamline at all levels. The effort in favor of the social sectors is maintained, especially as regards the level of current transfers. Infrastructure and rural development are to receive over 40 percent of all capital expenditure, reflecting the government's determination to strengthen the foundations of economic growth.

23. **The government remains committed to streamlining control of the expenditure process**. It has prepared a pertinent action plan based on a study concerning the responsibilities of all involved in the expenditure process, taking into account the constraints related to the country's WAEMU membership. This plan provides primarily for: (i) ensuring that the financial laws and regulations related to public expenditure are adapted to the new context; (ii) drafting new laws and regulations on the rules specific to financial controllers and the procedures with respect to instances of misconduct; (iii) restructuring the MoF units involved in public expenditure execution; (iv) matching the resources, tools, and working methods of the units in question with the new regulatory framework; and (v) training those involved in the expenditure process on the nature of the new context. **The objective of implementing a program budget by 2012 also remains a priority for the government**, as it seeks to anchor a performance-oriented culture in the administration. To meet this deadline while supporting the pilot exercises under way in six ministries, the government will formulate in 2009 an introductory strategy and a guide to help ministries and institutions in this exercise.

24. **Closer monitoring of social expenditure and the streamlining of expenditure will contribute to pursuit of the Millennium Development Goals (MDGs)**. We have improved our system for monitoring social expenditure that largely hinged on a classification by ministry. We have established a system relating to all categories of expenditure financed from own resources, except for personnel expenditure (benchmark, February 2008). Although the system is generally functional, its performance should be improved with the support of IT units, so that detailed information can be obtained more easily by category and by year (new benchmark, September 2009) for use in financial programming. To expand the monitoring of poverty reducing expenditure to include personnel expenditure and externally financed capital expenditure, interfaces will be established with the CID and, respectively, the integrated system of government personnel administration and payroll management (SIGASPE) and the integrated external financing information system (CIFE) under development. Given the complexity of the project, especially related to the need for developing numerous interfaces with other software, comprehensive implementation will not be effective until 2010.

Public debt management

25. **The government remains committed to pursuing a prudent debt policy, so as to maintain debt sustainability**. It will continuously ensure, in the implementation of the public investment program, that account is taken of this concern, while continuing to contain the use of borrowing of all types within the framework of annual debt strategies in which sustainable ceilings are set.

D. Other Structural Reforms

26. **The government had clearly demonstrated its readiness to divest itself of the shares in SOFITEX**, carried because of the default of DAGRIS, which was unable to meet the call for recapitalization of the company. However, the current unfavorable conditions on the cotton market make such an operation difficult. We have, however, conducted financial and operational audits of SOFITEX, and the results were available in March 2009 (benchmark). Pending an improvement in the external environment, we shall continue the effort to improve the governance of the company by encouraging its executives to implement the recommendations of the financial and operational audit conducted in the fourth quarter of 2008. To improve monitoring, we plan to prepare an action plan concerning the recommendations in question (new benchmark, September 2009).

27. **Financial sector**: Given the current financial crisis, it is imperative for us to ensure increased supervision and surveillance at both the regional and national levels, so as to limit the impacts on the economy. With this in mind, we will work with our partners in the subregion and with the support of the Bretton Woods institutions, to formulate and implement the more detailed comprehensive action plan that will expand the existing plan. The adoption of this new plan by the Council of Ministers is a new benchmark (January 2010). This plan will take into account the impact of the financial crisis and will cover in detail the following areas: banking sector, insurance sector, microfinance sector, retirement systems, postal finance, cash flow management, the legal environment, and access to financial services.

E. Program Monitoring

28. Program monitoring will continue on the basis of the quantitative and structural criteria and benchmarks agreed (Tables 1 and 3) between the government and the IMF, especially in the context of program reviews. The quantitative financial benchmarks for end-June 2009 and end-December 2010 are performance criteria, and those for end-March and end-September 2009 are indicative targets. It is anticipated that the fifth program review will be completed by end-January 2010, and the sixth review at end-July 2010. Definitions of the variables used and the procedures adopted for reporting data are contained in the attached revised Technical Memorandum of Understanding (TMU).

Table 1. Burkina Faso — Structural Conditionality for the Period July 1, 2009 to January 31, 2010

Measure	Timetable	Benchmark
Tax Policy and Tax Administration		
Submission to the Council of Ministers of detailed proposals on the reform of corporate tax, the investment code, and VAT, based on the recommendations of the IMF, the strategy for comprehensive reform of tax policy, and the WAEMU Community directives (MEFP, para. 14).	July 31, 2009	Benchmark
Submission to the National Assembly of the tax policy reform concerning VAT, corporate tax, and the investment code, which will enter into force with the 2010 budget law. As regards the VAT reform, it is planned to include in the budget law the raising of VAT thresholds for small, medium-sized, and large enterprises as of January 2010, and to make small enterprises liable for simplified taxation instead of VAT, in accordance with the pertinent IMF recommendations and WAEMU directives (MEFP, para. 15-17).	October 31, 2009	Benchmark
Customs Administration		
Electronic interconnection of five additional border posts and the General Directorate of Customs (para. 19).	December 31, 2009	New benchmark
Fiscal Management and Governance		
Improvement of the performance of the general system for monitoring poverty reduction expenditure, incorporating all expenditure financed by own resources, except for personnel expenditure (MEFP, para. 24).	September 30, 2009	New benchmark
Financial Sector		
Adoption by the Council of Ministers of a comprehensive, detailed action plan for strengthening the financial sector, with a timetable for major reforms (MEFP, para. 27).	January 31, 2010	New benchmark
Cotton Sector		
Submission for discussion by the SOFITEX Board of Directors of an action plan/monitoring plan based on financial and operational audits (MEFP, para. 26).	September 30, 2009	New benchmark

Table 2. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2008

(CFAF billions, cumulative from beginning of year)

	2007		2008										
	Dec.		Mar.		Jun.			Sep.			Dec.		
	Prog. [6]	Act.	Prog. [7]	Est.	Prog. [7]	Adj. Prog. [8]	Act.	Prog. [7]	Adj. Prog. [8]	Proj.	Prog. [7]	Adj. Prog. [8]	Proj.
Performance criteria and indicative targets													
Ceiling on the overall fiscal deficit including grants [1]	240.0	181.2	68.2	56.4	75.0	100.0	88.5	104.8	129.8	125.1	195.6	220.6	161.1
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Accumulation of domestic arrears [4]	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Accumulation of external arrears [2]	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	…	0.0	0.0	…	0.0
Indicative targets													
Government revenue	440.0	440.2	100.0	102.4	245.0	…	245.2	358.0	…	358.4	475.0	…	483.8
Poverty-reducing social expenditures	203.0	182.6	40.0	40.0	95.0	…	97.0	149.9	…	145.0	195.0	…	198.5
Large taxpayer non-filer rate [5]	…	…	…	…	…	…	…	…	…	…	7.0	…	7.0
Maximum upward adjustment of deficit ceiling including grants due to:													
Shortfall in grants relative to program projections	25.0	25.0	25.0	25.0	25.0	…	25.0	25.0	…	25.0	25.0	…	25.0
Excess in concessional loan financing relative to program projections	15.0	0.0	15.0	8.2	15.0	…	0.0	0.0	…	0.0	15.0	…	0.0
Adjustment factors													
Shortfall in grants relative to program projections	0.0	27.7	0.0	32.0	0.0	…	76.7	45.6	…	114.2	0.0	…	72.2
Excess in concessional loan financing relative to program projections	0.0	0.0	0.0	8.2	0.0	…	-15.1	-32.7	…	-55.2	0.0	…	-45.0
Memorandum items:													
Grants	238.0	210.3	59.1	27.1	138.8	…	62.1	185.6	…	117.0	219.1	…	146.9
Concessional loans	122.9	114.5	17.0	25.2	48.3	…	33.2	66.8	…	44.3	160.2	…	115.3

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

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

[2] To be observed continuously.

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

[4] Indicative target since July 2008.

[5] Applies to average over respective quarter.

[6] IMF Country Report 08/168

[7] IMF Country Report 09/38

[8] Program targets adjusted for shortfall in grants and excess in concessional financing.

Table 3. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2009

(CFAF billions, cumulative from beginning of year)

	2008		2009							
	Prog.	Proj.	Mar.		Jun.		Sep.		Dec.	
			Prog. [5]	Proj.	Prog. [6]	Proj.	Prog. [5]	Proj.	Prog. [6]	Proj.
Performance criteria and indicative targets										
Ceiling on the overall fiscal deficit including grants [1]	195.6	161.1	57.0	71.5	72.3	80.1	127.0	111.5	187.3	202.3
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of external arrears [2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets										
Government revenue	475.0	483.8	125.1	121.6	283.8	274.5	403.0	391.0	524.7	508.4
Poverty-reducing social expenditures	195.0	198.5	45.4	45.4	106.0	106.0	164.4	164.4	216.4	216.4
Large taxpayer non-filer rate [4]	7.0	7.0	7.0	7.0	7.0	7.0	6.0	6.0	5.0	5.0
Accumulation of domestic arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maximum upward adjustment of deficit ceiling including grants due to:										
Shortfall in grants relative to program projections	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Excess in concessional loan financing relative to program projections	15.0	0.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Adjustment factors										
Shortfall in grants relative to program projections	0.0	72.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess in concessional loan financing relative to program projections	0.0	-45.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Grants	219.1	146.9	54.3	44.0	116.8	119.7	179.3	208.9	232.3	242.6
Concessional loans	160.2	115.3	36.9	36.9	73.7	88.6	110.6	125.5	162.1	162.4

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

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

[2] To be observed continuously.

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

[4] Applies to average over respective quarter.

[5] Indicative target.

[6] Performance criteria.

APPENDIX I—ATTACHMENT II

TECHNICAL MEMORANDUM OF UNDERSTANDING

Ouagadougou, June 3, 2009

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

I. DEFINITIONS

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

● **Debt,** as specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on August 24, 2000, will be understood to mean a current, not contingent, liability, created by contract through provision of value in the form of assets (including currency) or services, that requires the obligor to make one or more payments in the form of assets (including currency) or services, at one or more future points in time; these payments being made to discharge principal and interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being:

(i) loans, consisting of advances of money to the obligor (e.g., deposits, bonds, obligations, commercial loans, and buyers' credits), who undertakes to repay the funds in the future, and temporary exchanges of assets that are equivalent to fully collateralized loans where the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (e.g., repurchase agreements and official swap arrangements);

(ii) suppliers' credits, which are contracts where the supplier lets the obligor defer payments until after the date on which the goods have been delivered or the services provided;

(iii) leases, which are arrangements in which property is provided for the use of the lessee for a specified period, usually shorter than the total expected life of the property, while the lessor retains title to the property. For purposes of this guideline, the debt is the present value at the inception of the lease of all lease payments expected to be made during the period of the agreement, except payments that cover the operation, repair, or maintenance of the property; and

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

● **Government** is defined as the central government of Burkina Faso and does not include any political subdivision, government-owned entity with a separate legal personality, or the central bank.

● **External payments arrears** are external payments due but unpaid. Domestic arrears are domestic payments due but unpaid after a 90-day grace period, unless the obligation specifies a different grace period.

● **Government obligation** is any financial obligation of the government accepted as such by the government (including any government debt).

II. Quantitative Performance Criteria

3. The numerical values for quantitative performance criteria, indicative targets, and adjusters are set out in Table 3 of the attached Memorandum of Economic and Financial Policies (MEFP).

A. Overall Deficit Including Grants

Definition

4. For the program, the overall deficit including grants is valued on a commitment basis *(base engagement)*. It is defined as the sum of foreign and domestic financing (net) of the government measured from the financing side plus cash basis adjustment. Net foreign financing is the sum of foreign borrowing and debt relief minus amortization. Net domestic financing is the sum of (i) net bank credit to the government, including both net bank credit to the treasury as defined below and other government claims on and debts to national banking institutions; (ii) unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. Net bank credit to the treasury is the balance of the treasury's claims and debts vis-à-vis national banking institutions. Treasury claims include the cash holdings of the Burkinabè Treasury, deposits with the central bank, deposits with commercial banks, secured obligations, and government deposits with the postal system (CCP). Treasury debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and CNE *(Caisse Nationale d'Épargne Postale)*/CCP securitized deposits. Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose

figures are recognized as valid for program purposes. The stock of treasury bills and other government debt, as well as net foreign financing, is calculated by the Ministry of Finance. Cash basis adjustment is the sum of (i) expenditure commitments not paid *(engagées non-payées)*; and (ii) change in treasury deposits.

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

Adjustment

6. The overall deficit including grants is adjusted upward by the amount that grants fall short of what is programmed up to a maximum (see the MEFP, Table 3). It will not be adjusted if grants are higher than programmed.

7. The overall deficit including grants will also be adjusted upward by the amount that concessional loans exceed what is programmed up to a maximum (see the MEFP, Table 3).

Reporting deadlines

8. The ministry in charge of finance will forward data to the IMF on the overall deficit excluding grants within six weeks after the end of each quarter.

B. Nonaccumulation of External Arrears

Performance criterion

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

Reporting deadlines

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

C. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

11. The government undertakes not to contract or guarantee any external debt maturing in one year or more that has a grant element of less than 35 percent (calculated using the interest reference rate for borrowed foreign currencies provided by the IMF) beyond the ceiling indicated in the MEFP (Table 3). This performance criterion applies not only to debt as defined in point 9 of the Guidelines (see ¶2), but also to all commitments contracted or guaranteed for which value has not been received. However, it does not apply to treasury bills and bonds issued in CFA francs on the WAEMU regional market. This performance criterion is to be observed continuously.

Reporting deadlines

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

D. Government Short-Term External Debt

13. The government undertakes not to accumulate or guarantee any new external debt with a contractual maturity of less than one year. This performance criterion applies not only to debt as defined in point 9 of the Guidelines (see ¶2), but also to commitments contracted or guaranteed for which value has not been received. Excluded from this performance criterion are import- and export-related loans and treasury bills and bonds issued in CFA francs on the WAEMU regional market and normal short-term suppliers' credits. This performance criterion is to be observed continuously. As of April 1, 2007, the government of Burkina Faso had no short-term external debt.

III. Other Quantitative Indicative Targets

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

A. Total Government Revenue

Definition

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

Reporting deadlines

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

B. Poverty-Reducing Social Expenditures

Definition

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

Reporting deadlines

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

C. Nonaccumulation of Domestic Arrears

Definition

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

Reporting deadlines

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

D. Large Taxpayer Nonfiler Rate

Definition

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

Reporting deadlines

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

IV. Structural Benchmarks

23. The program incorporates structural benchmarks (see the MEFP, Table 1).

V. Additional Program Monitoring Information

A. Public Finance

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

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

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

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

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

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

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

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

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

  registered taxpayers
  declarations received on time
  reminder letters sent to late and nonfilers.

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

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

B. Monetary Sector

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

- the consolidated balance sheet of monetary institutions

- provisional data on the monetary survey provided six weeks after the end of each month (with final data provided ten weeks after the end of each month)

- borrowing and lending interest rates

- customary banking supervision indicators for bank and nonbank financial institutions, if necessary.

C. Balance of Payments

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

- any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions), as they occur
- foreign trade statistics compiled by the National Statistics Institute, within three months after the end of the month concerned
- preliminary annual balance of payments data within nine months after the end of the year concerned.

D. Real Sector

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

- disaggregated monthly consumer price indices, within two weeks after the end of each month
- provisional national accounts
- any revision of the national accounts.

E. Structural Reforms and Other Data

28. The government will also report the following:

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

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

BURKINA FASO

Joint Bank/Fund Debt Sustainability Analysis

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

Approved by Carlos A. Primo Braga and Sudhir Shetty (IDA) and Michael Atingi-Ego and Anthony Boote (IMF)

June 5, 2009

The debt sustainability outlook for Burkina Faso is aligned with the results of the previous debt sustainability analysis (DSA) update carried out in November 2008. [1] *Despite a clear increase in projected gold exports in 2010, the medium- and long-term export outlook deteriorates slightly because exports of cotton are reduced. Burkina Faso is still classified as a medium performer* [2] *and the country remains at high risk of debt distress.*

I. BACKGROUND

1. **The analysis presented in this document is based on the stock of Burkina Faso's debt at end-2007.** The stock of debt was established following a creditor-by-creditor and loan-by-loan reconciliation exercise that was carried out in April 2008 and showed a negligible discrepancy between the authorities' and creditors' data. Moreover, the stock of debt at end-2008 has been estimated based on aggregated information provided by the authorities.

2. **Burkina Faso's external debt is composed in the largest part by financing from multilateral creditors, which account for almost 80 percent of the total of outstanding loans.** The share of the World Bank represents about one third of the total, that of the AfDB

[1] For the joint DSA from June 2008, see Country Report No. 08/257 and Annex 6 in IDA Report No. 4033-BF, August 26, 2008; for the DSA update from November 2008 prepared by Fund staff, see Country Report No. 09/38. The comparison to changes since the last DSA refers to the November 2008 update, unless otherwise indicated.

[2] With a three-year backward moving average CPIA for 2005-2007 below 3.75.

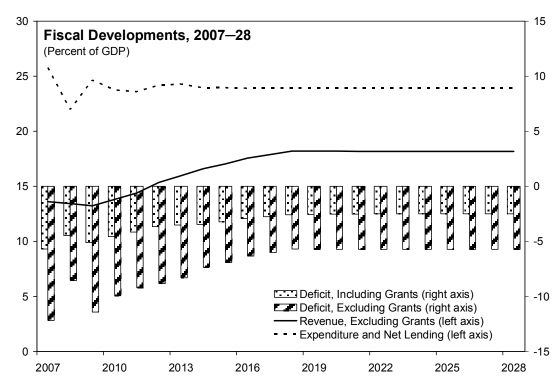
about 15 percent, and that of the IMF about 3 percent. Loans from bilateral creditors represent about 20 percent of the total, of which about 90 percent were extended by non-Paris Club creditors. Burkina Faso's loans have long maturities, with an overall grant element which currently stands at about 48 percent and is projected to remain above 35 percent for the entire projection period of the DSA. While there is a gradual decline in the grant element to about 37 percent by 2028, this is explained for the most part by a shift in emphasis in new lending from multilateral to bilateral creditors. With regard to the composition of external financing, the grant-financing share amounted to 56 percent in 2008.

3. **Since the transition from a centralized to a market-oriented economy in the early 1990s, Burkina Faso's government has consistently demonstrated its commitment to stay current on its external payment obligations.** This includes the period before the country benefited from debt relief under the Heavily Indebted Poor Country Initiative (HIPC), when the NPV of debt-to-exports ratio was well above 200 percent. The 35 percent concessionality floor is strictly enforced for all central-government foreign-currency borrowings, and projects are consistently scrutinized by a National Public Debt Committee before negotiations are concluded.

II. UNDERLYING MACROECONOMIC ASSUMPTIONS

4. **The medium-term outlook for growth is generally unchanged from the previous DSA.** Projections for real GDP growth hold over the medium-term, but have been lowered by 1.4 percentage points for 2009 and 1.9 percentage points for 2010 because of the slowdown in global demand, including in the cotton sector. As a result, nominal GDP projections are slightly lower than in the previous DSA, but the upward trend is clear for the medium and long term (Figure 1, Panel 1). Real GDP growth is projected to average 6 percent in the long run, broadly in line with the average for the past ten years. Inflation is projected to decline to 4.8 percent in 2009, 2.3 percent in 2010, and to the historical average of about 2 percent in 2011.

5. **Fiscal developments over the medium term are also aligned with the previous DSA**. The projected fiscal deficit target for 2009 has been increased by 0.4 percentage points to 5.3 percent of GDP to account for the negative impact of the global crisis on tax revenues and the need to increase some transfer expenditures. While recognizing how the slowdown in global demand is affecting public finances, the authorities remain committed to a prudent fiscal policy, and tax policy reform is making progress. The long run deficit is projected to reach 2.5 percent of GDP in 2020 (Figure 1, Panel 3), and external financing requirements are to be met equally by grants and loans, which is a conservative



assumption for the DSA based on recent experience.

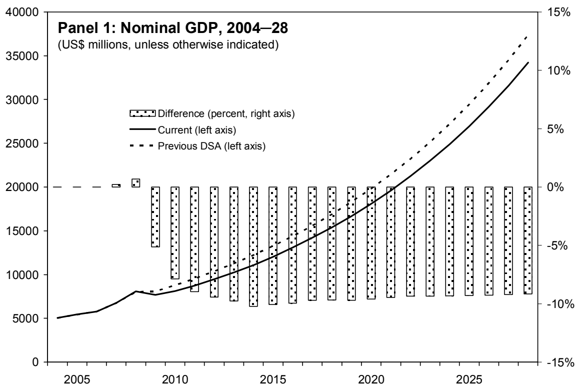
6. **Recent commodity price developments warranted a revision of some projections on the external sector compared to the previous DSA.** In the near term, the projected decline in cotton prices will be offset by an increase in the price of gold and a decline in oil prices, leading to an improvement in the terms of trade of about 10 percent and a narrowing of the current account deficit. The medium term export outlook has been revised for the following reasons:

- **Commodity prices**: Cotton prices have declined by about 40 percent since their August 2008 peak; they are about 21 percent lower for 2009 and 14 percent lower for 2010 than the previous DSA projected (Figure 1, Panel 5). On the other hand, gold prices are expected to be about 29 percent higher in 2009 and 27 percent higher in 2010.
- **Exchange rate:** The value of the US dollar relative to the CFA franc has been revised upward by 5.7 percent, which over the medium term reduces the total value in U.S. dollars of Burkina Faso's exports.
- **Medium-term export potential**: The first significant change is a downward revision in the value of cotton exports based on lower export prices and the negative impact on supply of the increase in cotton inventories globally. Due to the shortage of arable lands, the share of cotton exports as a percent of GDP is projected to decline markedly over the long term (Figure 1, Panel 2). The second important change comes from a significant increase in the volume of gold exports in 2010, from 10.5 tons in the previous DSA to 16 tons currently, because of the operations over the next ten years of a new gold mine. While exploration is underway for additional mines, which could lead to a significantly higher gold exports, this is not reflected in the assumptions of the current DSA. A third change concerns the increase from 2015 onward in exports of fruits, vegetables and cereals as the authorities' agricultural diversification strategy comes into play.

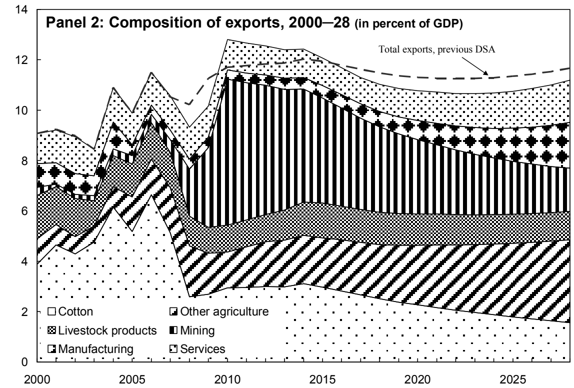
7. **The current account deficit is expected to narrow moderately in the medium and long run as the tighter fiscal stance dampens import demand**. Export growth is driven in the medium term by the projected increase in gold exports in 2010 and in the long term by efforts to diversify agricultural production away from cotton and into fruit, vegetables, and cereals.

Figure 1. Burkina Faso: Medium-Term Framework, Current and Previous DSA

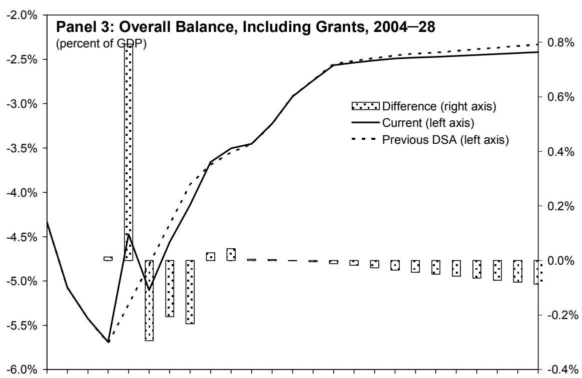
Nominal GDP over the medium term has been revised downwards, as a result of lower growth in the short term.

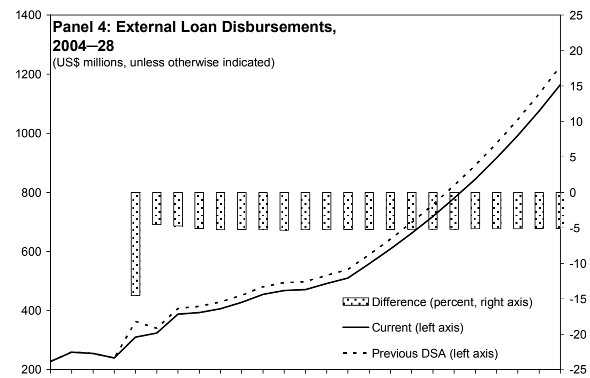


While exports are somewhat lower than in the previous DSA, efforts are underway to diversify the export base.

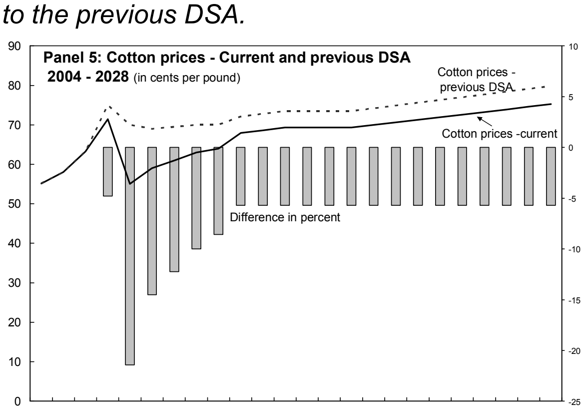


Revenue is lower in the near term, but will gradually recover to reach 17 percent of GDP, contributing to a reduction in the fiscal deficit over the medium term. While lower than expected in 2008, external borrowing requirements for the medium term remain in line with those of the previous DSA.

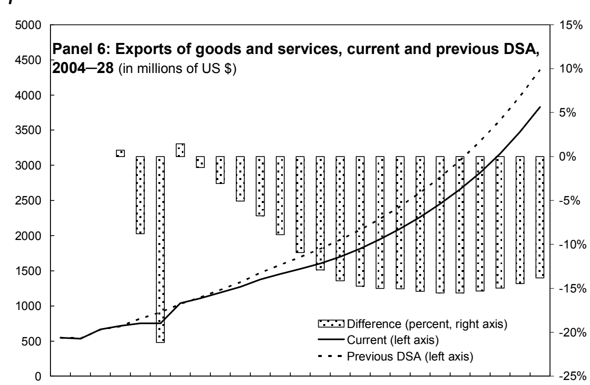




As a result of lower demand at the global level, cotton prices have declined markedly compared to the previous DSA.



Notwithstanding better prospects for gold exports, the long term export outlook is weaker than in the previous DSA.



Sources: Burkinabè authorities, World Economic Outlook, and IMF staff estimates and projections.

III. EXTERNAL DEBT SUSTAINABILITY ANALYSIS

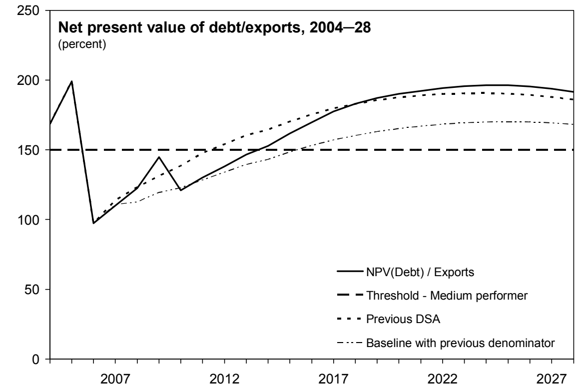
8. **There are no significant changes to the indicators compared to the previous DSA (Figure 2)**. Under the baseline scenario, there is a slight deterioration in the NPV of debt-to-exports ratio, the only indicator that breaches the indicative thresholds. With the decline in cotton exports over the long term, the ratio peaks at 196.4 percent in 2024, compared to 190.7 percent in the previous DSA. Nevertheless, all other debt indicators remain comfortably below the thresholds.

9. **Furthermore, the rate of external debt accumulation under the baseline scenario is projected to remain manageable.** The annual increase in the NPV of public external debt is substantially below 3 percent of GDP per year throughout the projection period and, notwithstanding a small increase in the medium term, it is projected to remain at about 20 percent of GDP. Additional grant financing could improve the debt sustainability outlook significantly. Whereas DSA projections are based on a conservative 50 percent grant-financing share, raising the grant-financing share to 55 percent in the projection period would lower the peak NPV of debt-to-exports ratio by about 20 percentage points.

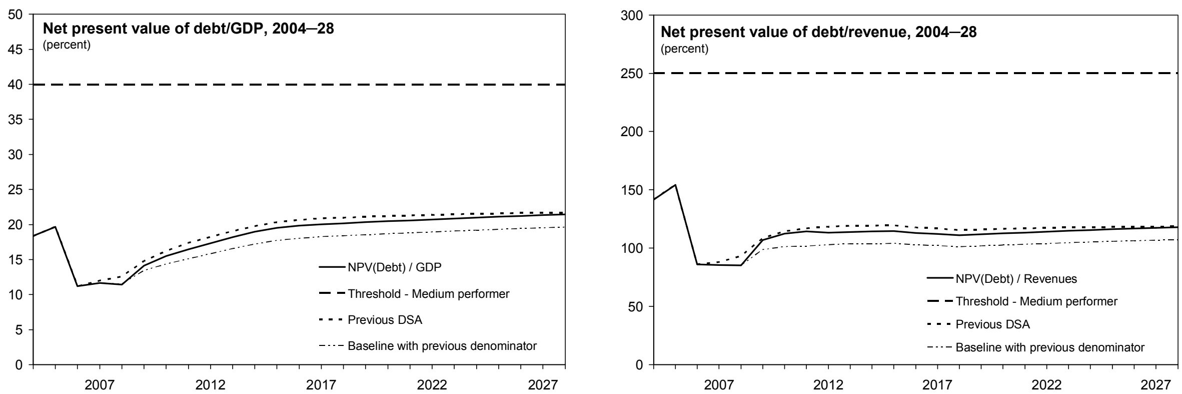
10. **Stress tests and alternative scenarios show Burkina Faso's debt outlook as vulnerable to large shocks to exports and less favorable financing terms.** The NPV of debt-to-exports and the debt service-to-exports ratios rises and stays above the threshold under some tests. In particular, these ratios are most vulnerable to a scenario of exports remaining subdued and growing below historical levels (Figure 5). While all the other ratios remain below their indicative thresholds throughout the projection period, stress test show there are vulnerabilities, in particular to a combination of lower GDP growth and a lower share of grants in external financing (bounds tests B2 and B5 and alternative scenario A2 in Table 2, respectively).

Figure 2. Burkina Faso: Current vs. Previous DSA

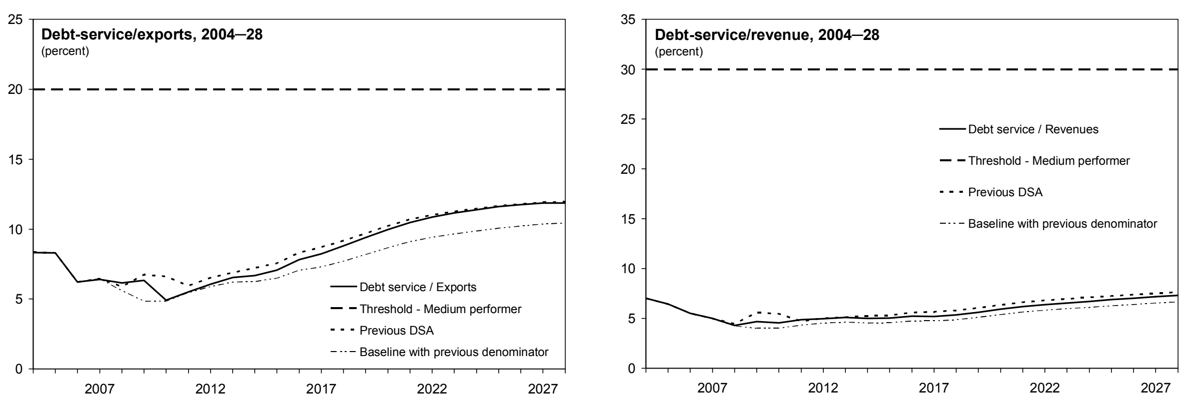
The main risk comes from the NPV of debt-to-exports ratio. Despite an improvement in the near term because of higher gold exports, long term the ratio deteriorates slightly because cotton exports fall.



The NPV of debt-to-GDP and to-revenue ratios remain comfortably below the indicative thresholds.



Debt service ratios also remain well below their thresholds.



Sources: Burkinabè authorities, World Economic Outlook, and IMF staff estimates and projections.

IV. ALTERNATIVE SCENARIOS

11. **How vulnerable is the debt sustainability outlook to further backlash from the current global crisis**? The baseline scenario of the DSA assumes (i) a continued improvement in revenue performance to meet the WAEMU target of 17 percent in 2015 and

(ii) a moderate decline in the share of cotton in total exports that is compensated in the medium term by a significant increase in the volume and value of gold exports.

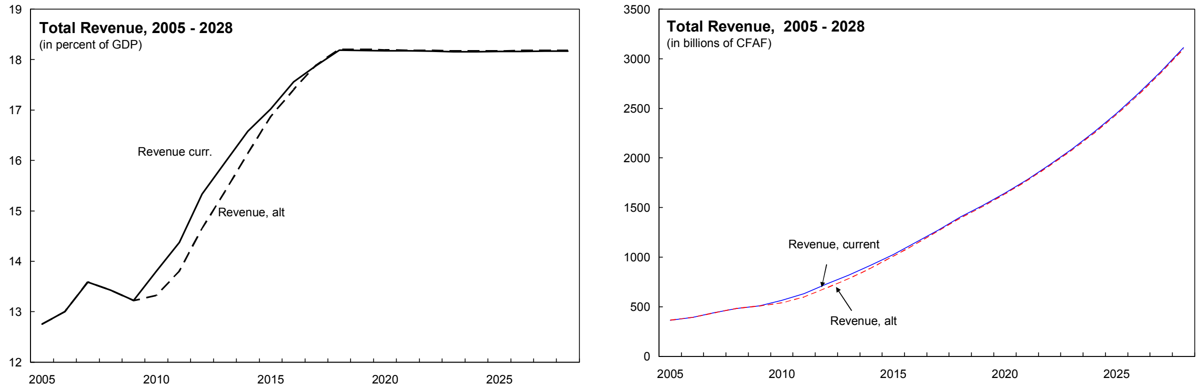
12. **The alternative scenario assumes a further decline in projected revenue compared to precrisis levels, a worsening of the outlook for cotton, and lower gold prices as the global recovery starts to take hold:**

- Revenues are lower by 0.5 percentage points of GDP in both 2010 and 2011, before gradually recovering to their baseline level by 2017.
- Cotton prices are 10 percent lower in 2010, returning to the baseline in 2011.
- Cotton export volumes are 20 percent lower in 2010, an impact that carries over into the medium and long run as producers diversify away from the sector in response to lower prices in 2009 and 2010 and declining prospects.
- Gold prices are 10 percent lower in 2011 and 5 percent lower in 2012 and 2013 before catching up to the baseline level in 2014 (Figure 3).

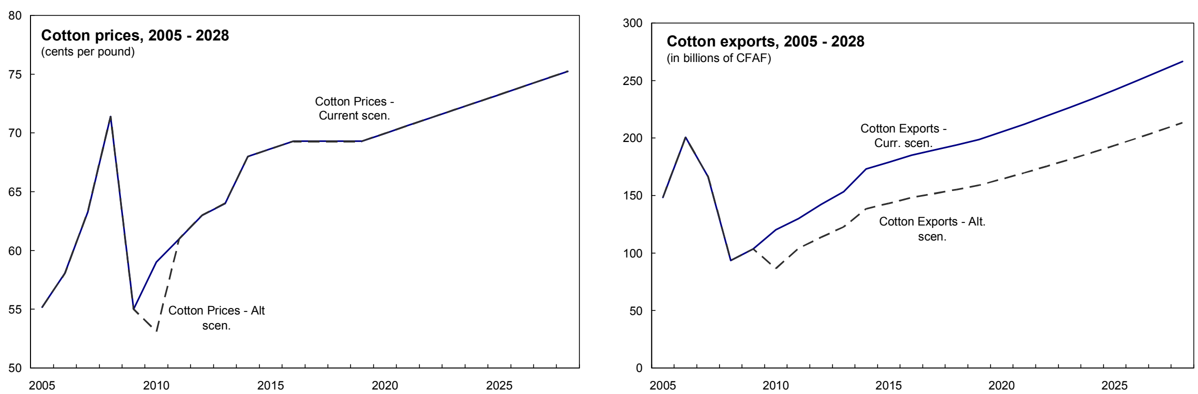
13. **The results under the alternative scenario do not foresee a significant deterioration of the debt sustainability outlook, and most debt sustainability indicators would be little affected over the long term**. The indicators remain below their indicative thresholds for medium performers, with the exception of the NPV of debt-to-exports ratio, which exceeds 200 percent (Figure 4).

Figure 3. Alternative Scenario with Lower Revenues and Exports: Assumptions

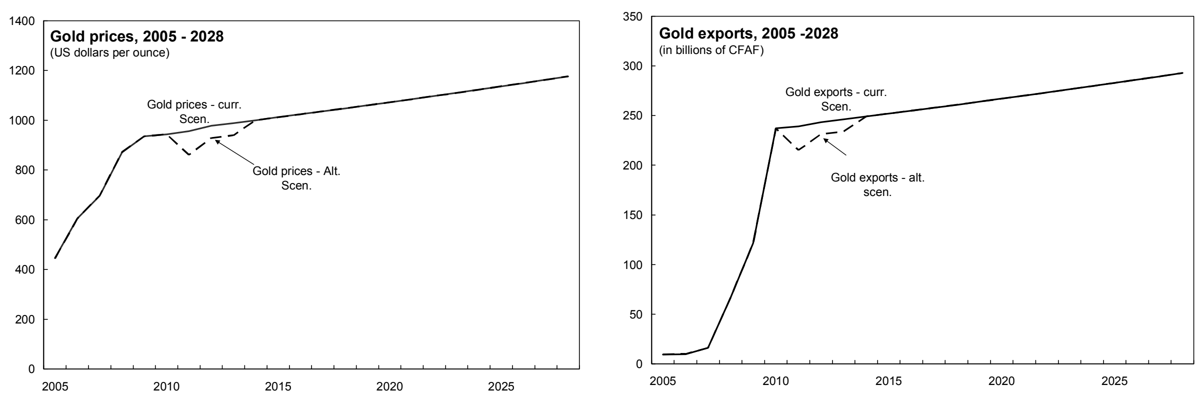
Revenue is lower by 0.5 percent of GDP in 2010 and 2011 but gradually recovers to reach the WAEMU target of 17 percent of GDP in 2017.



Cotton prices decrease further in 2010 and the sector suffers a pronounced decline over the medium term as farmers shift to other crops.



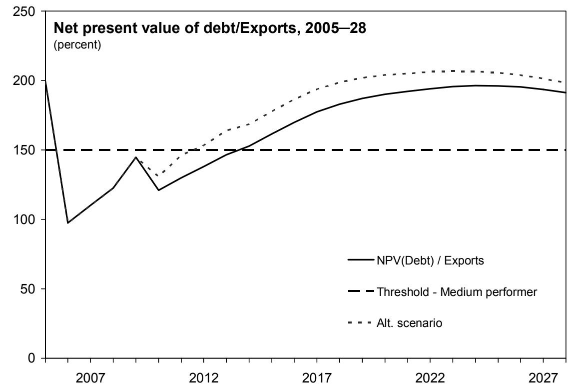
The value of gold exports declines as lower prices in 2011-2013 reflect an improved outlook for growth internationally and less uncertainty in financial markets.



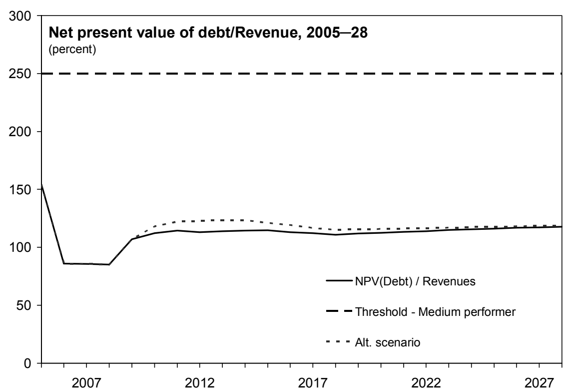
Sources: Burkinabè authorities and World Bank and IMF staff estimates.

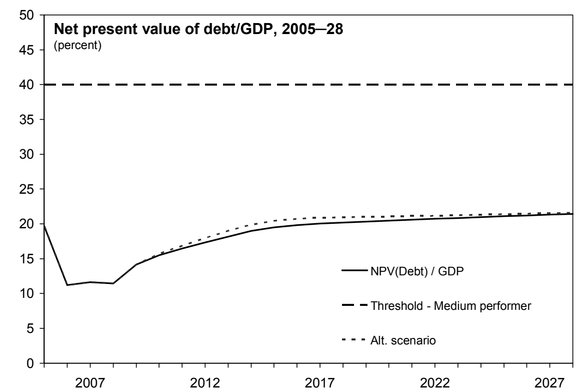
Figure 4. Alternative Scenario with Lower Revenues and Exports: Results

If export performance worsens, the NPV of debt-to-exports ratio would reach 206 percent, exceeding the threshold for strong performers …

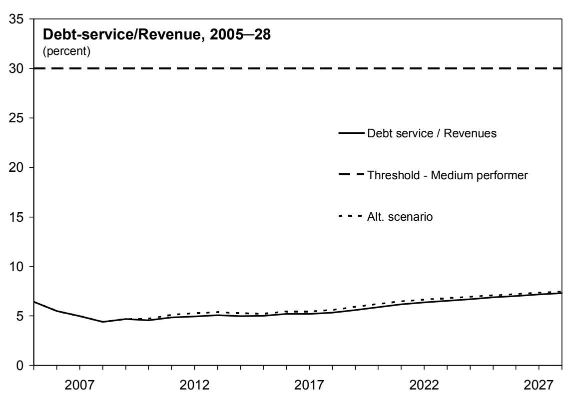


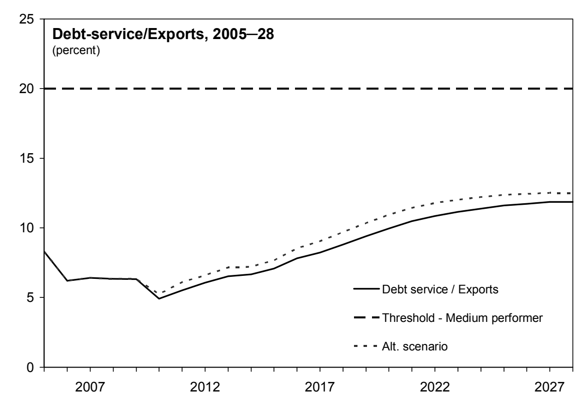
… but debt would remain otherwise sustainable …





… because Burkina Faso would preserve its capacity to stay current on external debt service.





Sources: Burkinabè authorities and World Bank and IMF staff estimates.

V. PUBLIC SECTOR DEBT SUSTAINABILITY ANALYSIS

14. **The results for the fiscal DSA are similar to those for the external DSA**. Domestic debt is low—gross domestic debt is estimated at approximately 2.7 percent of GDP at end-2008, and net debt at 1.3 percent of GDP. Moreover, it is assumed to decline further over the projection period as the authorities seek to avoid more costly domestic financing of the fiscal deficit. As a result, public debt dynamics are largely determined by the evolution of external debt.

15. **Public debt indicators could worsen under some scenarios.** The standard sensitivity tests reveal the public debt outlook to be vulnerable to persistent large primary deficits and an unexpected increase in debt creating flows, under which the debt ratios would increase sharply over the projection period. These results highlight the importance to follow prudent fiscal and borrowing policies. Failure to reduce the current deficits would lead to ever-increasing debt indicators; however the authorities are committed to ongoing tax reforms designed to lower the deficit to more sustainable levels.

VI. CONCLUSION

16. **Burkina Faso's risk of debt distress is high** because of the NPV of debt-to-exports ratio; all other debt indicators remain comfortably below their policy-dependent thresholds in the baseline scenario. Nevertheless, the high risk of distress underscores the importance of limiting external borrowing to concessional loans, maintaining a prudent fiscal policy to limit the accumulation of new debt, including by sustaining the ongoing tax reforms, and making continued efforts to diversify and increase exports. Moreover, the authorities should continue to improve their policy and institutional environment, which over time may result in a higher CPIA rating and higher debt thresholds.

Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2008–28 1/

(percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2005	2006	2007			2008	2009	2010	2011	2012	2013	2008–13 Average	2018	2028	2014–28 Average
External debt (nominal) 1/	**38.9**	**21.1**	**19.8**			**20.0**	**22.7**	**24.0**	**24.7**	**25.5**	**26.2**		**28.2**	**26.6**	
o/w public and publicly guaranteed (PPG)	38.9	21.1	19.8			20.0	22.7	24.0	24.7	25.5	26.2		28.2	26.6	
Change in external debt	-2.9	-17.8	-1.3			0.3	2.7	1.2	0.7	0.8	0.7		0.0	-0.2	
Identified net debt–creating flows	8.0	6.7	0.1			6.7	8.2	8.6	7.7	7.6	7.5		6.5	3.6	
Non–interest current account deficit	**11.4**	**9.3**	**8.1**	**10.0**	**1.2**	**10.8**	**9.8**	**10.5**	**10.0**	**8.9**	**8.9**		**8.1**	**5.2**	6.9
Deficit in balance of goods and services	15.6	14.0	14.2			16.0	15.2	14.3	13.6	12.6	12.5		11.5	9.2	
Exports	9.9	11.5	10.6			9.3	9.8	12.8	12.7	12.6	12.4		11.0	11.2	
Imports	25.5	25.5	24.8			25.4	25.0	27.1	26.3	25.2	24.9		22.5	20.3	
Net current transfers (negative = inflow)	-4.3	-4.4	-6.0	-4.8	0.9	-5.3	-5.4	-3.9	-3.7	-3.8	-3.7		-3.5	-4.1	-3.7
o/w official	-3.4	-3.0	-4.3			-3.7	-4.0	-2.5	-2.4	-2.4	-2.3		-1.8	-1.6	
Other current account flows (negative = net inflow)	0.1	-0.2	-0.2			0.1	0.1	0.2	0.1	0.1	0.1		0.1	0.1	
Net FDI (negative = inflow)	**-0.6**	**-0.6**	**-5.1**	**-0.9**	**1.5**	**-3.4**	**-1.1**	**-1.2**	**-1.4**	**-0.3**	**-0.3**		**-0.3**	**-0.5**	-0.4
Endogenous debt dynamics 2/	**-2.8**	**-2.0**	**-2.9**			**-0.6**	**-0.5**	**-0.7**	**-0.9**	**-1.1**	**-1.1**		**-1.2**	**-1.0**	
Contribution from nominal interest rate	0.3	0.2	0.2			0.2	0.2	0.2	0.2	0.3	0.3		0.4	0.4	
Contribution from real GDP growth	-2.8	-2.0	-0.6			-0.8	-0.7	-0.9	-1.2	-1.4	-1.4		-1.6	-1.5	
Contribution from price and exchange rate changes	-0.3	-0.3	-2.4			…	…	…	…	…	…		…	…	
Residual (3–4) 3/	**-10.9**	**-24.6**	**-1.4**			**-6.5**	**-5.4**	**-7.3**	**-7.0**	**-6.7**	**-6.8**		**-6.6**	**-3.9**	
o/w exceptional financing	0.0	-22.4	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
NPV of external debt 4/	19.7	11.2	11.6			11.4	14.1	15.5	16.5	17.3	18.2		20.2	21.4	
percent of exports	199.1	97.3	110.0			122.6	144.7	121.0	130.0	138.1	146.6		182.9	191.4	
NPV of PPG external debt	**19.7**	**11.2**	**11.6**			**11.4**	**14.1**	**15.5**	**16.5**	**17.3**	**18.2**		**20.2**	**21.4**	
percent of exports	**199.1**	**97.3**	**110.0**			**122.6**	**144.7**	**121.0**	**130.0**	**138.1**	**146.6**		**182.9**	**191.4**	
percent of government revenues	**154.2**	**86.1**	**85.5**			**85.1**	**106.9**	**112.3**	**114.5**	**113.1**	**113.9**		**110.9**	**117.9**	
Debt service-to-exports ratio (percent)	**8.3**	**6.2**	**6.4**			**6.3**	**6.3**	**4.9**	**5.5**	**6.1**	**6.5**		**8.8**	**11.9**	
PPG debt service-to-exports ratio (percent)	**8.3**	**6.2**	**6.4**			**6.3**	**6.3**	**4.9**	**5.5**	**6.1**	**6.5**		**8.8**	**11.9**	
PPG debt service-to-revenue ratio (percent)	**6.4**	**5.5**	**5.0**			**4.4**	**4.7**	**4.6**	**4.9**	**5.0**	**5.1**		**5.3**	**7.3**	
Total gross financing need (US$ billions)	631.1	548.6	248.6			644.3	715.2	805.2	814.9	893.3	970.3		1338.4	2054.1	
Non–interest current account deficit that stabilizes debt ratio	14.3	27.2	9.4			10.6	7.1	9.3	9.3	8.1	8.2		8.1	5.4	
Key macroeconomic assumptions															
Real GDP growth (percent)	7.1	5.5	3.6	5.6	1.9	5.0	3.5	4.1	5.3	6.0	6.0	5.0	6.0	5.9	5.9
GDP deflator in US$ terms (percent change)	0.8	0.7	13.1	5.3	10.3	13.7	-8.3	1.8	2.1	2.3	2.0	2.3	2.3	2.3	2.3
Effective interest rate (percent) 5/	0.7	0.7	1.2	0.6	0.4	1.1	0.9	0.7	1.1	1.2	1.2	1.1	1.4	1.7	1.5
Growth of exports of G&S (US$ terms, percent)	-2.1	23.7	7.7	12.4	22.2	5.4	-0.5	38.8	6.3	7.6	6.8	10.7	5.9	10.2	7.6
Growth of imports of G&S (US$ terms, percent)	11.7	6.1	14.0	11.1	12.8	22.2	-6.5	14.7	4.5	3.8	7.1	7.6	6.4	8.0	6.9
Grant element of new public sector borrowing (percent)	...	...	...	...	...	47.7	47.6	47.1	47.2	45.2	44.8	46.6	43.8	37.1	41.1
Aid flows (US$ billions) 7/	554.8	608.8	678.6			588.2	808.8	774.4	786.1	882.7	902.8		969.7	2272.1	
o/w Grants	249.8	324.4	439.4			329.6	484.5	437.8	443.4	491.7	493.7		484.9	1136.1	
o/w Concessional loans	259.4	254.9	239.2			258.6	324.3	336.6	342.6	391.1	409.1		484.9	1136.1	
Grant–equivalent financing (percent of GDP) 8/	...	...	...			5.7	8.3	7.3	6.9	7.0	6.6		4.5	4.6	4.7
Grant–equivalent financing (percent of external financing) 8/	...	...	...			76.0	79.1	77.0	77.0	75.7	75.0		71.9	68.5	70.6
Memorandum items:															
Nominal GDP (US$ millions)	5436.9	5776.6	6768.9			8084.7	7677.2	8131.0	8743.6	9483.0	10254.3		15406.3	34220.5	
(NPVt–NPVt–1)/GDPt–1 (percent)						2.0	2.0	2.3	2.2	2.3	2.3	2.2	1.8	1.9	1.9

Source: Staff simulations.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections, capital transfers are included–in particular project grants, which are projected to average about 2.5 percent of GDP over the long term, and about 4 percent over 2008-12 due to MCC grants—and private, non-debt-creating capital inflows. Projections also includes contribution from price and exchange rate changes.

4/ Assumes that NPV of private sector debt is equivalent to its face value.

5/ Current–year interest payments divided by previous period debt stock.

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

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant–equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the NPV of new debt).

Table 2. Burkina Faso: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2008–28
(Percent)

	Projections							
	2008	2009	2010	2011	2012	2013	**2018**	2028
NPV of debt-to-GDP ratio								
Baseline	11	14	16	16	17	18	**20**	21
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	11	12	13	13	14	15	**19**	30
A2. New public sector loans on less favorable terms in 2008–27 2/	11	15	18	20	22	24	**29**	34
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	11	14	16	16	17	18	**20**	21
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	11	15	20	20	21	22	**22**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	11	14	16	17	18	19	**21**	22
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	11	16	19	20	20	21	**22**	22
B5. Combination of B1–B4 using one–half standard deviation shocks	11	13	16	17	18	18	**19**	20
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	11	21	23	24	26	27	**30**	32
NPV of debt-to-exports ratio								
Baseline	123	145	121	130	138	147	**183**	191
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007–26 1/	123	125	99	106	114	120	**172**	265
A2. New public sector loans on less favorable terms in 2007–26 2/	123	157	139	157	173	190	**262**	303
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	123	145	121	130	138	147	**183**	191
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	123	166	259	274	286	299	**345**	332
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	123	145	121	130	138	147	**183**	191
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	123	166	147	155	162	170	**198**	194
B5. Combination of B1–B4 using one–half standard deviation shocks	123	145	183	195	206	217	**259**	260
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	123	145	121	130	138	147	**183**	191
NPV of debt-to-revenue ratio								
Baseline	85	107	112	114	113	114	**111**	118
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007–26 1/	85	93	92	94	93	94	**104**	163
A2. New public sector loans on less favorable terms in 2007–26 2/	85	116	129	138	142	148	**159**	187
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	85	107	113	115	113	114	**111**	118
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	85	111	142	142	138	137	**123**	120
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	85	103	116	118	117	118	**115**	122
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	85	123	136	137	133	132	**120**	120
B5. Combination of B1–B4 using one–half standard deviation shocks	85	99	116	117	114	114	**107**	109
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	85	159	167	170	168	169	**165**	175

continued

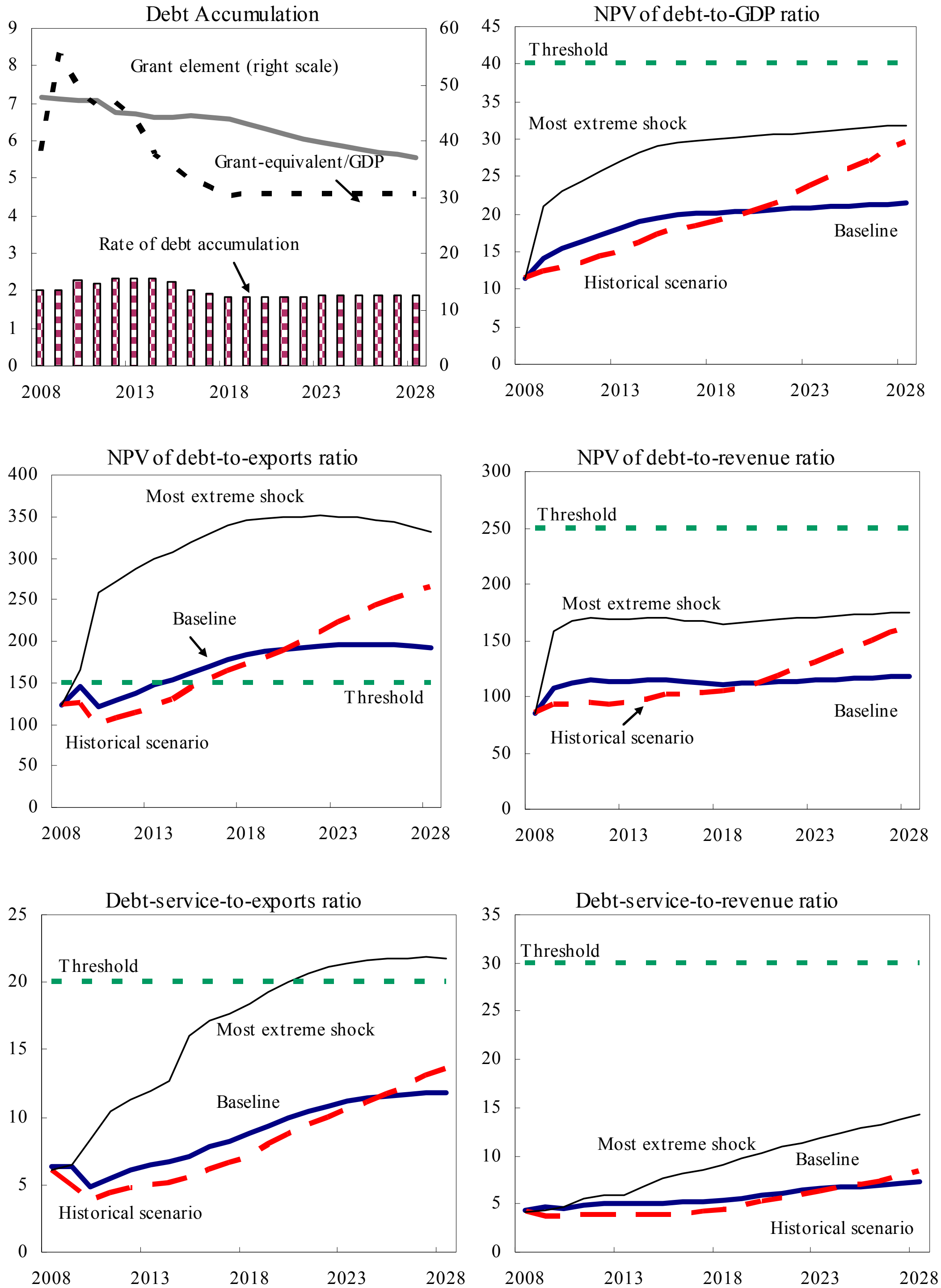
Table 2. Burkina Faso: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2008–28 (concluded)
(Percent)

	Projections							
	2008	2009	2010	2011	2012	2013	2018	2028
Debt service-to-exports ratio								
Baseline	6	6	5	6	6	7	**9**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	6	5	4	4	5	5	**7**	14
A2. New public sector loans on less favorable terms in 2008–27 2/	6	6	5	6	7	8	**15**	23
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	6	6	5	6	6	7	**9**	12
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	6	6	8	10	11	12	**18**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	6	6	5	6	6	7	**9**	12
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	6	6	5	6	7	7	**10**	13
B5. Combination of B1–B4 using one–half standard deviation shocks	6	6	7	8	9	9	**13**	17
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	6	6	5	6	6	7	**9**	12
Debt service-to-revenue ratio								
Baseline	4	5	5	5	5	5	**5**	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	4	4	4	4	4	4	**4**	8
A2. New public sector loans on less favorable terms in 2008–27 2/	4	4	5	6	6	6	**9**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	4	4	4	5	5	5	**5**	7
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	4	4	5	5	5	5	**7**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	4	4	5	5	5	5	**6**	8
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	4	4	5	5	5	5	**6**	8
B5. Combination of B1–B4 using one–half standard deviation shocks	4	4	4	5	5	5	**5**	7
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	4	6	7	7	7	8	**8**	11
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	34	34	34	34	34	34	**34**	34

Source: Staff projections and simulations.

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

Figure 5. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios (in percent), 2008-28 1/



Source: Staff projections and simulations.
1/ Thresholds for medium performer.

Table 3: Public Sector Debt Sustainability Framework, Baseline Scenario, 2005-28

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2005	2006	2007	Historical Average 5/	Standard Deviation 5/	2008	2009	2010	2011	2012	2013	2008-13 Average	2018	2028	2014-28 Average
Public sector debt 1/	44.4	22.8	22.0			23.9	26.1	28.1	29.1	30.4	31.6		33.4	32.7	
o/w foreign-currency denominated	40.9	20.0	18.6			21.6	22.8	24.0	24.7	25.5	26.2		28.2	26.5	
Change in public sector debt	0.3	-21.6	-0.7			1.9	2.2	1.9	1.0	1.3	1.2		-0.1	-0.1	
Identified debt-creating flows	6.6	-23.0	2.4			3.4	4.5	3.1	2.2	1.4	1.2		0.0	-0.1	
Primary deficit	4.6	5.0	5.3	3.7	1.1	4.2	4.7	4.3	3.8	3.3	3.1	3.9	2.1	2.0	2.2
Revenue and grants	17.4	18.9	20.1			17.5	19.5	19.2	19.4	20.5	20.8		21.3	21.5	
of which: grants	4.6	5.9	6.5			4.1	6.3	5.4	5.1	5.2	4.8		3.1	3.3	
Primary (noninterest) expenditure	21.9	23.9	25.4			21.7	24.3	23.4	23.2	23.8	23.9		23.5	23.4	
Automatic debt dynamics	2.1	-5.9	-2.9			-0.7	-0.3	-1.2	-1.6	-1.9	-1.9		-2.2	-2.1	
Contribution from interest rate/growth differential	-3.6	-3.1	-1.0			-1.3	-0.7	-0.9	-1.3	-1.7	-1.8		-1.9	-1.9	
of which: contribution from average real interest rate	-0.7	-0.8	-0.2			-0.2	0.1	0.1	0.2	0.0	0.0		-0.1	0.0	
of which: contribution from real GDP growth	-2.9	-2.3	-0.8			-1.0	-0.8	-1.0	-1.4	-1.6	-1.7		-1.9	-1.8	
Contribution from real exchange rate depreciation	5.7	-2.8	-1.9			0.6	0.4	-0.3	-0.3	-0.2	-0.1		...	...	
Other identified debt-creating flows	0.0	-22.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	-22.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-6.3	1.4	-3.1			-1.5	-2.3	-1.1	-1.1	-0.1	-0.1		0.0	0.0	
NPV of public sector debt	23.2	14.0	15.1			13.7	17.5	19.6	20.9	22.3	23.6		25.4	27.6	
o/w foreign-currency denominated	19.7	11.2	11.6			11.4	14.1	15.5	16.5	17.3	18.2		20.2	21.4	
o/w external	19.7	11.2	11.6			11.4	14.1	15.5	16.5	17.3	18.2		20.2	21.4	
NPV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Gross financing need 2/	6.0	6.2	6.6			4.9	5.5	5.0	4.6	4.2	4.0		3.2	3.3	
NPV of public sector debt-to-revenue and grants ratio (in percent)	133.6	73.9	75.0			78.6	89.6	102.3	107.4	108.5	113.4		119.0	128.3	
NPV of public sector debt-to-revenue ratio (in percent)	181.7	107.3	110.9			102.4	132.3	142.2	145.3	145.2	147.6		139.6	151.8	
o/w external 3/	154.2	86.1	85.5			85.1	106.9	112.3	114.5	113.1	113.9		110.9	117.9	
Debt service-to-revenue and grants ratio (in percent) 4/	8.2	6.2	6.7			4.1	4.0	4.1	4.3	4.3	4.5		4.9	6.3	
Debt service-to-revenue ratio (in percent) 4/	11.2	8.9	9.9			5.4	5.9	5.7	5.8	5.8	5.8		5.8	7.5	
Primary deficit that stabilizes the debt-to-GDP ratio	4.3	26.6	6.0			2.2	2.6	2.3	2.7	1.9	1.9		2.2	2.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	7.1	5.5	3.6	5.6	1.9	5.0	3.5	4.1	5.3	6.0	6.0	5.0	6.0	5.9	5.9
Average nominal interest rate on forex debt (in percent)	0.7	0.6	1.1	0.6	0.4	1.1	1.0	0.7	1.1	1.2	1.2	1.1	1.4	1.7	1.5
Average real interest rate on domestic currency debt (in percent)	3.9	5.1	3.9	-0.3	5.2	-1.7	4.2	2.7	1.6	1.1	0.6	1.4	-0.7	-1.6	-1.0
Real exchange rate depreciation (in percent, + indicates depreciation)	16.1	-7.3	-10.2	-2.6	12.5	3.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.6	-0.1	3.6	2.8	2.9	5.9	3.0	2.1	2.0	2.1	2.0	2.9	2.3	2.3	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	10.8	15.0	9.9	7.4	6.8	-10.3	16.1	0.5	4.2	8.6	6.4	4.3	5.9	5.9	5.8
Grant element of new external borrowing (in percent)	0.0	0.0	0.0	0.0	0.0	47.7	47.6	47.1	47.2	45.2	44.8	46.6	43.8	37.1	...

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

1/ Central government.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

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

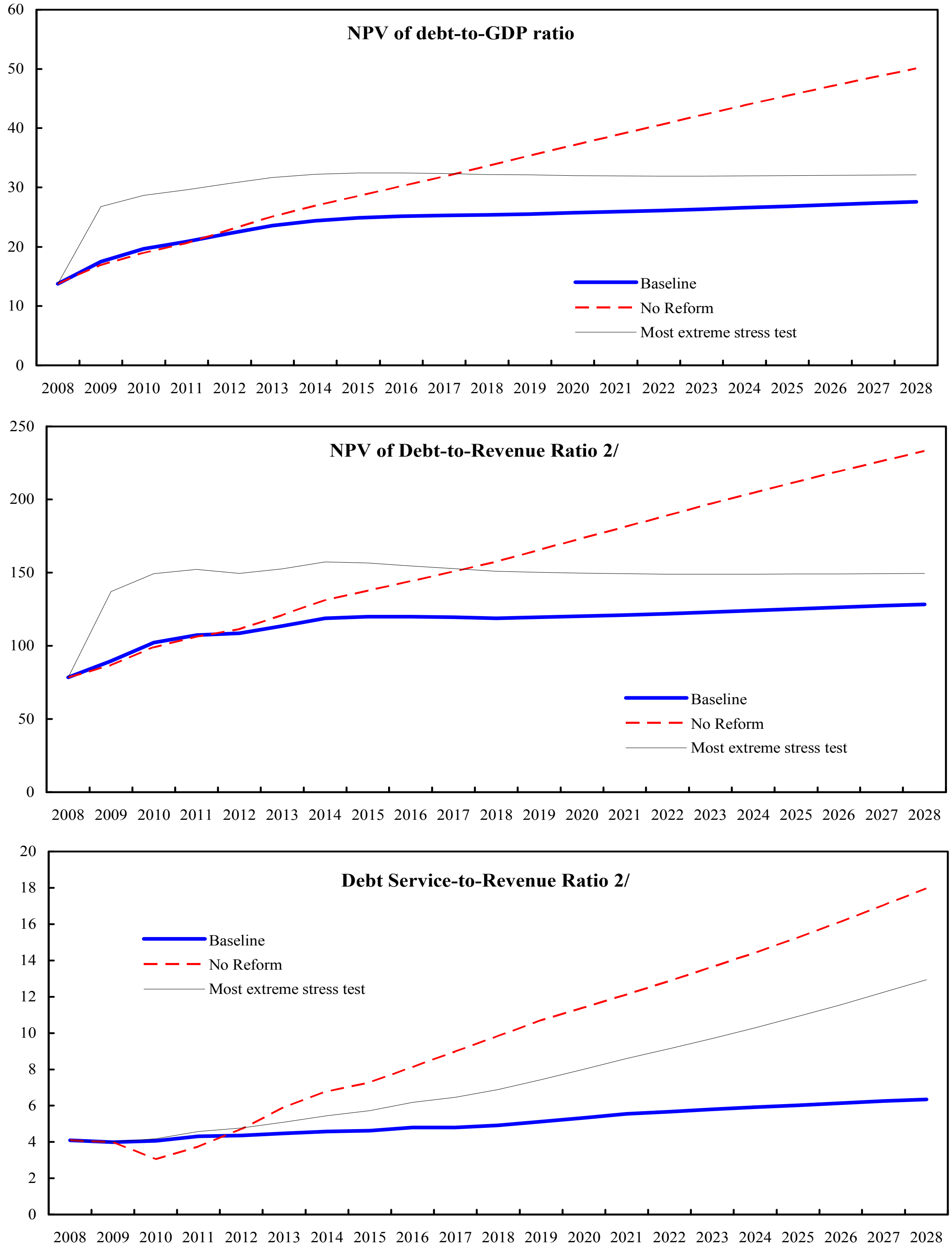
Table 4.Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt 2008-28

	Projections							
	2008	2009	2010	2011	2012	2013	2018	2028
NPV of Debt-to-GDP Ratio								
Baseline	14	17	20	21	22	24	25	28
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	14	16	18	19	21	23	30	45
A2. Primary balance is unchanged from 2008	14	17	19	21	23	25	34	50
A3. Permanently lower GDP growth 1/	14	18	20	21	23	25	30	42
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	14	17	20	21	22	24	26	28
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	14	18	20	21	23	24	26	28
B3. Combination of B1-B2 using one half standard deviation shocks	14	17	19	20	22	23	25	28
B4. One-time 30 percent real depreciation in 2009	14	23	25	26	27	28	28	30
B5. 10 percent of GDP increase in other debt-creating flows in 2009	14	27	29	30	31	32	32	32
NPV of Debt-to-Revenue Ratio 2/								
Baseline	79	90	102	107	109	113	119	128
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	79	84	93	98	103	111	142	208
A2. Primary balance is unchanged from 2008	79	87	99	106	111	121	158	233
A3. Permanently lower GDP growth 1/	79	90	104	110	112	119	138	191
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	79	89	102	108	109	114	120	130
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	79	90	105	110	111	116	121	130
B3. Combination of B1-B2 using one half standard deviation shocks	79	87	99	105	107	112	119	131
B4. One-time 30 percent real depreciation in 2009	79	119	131	133	130	133	129	137
B5. 10 percent of GDP increase in other debt-creating flows in 2009	79	137	149	152	150	153	151	150
Debt Service-to-Revenue Ratio 2/								
Baseline	4	4	4	4	4	4	5	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	4	4	2	3	4	5	8	15
A2. Primary balance is unchanged from 2008	4	4	3	4	5	6	10	18
A3. Permanently lower GDP growth 1/	4	4	4	5	5	5	7	13
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2009-2010	4	4	4	4	4	5	5	7
B2. Primary balance is at historical average minus one standard deviations in 2009-2010	4	4	4	5	5	5	5	7
B3. Combination of B1-B2 using one half standard deviation shocks	4	4	3	4	4	5	5	7
B4. One-time 30 percent real depreciation in 2009	4	4	5	5	5	5	6	8
B5. 10 percent of GDP increase in other debt-creating flows in 2009	4	4	21	11	8	7	7	10

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

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).
2/ Revenues are defined inclusive of grants.

Figure 6.Burkina Faso: Indicators of Public Debt Under Alternative Scenarios, 2008-28 1/



Source: Staff projections and simulations.
1/ Most extreme stress test is test that yields highest ratio in 2018.
2/ Revenue including grants.

INTERNATIONAL MONETARY FUND

BURKINA FASO

Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility

Informational Annex

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

Approved by Michael Atingi-Ego and Anthony Boote

June 8, 2009

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 35.26 million (58.57 percent of quota) at end-March 2009.

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

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

Contents Page

Burkina Faso—Relations with the Fund

(As of March 31, 2009)

I. Membership Status: Joined: May 2, 1963; accepted Article VIII in June 1996

II. General Resources Account:	**SDR Million**	**In percent of quota**
Quota	60.20	100.00
Fund holdings of currency	52.78	87.67
Reserve position in Fund	7.39	12.28
Holdings Exchange Rate		

III. SDR Department:	**SDR Million**	**In percent of allocation**
Net cumulative allocation	9.41	100.00
Holdings	0.04	0.38

IV. Outstanding Purchases and Loans:	**SDR Million**	**In percent of quota**
Poverty Reduction and Growth Facility (PRGF) arrangements	35.26	58.57

V. Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Apr. 23, 2007	Apr. 22, 2010	15.05	12.04
PRGF	Jun. 11, 2003	Sept. 30, 2006	30.10	30.10
PRGF	Sept. 10, 1999	Dec. 09, 2002	39.12	39.12

VI. Projected Payments to Fund
(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2009	2010	2011	2012	2013
Principal		0.68	2.41	4.69	5.10
Charges/interest	0.21	0.22	0.21	0.19	0.16
Total	0.21	0.90	2.61	4.88	5.26

VII. Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Sept. 1997	Jul. 2000	
Assistance committed by all creditors (US$ Million)[1]	229.00	324.15	
Of which: IMF assistance (US$ million)	21.70	35.88	
(SDR equivalent in millions)	16.30	27.67	
Completion point date	Jul. 2000	Apr. 2002	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	16.30	27.67	43.97
Interim assistance	...	4.15	4.15
Completion point balance	16.30	23.52	39.82
Additional disbursement of interest income[2]	...	2.01	2.01
Total disbursements	16.30	29.68	45.98

VIII. Implementation of MDRI Assistance:

I. Total Debt Relief (SDR Million)[3]	62.12
Of which: MDRI	57.06
Of which: HIPC	5.06
II. Debt Relief by Facility (SDR Million)	

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

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

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

Eligible Debt			
Delivery date	**GRA**	**PRGF**	**Total**
January 2006	N/A	62.12	62.12

IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Burkina Faso. The most recent safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment indicated progress has been made in strengthening the bank's safeguards framework since the 2002 assessment and identified some areas where further steps would help solidify it.

The BCEAO now publishes a full set of audited financial statements and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms for improving risk management have been established, and follow-up on internal and external audit recommendations has been strengthened.

The results of continuous safeguards monitoring indicate that while certain vulnerabilities remain in internal control systems and legal structure, there has been some progress in other areas, including through: (i) improving the external audit process by adopting a multi-year audit program; (ii) establishing an audit committee; (iii) expanding disclosures on financial positions of WAEMU countries with the Fund in the notes to the annual financial statements; and (iv) further strengthening of the effectiveness of the internal audit function.

X. Exchange Rate Arrangement:

Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU) and has no separate legal tender. The union’s common currency, the CFA franc, is pegged to the euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. On May 6, 2009, the rate of the CFA franc in terms of SDR was CFAF 750.80 = SDR 1.0. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its member. The exchange system is free of restrictions on the making of payments and transfers on current international transactions.

XI. Article IV Consultations:

The periodicity of Burkina Faso's Article IV consultation is set in accordance with the July 15, 2002 Executive Board Decision on consultation cycles. Discussions on the 2007 Article IV consultation and first review under the Poverty Reduction and Growth Facility (PRGF) were held during the period September 19–October 4, 2007 in Ouagadougou. The staff report and the Selected Issues and Informational Annex were considered by the Executive Board on January 9, 2008. The next article IV consultation is scheduled for September 2009.

XII. ROSC/AAP:

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

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

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

XIII. Technical Assistance:

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

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Tax Advisor	February 7–11, 2005	Review the progress made on: (1) the setup of the Large Taxpayer Unit and the Medium Taxpayers Office; (2) the steps to strengthen the fiscal control; and (3) the corporate registry reform.
AFRITAC	Customs Advisor	February 14–18, 2005	Provide assistance to control transit merchandises in the country and travelers at Ouagadougou airport.
AFRITAC	Customs, short-term Expert	February 14–23, 2005	Implement customs valuation code and establish a database for indicative import prices.
AFRITAC	Microfinance Advisor	March 21–25, 2005	Assess the TA need of the Cellule responsible of the supervision of microfinance institutions and prepare a capacity-building program.
AFRITAC	Short-term Expert	April 18–29, 2005	Training of auditors of the Tax administration.
AFRITAC	PEM Advisor	June 27, July 1, 2005	Review of the public finance directives of WAEMU.
AFRITAC	STA Advisor and Short-term Expert	June 27–July 5, 2005	Assist in setting up database for the TOFE (first or two scheduled missions) and expand further the scope of the TOFE (last of three scheduled missions).
AFRITAC	Customs Advisor visits	July 10–16, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	Tax Advisor	August 8–12, 2005	(1) Review the status of implementation of the 2003 FAD mission's recommendations; (2) update the tax directorate's action plan; and (3) asses the DGI TA's needs.
AFRITAC	STA Short-term Expert	August 22–26, 2005	Assist with putting in place the database of public finances.
AFRITAC	Customs Advisor	August 28–September 1, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	STA Short-term Expert	August 29–September 2, 2005	Assist and set up database for the TOFE (last of the two scheduled missions).

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Microfinance Advisor	September 19–23, 2005	Strengthen operational systems for the surveillance of microfinance institutions.
AFRITAC	STA Short-term Expert	September 19–23, 2005	Assist and setting up database for the TOFE (additional mission).
AFRITAC	PEM Advisor	October 10–14, 2005	Review the status of implementation the January 2004 mission recommendations and assess the technical assistance needs.
AFRITAC	Microfinance Advisor and Short-term Expert	November 21–December 16, 2005	Coach in microfinance inspections.
AFRITAC	STA Advisor	December 6–15, 2005	Review the WAEMU directives on budgetary nomenclature.
AFRITAC	Customs Advisor	January 23–25, 2006	Strengthen the dialogue between the customs administration and the private sector (regional workshop).
AFRITAC	STA Advisor	March 11–25, 2006	Review the directive on the TOFE.
AFRITAC	PEM Advisor	March 13–17, 2006	Review the directive on the TOFE.
AFRITAC	Tax administration; Short term Expert	March 14–28, 2006	Assist in strengthening (1) operations of the LTU; and (2) tax auditing.
AFRITAC	Customs Advisor	March 14–28, 2006	Assist in defining an action plan to improve revenue mobilization.
FAD	Revenue administration mission	March 14–28, 2006	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
AFRITAC	Custom Advisor	April 4–14, 2006	Strengthen the control of goods valuation.
AFRITAC	Tax administration; Short term Expert	April 17–28, 2006	Strengthen the management of the most important taxpayers.
AFRITAC	Tax Advisor	July 24–28, 2006	Follow up the implementation of the recommendations by the FAD mission in March 2006.
AFRITAC	Microfinance Advisor	July 31–August 4, 2006	Identify the follow-up indicators from a distance.
AFRITAC	Real statistic sector Advisor	September 11–20, 2006	Take stock of the implementation of the recommendations by the ROSC

Department	Type of Assistance	Time of Delivery	Purpose
			mission in March 2004.
AFRITAC	Microfinance, Short term Expert	September 28–October 20, 2006	Accompany the agents of the Cell S-IFD.
AFRITAC	Public expenditure Advisors	October 2–12, 2006	Review and follow up the implementation of the priority action plan in the PF strengthening strategy.
AFRITAC	Microfinance; Short term Expert	October 2–20, 2006	Develop agent's abilities in inspection and accompany them in the field.
AFRITAC	Customs administration, Short-term Expert	November 20–December 1, 2006	Assess the implementation of preview recommendations relating to the control of goods valuation in the customs.
AFRITAC	Tax Advisor	November 20–December 1, 2006	Strengthen capacities of the tax administration to fight tax evasion.
AFRITAC	Macroeconomic statistics Advisor	March 5–9, 2007	Training in Government Statistics Manual 2001.
AFRITAC	Debt Advisor	March 5–16, 2007	Study the situation of the administrative management of the internal and external debts.
AFRITAC	Customs Advisor	March 12–23, 2007	Follow up the implementation of the recommendations by the FAD mission in March 2006, and assess the implementation of the goods valuation control in the customs.
AFRITAC	Macroeconomic statistics Advisor	March 19–23, 2007	Training in Government finance statistics framework.
AFRITAC	Tax Advisor	March 26–30, 2007	Assist in the implementation of the tax administration strengthening and modernization measures.
AFRITAC	Tax Advisor	May 22–June, 4 2007	Follow up on fiscal administration.
AFRITAC	Custom Advisor	July 16–27, 2007	Computerization of customs procedures.
MCM	Bank supervision	July 23–27, 2007	Technical assistance needs assessment and evaluation on bank supervision.
FAD	Budget management	June 26–July 9, 2007	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
STA	Macroeconomic	November 26–	Support in setting up fiscal accounts for

Department	Type of Assistance	Time of Delivery	Purpose
	statistics	December 7, 2007	the Treasury.
FAD	Tax policy reform	27 November–12 December, 2007	Review and simplification of tax system.
FAD/ AFRITAC	Public financial management		Assist in the implementation of the authorities' reform agenda in public financial management.
AFRITAC	Debt Sustainability Workshop	January 28–February 1, 2008	To assist the authorities in the implementation of the Debt sustainability Analysis framework.
AFRITAC	Revenue administration	February 11–22, 2008	Segmentation of taxpayers, functionality of Syntax system and its implementation in the medium taxpayer Office.
AFRITAC	Micro finance supervision	February 11–15, 2008	Support personnel of microfinance supervision.
STA/PEM	UEMOA Directives	February 25–29, 2008	Support the preparation of the revision of UEMOA directives.
STA	National Accounts	April 14–25, 2008	Train staff in national accounts software and improved compilation techniques and tabulation procedures.
FAD	Tax and Customs Administration reforms	June 1, 2008-April 2009	Advise on tax and customs administration reform strategy.
FAD	Modernization of revenue administration	May 1, 2008	Advise on the modernization of revenue administration.
STA	Real Sector Statistics Advisor	December 26, 2007-December 31, 2008	Advise on the compilation of real sector statistics.
FAD	Public Financial Management	March 1, 2009-April 30, 2010	Advise on strengthening program budgeting.
FAD	Tax Policy	April-May 2009	Review and simplification of tax system.
AFRITAC	Financial Supervision	April 20-24, 2009	Improve the supervision of microfinance institutions.
MCM	Sovereign Asset	April 28-May 5, 2009	Reinforcement of the capacity of the

Department	Type of Assistance	Time of Delivery	Purpose
	and Liability Management		national debt committee.
AFRITAC	Public Expenditure Management	April 28-May 5, 2009	Advise on public financial management and public financial statistics

XIV. Resident Representative:

Ms Isabell Adenaeur took up the post of Resident Representative in June 2008.

Burkina Faso—Joint Management Action Plan (JMAP) Implementation

IMF and World Bank
Joint Management Action Plan (Update)

Title	**Products**	**Provisional timing of missions**	**Expected delivery date**
	A. Mutual information on relevant work programs		
Bank work program in next 12 months	• Poverty Reduction Support Credit (PRSC 9) • Country Economic Memorandum • Public Expenditure Review • Poverty Reduction Support Credit (PRSC 10)		Summer 2009 Fall 2009 September 2009 Summer 2010
	Technical Assistance • Support SOFITEX to develop a risk management strategy • Decentralization strategy • Seminar on links between Finance commission of National Assembly and Cour des comptes • Support on risk based auditing and follow-up of audit recommendations to the ASCE		2009 June 2009 On-going (IDF grant)
IMF work program in next 12 months	**IMF-supported program:** • Article IV and fifth PRGF review	September 2009	December 2009
	Technical Assistance • TA support to follow-up on customs and tax policy administration, PFM, microfinance supervision, and national accounts statistics • TA on tax policy (follow-up, resources permitting)		May 2009 – April 2010 May 2009-2010
	B. Requests for work program inputs		
Fund request to Bank	• Periodic update on progress with PRSC • PER to provide quantitative inputs for fiscal consolidation		
Bank request to Fund	• Regular updates of medium-term macro projections • Fund Relation Note (for budget support operations)		

C. Agreement on joint products and missions			
Joint products in next 12 months	• FSAP-follow-up to help authorities set-up action plan		January 2010
	• DSA	March / April 2010	June 2010

Burkina Faso: Statistical Issues

Overall, data provision is adequate for surveillance purposes, but serious shortcomings hamper economic and program monitoring. The country has participated in the General Data Dissemination System (GDDS) since December 2001 and its metadata are posted on the Dissemination Standards Bulletin Board (DSBB). However, the metadata have not been updated since 2001. Following the conversion of the National Institute of Statistics and Demography (INSD) into an autonomous agency, its human and material resources were significantly increased in 2002.

The country has received technical assistance (TA) under the government finance statistics (GFS) component of the regional GDDS project (funded by Japan) for member countries of the West African Economic and Monetary Union (WAEMU).[1] A data ROSC mission visited Burkina Faso in May 2003 and the report was published in March 2004. The May 2006 and September 2006 STA missions helped the authorities update the statistical plans for improvement and recommended further increasing resources to support statistical reforms, especially to the INSD, for additional staff and survey work. This was seen as a prerequisite to enhanced overall effectiveness of technical assistance.

Real sector

Serious problems have been identified in both national accounts and price statistics. The INSD compiles the national accounts following the harmonized WAEMU guidelines, which are in line with the *1993 SNA*. Annual data are available on GDP estimates by economic activity (19 industries) and by expenditure categories at current and constant (1985) prices, as well as by institutional sector accounts. Also, a general table of transactions and an overall balance of goods and services are available.

The quality of the national accounts estimates is affected by the scarcity of suitable data sources and by deficiencies in statistical practices. In particular, the informal sector is not properly captured, with estimates derived from limited informal sector surveys conducted in 1989 and 1996. Although included in the directory of industrial and commercial enterprises, most medium and small enterprises belonging to the "modern sector" fall short of submitting accounting statements or tax declarations. Other deficiencies revealed from GDDS metadata are the residual estimation of private household consumption in the absence of an adequate framework to validate data (i.e., supply-use tables). The country has completed, with TA from the Fund and other donors, the current price accounts for the period 1999–2001 (with 1999 as the new base year). A work program aiming at improving the quality of the national accounts and producing estimates for missing years has been set up with AFRITAC West assistance.

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

The consumer price index compiled by the INSD follows the methodology of the harmonized index adopted by the WAEMU member countries. The index only covers expenditures by households living in the capital. Further restrictions are the exclusion of non-African households, various types of purchased goods and services, as well as services of owner-occupied dwellings. The weight for the item "food, beverages, and tobacco" (33.9 percent of the total) is very low in comparison with neighboring countries. A possible explanation is that the survey from which the weights are taken did not cover a full year. There are plans—subject to the availability of funding—to update the weights. Currently, the base year is 1996. When a product is unavailable, its price is presumed to remain unchanged for a period of up to three months, which is in conformity with the WAEMU methodology. However, best practice would impute a price change for these items on the basis of the prices recorded for closely related products. The software package used for calculating the consumer price index needs to be improved. There do not seem to be other major problems concerning the index, whose periodicity and timeliness meet SDDS requirements. The index is published by the INSD and is also available on the Central Bank of West African States (BCEAO) and AFRISTAT websites.

The authorities do not compile a producer price index or wholesale price index. According to plans for improvement posted on the DSBB, the development of these indices is not envisaged, even for the medium term.

Government finance

In general, *GFS* compilation is constrained by a lack of coordination among fiscal agencies. The data ROSC identified as areas for improvement the production of functional and ministerial breakdown of expenditure, extending the coverage of the TOFE to the general government, and basing compilation on the Treasury ledger. The above-mentioned areas benefited from the June–July 2007 FAD/AFRITAC West public finance management mission. It provided a medium-term strategy to improve budget management, furthered the progress on prior STA recommendations, and strongly encouraged the authorities to adopt functional classification of expenditure and other methods consistent with *GFSM 2001.* Annual data are published in the *International Financial Statistics (IFS)* through 2005. No detailed monthly or quarterly data have been reported to STA for publication. *The 2007 Government Finance Statistics Yearbook* includes data for 2004, 2005 and 2006 that were for the first time reported in the format of the *Government Finance Statistics Manual 2001 (GFSM 2001).* The data cover budgetary operations only, but include a breakdown by function for 2004.

Monetary and financial statistics

Preliminary monetary data are prepared by the national agency of the BCEAO and released officially (including to the IMF Statistics Department (STA)) by the BCEAO headquarters. Most of the problems in the monetary statistics are not specific to Burkina Faso, but affect all member countries of the WAEMU. For example, the BCEAO has encountered difficulties in estimating currency in circulation in each WAEMU member country due to large backlogs of unsorted banknotes held by the central bank in its various national agencies. In August 2005, the BCEAO informed STA of a change in the method to estimate currency in circulation in the WAEMU countries. The new method, based on updated sorting coefficients ("coefficients de tri"), has been applied backwards to time series from December 2003 and aims at improving the accuracy and timeliness of monetary statistics in the WAEMU countries. The African Department and STA await more information from the authorities to review the new methodology. Meanwhile, however, key monetary aggregates such as broad money, net foreign assets and other monetary indicators have undergone substantial revisions.

In August 2006, as part of the authorities' efforts to implement the methodology in the *Monetary and Financial Statistics Manual*, the BCEAO reported to STA monetary data for June 2006 for all member countries using Standardized Report Forms (1SR-central bank, 2SR-other depository corporations, and 5SR-monetary aggregates). In response to STA's comments, the BCEAO has recently provided a revised 1SR and indicated that 2SR is being revised. There has been improvement in the timeliness of depository corporations and interest rate data. The authorities now report monetary data to STA regularly, and the lag has been reduced from about six months to four or less.

Balance of payments

Regarding trade data, the customs computer system (ASYCUDA) was upgraded in 1999, and its implementation in the main border customs offices is complete; this allowed for better monitoring of import data and should improve the coverage of informal trade. Further improvement of services and transfers (especially workers' remittances) coverage is clearly linked to the future intensification of the contacts with reporting bodies. The 2003 data ROSC mission found that the response rate for the survey among industrial and commercial enterprises was only 40 percent. To address this, the mission recommended that more attention and resources be devoted to improve data collection.

In the financial account, the foreign assets of the private nonbank sector are well covered through the use of data from the Bank for International Settlements. The organization of annual surveys for the reporting of foreign direct investment transactions is still at a preliminary stage. The BCEAO authorities have indicated that they are looking forward to integrating two additional sources aimed at improving the quality of the balance of payments reports: the regional stock exchange transactions, and the firms' balance sheet database (*centrale des bilans*). They have also indicated that quarterly data derived from banking settlement reports will soon be used to assess the existing information. The balance of payments compilers receive payments statements every ten days; however, the information is not used in the compilation of the annual balance of payments statements, but rather to support data quality controls and to provide early information to the BCEAO authorities.

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

The BCEAO national agency disseminates balance of payments statistics with a seven-month lag, in partial compliance with the recommendations of the GDDS, and annual international investment position data with an eighteen-month lag. Updates for the IFS and the BOPSY since 2001 are pending.

Despite reiterated requests, BOP and IIP data have not been reported to STA for publication in IFS and the BOPSY since 2006.

Burkina Faso: Table of Common Indicators Required for Surveillance (May, 2009)

	Date of latest observation (For all dates in table, please use format dd/mm/yy)	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]	Memo Items:[8]	
						Data Quality – Methodological soundness[9]	Data Quality – Accuracy and reliability[10]
Exchange Rates	Current	Current	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	12/2008	4/2009	M	M	M		
Reserve/Base Money	12/2008	4/2009	M	M	M	LO, LO, LNO, O	LO, O, O, O, O
Broad Money	12/2008	4/2009	M	M	M		
Central Bank Balance Sheet	12/2008	4/2009	M	M	M		
Consolidated Balance Sheet of the Banking System	12/2008	4/2009	M	M	M		
Interest Rates[2]	12/2008	4/2009	M	M	M		
Consumer Price Index	2/2009	4/2009	M	M	M	O, LNO, O, O	LNO, O, O, O,
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	12/2008	4/2009	I	I	I	O, LO, O, O	O, LO, O, O, LNO
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	12/2008	4/2009	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/2007	4/2009	A	A	A		
External Current Account Balance	2006	4/2009	A	A	A	O, O, O, O	LO, O, LO, O, O
Exports and Imports of Goods and Services	2006	4/2009	A	A	A		
GDP/GNP	2006	4/2009	A	A	A	LO, LNO, LNO, LO	LNO, LNO, LO, LO, LNO
Gross External Debt	12/2007	4/2009	A	A	A		
International Investment Position[6]	12/2007	4/2009	A	A	A		

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.

[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[8] These columns should only be included for countries for which Data ROSC (or a Substantive Update) has been published.
[9] Reflects the assessment provided in the data ROSC or the Substantive Update (published on ..., and based on the findings of the mission that took place during...) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).
[10] Same as footnote 9, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 09/227
FOR IMMEDIATE RELEASE
June 22, 2009

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth Review Under PRGF Arrangement for Burkina Faso

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Burkina Faso's economic performance under a program supported by the Poverty Reduction and Growth Facility (PRGF), opening the way for the government to request a further disbursement amounting to SDR 1.004 million (about US$1.55 million) under the three-year arrangement. As a result, total disbursements to Burkina Faso will amount to SDR 13.042 million (about US$20.08 million).

Economic growth in Burkina Faso rose to an estimated 5 percent in 2008 thanks to a rebound in agricultural production. However, growth is expected to drop to 3.5 percent in 2009 due to the effects of the global financial crisis, including lower world cotton prices.

The country's IMF-supported economic program for 2009 focuses on sustaining reform momentum, in particular to manage the continuing effects of the global crisis, advancing tax reform, broadening and strengthening the financial sector, and advancing other structural reforms, including to make the cotton sector more efficient and promoting private sector investment.

The PRGF arrangement for Burkina Faso was approved on April 23, 2007 (see Press Release No. 07/77) to support the government's economic reform program for 2007-10. On January 9, 2008, an SDR 9.03 million (about US$13.90 million) increase in access was approved to help address the impact of higher oil prices and the adverse shock to the cotton sector, bringing the total value of the arrangement to SDR15.05 million (US$23.17 million) (see Press Release No. 08/04).

Following the Executive Board's discussion of Burkina Faso's performance under the EPCA-supported program, Murilo Portugal, Deputy Managing Director and Acting Chair, said: “In the context of the global economic downturn, the Burkinabè authorities have maintained a satisfactory macroeconomic policy performance. As a result, the program supported by the PRGF arrangement remains broadly on track. Inflation peaked at 15.1 percent in June 2008, but has fallen since then as a result of lower commodity prices and prudent macroeconomic policies. However, economic growth is expected to decline in 2009, mostly because of the global economic slowdown and lower cotton prices.

“The authorities are making welcome efforts to preserve hard-won economic gains in the face of a difficult external environment, while maintaining social stability. A modest increase in the fiscal deficit target is warranted given the expected decline in revenue and the need to preserve poverty-reducing expenditures. However, debt sustainability calls for caution, and fiscal consolidation remains a key priority for the medium term. Revenue mobilization efforts will need to be sustained over time, while spending should be reprioritized in order to protect poorer citizens.

“Broad-based tax policy reform will be key to achieving medium-term fiscal objectives, and the authorities’ commitment to revise the business tax, streamline the investment code, and strengthen the value added tax are welcome. Timely implementation of further reforms in customs administration will help the authorities achieve their ambitious revenue targets.

“Structural reforms will be required to reduce the vulnerability of the economy to external shocks and promote sustainable growth. In the financial sector, better surveillance, supervision, and risk management will be key to enhance financial stability, and the preparation of a comprehensive financial sector action plan is welcome in that regard. In the cotton sector, efforts will focus on enhancing the efficiency and transparency of the largest ginning company and increasing productivity of cotton production.”

The PRGF is the IMF's low-interest lending facility for low-income countries. PRGF-supported programs are underpinned by comprehensive country-owned poverty reduction strategies.

Statement by Laurean W. Rutayisire, Executive Director for Burkina Faso
June 22, 2009

At the outset, I would like to convey Burkina Faso's authorities appreciation for the continued support of Executive Directors and Management. I would also like to thank Staff for continued constructive policy advice and valuable technical assistance provided to the authorities.

Thanks to continued implementation of sound economic policies the authorities have, despite an adverse external environment, realized a real GDP growth rate of 5 percent in 2008, an increase from to the 3.6 percent growth rate recorded when the program started. This acceleration reflected the success of the measures taken by my authorities to diversify and improve productivity in the agricultural sector, and increased gold production. Inflation abated recently settling at 6.8 percent year-on-year in March 2009 after reaching 15.1 percent in June 2008 on account of the commodities and oil price shocks. Furthermore, all quantitative performance criteria and most of the benchmarks set under the program were met. Notably, my authorities increased revenue collection, contained the overall deficit within the program limits, even though they increased spending in order to mitigate the impact of the multiple exogenous shocks.

Going forward, my authorities are cognizant of the challenges ahead, including the risks posed by a deepening of the global downturn, high poverty rates and the economy's exposure to exogenous shocks. They remain committed to implement sound policies with the support of their development partners, including the IMF. To that regard, they are requesting the completion of the fourth review under the PRGF supported program and the modification of performance criteria on the ceilling on overall fiscal deficit to allow for a slightly higher deficit reflecting the impact of the current global downturn, and on tax policy reform to reflect recent board decision on structural conditionality.

II. Prospects and medium term policies

The global financial crisis is having a significant impact on Burkina Faso's macroeconomic outlook through real sector channels such as reduced demand for exports, lower inflows of foreign direct investments and remittances, and a decline of trade related fiscal revenues. As a result, GDP growth is projected to decline to 3.5 percent, although inflation is expected to revert towards the WAEMU's regional average of 3 percent. My authorities will seek to mitigate the impact of the global financial crisis while aiming at protecting vulnerable households, and promoting a pro-poor and sustainable growth agenda.

Notably, on fiscal policy, my authorities are committed to intensify reforms aimed at creating the fiscal space required to support their growth and poverty reduction goals while preserving medium term debt sustainability. In order to achieve this objective, my authorities will strive to improve revenue collection and the effectiveness of public spending. On the revenue side, my authorities will pursue efforts to broaden the tax base including through a comprehensive tax policy reform which will aim at simplifying and modernizing tax legislation for both corporate income tax and the VAT, and streamlining exemptions. They are also committed to improve customs and tax administrations through the expanded coverage of the tax management system (SINTAX) and usage of the ASYCUDA transit module for customs clearances. On the expenditure side, my authorities are committed to increase the efficiency of public spending through improvements in budget execution and reforms in public expenditure management with a view to rationalizing expenditure processes. While they strive to minimize non-priority spending, they are increasing well targeted social spending and growth enhancing capital expenditures, particularly in infrastructure and rural development. In this vein, emergency measures taken in 2008 to address food and fuel price increases pressures have been phased-out in favor of more targeted interventions.

On debt sustainability and public debt management, my authorities are committed to preserving medium term debt sustainability through prudent debt policies. They will continue to adhere to their annual debt strategy which sets annual borrowing ceilings compatible with medium term debt sustainability.

As regards the debt-to-export ratio which led to the high risk of debt distress mentioned in the DSA, my authorities are committed, in addition to the aforementioned prudent debt policies, to promoting exports through measures aimed at improving the economy's competitiveness and diversifying exports, including through reforms in the key cotton sector and the realization of the Samendeni dam project. They reiterate their commitment to a continued close consultation with their development partners including the World Bank as well as the stakeholders involved as they seek to achieve their goals. Although the report makes the conservative assumption that Burkina Faso will remain a medium performer throughout the forecast horizon, my authorities are committed to intensify their institutional reforms in order to regain quickly their traditionally held strong performer rating in the Country Policy and Institutional Assessment (CPIA) ranking.

On monetary and exchange rate policies, which are conducted at the regional level by the regional Central Bank (BCEAO), my authorities priority is to contain inflation below 3 percent in line with the WAEMU's regional convergence criteria. In this respect, the pegged exchange rate regime has served Burkina's economy well by anchoring inflation expectations. In order to stimulate growth and preserve the financial system from the liquidity and contractionary risks related to the global financial crisis, the BCEAO recently announced a 50 basis points reduction of its target rate.

Regarding the financial sector, my authorities are closely working with the Breton Woods institutions to formulate and implement a comprehensive action plan to strengthen the financial sector. This action plan, which will incorporate the latest FSAP recommendations, will aim particularly at i) overhauling the supervisory and regulatory framework to improve its effectiveness and enhance its oversight of non-banking and micro-finance institutions, ii) promote increased access to financial services, and iii) improve risk management.

On structural reforms, the authorities are committed to steadfastly implement structural reforms aimed at diversifying and improving the economy's competitiveness with the view to reducing its vulnerability to exogenous shocks while promoting sustainable long run growth . They will focus on improving productivity and diversifying agricultural production, notably in the cotton sector where they are experimenting with high yield crops. They are also actively seeking support towards realizing the Samendeni dam project which will help reduce the vulnerability of the agriculture sector to the vagaries of the weather while allowing for more diversified counter seasonal productions.

My authorities are also committed to promote a sustainable private sector led growth, including through measures aimed at improving the business climate. In the cotton sector in particular they are actively seeking the participation of strategic investors in the capital of SOFITEX. On economic and administrative governance, my authorities are determined to intensify their institutional reforms in close consultation with the World Bank. They reiterate their commitment to international best practices in the management of natural resources as evidence by their adhesion to the EITI.

III. Conclusion

My authorities will continue to steadfastly implement their reform agenda in order to realize further progress towards reaching the Millennium Development Goals. In this endeavor they are deeply appreciative of the assistance provided by their development partners. Given the significant development needs and the challenging external environment, further strong support from the Fund and the international community will be critical.

In light of the overall strong program performance and the strength of the authorities policies going forward, I request Directors approval of my authorities request for the completion of the fourth review of the PRGF program and modification of performance criteria on fiscal deficit ceilling and tax reform.