INTERNATIONAL MONETARY FUND

IMF Country Report No. 17/222

BURKINA FASO

July 2017

SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE AND STAFF REPORT

In the context of the Seventh Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on June 2, 2017, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 27, 2017.

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

Letter of Intent sent to the IMF by the authorities of Burkina Faso*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

Press Release No. 17/284
FOR IMMEDIATE RELEASE
July 14, 2017

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

IMF Executive Board Completes Seventh and Final Review Under the Extended Credit Facility Arrangement for Burkina Faso and Approves US$6.2 Million Disbursement

- The economic outlook is positive, owing to a significant increase of public investment as well as positive prospects for the mining and agricultural sectors.
- To maximize the benefits of the planned increase in public investment, it will be important to pursue fiscal structural reforms that strengthen the budget and investment processes.
- Reforms should prioritize increasing fiscal space by enhancing revenue mobilization, containing the wage bill, and limiting the buildup of contingent liabilities from the energy sector.

On July 14, 2017, the Executive Board of the International Monetary Fund (IMF) completed the seventh and final review of Burkina Faso's program supported by the Extended Credit Facility (ECF). The decision was taken without a Board meeting[1] and enables the disbursement of SDR 4.47 million (about US$6.2 million), bringing total disbursements under the ECF arrangement that was approved in 2013 to SDR 55.64 million (approximately US$77.4 million).

Burkina Faso's program implementation remained satisfactory under the ECF arrangement. After averaging 4 percent over 2014-2015, real GDP growth accelerated to 5.9 percent in 2016. The current account deficit narrowed slightly to just below 7 percent of GDP as increased cotton and gold exports were offset by higher domestic demand for consumer goods and public investment related imports. Despite an increase in revenue collection, the fiscal deficit widened in 2016 to 3.1 percent of GDP on a commitment basis, marginally above the WAEMU convergence criteria. The increase in the deficit largely resulted from higher current expenditures, particularly the wage bill following adoption of a new salary grid for public servants. This was partially offset by a decline in domestically-financed public investment to 4.8 percent of GDP, a reduction of 0.5 percent of GDP compared to the previous year.

[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.

The outlook for Burkina Faso is generally positive, owing to a significant increase of public investment as well as positive prospects for the mining and agricultural sectors. IMF staff projects real GDP growth of about 6.5 percent over the medium term, with risks tilted to the downside. Principal among these are security risks, volatility in international commodity prices (gold, cotton, oil), negative environmental shocks to agriculture, and socio-political tensions.

The government's fiscal framework is appropriately anchored toward reaching a deficit of no more than 3 percent of GDP in 2019, consistent with the West African Economic and Monetary Union (WAEMU) convergence criteria. It is also geared toward achieving the economic and social development goals of the National Economic and Social Development Plan (PNDES), which entails significant investment in physical and human capital over the medium term. The authorities' intention to revise the original 2017 budget is welcome, as it would make for a more realistic framework that accounts for developments in the first half of 2017. The authorities' medium-term framework continues to retain some optimistic elements. Consequently, careful monitoring of budget execution and its financing is important, together with a readiness to adjust spending, if necessary.

To maximize the benefits of the planned increase in public investment, it will be important to pursue fiscal structural reforms that strengthen the budget and investment processes. Reforms should prioritize increasing fiscal space by enhancing revenue mobilization, containing the wage bill, and limiting the buildup of contingent liabilities from the energy sector. Strengthening investment efficiency through improved prioritization and selection of projects and institutional reforms to increase absorptive and implementation capacity are also priorities.

BURKINA FASO

June 27, 2017

SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

The Burkinabè authorities are moving ahead with the implementation of the ambitious national economic and social development plan for 2016-2020 (PNDES). The PNDES aims to accelerate economic growth and lower the poverty rate from 40 percent in 2014 to below 35 percent by 2020.

Economic growth rose to almost 6 percent in 2016, driven by increases in cotton and gold production, following two years of relatively subdued economic performance related to the political transition.

Program performance continues to be satisfactory, with all quantitative performance criteria and structural benchmarks met for the seventh and final review; two indicative targets were missed by small margins.

Staff project a firming of real GDP growth to around 6½ percent over the medium term, based on continued expansions of the gold mining and cotton sectors and a steady rise in public investment. Risks are mostly related to security concerns and social tensions.

The authorities' revised fiscal framework envisages an expansionary stance in 2017 but is anchored on the WAEMU fiscal deficit criterion of 3 percent of GDP by 2019. The framework envisages a significant scaling up of domestically-financed investment in 2017.

The government is committed to structural reforms in several areas. These include revenue administration, public financial management, including debt management, project selection and execution, and energy pricing.

Based on the authorities' program performance and assurances going forward, staff recommends the completion of the seventh and final review under the ECF arrangement.

Approved By
Dominique Desruelle (AFR) and Peter Allum (SPR)

Discussions were held in Ouagadougou during April 4-15, 2017 and were continued during the 2017 Spring Meetings and thereafter. The mission comprised Ms. Hakura (head), Mr. Arnason, Ms. Diouf (resident representative), Mr. Lessard, Ms. Towfighian and Mr. Ouattara (local economist) (all AFR), and Mr. Lima (FAD). Ms. Margevich provided administrative support.

The mission met with Prime Minister Thiéba, Minister of Economy, Finance and Development Sori/Coulibaly, and Minister of Budget Yaka. The mission also met with National Director of the Central Bank of West African States Ki-Zerbo, other senior government officials, representatives of the private sector and civil society, and development partners.

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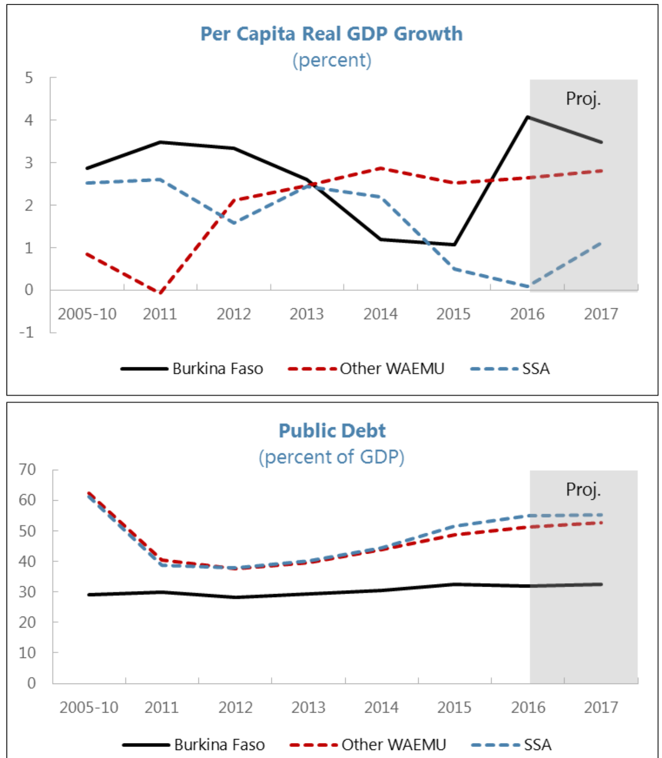


Sources: Burkinabe authorities; World Economic Outlook; and IMF staff estimates.

1. **Economic performance in 2016 was encouraging**. Strong growth in 2016 helped Burkina Faso close the gap of per capita income growth with the WAEMU region following two years of weaker performance. Burkina Faso's domestic revenue collection fell short of the targets set out at the start of the 2013-16 ECF-supported program during this period (Box 1). Nevertheless, throughout this period Burkina Faso's fiscal deficit was at or below the 3 percent of GDP WAEMU convergence criterion and public debt has remained considerably lower than the average for the region.

2. **The Burkinabè authorities have started to implement the ambitious five-year national economic and social development plan (PNDES) for 2016-2020 adopted in July 2016.** Following the political transition of 2014-15, the government is keen to address social tensions and deliver tangible improvements in living standards to the population. The PNDES, therefore, aims for a sharp acceleration in economic growth and a lowering of the poverty rate from 40.1 percent in 2014 to below 35 percent by 2020. The plan is based on three strategic pillars: (i) economic governance; (ii) human capital development; and (iii) structural transformation of the economy and private sector development. To these ends, the plan envisages a substantial scaling up of public investment, notably to improve the electricity supply and transportation infrastructure. In the context of a donor conference and investor forum in Paris in December 2016, stakeholders expressed support for the PNDES. While, no additional direct budget support was pledged, staff projects that grants and concessional loans provided by donors in 2017 will be nearly 2 percent of GDP higher than the average in the past two years.

3. **The government of President Kaboré faces several challenges**. Mr. Kaboré, previously Prime Minister under ousted President Compaoré, was elected in November 2015. The security situation is relatively calm in Ouagadougou but less so outside the capital. The authorities have taken measures to strengthen security, but there are continued incidents in the regions bordering Mali and Niger. In addition to security concerns, the government faces social tensions that manifest themselves in frequent public sector strikes.

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

A. An Improving Economic Performance

4. After averaging a relatively modest 4 percent (1.1 percent per capita) over 2014-15, the rate of economic growth accelerated to 5.9 percent in 2016. Higher agricultural output, particularly of cotton, and increased mining activity accounted for most of the acceleration (Figures 1-3, Table 1). The twelve-month consumer price inflation rate stood at -1.6 percent at end-2016, driven by a steady decline in core inflation over the course of the year and an unusually sharp drop in food prices toward the end of the year.

5. The current account deficit narrowed in 2016 to just below 7 percent of GDP. Increases in gold and cotton production led to an increase in exports while higher economic growth and public investment drove up imports (Table 2).

6. Credit growth continued to disappoint in 2016. The year-on-year rate of private sector credit growth at end-year was only 5.7 percent (Table 3). Bank credit to the government declined on a net basis by almost 4 percent during the year, as the government placed considerable proceeds from bond sales (2 percent of GDP) and budget support funds on deposit at the BCEAO toward the end of the year. The banking system remained sound, relatively profitable and well-capitalized, but credit remained highly concentrated to a small number of clients and a few sectors of the economy (Table 4).

7. The fiscal deficit widened in 2016 despite an increase in revenue collections but remained close to the WAEMU convergence criterion of 3 percent of GDP. Tax revenue collections increased to 15 percent of GDP, from 14.2 percent the previous year (Table 5). However, recurrent spending was 15.6 percent of GDP, 1.6 percentage points higher than in 2015, largely because of a higher wage bill, resulting from the adoption of a new salary grid in 2015 (0.6 percentage points of GDP), the incorporation of contractual staff as permanent civil servants, as well as other sector-specific wage agreements (for example, with the judiciary) and transfers (0.6 percentage points of GDP). The rate of execution of the domestically-financed public investment program exceeded 80 percent, despite delays in approving the budget. However, relative to GDP, domestically-financed investment declined by 0.5 percentage points to 4.8 percent. The execution rate for the externally-financed investment program was low (around 50 percent). The overall fiscal deficit (commitment basis) for 2016 was 3.1 percent of GDP, up from 2 percent in 2015. Net domestic financing amounted to only 0.4 percent of GDP, with an increase in non-bank financing offsetting a decline in bank financing.

B. Positive Outlook with Downside Risks

8. Staff projects a firming of real GDP growth to around 6½ percent over the medium term, based on continued output growth in the gold mining and cotton sectors and a steady rise in public investment, although not to the extent envisaged in the PNDES. Two new mines will bolster gold output in the short run, and an increase in the demand for exploration permits points to strong medium-term prospects for the sector. Agricultural output is also expected to continue to rise. Planned increases in the supply of electricity should lessen the drag of electricity shortages on economic activity. The current account deficit is projected to hover below 7 percent of GDP over the medium-term.

9. Risks to the outlook are predominantly on the downside. Principal among these are security risks, volatility in oil import prices and gold and cotton export prices, the vagaries of rainfall, risks of political instability and social tensions, and tighter regional liquidity conditions.

C. Satisfactory Program Performance

10. Performance under the ECF-supported program has continued to be broadly satisfactory. All continuous and end-December 2016 performance criteria were met. Two indicative targets—the ceiling on the overall deficit and the floor on revenue—were missed by small margins (Table 1 in attached LOI). Progress on structural reforms has also been satisfactory, with all nine benchmarks associated with the seventh review having been met, albeit some with a small delay (Table 2 in LOI). This includes the benchmark on standardized VAT invoicing that had been missed previously. More generally, while performance relative to quantitative targets and benchmarks has been satisfactory, overall outcomes have tended to fall somewhat short of achieving the objectives of the ECF-supported program set out at its inception, mainly owing to the adverse impact of the political transition and the fall in gold prices since 2014 (Box 1).

POLICY DISCUSSIONS

11. In the context of a solid macroeconomic situation, the discussions focused on macroeconomic policies and structural reforms that could support the implementation of the authorities' ambitious PNDES. The authorities underscored the need to support economic growth through the implementation of an ambitious investment program in the face of large infrastructure gaps (Box 2) and a rapidly growing and young population. While recognizing Burkina Faso's vast investment needs, staff argued for budgetary realism and careful project selection and execution, lest scarce resources be wasted. The authorities concurred that sound fiscal policy was essential for maintaining macroeconomic stability and a growth-inducing economic environment.

A. Maintaining Fiscal Stability

12. The initial budget for 2017 was based on overly optimistic assumptions. The budget called for almost trebling domestically-financed investment spending in nominal terms, to 11.6 percent of GDP from 4.8 percent in 2016. Assumptions for budget support were also too optimistic. Accordingly, full implementation of the spending side of the budget could have caused the fiscal deficit to exceed 8 percent of GDP if budget grants had turned out to be in line with levels observed in recent years. Financing such a deficit on the regional market would have proved difficult and could have compounded the regional balance of payments and reserve challenges.

13. The authorities recognized the need to scale back their ambitions. In the context of preparing a medium-term fiscal framework for 2017-19, they have revised their fiscal targets for 2017. The framework features a less expansionary fiscal stance in 2017, with the overall deficit (commitment basis) widening to 5.4 percent of GDP (from 3.1 percent of GDP in 2016). Tax revenue is projected to increase to 16.6 percent of GDP, up from 15 percent in 2016. New measures include higher excise taxes (on tobacco, alcoholic beverages, gambling), higher property tax rates, standardized VAT invoicing, and several tax and customs administration reforms focused on improving IT capabilities and combatting fraud (for example, by linking tax, customs and public procurement databases). On the expenditure side, the government aims to double domestically-financed investment in nominal terms (to 8.9 percent of GDP). With only a marginal increase in the nominal wage bill, which would drop to 7.2 percent of GDP (from 7.7 percent in 2016). Current transfers are projected to rise about 15 percent in nominal terms due to higher wage payments to state entities and increased spending on security. In line with their administrative procedures and following the customary comprehensive mid-year review of budget execution, the authorities will reflect their revised fiscal targets in a supplementary budget for 2017, to be tabled in September with the proposed 2018 budget.

14. The fiscal framework targets convergence to the WAEMU fiscal deficit criterion of 3 percent of GDP by 2019. Beyond 2017, the government expects a continued rise in tax collection relative to GDP, and containment of the wage bill and other recurrent spending to create space for continuing high levels of domestically-financed investment.

15. The authorities' framework is consistent with debt sustainability, but will require significant financing on the regional debt market. The deficits envisaged in the authorities' fiscal framework are consistent with maintaining an unchanged moderate risk of external debt distress. However, domestic financing would remain at a high level in 2017, financed only in part by a drawdown of central bank balances credited using grant receipts at end-2016. While the financing assumptions appear realistic given current market conditions, a marked tightening in regional liquidity could require additional measures to rein in public spending. At the same time, assumptions in the fiscal framework appear optimistic for program grants and the wage bill, potentially understating fiscal financing needs by up to 1.3 percent of GDP for 2017. In staff's view, this could require a downward revision to investment spending during 2017, to avoid an overrun in the fiscal deficit. The authorities agreed that the government faced intense pressure to raise public sector wages, including from civil servant strikes. They underlined that this would not jeopardize the fiscal deficit target of 5.4 percent of GDP, and stood ready to lower investment spending in the coming months, should this be necessary.

16. Staff recommended a more cautious investment budget in 2017 than that currently planned by the authorities. In line with the authorities' commitment to a deficit of 5.4 percent of GDP, and taking into account more realistic projections for program grants and wage bill spending, among other revenue and spending components, as well as existing bottlenecks in capital budget implementation (Box 2), staff projects that the authorities will achieve the 5.4 percent of GDP for 2017 but with lower investment spending than envisaged in the authorities' medium-term macroeconomic framework in Text Table 1. Staff further noted that in the last three years, the full-year outcome for domestically-financed capital spending has fallen short of mid-year projections by an average of 1½ percentage points of GDP, with the overall deficit also lower than projected. The authorities did not envisage that capital spending would be significantly constrained by capacity considerations. In their view, recent reforms affecting the public procurement process and the selection and monitoring procedures for investment projects would allow an increase in the implementation rate for public investment. They also noted that there had been an acceleration in the approval rate of projects in April and May 2017 after a lackluster pace in the first quarter of the year. Nevertheless, they agreed that potential capital underspending could offset possible shortfalls in grant receipts and an overrun on the wage bill and could also provide scope for a fiscal deficit of less than 5.4 percent of GDP.

Text Table 1. Burkina Faso: Fiscal Projections, 2016–19

(In percent of GDP)

	2016		2017			2018		2019	
	6th Rev.	Prel.	Rev. Bud.	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.
Total revenue and grants	19.4	19.6	26.7	23.5	22.6	24.1	22.9	24.2	23.7
Total revenue	15.9	17.1	18.9	18.1	18.1	19.3	19.0	19.7	19.8
Tax revenue	14.1	15.0	17.2	16.6	16.5	17.4	17.1	17.9	17.9
Nontax revenue	1.8	2.2	1.6	1.5	1.6	1.9	1.9	1.8	1.9
Grants	3.5	2.5	7.8	5.3	4.5	4.8	3.9	4.5	3.9
Project	1.6	1.4	3.4	3.3	3.4	2.5	2.6	2.5	2.6
Program	1.9	1.1	4.4	2.0	1.2	2.3	1.3	2.0	1.3
Total Expenditure	21.4	22.8	32.1	28.9	28.1	28.6	27.4	27.1	26.7
Current expenditure	14.0	15.6	15.5	15.2	15.8	15.3	15.9	14.3	15.9
Wages and salaries	7.1	7.7	7.2	7.2	7.7	7.3	8.0	7.3	8.2
Goods and services	1.7	1.8	1.9	1.8	1.9	1.7	2.1	1.6	2.1
Interest payments	0.7	0.9	0.9	0.9	0.9	1.1	1.0	0.8	1.1
Current transfers	4.6	5.2	5.5	5.3	5.4	5.2	4.8	4.6	4.5
Investment expenditure	7.6	7.3	16.6	13.8	12.3	13.2	11.5	12.8	10.8
Domestically financed	5.3	4.8	11.6	8.9	7.4	9.1	7.3	8.8	6.7
Externally financed	2.3	2.5	5.1	4.9	5.0	4.1	4.2	4.0	4.1
Overall balance (commitment basis)	-2.0	-3.1	-5.4	-5.4	-5.4	-4.5	-4.5	-2.9	-2.9
Memorandum items:									
Nominal GDP (CFAF billion)	6.594	7,186	7,629	7,928	7,797	8,697	8,473	9,524	9,200
Real GDP growth	5.4	5.9	7.3	7.3	6.4	7.5	6.5	7.3	6.5

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

B. Structural Fiscal Reforms for a More Robust Budget

17. The authorities and staff exchanged views on various measures that could be taken to enhance the robustness of the budget:

- **Reducing VAT refund payments delays is key to preserving the integrity of the tax system**. The government has undertaken several important reforms in VAT administration, including the recent introduction of standardized VAT invoicing to combat fraud. However, the stock of unpaid VAT refunds has been increasing steadily since 2013, reaching 0.6 percent of GDP at end-2016. The increasing delays in processing and paying refunds risk undermining the efficacy of the VAT, as well as creating cash-flow constraints for the firms affected. The authorities recognize the importance of this issue and are considering ways to reduce the stock of unpaid VAT refunds. Staff suggested making administrative arrangements to facilitate the payment of VAT refunds, introducing penalties for fictitious VAT refund claims, and introducing risk-based processing and enforcement procedures.

- **Current international oil prices create a favorable opportunity for introducing an automatic adjustment mechanism for domestic transportation fuel prices in response to changes in import prices.** While the legal framework for an automatic pump-price adjustment mechanism has been designed, it is yet to be implemented. Such a mechanism could protect the budget from sizable subsidy payments in future years in case international oil prices were to rise, and avoid the crowding out of public investment or social spending. The authorities are cognizant of these issues but feel that the population needs to be sensitized to their importance before enacting the automatic pump-price mechanism. To this end, they have prepared a communications strategy to make the case for such a mechanism and plan to study ways to mitigate the impact on the poor. The pump price adjustment mechanism would complement arrangements being put in place with assistance from the World Bank to adjust the price of fuel to the electricity company (SONABEL), should fuel prices rise above a certain level.

- **Containing the expansion in the wage bill requires both short-term and medium-term structural measures.** While the civil service remains small compared to those of other countries in the region, public sector employment has grown at an average annual rate of 6 percent over the past decade. Recent increases in the wage bill have also been driven by large increases in total compensation per worker, which have come in response to increasing labor unrest. In collaboration with the World Bank, the authorities have committed to enhancing the biometric enrollment of civil servants in the payroll system, and to limiting additional recruitments by redeploying civil servants to priority areas. Additional efforts will be required to contain pay increases, consolidate benefits with base salaries, and restrict hiring outside of key sectors, such as health and education.

- **Other issues discussed included**:

    - The authorities' efforts to strengthen public financial management, notably through the implementation of a single treasury account.

    - The authorities' commitment to a prudent debt management policy, which includes relying first on concessional borrowing and on borrowing on non-concessional terms for high priority projects for which no other financing is available; and

- Careful pursuit of public-private partnerships (PPPs) needed to avoid accumulation of contingent liabilities. This would include reviewing the legal and regulatory framework to distinguish PPPs from regular bank financing as well as establishing a specialized PPP unit to conduct financial evaluations of PPPs.

SAFEGUARDS ASSESSMENT

18. The 2013 assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment. All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY 2015–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of IFRS starting with the financial year 2015. An update assessment of the BCEAO is planned for 2017 in line with the four-year cycle for regional central banks.

STAFF APPRAISAL

19. The recent improvement in macroeconomic outcomes and continued satisfactory performance under the ECF-supported program are welcome. The outlook for the Burkinabè economy is generally positive owing to rising public investment and positive prospects for the gold mining sector but subject to downside risks, notably on the security side. Continuing social and labor market tensions are also of concern.

20. The national economic and social development strategy (PNDES) has been articulated to meet Burkina Faso's key challenges. It targets the appropriate areas for action but needs to be calibrated against implementation capacities and available resources.

21. The government's fiscal framework is appropriately anchored on the attainment of a fiscal deficit of less than 3 percent of GDP in 2019, consistent with WAEMU convergence criteria. The authorities' intention to revise the original 2017 budget is welcome, given the budget's unrealistic projections for grant receipts, the wage bill, and capital spending. The revised framework for 2017, to be adopted through a supplementary budget in September, is a welcome improvement. However, it retains some optimistic elements and could require significant access to regional financing. Accordingly, careful monitoring of the evolving budget and its financing will be needed, together with a readiness to rein in investment spending, if necessary.

22. The authorities are encouraged to continue to pursue structural fiscal reforms that strengthen the robustness of the budget. Reforms should focus on enhancing revenue mobilization and strengthening public financial management, including containing the wage bill and preventing the buildup of contingent fiscal liabilities in the energy sector, to increase fiscal space for investment while also strengthening capacity for implementing efficient and priority public investment spending, including from careful prioritization and selection of projects as well as undertaking institutional reforms to increase absorption capacity and measures to reinforce staff capacity. Priority should also be given to reducing VAT refund payment delays to preserve the integrity of the tax system.

23. Staff supports the completion of the seventh and final review under the ECF arrangement. Program performance continued to be satisfactory. The authorities' commitment to sound economic and structural policies going forward provides assurances of continued macroeconomic stability and favorable conditions for development. Therefore, staff supports the completion of this review and the final disbursement under the ECF arrangement in the amount of SDR 4.47 million. As this is the final review under the ECF, staff recommends that Burkina Faso be moved to the 12-month consultation cycle.

Box 1. Program Performance and Economic Outcomes Under Current ECF 1/

The authorities' commitment to ongoing reforms have helped to sustain economic performance despite disruptions in recent years. However, unlike during the 2010-13 ECF arrangement when outcome indicators were strong, overall outcomes have fallen somewhat short of the objectives of the current ECF arrangement, partly owing to the 2014-15 political transition, as well as weak commodity prices. The original aim was to achieve economic growth of about 7 percent per annum by the end of the program period. Actual growth fell short of this target (Box Table 1). Similarly, revenue collection which was originally targeted to rise above 19 percent of GDP by 2015 amounted to 17.3 percent of GDP in 2016. At the same time, current spending, particularly on public sector wages, exceeded the program target, especially in 2016 when it was 2.6 percentage points higher than projected at the outset of the program. Because of these trends, as well as challenges in investment execution, capital spending was well below original program targets, particularly in 2015-16. A contributing factor has been the decline in external support (grants and loans), which has halved relative to GDP in recent years.

Box Table 1. Burkina Faso: Macroeconomic Performance Since 2009

(percent of GDP unless otherwise noted)

	2010 Staff Report			2013 Staff Report						
	2009 Act.	2010 Proj.	2013 Proj.	2012 Act.	2013 Proj.	2015 Proj.	2016 Proj.	2013 Act	2015 Act.	2016 Prel.
Growth (percent)	3.2	4.4	6.2	9.0	6.8	7.0	7.0	5.7	4.0	5.9
Revenue	13.6	13.9	15.9	17.8	18.9	19.1	19.1	19.0	16.0	17.3
Total spending	24.2	25.1	24.7	26	27	25.7	25.7	28.4	21.5	23.0
Current spending	12.6	12.6	12.5	14.7	14.5	13.3	13.1	13.9	14.1	15.7
of which: wage bill	5.8	5.7	5.7	5.9	6	6.2	6.2	6.0	7.1	7.8
Capital spending	11.5	12.4	12.2	11.1	12.3	12.3	12.5	14.6	7.6	7.4
Overall fiscal deficit, incl. grants	4.7	5.0	3.8	3.3	3.2	2.9	2.9	3.6	2.0	3.1
External support (grants+loans)	10.1	10	10.2	6.8	6.9	6.3	6.3	6.5	5.4	4.5

Source: Staff reports; Burkinabe authorities

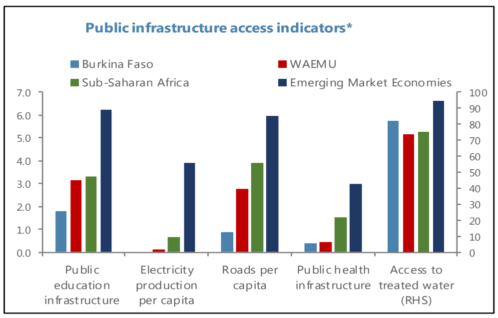
1/ For a more detailed discussion of performance under the ECF program, see staff report for the 2016 Article IV consultation and sixth review (EBS/16/126, Annex II).

Box 2. Public Investment, Infrastructure, and Competitiveness in Burkina Faso

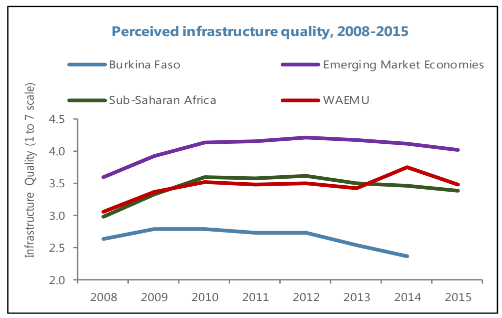
Access to sufficient and reliable public infrastructure remains the central obstacle to sustained private sector led growth. Burkina Faso significantly underperforms its peers in the provision and quantity of its electricity and road infrastructure, which hampers development and trade in the landlocked economy. Moreover, Burkina Faso scores markedly below comparator economies in perception of infrastructure quality, despite that the levels of public investment in Burkina Faso are close to that of its peers. High rates of population growth, which erode the per capita capital stock, and inefficiencies in public investment procedures have limited the country's ability to translate public investment expenditures into meaningful increases in the per capita public infrastructure.

Box Figure 1. Burkina Faso: Public Investment, Infrastructure, and Competitiveness

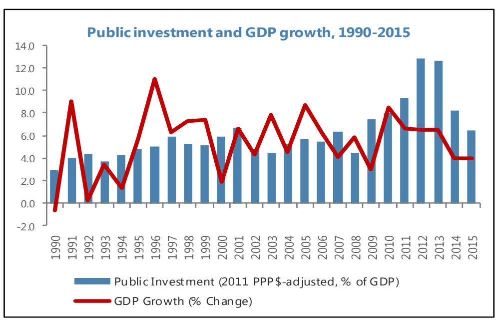
Access to public infrastructure in Burkina Faso is lower than peers...



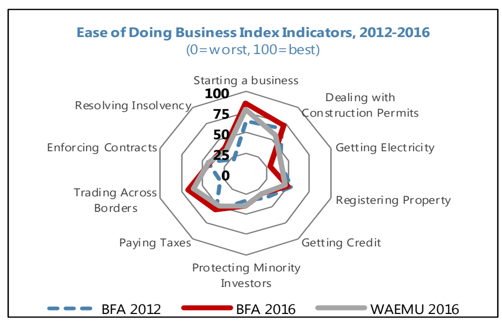
...which has lead to low perceived quality, especially in recent years.



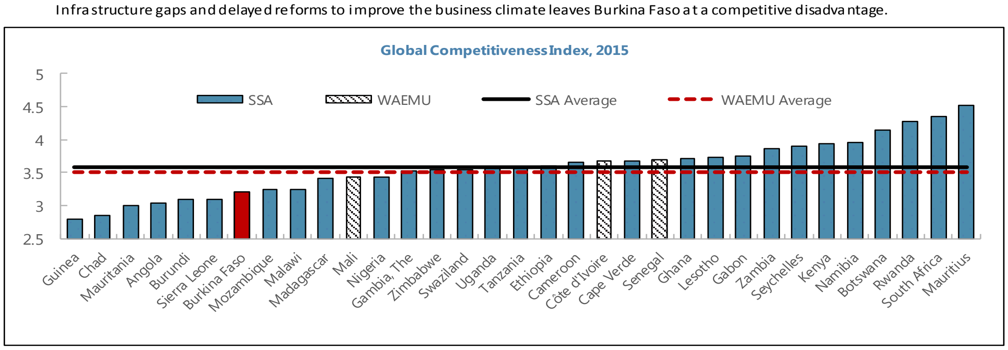
Public investment has no discernible cyclicality or effect on growth...



...and has not resolved the major bottleneck to growth: electricity access.



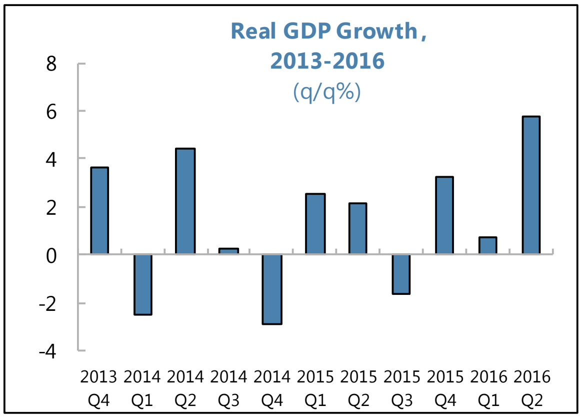
Infrastructure gaps and delayed reforms to improve the business climate leaves Burkina Faso at a competitive disadvantage.



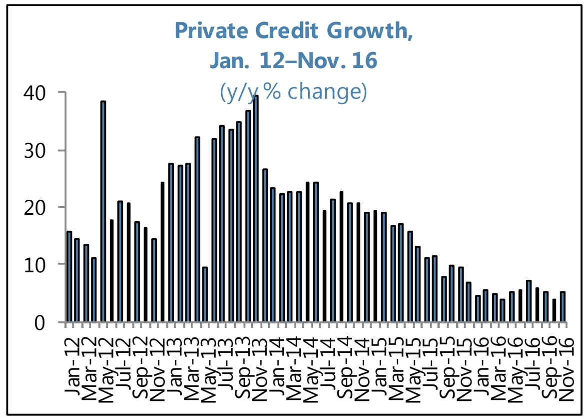
Source: World Bank Doing Business Reports; World Development Indicators; and IMF staff estimates.
*Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kWh per person; Roads per capita as km per 1,000 persons; and Public health infrastructure as hospital beds per 1,000 persons. Right hand axis: Access to treated water is measured as percent of population. Data is most recent year available for each country.

Figure 1. Burkina Faso: Recent Economic Developments, 2011–16

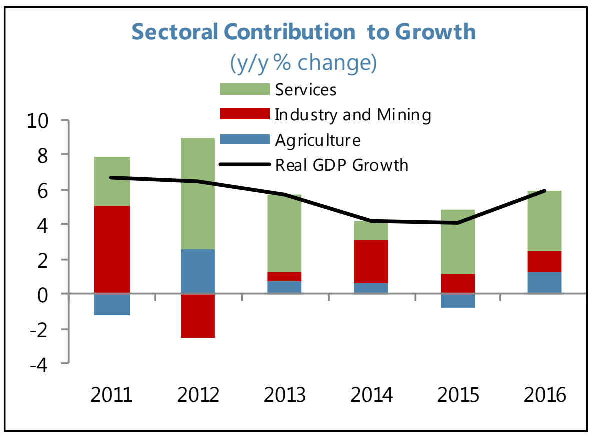
After a slow start of the year activity started to rebound in Q2



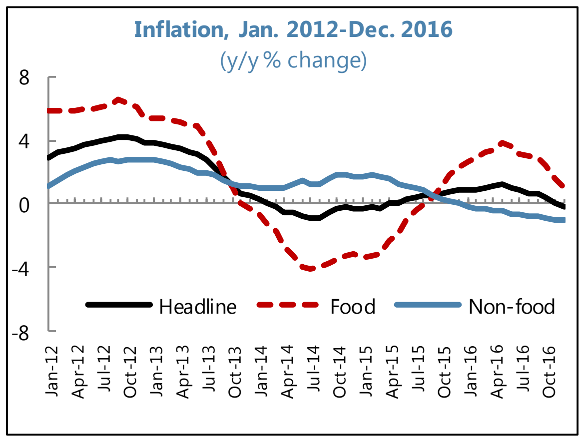
...but credit growth remained subdued.



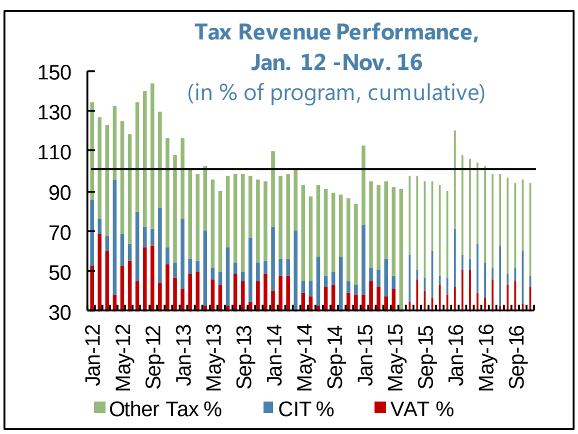
Services are projected to make the largest contribution to growth in 2016.



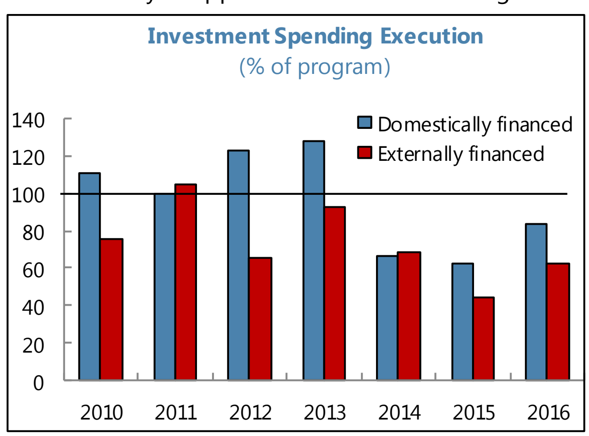
Inflation remained subdued in 2015 and 2016 owing to an easing of non-food prices.



Tax revenues started to recover in early 2016



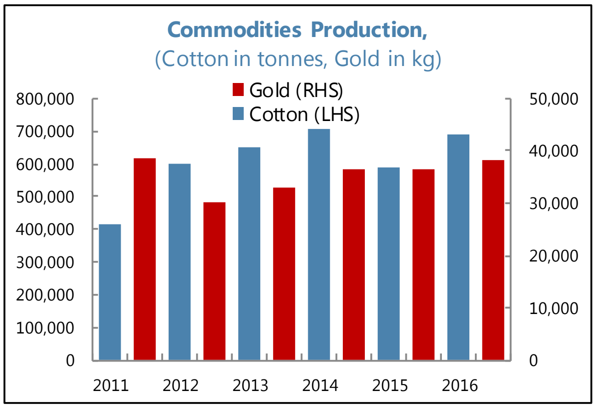
...but public investment execution suffered from the delayed approval of the revised budget.



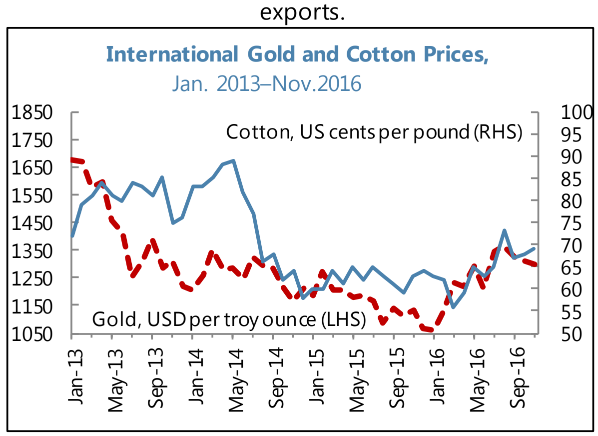
Source: Burkinabè authorities; and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments, 2011–16

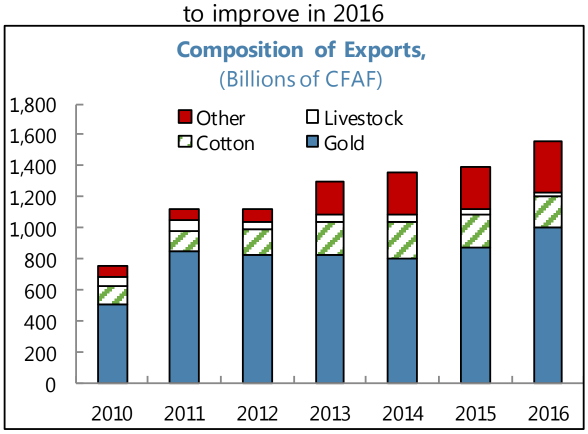
Cotton production recovered due to abundant rainfall



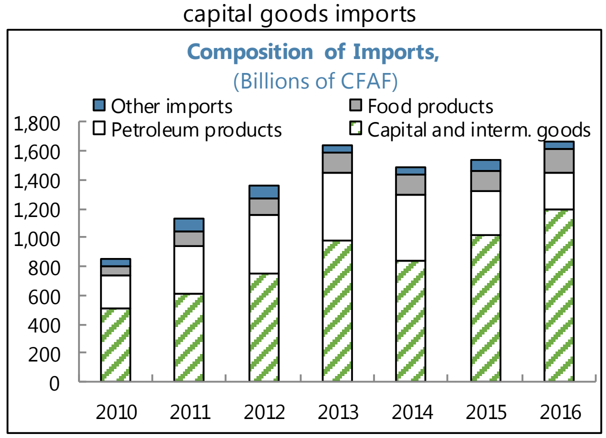
...while higher cotton and gold prices boosted exports.



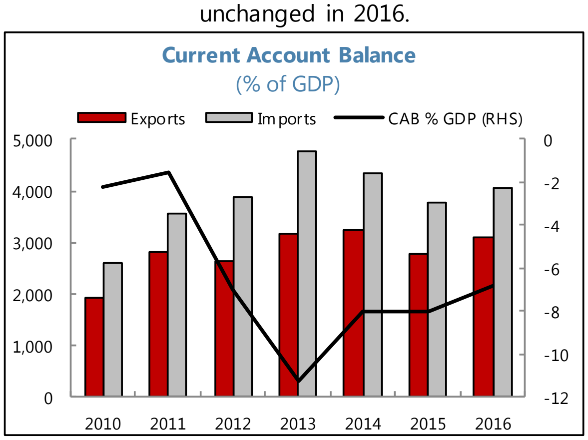
Prospects for cotton and gold exports continued to improve in 2016



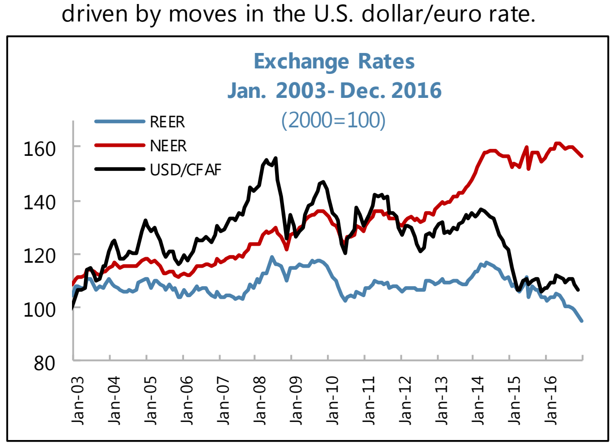
...while mining and public investment increased capital goods imports



...so the current account deficit remained broadly unchanged in 2016.

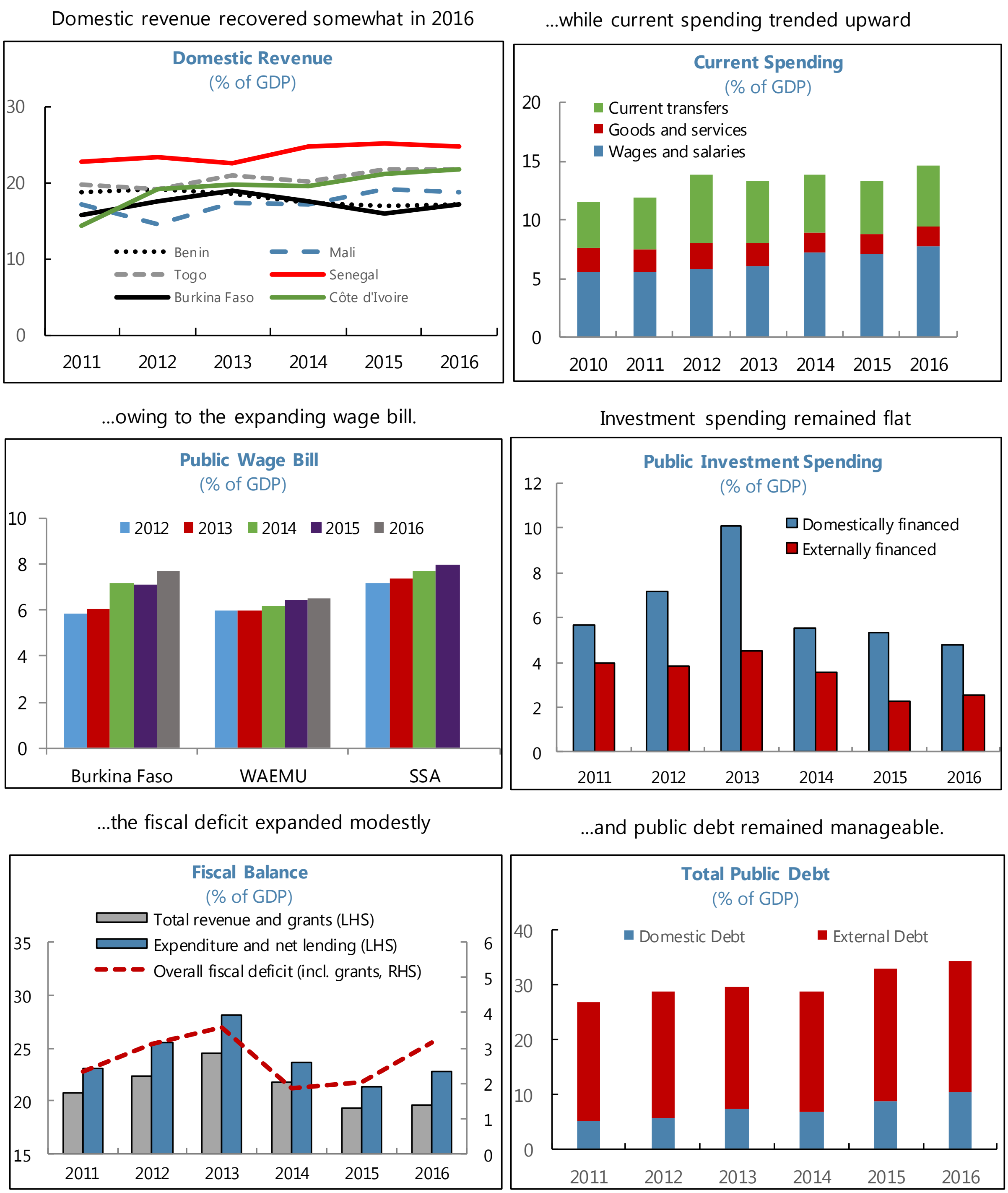


The real exchange rate continued to depreciate, driven by moves in the U.S. dollar/euro rate.



Sources: Burkinabè authorities; and IMF staff calculations.

Figure 3. Burkina Faso: Fiscal Developments, 2011–16



Sources: Burkinabè authorities; and IMF staff calculations.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2014–21

	2014	2015	2016		2017		2018	2019	2020	2021
	Act.	Act.	6th Rev.	Prel.	6th Rev.	Staff Proj.	Staff Proj.	Staff Proj.	Staff Proj.	Staff Proj.
	(Annual percentage change, unless otherwise indicated)									
GDP and prices										
GDP at constant prices	4.2	4.0	5.4	5.9	6.1	6.4	6.5	6.5	6.5	6.5
GDP deflator	-0.9	4.1	1.9	2.9	2.0	2.0	2.0	2.0	2.0	2.0
Consumer prices (annual average)	-0.3	0.9	0.7	-0.2	1.5	1.5	2.0	2.0	2.0	2.0
Consumer prices (end of period)	-0.1	1.3	0.6	-1.6	2.0	2.0	2.0	2.0	2.0	2.0
Money and credit										
Net domestic assets (banking system) (1)	20.0	7.3	9.6	0.9	14.9	9.1	7.1	6.2		
Credit to the government (banking system) (1)	4.9	1.8	1.2	-4.0	5.8	3.6	0.2	-0.3		
Credit to the private sector	18.9	7.0	9.4	7.5	12.9	8.9	10.1	9.5		
Broad money (M3)	11.9	19.9	13.3	12.2	18.4	11.8	9.8	8.6		
Private sector credit/GDP	29.1	28.8	29.5	28.4	30.7	28.5	28.9	29.1		
External sector										
Exports (f.o.b.; valued in CFA francs)	4.0	2.3	7.4	12.0	17.2	12.6	10.9	4.9	6.4	4.9
Imports (f.o.b.; valued in CFA francs)	-9.3	3.3	7.9	7.9	13.8	15.2	11.1	7.1	7.8	7.6
Terms of trade	-5.5	13.2	8.7	8.7	0.4	0.4	-0.3	-0.5	-1.1	-1.5
Current account (percent of GDP)	-8.0	-8.0	-7.6	-6.8	-6.7	-7.2	-7.0	-7.2	-7.2	-7.4
Real effective exchange rate	4.1	-6.5	…	-5.3	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)									
Central government finances										
Current revenue	17.5	15.9	18.3	17.1	18.9	18.1	19.0	19.8	20.6	21.1
Of which: tax revenue	15.5	14.1	16.0	15.0	17.2	16.5	17.1	17.9	18.6	19.0
Total expenditure and net lending	23.6	21.4	24.5	22.8	26.5	28.1	27.4	26.7	27.3	27.7
Of which: current expenditure	14.6	14.0	15.2	15.6	14.7	15.8	15.9	15.9	15.9	16.0
Overall fiscal balance, excl. grants (commitments)	-6.1	-5.5	-6.3	-5.6	-7.6	-9.9	-8.4	-6.8	-6.6	-6.7
Overall fiscal balance, incl. grants (commitments)	-1.9	-2.0	-2.5	-3.1	-3.6	-5.4	-4.5	-2.9	-2.9	-2.8
Total Public Debt	30.6	33.4	31.7	35.7	32.6	37.1	38.2	37.6	37.2	36.8
Of which: external debt	23.7	24.7	23.2	25.3	22.4	23.7	23.6	23.3	23.2	23.1
Of which: central government domestic debt	6.9	8.7	8.6	10.4	10.2	13.4	14.6	14.3	14.0	13.7
Memorandum items:										
Nominal GDP (CFAF billion)	6,086	6,594	7,049	7,186	7,629	7,797	8,473	9,200	9,995	10,855
Nominal GDP per capita (US$)	701	616	652	658	692	686	733	776	821	865

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

(1) Percent of beginning-of-period broad money.

Table 2. Burkina Faso: Balance of Payments, 2014–21

	2014	2015	2016		2017		2018	2019	2020	2021
	Est.	Est.	6th Rev.	Prel.	6th Rev.	Staff Proj.	Staff Proj.	Staff Proj.	Staff Proj.	Staff Proj.
	(CFAF billions, unless otherwise indicated)									
Current account	-488.5	-527.1	-539.2	-490.9	-513.9	-560.7	-591.9	-660.5	-722.4	-804.1
Trade balance	-123.9	-142.6	-160.8	-96.2	-130.6	-150.9	-171.8	-225.8	-270.6	-350.0
Exports of goods	1367.0	1397.9	1501.1	1565.7	1759.8	1763.7	1955.8	2052.2	2184.0	2291.7
Of which: cotton	237.1	213.4	198.1	198.4	261.1	270.0	312.4	330.1	345.7	362.8
Of which: gold	804.8	875.8	968.9	1006.1	1132.2	1174.5	1317.8	1374.2	1437.7	1486.0
Imports of goods	-1490.9	-1540.4	-1661.9	-1661.9	-1890.4	-1914.6	-2127.6	-2278.0	-2454.6	-2641.7
Of which: oil	-451.4	-299.0	-257.9	-257.9	-333.8	-336.8	-365.4	-397.5	-434.9	-469.2
Of which: food	-135.1	-150.0	-159.5	-159.5	-177.4	-190.6	-196.6	-210.3	-225.1	-241.2
Of which: public investment	436.0	363.2	-481.9	400.1	-643.2	729.4	749.6	764.2	872.2	978.1
Services, net	-423.2	-458.7	-476.2	-476.2	-505.2	-506.6	-533.6	-561.5	-590.9	-621.5
Income, net	-177.5	-197.4	-136.9	-136.9	-135.0	-135.4	-134.3	-134.0	-134.4	-135.5
Current transfers	236.1	271.6	234.6	218.4	256.9	232.2	247.8	260.8	273.5	302.9
Of which: Official transfers, net	112.0	140.4	101.5	85.3	121.0	104.4	118.0	128.7	138.8	165.4
Capital account	200.2	153.8	253.4	165.0	234.6	266.4	228.4	247.6	249.1	270.1
Project grants	157.5	105.2	187.3	99.0	229.6	261.4	223.4	242.6	244.1	265.1
Financial account	130.6	648.1	400.4	674.1	305.8	314.5	450.2	498.1	563.9	625.7
Direct investment	141.6	128.8	179.7	179.7	196.4	213.5	239.0	262.1	287.6	315.5
Portfolio investment	-86.2	3.0	7.9	7.9	8.6	4.7	3.7	4.0	4.4	4.8
Other investment	75.1	516.3	212.8	486.4	100.8	96.2	207.4	232.0	271.9	305.4
Long-term investment	70.1	511.3	207.8	481.4	95.8	87.4	196.4	227.1	266.9	300.6
Project loans	58.2	46.4	101.3	81.8	111.2	126.6	133.5	134.8	146.4	159.0
Program loans	24.0	75.7	62.1	63.0	32.5	46.7	82.7	89.9	97.6	106.0
Amortization of public loans (excl. IMF)	-30.8	-32.9	-38.7	-39.1	-42.8	-44.2	-46.3	-51.9	-56.6	-65.9
Other private	18.7	422.1	83.1	375.7	-5.0	-41.7	26.5	54.3	79.5	101.4
Short-term investment	5.0	5.0	5.0	5.0	5.0	8.8	11.0	4.9	4.9	4.9
Errors and omissions	0.0	2.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-157.8	274.8	114.6	349.4	26.5	20.2	86.7	85.2	90.6	91.6
Financing	157.8	-274.8	-133.3	-349.4	-30.2	-23.9	-86.7	-85.2	-90.6	-91.6
Net change in foreign assets of the central bank	173.0	16.5	-137.5	11.6	-33.0	-10.5	-73.2	-71.6	-76.8	-77.7
Of which: gross official reserves	156.9	-16.3	-125.4	-9.9	-18.3	4.4	-53.3	-52.2	-63.1	-65.7
IMF net financing	-1.5	7.4	-12.1	6.8	-14.8	-14.9	-19.9	-19.4	-13.7	-12.0
Disbursements	3.8	19.0	0.0	19.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	-5.4	-11.7	-12.1	-12.2	-14.8	-14.9	-19.9	-19.4	-13.7	-12.0
Net foreign assets of commercial banks	-15.2	-291.3	4.2	-361.0	2.8	-13.4	-13.5	-13.6	-13.8	-13.9
Financing Gap	0.0	0.0	18.7	0.0	3.7	3.7	0.0	0.0	0.0	0.0
Of which: IMF disbursements	0.0	0.0	18.7	0.0	3.7	3.7	0.0	0.0	0.0	0.0
	(Percent of GDP, unless otherwise indicated)									
Memorandum items:										
Trade balance (goods)	-2.0	-2.2	-2.3	-1.3	-1.7	-1.9	-2.0	-2.5	-2.7	-3.2
Trade balance (goods and services)	-9.0	-9.1	-9.0	-8.0	-8.3	-8.4	-8.3	-8.6	-8.6	-9.0
Exports of goods	22.5	21.2	21.3	21.8	23.1	22.6	23.1	22.3	21.9	21.1
Imports of goods	-24.5	-23.4	-23.6	-23.1	-24.8	-24.6	-25.1	-24.8	-24.6	-24.3
Current account (– = deficit)	-8.0	-8.0	-7.6	-6.8	-6.7	-7.2	-7.0	-7.2	-7.2	-7.4
GDP at current prices (CFAF billions)	6,086	6,594	7,049	7,186	7,629	7,797	8,473	9,200	9,995	10,855
FDI inflows	2.3	2.0	2.5	2.5	2.6	2.7	2.8	2.8	2.9	2.9

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

Table 3. Burkina Faso: Monetary Survey, 2014–19

	2014	2015	2016		2017		2018	2019
	Act.	Act.	6th Rev.	Prel.	6th Rev.	Staff Proj.	Staff Proj.	Staff Proj.
	(CFAF billions, unless otherwise indicated)							
Net foreign assets	377.1	651.9	749.1	1001.3	851.2	1025.1	1111.8	1197.0
BCEAO	-127.8	-144.3	-42.8	-155.9	62.0	-145.4	-72.3	-0.7
Assets	140.8	157.1	246.4	166.9	336.5	162.6	215.9	268.1
Liabilities	268.6	301.4	289.2	322.9	274.5	308.0	288.1	268.7
Commercial banks	504.9	796.2	792.0	1157.2	789.1	1170.5	1184.0	1197.7
Net domestic assets	1789.6	1946.8	2195.5	1970.5	2634.4	2234.8	2466.1	2688.0
Net domestic credit	1912.8	2076.3	2286.1	2113.4	2724.9	2399.7	2631.0	2852.9
Net credit to government	139.0	178.8	209.6	73.6	380.6	178.1	184.0	174.5
Treasury	45.6	146.2	177.0	87.2	348.0	191.7	197.5	188.1
BCEAO	20.7	16.3	-108.6	-102.1	-220.8	-7.7	-12.9	-34.4
Commercial banks	24.9	129.9	285.6	189.4	568.7	199.4	210.5	222.5
Other central government	93.4	32.6	32.6	-13.6	32.6	-13.6	-13.6	-13.6
Of which: project deposits	-208.4	-231.5	-231.5	-285.8	-231.5	-282.9	-278.7	-273.7
Credit to the economy	1773.8	1897.5	2076.4	2039.8	2344.4	2221.6	2447.1	2678.3
Other items (net)	-123.2	-141.5	-90.5	-164.9	-90.5	-164.9	-164.9	-164.9
Broad money	2166.8	2598.7	2944.6	2916.7	3485.6	3259.9	3577.9	3885.0
	(Annual percentage change, unless otherwise indicated)							
Memorandum items:								
Net foreign assets	-29.5	72.9	14.9	53.6	13.6	2.4	8.5	7.7
Net domestic assets (1)	20.0	7.3	9.6	0.9	14.9	9.1	7.1	6.2
Net credit to government (1)	4.9	1.8	1.2	-4.0	5.8	3.6	0.2	-0.3
Credit to the private sector	18.9	7.0	9.4	7.5	12.9	8.9	10.1	9.5
Private sector credit (percentage of GDP)	29.1	28.8	29.5	28.4	30.7	28.5	28.9	29.1
Money supply	11.9	19.9	13.3	12.2	18.4	11.8	9.8	8.6

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: Selected Financial Soundness Indicators

(in percent)

	Dec-12	Dec-13	Dec-14	Jun-15	Dec-15	Jun-16
Capital Adequacy						
Reg. capital to risk-weighted assets	12.4	10.2	11.4	11.4	11.1	10.6
Asset Quality						
Gross NPLs / Total loans	10.3	9.9	8.6	9.9	9.2	10.2
Provisions / NPLs	67.7	62.6	64.9	61.2	65.8	67.0
Loan Concentration						
5 largest clients / equity	157.9	108.4	158.4	178.5	169.8	157.3
By Sector: (share of total)						
Agriculture	1.8	3.3	2.8	2.2	1.9	1.5
Extractive Industries	1.0	1.1	2.0	1.3	2.3	1.5
Manufacturing	9.8	13.9	16.1	17.5	15.3	17.2
Electricity, gas, water	1.9	1.3	1.3	1.0	1.0	1.0
Buildings/Public Works	13.2	14.6	13.6	15.8	16.7	17.7
Commercial (restaurants, hotels)	38.3	33.2	26.0	27.3	27.5	26.9
Transportation/communication	9.6	11.7	9.5	10.6	8.5	9.7
Insurance, real estate, business services	3.9	3.4	3.7	3.1	3.0	3.3
Other	20.6	17.5	25.1	21.4	23.2	21.3
Liquidity						
Loans to deposits	82.1	87.7	99.8	96.0	110.0	107.4
Liquid assets / total assets	34.8	34.7	34.8	34.1	37.9	39.4

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

Table 5a. Burkina Faso: Consolidated Operations of the Central Government, 2015–21
(CFAF billions)

	2015	2016	2017				2018		2019		2020	2021
	Act.	Prel.	6th Rev.	Budget	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.	Staff Proj.	Staff Proj.
Total revenue and grants	1278.0	1410.7	1745.8	2036.3	1862.0	1765.0	2097.3	1938.1	2303.9	2184.9	2431.3	2702.3
Total revenue	1047.9	1230.5	1438.3	1438.3	1438.3	1413.0	1677.8	1607.0	1874.7	1825.5	2060.3	2285.3
Tax revenue	929.3	1075.4	1315.5	1315.5	1315.5	1290.2	1512.1	1448.9	1706.4	1646.9	1859.0	2062.4
Of which: Gold Mining CIT	16.9	26.4	42.4	42.6	42.6	42.6	44.5	44.5	51.4	51.4	64.7	74.3
Nontax revenue	118.7	155.1	122.8	122.8	122.8	122.8	165.7	158.1	168.3	178.6	201.3	222.9
Of which: Royalties from gold	37.5	44.9	43.5	43.5	43.5	43.5	46.4	46.4	46.4	46.4	57.5	59.4
Grants	230.0	180.2	307.5	598.0	423.7	352.0	419.5	331.0	429.2	359.4	371.0	417.0
Project	105.2	99.0	229.6	261.4	261.4	261.4	221.7	223.4	240.2	242.6	244.1	265.1
Program	124.8	81.2	77.9	336.6	162.3	90.6	197.8	107.6	189.0	116.8	126.9	152.0
Expenditure and net lending (1)	1411.6	1636.4	2018.8	2450.4	2292.3	2188.2	2485.1	2320.3	2579.7	2452.9	2723.8	3008.7
Current expenditure	923.2	1118.7	1117.9	1184.2	1203.0	1230.0	1333.0	1347.4	1357.6	1460.9	1591.7	1739.1
Wages and salaries	468.5	554.5	550.8	552.2	570.0	598.0	635.7	681.0	690.6	754.4	809.6	879.2
Goods and services	109.4	128.0	145.3	144.9	144.9	144.9	145.3	173.8	148.2	188.7	209.9	217.1
Interest payments	43.8	65.3	67.6	67.7	68.2	67.7	99.7	86.9	78.4	103.7	112.4	121.8
Domestic	27.9	48.5	47.7	44.7	44.7	44.7	57.5	66.5	64.9	80.1	85.3	90.6
External	15.9	16.8	19.9	23.0	23.0	23.0	20.9	20.4	24.2	23.6	27.2	31.1
Current transfers	301.5	370.9	354.2	419.4	419.9	419.4	452.3	405.7	440.4	414.0	459.8	521.0
Investment expenditure	501.0	526.4	900.9	1270.0	1093.1	962.0	1152.1	973.0	1222.1	992.0	1132.1	1269.6
Domestically financed	349.4	345.5	560.1	882.0	705.0	573.9	795.2	616.1	837.7	614.6	741.6	845.6
Externally financed	151.6	180.8	340.8	388.1	388.1	388.1	356.9	356.9	384.4	377.4	390.5	424.1
Net lending	-12.6	-8.7	0.0	-3.8	-3.8	-3.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (1)	-133.6	-225.7	-273.4	-414.1	-430.3	-423.2	-387.8	-382.3	-275.8	-268.0	-292.5	-306.4
Cash basis adjustment	-89.2	87.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-222.8	-138.7	-273.4	-414.1	-430.3	-423.2		-382.3		-268.0	-292.5	-306.4
Financing	220.9	137.5	269.3	410.4	426.6	419.5		382.3		268.0	292.5	306.4
Foreign financing	89.2	105.7	100.8	134.6	128.2	129.1		169.9		172.8	187.4	199.2
Drawings	122.1	144.8	143.7	173.3	173.3	173.3		216.2		224.6	244.0	265.0
Project loans	46.4	81.8	111.2	126.6	126.6	126.6		133.5		134.8	146.4	159.0
Program loans	75.7	63.0	32.5	46.7	46.7	46.7		82.7		89.9	97.6	106.0
Amortization (excl. IMF)	-32.9	-39.1	-42.8	-38.7	-45.1	-44.2		-46.3		-51.9	-56.6	-65.9
Domestic financing	131.7	31.8	168.5	275.8	298.4	290.4		212.4		95.2	105.0	107.3
Bank financing	85.1	-118.3	170.9	-3.8	104.4	104.4		5.9		-9.4	-10.9	-5.2
Central bank	-4.4	-118.4	-112.2	-13.8	94.4	94.4		-5.2		-21.5	-24.0	-19.5
Commercial banks	89.5	0.1	283.1	10.0	10.0	10.0		11.1		12.1	13.1	14.2
Nonbank financing	46.6	150.1	-2.4	279.6	193.9	185.9		206.5		104.6	115.9	112.5
Errors and Omissions	2.0	1.1										
Financing gap	0.0	0.0	3.7	3.7	3.7	3.7		0.0		0.0	0.0	0.0
Of which: IMF disbursements	0.0	0.0	3.7	3.7	3.7	3.7		0.0		0.0	0.0	0.0
Memorandum items:												
Mining revenue	166.6	194.2	196.2	196.2		208.4		230.7		251.8	289.3	313.8
Overall Balance excl. mining revenue	-389.4	-332.8	-469.6	-610.3		-631.5		-613.0		-519.8	-581.7	-620.3

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

(1) Commitment ("engagement") basis.

Table 5b. Burkina Faso: Consolidated Operations of the Central Government, 2015–21
(in percent of GDP)

	2015	2016	2017				2018		2019		2020	2021
	Act.	Prel.	6th Rev.	Budget	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.	Auth. Fw.	Staff Proj.	Staff Proj.	Staff Proj.
Total revenue and grants	19.4	19.6	22.9	26.7	23.5	22.6	24.1	22.9	24.2	23.7	24.3	24.9
Total revenue	15.9	17.1	18.9	18.9	18.1	18.1	19.3	19.0	19.7	19.8	20.6	21.1
Tax revenue	14.1	15.0	17.2	17.2	16.6	16.5	17.4	17.1	17.9	17.9	18.6	19.0
Of which: Gold Mining CIT	0.3	0.4	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7
Nontax revenue	1.8	2.2	1.6	1.6	1.5	1.6	1.9	1.9	1.8	1.9	2.0	2.1
Of which: Royalties from gold	0.6	0.6	0.6	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.5
Grants	3.5	2.5	4.0	7.8	5.3	4.5	4.8	3.9	4.5	3.9	3.7	3.8
Project	1.6	1.4	3.0	3.4	3.3	3.4	2.5	2.6	2.5	2.6	2.4	2.4
Program	1.9	1.1	1.0	4.4	2.0	1.2	2.3	1.3	2.0	1.3	1.3	1.4
Expenditure and net lending (1)	21.4	22.8	26.5	32.1	28.9	28.1	28.6	27.4	27.1	26.7	27.3	27.7
Current expenditure	14.0	15.6	14.7	15.5	15.2	15.8	15.3	15.9	14.3	15.9	15.9	16.0
Wages and salaries	7.1	7.7	7.2	7.2	7.2	7.7	7.3	8.0	7.3	8.2	8.1	8.1
Goods and services	1.7	1.8	1.9	1.9	1.8	1.9	1.7	2.1	1.6	2.1	2.1	2.0
Interest payments	0.7	0.9	0.9	0.9	0.9	0.9	1.1	1.0	0.8	1.1	1.1	1.1
Domestic	0.4	0.7	0.6	0.6	0.6	0.6	0.7	0.8	0.7	0.9	0.9	0.8
External	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3
Current transfers	4.6	5.2	4.6	5.5	5.3	5.4	5.2	4.8	4.6	4.5	4.6	4.8
Investment expenditure	7.6	7.3	11.8	16.6	13.8	12.3	13.2	11.5	12.8	10.8	11.3	11.7
Domestically financed	5.3	4.8	7.3	11.6	8.9	7.4	9.1	7.3	8.8	6.7	7.4	7.8
Externally financed	2.3	2.5	4.5	5.1	4.9	5.0	4.1	4.2	4.0	4.1	3.9	3.9
Net lending	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (1)	-2.0	-3.1	-3.6	-5.4	-5.4	-5.4	-4.5	-4.5	-2.9	-2.9	-2.9	-2.8
Cash basis adjustment	-1.4	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-3.4	-1.9	-3.6	-5.4	-5.4	-5.4		-4.5		-2.9	-2.9	-2.8
Financing	3.3	1.9	3.5	5.4	5.6	5.4		4.5		2.9	2.9	2.8
Foreign financing	1.4	1.5	1.3	1.8	1.7	1.7		2.0		1.9	1.9	1.8
Drawings	1.9	2.0	1.9	2.3	2.3	2.2		2.6		2.4	2.4	2.4
Project loans	0.7	1.1	1.5	1.7	1.7	1.6		1.6		1.5	1.5	1.5
Program loans	1.1	0.9	0.4	0.6	0.6	0.6		1.0		1.0	1.0	1.0
Amortization (excl. IMF)	-0.5	-0.5	-0.6	-0.5	-0.6	-0.6		-0.5		-0.6	-0.6	-0.6
Domestic financing	2.0	0.4	2.2	3.6	3.9	3.7		2.5		1.0	1.1	1.0
Bank financing	1.3	-1.6	2.2	0.0	1.4	1.3		0.1		-0.1	-0.1	0.0
Central bank	-0.1	-1.6	-1.5	-0.2	1.2	1.2		-0.1		-0.2	-0.2	-0.2
Commercial banks	1.4	0.0	3.7	0.1	0.1	0.1		0.1		0.1	0.1	0.1
Nonbank financing	0.7	2.1	0.0	3.7	2.5	2.4		2.4		1.1	1.2	1.0
Errors and Omissions	0.0	0.0										
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0		0.0		0.0	0.0	0.0
Of which: IMF disbursements	0.0	0.0	0.0	0.0	0.0	0.0		0.0		0.0	0.0	0.0
Memorandum items:												
Mining revenue	2.5	2.7	2.6	2.6		2.7		2.7		2.7	2.9	2.9
Overall Balance excl. mining revenue	-5.9	-4.6	-6.2	-8.0		-8.1		-7.2		-5.6	-5.8	-5.7
Nominal GDP (CFAF billion)	6,594	7,186	7,629	7,629	7,928	7,797	8,697	8,473	9,524	9,200	9,995	10,855

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

(1) Commitment ("engagement") basis.

Table 6. Burkina Faso: Schedule of Disbursements Under ECF Arrangement 2013–17

Amount	Availability date	Conditions for disbursement[1]
SDR 2.55 million	December 27, 2013	Following Executive Board Approval of successor ECF arrangement
SDR 2.55 million	May 15, 2014	Observance of continuous and end-December 2013 performance criteria, and completion of the first review under the arrangement
SDR 4.11 million	December 1, 2014	Observance of continuous and end-June 2014 performance criteria, and completion of the second review under the arrangement
SDR 18.92 million	May 15, 2015	Observance of continuous and end-December 2014 performance criteria, and completion of the third review under the arrangement
SDR 14.10 million	December 1, 2015	Observance of continuous and end-June 2015 performance criteria, and completion of the fourth review under the arrangement
SDR 4.47 million	May 16, 2016	Observance of continuous and end-December 2015 performance criteria and completion of the fifth review under the arrangement
SDR 4.47 million	December 1, 2016	Observance of continuous and end-June 2016 performance criteria, and completion of the sixth review under the arrangement
SDR 4.47 million	May 15, 2017	Observance of continuous and end-December 2016 performance criteria, and completion of the seventh review under the arrangement

Sources: Burkinabè authorities; and IMF staff estimates.

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

Table 7. Burkina Faso: Indicators of Capacity to Repay the IMF, 2015–31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Prel.	Projections														
Fund obligations based on existing and prospective credit (in millions of SDRs)																	
Principal	14.1	14.4	16.4	24.2	23.6	19.0	21.2	18.3	12.4	10.9	7.8	3.7	0.9	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit																	
In millions of SDRs	14.1	14.4	16.5	24.4	23.9	19.3	21.4	18.5	12.7	11.1	8.1	3.9	1.2	0.3	0.3	0.3	0.3
In billions of CFAF	11.7	11.9	13.5	19.9	19.5	15.7	17.5	15.2	10.4	9.1	6.6	3.2	0.9	0.2	0.2	0.2	0.2
In percent of government revenues	1.1	1.0	1.0	1.2	1.1	0.8	0.8	0.6	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	0.7	0.6	0.7	0.9	0.8	0.6	0.7	0.5	0.3	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
In percent of debt service (1)	10.7	10.1	10.5	13.3	11.7	9.2	9.3	7.4	4.7	3.7	2.3	1.0	0.2	0.0	0.0	0.0	0.0
In percent of GDP	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota	11.7	12.0	13.7	20.3	19.8	16.0	17.8	15.4	10.5	9.2	6.7	3.2	1.0	0.2	0.2	0.2	0.2
Outstanding IMF credit																	
In millions of SDRs	146.6	155.2	141.9	117.7	94.1	75.1	53.9	35.6	23.2	12.3	4.5	0.9	0.0	0.0	0.0	0.0	0.0
In billions of CFAF	121.3	127.9	116.6	96.1	76.7	61.1	44.0	29.2	19.0	10.1	3.7	0.7	0.0	0.0	0.0	0.0	0.0
In percent of government revenues	11.6	10.4	8.2	6.0	4.2	3.0	1.9	1.2	0.7	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	7.4	7.0	5.7	4.2	3.2	2.4	1.6	1.0	0.6	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
In percent of debt service (1)	111.4	108.2	90.8	64.3	46.2	35.8	23.5	14.1	8.6	4.1	1.3	0.2	0.0	0.0	0.0	0.0	0.0
In percent of GDP	1.8	1.8	1.5	1.1	0.8	0.6	0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
In percent of quota	121.8	128.9	117.8	97.8	78.2	62.4	44.8	29.6	19.3	10.2	3.8	0.7	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (in millions of SDRs)	8.9	8.6	-11.9	-24.2	-23.6	-19.0	-21.2	-18.3	-12.4	-10.9	-7.8	-3.7	-0.9	0.0	0.0	0.0	0.0
Disbursements	23.0	23.0	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	14.1	14.4	16.4	24.2	23.6	19.0	21.2	18.3	12.4	10.9	7.8	3.7	0.9	0.0	0.0	0.0	0.0
Memorandum items:																	
Nominal GDP (in billions of CFAF)	6,594	7,186	7,797	8,473	9,200	9,995	10,855	11,736	12,693	13,728	14,850	16,063	17,374	18,791	20,321	21,972	23,758
Exports of goods and services (in billions of CFAF)	1634.9	1831.8	2046.7	2263.4	2386.2	2546.8	2685.7	2936.5	3060.6	3192.5	3379.0	3655.1	3925.0	4174.3	4444.4	4727.3	5016.1
Government revenue (in billions of CFAF)	1047.9	1230.5	1413.0	1607.0	1825.5	2060.3	2285.3	2504.3	2745.6	3009.2	3299.1	3626.8	3908.7	4219.9	4556.4	4920.2	5314.2
Debt service (in billions of CFAF) (1) (2)	108.8	118.1	128.4	149.4	166.0	170.8	187.0	206.3	222.0	249.1	284.6	329.9	392.1	460.1	541.1	637.7	749.1
CFAF/SDR (period average)	827.1	823.8	821.5	816.0	815.1	814.5	816.0	818.4	818.4	818.4	818.4	818.4	818.4	818.4	818.4	818.4	818.4

Sources: IMF staff estimates and projections.

(1) Total external debt service includes IMF repurchases and repayments.

(2) Includes state-owned enterprises debt.

Appendix I. Letter of Intent

MINISTRY OF ECONOMY,
FINANCE, AND DEVELOPMENT

GENERAL SECRETARIAT

DIRECTORATE GENERAL
OF COOPERATION
N°2017______/MINEFID/SG/DGCOOP/DSPF

Ouagadougou, June 23, 2017

Minister of Economy, Finance,
and Development
to
Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street NW
Washington DC 20431 (USA)

SUBJECT: LETTER OF INTENT CONCERNING ECONOMIC AND FINANCIAL POLICIES

Madame Managing Director:

1. The Government of Burkina Faso has pursued the implementation of the measures called for in its economic program supported by the arrangement under the Extended Credit Facility (ECF) of the International Monetary Fund (IMF) for the period 2013-2017, which expires at the end of September 2017. During this period, we have been able to reduce economic vulnerabilities and long-term structural rigidities that are a barrier to strong and sustainable growth. We have maintained macroeconomic stability through fiscal responsibility while successfully managing a peaceful political transition after the previous administration was removed by a popular insurrection. During this time, we have strengthened tax administration and revenue collection, public financial management, and made reforms to the energy sector to place it on a more sustainable footing

2. In July 2016, the government adopted a new national economic and social development plan (*Plan National de Développement Économique et Social* – PNDES). The overall objective of the PNDES is to structurally transform the Burkina Faso economy to ensure strong, sustainable, resilient, and inclusive growth that conducive to creating decent jobs for all and brings an improvement in social well-being.

3. The macroeconomic framework remains broadly unchanged and the government has reaffirmed its commitments to the policies and reforms described in this letter of intent. Based on the satisfactory implementation of the program, we request the completion of the seventh review under the ECF arrangement and the release of the final disbursement equivalent to SDR 4.47. million.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

Recent Developments

4. Economic activity in Burkina Faso picked up in 2016, with real GDP growth estimated at 5.9 percent, exceeding the average annual rate of about 4.1 percent during 2014-2015. The economic recovery was driven by favorable rainfall, as well as beneficial external economic conditions marked by a rise in prices for export commodities (gold, cotton, and zinc) and relatively low oil prices. The recovery occurred despite a challenging security environment, with a terrorist attack in Ouagadougou in January 2016 and incursions by jihadists in the northern part of the country, and social tensions. Inflation remains low, at -0.2 percent in 2016, compared to 0.9 percent in 2015, owing to a moderation in food prices resulting from abundant harvests, improvements in distribution networks, and a decline in transport prices because of lower pump prices. The current account deficit narrowed somewhat in 2016 to around 7 percent of GDP. Increases in gold and cotton production led to an increase in exports, while higher economic growth and public investment drove up imports.

5. Fiscal policy implementation improved in 2016, but fell somewhat short of our ambitious targets. The strong recovery in revenue collections reflected a normalization in tax collection after the temporary decline observed during the political transition. Tax revenue increased by 1.1 percentage point of GDP in 2016, to 15.3 percent, driven by large increases in corporate income and value-added tax collections. In addition, overall revenue was boosted by some individual transactions, including a payment of 35 billion FCAF from the state-owned oil importer, SONABHY, for capital gains realized in the first half of 2016. Mining revenue rebounded and increased to

2.7 percent of GDP. Nonetheless, overall revenue excluding grants remained 57 billion FCAF (0.7 percent of GDP) below target for 2016.

6. Current spending reached 15.8 percent of GDP in 2016, an increase of 1.7 percentage points compared to 2015. This increase was mainly due to the financial impact of Law 081 which aimed to harmonize the remuneration of civil servants and contractors at the central government level (increase of 0.7 percentage points of GDP), as well as the upgrading of the remuneration of officials of public institutions (increase of 0.3 percentage points of GDP). Thus, changes in the government wage bill accounted for almost half of the increase in current expenditure. Domestically-financed investment spending remained broadly constant in nominal terms, at about FCFA of 346 billion, but declined to 4.9 percent of GDP from 5.3 percent the year before. The execution rate for this spending of 95 percent was in line with the historical average despite delays in passing the first supplementary budget in the first half of 2016.

7. The overall deficit on a commitment basis was 3.2 percent of GDP. This was slightly higher than the 2.5 percent of GDP projected during the sixth review and largely due to lower than expected tax collections in the last quarter of the year.

Program Implementation

8. Performance under the seventh and final review of the ECF-supported program has continued to be satisfactory despite implementation taking place in a challenging security environment, particularly in the northern part of the country, and in a difficult social context marked by social unrest and public sector labor disruptions. The government continued with its reform plan, which has served to consolidate macroeconomic stability and promote the recovery of economic activity.

9. All the quantitative performance criteria and the structural benchmarks for end-December 2016 have been achieved, some of the latter with minor delays (Tables 1 and 2). Two indicative quantitative criteria, relating to the ceiling on the deficit and the floor on revenue collection, were missed by a small margin. Of the nine structural benchmarks for the review, six were fully achieved as of December 31, and two were met with minor delays. After several postponements since 2014, the standardized (VAT) invoicing became effective as of February 21, 2017. This difficult reform will help to support our efforts at revenue collection and the fight against corruption.

MACROECONOMIC OUTLOOK AND RISKS

10. The economic outlook for 2017 and beyond is generally positive. We anticipate that real GDP growth could exceed the projected 6.4 percent, due to rising activity in the agricultural, mining, construction, and service sectors. Economic activity should also be supported by an intensification of public investment in transportation, energy, and telecommunications infrastructure. The largest projects planned within the framework of the PNDES will be subject to a higher level of scrutiny to ensure their proper execution. The service sector will benefit from the continuing advancement of telecommunications and the development of financial services with the spread of electronic payments and the deepening of financial inclusion. Over the medium-term, annual growth should firm around 7.3 percent. Inflation should remain moderate and well below the WAEMU criterion of 3 percent per year, underpinned by the pegged exchange rate regime and relatively stable prices.

11. The growth and inflation projections are subject to both domestic and external risks. The principal domestic risks are related to the unstable security situation outside of the capital and ongoing social tensions. Climate risk is ever-present in Burkina Faso, given the heavy dependence of agriculture on rainfall and desertification due to suboptimal agricultural methods. There are also some regional and global risks, including the tightening of financing conditions in WAEMU regional markets, as well as international markets more generally.

MACROECONOMIC AND STRUCTURAL POLICIES GOING FORWARD

Objectives

12. The key objectives of our economic policies going forward are to: (i) maintain macroeconomic stability through a credible and sustainable fiscal policy; (ii) create fiscal space to support public investment; (iii) improve public investment efficiency and execution; (iv) strengthen public financial management; (v) improve energy sector efficiency; and (vi) promote economic diversification and inclusive growth.

Fiscal Policy

13. The government is committed to the implementation of the PNDES, as well as to the WAEMU convergence process. In this context, the government has prepared a medium-term fiscal framework for 2018-2020. In addition to revising some fiscal policy targets for 2017, this document lays out the parameters for the preparation of the 2018 budget. The document also reiterates our commitment to achieving an overall fiscal deficit of below than 3 percent of GDP in 2019, consistent with the WAEMU fiscal deficit convergence criterion. Considering that 2017 is a pivotal year for the 2016-2020 PNDES - the year in which the implementation of the plan was launched - the government intends to accelerate public investment. The resulting budget deficit would amount to 5.5 percent of GDP. We recognize that this acceleration in public investment is very ambitious. We are committed to taking the actions necessary to overcome any slippages that may arise. To this end, we will make every effort to strengthen our design and implementation capacities for public investment and will accelerate the implementation of other reforms, including the mobilization of additional resources, both internal and external. A supplementary budget will be submitted to Parliament in September 2017 which will make necessary adjustments in the event that resource mobilization and public investment execution are below targets.

14. Fiscal policy will aim to increase the government's fiscal space to pursue priority investment projects. In this regard, the government is committed to strengthening domestic revenue mobilization to meet the WAEMU criterion for the ratio of the wage bill to domestic tax revenue. Investments will specifically focus on priority sectors in accordance with the PNDES.

15. The government will continue to pursue a prudent debt policy to maintain a moderate level of risk of debt distress. In this context, we intend to give preference to grants and concessional financing while continuing moderate recourse to the regional financial market. While public-private partnerships (PPPs) can be an instrument to support the goals of the PNDES, they also come with risks, and therefore capacity development activities related to PPPs will be stepped up to minimize the risks arising from PPP financing. Recourse to non-concessional financing remains an option of last resort and only for projects of the highest priority that have a proven economic return. The government will also continue to strengthen debt management. The government is committed to adequately staffing the Debt Management Department (DDP). The government already developed a medium-term debt management strategy in 2016 to support the implementation of the PNDES; this strategy is currently being updated.

Fiscal Space to Support Priority Public Investment

16. The achievement of the ambitious medium-term fiscal goals will require substantial fiscal reforms, on both the revenue and expenditure sides. It will also involve the creation of fiscal space by improving the financial sustainability of the energy sector, including by limiting subsidies and risks from contingent liabilities to the government budget.

17. The 2017 budget law contains new provisions to combat fraud and tax evasion to enhance revenue mobilization, including: (i) steps to combat transfer pricing, in particular the lowering of selling prices for mining products or raw materials by using stock market quotations; and limits on the deduction of overhead costs; (ii) the attachment of additional documents to requests for the reimbursement of VAT credits with the aim of ensuring that the transactions actually have taken place; (iii) modification of the third-party notification procedures to compel financial structures and any third parties to comply with the instructions of the DGI; (iv) establishment of a legal requirement that a unique financial identification number (IFU) must be assigned, and making it mandatory for banks and financial institutions to include the IFU in identification documents for commercial and professional account holders; (v) elimination of exemptions from registration fees for deeds and transfers granted to semi-public companies in order to ensure equal treatment with other commercial companies. Additional measures are planned for the 2018 budget law, drawing on TA provided by the IMF and other international partners.

18. The government is working to control the wage bill. Preparatory studies have begun to review the compensation system to make it more effective, considering inputs from all stakeholders. The government will also prepare a list of job profiles and associated remunerations that can serve as the starting point for a functional review of the civil service. A streamlining of operating expenses is also under way, to promote a more efficient use of vehicles and consumables within the administration.

Investment Efficiency and Execution

19. Reforms will be undertaken to improve public investment selection, appraisal, and execution. To improve the quality and the execution of the capital budget in the program, the government has prepared a list of the highest priority PNDES projects. The government will also ensure that technical reviews and risk analyses of all major priority projects are undertaken and intends to prepare guidelines on how ex-ante project evaluations (including cost-benefit, cost-efficiency, and risk analysis) should be undertaken. In addition, the government will make efforts to improve the assessment of budgetary risks, notably those arising from investments by SOEs and through PPPs.

Public Financial Management

20. The government will continue to strengthen its public financial management systems and procedures. The government is in the process of transitioning to program budgeting. This new budget management approach should enable Burkina Faso to better integrate public investment in a multiyear approach, secure investment funding, and make the government budget a genuine tool for achieving public policy objectives. Cash flow management will be modernized and optimized with the implementation of a single treasury account (CUT). The government will continue with its efforts to improve the management of payment arrears.

Energy Sector Efficiency

21. Considerable progress has been achieved in regularizing the financial relations between SONABEL, SONABHY, and the government. The implementation of the Memorandum of Understanding among the three parties, together with the decline in fuel prices, has helped SONABEL pay its liabilities to SONABHY in a timely fashion. Longer-term, a change in the electricity mix is required to bring electricity costs down. This will involve developing renewable energies and improving import capacity, as well as greater electricity imports from surplus countries in the region. The government is working closely with the World Bank to develop financing schemes, including PPPs, in the electricity sector.

22. To limit budgetary risk from needed subsidies in the future, the government will consider introducing an automatic price adjustment mechanism for retail gasoline and diesel. However, since fuel is a strategic input that can have a significant impact on investment, prices and the cost of living, a preliminary study will be conducted, that will be followed by a communication campaign for the chosen option with a goal being to protect the poorest.

Economic Diversification and Financial Inclusion

23. The replenishment of the cotton smoothing and inputs funds has helped to strengthen the financial health of the cotton sector. In addition, the government, coordinating with cotton producers and societies, intends to continue strategic support to the sector to maintain and advance diversification. A study is under way to propose alternative measures to make the sector more resilient to exogenous shocks, by considering improvements in the management tools used in the sector and exploring strategic opportunities for increasing value-added.

24. Measures are also planned for supporting the development of other agricultural sectors through the continuation and reinforcement of growth poles (Bagré, Samendéni, Sourou, and Sahel), as well as the intensification of actions to promote water management, and to provide assistance and consulting support to rural areas. The PNDES also envisages efforts to support agricultural entrepreneurs in their efforts to secure much needed improvements in access to credit.

25. The development of the mining sector in Burkina Faso is based largely on gold and zinc, as the prospects for manganese production are still unclear. With the aim of ensuring the security of mining investments, the government intends to boost the operational capacities and resources of the National Office for the Security of Mining Sites (ONASSIM). With the completion of the national survey on artisanal gold production, and to reduce the recurring conflicts of interests between the artisanal gold producers and industrial mines, the government is planning to operationalize the Agence nationale d'encadrement des exploitations minières artisanales et semi-mécanisées (ANEEMAS) to coordinate, regulate, and supervise the activities of small artisanal miners in the country.

26. Financial inclusion is a key government priority. One of the objectives of the PNDES is to raise the bank account penetration rate to 35 percent by 2020. To this end, the government has undertaken the drafting of a National Financial Inclusion Strategy following the Making Access to Financial Services Possible (MAP) approach. This approach is based on a comprehensive analysis of demand, supply, and the regulatory environment to identify the main factors that could either hinder or encourage broader financial inclusion. Due consideration is being given to the regional financial inclusion strategy developed by the BCEAO.

27. The government favors the development of microfinance and mobile banking. Regarding microfinance, the government will assist in efforts to consolidate the sector, improve its solvency, and address weaknesses in IT frameworks that have hindered expansion of the sector. Concerning mobile banking, the government is considering the appropriate regulatory framework for the sector.

Poverty Reduction

28. Reducing extreme poverty and supporting the most vulnerable in society is central to the PNDES. The government recognizes that there is a need to develop both preventative and social protection programs. With respect to the latter, positive results have been achieved through the existing cash transfer program, which, with the assistance of the World Bank, currently reaches 40,000 households in four regions. Going forward, we plan is to expand the coverage nationwide to cover 400,000 households that live in extreme poverty with the assistance of key development partners. Expansion will require significant improvements in the level of financial inclusion so that transfers can be made efficiently through the financial system.

Improved macroeconomic data and monitoring

29. The processing of the employment and informal sector survey data is continuing. In addition, a survey of gold panning was launched in January 2017. It is aimed at providing an assessment of the production of artisanal and semi-mechanized gold-mining units, their value added, and the output of activities directly linked to them. The new base year of the national accounts will be 2015 and the compilation work will be carried out in 2017.

CONCLUSION

30. Based on the achievements to date and in view of the strength of our commitment to sound economic and structural policies going forward, we request that the IMF Executive Board complete the seventh review under the current ECF arrangement and disburse the remaining tranche in the equivalent of SDR 4.47 million.

31. To support the implementation of the PNDES in the period ahead, the government intends to request IMF technical and financial assistance through a new three-year ECF arrangement after the current economic and financial program expires. In the interim, Burkina Faso will continue its consultation and policy dialogue with the Fund.

32. As in the past, the government authorizes the IMF to publish this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely

/s/

Hadizatou Rosine Coulibaly/Sori

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, December 2016

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

	2016		
	Dec.		
	Prog.	Prel.	Status
Quantitative Performance Criteria			
Ceiling on net domestic financing of central government	64.7	31.8	Met
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by government (1) (2)	355	220.4	Met
Ceiling on accumulation of external arrears (1)	0	0	Met
Indicative Targets			
Ceiling on domestic financing outside central government	50	-48.4	Met
Ceiling on the overall fiscal deficit including grants	184.4	224.6	Not Met
Floor on government revenue	1262	1230.5	Not Met
Floor on poverty-reducing social expenditures (3)	506	560.9	Met
Memorandum Item			
Ceiling on the amount of new concessional external debt contracted or guaranteed by government (1) (2)	350	173.1	Met

Sources: Burkinabè authorities; and IMF staff estimates.

(1) To be observed continuously.

(2) The limit is not tied to specific projects.

(3) 90 percent of budget amount.

Table 2. Burkina Faso: Structural Benchmarks for Seventh Review Under the ECF			
Benchmark	**Objective**	**Completion Date**	**Status**
The Investigations and Intelligence Directorate will produce quarterly reports on its activities	Improve the tax revenue by increasing the number and qualify of tax audits	Quarterly reports as of June 2016	Met
Reorganize the budget calendar to advance the preparation of the public investment program and adopt a standing circular on the budget schedule.	Improve investment budget execution	December 2016	Met
Reestablish the electronic interface between the tax and customs databases to reduce the incidence of fraud (DGI/DGD).	Increase revenue mobilization	December 2016	Met
Finalize the bolting down of domed manholes on all trucks transporting hydrocarbons (SONABHY) and install the seals and electronic signage along the Benin and Niger corridors (DGD).	Limit fuel loss during transport	December 2016	Implemented with delay
Establish a permanent mechanism for data sharing by the DGI and COTECNA to verify corporate tax declarations (DGI).	Increase revenue mobilization by broadening the base	December 2016	Met
Enter 2,600 manual files in the ASYCUDA system to take account of payments in customs revenues	Avoid tariff revenue losses resulting from breakdowns in IT systems in the third quarter of 2016	December 2016	Met
Adopt a strategy to address "irregular" domestic debts in keeping with the ASCE report and list the measures taken concerning the implementation of the other recommendations made by the ASCE, as well as the most up-to-date "regular" and "irregular" domestic debt balances.	Improve fiscal management	December 2016	Met
Prepare a communication plan explaining the rationale for the gradual implementation of the automatic pump price adjustment mechanism for gasoline and the proposed implementation method, which will help ensure that pump prices remain consistent with cost-recovery.	Limit government fuel price subsidies	December 2016	Met
Launch the survey on the gold panning sector (INSD).	Improve the quality of the national accounts and statistics on artisanal gold exports	December 2016	Implemented with delay