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Burkina Faso: Letter of Intent, Memorandum of Economic Financial Policies, and Technical Memorandum of Understanding

December 12, 2018

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Letter of Intent

December 12, 2018

MINISTRY OF THE ECONOMY,

FINANCE, AND DEVELOPMENT

SECRETARIAT GENERAL

DIRECTORATE GENERAL

OF COOPERATION

N°2018_________/MINEFID/SG/DGCOOP/DSPF

Ministry of the Economy
Finance, and Development

To

Mme. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431 (U.S.A.)

Subject: Letter of Intent of Economic and Financial Policies

Madame Managing Director:

Burkina Faso's 2018-2020 economic and financial program, supported by the IMF Extended Credit Facility (ECF), has been implemented against a background of persistent terrorist attacks, public sector labor unrest, and a food security crisis stemming from low rainfall and crop damage caused by agricultural pests. Despite these difficult circumstances, the Burkinabe economy has shown resilience and, GDP growth is expected to exceed 6 percent in 2018, while inflation remains comfortably below the WAEMU convergence criterion of 3 percent.

Performance under the program has been satisfactory overall. All quantitative performance criteria and indicative targets have been met except for the performance criterion relating to the zero ceiling for new pre-financing of public investments.

In fact, the government signed a pre-financing agreement in September 2018 for a high-priority project for road infrastructure. It should be noted that although the signing took place during the execution of the program, all the assessment of tenders, partner selection, and negotiation phases had been completed in November 2017. Consequently, from the government's point of view, this project, which was virtually completed, did not fall within the scope of the program commitments that were approved in March 2018, since the signing was a mere formality. The project, will have a major impact by enhancing the flow of goods transport, creating employment, and restructuring the Ouagadougou conurbation and surrounding rural municipalities.

While reaffirming its commitment to continue and strengthen its partnership with the IMF, the government is seeking a waiver for the non-fulfillment of the zero-ceiling criterion for new pre-financing. In order to underscore its strong resolve to adhere to the understandings reached under the program, the government adopted and published Ministerial Order No. 2018-479 / PM / MINEFID / CAB dated 09 November 2018 which formally prohibits the negotiation and signing of contracts with pre-financing features.

In addition, the expenditures related to this project will be included in the 2019 budget and subsequent budgets and recorded as public debt in accordance with the best practices described in the 2017 IMF technical assistance report on PPP fiscal risk management.

With regard to structural benchmarks, three have been achieved in full and the other two are in the process of being met with very significant progress made.

The government remains determined to continue implementing sound economic and financial policies, and the necessary accompanying structural reforms, in order to achieve the program objectives. In this regard, the draft supplementary budget law for fiscal year 2018, which was submitted to parliament in October, respects the program objectives in particular the maximum of 5 percent for budget deficit as a share of GDP.

Furthermore, the draft budget law for fiscal year 2019 is consistent with the budget deficit limit of 3 percent of GDP set for the WAEMU community and is also in line with the objectives agreed under the ECF program. The 2019 deficit will be financed by issuing government securities on the regional financial market, as well as a combination of concessional and non-concessional borrowing. In this context. the government will ensure that it does not grant preferential treatment to any private partner or its subsidiaries that grant it concessional loans.

Turning to control of the wage bill, as part of the implementation of the conclusions of the June 2018 national conference on streamlining the public employees' compensation system, the government is currently preparing an organic law to specify the basic principles governing the functioning of the public service with the aim of ensuring compliance with regional standards by 2021.

To reflect the rise in the oil price, the government is employing a communication strategy to raise awareness among the general population for the need to establish a more flexible mechanism to adjust pump prices. It has recently adopted strong measures to: (i) clear SONABHY's operating shortfall through budgetary transfers and securitization and (ii) reducing the subsidy per liter for retail fuel prices. In this context, the Council of Ministers, at its meeting of November 8, 2018, decided to adjust the structure of hydrocarbon prices to ensure a price increase at the pump of 75 FCFA, representing an increase of 12.5%.

In addition, it adopted by decree No. 2018-1012 / PRES / PM / MINEFID / MCIA / ME of November 14, 2018 a new mechanism for determining retail fuel prices, the objective of which is to align domestic and market prices through a quarterly adjustment mechanism.

The attached Memorandum of Economic and Financial Policies (MEFP) describes the economic and financial position as at end-June 2018. It also sets out the macroeconomic framework and structural measures for the rest of 2018 and 2019. In particular, it aims to maintain macroeconomic stability while creating fiscal space through increased domestic revenue mobilization and an enhanced efficiency in public expenditure in line with the national social and economic development plan (PNDES).

Given its commitment to maintaining macroeconomic stability and on the strength of the policies set forth in the attached MEFP, the government requests the completion of the first review under the ECF arrangement. Against this background, we request the disbursement of the equivalent of SDR 18.06 million.

The government believes that the measures presented in the MEFP will serve to achieve the economic and social objectives of its program. It is determined nonetheless to take any further measures that may prove necessary to this end.

The government will consult with the IMF before adopting such measures, and before modifying the policies provided in the MEFP, in accordance with applicable IMF policies. Furthermore, the government will provide the IMF with information on implementation of the agreed measures and program execution, as provided in the attached revised 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.

Very truly yours,

Attachments:

- Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

/s/

Hadizatou Rosine COULIBALY/SORI

Attachment I. Memorandum of Economic and Financial Policies

INTRODUCTION

1. This memorandum reviews Burkina Faso's economic and financial program with the International Monetary Fund (IMF) for the period 2018-2020 in the context of the Extended Credit Facility (ECF).

2. The program aims to maintain macroeconomic stability whilst creating fiscal space through increased domestic revenue mobilization and improving the efficiency of public expenditure. It is fully consistent with our country's commitments in the context of the West African Economic and Monetary Union (WAEMU), in particular the objective to keep the fiscal deficit within the agreed convergence criterion 3 percent of GDP while preserving priority spending on social services and public investments.

3. This memorandum describes recent economic developments and the observance of the program quantitative criteria and structural benchmarks at end-September 2018. It also defines the key objectives for the remainder of 2018 and 2019.

RECENT ECONOMIC DEVELOPMENTS AND STATUS OF PROGRAM IMPLEMENTATION AT END-JUNE AND SEPTEMBER 2018

4. Growth remained strong in 2017 at 6.3 percent and is projected to remain resilient in 2018 despite the impact of heightened security concerns, food security concerns, and labor unrest. As regards program implementation, all except one of the quantitative performance criteria were met and all indicative targets at end-June 2018 were met, while most of the structural benchmarks were also met.

A. Recent Economic Developments at End-June and September 2018

5. Economic activity in 2018 was marked by a relatively difficult socio-political context with the persistence of terrorist attacks and continued labor unrest. However, the economy is expected to remain resilient and show stronger accelerated growth over the medium term.

6. Growth is expected to continue at 6.0 percent in 2018 with balanced contributions across all sectors. The primary sector should see a recovery driven by more favorable rainfall, improved irrigation, support to producers, and the maintenance of producer price incentives.

7. As regards the secondary sector, performance should reflect the buoyant extractive industries, particularly with the start of production at the gold mine operated by SEMAFO Boungou BF S.A. in 2018, and the construction and civil engineering subsector, supported by major capital projects. These include, inter alia, the maintenance, rehabilitation, and development of roughly 1400 kilometers of rural roads in the country's 13 regions; the paving, rehabilitation, and improvement of roads (Didyr – Toma –Tougan; Kantchari – Diapaga – Tansarga – Benin border; Dédougou – Tougan, Kongoussi – Djibo; CU9 corridor; Koupéla – Tenkodogo – Bittou – Togo border; Koupéla – Gounghin) representing a total of 600 kilometers; and urban street project in the regions, including works in Manga in connection with the National Day festivities on December 11.

8. The tertiary sector, in turn, is expected to benefit from the dynamism of the telecommunications, financial services, and transportation sectors, with the continuation of reforms to improve the business environment and increased financial inclusion in addition to contributions from several international events (the Ouagadougou International Artisanal Exhibition (SIAO), the Ouagadougou International Tourism and Hotel Trade Show (SITHO), West African Mining Industry Week (SAMAO), the International Cotton and Textile Exposition (SICOT), National Culture Week (SNC), and the Tour du Faso international bicycle stage race). At the same time, however, activity in the tourism and hotel subsector is being hindered by the deteriorating security situation.

9. At end-June 2018, the inflation rate stood at 2.5 percent year-on-year and an annual average of 1.3 percent, compared to -0.4 percent and -5 percent, respectively, at end-June 2017. The continuation of government measures to contain the cost of living (sales of cereals at social prices in areas facing shortages and price controls on consumer goods) should allow inflation to remain within the WAEMU community maximum of 3.0 percent at end-December 2018.

10. In regard to the balance of payments, trade with the rest of the world generated a current account surplus of CFAF 35.9 billion in the first half of 2018, an improvement of CFAF 58.9 billion compared to the first half of 2017. This performance is attributable, notably, to trade in goods, for which the surplus increased from CFAF 20.5 billion in the first half of 2017 to CFAF 87.6 billion during the period under review, and a CFAF 20.4 billion increase in the surplus on secondary income. In parallel, the current account deficit for services widened by CFAF 28.5 billion. The improved trade balance is the product of increased exports (+CFAF 136.0 billion) and, to a lesser extent, imports (+CFAF 68.9 billion). The increased surplus on secondary income, in turn, is attributable to increased budget support (+CFAF 8.9 billion) and migrant remittances (+CFAF 7.8 billion). The capital account posted a surplus of CFAF 74.5 billion in the first half of 2018 compared to a surplus of CFAF 64.1 billion during the same period of 2017. The overall balance of payments stood at a deficit of CFAF 42.3 billion in the first half of 2018, an improvement of CFAF 49.4 billion compared to the same period of 2017.

11. Developments in the monetary situation led to an 8.4 percent increase in the money supply at end-June 2018 compared to end-December 2017, reflecting a 4.3 percent increase in domestic claims dampened by a 9.3 percent contraction of deposit institutions' net foreign assets (NFA). The increase in domestic credit is attributable entirely to a 7.5 percent increase in claims on the economy, the result of increased bank credit to the private sector. The reduction in NFA essentially reflects a decrease in commercial banks' NFA (-CFAF 264.3 billion, or -19.9 percent) following a contraction of the banks' gross claims on nonresidents (-CFAF 428.3 billion, or -21.7 percent), partially offset by a decrease in their exposures in respect of nonresidents (-CFAF 164.0 billion, or -25.4 percent). The decrease in banks' gross external claims is primarily attributable to decreased credit to nonresidents (-CFAF 193.4 billion), government securities of other WAEMU States (-CFAF 125.9 billion), and their deposits with foreign correspondents (-CFAF 97.3 billion). The reduction of banks' external exposures reflects, inter alia, decreased nonresident deposits (-CFAF 111.6 billion) and credit from foreign financial institutions (-CFAF 59.7 billion).

12. At end-June 2018, the money supply posted a decline of 8.1 percent with respect to end-December 2017 under the combined effect of decreased NFA (-9.3 percent) and domestic claims (+4.2 percent).

13. In regard to the public finances, total revenue and grants raised during the first half of 2018 stood at CFAF 800.3 billion compared to CFAF 719.3 billion for the same period of 2017, or an increase of 11.3 percent. They represented 10.1 percent of GDP at end-June 2018 compared to 10.0 percent of GDP during the same period of 2017. This performance is due to increased revenue (+CFAF 63.0 billion) as well as grants (+CFAF 18.0 billion). At end-September 2018, revenue and grants totaled CFAF 1213.4 billion, compared to CFAF 1096.6 billion for the same period of 2017, or an increase of 10.6 percent.

14. Tax revenue increased by 10.3 percent with respect to end-June 2017, to total CFAF 649.3 billion at end-June 2018. Tax revenue represented 8.2 percent of GDP, as in the same period of 2017. The increase is essentially attributable to the increases in "income and profits taxes" (+CFAF 33.9 billion), the "goods and services tax" (+CFAF 17.5 billion), and the "taxes on international trade and transactions" (+CFAF 9.3 billion). At end-September 2018, tax revenue performance stood at CFAF 1007.1 billion compared to CFAF 907.0 billion for the same period of 2017, or an increase of CFAF 100.2 billion in absolute value (+11.1 percent).

15. Mining receipts at end-June 2018 recovered to CFAF 122.5 billion compared to CFAF 107.2 billion at end-June 2017, or an increase of 14.3 percent. At end-September 2018, mining receipts totaled CFAF 187.9 billion compared to CFAF 168.9 billion for the same period of 2017, or an increase of 11.2 percent. This performance reflects increased gold production combined with the favorable gold price.

16. Domestic revenue mobilization measures comprised the following:

- stepped-up efforts to collect tax arrears through a targeted, individual approach aimed at negotiating repayment plans with large taxpayers;
- expanded implementation of the - procedure for payment of taxes by notification of credit, through outreach to the taxpayers concerned to encourage the regular submission of tax returns;
- verification of the use of the standardized invoice in Ouagadougou and Bobo-Dioulasso and the imposition of fines on offenders;
- the rationalization of tax exemptions;
- automated management of the most recent tax arrears through the use of the SINTAX 2 application and the establishment of arrears collection groups in each decentralized unit;
- interconnection of the Burkina Faso and Togo customs information systems;
- continued efforts to combat customs fraud;

- continued satellite monitoring of goods traffic (the system is currently in operation and covers all main transit routes); and
- connection of licensed customs brokers to ASYCUDA WORLD thus allowing the closing of physical customs posts (des unités banalisées de dédouanement).

17. In regard to grants, a total of CFAF 69.8 billion grants were raised (0.9 percent of GDP) in the first half of 2018 compared to CFAF 51.8 billion (0.7 percent of GDP) during the same period of 2017, or an increase of 34.7 percent. This increase is attributable to both project grants (+CFAF 9.1 billion) and program grants (+CFAF 8.9 billion). The amount of grants raised at end-September 2018 stood at CFAF 93.4 billion, compared to CFAF 74.8 billion during the same period of 2017, or an increase of 24.8 percent.

18. Total expenditure and net lending stood at CFAF 881.2 billion at end-June 2018 compared to CFAF 972.8 billion at end-June 2017, or a decrease of CFAF 91.6 billion (-9.4 percent). Total expenditure execution represented 11.1 percent of GDP at end-June 2018 compared to 13.6 percent of GDP during the same period of 2017. The decrease is attributable to decreased capital spending (-CFAF 120.1 billion, or 1.5 percent of GDP), as current spending increased by CFAF 48.8 billion. The decrease in capital expenditure is due in part to labor unrest involving staff responsible for processing expenditure, and in part to the precautionary withholding of CFAF 264 billion from all categories of expenditure in early 2018. At end-September 2018, total executed expenditure and net lending stood at CFAF 1385.5 billion compared to CFAF 1472.5 billion for the same period of 2017, or a contraction of 5.9 percent.

19. Current expenditure execution, up 7.8 percent compared to end-June 2017, stood at CFAF 671.9 billion as at end-June 2018. The increase reflects personnel expenditure (+CFAF 35.5 billion), debt service (+CFAF 32.7 billion), and goods and services purchases (+CFAF 7.1 billion), mitigated by a decrease in current transfer expenditure (-CFAF 26.6 billion). The increased personnel expenditure essentially reflects the accounting recognition of the government's liabilities to management and labor and the correction of employee salary situations through wage scale adjustments. Current personnel expenditure execution stood at CFAF 1007.2 billion at end-September 2018 compared to CFAF 921.3 billion the previous year, or an increase of 9.3 percent.

20. The government took a number of measures to contain salary expenditure as a proportion of total expenditure and domestic revenue including, in particular:

- slowing the pace of civil service hiring and opting not to systematically replace every employee who leaves. This approach reduced hiring by roughly 40 percent in 2018, resulting in 10,000 new positions compared to an initial projection of about 15,000 new positions;
- redeploying personnel from areas of high concentration to areas with shortages;
- limiting new hiring to priority sectors with the approval of the Council of Ministers;
- establishing a policy of hiring within the limits of financial limits through the definition of a total budget each year for direct competitive hiring to the civil service.

These actions, combined with a number of reforms to substantially increase domestic revenue, will facilitate compliance with the WAEMU convergence criterion which limits wage expenditure to 35 percent of domestic revenue by 2021.

21. The overall fiscal balance (commitment basis) posted a deficit, widening from CFAF 80.8 billion at end-June 2018 to CFAF 172.2 billion at end-September 2018, compared to deficits of CFAF 253.4 billion and CFAF 375.8 billion, respectively, for the same periods of 2017.

22. In regard to improving the quality of capital expenditure, Burkina Faso established new general regulations on development projects and programs in February 2018 through the adoption of Decree No. 2018-0092/PRES/PM/MINEFID. The decree governs the management of public investments from project conception to closure, including project management and implementation and the accounting treatment of fixed and intangible assets.

23. Also, in regard to programming, a new criterion was introduced in the process of project and program selection whereby any new project must include a gross fixed capital formation (GFCF) component of at least 85 percent. In addition, a guide for ex ante evaluation, selection, and prioritization of projects has been established to ensure a harmonized approach to the design and preparation of public investment projects and programs. Finally, to ensure that projects to be included in the budget are of sufficient quality, an oversight committee has been established to screen all proposals.

24. With respect to implementation, the rationalization of project management units into a single technical unit for each program, headed by the budget program manager, aims to minimize wasted resources and shift the units' focus toward investment per se rather than operations. To ensure the quality of the infrastructure, a particular emphasis will be placed on the monitoring and control of infrastructure projects at all stages of their implementation, thereby guaranteeing their quality.

25. In the area of energy, investments designed to increase electricity production and expand the populations' access to reliable energy services increased the theoretical installed electric power by 134.1 MW following completion of construction of photovoltaic solar plants at Zagtouli (33 MWp) and Ziga (1.1 MWp) and completion of the interconnection with Ghana (100 MW).

26. To increase the populations' access to electricity, the principal actions carried out include: (i) the electrical interconnection of a number of Burkinabè cities, (ii) the connection work in progress by SONABEL in 63 towns and cities, including 57 departmental administrative centers, (iii) the solar-powered electrification of 385 socio-community infrastructures in 120 villages of the rural communes of the Centre and Hauts-Bassins regions and 100 districts of the Ouagadougou and Bobo-Dioulasso arrondissements, (iv) the installation of 79,413 LED lights in 79,413 households and installation of an additional 115,510 in progress in the context of efforts to increase energy efficiency, and (v) the installation of 3000 LED streetlights to replace high-pressure sodium- and mercury-vapor lamps used for street lighting in Ouagadougou.

27. In the area of security, the actions undertaken served, inter alia, to strengthen security measures and coverage of the territory, in particular the construction of functional security services in the Sahel. In addition to the construction of new security services, operational and special-purpose equipment was purchased for police units (armaments, vehicles, operational equipment, and special-purpose equipment).

28. In the area of health, the principal achievements include: (i) the construction and equipping of 158 new health and social promotion centers (CSPS) and the conversion of the Ouahigouya regional hospital center (CHR) to a university hospital center (CHU); (ii) completion of construction of the Bogodo district hospital in Ouagadougou; (iii) expansion of community health services with the hiring and training of 17,668 community health workers, 35 percent of them women, and the hiring of 3995 new health workers, including 787 physicians; and (iv) the installation of hospital pharmacies at the Tingandogo CHU, the Charles de Gaulle pediatric CHU, the Bogodogo CHU, and the Gaoua regional CHU.

29. In the area of employment, the investments concerned the implementation of the Youth Employment for National Education Program (PEJEN), with the hiring of 2100 young university graduates now under way, and the financing of 49 projects and micro-projects for "downsized" and retired workers. Also, as part of efforts to improve the employability and promote the socioeconomic empowerment of women, 1270 women were trained in processing local products, 9480 women in entrepreneurship and business management, and 970 women in collective/association management through the Fund to Support Income-Producing Activities for Women (FAARF). In addition, 884 women's associations were provided with working capital and investment credits.

B. Results in Terms of Program Quantitative and Structural Criteria

30. All the quantitative performance criteria and indicative objectives at end-June 2018 were met except for the performance criterion relating to the zero ceiling for new pre-financing of public investments.

31. In regard to the quantitative performance criteria, net domestic financing of the government stood at CFAF 104.4 billion at end-June 2018 and CFAF 237.7 billion at end-September 2018 compared to a ceiling of CFAF 200 billion at end-June and CFAF 263 billion at end-September. Nonconcessional external debt contracted or guaranteed by the government stood at CFAF 52.4 billion at end-September 2018 compared to a ceiling of CFAF 200 billion at end-December 2018.

32. A pre-financing agreement for the construction of a ring road around Ouagadougou was signed in September 28 with the firm EBOMAF. Note that all the phases of bid analysis, selection of the partner, and negotiation had been completed in November 2017. Accordingly, in the government's view, the nearly finalized contract was not subject to commitments under the program which was approved in March 2018, since contract signature was no more than a formality at that point to permit the start of works, which are now under way. In view of the project's critical nature, it will improve the flow of goods transport, create jobs, and restructure the Ouagadougou metropolitan area and surrounding rural communes.

33. From the foregoing considerations and based on the measures it intends to undertake, the government requests a waiver of nonobservance of the performance criterion of zero ceiling on new pre-financing arrangements. By order no. 20018-479/PM/MINEFID/CAB of November 9, 2018, the

Head of Government advised all ministerial department heads of the prohibition on negotiating contracts that entail the characteristics of pre-financing. In addition, expenditures relating to this project will be included in the 2019 budget and in subsequent budgets in line with progress in project execution, and will be included in public debt data in accordance with the best practices described in the 2017 IMF technical assistance report on PPP fiscal risk management.

34. The results in terms of the program indicative targets are as follows: no domestic arrears were accumulated at end-June or end-September 2018. The overall fiscal deficit (including grants) stood at CFAF 80.8 billion at end-June 2018 compared to a ceiling of CFAF 236 billion, and CFAF 172.2 billion at end-September 2018 compared to a ceiling of CFAF 316 billion. A total of CFAF 730.5 billion in own revenue was collected at end-June compared to a floor of CFAF 692 billion (exceeding the target by CFAF 38.5 billion), and CFAF 1120.0 billion at end-September compared to a floor of CFAF 1087 billion. Current social expenditure to reduce poverty totaled CFAF 119.8 billion at end-June 2018 compared to a floor of CFAF 88 billion, and CFAF 184.0 billion at end-September compared to a floor of CFAF 132 billion. The government continued refunding VAT credits. The stock of certified VAT refund requests more than 30 days outstanding stood at CFAF 33.4 billion at end-June 2018 compared to a ceiling of CFAF 55 billion, and CFAF 40.54 billion at end-September 2018 compared to a ceiling of CFAF 55.0 billion. No PPP project has been contracted at end-September 2018.

35. The status with respect to structural benchmarks is as follows:

36. Three of the measures to be implemented by end-April 2018 were met: (i) "create and update semiannually a database of all official government guarantees containing, in particular, information on the beneficiary, the underlying contract, the signature date, the expiration date, and any budget implications," (ii) "create and semiannually update a database of all projects signed or planned as PPPs, pre-financing, or supplier credit arrangements. The database should include information on the type of contract, total cost, payments made, and the schedule of remaining principal and interest payments," and (iii) "approval, by the ministry in charge of finance, SONAPOST, and the ministry in charge of the digital economy, of a plan for SONAPOST's repayment of Treasury assets held in postal accounts."

37. The implementation of two additional benchmarks is in progress: (i) adopt a text establishing limits or thresholds for the total value of PPPs contracted by public administrations, and (ii) hire an independent external auditor to audit SONABHY's operations, financial position, and accounting practices. The draft text establishing contracting limits or thresholds is available. To ensure that it is aligned with the measure's intended objectives, it was submitted for opinion to the IMF technical assistance team, which provided comments prior to finalization. The final version will be submitted for signature during November 2018. Regarding the hiring of the auditor, the only steps remaining are the negotiation and signature of the contract, which will be finalized during November 2018.

38. Two measures were planned to be implemented by end-September and end-December, respectively: (i) a study on mitigating the impact of the flexible fuel pricing mechanism on the vulnerable; and (ii) the inclusion of a cost-benefit and risk analysis of the 10 largest investment projects, including PPPs, as an annex to the 2019 budget law, respectively. The first has been completed, capitalizing on a benchmarking mission in Côte d'Ivoire and Senegal. The second was also completed, and the analysis was annexed to the 2019 budget law submitted to the National Assembly.

39. With respect to the other four measures to be implemented by end-December 2018, implementation has been broadly satisfactory and is expected to be completed on schedule. The measures in question are: (i) revision of national accounting systems with the new base year and publication of revised series, (ii) incorporation of the results of the study on artisanal gold mining in the national accounting system, (iii) the development and adoption of a mechanism for operation of the Treasury single account, and (iv) the automation of asset reporting by persons subject to the provisions of Law 04/CNT/2018 and implementation of a searchable database (online reporting and online query).

IMPLEMENTATION OF THE PNDES

40. Implementation of the National Economic and Social Development Strategy (PNDES) was marked by a difficult context and events that produced different impacts on the achievement of expected outcomes. The favorable economic effects of the economic growth seen in all regions of the world (United States, Europe, Asia, and Africa), the start of production at new industrial gold mines, and increased public investment expenditure were undermined by unforeseen events including: (i) increased terrorist attacks, (ii) intensified labor protests affecting nearly all spheres of government, (iii) disappointing crop production following an early end to the rainy season, legionnaire caterpillar infestations, and damage from granivorous birds. Despite the difficult national context and the factors discussed in this memorandum in the areas of security, health, energy, the agro-sylvo-pastoral sector, and economic governance, the results of implementation of the PNDS are presented below by pillar:

41. In the area of institutional reform and modernization of the administration (Pillar I), the government's actions produced substantial gains including:

- strengthening of the mechanism for financing the economy with the establishment of specialized institutions such as the Burkina STARTUP Program and the Youth and Women's Economic Empowerment Program. Also, the Caisse des Dépôts et Consignations and the Agriculture Financing Bank are currently being established.
- Improved access to the legal system with offsite hearings (audiences foraines) conducted in a number of jurisdictions, payment of legal fees for 239 vulnerable persons, the establishment of 25 assistance centers, the construction of a regional court, and strengthening of the legal system with the hiring of personnel and establishment of centers specializing in economic and financial crimes and terrorist acts.

42. In the area of human capital development (Pillar II), the achievements were also substantial and numerous. In regard to health, efforts to expand healthcare infrastructures, equip health facilities, increase the number of healthcare personnel, and reform maternal and infant healthcare through the introduction of free healthcare for children under age 5 and pregnant women were accompanied by a reduction of maternal and infant mortality rates in healthcare facilities. The number of maternal deaths per 100,000 births declined from 135 in 2015 to 120.9 in 2017, and the overall in-hospital mortality rate declined from 109.9 per 1000 in 2015 to 52.2 per 1000 in 2017, or a reduction of 111 percent.

43. In education, the clearer impact of the increased supply and quality of educational services was seen in the improved post-primary completion rate, which climbed to 32.95 percent in 2017 compared to 24.24 percent in 2016 and a target of 30.2 percent. Also, the first two scientific secondary schools were opened in Ouagadougou and Bobo-Dioulasso, and preparatory classes for professional engineering schools were inaugurated at Ouaga I University. To shift the focus of education toward teaching and technical training, facilities were completed to house university teacher training and administrative buildings, including the Virtual University of Burkina Faso, and to provide space for social services.

44. In regard to safe drinking water, a number of infrastructures were built and rehabilitated, providing an additional 646,000 persons with access to safe drinking water and increasing the rate of access from 71 percent in 2015 to 73.4 percent in 2017.

45. In the transformation of the economy (Pillar III), appreciable results were achieved in implementation reforms and putting investments in place. With the construction of 11 new dams and rehabilitation of 11 existing dams, Burkina Faso's surface water storage capacities increased by 6,135.35 million cubic meters relative to a target of 6,126.12 million cubic meters. In addition, work commenced on the paving of 756.6 kilometers of roads, of which 171 kilometers were completed.

46. In the agriculture sector, the major reform concerned the adoption of the investment code and implementing decrees for the agro-sylvo-pastoral, fisheries, and wildlife segments in order to enhance the attractiveness of the agriculture sector.

47. In information and communications technologies (ICT), 1795 kilometers of fiber optic cable were installed and put in service in 7 regional and 42 communal administrative centers under the National Telecommunications Backbone project, and another 1020 kilometers are being deployed.

48. Also, to promote processing industries and expand market services, the Law for the Promotion of SMEs/SMIs was adopted and the implementing regulations promulgated. The SME/SMI promotion agency and the National SME Commission were also created.

ECONOMIC AND FINANCIAL OBJECTIVES FOR THE REMAINDER OF 2018 AND 2019

A. Macroeconomic Framework for 2019

49. Economic activity is expected to continue accelerating in 2019. The outlook for growth remains solid in view of favorable rainfall, control of the security situation, de-escalation of labor conflicts, and continued implementation of critical PNDES investments.

50. Accordingly, economic growth should attain a minimum of 6.0 percent in 2019, as in 2018. Growth should be driven primarily by all sectors, in particular the solid performance of the mining, construction and civil engineering, manufacturing, services, and the agro-sylvo-pastoral activities following intensified investment.

51. Inflation is expected to remain within the community maximum of 3 percent in 2019, reflecting continued actions to control consumer product prices and good prospects for the 2018/2019 crop year.

52. Concerning the balance of payments, foreign trade in 2018 will be marked by stronger growth of imports than exports in a context of rising petroleum prices and higher prices for the two key export products, gold and cotton fiber. An improvement of net capital inflows is also expected, attributable mainly to the public sector and net financial flows with the rest of the world. Collectively, transactions with the rest of the world will serve to improve the current trade deficit, which will narrow to 6.6 percent of GDP, and generate an overall balance of payments surplus in 2018 following an estimated deficit in 2017.

53. In 2019, the current account deficit is expected to widen to 8.0 percent of GDP due to stronger growth of imports, driven by the momentum of domestic activities amid stabilization of petroleum prices at elevated levels.

B. Fiscal Policy for the Remainder of 2018 (Supplemental Budget Law) and 2019

2018 Supplemental Budget Law

54. The government's 2018 budget was executed in a particularly difficult context during the first half of 2018, marked by terrorist attacks and labor unrest in the ministries of education; health; and economy, finance, and development. These various factors adversely impacted budget execution in terms of both revenue and expenditure, necessitating adjustments by means of a supplemental budget law.

55. The 2018 supplemental budget law, which was submitted to the legislature for approval in October, therefore incorporates the objectives of the ECF-supported program, in particular the limit of the overall fiscal deficit to 5 percent of GDP. It provides for reductions in both revenue and expenditure. Total revenue and grants are reduced by CFAF 246 billion (or 3.2 percent of GDP) compared to the initial 2018 budget law and stand at CFAF 1766 billion (or 22.3 percent of GDP). Total expenditure and net lending were also reduced by CFAF 246 billion compared to the initial 2018 budget law and stand at CFAF 2189 billion, representing 27.6 percent of GDP.

56. The 2018 fiscal deficit will be financed through the use of budgetary support, drawings on IMF resources, the issuance of securities on the financial and money markets, and through concessional loans from other partners.

57. In addition to the measures cited above, the launch and/or continuation of the following measures will serve to achieve the 2018 revenue collection targets for the tax administration (DGI) and customs administration (DGD). Those measures include:

- the continued clearing of validated tax arrears through the organization of intensive collection campaigns by all collections units;
- the continuation of audit operations and sanctions on the use of the standardized invoice;
- the continued implementation of measures provided in the General Tax Code (CGI);
- stepped up investigations and cross-check of information to improve tax audits through targeted verifications;
- systematic unloading of trucks transporting more than two different articles;
- suspension of individual licensed customs brokers for regulatory violations;
- observance of reference values for consumer product imports and exports;
- continued scanning at the Ouagadougou (highway transport) and Bobo-Dioulasso (railroad transport) customs bureaus;
- strengthening of regional directors' oversight of offsite reviews conducted by customs staff, and audits by the Office of the Technical Inspector;
- monitoring of the tax and customs provisions of public contracts financed from own resources;
- collections associated with the implementation of re-registration of automobiles throughout the national territory;
- strengthening of inspectors' and staff expertise to improve merchandise valuation according to World Trade Organization methodology in the context of exit from the Import Verification Program through COTECNA: and
- continued efforts to combat all forms of customs fraud (contraband, undeclared imports, false declarations, and breach of commitments).

2019 Initial Budget Law

58. The proposed 2019 budget law submitted to the National Assembly will be amended to conform to the ECF-supported program, in particular the limit on the overall fiscal deficit to a maximum of 3 percent of nominal GDP.

59. The government recognizes the importance of measures to increase domestic revenue in order to generate the resources to cover capital expenditure. This will call for expanding the tax base and improving taxpayer compliance and the tax administration's efficiency to meet the WAEMU community objective of a 20 percent tax ratio in the medium term. In this regard, the 2019 budget law includes measures to expand the tax base, institute new taxes, and raise the rates of a number of existing taxes; it also provides additional strengthening of revenue mobilization. The implementation of the new measures provided in the 2019 budget law and special collection measures will serve to achieve the projected level for 2019. The measures include:

- expanding the scope of application of the tax on capital gains from the transfer of mining permits;
- bringing the drinks sector into the general tax system through the revocation of exemptions granted to taxpayers previously subject to the Beverage Sector Contribution (CSB);
- instituting a tax on heavy duty vehicles;
- increasing the tax rate on arms;
- increasing the tax on airline tickets;
- increasing the rate of the specific tax on perfume and cosmetic products;
- broadening the scope for licenses for drinking establishments;
- eliminating the system of flat taxes on beverage sector activities and applying generally applicable tax laws to the sector, with the institution of a 5 percent estimated income tax;
- increasing the tax rate for nonalcoholic beverages from 10 percent to 15 percent;
- increasing the tax rate for biodegradable and authorized non-biodegradable plastic wrapping and bags;
- increasing receipts from the property tax on improved and unimproved properties (TF B/NB), the residence tax, and the microenterprise contribution through the use of data from the general census of Ouagadougou and Bobo-Dioulasso taxpayers;
- the anticipated proceeds of the campaign to collect tax arrears;
- enhancing off-site surveillance through implementation of the ASYCUDA value module;
- ongoing offsite surveillance of merchandise valuation by the Valuation Control Unit;
- pursuing outsourcing of the valuation of used vehicles less than 10 years old and heavy machinery to the Motor Vehicle Control Center (CCVA), and reducing the allowance from 50 percent to 25 percent of the value;
- continuing efforts to interconnect the Burkinabè customs IT systems with those of Togo pending receipt of data on all merchandise exported to Burkina Faso;
- interconnecting the Burkinabè customs IT systems with those of Côte d'Ivoire to manage merchandise flows into Burkina Faso;
- dividing the Bobo international customs bureau into three bureaus (roads, railway, and hydrocarbons), introducing specialization in order to better control merchandise flows; and
- automating revenue management in customs offices and mobile brigades not connected to the ASYCUDA system.

60. In addition to these measures, the government intends to establish inspection certificates as a mandatory requirement to verify transactions in the clearance process, and institute scanning of documents in ASYCUDA World by end-April 2019; by November 2018, it also plans to harmonize taxes on tobacco in line with the new WAEMU directive, raising the rate to a minimum of 50 percent (structural benchmarks).

61. The government is continuing to review options to identify new tax measures while avoiding the adoption of too many measures in a short period of time, which could prove counterproductive.

62. We also intend to strengthen revenue administration by monitoring procedures for taxpayers who do not file declarations, in particular through enhanced cooperation between the DGD and the DGI; the launch of an effort to evaluate tax arrears and develop a strategy to collect non-contested debts and write off unrecoverable debts; institute targeted audits for specific issues; conduct a study on the taxation of small businesses and microenterprises (structural benchmark), reform the taxation of the informal sector; and increase online declarations and payments.

63. To reduce the risk of loss of revenue following termination of the contract with COTECNA, the DGD: (i) instituted the use of the ASYCUDA valuation module, (ii) created a value control team to perform daily monitoring of merchandise values in the clearance bureaus and assist inspectors with decisions concerning merchandise value, (iii) implemented a transition and supervision committee consisting of the director general, the deputy director general, and all headquarters directors to provide weekly oversight of clearance operations in the customs bureaus, (iv) monitored the clearing of 20 targeted products in 2018 and 50 products in 2019 that are likely to be associated with fraud or are subject to particular import regulations.

64. With regard to expenditure, the total amount stood at CFAF 2196 billion compared to CFAF 2166 billion in 2018. This broadly unchanged expenditure profile, despite increased revenue, reflects the need to reduce the overall fiscal deficit by 2 percentage points of GDP, as well as a slight reduction in projected grants. With a wage bill of CFAF 836 billion (9.8 percent of GDP) and transfers of CFAF 496 billion (5.2 percent of GDP), capital expenditure financed from domestic resources will represent only CFAF 306 billion (3.6 percent of GDP).

65. The authorities are committed to reduce personnel expenses as a percentage of tax revenue to within the WAEMU community limit of 35 percent by 2021. To this end, the following actions are planned:

- implementation of the conclusions of the national stakeholders conference (CFVN) on the civil service compensation system;
- clearing of arrears on the payment of monetary benefits payable to employees for prior fiscal years, in order to adhere to the one-year budget rule;
- heightened internal control of the components of compensation provided to government employees;
- continued consolidation of the wage bill combined with implementation of the biometric census of government personnel; and
- continued efforts to reduce new civil service hiring in 2019 with respect to the initial forecast of 14700 new hires (structural benchmark).

- publish the number of public servants on the government payroll according to grade, region and ministry (structural benchmark); and
- adoption of salary and indemnity scales which are consistent with the medium term objective to contain the overall wage bill within the WAMEU convergence criterion of 35 percent of tax revenues (structural benchmark).

66. Also, the effort to rationalize public sector operating expenditure will continue with:

- the adoption and implementation of a policy to rationalize the government's vehicle fleet;
- restrictions on staff travel;
- the effective implementation of assets inventories; and
- the monitoring of electricity, telephone, and water consumption.

67. To improve the effectiveness of budget management, the following actions have been or will be conducted:

- early implementation of procurement processes and actions aimed at reconciling physical and financial budget execution, including in the context of delegated project management;
- the hiring of program managers to strengthen the management of public projects; and
- implementation of the decentralized mechanism for monitoring and oversight of physical works funded from the government budget, and the effective application of policies on subsidies and the provision of services to populations free of charge.

C. Debt Management Policy

68. The government's medium-term debt strategy aims to reduce the reliance on national and regional borrowing in favor of a gradual reorientation of financing toward external sources offering lower costs and more favorable terms. The government will pursue a prudent debt policy in order to maintain its moderate risk of external debt distress. As in previous years, the objective of debt management is to meet the government's financing needs while enabling it to meet its payment obligations at the lowest possible cost in the long term, maintaining risks at an acceptable level, and supporting the development of the subregional financial market. The government is also aware of the need to monitor and contain the accumulation of contingent liabilities. In the context of declining concessional resources, the use of nonconcessional financing will be limited to critical projects offering substantial, guaranteed economic returns.

69. At July 31, 2018, the estimated stock of debt stood at CFAF 2972.4 billion, representing CFAF 1140.9 billion in domestic debt and CFAF 1831.5 billion in external debt, or 38.4 percent and 61.6 percent, respectively. At the same date, the debt ratio is estimated at 37.5 percent compared to 38.6 percent at end-December 2017.

70. In regard to disbursements, an estimated total of CFAF 75.5 billion of external debt was disbursed at end-September 2018. For domestic debt, a total of CFAF 213.7 billion was raised during the same period through the issuance of bonds on the financial market.

71. The program provides for a ceiling on external debt contracted or guaranteed by the government in 2019 (net present value of CFAF 370 billion). In 2019, the deficit will be covered by the issuance of government securities on the regional financial market and by a combination of concessional and nonconcessional loans. Moreover, the government remains determined to meet the program objectives for the fiscal deficit, i.e., 5 percent and 3 percent of GDP, respectively, in 2018 and 2019.

72. In the context of its debt management strategy, the authorities may seek to replace domestic debt falling due with concessional external borrowing. The proceeds of such operations will only be used for debt and cash management purposes and not to increase overall spending beyond that implied by the program fiscal deficit limits of 5 percent and 3 percent of GDP in 2018 and 2019, respectively. Before undertaking any such debt-management operation, we commit to consult with the IMF staff and provide full details of financing terms. Any proceeds of borrowing in excess of that needed to finance the deficit and repay debt falling due will be saved in a dedicated account. In addition, the government will continue to refrain from extending preferential treatment to any private partner or the subsidiaries of any private partner that has provided concessional loans, including for public sector contracts or PPPs.

73. Regarding strengthening debt management capacities, discussions are under way in regard to improving effectiveness and efficiency in accordance with best practices and standards in this area, drawing in particular on the recommendations of technical assistance missions from specialized institutions.

D. Improved Efficiency of Expenditure

74. In order to improve public investment efficiency, guidelines for project selection and appraisal have been elaborated. In addition, a cost-benefit analysis guide is being developed with the assistance of rom technical assistance from West Afritac. A cost-benefit analysis of the major investment projects included in the 2019 budget was annexed to the draft Budget Law 2019 that was transmitted to the National Assembly.

75. In January 2018, the regular public procurement procedures, which had been temporarily simplified in order to speed execution of the 2017 budget, were reinstated. We are firmly committed to retaining those procedures and avoiding the use of costly supplier credits and pre-financing arrangements. We will continue our efforts to rationalize and increase the transparency of public procurement procedures.

76. PPPs will be implemented according to best practices with a view to ensuring that any potential for contingent liabilities will be strictly contained. To this end, we will transmit to IMF staff the results of the analyses of budgetary risks of the projects to be completed as well as analyses of their potential effects on Burkina Faso's debt sustainability. In the interest of optimizing the monitoring of PPPs, a database was created and is updated semiannually. Also, to mitigate fiscal risks, the government will include PPPs in the public investment program by end-December 2019 (structural benchmark). As recommended by the November 2017 IMF technical assistance mission on fiscal risks related to PPPs, the government will incorporate PPPs in the public investment process, and will include PPP contracts it plans to sign in the short term or has already signed in the multiyear budget and economic programming document (DBEP), as well as their budgetary implications.

STRUCTURAL REFORMS FOR THE REMAINDER OF 2018 AND 2019

A. Public Finance Reforms

77. In the area of public finance, Burkina Faso will continue the actions undertaken to promote sound, effective, and rational management of resources. To this end, the modernization of management procedures and tools will continue in terms of implementing the recent innovations induced by program budgets, which began with the 2017 budget year and is to be completed in 2019. The following actions will be conducted:

- the continued adaptation of information systems to integrate new modules on accounting and control;
- the determination of government assets, the effective implementation of materials accounting, and preparation of the first opening balance sheet for fiscal year 2019;
- review of the budget program templates;
- review of guides and model formats (monitoring-evaluation, annual performance plan, annual performance report);
- publication of budget execution reports on the Ministry of Finance website (regularly within 15 days following adoption by the Council of Ministers) in addition to the publication of proposed budget laws and supplemental budget laws, as well as the budget execution law (loi de reglement);
- We produced the first monthly Treasury account balance for the period January through April 2018. Also, we established an audit committee to improve the quality of financial reports.;
- preparation for implementation of accrual accounting. A new Chart of Accounts, consistent with the budget classification, was prepared and took effect in January 2017;
- continuation of the process of implementing a Treasury single account.

78. To control operating expenditure, the conclusions of the national conference on rationalizing the civil service compensation system will be implemented. The government is preparing a medium-term strategy to manage the growing wage bill and is preparing a framework law that will establish the basic principles governing the operation of the public services. This strategy aims to ensure adherence to regional standards by 2021. The combined effect of implementing this strategy and boosting revenue mobilization will eventually lead to a reduction of the wage bill to tax revenue ratio, and lead to a gradual convergence toward the WAEMU community limit of 35 percent. In this light, the government is committed to adopt a multi-annual budget and economic programming document with a continuous reduction in the ratio of the wage bill to tax revenue ratio from its peak of 55 percent in 2019.

79. To improve and speed procedures for the reimbursement of VAT credits (structural benchmark), the government plans to establish a Special Treasury Appropriations Account (CAST) to be used exclusively for this purpose. This mechanism will ensure transparency, clarity, timeliness, and autonomy in managing refunds of VAT credits. The CAST revenue will come from VAT collected by the DGD when mining companies import goods for consumption during the production phase and their subcontractors plus 20 percent of all VAT revenues collected throughout the country by the DGI.

80. Concerning the issue of common funds, measures have been taken to standardize the use of the funds and to rationalize the amounts paid in the context of the 2019 budget law. The 2019 budget envisages that payment of allowances will be limited to the amounts collected in the previous year and amount to no more than 25 percent of the base salaries of civil servants in ministries eligible to receive such allowances. The source will be the amounts collected from penalties and fine. In addition, the funds received and paid from common funds will be budgeted and accounted for in the appropriate budget accounts in the 2020 initial budget law (structural benchmark).

B. Improved Energy Sector Results

81. The implementation of the MOU between the government, SONABEL, and SONABHY continued in 2018. The government cleared the full amount of SONABEL arrears. For SONABHY, a report has been submitted to the Council of Ministers for the adoption of measures to clear the arrears.

C. Pump Price Adjustment Mechanism

82. Rising fuel prices on the international market since early 2017 have led to a substantial loss of revenue (estimated at CFAF 67 billion at end-October 2018) for the fuel importer SONABHY, which is liable to become a substantial contingent liability. In addition, if pump prices remain unchanged and the upward trend in international petroleum prices continues, the 2018 and 2019 subsidies will represent close to CFAF 100 billion. Those subsidies, which are financed by the government, continue to burden public finances and crowd out public investment and priority social spending, which are indispensable. For this reason, at the Council of Ministers session of November 8, 2018, the government approved decisive measures to (i) clear arrears to SONABHY, protecting its mission of supplying the country, and (ii) reduce the hydrocarbon subsidy. The shortfall to SONABHY is projected to amount to about CFAF 100 billion at the end of 2018. It will be consolidated in the debt stock, of which a tranche of CFAF 20 billion immediately due was paid, and the remainder will be securitized. In this context, the decision was made on 8th November 2018 to adjust the structure of hydrocarbon prices to ensure an increase in pump prices of about CFAF 75 per liter, representing an increase of about 12.5 percent (prior action). In addition, the government adopted Decree No. 2018-1012/PRES/PM/MINEFID/MCIA/ME of November 14, 2018 that aims to adjust domestic pump prices quarterly to align them with market prices at least every three months.

Also, the amount of the implicit subsidy of pump prices will be published each month on the website of the Ministry of Economy, Finance, and Development (structural benchmark).

Cotton and Other Agriculture Sectors

83. In the cotton sector, replenishment of the income-smoothing fund and launch of the cotton inputs fund helped consolidate the sector's financial soundness. Also, in coordination with cotton producers and corporations, the government plans to continue the strategy to increase productivity, improve the quality of cotton, and promote diversification. The sector is expected to pursue innovative reforms to improve resiliency to exogenous shocks (continual improvement of sector management tools, adaptation to the effects of climate change). The government intends to support private or public initiatives aimed at increasing value added, including processing of local cotton fiber in order to create additional jobs and wealth through the sector strategy.

84. Also, to ensure the development of a productive, resilient, and more market-oriented agro-sylvo-pastoral, wildlife, and fisheries sector, the government has undertaken large-scale actions concerning, inter alia, (i) the introduction of an innovative mechanism to improve the delivery of agricultural advisory services; (ii) the implementation of a new input subsidy mechanism; (iii) the implementation of an innovative incubator for agricultural entrepreneurs at rural promotion centers (CPR) and the multidisciplinary agriculture center in Matroukou; (iv) increasing the pace of agricultural mechanization through the provision of power tillers and 500 tractors at subsidized prices and the creation of units for the production of agricultural materials and equipment fabrication units in the medium term; (v) the promotion and development of innovative mechanisms for access to agricultural credits such as agricultural insurance, warehousing, and inventory credit arrangements (*warrantage*); (vi) signature of a framework agreement with OCP [Office Chérifienne des Phosphates] to build a fertilizer plant using natural phosphate from Khodjiari; and (vii) reform of agricultural cooperatives to comply with the OHADA uniform act.

85. In addition, the licensing application submitted to the West African Monetary Union (WAMU) Banking Commission for the creation of an agricultural bank was approved and arrangements are being made for the start of operations. Other major reforms have been undertaken, including the National Assembly's adoption in May 2018 of a law establishing the Agro-Sylvo-Pastoral, Fisheries, and Wildlife Investment Code in order to improve the business environment in the agriculture sector, and signature of the technical assistance agreement with China for large-scale irrigation facilities and agricultural advice and support services.

Financial Inclusion

86. Financial inclusion is a major priority for the government. One of the objectives of the PNDES is to increase the expanded bank penetration rate (total base population) to 35 percent by 2020. To this end, the government undertook to prepare the National Strategy for Inclusive Finance (SNFI) to be accompanied by an implementing action plan based on the "Making Access Possible" (MAP) approach. In preparation of the strategy, two surveys were conducted to establish the status of the supply and demand for financial products and services; furthermore, these surveys made it possible to prepare a diagnostic report and roadmap for financial inclusion in Burkina Faso. Those two components served as inputs in preparation of the SNFI. To guide implementation, a draft Action Plan for the National Strategy for Inclusive Finance (PASNFI) was compiled in late October 2018 and is expected to be finalized in 2018. A roundtable of donors will be organized in November 2018 to raise financing.

Poverty Reduction

87. In the context of reducing poverty, the program of free healthcare (rolled out in April 2016) for children under 5 and pregnant women was expanded to include the poor elderly, resulting in the delivery of over 41 million medical services at a cost of more than CFAF 45 billion. The government plans to ensure the continuity of the reform and expand free healthcare to vulnerable persons.

88. To promote the role of women as dynamic actors in development and reduce social and gender inequalities, the government will implement the Integrated Program for the Empowerment of Women in Burkina Faso (PIAF-BF) and the project to promote the socioeconomic integration of homeless children and youth. The aim is cover 57 percent of the vulnerable children identified and reduce the number of homeless children to 4000 and continue actions to promote the economic empowerment of women through (i) the registration of 8550 informal women-owned businesses, (ii) the provision of working capital and investment credits for women's associations, and (iii) entrepreneurship training for 1195 women.

89. Concerning the establishment of an institutional and legal framework favorable to the promotion of health insurance, a financial and actuarial evaluation of the Universal Health Insurance System (RAMU) was conducted to take account of financial data relating to free healthcare for children under five and pregnant women. Going forward, it is anticipated that 15 percent of RAMU coverage will be implemented, and the institutional and legal framework will be put in place.

90. In regard to efforts to reduce inter- and intra-regional disparities, the implementation of the Program to Support the Development of Local Economies (PADEL) and the Emergency Program for the Sahel (PUS-BF), at a cost of CFAF 339 billion and CFAF 455.3 billion, respectively, led to the construction of infrastructures (strengthening of the administration, improvement of the framework for educational and health structures), the identification of 3000 vulnerable persons to benefit from cash transfers (CFAF 30,000 per quarter) and the provision of credits to 617 promoters consisting of microenterprises and professional associations. Future plans call for continued implementation of the PADEL in six additional regions (Est, Centre-Nord, Centre-Est, Boucle du Mouhoun, Centre-Sud, and Nord) and continued investments to support the PUS-BF. To ensure financing of both programs, the technical and financial partners promised to accelerate their support with additional financial commitments totaling CFAF 220 billion for both programs. With these new commitments, the total financing stands at CFAF 621 billion of the total cost of CFAF 851.46 billion.

Improvement of macroeconomic data

91. The government will continue work on updating the base year for the national accounts. Data from the national survey on employment and the informal sector, the national survey on the artisanal gold mining sector, and the results of specific studies were incorporated in the accounts for the new base year in accordance with SNA 2008. Analysis and synthesis are under way and the initial results are expected at end-October 2018 in preparation for an international technical workshop in early November 2018 that will bring together specialists in national accounting systems from national and international institutions (IMF, World Bank, European Union, the East African Community, the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT), WAEMU, and the Economic Community of West African States). The aim of the workshop is to assess the results of the process and provide any recommendations for improvement. In parallel, work is under way to revise the 1999-2015 national accounts series in accordance with SNA 2008.

Anti-corruption efforts

92. To confirm its commitment to promote good governance and combat corruption, the government took action to implement the legal and institutional anti-corruption mechanism strengthened by the adoption of Law No. 004-2015-CNT of March 3, 2015. The implementing decrees and decisions have now been adopted. The following measures were also implemented:

- the institution of an annual audit of government management by the Government Oversight and Anti-Corruption Authority (ASCE-LC). The 2016 audit report is available, and the 2017 report is being finalized;
- the National Assembly's adoption of the law on specialized jurisdictions on January 19, 2017. The law provides for the creation of specialized judicial centers to handle cases brought by the government for economic and financial offenses. The implementation of the centers is ongoing.

93. To automate asset reporting by the individuals covered by Law No. 004-2015/CNT of March 3, 2015 and implement a searchable database (online reporting, online query for the officials designated by the law), the government submitted to the National Assembly the draft law amending the aforesaid law to include the automation of asset reporting by individuals; which the National Assembly approved. A series of measures were taken to automate the Declaration of Interest and Assets (DIP) by December 2018, including (i) the hiring of external experts to implement the DIP platform, (ii) the preparation of a procedures manual for the DIP, and (iii) the creation of the ASCE-LC website. In addition, the survey of persons subject to the DIP, the DIP platform, and the communication and outreach campaigns are now being implemented.

D. Quantitative Performance Criteria and Structural Benchmarks

94. Quantitative performance criteria have been set for end-December 2018 and end-June 2019 and indicative targets for end-March, end-September and end-December 2019 (Table 1 and Table 3). The structural benchmarks for 2019, as well as their macroeconomic justification, are described in

Table 4. The second and third program reviews are expected to be completed on or after June 15, 2019 and December 15, 2019, respectively.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2018
(CFAF billions)

	2018					
	June				Sept. 1/	Dec.
	Prog.	Adj.	Outturn	Status	Prog.	Prog.
Quantitative Performance Criteria						
Ceiling on net domestic financing of the government 2/ 3/ 4/ 5/	200	231	104	Met	258	258
Ceiling on the amount of nonconcessional external debt contracted or guaranteed by the government 3/ 6/	200	200	8	Met	200	200
Ceiling on the accumulation of external payment arrears by the government 7/	0	0	0	Met	0	0
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 7/	0	0	0	Met	0	0
Ceiling on government guarantees on new bank pre-financing for public investments 7/	0	0	181	Not met	0	0
Indicative Targets						
Ceiling on the accumulation of domestic arrears by the government 7/	0	0	0	Met	0	0
Ceiling on the overall fiscal deficit including grants 2/ 3/	97	121	81	Met	312	382
Floor on government revenue 3/	657	657	731	Met	1,011	1,444
Floor on poverty-reducing current social expenditures 3/	88	88	120	Met	132	176
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days 3/	55	55	33	Met	55	55
Ceiling on the value of PPPs contracted 3/	200	200	0	Met	200	200
Memorandum Item						
Ceiling on the amount of concessional external debt contracted or guaranteed by the government 3/	550	550	n.a.	n.a.	550	574

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

1/ Indicative Target, except for continuous performance criteria.

2/ The net domestic financing ceiling is adjusted to reflect the shortfall in program grants and loans, while the overall deficit is adjusted to reflect the shortfall in program grants.

3/ Cumulative from January 1, 2018.

4/ The ceiling on net domestic financing will be lowered by the full proceeds of any private concessional budget support loan as specified in the TMU.

5/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of SONABHY losses owing to below cost-recovery sales of petroleum products in 2018 and capped to a maximum of CFAF 80 billion.

6/ The limit is not tied to specific projects.

7/ To be observed continuously.

Table 2. Burkina Faso: Structural Conditionality, 2018

Benchmark	Objective	Completion Date	Status
Public Financial Management			
Approve a repayment plan for the reimbursement by SONAPOST of Treasury assets held in the postal accounts (MINEFID, SONAPOST).	Improve cash management	April 2018	Met
Create a database of all existing formal sovereign guarantees, which includes information on the beneficiary, underlying contract, date of signature, date of expiration and budget implications.	Improve budget transparency and mitigate fiscal risks	April 2018	Met
Create a database of all projects signed or planned as PPP, prefinancing or supplier credits agreements. The database will include information on the type of contract, total cost, payments made and due, as well as interest payments.	Improve budget transparency and mitigate fiscal risks	April 2018	Met
Establish a limit on the amount of PPPs that can be contracted by the Government.	Improve budget transparency and mitigate fiscal risks	April 2018	Not met. Guidelines were drafted and discussed in a technical workshop in February 2018. Approval of a final version is expected by end-November 2018 following harmonization with IMF technical advice.
Include as an Annex to the 2019 Budget law an analysis of the costs-benefits of the ten largest investment projects, including PPP projects.	Improve budget transparency and mitigate fiscal risks	December 2018	In progress
Develop and adopt a framework for transitioning to a single treasury account.	Improve treasury management	December, 2018	In progress
Complete a study on automatic fuel price mechanisms and the effectiveness of measures to mitigate the effects of flexible fuel prices on the poorest and most vulnerable.	Improve quality of public expenditures	September, 2018	Met
Expenditure Policy			
Appoint an independent external auditor to conduct an audit of SONABHY's operations, financial position, and accounting practices.	Reduce fiscal risks and eliminate fiscal costs associated with subsidies	April 2018	Not met. A call for bids was launched and the provisional results published in September 2018. The hiring process will be finalized by end-November 2018.
Improving Macroeconomic Statistics and Forecasting			
Complete the revision of national accounts statistics to the new base year, and disseminate the revised series.	Improve the accuracy of national statistics.	December, 2018	In progress
Integrate the results of the artisanal gold study into the system of national accounts and revise the base year.	Improve the accuracy of national statistics.	December, 2018	In progress
Improve Governance			
Proceed with the dematerialization of asset declarations of government officials and those covered by the law, by instituting online submisisons, and create a searchable database	Improve governance and improve the fight against corruption	December, 2018	In progress

Table 3. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for ECF Arrangement, 2019
(CFAF billions)

	2019			
	Mar. 1/	June	Sept. 1/	Dec. 1/
Quantitative Performance Criteria				
Ceiling on net domestic financing of the government 2/ 3/	0	100	146	159
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 4/ 5/	370	370	370	370
Ceiling on the accumulation of external payment arrears by the government 6/	0	0	0	0
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 6/	0	0	0	0
Ceiling on government guarantees of new bank pre-financing for public investments 6/	0	0	0	0
Indicative Targets				
Ceiling on the accumulation of domestic arrears by the government 6/	0	0	0	0
Ceiling on the overall fiscal deficit including grants 2/	0	130	196	259
Floor on government revenue 2/	376	798	1262	1697
Floor on poverty-reducing current social expenditures 2/	48	95	143	190
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days 2/	45	40	40	40
Ceiling on the value of PPPs contracted 2/	200	200	200	200

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

1/ Indicative target, except for continuous performance criteria.

2/ Cumulative from January 1, 2019.

3/ The ceiling on net domestic financing will be lowered by the full proceeds of any private concessional budget support loan as specified in the TMU.

4/ The limit is not tied to specific projects.

5/ The ceiling on the amount of external debt will be increased up to an additional CFAF 400 billion to allow for any private concessional budget support loan as specified in the TMU.

6/ To be observed continuously.

Table 4. Burkina Faso: Structural Conditionality, 2019			
Benchmark	**Objective**	**Supporting documents**	**Completion Date**
Prior Actions			
Submit a 2019 budget proposal to the National assembly that is fully aligned with the fiscal framework of the ECF-supported program (main revenue and spending aggregates and with an overall fiscal deficit (commitment basis) of no more than 3 percent of GDP) through the tabling of an amendment to the initial budget proposal	Maintain fiscal sustainability	Amendment Letter submitted to the National Assembly	November 11, 2018
Adjust the pricing structure for hydrocarbons to raise pump fuel prices by around 12.5 percent	Maintain fiscal sustainability	Order establishing the composition of the price structure and decree establishing the introduction of a price readjustment	November 7, 2018
Tax Policy and Revenue Administration			
Harmonize the taxation of tobacco in line with the new WAEMU directive by setting the rate at a minimum of 50 percent	Increase revenue	2020 draft initial budget law (LFI)	November 2019
Raise the rate of tax on non-alcoholic beverages from 10 percent to 15 percent	Increase revenue	DGI Communiqué	January 2019
Increase tax on airline tickets from CFAF 1000 to CFAF 20000 for economy class and from CFAF 7000 to CFAF 40000 for business class	Increase revenue	DGI Communiqué	January 2019
Eliminate the flat-rate tax system for beverage sector businesses and place them under the standard tax regime by introducing a 5 percent tax as an advance income tax payment	Increase revenue	DGI Communiqué	January 2019
Conduct a study on the taxation system of small- and medium-sized enterprises	Strengthen tax administration	Report on the Study	September 2019
Make the inspection certificate compulsory for checking transactions for customs clearance purposes and ensure documents are scanned in ASYCUDA World	Increase revenue and protect the revenue base	DGD Memorandum	April 2019
Establish a special account for VAT credit refunds that is funded with a portion of VAT revenues and produce quarterly reports on the operational management of this account	Strengthen the integrity of the VAT system	Opening of a special Treasury account for VAT credit refunds and produce a quarterly report of the flows in and out of the account and the stock of VAT credits	June 2019
Public Financial Management			
Publish the implicit subsidy of fuel pump prices on the website of the Ministry of Economy, Finance and Development on a monthly basis	Increase transparency on the fiscal cost of fuel subsidies	Publication of subsidies on the MINEFID website	January 2019
In the appropriate budget accounts, budget and account for revenue from/expenditure on Fonds communs in the 2020 budget law	Improve fiscal transparency	2020 Draft LFI	September 2019
PIMA			
Include PPPs in the public investment program	Mitigate fiscal risks	PIP 2020	December 2019
Wage Bill			
Approval by the Cabinet of Ministers of the 2020-2022 Multiannual Budget and Economic Programming Document with a continuous reduction in the ratio of the wage bill to tax revenue ratio from its peak of 55 percent in 2019.	Contain public-sector wage bill		Mid-June 2019
Publish the number of public servants on the government payroll according to grade, region and ministry	Contain public-sector wage bill		April 2019
Reduce the number of new civil service staff members in 2019 compared to the initial projection of 14700 hires	Tighten control of the wage bill	Report on the recruitment of staff in 2019	September 2019
Adopt salary and indemnity scales which are consistent with the medium term objective to contain the overall wage bill within the WAMEU convergence criterion of 35 percent of tax revenues	Contain public-sector wage bill		November 2019

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). It also sets the framework and deadlines for the submission of data to IMF staff for assessment of program implementation.

CONDITIONALITY

2. The quantitative performance criteria and indicative targets for end-June 2018 and end-December 2018 are provided in Table 1 of the MEFP. The structural benchmarks set forth in the program are presented in Table 2 of the MEFP.

DEFINITIONS

3. **Government.** Unless otherwise indicated, the term "government" means the central government of Burkina Faso and does not include local governments, the central bank, or any other public or government-owned entity with autonomous legal status not included in the table detailing the financial operations of the state (TOFE).

4. **Definition of debt.** The definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website. The term "debt" will be understood to mean all current, i.e. not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take various forms; the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

5. Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on a contractual obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

6. Debt guarantees. 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).

7. Debt concessionality. 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 payments on the debt.[2] The discount rates used is 5 percent.

8. External debt. External debt is defined as debt contracted or serviced in a currency other than the CFA franc. The relevant performance criteria apply to the external debt of the government, public enterprises that receive government transfers, and other public entities in which the government 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

9. The quantitative performance criteria for 2018 are as follows:

(i) a ceiling on net domestic financing of the government;

(ii) a ceiling on the contracting or guaranteeing of non-concessional external debt by the government;

(iii) a ceiling on the non-accumulation of payment arrears on external debt service;

(iv) a ceiling on the guaranteeing of domestic loans to suppliers and contractors;

(v) a ceiling on the guaranteeing of bank pre-financing of public investments.

The quantitative performance criteria for 2019 are the same as for 2018 except that the ceiling on the contracting or guaranteeing of non-concessional external debt by the government is replaced

[1] This IMF webpage provides a tool to compute the grant element in a large range of financial arrangements: http://www.imf.org/external/np/pdr/conc/calculator

[2] The calculation of the concessionality takes into account all aspects of the debt contract, including the date of payment, the grace period, the schedule, the commissions and management fees.

by a ceiling on the contracting or guaranteeing of total (concessional or nonconcessional) external debt by the government in PV terms.

A. Net Domestic Financing of the Government

10. Net domestic financing is defined as the sum of (i) net bank credit to the government, including net bank credit to the government as defined below 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 government is the balance of the government's claims and debts vis-à-vis national banking institutions. government claims include the cash holdings of the Burkinabè government, deposits with the central bank, deposits with commercial banks, and secured obligations, and government deposits in postal checking accounts (CCP). Government 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, and funding from commercial banks (including government securities held by commercial banks). 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 flow-of-funds table prepared by the Ministry of the Economy and Finance.

Adjustment

11. The cumulative ceiling on net domestic financing from the beginning of any calendar year will be adjusted upward in the amount by which external program support to central government falls short of the amount projected, in the event the external program assistance is lower than programmed, up to a maximum of CFAF 80 billion. The shortfall will be calculated in relation 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. Projected External Program Assistance
(Cumulative, CFAF Billions)

	End-December 2018	End-June 2019
Program grants and loans	183	17
(Of which program grants)	(147)	(17)

12. Moreover, the cumulative ceiling on net domestic financing will be adjusted downward by the full amount of any disbursement of concessional budget support loans from a private creditor before end-2018 and in the first half of 2019. Finally, the ceiling on net domestic financing will be adjusted upward by the amount of securitization of accumulated SONABHY losses owing to below cost recovery sales of petroleum products in 2017 and 2018, up to a maximum of CFAF 80 billion.

13. 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. New Non-Concessional External Debt Contracted or Guaranteed by the Government and Present Value of External Debt Contracted or Guaranteed by the Government

14. For 2018, the government undertakes not to contract or guarantee any non-concessional external debt beyond the ceiling indicated in MEFP Table 1. This performance criterion applies to external debt as defined in paragraph 4 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 7 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. For the purpose of this performance criterion, "government" shall include the central government of Burkina Faso, public enterprises that receive government transfers, local governments, and other public-sector entities (including public administrative, professional, scientific and technical agencies). However, this performance criterion will not apply to government bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers' normal short-term credits, or to IMF loans. It is measured on a cumulative basis from the date of the IMF Executive Board's approval of the ECF arrangement, and no adjustment factor will apply.

15. For 2019, the government undertakes not to contract or guarantee external debt (concessional or non-concessional) with a total PV in excess of the ceiling indicated in MEFP table 3, measured on a cumulative basis from the start of the year (i.e. January 1, 2019). In case of a concessional budget support loan from a private creditor, the PV ceiling will be raised by the full amount of the loan up to CFAF 400 billion. All other provisions and definitions in paragraph 13 will continue to apply.

16. The proceeds of any private concessional budget support loan in 2018 and 2019 will be used only to contribute to the financing of the gross financing requirements of the government in 2018 and 2019, respectively, that are consistent with the overall fiscal deficit ceilings of 5 percent and 3 percent of GDP in 2018 and 2019, respectively. Any surplus of resources will be saved.

Reporting Deadlines

17. 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 by the Government

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

D. Guaranteeing of New Domestic Loans to Suppliers and Contractors by the Government

19. The government undertakes to not provide new financial guarantees for domestic loans to its suppliers or contractors. This performance criterion shall be observed continuously. For this performance criterion, "government" includes the central government, institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutes, public vocational establishments, public health agencies, local authorities, public enterprises, national corporations, semi-public corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies.

E. Guaranteeing of New Bank Pre-Financing for Public Investments by the Government

20. The government undertakes not to guarantee new bank pre-financing for public investments. In a pre-financing arrangement, a private company granted a public works contract by the government obtains a loan from a domestic commercial bank or a group of commercial banks. The Ministry of Finance guarantees this loan and, at the same time, signs an unconditional and irrevocable substitution of debtor agreement to service all principle and interest. For this criterion, government includes the central government, institutions of an industrial or commercial nature (EPIC), public administrative agencies (EPA), public scientific and technical institutes, public vocational establishments, public health agencies, local authorities, public enterprises, national corporations, semi-public corporations (public corporations with financial autonomy, in which the government holds at least 50 percent of the capital), and state agencies. This performance criterion shall be observed continuously.

QUANTITATIVE INDICATIVE TARGETS

21. The program also includes quantitative indicative targets for:

(i) the accumulation of domestic arrears;

(ii) the overall fiscal deficit (commitment basis, grants included);

(iii) total government revenue;

(iv) poverty-reducing current social expenditures;

(v) value added tax refunds; and

(vi) public-private partnerships.

A. Accumulation of Domestic Arrears by the Government

22. The government will not accumulate payment arrears on domestic obligations during the program period. For this indicative target, a "domestic obligation" is one serviced in CFA francs, but it excludes government liabilities to local governments or any other public or government-owned entity with autonomous legal status not included in the table detailing the financial operations of the state (TOFE), except the central bank. Except in cases where the terms and conditions of the transaction stipulate a longer period, payments are deemed to be in arrears in keeping with the following definition:

(i) Debt unpaid for more than 30 days after the due date stipulated in the agreement between the parties (creditor/debtor).

(ii) Wages or pensions unpaid 90 days after their due date.

(iii) Payments for goods and services rendered received more than 90 days after processing of the supporting documents submitted by suppliers.

B. Overall Fiscal Deficit Including Grants

Definition

23. For the program, the overall 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 basis adjustment. Net foreign financing is the sum of new foreign borrowing less amortization. Government net domestic financing is defined in paragraphs 10 and 11 above. The cash basis adjustment is defined as the sum of: (i) the total change in unauthorized expenditure commitments, (ii) the change in pending bills, and (iii) the change in government deposits.

Adjustment

24. The ceiling on the overall fiscal deficit will be adjusted upward in the amount by which actual external program grants to central government falls short of the amount projected, up to a maximum of CFAF 80 billion. The shortfall will be calculated in relation to the projections in Table 1 above. The ceiling will not be adjusted downward should actual external program grant assistance be higher than projected. The ceiling on the overall fiscal deficit will be adjusted upward by the amount of securitization of accumulated SONABHY losses owing to below cost recovery sales of petroleum products in 2017 and 2018, up to a maximum of CFAF 80 billion.

C. Government Revenue

Definition

25. Government revenue is valued on a cash basis. It includes all tax and non-tax revenue collected by the Directorate General of Taxation, the Directorate General of Customs, the Burkinabè Treasury, and other government revenue collection units. It also includes revenue from treasury checks.

D. Poverty-Reducing Current Social Expenditures

Definition

26. Social spending is the sum of current expenditure included in the social spending program as defined in the budget. This social spending program is defined as the sum of budget programs or parts of programs that target poor households and: (i) ensure access to basic social services; (ii) promote access to health services and nutrition programs; (iii) fight against HIV/AIDS; (iv) promote access to drinkable water; (v) improve living conditions, including environment and sanitation; or (vi) ensure social protection. Within these programs or parts of programs, only budget lines classified as social spending are retained.

E. Certified and Unpaid VAT Refunds Older than 30 Days

Definition

27. For the program, the stock of value added tax (VAT) refund claims that have been certified but remain unpaid for more than 30 days is comprised of signed tax refund amounts. The 30-day period starts from the date of signature of the tax refund certificate by the Director General of Taxes.

F. Public Private Partnerships

Definition

28. A public-private partnership is defined as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. It excludes pre-financing and supplier credit arrangements.

Additional Information for Program Monitoring

29. 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 2. Summary of Data Reporting Requirements

Information	Institution Responsible	Data Frequency	Reporting Frequency
Public Finance			
The government's fiscal reporting table (TOFE) and the customary appendix tables; (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)	Ministry of Economy, Finance and Development (MINEFID)	Monthly	6 weeks
Domestic budgetary financing (net bank credit to the government and stock of unredeemed government bonds and bills)	MINEFID/ BCEAO	Monthly	6 weeks
A quarterly report on the consistency of the net position of the government in monetary statistics with the data from the TOFE on net domestic financing of the banking sector.	MINEFID/ BCEAO	Quarterly	8 weeks
Monthly data on the execution rates by the customs office relative to monthly forecasts.	MINEFID/ DGD	Monthly	6 weeks
A quarterly report on the outcomes and actions undertaken to put in place a better control and supervision of taxpayers using the single taxpayer identification number to cross-check information between DGI and DGD, starting with large taxpayers.	DGD/DGI	Quarterly	6 weeks
Data on implementation of the public investment program, including details on financing sources	DGB/DGTCP	Quarterly	6 weeks
The stock of external debt, external debt service, external debt contracted, and external debt repayment	DGTCP	Quarterly	6 weeks
Social poverty-reducing expenditures in table format	DGTCP	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 fob-MED 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	SONABHY/ DGTCP	Monthly	4 weeks
A quarterly summary report of monthly data of SONABHY's accounts including gains and/or losses from the buying and selling of hydrocarbon products by type of product, cash flows position and income statement, taking into account all received	SONABHY/ MINEFID	Quarterly	6 weeks

Table 2. Summary of Data Reporting Requirements (continued)			
subsidies and government securities issued or sold in the banking system or else.			
A quarterly summary report of monthly data of SONABEL's accounts including its cash flows position and income statement and taking into account all received subsidies and project grants and loans from the technical and financial partners.	SONABEL/ MINEFID	Quarterly	6 weeks
A monthly statement of the accounts with the treasury, broken out by major category (administrative services, state enterprises, joint public-private enterprises, public administrative enterprises, international organizations, private depositors, and others)	DGTCP	Monthly	6 weeks
A quarterly activity report from the Investigation and Intelligence Directorate including taxpayer controls across DGI and DGD using the unique taxpayer identification number, beginning with large taxpayers.	DGI/DGD	Quarterly	6 weeks
Provide monthly customs revenue projections (on an annualized basis) by customs post, and report on monthly outcomes compared to projections.	DGD	Monthly	6 weeks
Keep 'Champ 44' enabled for input of references from inspection notices for all customs declarations.	DGD		Continuous
Provide monthly DGI revenue projections (on an annualized basis) by type, and report on monthly outcomes compared to projections.	DGI	Monthly	6 months
Provide monthly DGTCP revenue projections (on an annualized basis) by type, and report on monthly outcomes compared to projections.	DGTCP	Monthly	6 months
A quarterly summary report of VAT refunds, including transfers received from the ACCT, cumulative amount paid since the beginning of the year, the stock of certified refund claims (Régisseur d'avance), and total VAT refund claims being processed (DGE, DLC)	DGI	Quarterly	3 months
A monthly update of the PPP and sovereign guarantee databases	DGCOOP/ MINEFID		4 weeks
Monthly estimate of the implicit pump fuel price subsidy	CIDPH		4 weeks
The consolidated balance sheet of monetary institutions			
The consolidated balance sheet of monetary institutions	NDs of the BCEAO	Monthly	6 weeks
The monetary survey: provisional data	BCEAO	Monthly	6 weeks
The monetary survey: final data	BCEAO	Monthly	10 weeks
The lending and borrowing interest rates	BCEAO	Monthly	6 weeks

Table 2. Summary of Data Reporting Requirements (concluded)

The standard 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/ MINEFID	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions)	BCEAO	As they occur	2 weeks
Real Sector			
Provisional national accounts; and any revision of the national accounts	MINEFID	Annual	2 weeks
Disaggregated monthly consumer price indices	MINEFID	Monthly	2 weeks
Structural Reforms and Other Data			
Any study or official report on Burkina Faso's economy, on the date published, or the date of entry into force.	MINEFID		2 weeks
Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or the date of entry into force.	MINEFID		2 weeks