



BURKINA FASO

SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT

February 2014

In the context of the seventh review under the Extended Credit Facility arrangement and request for a new three-year Extended Credit Facility arrangement, the following documents have been released and are included in this package:

- The **Staff Report**, prepared by a staff team of the IMF for the Executive Board's consideration on December 16, 2013, following discussions that ended on October 30, 2013, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 2, 2013.
- An **Informational Annex** prepared by the IMF.
- A **Press Release** including a statement by the Chair of the Executive Board.
- 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 publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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BURKINA FASO

December 2, 2013

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EXECUTIVE SUMMARY

Economic activity continued to grow at a brisk pace in 2013. Growth projections have been revised slightly downwards to 6.8 percent in 2013 and 2014, based on lower gold and cotton prices that are leading to somewhat lower output, and the impact of the high base of agricultural production in 2012 on growth in 2013. Inflation has continued to decline, reaching 2 percent, with notable reductions in the prices of food and staple goods. The current account is likely to deteriorate more than previously anticipated due to declining terms of trade, and higher volume imports of fuel and capital goods.

Program performance remains strong. Revenue performance remains on target, but is no longer overshooting targets as in recent years, while spending execution is below target. Almost all program targets were met, including on net domestic financing and the fiscal balance. All structural benchmarks slated for completion in June and September were met.

The authorities are requesting a successor 3-year ECF arrangement to meet projected balance of payments needs. Based on *ad referendum* agreements, the requested successor ECF-supported program aims to address long-term structural issues, while preserving stability in a potentially more challenging macroeconomic environment going forward. Structural reforms are articulated around four key themes: managing the use of natural resources revenues; improving the quality and pace of investment spending; supporting efforts to transform high growth into more inclusive growth; and, in the energy sector, improving supply while ensuring financial sustainability.

The medium-term macroeconomic framework aims to contain the deficit at around 3 percent of GDP while providing space for higher social and investment spending. The program framework targets current spending adjustment, primarily through expiration of exceptional spending needed to address exogenous shocks, which will be complemented by modestly-growing domestic revenues and financing. There would be modest residual fiscal and balance of payments needs over the three-year program period; proposed access of 45 percent of quota would fill about one third of the identified needs.

Approved By
Michael Atingi-Ego
and Masato Miyazaki

Discussions were held in Ouagadougou during October 16–31, 2013. The staff team was comprised of Laure Redifer (head), Liam O’Sullivan, Marie-Therese Trasino, Mehmet Cangul (all AFR), aided by Jean Baptiste Le Hen (Resident Representative) and Bamory Ouattara. Mr. Tall (OED) accompanied the mission. HQ assistance was provided by David Corvino and Jean Vibar. The mission met with Mr. Lucien Marie Noel Bembamba, Minister of Economy and Finance; Mr. Mahama Zoungrana, Minister of Agriculture; as well as other senior officials, private sector representatives, and development partners. Outreach activities included meetings with civil society, representatives of the cotton, sugar cane, gold, and financial services sectors.

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RECENT ECONOMIC DEVELOPMENTS

1. **Burkina Faso has a recent track record of strong program ownership and performance.**

The country has maintained consistently strong macroeconomic performance in spite of multiple shocks and regional uncertainty, and has shown considerable progress in improving several development indicators and improving revenue collection. However, continued progress could be tested as the country faces a more challenging environment in the next two years, due to deteriorating terms of trade and potential uncertainty leading up to presidential elections, following President Compaore's 25 years in office. Although the political situation in Mali has stabilized and the flow of refugees is reversing, Burkina Faso remains vulnerable to broader regional security concerns. In a context where high growth has not translated into reduced income poverty as much as hoped, the risk of social tensions remains high, motivating government efforts to strengthen the social safety net, maintain low prices for staple goods, and foster job creation.

2. Economic activity remained strong in 2013, but growth projections for the year have been revised slightly downward to 6.8 percent. The main factors underlying these revisions are lower gold prices affecting gold production, modest growth in agricultural production after a boom harvest in 2012, and slow public investment spending. The reduction in growth projections would have been larger still in the absence of government measures to improve resilience and productivity in agriculture, in particular in the labor-intensive cotton sector. Larger mines have laid off 500 workers, however lower growth of mining activity is not expected to be a major drag on official growth given the sector's still limited weight in the national accounts (although the impact on fiscal revenues is more pronounced, as described in paragraph 3). Inflation continued to decline on a year-on-year basis as food prices dropped relative to the high base in 2012; average annual inflation should be in line with expectations at 2 percent (Figure 1).

3. Revenue performance had been affected by lower growth and policy adjustments through end-June, but picked up in line with projections for end-September. As of end-June, government revenue was CFAF 44.4 billion short of its CFAF 601.7 billion target—in sharp contrast to the over performance of the last two years—due to government's renunciation of part of fuel excise taxes and lower corporate income taxes from mining companies. The stagnation in mining production has directly affected corporate and income tax receipts, and indirectly impacted capital gains and VAT receipts through mining firms' locally purchased goods. To ensure that revenue collection would meet end-year targets, the government stepped up tax compliance efforts and undertook a number of *ad hoc* administrative measures, e.g. audits of mining companies' past tax payments, VAT claims, turnover figures, and interest transfers and forward sales prices. The government also pursued reforms to combat customs fraud and broaden the fiscal base (MEFP, ¶14). By end-September, revenues marginally surpassed the program target of CFAF 817.5 billion.

4. Spending execution was lower than expected. All categories of spending fell short of the target (except transfers, which were affected by sales of a public enterprise bond), in particular domestically-financed investment spending, the execution rates for which were 56.7 and

79.1 percent at end-June and end-September, respectively. As of mid-October, less than half of the annual budget allocation had been spent. Small deficits at end-June and end-September on a commitment basis increased when measured on a cash basis, as the stock of expenditures in the approval chain increased.

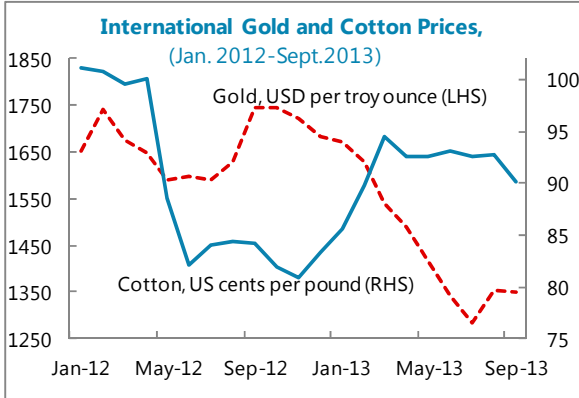
5. The current account balance is projected to deteriorate more significantly in 2013 than previously projected. The deficit for the year is projected to be 3.5 percent of GDP as compared to a projection of 2.2 percent in the 6th review and a revised estimated outcome in 2012 of 0.8 percent. These projections are based on lower international gold and cotton price projections for the year (the annual WEO projection for cotton has increased, but prices have dropped sharply recently, Figure 2), combined with higher volumes of fuel imported for the generation of electricity.

6. Financial stability indicators suggest the banking system is sound. Credit has been growing robustly at 34 percent year on year as of end-July 2013, mainly driven by short-term credit, while non-performing loans remain contained at 4 percent. Profitability of the sector is also adequate with a high return on equity of 17 percent. The banking system remains fairly concentrated with 4 of the largest banks holding 60 percent of assets. Following an increase in WAEMU minimum capital requirements at the end of 2011, the government extended temporary support to several banks. As of end-June 2013, all banks but one met the minimum capital adequacy requirements. In response to an operational restructuring strategy required by the government, a new permanent administrator was recently appointed and granted expanded authority. The authorities anticipate that by the end of 2013, all banks will be compliant with the new regulatory requirements.

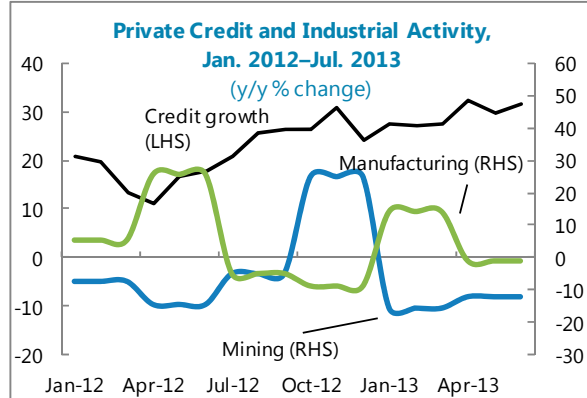
Selected Financial Soundness Indicators				
	2010	2011	2012	Jun-13
Regulatory capital to risk-weighted assets	9.6	11.0	9.2	12.2
Non-performing loans	9.5	5.3	3.6	4.0
After-tax return on average equity	22.7	18.9	15.9	17.4
Total deposits to total loans	110.8	105.2	104.5	101.3

Figure 1. Burkina Faso: Recent Economic Developments

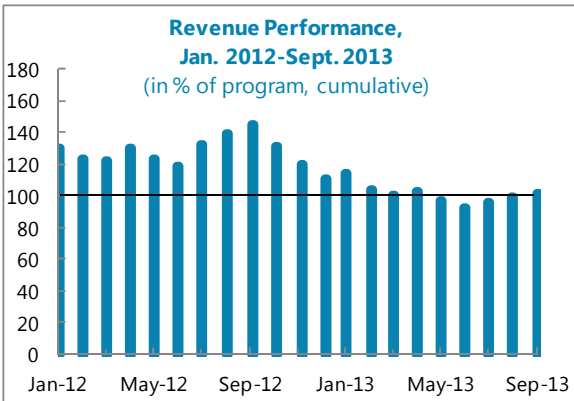
Gold prices have dropped sharply this year, and cotton prices have decreased recently.....



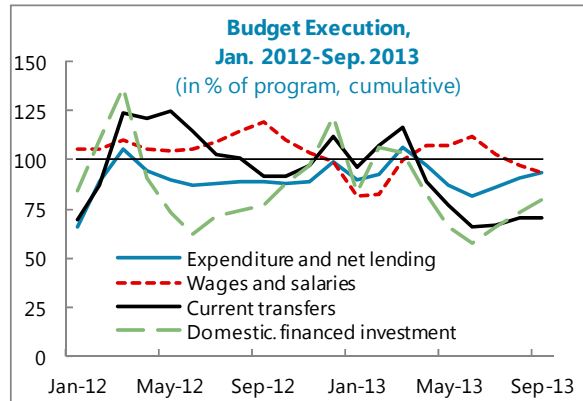
Robust credit growth is based on short term credits; mining/manufacturing are slowing down.



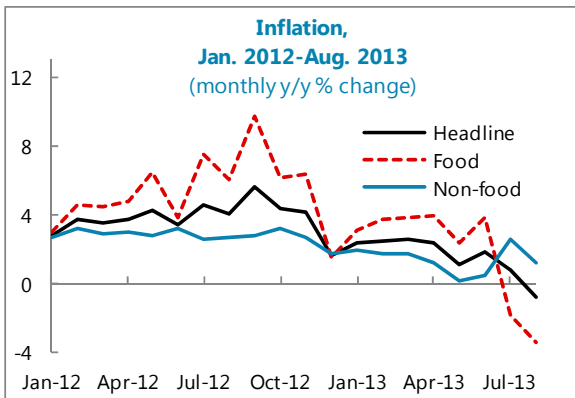
This is reflected in revenue performance which is less robust than in recent years.



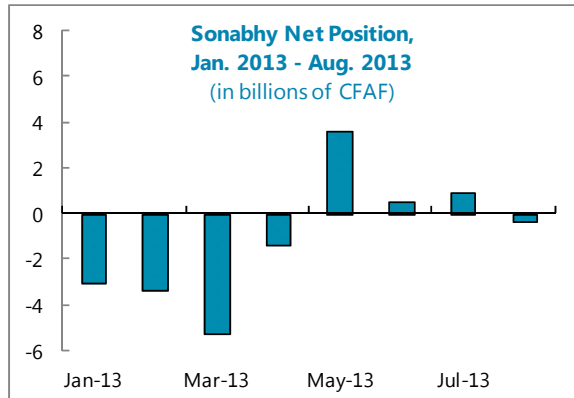
Meanwhile, spending execution has been slow, especially investment.



Inflation is down sharply, with food prices much lower than their high in summer 2012



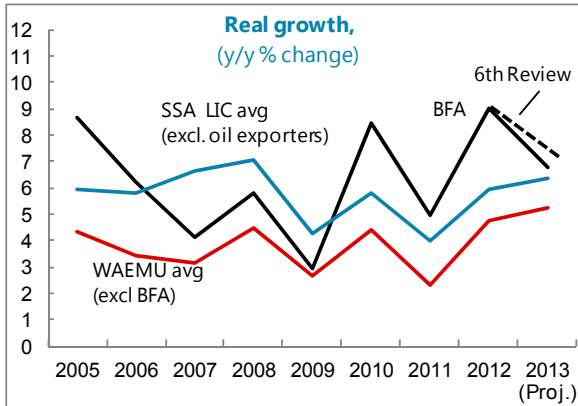
Meanwhile, SONABHY losses have been declining.



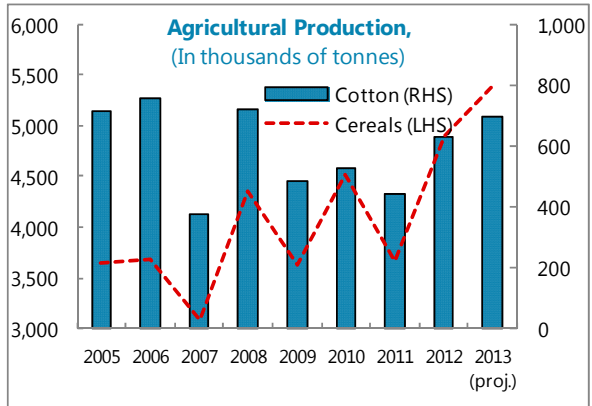
Sources: Burkinabè authorities and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments, 2005–2013

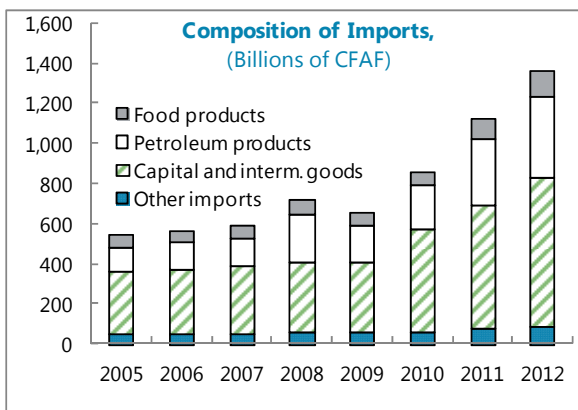
2013 growth was revised downward slightly.



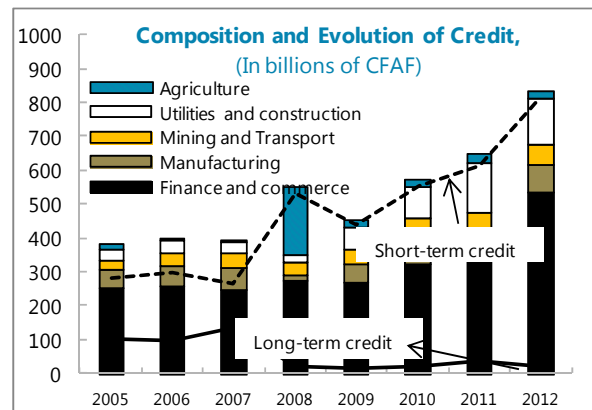
Agricultural production is expected to rise modestly due to high base in '12 and erratic rain.



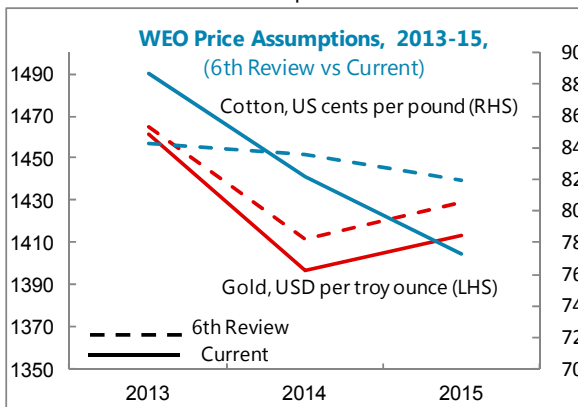
Nonetheless, imports continued to increase, especially fuel and capital goods.



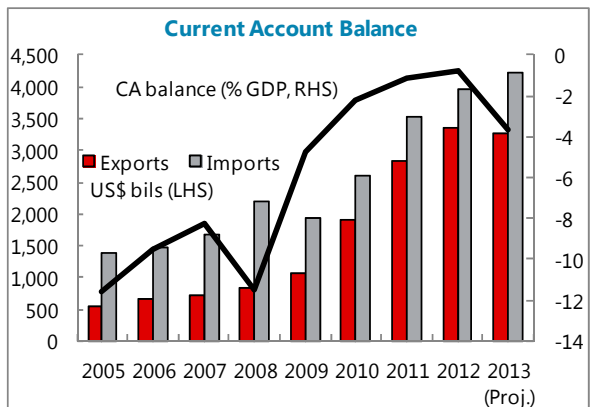
Private credit grew, but was mainly driven by short-term credit.



Negative revisions in WEO forecasts of gold and cotton prices...



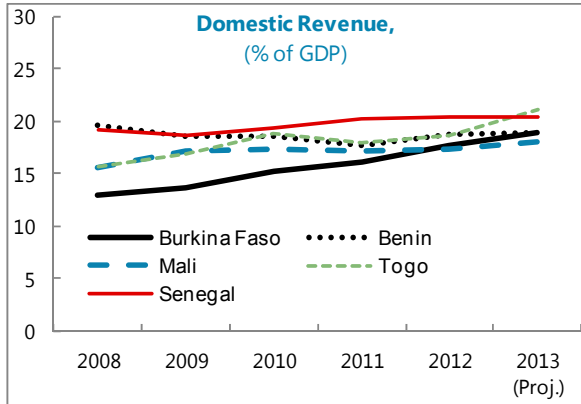
caused projections for a larger deterioration of the current account than previously expected.



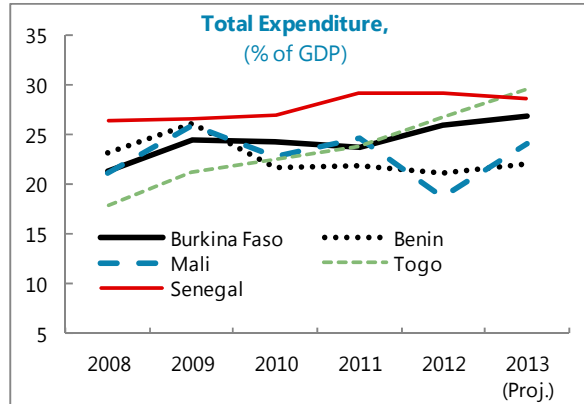
Sources: Burkinabè authorities and IMF staff calculations.

Figure 3. Burkina Faso: Fiscal Developments, 2008–2013

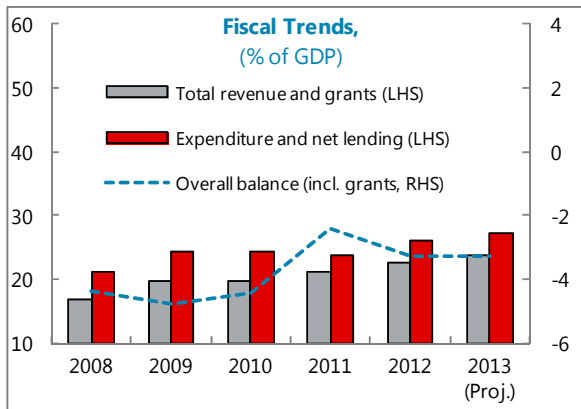
Revenue performance has been steadily improving, reaching regional norms...



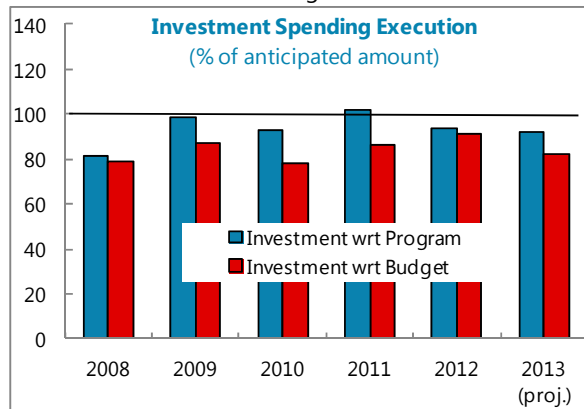
...while expenditure is increasing partly due to higher social spending for the vulnerable,



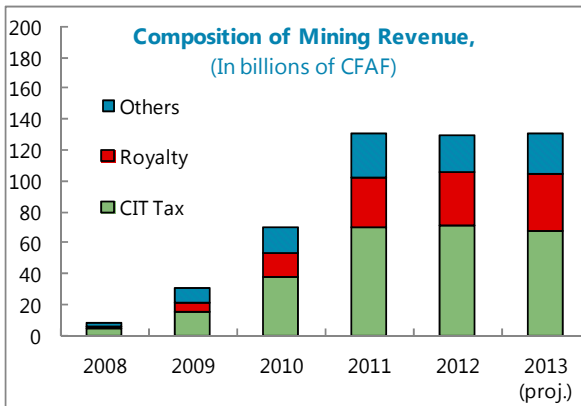
despite which the deficit is expected to remain steady...



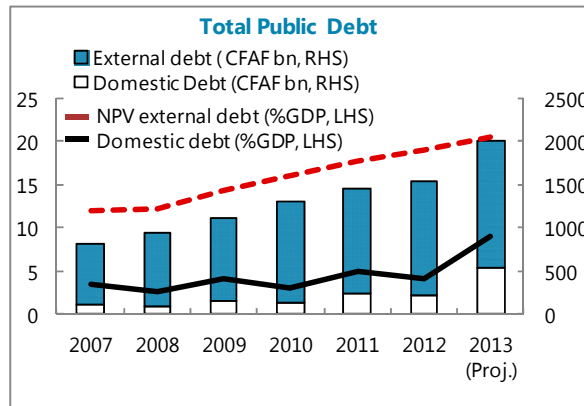
...mainly because of underexecution of investment budget.



Mining revenues have stabilized.



Debt levels remain modest, but rising.



Sources: Burkinabè authorities and IMF staff calculations.

PERFORMANCE REMAINED STRONG UNDER CURRENT ECF ARRANGEMENT

7. End-June was the test date for the 7th and final review of the current ECF arrangement: all performance criteria and most indicative targets were met (Table 5). Government revenue was slightly below the indicative target of CFAF 601.7 billion due to the renunciation of petroleum taxes to SONABHY, and the impact of a slowdown in mining activity on corporate income tax receipts. In spite of this, net domestic financing and the fiscal deficit were well within, respectively, the CFAF 18.8 billion performance criterion and the CFAF 70.3 billion indicative target, mainly as a result of the under-execution of investment expenditure.¹

8. Structural benchmarks for end-June and end-September were all met on time (Table 6). The government took important steps to accelerate the execution of investment spending, notably by adopting a Cabinet decree to establish an inter-ministerial committee charged with following up on delayed investment projects of critical importance, backed by a technical working group to identify problem areas and propose practical solutions (MEFP ¶11). The Cabinet met to reprioritize public investment spending to put more focus on “shovel-ready” projects. For end-September, a workshop on the rationalization of public expenditure led to the adoption of a new action plan by the Cabinet to streamline and computerize spending approval processes. The interconnection between the biometric and payroll database (SIGASPE) was completed with expanded coverage of civil servants, including judges (MEFP ¶12).

POLICY DISCUSSIONS FOR A SUCCESSOR 3-YEAR ECF ARRANGEMENT

A. Objectives of a Successor 3-Year ECF Arrangement

9. Burkina Faso has been one of the fastest growing non resource-rich SSA countries, (see African Department’s October 2013 Regional Economic Outlook, the analysis for which precedes the recent development of mining). A main factor is sound macroeconomic policy management and consistent efforts to support economic activity throughout the country in spite of numerous shocks, the country’s land-locked position, and its environmental vulnerability. Its hard-won macroeconomic stability remains fragile, however, and the country still faces a myriad of development challenges, with still high income poverty, very weak power, transport, and telecommunications infrastructure, low education, and growing youth unemployment. The 2013 Ex Post Assessment of Burkina Faso’s

¹ The end-March, end-June, and end-September net domestic financing outturn includes the sale of a government bond held by SONABHY to commercial banks, which was not included in the targets since the timing of the sale was unknown at that time. Inclusion in the NDF outturn but not the target causes nonobservance of the indicative target in March, but not of the PC at end-June and the indicative target at end-September. End-December 2013 is the test date for the 1st review of the proposed successor program and the bond sales are incorporated in the PC for NDF.

Longer Term Program Engagement acknowledged that, notwithstanding significant progress, the country continues to face daunting economic challenges and acute poverty reduction needs. It underscored the importance of future Fund engagement to assist the authorities, anchoring reform efforts towards fiscal sustainability and macroeconomic stability, with a medium-term strategy that puts the transparent and efficient management of natural resource wealth at its forefront

10. A key emphasis under the current ECF arrangement has been to improve revenue mobilization, an area in which the authorities have achieved notable success. A recent ex-post assessment update noted that despite multiple adverse shocks, the program has been successful in meeting key program objectives, such as increasing the revenue effort, strengthening institutions, increasing private sector participation, linking annual budgets and debt sustainability and improving data quality. These conclusions were confirmed in a stakeholder's conference in May in Burkina Faso, which also emphasized the need to shift the focus of a successor program toward better public spending and an acceleration of investment. With a strong improvement in revenue performance in recent years due to mining revenues, policy reforms and better revenue administration, there is growing pressure to ensure that public financial management processes emphasize the quality of spending, particularly to meet infrastructure, education, and training needs. Over the longer term, the prospect of continued growth of natural resource revenues intensifies the challenge.

11. The proposed successor program design aims to address key long-term structural issues, while preserving stability in a potentially more challenging macroeconomic policy environment over the next two years (paragraph 1). Staff and the authorities discussed four central themes to guide the policy framework under a successor ECF-supported program.² The central importance of these themes was strongly endorsed by a broad representation of stakeholders in the country, including civil society, over the past two reviews. Those themes are: effective management of public revenues from the exploitation of natural resources; improving the quality and pace of investment spending; supporting efforts to transform high growth into more inclusive growth; and, in the energy sector, improving supply while ensuring financial sustainability.

B. Medium-Term Macroeconomic Framework

12. For the medium term, projections for GDP growth remain around 7 percent, and inflation should remain subdued, at about 2 percent. Staff reasoned that commodity price projections and slow investment in 2013, offset by accelerating investment spending in late 2013 and 2014, called for a slight reduction in growth projections for 2014, to 6.8 percent. However, an even more accelerated pace of public investment, good weather, and more favorable export conditions could result in higher growth. Gold production is held relatively steady through the 3-year program period, given WEO commodity price projections, but thereafter is likely to increase as new mines are developed in the south-west of the country. Cotton production will be bolstered by

² In preparation for new program negotiations, staff produced detailed discussion notes on these themes. The issues raised in these notes will be covered in more depth in the forthcoming Article IV consultation, tentatively planned concurrently with the first review of the successor ECF arrangement.

measures taken to support agriculture in the context of the national growth and development strategy (SCADD) such as renewing degraded land, micro-irrigation, use of more drought and pest-resistant seeds and fertilizers.

13. The fiscal deficit will be maintained at around 3 percent of GDP over the medium term, leaving adequate room for scaled-up public investment. The projections incorporate a gradual increase in tax revenue beyond the 17 percent regional threshold as mining revenues rebound in response to the anticipated recovery in international gold prices and the government pursues continued reforms in revenue administration including through greater information sharing between tax and customs directorates and customs tracking measures (MEFP, Table 2). Recurrent spending is contained at around 13 percent of GDP following the assumed abatement of exceptional spending requirements in response to external shocks, including drought and regional security. This allows the investment budget to remain in the range of 12.5 percent of GDP over the medium term. As the projections for externally-financed investment have been set

Proposed 3-Year Fiscal Policy Framework				
(percent of GDP)				
	2013	2014	2015	2016
Domestic Revenue	18.9	18.9	19.1	19.1
Mining revenues	2.4	2.9	2.6	2.5
Grants	4.9	4.8	3.8	3.8
Total Expenditure	27.0	26.6	25.7	25.7
Current	14.5	13.7	13.3	13.1
Capital	12.3	12.8	12.3	12.5
Net Lending	0.2	0.2	0.1	0.1
Overall Balance	-3.2	-3.0	-2.9	-2.9
External Financing	2.3	1.3	1.9	1.9
Domestic Financing	0.9	1.6	0.6	0.5
Residual Financing Need	0.1	0.1	0.4	0.4
- of which: prospective IMF	0.1	0.1	0.1	0.1

at a more realistic level, domestically-financed investment is assumed to take an increasingly larger share of the total level. However, it is critical to ensure that ongoing reforms to improve budget execution are fully implemented if these levels of investment are to be realized. Accordingly, program conditionality includes benchmarks to accelerate the execution of investment expenditure and to support important changes to computerize the expenditure chain (MEFP, Table 2).

14. The prospective sale of public enterprise bonds is included in the framework as domestic financing going forward. Quarterly program targets have been set to account for the likely timing of future sales of these bonds, with an adjustor to amend the targets if timing is different than programmed.

15. Over the medium-term external balances are expected to deteriorate gradually, requiring a drawdown of international reserves. The current account deficit is likely to continue to widen, as a result of a slow recovery in the terms of trade. Requirements to support the government's ambitious investment program will add pressure on imports, even if this is offset somewhat by continued modest growth in gold exports, supported by stable international price projections.

C. Quantitative Program Targets for End-December 2013 and 2014

16. Projections for the fiscal deficit in 2013 have been revised upward (from 2.5 to 3.2 percent of GDP) reflecting technical changes. The expanded deficit does not signify a larger spending envelope or lower revenue projections. It is effectively due to a change in the terms of the World Bank budget support (from all grants to a mix of grants and loans), and accounting—as spending for transfers and commensurate domestic financing—for the sale to commercial banks of a CFAF 38 billion bond (0.6 percent of GDP) that had been given to SONABHY in 2012 to help strengthen its financial position after losses it incurred in 2011. End-December 2013 program targets for the fiscal deficit and net domestic financing reflect this change. Despite factors that negatively affected revenue performance in the first six months of the year, annual projections are expected to remain in line with expectations due to aforementioned ad-hoc administrative measures.

17. Additional spending for 2013 will be financed from existing budgetary resources in light of under execution of investment spending. The authorities introduced a package of supplemental spending measures accounting for 1.1 percent of GDP that was approved in October 2013 (Box 1). Staff ensured that the framework reflect likely additional subsidy needs of SONABEL (of 0.2 percent of GDP) to cover operating losses, which would need to be included in the 2013 budget reconciliation law in early 2014. No additional subsidies were included for SONABHY since measures implemented by the government in May 2013 (renouncing part of per liter excise taxes for SONABHY to keep and increasing retail prices for butane gas) stemmed almost all remaining losses. Given the significant under-execution of domestically-financed investment spending as of mid-October (46 percent of the annual budgeted amount), staff questioned whether—even accounting for measures to accelerate spending—it would be possible to execute the remainder of the annual authorization of, some 4.5 percent of GDP in the last two months of the year. The authorities concurred that this would be difficult. The authorities agreed with staff's recommendation to finance additional spending out of the existing resource envelope, saving the proceeds of a new domestic bond issuance (0.9 percent of GDP) for use in 2014. This would reduce potential pressure to use all available budgetary resources for other spending late in the year, as was the case in 2012 under similar circumstances.

Box 1. Supplemental Spending in 2013

The supplemental spending authorizations are an initiative by the government to show better distribution among the population of the benefits of high growth:

Social spending:(i) CFAF 1.8 billion in food grants to vulnerable households across several provinces; (ii) CFAF 1.5 billion for orphaned, street, and other vulnerable children; (iii) CFAF 2.8 billion for health insurance for the elderly and disabled children; and (iv) CFAF 2 billion in contributions to the Burkinabé Social and Economic Development Fund (FBDES) to provide credit lines to promote employment for youth, retirees and low income households.

Income generating activities: These are aimed at the creation of public works programs backed by vocational training and literacy programs. CFAF 10.4 billion is directed to the insertion of 83,720 youth and women across urban and rural areas in high labor-intensity activities (e.g., traffic monitoring, gutter, road and ditch maintenance, and landscaping). A further CFAF 0.5 billion is allocated to the local community green brigades to clean public spaces, and CFAF 1.2 billion for recruitment and training of 3000 people for security, road safety and civil protection.

Higher education: CFAF 14 billion is allocated for new university infrastructure, as bridge financing to a new national development plan for higher education.

Prices for staple goods: CFAF 13.8 billion is dedicated to 40 regional shops that offer social prices for staple goods, and CFAF 1 billion is dedicated to maintaining price controls through monitoring wholesale and import profit margins, retailer discounts and clamping down on overpriced school equipment, butane gas and illegal resale of fuel.

Increasing disposable income for workers: (i) allocating CFAF 7.5 billion to increase housing allowances for public workers, including teachers; and (ii) foregoing tax revenue of CFAF 2.9 billion by exempting income taxes for the first 3 tranches of the wage grid, and applying lower rates to all other tranches at a progressively decreasing rate.

18. The 2013 outcome will nonetheless result in a reorientation of total spending toward investment compared to 2012, albeit less than anticipated. Current spending should reach 13.9 percent of GDP (excluding the SONABHY bond), higher than projected at the 6th review but well below the crisis-driven levels of 2012. Assuming strong acceleration in the final months of the year, domestically financed investment spending could reach 7.6 percent of GDP, below 6th review projections, but higher than the level achieved in 2012.

2013 Fiscal Targets (percent of revised GDP)			
	2012	2013	
	6th Review	6th Review	Proj.
Domestic Revenue	17.8	18.9	18.9
Grants	4.9	5.5	4.9
Spending and net lending	26.0	26.9	27.0
Current	14.7	13.3	14.5
Investment	11.1	13.4	12.3
Overall balance (commitment)	-3.3	-2.5	-3.2
Cash adjustment	0.3	0.0	0.0
External financing	1.5	1.6	2.3
Domestic financing	1.4	0.7	0.9
Residual Financing Need	0.0	0.1	0.1
- of which prospective IMF		0.1	0.1

19. The agreed proposed framework includes some elements that were not yet included in the draft budget law for 2014 at the time of the discussions. 2014 program targets allow space for more teacher recruitment, expansion of social programs, and realistic increases in investment spending. Revenues were revised down slightly to take account of the fuel excise tax renunciation,

and income tax exemptions introduced in late 2013. Expenditure was increased to reflect higher transfers in subsidies for SONABEL, in an amount equivalent to 2013, and additional government bonds of CFAF 39 billion that were issued to cover past losses incurred by public enterprises (SONABHY and SOFITEX) in 2012. Implicit subsidies in 2013 will also be covered by fiscal transfers of 0.9 percent of GDP, which remains below regional and SSA averages. The overall deficit of 3.0 percent of GDP would be partly financed by higher net domestic financing, totaling 1.6 percent of GDP, including use of the CFAF 55 billion bond proceeds from 2013, and inclusion of the public enterprise bonds. A new CFAF 55 billion bond issuance would be used to help meet amortization costs of CFAF 63.4 billion of multi-year bonds coming due.

D. Structural Reforms to Support Program Objectives

Managing the Use of Natural Resource Revenues

20. Notwithstanding the temporary slowdown that began this year, mining activity, especially gold mining, has grown very rapidly in Burkina Faso since 2007 (Figure 4). As a result of sharp increases in international gold prices and a steady expansion in industrial mining operations, gold production has exceeded initial feasibility study forecasts, growing from negligible amounts in 2007 to around 40 tonnes in 2012. In 2012, gold production accounted for 76 percent of exports, 19 percent of fiscal revenues, and 5.5 percent of real GDP growth. Artisanal mining is estimated to have yielded a further 5-10 tonnes. In spite of softening international prices, the outlook for the sector remains very strong, with significant development plans for one of the largest industrial mines and the exploration of new, higher quality, reserves in the south-west of the country, where new ventures would benefit from better transport linkages and more reliable energy sources. An updated Mining Code has been submitted to Parliament and is expected to be endorsed by the end of the year. Civil society and others have expressed increasing health and safety concerns in artisanal mines. To address this issue, the authorities have stepped up outreach efforts to raise awareness about the need to protect the water network from chemical contamination, encourage rural families to keep their children in school, and create alternative income generating activities, particularly for women.

21. Burkina Faso is striving to have the most transparent system to manage mining revenues in Africa. The government is working towards EITI++ in a bid to broaden transparency along the resource chain, from extraction to processing, revenue management, and efficient resource wealth use. The online publication of research permits, approval decrees, contracts and feasibility studies is also underway. However, there still exist data problems that impede the ability to evaluate the direct and indirect impact of mining activity on the broader economy. One issue is that the national accounts are derived with a base year of 1999, when mining activity was very limited. A main issue is measuring gold production itself, partly due to accounting for artisanal mining, where discrepancies among responsible government agencies amounted to up to 6.9 tonnes for 2012. In view of the importance of the sector for generating tax revenue and export proceeds, the authorities are setting up a committee with representatives from customs, internal revenue and mines to compile and verify production data (MEFP, Table 2), from the weighing of raw gold at the mining sites, to the confirmation of volumes dispatched through the airport. Another

problem is that national accounts data have a base year of 1999, which results in the mining sector having limited weight in calculating real economic activity. The authorities have committed to take initial steps to update the base year (MEFP, ¶129 and Table 2).

22. An updated Mining Code has been submitted to Parliament and is expected to be endorsed by the end of the year. Recent FAD TA recommendations—which also addressed tax issues for international investors beyond mining—focused also on building capacity, tightening cooperation among responsible government entities, broadening the VAT tax base and streamlining exemptions, establishing the principle of fair competition (transfer pricing), establishing minimum capital requirements for subsidiaries, and capping interest payments by subsidiaries to limit debt shifting. Most of the recommendations have already been addressed, at least provisionally, including in the draft mining code and the draft budget law for 2014. To build on these efforts, the authorities intend to request follow up TA (MEFP, ¶134).

23. In light of the possibility that natural resource revenues could grow far more rapidly than the government’s capacity to spend them well, the mission initiated discussions on a fiscal rule to govern the use of these resources. Many development partners, civil society and private stakeholders felt this was a very important initiative. The authorities are not opposed to such a rule, but feel that the issue must be addressed within the WAEMU framework, and will also require strong domestic consensus.³ Staff agreed that a two-pronged regional and national approach is needed, recognizing that this could slow progress in obtaining agreement for a fiscal rule. As a possible guideline it should be noted that for practical purposes, however, over 2013–14, forecast increases in domestically-financed investment spending are roughly equivalent to those projected for natural resource revenues, generated by the FARI model with detailed specifications for Burkina Faso.

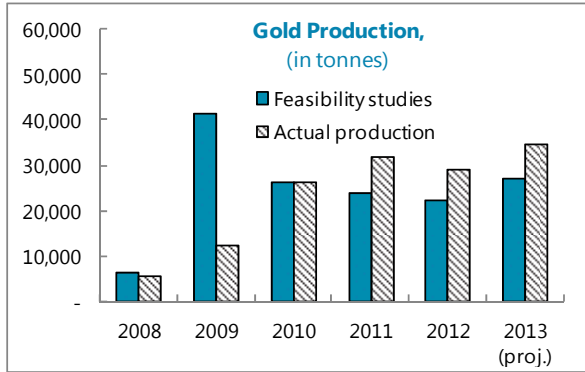
Improving the Quality and Pace of Public Investment Spending

24. The authorities are implementing numerous measures to improve investment spending execution, but these have yet to bear fruit. Improving investment spending execution is a critical bottleneck to implementation of the authorities’ development strategy, and is a necessary pre-condition to ensure the effective use of a larger resource envelope, including natural resource revenue. As in previous years, a high share of the 2013 investment budget remains unspent, including in priority areas, such as the Bagré growth pole, and health and education.

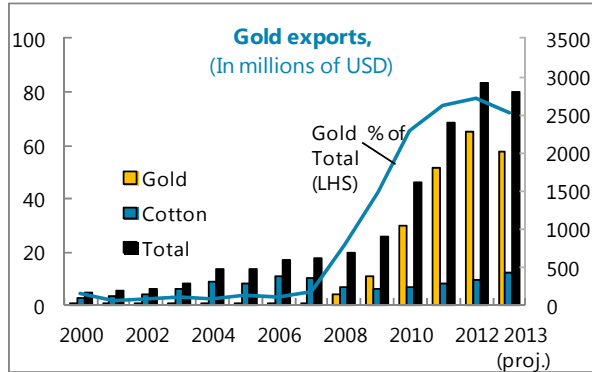
³ Given the authorities’ position that this should be raised in the WAEMU context first, staff has not engaged in a discussion of specific options for a fiscal rule, but has informally shared information on the possible options and other countries’ experiences. After a discussion at the WAEMU level, staff hopes to follow with a presentation during the Article IV in the spring.

Figure 4. Burkina Faso: Gold Production

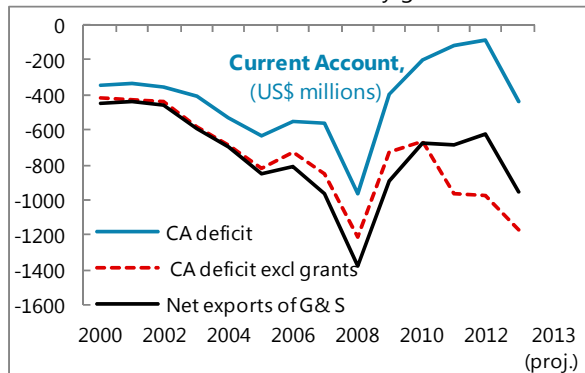
The gold boom since 2007 was prompted by new discoveries and generous tax provisions.



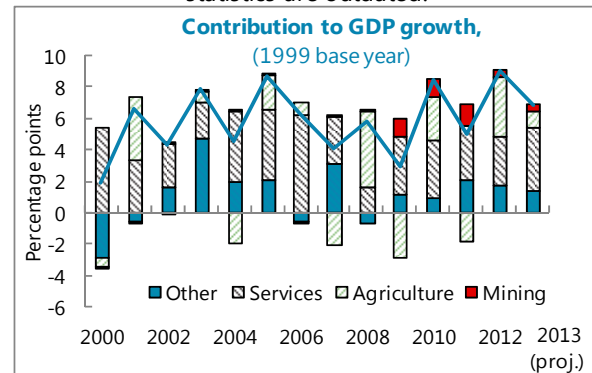
All production is exported, and quickly overtook cotton as the primary export of the country.



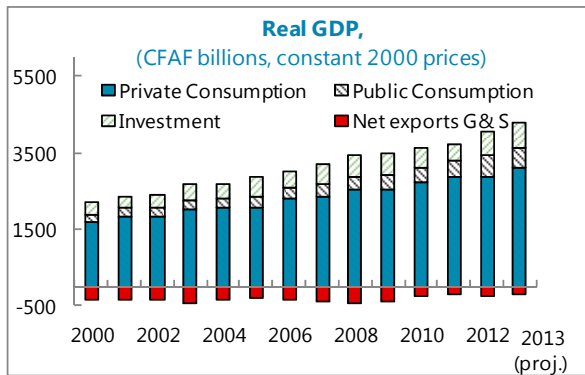
This has done little to improve external balances since it is mostly fueling imports, with the current account deficit financed by grants.



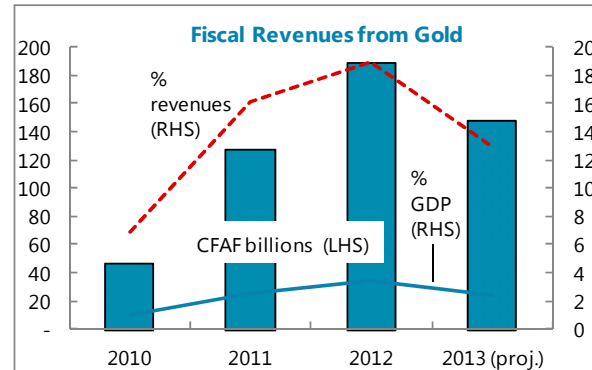
Gold appears to have a relatively limited impact on boosting real activity, but national account statistics are outdated.



Rising export proceeds have mainly financed higher imports and some private consumption.



The main real channel for the economy is fiscal revenues and associated spending.



Sources: Burkinabè authorities and IMF staff calculations.

25. The authorities audited the spending chain to better understand the cause of delays, and identified a few key bottlenecks. These include redundant payment approval systems, a lack of computerization throughout the spending chain, and an overly burdensome public procurement process. These bottlenecks were discussed at a national workshop in June, 2013 and an action plan was developed, building on past reforms. The action plan aims to: (1) clarify and streamline the points of control for expenditure approval, based on evaluation of their value-added and consistency with WAEMU directives; and (2) computerize the expenditure chain, to improve efficiency, security, and archiving. Aspects of the action plan are included as program conditionality (MEFP, ¶23 and Table 2). As regards the public procurement system, an average of 100 days lapses between the call for tenders and the selection of providers, with the prospect of further delays if rejected bidders appeal, leaving little time to set up a project and disburse within the same budgetary year. Staff urged the World Bank to reorient its priorities to provide advice and technical assistance to the authorities in this area.

26. Delays are also related to externally-financed investment projects, and an ad-hoc inter-ministerial committee was established to examine and address the problems (structural benchmark for end-June 2013). The standard problems are already well-known: complexity and multiplicity of donor procedures; lengthy delays for securing multilateral non-objections; poor information on bilateral donor-financed projects; and a lack of continuity in external consultants. Moreover, some externally-financed projects are listed in the budget law without reference to a specific government counterpart. However, the inter-ministerial committee examined specific large donor-financed investment projects experiencing lengthy delays to understand the problems in more detail, and propose solutions (MEFP, ¶11). It has produced a study that outlined detailed problems and recommended key action items to address them, including: (i) ministries should simplify procurement policies, resolve institutional inconsistencies, enhance internal communication, and involve local communities in pilot projects; (ii) project managers should step up outreach to explain the value of new infrastructure; encourage local support for the projects; and ensure higher standards for service providers; (iii) beneficiaries of investment should form voluntary committees to advocate for and monitor project execution; and (iv) development partners should accelerate approval systems, and share information on disbursements and project implementation through web based systems. Finally, the Cabinet met in June to examine the time-line of investment projects in the medium term budget, moving forward more “shovel-ready” investment projects (MEFP, ¶11, 25).

Transforming High Growth into More Inclusive Growth

27. Burkina Faso has experienced sustained high growth and has made good progress on many human development indicators, but progress in reducing income poverty has been elusive. Between 1990 and 2012, real growth has become higher and less volatile (Figure 5). Growth has been driven primarily by agriculture and services. As noted in the 6th review, poverty reducing spending has been increased to just below 30 percent of total spending and progress towards MDGs has been notable in several areas, with many indicators now outperforming neighboring countries. While free school lunches, better sanitation and more free health care have undoubtedly raised living standards, they have not achieved the desired progress in reducing income poverty.

Income poverty has remained around 46 percent over the past decade, and Burkina Faso still scores low on the human development index, particularly for income and education.

28. Agriculture—and cotton in particular—have served as an effective “social safety net” for rural areas, providing employment and minimum income or subsistence for the majority of the rural population. The cotton sector provides income for 15–20 percent of the active labor force of Burkina Faso, supporting directly or indirectly almost half of the population. It is composed mostly of small farms. To support the sector and make production and incomes more resilient to global price and weather shocks, the authorities have eliminated the monopoly of the state-owned cotton ginning company, establishing funds to subsidize inputs and stabilize prices for cotton producers. A number of measures directly impacted on productivity, by expanding irrigation, introducing drought and pest-resistant genetically-modified seeds, and enhancing land management training (Box 2). However, the sector continues to face numerous challenges, including increasing global inventories of cotton; climate change and land degradation; and rising input prices.

29. The authorities are firmly focused on measures to reduce income poverty and improve education and health. The program framework accommodates the additional supplemental spending in 2013 and ongoing costs of the measures, as well as the authorities’ plans for additional spending to expand coverage of the social safety net over the medium term. The projected wage bill accommodates large scale recruitment of new teachers and doctors to facilitate two notable projects: introduction of universal health coverage, planning for which is well underway, with an expected launch date of 2015; and building/renovation of 2500-3000 classrooms per year in the next two years to meet all identified priority infrastructure needs. The “National Social Protection Plan” was launched in 2012, providing targeted income protection, including via cash transfers. The government continues to prioritize food security, including via maintaining some price controls.

30. Better and more diversified employment creation is critical to reduce income poverty. In the May stakeholders’ conference to discuss the successor program and an ex-post assessment, several expressed concern that youth unemployment is further exacerbated by an exodus from traditional farming activities. Targeted investments are already underway to promote job creation, including higher-value related activities related to existing production. Based on the Bagré model, the authorities are also launching growth poles in other areas of the country (MEFP, ¶127). However, the investments in higher education and training programs have been heretofore insufficient to create local labor skilled enough to meet evolving demands in growth areas. One bilateral development partner is focusing on vocational training needs, but this issue urgently needs more attention.

Box 2. The Cotton Sector

The cotton sector of Burkina Faso has had the strongest growth performance in West Africa over the past decade. Until recently increased production was based mainly on accumulation of factors such as land, labor, and inputs, rather than productivity. The recent development and use of genetically modified cotton has significantly improved productivity of the factors of input, doubling yields and reducing by two-thirds reduction in the arduous manual fertilizer applications. About two-thirds of cotton produced in Burkina Faso currently stem from a diversity of several strains of genetically modified seeds, carefully selected in SOFITEX's laboratory.

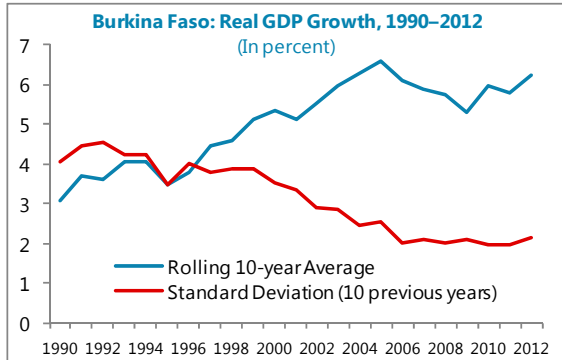
In 2004, the cotton sector was liberalized. At the same time, producers' organizations were strengthened and the benefits of vertical integration were maintained. In 2004, the sector abandoned its single-channel system and moved to a local monopoly system. Two new private cotton companies were granted exclusive geographic zones (FASO COTON and SOCOMA), and SOFITEX withdrew from those two zones. Responsibility for coordination of the sector passed to an inter-professional association comprised of the national farmers' and ginners' associations. The Burkinabe reform model is unique in Sub-Saharan Africa in that it maintained the institutional framework while addressing problem areas. The reforms encouraged better market coordination along the value chain and more self-enforcement of contracts; both areas tend to be bottlenecks to better performance of cotton industries in the region. At the same time, access to finance and inputs have facilitated for small farmers, and transportation services are now provided by the private sector.

The reforms also included the creation of an innovative price risk management mechanism to safeguard prices received by farmers. The principle behind the price stabilization fund is that when international prices are high, excess revenue beyond a certain threshold is saved, and when international prices are low, the savings are used to top-up prices offered to farmers. The reduction to three year-average (from five) for the pivot price calculation, made the mechanism pro-cyclical in recent years. Currently, Fund is close to depletion despite relatively high international prices.

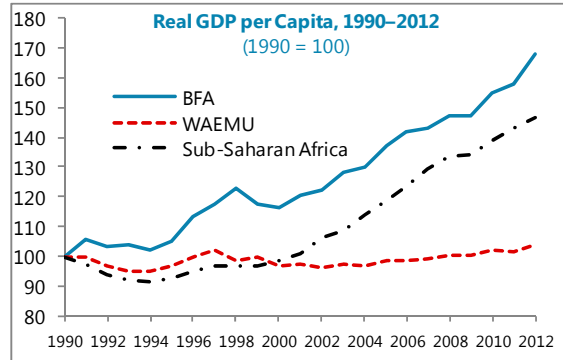
Structural reforms favor downstream work to increase domestic value added. Milling of cotton is still a limited activity, with a single company named, FILSAH, accounting for the bulk. Most of the cotton fiber is export, with 25 percent going to European high-end niches. Part of the fiber produced by FILSAH is sold to artisanal weavers for the production of handmade woven cloth. Burkinabe cotton has many comparative advantages: it is handpicked and has good intrinsic qualities with low-production costs. Domestic clients of FILSAH are mostly female artisanal that produce cloth in a traditional style for shirts, dresses, trousers, tablecloths, draperies, etc.

Figure 5. Burkina Faso: Inclusive Growth

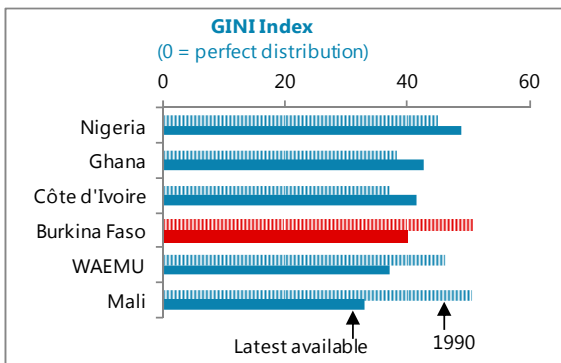
Economic growth has increased substantially and stabilized since 1990...



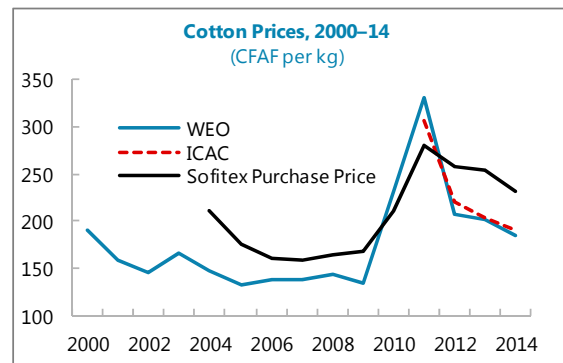
... while real GDP per capita grew faster than regional standards.



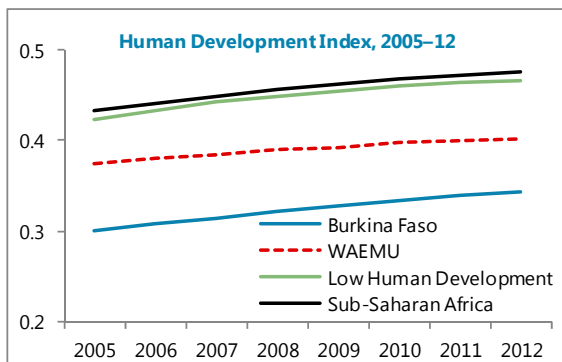
The GINI index suggests that the nation's income distribution, although worse than WAEMU averages, has improved since 1990.



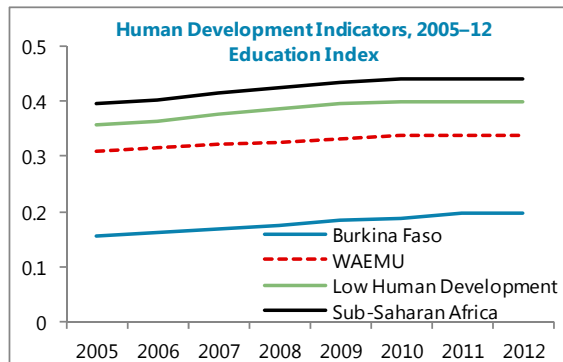
Cotton effectively functions as a safety net for the poor, however, it is an unpredictable source of income.



Despite progress in some areas, Burkina Faso ranked 183/186 in Human Development Index in 2013...



... pulled down by the education index.



Sources: Burkinabè authorities; IMF staff calculations; World Development Indicators; WEO; ICAC (International Cotton Advisory Committee) and Human Development Indicators, 2013.

31. Employment creation is also important to head off potential long term contingent fiscal liabilities for the government. SOFITEX (the majority state-owned cotton ginning company) has undertaken measures that are improving its financial position, but has required government capital injections in the past. On the other hand, SOFITEX's operations are vital for maintaining broad employment in the cotton sector. Potentially broader fiscal liabilities could arise over the long term if the population's income base were to become more fragile, as this would entail growing costs of the National Social Protection Plan, food security programs, and even internal security issues. A more immediate concern is depletion of the cotton sector income stabilization fund, without a clear financial guarantee from the government or donors. The authorities are looking into options about how to ensure its financial viability, but one issue is the pro-cyclicality of its underlying price formula. Two structural benchmarks (reflecting a two-step process) to update SOFITEX's medium term business plan are included in program conditionality and one benchmark requires development of options to ensure the financial sustainability of the stabilization fund (MEFP, Table 2).

32. The program contains supporting measures to broaden affordable access to financial services. To broaden access to financial services in line with SCADD objectives, the authorities are focusing on reinforcing the financial position of microfinance institutions (which are supervised domestically, consistent with regional guidelines), and the quality of basic financial services provided by the postal company SONAPOST, whose wide geographical network plays an important role in providing proximate services. Program conditionality for 2014 includes the approval of SONAPOST's strategy and its implementation through an action plan (MEFP, Table 2).

33. The program will also provide access to non-concessional financing for growth-enhancing infrastructure, such as roads. The program maintains the same nominal limit for non-concessional borrowing (CFAF 135.9 billion or 2.1 percent of GDP) as under the current ECF arrangement but unties the limit from specific projects, which will allow accelerated use of the limit, e.g. a new highway link planned with Benin. The first such contract was signed in October, 2013, for an internal highway link within Burkina Faso.

Improving Supply and Financial Sustainability in the Energy Sector

34. Energy supply remains the most binding constraint to growth in Burkina Faso, while implicit subsidies create ongoing fiscal liabilities. Following intensive discussions during the 6th review, the authorities convened a conference with donors in June and developed a new action plan to accelerate projects in the pipeline to expand energy capacity. The new plans foresee acceleration of projects for interconnection with grids in Ghana and Niger, as well as expansion projects for domestic thermal-generation capacity. Options to make the tariff schedule more progressive are being considered, but would only have a limited financial impact. Despite the fact that per kilowatt hour prices for energy are among the highest in the region, businesses repeatedly stated they would pay for more reliable power which would obviate the need for expensive backup generators, and constant replacement of electrical equipment ruined by power outages and surges. In the current context, however, reliable supplies of power are a very high bar. Program commitments call for new projections of SONABEL's financial situation, based on various scenarios for input costs, tariffs, and

supply composition (MEFP, 130, 31 and Table 2). These projections will provide a clearer picture to the government and donors in the course of accelerating investment projects to expand supply.

35. Although the financial situation of SONABHY has stabilized, staff encouraged the authorities to consider reinstating the existing suspended automatic price adjustment mechanism. Staff suggested that the mechanism could be modified to introduce a smaller margin for changes that could be increased gradually over time. The authorities' communication strategy would need to explain that the current and planned increases in social spending are the quid pro quo to mitigate the impact on the more vulnerable segments of the population, and would redirect the use of scarce public resources away from implicit subsidies to the wealthy.

Box 3. Energy Sector

The key challenge is how to ensure adequate and reliable provision of electricity and fuel, while reducing unpredictable financial liabilities arising from fixed domestic retail prices vs. volatile input prices (mainly fuel). Energy in Burkina Faso is provided by two state-owned companies, the electricity company (SONABEL) and the fuel importer (SONABHY). SONABEL has a distribution monopoly for electricity; private operators have shown limited interest so far. SONABHY has a legal import and storage monopoly for fuel products. Both public companies face fixed retail prices, whereas the price of imported fuel is volatile. This has led to financial losses for both companies since 2011, increasing fiscal risk and jeopardizing energy supply and growth.

Emergency measures such as subsidies, capital injections, and retention of tax receipts have served as short term fixes for losses incurred by SONABEL and SONABHY. However, deeper reforms are needed to restore financial soundness and address supply problems. The Ministry of Mines and Energy's strategy covering 2013-22 contains main axes: local financing, regional cooperation, universal access to reliable energy and energy as an engine for sustainable growth.

- The energy program is designed to increase electricity supply through new regional interconnections (Ghana by 2016, potentially Niger); diversity of domestic production (solar, thermal, hydro); broader coverage of rural zones; improved petroleum products supply (storage capacity; procurement process, transportation costs); and demand-side management for a more efficient use of energy.
- The "capacity building" program addresses some of the institutional weaknesses causing delays in the completion of energy investment projects. It covers forecasting, assessing needs, defining priorities, communications and awareness raising (including to better prepare for price adjustments), and collaboration with donors.

PROGRAM MODALITIES

36. The authorities are requesting a 3-year ECF arrangement with access equivalent to 45 percent of quota (SDR 27.09 million) which would cover roughly one-third of total projected balance of payments needs over the 3 year arrangement. The test date for periodic performance criteria for the 1st review of the proposed successor ECF arrangement would be end-December 2013, followed by semi-annual reviews. The proposed schedule of disbursements would meet all residual fiscal financing and balance of payments needs in 2014. For 2015 and 2016, other

sources of financing would be sought to support the modest fiscal and external adjustment already incorporated into the program framework. Proposed performance criteria and indicative targets for the first year of the requested successor program (December 31, 2013–December 31, 2014) are outlined in Table 1 of the MEFP and proposed structural benchmarks are included in Table 2 of the MEFP.

37. The authorities had carefully considered the option of moving to a program supported by the Fund’s Policy Support Instrument. However, in light of projections for emerging fiscal and balance of payments needs based on evolving commodity prices, slowing growth and the potentially more uncertain environment going forward, including regional security, they felt it would be better to request an ECF arrangement, which also maintains continuity and provides more flexibility as regards timing of reviews.

38. The current ECF arrangement will expire at the time the last disbursement is made. A member cannot have two arrangements effective at the same time under the PRGT instrument. A draft proposed decision approving the new ECF arrangement will be circulated to the Board for adoption on a lapse of time basis after the current ECF arrangement expires.

39. A Fund staff DSA update suggests no change in the current debt risk rating of “moderate” (Figure 6 and Table 10). The most recent joint DSA was published in July 2013, and a formal joint DSA update will be required at the time of the next Article IV consultation, planned for spring 2014 together with the 1st review under the proposed successor ECF arrangement. Based on Fund staff’s DSA update, improvements from changing to a 5 percent discount rate (from 3 percent) are mostly offset by lower WEO gold price projections and resulting production impacts, leaving the “moderate” risk of debt distress determined at the 6th review unchanged (with one indicator’s thresholds breached under the most extreme stress test). The inclusion of domestic public debt—which remains a small share despite higher domestic financing—in the analysis does not significantly alter the dynamics of debt burden indicators (Figure 7). As in the July DSA, it is assumed that current domestic debt levels are maintained in the medium term and are increased gradually in the long term to allow for development of domestic and regional bond markets. The amount of requested access for a new arrangement is small—0.3 percent of GDP over three years—hardly impacting the DSA results.

PROGRAM RISKS

40. Risks through the period of the proposed successor program are balanced. Abatement of the security problems in Mali and spillover effects on Burkina Faso has reduced the main sources of downside risk to the program in the short term. The political transition in Burkina Faso does present some risk, mainly that investors may remain skittish until the transition strategy is clearer. Increases in international fuel and/or food prices could spark an increase in domestic social tensions. Lower than expected commodity prices could result in higher fiscal and external gaps. Medium-term risks for the policy agenda are capacity constraints for program implementation, resulting in investment spending targets not being met nor expected growth returns achieved. GDP growth

could also be lower than projected if assumptions regarding weather conditions and international commodity prices turn out to be overoptimistic. Revenue mobilization would be similarly affected.

STAFF APPRAISAL

41. Burkina Faso’s program performance has been very strong, and the authorities continue to show a strong level of commitment to agreed program objectives. The authorities have strong ownership of the program and they recognize the importance of eventually moving away from the use of IMF resources. They are requesting a level of access below norms to provide a clear signal about their reduced dependence on Fund resources. The amount of access requested for the 3-year arrangement is equivalent to only 0.3 percent of 2014 GDP.

42. Growth in natural resource revenues is expected to slow in the coming 2-3 years compared to the past 5 years, but there is good potential for another “boom” over the longer term; establishing in the interim multi-year mechanisms to manage their use effectively is important. The authorities’ concerns about considering fiscal rules for natural resources in a regional context and with strong domestic consensus are valid, but this should not dilute resolve to find a rule that can protect resource use from increased spending pressure.

43. The authorities are to be commended for their efforts to maximize transparency in the management of natural resources, and introduce best international practices for the tax regime. It will be important to reinforce the transparency through improved cooperation among revenue collecting agents, including to develop more reliable production data and to get a better handle on artisanal activity.

44. An updated base year for national accounts is important to analyze the direct and indirect impact of the use of natural resources on growth, job creation and income. Without proper weighting of mining and other new activities, such as telecommunications, as well as productivity gains in existing activities (cotton) in the estimation of GDP, it will be difficult to assess the possible structural transformation the country has undergone in the past decade of high growth.

45. Limited investment capacity is also a compelling reason to consider mechanisms for governing the use of public resources over multiple years. The authorities’ multi-pronged approach to improving the quality and pace of investment spending should alleviate the constraint, but only gradually. Public financial management in Burkina Faso has traditionally been based on the need to prioritize spending in the face of scarce resources. Recently, with unexpectedly large revenue collection gains, it has been difficult for investment spending capacity to keep pace. In the last two years, staff and the authorities have agreed to save the proceeds of domestic bond issuances in the second half of the year in order to safeguard them for intended purposes. The authorities are encouraged to consider spending capacity constraints *ex ante* and set more realistic investment spending targets, so that multi-year planning can be undertaken upfront.

46. The authorities' efforts to complement the development strategy with new measures to tighten social safety nets, and create more and more diversified jobs are welcomed.

To complement existing measures to improve infrastructure and build more growth poles, more focus on higher education and vocational training is urgently needed to meet evolving needs for skilled labor. Diversified sources of income will strengthen the country's resilience to shocks and structural trends, and will better distribute the fruits of high growth.

47. Current lower international fuel prices present a good opportunity to re-introduce an automatic price adjustment mechanism for retail fuel prices.

Taking action during a relatively quiet period could avoid the possibility that reactive policies would be needed during a time the political situation is more difficult. Dealing with fixed electricity tariffs is more complicated: progressive changes to the tariff schedule would only have a limited impact on financial sustainability, but would be difficult to sell in the absence of more reliable supply given the already very high level of tariffs. In the near term, the authorities' focus on accelerating plans to expand supply seems appropriate, but the financial situation of SONABEL will need to be monitored closely.

48. Staff supports completion of the 7th review of the current ECF arrangement, and the authorities' request for a new 3-year ECF arrangement with access equivalent to 45 percent of quota.

Similarly, it supports setting performance criteria for end-December 2013 as a first test date for the 1st review under the requested arrangement, and performance criteria for subsequent six month reviews through end-December 2014. It also supports the addition of new structural benchmarks for the same time period.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2011–16**Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2011–16**

	2011	2012		2013		2014		2015	2016
	Est.	Prog. ¹	Prel.	6th review ¹	Proj.	6th review	Proj.	Proj.	
(Annual percentage change, unless otherwise indicated)									
GDP and prices									
GDP at constant prices	5.0	8.0	9.0	7.0	6.8	7.0	6.8	7.0	7.0
GDP deflator	5.6	4.4	4.6	2.0	0.9	2.0	1.7	2.0	2.0
Consumer prices (annual average)	2.8	3.6	3.8	2.0	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	5.1	2.0	1.6	2.0	2.0	2.0	2.0	2.0	2.0
Money and credit									
Net domestic assets (banking system) ²	11.2	13.5	16.1	17.5	12.9	16.7	18.2	16.2	16.7
Credit to the government (banking system) ²	-1.9	0.5	-2.7	1.5	3.1	1.0	5.7	0.9	0.8
Credit to the private sector	23.5	17.3	24.1	23.4	20.7	22.2	20.0	20.4	20.4
Broad money (M3)	13.8	11.3	15.9	18.4	14.0	16.3	14.9	15.5	15.6
External sector									
Exports (f.o.b.; valued in CFA francs)	44.6	21.0	31.4	9.3	-7.2	10.1	-0.5	2.4	5.0
Imports (f.o.b.; valued in CFA francs)	30.9	31.5	25.3	8.3	1.1	6.0	5.8	-1.0	5.1
Terms of trade	-4.0	4.1	6.1	-0.7	-11.4	3.6	-3.1	1.7	1.7
Real effective exchange rate	1.7	...	...	...	...	...	...	...	...
CFAF/US\$ (annual average)	471.4	...	510.0	...	...	...	...	...	...
(Percent of GDP, unless otherwise indicated)									
Central government finances									
Current revenue	16.1	16.6	17.8	18.9	18.9	18.7	18.9	19.1	19.1
<i>Of which: tax revenue</i>	14.1	15.0	15.8	16.9	17.0	16.7	16.9	17.2	17.2
Total expenditure and net lending	23.6	27.2	26.0	26.9	27.0	25.6	26.6	25.7	25.7
<i>Of which: current expenditure</i>	12.7	14.5	14.7	13.3	14.5	12.7	13.7	13.3	13.1
Overall fiscal balance, excl. grants (commitme	-7.5	-10.5	-8.2	-7.9	-8.1	-6.9	-7.8	-6.6	-6.6
Overall fiscal balance, incl. grants (commitme	-2.4	-3.2	-3.3	-2.5	-3.2	-2.4	-3.0	-2.9	-2.9
Savings and investment									
Current account balance (incl official transfer	-1.2	-4.7	-0.8	-2.2	-3.5	-2.2	-5.8	-5.2	-5.2
Gross investment	15.6	18.4	22.8	18.4	22.6	18.7	19.4	20.0	19.7
Government	6.9	8.8	7.8	9.4	8.6	8.9	8.9	8.6	8.7
Private	8.7	9.6	15.0	9.0	13.9	9.8	10.4	11.4	11.0
Gross national savings	14.5	13.7	22.0	16.2	19.1	16.5	13.5	14.8	14.5
Government	9.0	5.7	7.5	9.9	9.5	9.0	8.7	8.6	8.6
Private	5.4	8.0	14.5	6.3	9.6	7.4	4.8	6.2	5.9
Debt indicators									
External debt	24.6	25.1	23.2	24.6	24.9	25.4	25.2	26.2	27.0
NPV of external debt (percent of exports)	65.9	55.6	63.0	66.7	76.9	68.9	82.8	90.3	96.0
<i>Memorandum items:</i>									
Nominal GDP (CFAF billion)	4,937	5,421	5,628	6,062	6,062	6,705	6,582	7,183	7,836
Nominal GDP per capita (US\$)	655	...	674	...	...	...	...	...	...

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

¹ Fifth ECF Review² Percent of beginning-of-period broad money.³ GDP base is the revised figure for 2013.

Table 2a. Burkina Faso: Consolidated Operations of the Central Government, 2011–16

	2011	2012	2013		2014		2015	2016	
	Prel.	Prel.	6th review	Proj.	6th review	Budg.	Proj.	Proj.	
	(CFAF billions)								
Total revenue and grants	1047.3	1276.5	1479.0	1445.1	1553.3	1655.2	1556.3	1642.6	1789.3
Total revenue	793.6	999.0	1148.4	1147.9	1254.7	1281.7	1242.5	1373.0	1495.2
Tax revenue	695.6	890.8	1022.9	1031.2	1119.7	1150.5	1110.5	1232.6	1350.1
<i>Of which: Gold Mining CIT</i>	86.8	90.2	79.6	64.6	92.6		75.2	73.3	74.8
Nontax revenue	98.0	108.2	125.5	116.7	135.0	131.2	132.0	140.3	145.1
<i>Of which: Royalties from gold</i>	17.7	43.7	41.8	30.4	47.1		41.4	43.3	45.0
Grants	253.7	277.5	330.6	297.2	298.5	373.5	313.8	269.6	294.1
Project	73.1	111.6	150.8	150.8	154.6	259.9	216.8	186.8	203.7
Program	180.6	165.9	179.7	146.4	143.9	113.6	97.0	82.9	90.4
Expenditure and net lending¹	1166.0	1460.8	1628.1	1638.4	1715.9	1745.2	1754.0	1848.9	2014.4
Current expenditure	628.3	828.7	804.7	879.9	854.4	844.3	900.6	955.2	1027.1
Wages and salaries	281.4	332.3	353.6	366.3	394.1	401.0	401.0	445.4	485.8
Goods and services	97.1	120.6	133.3	130.1	145.8	129.6	129.6	140.7	141.0
Interest payments	28.3	41.8	29.9	29.9	37.0	29.0	34.4	45.9	55.4
Domestic	15.9	28.8	17.5	17.5	19.8	17.0	17.0	24.7	29.6
External	12.4	13.0	12.4	12.4	17.2	12.0	17.4	21.2	25.9
Current transfers	221.4	333.9	287.9	353.6	277.5	284.6	335.6	323.2	344.8
<i>Of which: food security/refugees</i>	17.6	73.5	35.9	35.9	...	...	.....	...	...
subsidies to SONABHY	36.0	50.7	9.0	9.3	...	9.3	9.3	...	...
subsidies to SONABEL	...	...	28.0	40.6	...	28.5	40.6	...	...
additional security and military spending	...	...	40.6	40.6	...	...	.....	...	...
public enterprise bonds ²				38.0			39.0		
Investment expenditure	488.6	625.1	813.4	748.5	851.5	888.0	840.5	883.7	977.4
Domestically financed	286.4	407.9	538.4	462.9	543.1	526.2	526.3	594.3	661.7
Externally financed	202.2	217.1	275.0	285.6	308.4	361.8	314.2	289.4	315.6
Net lending	2.7	7.1	10.0	10.0	10.0	12.9	12.9	10.0	10.0
Overall balance¹	-118.8	-184.3	-149.1	-193.3	-162.6	-90.0	-197.7	-206.3	-225.1
Cash basis adjustment	12.9	19.5	0.0	0.0	0.0		0.0	0.0	0.0
Overall balance (cash basis)	-105.8	-164.8	-149.1	-193.3	-162.6	-90.0	-197.7	-206.3	-225.1
Financing	105.1	158.2	144.3	188.5	152.6	90.0	190.7	176.0	191.5
Foreign financing	108.8	85.5	100.0	136.6	112.6	74.6	88.1	136.0	151.5
Drawings	129.1	107.3	124.2	160.8	153.8	101.9	115.4	179.0	195.3
Project loans	129.1	105.5	124.2	134.8	153.8	101.9	97.4	102.6	111.9
Program loans	0.0	1.8	0.0	26.0	0.0		18.0	76.4	83.3
Amortization (excl. IMF)	-20.3	-21.7	-24.2	-24.2	-41.2	-27.3	-27.3	-43.0	-43.7
Domestic financing	-3.7	72.7	44.3	51.9	40.0	15.4	102.6	40.0	40.0
Bank financing	-24.5	-32.4	26.8	54.6	20.0	19.3	113.9	20.0	20.0
Central bank	-31.4	-2.6	29.2	-5.6	0.0	27.9	82.9	0.0	0.0
<i>Of which: saved at the Central Bank</i>		-32.4		-22.6			55.0		
Commercial banks ²	6.9	-29.8	-2.4	60.2	20.0	-8.6	31.0	20.0	20.0
<i>Of which: Public enterprise bonds sold</i>		8.0		38.3			39.4		
<i>Of which: central government bond issues</i>		60.9		55.0		55.0	55.0		
Nonbank financing	20.8	105.0	17.5	-2.7	20.0	-4.0	-11.3	20.0	20.0
Errors and Omissions	0.7	6.6							
Financing gap	0.0	0.0	4.8	4.8	10.0	0.0	7.0	30.3	33.6
<i>Of which: IMF future disbursements</i>	0.0	0.0	4.8	4.8	0.0		7.0	7.0	7.0
<i>Memorandum items:</i>									
Poverty-reducing expenditure	298.2	408.4	464.3	464.3	523.0		513.4	560.3	611.2
Gold mining revenue	127.4	189.5	183.1	147.6	213.4		191.1	187.8	194.2
Overall Balance excl. gold mining revenue	-246.2	-373.9	-332.2	-340.9	-376.0		-388.8	-394.0	-419.3

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

¹ Commitment ("engagement") basis.² Includes public enterprise bonds as additional spending transfers and commercial bank financing (CFAF 38.3 billion in 2013 and CFAF 39.4 billion in 2014).

Table 2b. Burkina Faso: Consolidated Operations of the Central Government, 2011–16

	2011	2012	2013		2014		2015	2016
	Prel.	Prel.	6th review ²	Proj.	6th review	Proj.	Proj.	Proj.
	(percent of GDP)							
Total revenue and grants	21.2	22.7	24.4	23.8	23.2	23.6	22.9	22.8
Total revenue	16.1	17.8	18.9	18.9	18.7	18.9	19.1	19.1
Tax revenue	14.1	15.8	16.9	17.0	16.7	16.9	17.2	17.2
<i>Of which: Gold Mining CIT</i>	1.8	1.6	1.3	1.1	1.4	1.1	1.0	1.0
Nontax revenue	2.0	1.9	2.1	1.9	2.0	2.0	2.0	1.9
<i>Of which: Royalties from gold</i>	0.4	0.8	0.7	0.5	0.7	0.6	0.6	0.6
Grants	5.1	4.9	5.5	4.9	4.5	4.8	3.8	3.8
Project	1.5	2.0	2.5	2.5	2.3	3.3	2.6	2.6
Program	3.7	2.9	3.0	2.4	2.1	1.5	1.2	1.2
Expenditure and net lending¹	23.6	26.0	26.9	27.0	25.6	26.6	25.7	25.7
Current expenditure	12.7	14.7	13.3	14.5	12.7	13.7	13.3	13.1
Wages and salaries	5.7	5.9	5.8	6.0	5.9	6.1	6.2	6.2
Goods and services	2.0	2.1	2.2	2.1	2.2	2.0	2.0	1.8
Interest payments	0.6	0.7	0.5	0.5	0.6	0.5	0.6	0.7
Domestic	0.3	0.5	0.3	0.3	0.3	0.3	0.3	0.4
External	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Current transfers	4.5	5.9	4.7	5.8	4.1	5.1	4.5	4.4
<i>Of which: food security/refugees</i>	0.4	1.3	0.6	0.6	...	...	...	...
subsidies to SONABHY	0.7	0.9	0.1	0.2	...	0.2	...	...
subsidies to SONABEL	...	...	0.7	0.7	...	0.7	...	...
additional security and military spending	...	...	0.7	0.7	...	...	...	...
public enterprise bonds ³	...	...	0.6	0.6	...	0.6	...	...
Investment expenditure	9.9	11.1	13.4	12.3	12.7	12.8	12.3	12.5
Domestically financed	5.8	7.2	8.9	7.6	8.1	8.0	8.3	8.4
Externally financed	4.1	3.9	4.5	4.7	4.6	4.8	4.0	4.0
Net lending	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.1
Overall balance (commitment basis)	-2.4	-3.3	-2.5	-3.2	-2.4	-3.0	-2.9	-2.9
Cash basis adjustment	0.3	0.3	0.0	0.0	0.0	...	0.0	0.0
Overall balance (cash basis)	-2.1	-2.9	-2.5	-3.2	-2.4	-3.0	-2.9	-2.9
Financing	2.1	2.8	2.4	3.1	2.3	2.9	2.5	2.4
Foreign financing	2.2	1.5	1.6	2.3	1.7	1.3	1.9	1.9
Drawings	2.6	1.9	2.0	2.7	2.3	1.8	2.5	2.5
Project loans	2.6	1.9	2.0	2.2	2.3	1.5	1.4	1.4
Program loans	0.0	0.0	0.0	0.4	0.0	0.3	1.1	1.1
Amortization (excl. IMF)	-0.4	-0.4	-0.4	-0.4	-0.6	-0.4	-0.6	-0.6
Domestic financing	-0.1	1.3	0.7	0.9	0.6	1.6	0.6	0.5
Bank financing	-0.5	-0.6	0.4	0.9	0.3	1.7	0.3	0.3
Central bank	-0.6	0.0	0.5	-0.1	0.0	1.3	0.0	0.0
<i>Of which: saved at the Central Bank</i>	...	-0.6	...	-0.4	...	0.8	...	...
Commercial banks ³	0.1	-0.5	0.0	1.0	0.3	0.5	0.3	0.3
<i>Of which: Public enterprise bonds sold</i>	...	0.1	...	0.6	...	0.6	...	...
<i>Of which: central government bond issues</i>	...	1.1	...	0.9	...	0.8	...	...
Nonbank financing	0.4	1.9	0.3	0.0	0.3	-0.2	0.3	0.3
Errors and Omissions	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.1	0.1	0.1	0.1	0.4	0.4
<i>Of which: IMF future disbursements</i>	...	...	0.1	0.1	0.0	0.1	0.1	0.1
<i>Memorandum items:</i>								
Poverty-reducing expenditure	6.0	7.3	7.7	7.7	7.8	7.8	7.8	7.8
Gold Mining Revenue	2.6	3.4	3.0	2.4	3.2	2.9	2.6	2.5
Overall Balance excl. gold mining revenue	-5.0	-6.6	-5.5	-5.6	-5.6	-5.9	-5.5	-5.4
Nominal GDP (CFAF billions)	4,937	5,628	6,062	6,062	6,705	6,582	7,183	7,836

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

¹ Commitment ("engagement") basis.² GDP base is the revised figure for 2013³ Includes public enterprise bonds as additional spending transfers and commercial bank financing (CFAF 38.3 billion in 2013 and CFAF 39.4

Table 3. Burkina Faso: Monetary Survey, 2011–16**Table 3. Burkina Faso: Monetary Survey, 2011–16**

	2011	2012	2013		2014		2015	2016
			6th review	Proj.	6th review	Proj.	Proj.	
	(CFAF billions)							
Net foreign assets	681.5	678.8	694.5	698.4	685.8	632.9	615.6	587.7
BCEAO	275.3	233.9	249.5	253.4	240.8	188.0	170.7	141.2
Assets	488.5	509.1	520.8	524.7	506.5	453.7	425.3	384.3
Liabilities	213.1	275.2	271.3	271.3	265.7	265.7	254.6	242.1
Commercial banks	406.2	445.0	445.0	445.0	445.0	445.0	445.0	445.0
Net domestic assets	819.6	1061.4	1365.6	1284.9	1709.8	1645.2	2014.9	2453.5
Net domestic credit	943.8	1133.0	1437.2	1433.1	1781.4	1832.8	2202.1	2642.5
Net credit to government	-7.8	-48.2	-21.4	6.4	-1.4	119.9	139.9	159.9
Treasury	60.0	-19.1	4.2	35.6	24.2	149.0	169.0	189.0
BCEAO	11.2	-1.8	27.4	-7.4	27.4	75.5	75.5	75.5
Commercial banks	48.9	-17.3	-23.2	43.0	-3.2	73.6	93.6	113.6
Other central government	-67.9	-29.1	-25.5	-29.1	-25.5	-29.1	-29.1	-29.1
Credit to the economy	951.6	1181.2	1458.6	1426.6	1782.8	1712.5	2062.2	2482.6
Other items (net)	-124.2	-71.6	-71.6	-148.2	-71.6	-187.6	-187.6	-187.6
Broad money	1501.1	1740.2	2060.1	1983.2	2395.6	2278.1	2630.5	3041.5
<i>Of which</i> : Priv. deposits in comm. banks	1224.6	1424.1	1649.0	1582.3	1940.1	1838.2	2144.0	2500.6
	(Annual % change, unless otherwise indicated)							
<i>Memorandum items:</i>								
Net foreign assets	5.2	-0.4	2.3	2.9	-1.2	-9.4	-2.7	-4.5
Net domestic assets ¹	11.2	16.1	17.5	12.8	16.7	18.2	16.2	16.7
Net credit to government ¹	-1.9	-2.7	1.5	3.1	1.0	5.7	0.9	0.8
Credit to the private sector	23.5	24.1	23.5	20.8	22.2	20.0	20.4	20.4
(excluding crop credit)	23.2	23.9	23.5	20.8	22.2	20.0	20.4	20.4
Money supply	13.8	15.9	18.4	14.0	16.3	14.9	15.5	15.6
<i>Of which</i> : bank deposits	19.0	16.3	15.8	11.1	17.7	16.2	16.6	16.6

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

¹ Annual change as a percentage of broad money from 12 months earlier.

Table 4. Burkina Faso: Balance of Payments, 2011–16

	Table 4. Burkina Faso: Balance of Payments, 2011–16							
	2011	2012	2013		2014		2015	2016
	act	est	6th review	Proj.	6th review	Proj.	Proj.	Proj.
	(CFAF billions)							
Current account	-57.8	-45.2	-132.2	-211.3	-146.7	-382.2	-375.9	-406.4
Trade balance	17.3	91.1	53.6	-31.0	119.7	-119.5	-71.6	-76.8
Exports of goods	1135.1	1492.0	1532.5	1385.0	1686.7	1378.4	1411.6	1481.9
Of which: cotton	125.6	167.2	229.9	212.9	263.8	219.3	209.4	205.1
gold	852.2	1162.2	1123.6	997.2	1222.0	964.4	992.0	1044.6
Imports of goods	-1117.8	-1400.9	-1478.8	-1416.0	-1566.9	-1497.9	-1483.2	-1558.7
Of which: oil	-328.3	-443.7	-425.4	-455.6	-434.8	-437.6	-421.0	-419.5
Of which: food	-103.8	-124.7	-110.6	-130.6	-111.9	-127.5	-130.2	-135.6
Of which: public investment	-390.9	-500.0	-650.8	-598.8	-681.2	-672.4	-706.9	-781.7
Services, net	-343.1	-407.6	-473.5	-434.1	-520.4	-473.4	-492.6	-527.9
Income, net	-3.5	-0.8	-2.2	-2.6	-1.7	-2.2	-3.6	-5.7
Current transfers	271.5	272.0	289.8	256.4	255.7	212.9	192.0	204.0
Of which: Official transfers, net	205.6	204.2	221.1	187.8	186.2	154.3	132.9	144.5
Capital account	121.2	138.7	199.3	177.9	203.1	243.9	213.8	230.8
Project grants	73.1	111.6	150.8	150.8	154.6	216.8	186.8	203.7
Financial account	-16.9	-59.0	-56.3	48.1	-75.2	65.9	114.4	114.1
Direct investment	19.5	22.8	25.3	24.5	27.6	26.6	29.0	31.7
Portfolio investment	9.7	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Other investment	-46.1	-91.8	-91.6	13.6	-112.8	29.3	75.4	72.4
Long-term investment	-47.7	-92.8	-96.6	8.6	-117.8	24.3	70.4	67.4
Project loans	129.1	105.5	124.2	134.8	153.8	97.4	102.6	111.9
Program loans	0.0	1.8	0.0	26.0	0.0	18.0	76.4	83.3
Amortization of public loans (excl. IMF)	-20.3	-21.7	-24.2	-24.2	-41.2	-27.3	-43.0	-43.7
Other private	-154.9	-178.3	-196.6	-128.0	-230.4	-63.8	-65.6	-84.1
Short-term investment	1.6	1.0	5.0	5.0	5.0	5.0	5.0	5.0
Errors and omissions	-12.5	-37.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	34.0	-2.7	10.8	14.7	-18.7	-72.4	-47.6	-61.5
Financing	-34.0	2.7	-15.6	-19.5	8.7	65.4	17.3	27.9
Net change in foreign assets of the central bank	25.5	41.4	-15.6	-19.5	8.7	65.4	17.3	27.9
Of which: gross official reserves	37.1	-20.7	-11.6	-15.5	14.3	71.0	28.4	40.4
IMF net financing	7.8	34.6	-4.0	-4.0	-5.6	-5.6	-11.0	-12.5
Disbursements	9.6	38.3	0.0	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	-1.8	-3.7	-4.0	-4.0	-5.6	-5.6	-11.0	-12.5
Net foreign assets of commercial banks	-59.4	-38.7	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap ¹	0.0	0.0	4.8	4.8	10.0	7.0	30.3	33.6
	(Percent of GDP, unless otherwise indicated)							
<i>Memorandum items:</i>								
Trade balance (- = deficit)	0.4	1.6	0.9	-0.5	1.8	-1.8	-1.0	-1.0
Exports of goods	23.0	26.5	25.0	22.8	25.2	20.9	19.7	18.9
Imports of goods	-22.6	-24.9	-24.1	-23.4	-23.4	-22.8	-20.6	-19.9
Gold export volume (metric tons)	38.7	42.4	45.4	42.8	48.6	44.1	45.5	47.7
Current account (- = deficit)	-1.2	-0.8	-2.2	-3.5	-2.2	-5.8	-5.2	-5.2
Imputed Country Reserves (in percent of Broad Money)	32.5	29.3	...	26.5	...	19.9	16.2	11.6
Total WAEMU Reserves (in percent of next year's goods and services imports, exc. intra-zone)	5.9	5.2	...	...	...	...	...	...
Total WAEMU Reserves (in percent of WAEMU broad money)	55.0	51.2	...	...	...	...	...	...
GDP at current prices (CFAF billions)	4,937	5,628	6,141	6,062	6,705	6,582	7,183	7,836

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

¹ For 2013 and 2014, corresponds to prospective IMF disbursements.

Table 5. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for Expiring ECF Arrangement, March-September 2013

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

	2013											
	Mar. ⁶			Jun.			Sept. ⁶					
	Prog. ⁷	Adj.	Prel.	Prog. ⁸	Adj.	Prel.	Prog. ⁸	Adj.	Proj.			
Quantitative Performance Criteria												
Ceiling on net domestic financing of government ¹	9.8	46.1	67.2	Not met ⁹	18.8	20.2	17.7	Met	34.2	34.2	11.2	Met
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by government ^{2,3}	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	135.9	0.0	30.0	Met
Accumulation of external arrears ²	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met
Indicative targets												
Ceiling on the overall fiscal deficit including grants ⁴	29.8	50.5	12.0	Met	70.3	95.3	19.5	Met	95.7	95.7	34.1	Met
Government revenue	225.3	...	259.6	Met	601.7	...	557.3	Not met	817.5	...	825.2	Met
Poverty-reducing social expenditures ⁵	101.5	...	59.0	Not met	170.5	...	170.0	Met	266.2	...	n.a.	n.a.
Accumulation of new domestic arrears	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met

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

¹ Including on-lending of prospective IMF disbursements. The ceiling on net domestic financing is to be adjusted in line with the TMU definition.

² To be observed continuously.

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

⁴ The ceiling on the overall fiscal deficit is to be adjusted in line with the TMU definition. It is calculated on a commitment basis.

⁵ 90 percent of budget amount.

⁶ Indicative target.

⁷ Fifth ECF Review.

⁸ Sixth ECF Review.

⁹ The March outturn includes CFA 26.8 billion for the sale of a government bond issued to a public enterprise (SONABHY). This had not been included at the time the program targets were set.

If the bond sale is excluded, the target would be met.

Table 6. Structural Benchmarks for the 7th ECF Review		
Measures	Completion Date	
Decide on measures to accelerate investment projects included in the 2013 budget, to be determined in a Cabinet-level meeting.	June 2013	Met
Create by ministerial decree a committee to monitor the implementation of externally-financed investment projects and programs.	June 2013	Met
Adopt a plan of action by the Council of Ministers to implement recommendations to modernize and digitalize public spending systems, based on input from a national conference.	Sept. 2013	Met
Finalize and operationalize the interconnection of the biometric database and the SIGASPE (payroll database).	Sept. 2013 (building on the partially-met Dec. 2012 benchmark)	Met

Table 7. Burkina Faso: Schedule of Disbursements Under Current ECF Arrangement, 2010–13

Amount	Date Available	Conditions Necessary for Disbursement ¹
SDR 7.454 million	June 14, 2010	Following Executive Board approval of the new ECF arrangement
SDR 6.45 million	December 15, 2010	Observance of the performance criteria for June 30, 2010, and completion of the first review under the arrangement
SDR 6.45 million	June 14, 2011	Observance of the performance criteria for December 31, 2010, and completion of the second review under the arrangement
SDR 6.45 million	December 15, 2011	Observance of the performance criteria for June 30, 2011, and completion of the third review under the arrangement
SDR 30.53 million	June 8, 2012	Observance of the performance criteria for December 31, 2011, and completion of the fourth review under the arrangement
SDR 18.49 million	December 1, 2012	Observance of the performance criteria for June 30, 2012, and completion of the fifth review under the arrangement
SDR 3.225 million	May 1, 2013	Observance of the performance criteria for December 31, 2012, and completion of the sixth review under the arrangement
SDR 3.225 million	November 1, 2013	Observance of the performance criteria for June 30, 2013, and completion of the seventh review under the arrangement

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

Table 8. Burkina Faso: Schedule of Disbursements Under Proposed ECF Arrangement, 2014–16

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

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

Table 9. Burkina Faso: Indicators of Capacity to Repay the Fund, 2012–23¹

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Actual	Projections										
Fund obligations based on existing and prospective credit												
(in millions of SDRs)												
Principal	0.0	0.0	7.2	14.1	14.5	17.8	24.2	23.9	18.0	17.8	13.5	6.7
Charges and interest ²	0.0	0.0	0.0	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.0
Total obligations based on existing and prospective credit												
In millions of SDRs	0.0	0.0	7.2	14.5	14.8	18.1	24.4	24.1	18.2	17.9	13.5	6.8
In billions of CFAF	0.0	0.0	5.6	11.3	11.6	14.2	19.1	18.8	14.2	14.0	10.6	5.3
In percent of government revenue	0.0	0.0	0.5	0.8	0.8	0.9	1.2	1.0	0.7	0.6	0.4	0.2
In percent of exports of goods and services	0.0	0.0	0.3	0.7	0.6	0.7	0.9	0.8	0.6	0.5	0.4	0.2
In percent of debt service ³	0.0	0.0	10.5	17.5	16.1	17.8	21.1	19.4	14.6	13.5	10.0	4.9
In percent of GDP	0.0	0.0	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.0
In percent of quota	0.0	0.0	11.9	24.1	24.6	30.1	40.6	40.0	30.2	29.7	22.5	11.2
Outstanding IMF credit												
In millions of SDRs	136.5	139.8	141.8	136.6	131.1	113.3	89.2	65.3	47.3	29.6	16.1	9.4
In billions of CFAF	106.7	109.2	110.8	106.7	102.4	88.5	69.7	51.0	36.9	23.1	12.6	7.3
In percent of government revenue	10.7	9.5	8.9	7.8	6.9	5.7	4.3	2.8	1.8	1.0	0.5	0.3
In percent of exports of goods and services	6.2	6.8	6.7	6.3	5.7	4.7	3.4	2.3	1.5	0.9	0.4	0.2
In percent of debt service ³	264.1	233.2	207.5	164.6	142.4	111.1	77.0	52.7	38.1	22.4	11.9	6.9
In percent of GDP	1.9	1.8	1.7	1.5	1.3	1.0	0.7	0.5	0.3	0.2	0.1	0.1
In percent of quota	226.8	232.2	235.6	227.0	217.8	188.3	148.1	108.5	78.6	49.1	26.7	15.6
Net use of IMF credit (millions of SDRs)												
Disbursements	0.0	3.2	2.1	-5.2	-5.5	-17.8	-24.2	-23.9	-18.0	-17.8	-13.5	-6.7
Repayments and repurchases	0.0	0.0	7.2	14.1	14.5	17.8	24.2	23.9	18.0	17.8	13.5	6.7
<i>Memorandum items:</i>												
Nominal GDP (in billions of CFAF)	5627.9	6062.2	6581.8	7183.3	7835.6	8539.5	9302.0	10127.9	11016.9	11978.7	13013.7	14132.5
Exports of goods and services (in billions of CFAF)	1706.9	1614.4	1648.3	1706.0	1802.9	1902.9	2051.4	2215.4	2398.1	2583.4	2800.7	3040.2
Government revenue (in billions of CFAF)	999.0	1147.9	1242.5	1373.0	1495.2	1549.7	1616.7	1849.4	2018.3	2213.7	2428.3	2665.4
Debt service (in billions of CFAF) ^{3,4}	40.4	46.8	53.4	64.8	71.9	79.7	90.5	96.8	97.0	103.1	105.3	106.6

Sources: IMF staff estimates and projections.

¹ Includes the proposed disbursements under the new ECF arrangement.

² Reflecting temporary interest relief on PRGT interest obligations through end-2012 in the context of the reform of LIC facilities.

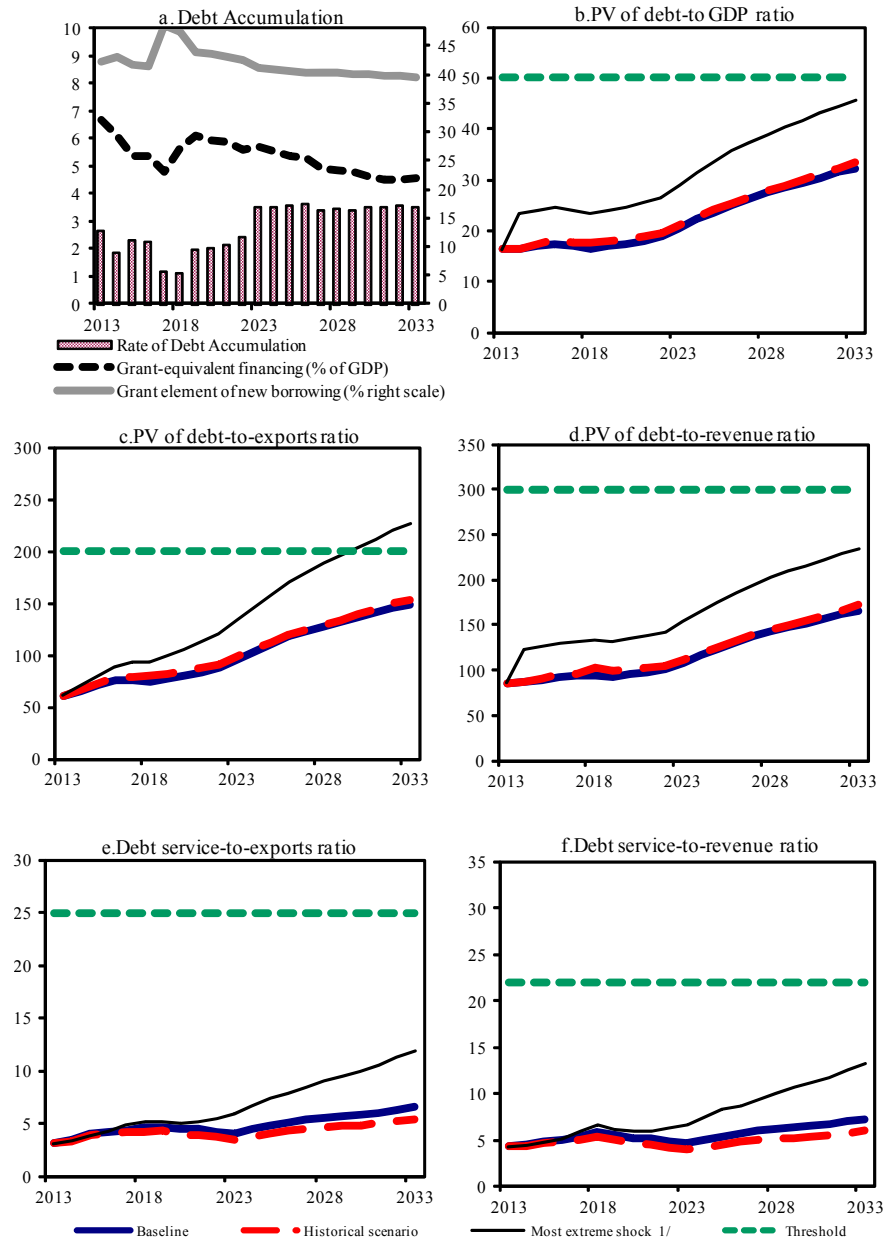
³ Total debt service includes IMF repurchases and repayments.

⁴ Includes state-owned enterprises debt.

Table 10. Burkina Faso: Changes in Assumptions Since the 6th Review DSA (2013 DSA)

		2013	2014	2015	2016	2022	2030
Gold (tons)	2013 DSA	45.4	48.6	52.0	54.6	72.4	90.8
	Current	42.8	44.1	45.5	47.7	63.3	79.4
Gold (USD / ounce)	2013 DSA	1418.1	1432.3	1451.0	1467.8	1625.4	1844.0
	Current	1461.6	1396.4	1413.4	1433.2	1490.3	1490.3
Exports (% of GDP)	2013 DSA	25.0	25.2	25.1	24.2	22.7	21.9
	Current	22.8	20.9	19.7	18.9	17.4	17.4
GDP Growth (y/y)	2013 DSA	7.0	7.0	7.0	6.9	6.4	6.0
	Current	6.8	6.8	7.0	7.0	6.4	6.0
Revenue (% of GDP)	2013 DSA	18.7	18.5	18.6	18.9	18.7	19.4
	Current	18.9	18.9	19.1	19.1	18.7	19.4

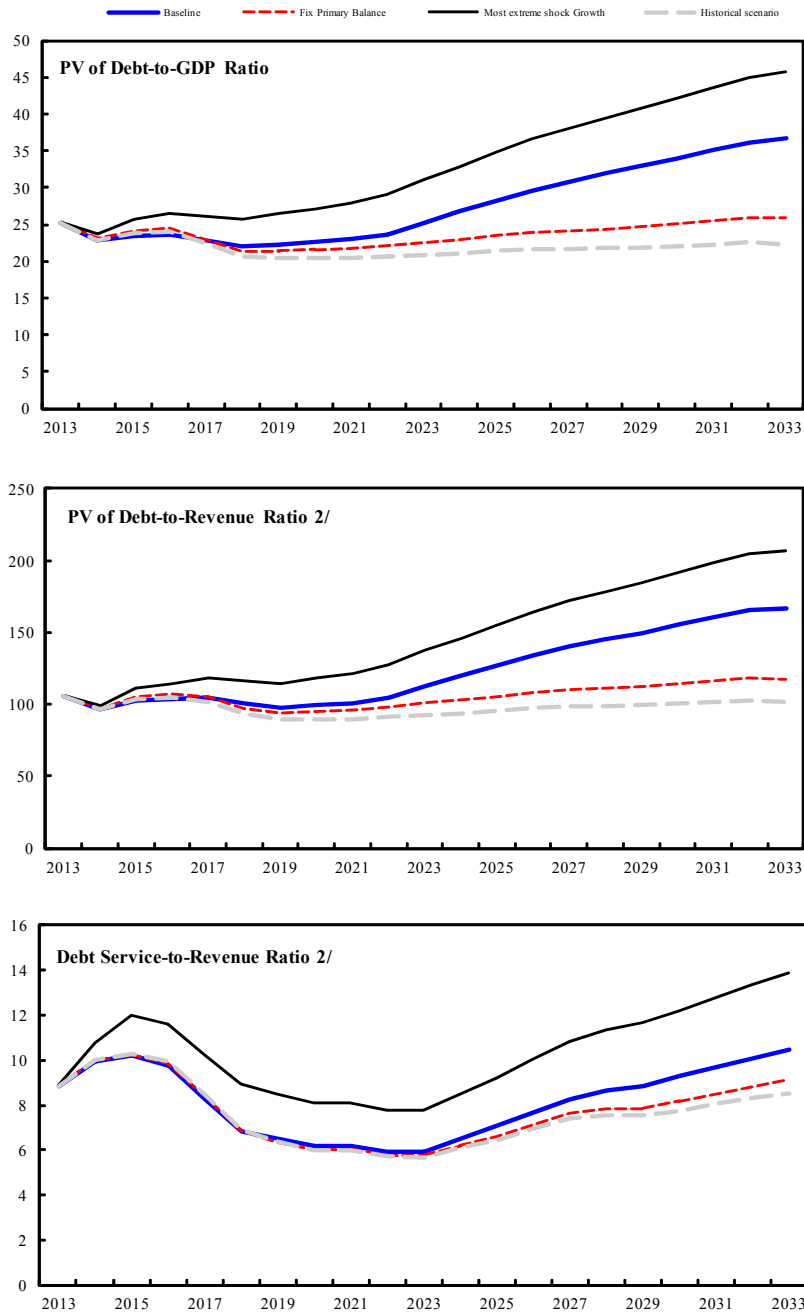
Figure 6. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013–2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2033. In figure b, it corresponds to a One-time depreciation shock; in c, to a Terms shock; in d, to a One-time depreciation shock; in e, to a Terms shock and in figure f, to a Terms shock

Figure 7. Burkina Faso: Indicators of Public Debt under Alternatives Scenarios, 2013–2033



Sources: Country authorities; and staff estimates and projections.
 1/ The most extreme stress test is the test that yields the highest ratio in 2023.
 2/ Revenues are defined inclusive of grants.

Appendix I. Letter of Intent

Ouagadougou, November 28, 2013

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

SUBJECT: Letter of Intent and Memorandum of Economic and Financial Policies

Madame Managing Director,

The Government of Burkina Faso continues to implement the measures established in its economic and financial program supported by the three year arrangement under the Extended Credit Facility (ECF) of the International Monetary Fund (IMF) for 2010-2013, which will expire on December 31, 2013 or earlier upon the final disbursement. Program implementation took place in an environment characterized by an expected slowdown in economic activity due, in part, to the decline in world prices for gold and cotton, and under-execution of public investment spending.

The attached Memorandum of Economic and Financial Policies (MEFP) provides an overview of program implementation and compliance, and presents the policies that the government intends to pursue for the remainder of 2013, as well as medium term policies in the framework of a new three-year program for 2014-2016 to meet balance of payments needs. Policies under a new program would seek to maintain macroeconomic stability, as well as reinforce foundations for sustained and inclusive growth, consistent with the objectives of the Strategy for Accelerated Growth and Durable Development (SCADD).

Over the course of 2013, dynamic economic activity continued, but with a slight slowdown in growth, such that it is expected to reach 6.8 percent compared to 9 percent in 2012. The Government continued to implement its Strategy for Accelerated Growth and Durable Development (SCADD) in order to strengthen the resilience of the economy against various shocks while promoting inclusive growth and poverty reduction. Lower public investment spending combined with social and job-creating measures taken in October 2013 warranted supplemental budget authority amounting to CFAF 64 billion. With the implementation of these measures, the overall deficit including grants is expected to be 3.2 percent of GDP.

All quantitative performance criteria were observed for end-June 2013.

All structural benchmarks included in the program were met. The Government is committed to implement several other measures that were fixed for end-2013, namely; (i) making the tax information cross checking module in GERIF operational and functional; (ii) adoption by the SONAPOST executive board a strategy to improve the quality of financial services offered;

(iii) updating and submitting to the SOFITEX executive board the financial projections contained in the its business strategy for 2013-16 based on the 2012 financial outcomes.

Tax policy and customs reforms were continued, strengthening revenue collection despite a slight and temporary decline in revenues attributable to measures intended to improve the financial situation of SONABHY and a slowdown in mining activity due to lower international gold prices. Reforms under the new program will aim to continue to strengthen and improve domestic revenue collection, above all, to finance investment spending that can bring more growth and job creation to ensure growth that is more inclusive. Toward this goal, investment will be increased to improve human capacity in the areas of health, education, and vocational training, as well as in the energy sector, to reduce the costs of production such that the benefits of growth can be shared more broadly.

In view of the progress in implementing the current program and on the basis of the policies outlined in the attached MEFP, we would like to request the completion of the seventh review of the current ECF arrangement and the associated disbursement of SDR 3.225 million.

We would like to request a new three-year ECF arrangement to be approved following the expiration of the current ECF arrangement. The new arrangement would meet balance of payments needs and support the implementation of the Government's economic and financial policies during this period, supported by the establishment of quantitative performance criteria and structural benchmarks for 2014 (Tables 1 and 2 of the attached MEFP). Under the new arrangement, we request access in the amount of 45 % of quota, or 27.09 million SDR (CFAF 21.2 billion), to be disbursed in seven installments.

The Government believes that the measures contained in the MEFP will enable attainment of the economic and social objectives of the program.

In accordance with IMF policy, the Government will consult with the IMF on the adoption of these measures, and on any revision thereto.

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

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

Sincerely,

/s/

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

Attachments: 2014–2016 Memorandum of Economic and Financial Policies
Revised Technical Memorandum of Understanding

Attachment I. Memorandum on Economic and Financial Policies, 2014–2016

1. This Memorandum of Economic and Financial Policies (MEFP) provides an update on the implementation of the government's economic and financial program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) from 2010 to 2013, as well as the new program requested for the period for 2014–2016. The new program under the ECF aims to preserve macroeconomic stability and reinforce the foundation of a strong and inclusive growth, in line with the objectives of the Accelerated Growth and Sustainable Development Strategy (SCADD). This memorandum describes recent economic trends, summarizes the structural benchmarks as of end-September 2013, and establishes the new macroeconomic framework for the three years as well as the structural objectives and benchmarks for end-2013 and 2014.

Recent Trends in the Economic Situation and Short-term Outlook

2. After the good performance registered in 2012, economic activity should remain relatively brisk in 2013, albeit with a slower growth. Preliminary estimates indicate a real GDP growth rate of about 6.8 percent in 2013, as against 9.0 percent in 2012. The contribution of the primary sector to GDP growth is expected to be 1.3 points compared with 4.3 points in 2012. The secondary sector should contribute 1.6 points, representing an increase of 0.3 percentage points relative to 2012. The tertiary sector's contribution should increase from 3.4 points in 2012 to 3.9 points in 2013. Agricultural production is projected to grow by 6.8 percent on account of a poorer geographical distribution of rainfall. Mining activity was slightly weaker due to lower gold prices. Private sector lending remained buoyant; however, there are indications of activities in new areas such as manganese mining and the cement sector.

3. Inflation declined due to lower food prices, and should remain below the three percent WAEMU convergence criterion. As a result of the favorable outcome of the 2013-2014 harvest, expected to be relatively positive, the implementation of price controls and the availability of foodstuffs in special outlets supporting food security policy at lower-than-market prices (boutiques témoins), inflation should be 2.0 percent in 2013, compared with 3.8 percent in 2012. This slowdown can be explained by lower prices of the "food and non-alcoholic beverage" segment (4.0 percent in 2013 compared with 6.1 percent in 2012), "housing, water, electricity, gas and other fuels" (2.6 percent in 2013 compared with 4.4 percent in 2012), and "hotels, cafés and restaurants" (1.8 percent in 2013 compared with 7.6 percent in 2012). However, this drop in prices was mitigated by the increase in the price of transportation (4.2 percent in 2013 compared with 2.6 percent in 2012).

4. Revenue mobilization strengthened in line with expectations. Total revenue mobilized at end-September 2013 amounted to CFAF 825.2 billion compared with CFAF 754.2 billion the previous year. This result was 9.4 percent higher than in 2012. This increase in domestic revenue was made possible by the pursuit of several government programs including the application of tax collection units; a broadening of the tax base; public awareness raising programs on tax

compliance; and efforts to combat fraud, forgery and corruption. This performance was also attributable to the actions undertaken by several agencies, notably the application of VAT on imports of mining companies in the resource exploitation phase, as well as on companies subcontracting for the government. Emergency measures took effect on May 1. The first step is observing office jurisdiction by forwarding complete shipments to the appropriate interior offices that are responsible for customs clearance for the shipments. The second step contributes to more accurate valuation and is intended to institute the principle of systematically unloading shipments that consist of at least two items.

5. Grants were up by 63.3 percent, rising from CFAF 151.9 billion as of end-September 2012 to CFAF 248.1 billion as at end-September 2013. Execution of spending and net lending stood at CFAF 1,107.4 billion as of end-September 2013 compared with 943.2 billion in 2012. At end-September 2013, the execution of capital expenditure reached CFAF 452.0 billion, compared with 374.1 billion the previous year.

6. As of end-September, the budget deficit (including grants) reached 0.6 percent of GDP. This is due to the low level of execution in investment spending. A supplemental budget law authorizing additional spending in the amount of one percent of GDP (CFAF 64 billion) was enacted in October 2013. Its purpose is to incorporate social and job-creating measures taken by the government to better redistribute the fruits of growth. Additional spending related to these measures was allocated to increasing allowances for civil servants, creating jobs and income, granting investment and settling-in loans for financing self-employment of young graduates, strengthening the university infrastructure, improving social safety nets for the most vulnerable, and hiring women and youths for labor-intensive jobs. The additional spending will be financed through savings derived from reallocating certain investment and operating expenditures and their levels of execution. With the implementation of these measures, total spending for 2013 is projected at 27.0 percent of GDP, with an increase in the wage bill relative to 2012 (from 5.9 to 6.0 percent of GDP), and a drop in current transfers. The budget deficit, including grants, roughly 3.2 percent of GDP, will be financed by slightly higher external lending than in 2012 (due to changes in the financing modalities of the third World Bank budget support operation) and domestic financing amounting to 0.9 percent of GDP (including a portion of the proceeds from the 2012 CFAF 32.60 billion bond issuance).

7. The trade balance as of end-September posted a shortfall of CFAF 783.8 billion, based on the raw data reported by the Directorate General of Customs. This shortfall is broadly explained by the drop in gold exports due to lower international gold prices. The balance of payment projections for 2013 feature a deterioration of the current account deficit to 3.5 percent of GDP relative to the 0.8 percent registered in 2012, primarily due to lower exports of gold, combined with higher imports. However, an improvement in the financial account will partly offset the deterioration in the current account when combined with higher external financing, lower outflows and a more effective repatriation of gold export proceeds.

8. The monetary position as of end-September 2013 showed a year-on-year growth rate of 31.1 percent in lending to the private sector and a 12.9 percent growth rate in broad money. Based on final quarter trends, growth rates of 20.8 percent and 14.0 percent are forecast for year-end for private sector growth and broad money, respectively. The overall external balance should reach a surplus of CFAF 14.7 billion as of end-December 2013, thereby strengthening the

coverage of international reserves.

Implementation of the Accelerated Growth and Sustainable Development Strategy (SCADD)

9. Government policies are formulated and implemented in line with the national development strategy known as the SCADD. According to the last annual performance report, 57 percent of the measures and actions listed in the SCADD performance matrix were fully implemented, and 66 percent of the targets were reached in terms of their indicators. Efforts are underway to strengthen regional and sectoral capacities to deepen the ongoing reforms thereby allowing key measures and actions to be fully applied during the period 2014 to 2016, measures such as the development of the Bagré growth hub, public-private partnerships, better access of the population to energy services, increasing private-sector competitiveness by improving the business climate, and promoting the establishment of processing units. Over the next two years, within its social protection policy, the government plans to put in place a universal health insurance, to extend social protection to the population at large and broaden Burkina Faso's access to a minimum of quality healthcare. Moreover, in terms of strengthening human capital, there are plans to bring staffing of public health facilities up to required levels, to provide first emergency kits to fully treat malaria in children below the age of five, to broaden the implementation of reforms in the education system, to increase the supply of education in all levels of teaching, and to provide vocational education and professional training. There are plans to build new classrooms, renovate schools, and hire about 5,000 new teachers per year.

Performance under the ECF-supported program

10. All of the quantitative performance criteria for end-June 2013 were met. Revenue was slightly below the indicative target due to a few measures such as the tax on petroleum products (TPP) partly foregone, and corporate tax proceeds from mining companies. This was compounded by the slowdown in mining activities due to lower international gold prices. In spite of lower than forecast revenues, the ceiling on net domestic financing and deficit were easily reached due to low spending execution, particularly for investment.

11. Regarding the structural benchmarks for end-June, a committee to monitor the execution of development project and program spending was established by ministerial order on June 27, 2013. The purpose of the committee is to effectively monitor public investment and improve the level of execution of domestically- and externally-financed investment. The committee met three times and fielded visits to the projects that are experiencing execution difficulties. After these visits, the committee prepared a report that described the status of the execution rate by each ministry, making recommendations to improve the level of execution of investment spending. At the next committee meeting, all the projects with an estimated spending execution rate below 50 percent will be reviewed. A cabinet meeting comprising four ministers was held in June to establish measures that would accelerate the execution of the investment expenditure set out in the 2013 budget law. This meeting, chaired by the Minister of the Economy and Finance, and including three ministerial departments, aimed to take stock of some projects in difficulty in these departments and to prepare for a high-level meeting with certain donors. The meeting led to the adoption of measures for the execution of some projects in difficulty.

12. The two structural benchmarks slated for completion by end-September were met. A national workshop on streamlining and digitizing public spending was held in June; it led to the preparation of an action plan adopted by the Council of Ministers on September 11, 2013. In addition, the interconnection of the biometric database and SIGASPE was completed. Through this effort, 125,319 out of 138,395 employees were enrolled as of August 31, 2013, broken down as follows: 117,574 active employees, 5,293 seconded employees, 841 employees on call, 1,611 on permanent contract assignment, and 13,076 unenrolled and unaccounted for employees. The Council decided to suspend the wages of the employees concerned and granted employees who had not yet enrolled three more months on a one-time basis to legalize their status; otherwise, they would be dismissed.

Macroeconomic Outlook and Risks over the Medium Term

13. Real growth is expected to remain between 6 and 7 percent, although it should align itself with the average of the last few years provided there are no serious climatic conditions or other external shocks. Growth will be driven by improved implementation of the government investment program, in particular key investment in the growth hubs, the development of power generation, and increases in social expenditures. These investments will ensure a more equitable distribution of growth benefits. Inflation should remain comfortably below the margin of the 3 percent regional norm based on the unchanged central bank policies, and provided that international food and oil prices remain consistent with projections.

14. However, due to projections for prices of export commodities, and in particular for gold and cotton, the terms of trade should deteriorate substantially in 2014 before improving slightly after that. This, combined with the investment program that the government has planned, could result in a sizeable current account deficit over the medium term, reaching 5.2 percent of GDP in 2016. It will be necessary to significantly accumulate international reserves over the next three years, which would correspond to a protracted balance of payments need and thereby justify the request for access under a successor three-year arrangement under the Extended Credit Facility (ECF).

15. Risks could begin to emerge at the time that the macroeconomic policy measures are being formulated. In spite of the variety of many measures that were undertaken to improve resilience, especially in the high labor-intensive cotton industry, Burkina Faso remains extremely vulnerable to shocks. The main risk that could jeopardize the objectives of macroeconomic policy in the successor program is, as always, a change in climatic conditions or an acceleration of climatic trends over the medium term. One other major risk is the deterioration in terms of trade, for commodity imports as well as exports, and a protracted global economic slowdown, which could in the short term alter foreign aid. The other risks may include the security situation in the region and social tensions in the country due to the high cost of living.

Objectives of the New Program Supported by the ECF Arrangement

16. During the period from 2014 to 2016, the new program will attempt to focus on long-term challenges while ensuring macroeconomic stability within a more difficult economic setting. The main long-term challenge is to create jobs and more diversified activities, particularly in the agriculture sector, but in new areas as well. Another challenge is to improve education in order to

meet the growing demands for labor, while taking advantage of new technologies and globalization. A reliable and sufficient supply of electricity will be essential to ensure sustainable growth, fiscal viability, job creation, and a considerable reduction in the cost of inputs. Another challenge is to ensure that revenue derived from the exploitation of natural resources is invested judiciously, laying a foundation for strong growth for generations to come.

17. To achieve the strategic objectives seeking to attain widespread growth, create jobs and reduce poverty, the government will have to accelerate the pace of its public investment program, particularly in the area of energy and infrastructure in order to lower the cost of inputs. The government will also have to: (i) expand its social protection system to ensure that a larger percentage of the population benefits from growth and macroeconomic stability; (ii) pursue measures that aim to improve productivity and resilience in agriculture; (iii) promote the agrifood industry; (iv) strengthen human capital, mainly by developing worker skills; and (v) maintain macroeconomic stability through sound fiscal policy management.

18. The government program supported by the current ECF arrangement is coming to an end. It had put an emphasis on improving revenue collection and registered good results. The successor program will build on these gains, but it will place greater emphasis on the quality and pace of spending, in particular by: (i) carefully ranking public investment projects; (ii) accelerating spending through public finance management reforms; (iii) reorienting public investments to strategic sectors such as energy, education and employment; and (iv) providing sound and transparent management of mining revenue.

Medium-Term Macroeconomic Policy Framework

19. The medium-term macroeconomic policy framework will pave the way for spending to preserve social expenditures and priority investment while keeping institutional capacity constraints in mind. From this standpoint, it will be necessary to increase revenue and reallocate non-priority spending and additional internal/external financing. In order to keep the risk of over-indebtedness at a “low-moderate” level, the macroeconomic objectives aim to contain the budget deficit excluding grants at a reasonable level, below 3 percent of GDP.

20. To maintain the budget revenue collection level, the government will continue with actions to upgrade the tax and customs administrations, will bolster the achievements of the tax collection units and will seek new tax niches to broaden the tax base. During 2014–2016, revenue should reach 19.1 percent of GDP and expenditures should rise to 25.7 percent of GDP, driven by current expenditure (13.1 percent) as well as capital expenditure (12.5 percent). In this period, credit to the economy should increase considerably to support economic activity, in line with the policy of easing the cost of borrowing money. In addition, a system for ongoing monitoring of the repatriation of export proceeds was put in place, particularly for mining companies, in order to strengthen foreign currency reserves.

2014 Draft Budget Law Compared to the Program Framework

21. The 2014 draft budget law is projecting a deficit of 90.0 billion (1.4 percent of GDP) and net domestic financing of CFAF 15.4 billion (0.2 percent of GDP), with net external financing of CFAF 74.6 billion and a remaining gap of CFAF 55.0 billion to be filled by a new bond issuance (0.8

percent of GDP). Revenue is projected at CFAF 1,281.7 billion, and grants amount to CFAF 373.5 billion; expenditure is projected at CFAF 1,745.2 billion.

22. However, the macroeconomic framework underlying the program includes a number of additional components that are not yet reflected in the draft budget law. For revenue, the projection has been lowered to CFAF 1,242.4 billion, partly due to the decision to lower the IUTS (the single tax on wages and salaries) and its impact in 2014. Moreover, the framework includes additional spending to meet subsidy needs for SONABEL and SONABHY at the same level as in 2013 since there were no other policy changes as of May 2013. In addition, the framework includes additional subsidies related to the bonds issued for SONABHY and SOFITEX to strengthen their financial positions that are to be sold to banks in 2014. This generates a larger deficit of CFAF 197.7 billion, or 3.0 percent of GDP. The framework also includes the amortization of domestic bonds for CFAF 59 billion. The combination of the drop in income with higher spending is observed through net domestic financing of CFA 102.6 billion or 1.6 percent of GDP. This financing includes use of the proceeds from the 2013 CFAF 55 billion bond issuance, the issuance of another bond to the same amount in 2014, and financing stemming from the sales of public enterprise bonds (SONABHY and SOFITEX). The amount of CFAF 102.6 billion (on top of the scheduled IMF disbursements) provides the ceiling on the budget performance criterion under the program.

Structural Reforms

Improving the quality and pace of investment spending

23. The annual monitoring report on the implementation of the SCADD highlighted that the execution rate of investment projects was a cause for concern. The government has devoted efforts to verify the public expenditure chain and identify bottlenecks on execution rates. Four major areas were identified: the procurement process; the expenditure approval process; dependency on paper transactions; and donor approval procedures. To address these concerns, the government adopted an action plan for implementing the reform in terms of streamlining the expenditure process over the period 2014-2016. In 2014, the government will review the laws to implement the findings of the study on the reform of procedures and agent responsibilities along the expenditure chain and will establish a committee in charge of coordinating activities relating to digitalization. The inter-ministerial investment expenditure monitoring committee, already in place, will continue its monitoring activities to enhance the level and quality of investment expenditures for projects and programs.

24. Several measures were implemented recently as part of budget programming and the implementation of the program budget. Thus, in terms of achievements, we note: (i) the preparation of the 2013-2015 program budgets for all the ministries and institutions except for the Ministry of Transportation, the Post Office and the Digital Economy (MTPEN), the Ministry of Human Rights and Civic Promotion (MDHPC) and the National Independent Elections Commission (CENI); (ii) the approval by a monitoring committee of a plan to strengthen the capacities of the program budget stakeholders; (iii) the completion of the review of the programs of eight ministries and institutions; and (iv) the completion of an impact study of the program budget approach on the IT applications currently being used in the area of finance to strengthen

economic governance.

25. The government pays very close attention to improving the quality of investment spending, giving preference to spending on projects that are close to completion, expected to generate growth and create jobs and can be swiftly executed. Hence, emphasis will be placed on labor-intensive projects. In 2014, the government will continue to implement major infrastructure projects such as paving roads, the Samendeni Dam construction project, the Bagré growth hub project, and the implementation of the youth employment and skills development project.

Ensuring a better sharing of the benefits of growth

26. The implementation of the National Social Security Policy adopted in 2012, and its three-year operating program for 2013-2015, is continuing. The overarching goal is to contribute to a qualitative change in living conditions for all social segments and to promote the effectiveness, expansion and breadth of existing social safety nets in order to provide better access for the most vulnerable groups. The major innovations are expanding the school cafeteria program, free education and basic health care for infants and children up to five years old, free basic health care for pregnant women and the poorest, subsidized housing for the neediest, and expanding social security benefits to workers in the informal sector. Spending to finance the action plan amounts to CFAF 5 billion in 2013 (including the supplemental budget measures). The allocations provided for in the 2014 budget amount to CFAF 5.27 billion, which represents a 5.41 percent increase over 2013.

27. The programs to promote the growth hubs were upgraded in 2012 with the extensive restructuring of the Maîtrise d'ouvrage de Bagré (MOB), which created the semi-public company named "Société de développement intégré du pôle de Bagré," abbreviated as "BAGREPOLE." The organs of the semi-public company have been put in place and are operational, and the implementation of the 2013-2017 strategic development plan adopted in 2012 by the board of directors is continuing. In addition, it should be noted that in February 2013 the operationalization of the agribusiness component of the Bagré growth hub began; this was done through the Notice of Manifestation of Interest (AMI) for allocating developed land (a first parcel of 30,000 irrigated hectares, for which the allocation conditions were discussed on September 19, 2013 by applicants (700 agribusiness men) and BAGREPOLE officials). The government plans to initiate another growth hub development project in the Sahel in 2014.

28. The government will also be deploying efforts to improve access to affordable financial services. By the end of December 2013, SONAPOST will have approved its new strategy that aims to provide basic financial services throughout the country, using its comparative advantage that enables it to cover a broad geographical region. An action plan for implementing this strategy will be prepared to enable better monitoring. Through improvements in the institutional, organizational and regulatory framework of microfinance, bank deposits of microfinance institutions increased (CFAF 44.6 billion as of end-2012) and the client portfolio (public and private employees and SMEs/SMIs) has expanded. In 2013 and 2014, the government will continue to implement its strategy to strengthen the microfinance sector by building institutional and operational capacities of the Chamber of Business (acting within its delegated authority to implement the National Microfinance Strategy) by making a decentralized financial system (DFS) support unit housed in its structure operational. This unit will be responsible for creating expertise

in the DFS environment that is suited to non-financial support services useful for developing DFSs.

Tax policy and administration reforms

29. The government is committed to keep up recent progress in mobilizing domestic revenue. It plans to implement a new 5 percent turnover tax (TCA) on the use of mobile phones, which is expected to generate revenue of CFAF 12 billion in 2014. Fully implementing the Virtual Liaison System for Import and Export operations (SYLVIE) at the national level has contributed to a sustained improvement in customs revenue collections. Other customs administration reforms include the implementation of a satellite system for tracking goods in transit to address the risk of fraud, and the use of new software to better value imported used vehicles. Reforms also include heightened surveillance of publicly purchased goods to ensure that they are consistent with customs regulations, and measures to ensure that the new IT systems collecting VAT are fully operational. Other reforms that are in progress include: establishing standardized invoices to fight fraud in VAT billing; migration from ASYCUDA++ to ASYCUDA World to shorten customs clearance times; and finalizing the interconnection between the Directorate General of Taxes and the Directorate General of Customs to improve sharing of information. Moreover, to improve the compilation of national accounts, the government plans to set the ball rolling in 2014 and conduct a number of studies that are necessary to update the growth base year used by the National Statistics and Demography Institute (INSD).

Energy

30. The insufficient supply of energy dominates the discussions on supply constraints that affect growth, and the problem of power outages worsened in 2013. One priority to be addressed in the investment budget is increasing the supply of energy by building new thermal energy power plants and implementing solar energy projects. Shortages in the supply of imported electricity and increasing fuel prices have led to increasing budgetary costs, causing an energy security issue that is an obstacle to growth. Energy production costs have increased considerably with purchases of standby generators and the recurring replacements of equipment damaged by the frequent power outages. From a regional standpoint, the increased supply through power imports from Côte d'Ivoire, Ghana and potentially Niger, should lower SONABEL's supply costs and make the supply of energy secure. The authorities and the development partners (the EU, AFD and the WB) are in discussions to support new projects that aim to improve the quality and quantity of supply and lower production costs.

31. SONABEL, the public electricity company, recorded significant losses in 2013 due to the increase in production costs per kilowatt-hour and the higher costs of hydrocarbons. Despite the fact that SONABEL took steps to lower costs, obtain steady supplies and increase production, it must still deal with the stability of the tariff grid and difficulties in quickly increasing capacity to meet the growing demand. Its medium-term policy in the energy sector area will continue to revolve around the following axes: develop regional interconnections to import lower-cost energy; increase thermal capacity; develop solar technology to bring the cost down to affordable levels; consider strategic changes to the tariff grid to improve cost recovery; and improve access to the grid outside urban areas. In its five-year investment plan for 2011-2016, SONABEL is

committed to pursuing its efforts to lower connection costs, stabilize rates and meet its obligations to the government in terms of dividends, debts and taxes. A roundtable of donors and the authorities was held in June 2013 to explore concerted action to accelerate the plans to expand the supply of energy and discuss options to improve cost recovery. SONABEL will implement a new results-based strategic plan and the recommendations from three studies performed using World Bank funding beginning in 2014. SONABEL also plans to undertake a complementary study on the reliability of production capacity options proposed in earlier studies, to take into account the developments in the energy sector and put the sector on a more sustainable financial footing.

32. SONABHY's financial performance improved in 2013 following steps taken in May 2013 to contain losses and the impact of changes in international fuel prices. SONABHY faced serious cash flow problems in 2012 due to the increase in international fuel prices in a context of unchanged prices at the pump. Indeed, the losses in the first quarter of 2013 remained high. Thus, the government took a series of steps in May 2013, including to partially forego the per liter tax on gasoline and diesel fuel and to increase the retail price of butane gas. The government also transferred government bonds to SONABHY in the amount of CFAF 38 billion in 2012 and CFAF 31 billion in 2013 to improve its financial position and its relations with commercial banks. The government is pursuing discussions with all stakeholders to improve cost recovery on a more automatic and incremental basis.

Management of Revenue from Natural Resources

33. Revenue from natural resources is becoming a decisive factor in the expenditure envelope, and recent explorations indicate that revenue may continue to grow in the future. The 2003 Mining Code was revised to make it more consistent with international practice. It was submitted to the Council of Ministers in September 2013 and the National Assembly is expected to enact it by the end of 2013.

34. The government plans to implement other measures to improve its ability to manage the wealth generated by natural resources, with technical assistance from the IMF. With limited resources and substantial development requirements, the goal is to direct the use of revenue derived from natural resources towards public investment spending that can foster inclusive and sustainable growth. In view of the extent of investment requirements for development, and intergenerational equity concerns, the government will take steps to ensure the optimal and long-term use of the revenue derived from the exploitation of natural resources.

Debt Policy

35. The government has prepared a comprehensive five-year strategy for managing the debt, identifying the guidelines and criteria for the external and internal debt so as to frame the debt policy during this period. The key objectives of this strategy are to ensure that the level of public debt remains sustainable and to meet financing requirements.

36. The government intends to explore more flexible borrowing opportunities in view of the fact that the concessionality limit is difficult to reach, even for traditional lenders, in the current context of low interest rates. The nominal limit on nonconcessional lending of CFAF 135.9 billion

under the program (2.1 percent of GDP) was linked to four projects, namely the construction of the new Donsin Airport, the project to develop 1,500 ha of irrigated perimeters, the construction of a 53-km feeder canal upstream from the Samendeni Dam, the project to improve the urban section of National Road RN04/RN03+ and extending it to the intersection with Avenue de la Liberté, and the project to pave the Kongoussi-Djibo and Dédougou-Tougan highways. In October 2013 the government signed the agreement to fund the project to improve the urban section of National Road RN04/RN03+ and extend it to the intersection of Avenue de la Liberté for the amount of CFAF 18 billion with the WADB. However, new projects have emerged that can be implemented more quickly, such as the Kantchari-Diapaga-Tansarga-Benin border regional road project. As a result, we propose retaining the nominal limit on nonconcessional borrowing as under the current ECF-supported program, since the risk of over-indebtedness is broadly unchanged compared to the “moderate” risk evaluation completed during the sixth review. However, the limit will not apply to any specific project. This will enable the government to retain greater flexibility in the use of this limit and build experience in nonconcessional lending to strengthen its debt management capabilities. As for domestic financing, the government plans to hold its participation in the regional financial market steady and to strengthen it, as doing so provides an opportunity to diversify funding sources, to reduce dependence on external partners and to contribute to financial market development.

Program Modalities

37. The government intends to take all the necessary measures to achieve the targets and performance criteria agreed with IMF staff, as indicated in Tables 1 and 2 of this Memorandum. The program will be reviewed in accordance with the Technical Memorandum of Understanding (TMU), which defines the quantitative performance criteria and requirements in terms of reporting data to IMF staff. The first, second, and third program reviews under the new ECF arrangement are expected to take place on May 15, 2014, December 1, 2014, and May 15, 2015, respectively, or shortly thereafter.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for Proposed Successor ECF Arrangement, December 2013–December 2014
(CFAF billion, cumulative from beginning of year; unless otherwise indicated)

	2013	2014			
	Dec.	Mar. ⁴	Jun.	Sept. ⁴	Dec.
	Proj.	Proj.	Proj.	Proj.	Proj.
Quantitative Performance Criteria					
Ceiling on net domestic financing of government ¹	56.7	115.0	95.9	128.0	109.6
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by government ^{2,3}	135.9	135.9	135.9	135.9	135.9
Accumulation of external arrears ²	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Ceiling on the overall fiscal deficit including grants ⁴	193.3	100.9	125.8	125.8	197.7
Government revenue	1147.9	268.7	583.2	863.4	1242.5
Poverty-reducing social expenditures ⁵	417.9	115.5	231.0	346.5	462.0
Accumulation of new domestic arrears	0.0	0.0	0.0	0.0	0.0

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

¹ Including on-lending of prospective IMF disbursements. The ceiling on net domestic financing is to be adjusted in line with the TMU definition. Prospective sales of public enterprise bonds are included in the targets.

² To be observed continuously.

³ The non-zero limit is untied.

⁴ Indicative Target, except for continuous performance criteria.

⁵ 90 percent of budget amount.

Table 2. Burkina Faso: Structural Benchmarks for Proposed Successor ECF Arrangement

Measures	Rationale	Evidence	Date
Make the tax information cross checking module (with Customs) operational and functional in GERIF (system used by internal revenue service) (DGI)	Improve information sharing between the DGI and the DGD	Note on the functionality of the module	Jan-14
Update the financial projections for 2013-16 underlying the SOFITEX business plan based on financial results for the 2012 fiscal year (SOFITEX)	Update financial projections	Approval of new projections by Board of Directors of SOFITEX	Jan-14
Adopt a new strategy to improve the quality of the financial services offered by the national postal service, SONAPOST (SONAPOST)	Broaden access to basic financial services with SONAPOST's wide geographic coverage	Adoption of the strategy by the SONAPOST Board of Directors	Jan-14
Finalize SONABEL's new financial model and produce new financial projections for 2014-2016 including different scenarios. (SONABEL)	Update SONABEL's financial projections to provide more clarity in the context of accelerating investment in new capacity.	Updated financial projections for 2014-2016	Jan-14
Use the tax information interconnection between internal revenue service (DGI) and Customs (DGD) through an automatic update of the IFU database in Sydonia++ (DGD/DGI)	Use of the same database by the DGD and the DGI when handling taxpayers files	Joint note on the use of single tax statements (IFU) by the DGD and the DGI	Mar-14
Begin operations of the committee charged with computerizing the expenditure approval chain (DGB)	Begin implementing and monitoring computerization of expenditure approval chain	Decree for the creation of the committee and progress report	Mar-14
Revise 2014 Budget law and its implementing decrees to incorporate reforms to rationalize the expenditure approval process (DGTCP)	Accelerate expenditure flows by eliminating duplication in expenditure control chain.	Changes in laws and implementing decrees.	Mar-14
Harmonize different databases for gold production and conduct monthly audit on mining production statistics (MEF/MME) .	Use a single database for the gold production	Monthly audit report	Mar-14
Devise a report with recommendations to improve the quality of investment expenditures to the Cabinet (DGB) .	Improve the quality of investment expenditures	Report to the Cabinet	Sep-14

Conduct a study of options to reinforce the cotton stabilization fund, and put it on a financially sustainable basis. (SP/SFCL).	Put the stabilization fund on a financially sustainable basis.	Submit report	Sep-14
Adopt an action plan (choosing among strategy options) to improve the quality of financial services provided by SONAPOST (SONAPOST)	Improve access to financial services	Approval by Board of Directors of SONAPOST	Dec-14
Updated the business plan for SOFITEX, taking into account all new assumptions and projections (e.g. including yields, commodity price projections, land cultivated). (SOFITEX).	Update business plan based on all new assumptions and projections	Approval by Board of Directors of SOFITEX	Dec-14
Conduct a study on the reliability of the production and import options to take into account the new developments in the energy sector at a regional and sub regional level (SONABEL)	Find the best generation option capable of responding to the demand in a cost effective way	Submit report to SONABEL Board of Directors	Dec-14
Implement a customs system to track transit cargo (DGD).	Combat fraud and improve revenue collection	Note on the implementation of the system	Dec-14
Start the updating process from the base year used by the INSD for the production of the national accounts (INSD)	Produce national accounts on an updated base	Interim note on the beginning of the process	Dec-14

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, indicative targets and structural benchmarks that will serve to assess performance under the program supported by the Extended Credit Facility (ECF) from 2013 to 2016. It also sets the framework and deadlines for the submission of data to IMF staff to be used to assess the implementation of the program.

CONDITIONALITY

2. The quantitative performance criteria and indicative targets for end-December 2013, end-March 2014, end-September 2014, and end-December 2014 are provided in Table 1 of the MEFP. The structural benchmarks set forth in the program are detailed in Table 2 of the MEFP.

DEFINITIONS

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

4. **Definition of debt.** For the purposes of the relevant performance criteria, the definition of debt is set out in Point 9 of IMF Executive Board Decision No.6230-(79/140) as amended, including by Decision No. 14416-(09/91), as published on the IMF website.

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

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

7. **External debt.** For the purposes of the relevant performance criteria, external debt is defined as debt contracted or serviced in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries. The relevant performance criteria apply to the external debt of the government, public enterprises, and other public entities in which the government

¹ This page on the IMF website provides a tool to calculate the grant element of a wide range of financial packages: <http://www.imf.org/external/np/pdr/conc/calculator>.

² The calculation of concessionality takes into account all the aspects of the loan contract, including the due date, differing repayment, maturity, contracting commissions and management costs.

holds more than 50 percent of the capital, and any private debt for which the government has extended guarantees that constitute a contingent liability for the government.

QUANTITATIVE PERFORMANCE CRITERIA

8. The revised performance criteria proposed for end-December 2013 and 2014 relate to: (i) a ceiling for net domestic financing as defined below in paragraph 10; (ii) a ceiling on the contracting or guarantee of nonconcessional external debt by the government, as defined in paragraphs 4 to 7; and (iii) with a ceiling on non-accumulation of payment arrears on external debt service.

A. Net domestic financing

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

Adjustment

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

Table 1. Projections of External Program Assistance (cumulative, CFAF billions)					
	End-December 2013	End-March 2014	End-June 2014	End-September 2014	End-December 2014
Program Grants and Loans	172.4	18.0	37.4	95.6	115.0

11. The cumulative ceiling on net domestic financing will be adjusted downward in the amount by which the actual sale to commercial banks of government bonds given to public enterprises is less than projections. The shortfall will be calculated in reference to the projections in Table 2 below. The ceiling will not be adjusted upward in the event such sales are higher than programmed.

Table 2. Projections of Sales to Banks of Public Enterprise Bonds (cumulative, CFAF billions)					
	End-December 2013	End-March 2014	End-June 2014	End-September 2014	End-December 2014
	38.3	39.4	39.4	39.4	39.4

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

B. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

13. The government undertakes not to contract or guarantee any nonconcessional external debt beyond the ceiling indicated in MEFP Table 1. This performance criterion applies to external debt as defined in paragraph 7 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 6 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent government debt as defined in paragraphs 4 to 7 of this memorandum. In addition, this criterion applies to public enterprises, local governments, and other public sector entities (including public administrative, professional, scientific and technical agencies) unless excluded in MEFP Table 1. However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers' normal short-term credits, or to IMF loans. This commitment is a performance criterion, to be observed continuously. It is measured on a

cumulative basis from the IMF Executive Board's approval of the ECF arrangement, and no adjustment factor will apply.

Reporting Deadlines

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

C. Non-accumulation of New External Payment Arrears

Performance criterion

15. External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate new external payment arrears on its debt except arrears arising from obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. Nonaccumulation of new external government arrears is a performance criterion, to be observed continuously.

Reporting deadlines

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

OTHER QUANTITATIVE INDICATIVE TARGETS

17. The program also includes indicative targets for the overall deficit (commitment basis, grants included) as defined in paragraph 19 below; total government revenue; poverty-reducing social expenditures, and nonaccumulation of domestic payment arrears.

A. Overall Fiscal Deficit Including Grants

Definition

18. For the program, the overall fiscal deficit including grants is valued on a commitment basis. It is defined as the sum of the government's net foreign and domestic financing, measured from the financing side, plus a cash adjustment. Net foreign financing is the sum of new foreign borrowing less amortization. Net domestic financing is defined in paragraphs 10-11 above. The cash basis adjustment is defined as the sum of: (i) all unpaid expenditure commitments and (ii) the change in pending payments and (iii) the change in treasury deposits.

Adjustment

19. The ceiling on the overall fiscal deficit including grants will be adjusted upward in the amount by which external program assistance, excluding project grants and loans, falls short of the projected amount, up to a maximum of CFAF 65 billion. The shortfall in the amount of external program assistance (grants and loans) will be calculated in reference to the projections in Table 1 above. The ceiling will not be adjusted downward in the event the external program

assistance is higher than programmed.

20. The ceiling on the overall fiscal deficit including grants will be adjusted downward in the amount by which the actual sale to commercial banks of government bonds given to public enterprises is less than projected. The shortfall will be calculated in reference to the projections in Table 2 above. The ceiling will not be adjusted upward in the event such sales are higher than programmed.

21. The ceiling on the overall fiscal deficit including grants will be adjusted downward in the amount by which projected project loans fall short of the actual amount. The ceiling on the overall fiscal deficit including grants will be adjusted upward in the amount by which projected project loans are in excess of the actual amount. This difference in the amount will be calculated in reference to the projections in Table 3 below.

Table 3. Projections of Project Loans (cumulative, CFAF billions)					
	End-December 2013	End-March 2014	End-June 2014	End-September 2014	End-December 2014
Project loans	134.8	10.0	14.0	35.0	97.4

B. Total Government Revenue

Definition

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

C. Poverty-Reducing Social Expenditures

23. Poverty-reducing social expenditures are defined as the expenditures of sectors sponsoring the priority programs identified in the Accelerated Growth and Sustainable Development Strategy (SCADD) to advance the achievement of poverty reduction objectives. These cover all spending categories for the following ministries : Women's Empowerment and Gender , Health , Social Action and National Solidarity , National Education and Literacy , Agriculture and Food Security , Animal Resources , Environment and Sustainability , Youth, Vocational Training and employment including labor and social security aspects of the Ministry of Public Service, Labor and social Security , Water and Sanitation Development Hydraulics. They also include rural roads and the Heavily Indebted Poor Countries Initiative (HIPC Title 5) expenditure for the Ministry of Infrastructure and Transport of Opening up, and HIPC expenditure only for Communication expenditure, Justice and Human Rights, Economy and Finance and the Ministry mining, quarrying and energy. Section 98 allocations covering "community transfers", from the Ministries of Health, Agriculture and Food Security and the National Education and

Literacy are also included. These expenditures are monitored directly through the budget, and the indicative threshold for the program will be 90 percent of the amount established by the budget authority.

D. Non-Accumulation of New Domestic Payment Arrears

Definition

24. The government will not accumulate payment arrears on domestic obligations during the program period. This is an indicative target.

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

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

Table 4. Summary of Data Reporting Requirements

Information	Institution Responsible	Data Frequency	Reporting Frequency
Public Finance			
The monthly government financial operations 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 estimate of execution based on the annual projections will be used.	MEF	Monthly	6 weeks
Domestic budgetary financing (net bank credit to the government and stock of unredeemed treasury bonds and bills)	MEF/BCEAO	Monthly	6 weeks
Data on implementation of the public investment program, including details on financing sources.	MEF	Quarterly	6 weeks
The stock of external debt, external debt service, external debt contracted, and external debt repayment.	MEF	Quarterly	6 weeks
Social poverty-reducing expenditures	MEF	Monthly	6 weeks
Petroleum product prices, consumption and taxes, including: (i) the price structure for the month concerned; (ii) detailed calculation of the price structure, from the f.o.b price to the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY); with a distinction made between retail and industry sales; and (iv) a breakdown of tax revenue from petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT) — and subsidies unpaid	MEF	Monthly	4 weeks
A monthly statement of the accounts with the treasury,	MEF	Monthly	6 weeks

Information	Institution Responsible	Data Frequency	Reporting Frequency
broken out by major category (administrative services, state enterprises, public administrative enterprises, international organizations, private depositors, and others),			
Monetary Sector			
Consolidated balance sheet of monetary institutions	BCEAO	Monthly	6 weeks
Monetary survey: provisional data	BCEAO	Monthly	6 weeks
Monetary survey: final data	BCEAO	Monthly	10 weeks
Lending and borrowing interest rates	BCEAO	Monthly	6 weeks
Bank supervision indicators for banks and nonbank financial institutions	BCEAO	Monthly	6 weeks
Balance of Payments			
Preliminary annual balance of payments data	BCEAO	Annual	9 months
Foreign trade statistics	INSD/ BCEAO	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, capital transactions)	BCEAO	As soon as revisions are made	2 weeks
Real Sector			
Provisional national accounts and any revision of the national accounts	MEF	Annual	2 weeks
Disaggregated consumer price indices	MEF	Monthly	2 weeks
Structural reforms and other data			
Any study or official report on Burkina Faso's economy, from the time of its publication or the time it enters into force.	MEF		2 weeks
Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or no later than the date of entry into force.	MEF		2 weeks



BURKINA FASO

SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

December 2, 2013

Prepared By

African Department

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RELATIONS WITH THE FUND

(As of October 31, 2013)

Membership Status: Joined: May 02, 1963;

Article VIII

General Resources Account:

	SDR Million	%Quota
<u>Quota</u>	60.20	100.00
<u>Fund holdings of currency (Exchange Rate)</u>	52.63	87.43
<u>Reserve Tranche Position</u>	7.57	12.57

SDR Department:

	SDR Million	%Allocation
<u>Net cumulative allocation</u>	57.58	100.00
<u>Holdings</u>	48.14	83.59

Outstanding Purchases and Loans:

	SDR Million	%Quota
ECF Arrangements	136.54	226.81

Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF	Jun 14, 2010	Dec 31, 2013	82.27	79.05
ECF ^{1/}	Apr 23, 2007	Apr 22, 2010	48.16	47.16
ECF ^{1/}	Jun 11, 2003	Sep 30, 2006	30.10	30.10

^{1/} Formerly PRGF

Projected Payments to Fund ^{2/}

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

	<u>Forthcoming</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Principal		7.15	14.13	14.45	17.80
Charges/Interest	<u>0.00</u>	<u>0.01</u>	<u>0.32</u>	<u>0.28</u>	<u>0.25</u>
Total	<u>0.00</u>	<u>7.16</u>	<u>14.45</u>	<u>14.73</u>	<u>18.04</u>

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

Implementation of HIPC Initiative:

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

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million) ^{1/}			62.12
Financed by: MDRI Trust			57.06
Remaining HIPC resources			5.06
II. Debt Relief by Facility (SDR Million)			
	Eligible Debt		
Delivery			
Date	GRA	PRGT	Total
January 2006	N/A	62.12	62.12

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The 2013 assessment of the BCEAO is substantially completed. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.

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. 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.

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 2011 Article IV consultation were held between September 29–October 14, 2011 in Ouagadougou. The staff report for the 2011 Article IV consultation was considered by the Executive Board on December 21, 2011. The staff report on the previous Article IV consultation was considered by the Executive Board on December 14, 2009. The next Article IV consultation is scheduled for spring 2014.

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.

Resident Representative:

Mr. Jean-Baptiste Le Hen took up the post of Resident Representative in September 2012.

Technical Assistance:

Significant technical assistance has been provided since 1989, but more recently the assistance has focused on the fiscal area:

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Fiscal Reporting	January 1–21, 2012	Accounting
FAD	Public Financial Management	February 1–21, 2012	Improve the efficiency of the expenditure chain
FAD	Budgeting	February 1–22, 2012	Follow up on progress in developing program budgeting
FAD	Public Financial Management	February 2–28, 2012	
STA	Assist with WAEMU PFM	February 13–17, 2012	
MCM	Public Debt Management	February 13–24, 2012	
AFRITAC	Budgeting	February–April 2012	Definition of performance indicators
AFRITAC	Debt management	February–April 2012	Development of risk management
AFRITAC	Revenue Administration	April 16–April 27, 2012	Strengthen the management of tax arrears
AFRITAC	National Accounts Statistics	March 4–8, 2013	Conduct workshop on the implementation of the <i>System of National Accounts 1993 (1993 SNA)</i> .
STA	Public Finance Management	March 20–29, 2013	Government Finance Statistics
STA	Public Finance Management	April 15–26, 2013	Implementation of quarterly national accounts

STA	Public Finance Management	April 23-28, 2013	Workshop on the GFS Manual 2001
AFRITAC	Customs Administration	May 2012-April 2013	Automated Risk Management
AFRITAC	Customs Administration	May 2012-April 2013	Interconnection of Customs Offices on a Single Server
AFRITAC	Tax Administration	May 2012-April 2013	Second Branch of the Medium Enterprises in Ouagadougou
AFRITAC	Tax Administration	May 2012-April 2013	Improvement of Revenue Collection
AFRITAC	Public Debt Management	May 2012-April 2013	National Strategy for Medium-Term Debt, Debt-Sustainability Analysis
AFRITAC	Public Expenditure Management	May 2012-April 2013	Program budgeting
AFRITAC	Public Expenditure Management	May 2012-April 2013	Reforming More Budget Programs According to WAEMU Standards (Second Wave)
AFRITAC	Public Expenditure Management	May 2012-April 2013	Budgeting of expenditures in a multi-year framework introduced in the annual performance plans (first wave).
AFRITAC	Public Expenditure Management	May 2012-April 2013	Budgeting of expenditures in a multi-year framework introduced in the annual performance plans (second wave).
AFRITAC	Real Sector Statistics	May 2012-April 2013	Quarterly National Accounts

AFRITAC	Public Finance Statistics	May 2012-April 2013	Support the implementation of the Directive No. 10/CM/WAEMU with respect to TOFE, adopted in June 2009
FAD	Natural Resource Revenue Management	May 2013	Follow-up on preparation of new Mining Code
AFRITAC	Tax Administration	July-August 2013	Improvement of Revenue Collection
AFRITAC	Real Sector Statistics	September 2013	Quarterly National Accounts
AFRITAC	Public Expenditure Management	September 2013	Program budgeting
AFRITAC	Public Debt Management	September 2013	National Strategy for Medium-Term Debt, Debt-Sustainability Analysis

STATISTICAL ISSUES

The most pressing issue for the authorities with respect to statistics is changing the base year for the calculation of Real GDP or revising the fixed based year approach altogether. The current usage of 1999 as the base year for the calculation of Real GDP is inconsistent with considerable structural change in the economy. The discovery of more gold and the subsequent rise in gold production in addition to the significant increase in gold prices constitute the most important elements of this structural shift. Changes in agricultural productivity, specifically in the production of cotton have also contributed to shifts in GDP structure. The implication of this vis-à-vis gold production is that the current framework underestimates the contribution of gold mining to economic growth because it uses 1999 prices that are less than a tenth of the present levels in real terms for a sector that has grown substantially. This in turn distorts the contribution of other sectors, and raises potential policy implications that stem from a less than accurately obtained GDP statistics. In order to address this and other issues in National Account Statistics, there has already been TA involvement. In particular, as a part of the AFRITAC West (AFW) FY2013 work program, an AFW mission visited Ouagadougou, Burkina Faso, during March 4–8, 2013 to conduct a Regional Workshop on the implementation of the System of National Accounts 1993 (1993 SNA) in the AFW member countries.

The authorities are making commendable effort in providing detailed GDP statistics at the quarterly level, but with respect to changing the base year and a critical review of Real GDP estimation, more initiative and urgency are needed. The AFR Mission that took place between October 17-30, 2013 as part of the Seventh Review, underlined the importance of this issue.



INTERNATIONAL MONETARY FUND



Press Release No. 13/542
FOR IMMEDIATE RELEASE
December 27 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves Three-Year, US\$41.6 Million ECF for Burkina Faso and US\$3.9 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today approved a new three-year arrangement for a total amount of SDR 27.09 million (about US\$ 41.6 million, or 45 percent of quota) under the Extended Credit Facility (ECF) for Burkina Faso. The approval enables an immediate disbursement equivalent to SDR 2.55 million (about US\$ 3.9 million). The Board's decision was taken on a lapse of time basis.¹

Building on the success of the authorities' program supported by the Extended Credit Facility arrangement that expired on December 23, 2013, the successor program will continue to support the authorities' efforts towards fiscal sustainability, macroeconomic stability and a broader distribution of the dividends of high growth.

The Executive Board discussed Burkina Faso's request for the successor three-year arrangement under the ECF at its meeting of December 16, 2013 (See [Press Release No. 13/517](#)), when it completed the seventh and final review of Burkina Faso's economic performance under the ECF arrangement approved in June 2010.

¹ The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

**Statement by Mr. Assimaidou and Mr. Diallo on Burkina Faso
Executive Board Meeting
December 16, 2013**

On behalf of my Burkina Faso's authorities, I would like to thank staff for the comprehensive report and the close policy dialogue with the authorities. The authorities broadly share staff's recommendations and value their advice and policy guidance in the formulation of their adjustment program. They are also thankful for the technical assistance provided by the IMF.

Recent Economic Developments and Program Performance

Burkina Faso's authorities continued to implement sound economic policies, notwithstanding an economic environment marked by an expected slowdown in economic activity on account of lower gold and cotton world prices, and the under-execution of public investment spending.

Albeit lower than the 9 percent growth rate registered in 2012, the pace of real GDP growth continued to remain strong, at an estimated 6.8 percent in 2013. The sources of growth remained broad-based, mostly driven by the secondary and tertiary sectors. The current account position deteriorated to 3.5 percent of GDP from the 0.8 percent in 2012, owing to lower gold export proceeds. Notwithstanding, the short run volatility in commodities world price, the mining sector's prospects remain promising with the forthcoming exploitation of new mines and the planned expansion of existing activities. Inflation declined below the WAEMU's 3 percent convergence criterion during the review period.

Against this background, program implementation has been strong. All end-June 2013 quantitative performance criteria were met, as well as all structural benchmarks. The government is also on track to meet all end-December 2013 goals.

On fiscal policy, in particular, the authorities' revenue mobilization efforts were directed at improving tax compliance, reducing fraud and corruption, and broadening the coverage of the VAT on imports in the mining sector. Spending was constrained, while provisions for social spending and job creating investments were increased. The authorities also took steps to improve the execution rate of investment spending with the creation of ministerial committee to review projects with spending execution rate below 50 percent. Progress was also made towards streamlining and computerizing the public expenditure chain with the adoption, by the Council of Ministers, of an action plan to that effect.

Structural reforms were aimed at realizing the objectives of SCADD, the homegrown development strategy, and increasing the resilience of the economy to shocks, including in the key cotton sector.

Notwithstanding the progress achieved, Burkina Faso remains vulnerable to climate-related and geopolitical shocks and to risks of deterioration of terms of trade--with the increased

volatility of key trade goods prices such as gold, cotton or oil, in addition to the daunting poverty reduction needs. The authorities are fully aware of the challenges ahead and are committed to promote an inclusive growth, diversify, and strengthen the resilience of the economy. In recognition of these risks, and to support the implementation of their homegrown development strategy (SCADD), while consolidating macroeconomic stability and catalyzing donor's assistance, the authorities are requesting an ECF successor arrangement.

Challenges and Policies under Successor ECF arrangement

The successor ECF arrangement seeks to build on the achievements realized under previous Fund programs, and incorporates the recommendations of the latest Ex-post assessment update, to address the country's medium-term challenges while consolidating macroeconomic stability. In line with SCADD objectives, the main challenges on which the authorities plan to focus their efforts are: i) the effective management of proceeds from the exploitation of natural resources ii) improving the quality and pace of investment spending; iii) transforming high GDP growth rates into more inclusive growth; iv) ensuring of an adequate supply of electricity at an affordable costs;

Fiscal policy

The authorities' goal under the new ECF arrangement is to further their inclusive growth agenda by allocating resources towards priority investment and social spending, while preserving fiscal sustainability.

After years of steady reforms aimed at improving revenue collection, the tax to GDP ratio in Burkina increased to 17 percent of GDP, and is expected to reach 19.1 percent under the new Fund supported program. Going forward, the authorities plan to consolidate customs and tax administration reforms under way, such as the migration to ASYCUDA World, and the interconnection between the taxes and customs administration databases in order to improve information sharing. They will also broaden the tax base, including with the implementation of a new tax on mobile phones.

The authorities will shift focus from revenue mobilization efforts, to improving the pace of execution of public investment and the quality of spending. Following a review of the public expenditure chain, four major reform areas were identified: i) the procurement process; ii) the expenditure authorization process; iii) insufficient digitalization; iv) donor approval procedures; An inter-ministerial committee tasked with monitoring the implementation of investment spending will also ensure of its quality. Moreover, steps are planned towards the adoption of a program budget. With the forthcoming mining sector's boom expected to further bolster revenues, the authorities are open to discussions within the WAEMU framework on fiscal rules to govern the use of natural resource revenues.

Debt policy

The authorities remain determined to preserve debt sustainability by following prudent debt policies, and by intensifying efforts to diversify exports in the context of SCADD implementation. Furthermore, a comprehensive five-year debt management strategy was recently prepared. The authorities will also continue to seek to borrow under the most favorable terms. In light of the limited availability of concessional financing, notably due to the exceptionally low-interest rate environment, the authorities welcome the increased flexibility in the use of the nominal limit on non-concessional borrowing to strengthen debt management capabilities, and build experience in non-concessional lending.

Financial Sector Development

The banking sector in Burkina Faso remains sound, adequately capitalized and profitable. The authorities are committed to improving access to financial services. To achieve this objective they will pursue the implementation of the National Microfinance Strategy to strengthen the micro finance sector. In this vein, they plan to build the institutional capacity of the Decentralized financial system support unit within the Chamber of Business. Moreover, the national postal service, SONAPOST, is expected to adopt an action plan to implement a strategy to provide basic financial services throughout the country, using its comparative advantage that enables it to cover a broad geographical region.

Structural reforms

The authorities will vigorously pursue the implementation of SCADD with the view to fostering an inclusive and broad-based growth model. Key measures include the development of the Bagré **growth pole project**; and the launch of a new growth hub in the Sahel region for which preparatory work has been initiated. The authorities will also intensify efforts to promote a private sector-driven growth by improving further the climate for business; and fostering the establishment of processing units.

Energy shortages have been a major impediment to growth and to doing business in Burkina Faso. Hence, energy sector policy will be geared towards improving the supply of energy and the resilience of the power grid, through regional interconnections, the construction of new power projects and the development of solar energy. The authorities are also committed to improving further the financial situation of SOBABEL, the national electricity company and SONABHY, the hydrocarbon importing company. Amongst others, options to improve cost recovery will be envisioned.

In order to **better share the dividends of higher growth**, and with a projected mining sector windfall, the authorities are taking steps to strengthen the social safety net, including with the planned universal health care coverage, and the scaling up of investment in education. Besides recruiting teachers and building new schools, the authorities will also focus on the development of vocational and technical schools providing skills matching the labor market needs.

The authorities are also determined to further **improve the management of natural resources**, with advice from Fund's technical assistance. Already an EITI complying member, the authorities plan to broaden transparency along the mining production chain, and are thriving to have one of the most transparent system to manage mining revenues in Africa, by working toward EITI++. In this vein, they are taking steps to publish online all research permits in the mining sector, as well as all approval decrees, contracts and feasibility studies.

The authorities will also continue to strengthen the **cotton sector**, which has had the strongest growth performance in West African over the past decade, as an essential component of their development and poverty reduction strategy given the sector's weight on exports, and the share of the poor employed in this sector. Amongst others, the authorities will ensure that SOFITEX's business decision are taken based on realistic assumptions on yield, commodities price projections and an updated business plan.

Conclusion

Burkina Faso's performance, under the program, has been strong. As staff notes in their report (para.9) "Burkina Faso has been one of the fastest growing non resource-rich SSA countries", with the main cause being "sound macroeconomic policy management and consistent efforts to support growth." My authorities are committed to sound policies in strengthening the resilience of the economy, and fostering an inclusive and poverty reducing growth going forward. In support of their efforts, I would appreciate the Board's approval of my authorities' requests for the completion of the present review and for a successor 3-year ECF arrangement to meet projected balance of payments needs.