International Monetary Fund

**Burkina Faso** and the IMF

**Press Release:**
IMF Board Completes Fifth Review Under Burkina Faso’s Three-Year Arrangement Under the Extended Credit Facility and Approves US$ 28.4 Million Disbursement
December 19, 2012

November 30, 2012

The following item is a Letter of Intent of the government of Burkina Faso, which describes the policies that Burkina Faso intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Burkina Faso, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

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

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Letter of Intent

Ouagadougou, November 30, 2012

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th St., N.W.
Washington, D.C.

Madame Managing Director:

The government of Burkina Faso has continued to implement the measures provided in its economic program supported by the IMF Extended Credit Facility (ECF).

The program implementation took place in an environment marked notably by several shocks and declining growth in 2011. Despite the difficult context, the government implemented its economic and financial program satisfactorily, in keeping with its commitments under the May 24, 2012 Memorandum of Economic and Financial Policies (MEFP). The attached MEFP supplements that correspondence.

All of the quantitative performance criteria for end-June 2012 for the completion of the fifth review of the ECF arrangement were observed. All structural benchmarks for end-June 2012 were implemented, and all targets were achieved. In light of these results and based on the policies set out in the attached MEFP, we request that the IMF conclude the fifth review of the arrangement under the ECF, and the sixth disbursement in the amount of SDR 18.49 million. We also request modifications to end-December program targets and one end-March structural benchmark.

In 2012, the government vigorously pursued implementation of the Accelerated Growth and Sustainable Development Strategy (SCADD) to strengthen the economy's resilience to various shocks while promoting inclusive growth and poverty reduction. The measures taken to curb the food crisis brought on by poor rainfall in 2011 and the assistance to refugees fleeing subregional conflicts along with their cattle weighed on the country’s finances. However, good prospects for growth in 2012 as well as benefits from structural reforms in the area of tax collection allowed for substantial growth in budgetary revenues this year.

The government believes that the measures presented in the MEFP will allow it 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 in any event before modifying the measures 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 publication of this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely,

/s/

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

Attachments: Memorandum of Economic and Financial Policies, 2012–13
Revised Technical Memorandum of Understanding
Memorandum of Economic and Financial Policies for 2012–13

I. Introduction

1. Burkina Faso's economic and financial program, supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) aims to consolidate macroeconomic stability, improve prospects for growth, and intensify efforts to reduce poverty, consistent with the objectives of the Accelerated Growth and Sustainable Development Strategy (SCADD). This memorandum reviews implementation of the program at end-June 2012, and defines the economic policies and reforms the government plans to implement in order to achieve the objectives of its economic and financial program for what remains of 2012 and for 2013. In this respect, it supplements the letter of intent of the Minister of Economy and Finance as well as the memorandum of economic and financial policies of May 24, 2012.

II. Economic Situation and Program Implementation at End-June 2012

A. Recent Economic Developments

2. Economic activity developed in a national context marked by the food crisis and the influx of refugees from Mali. Weather conditions favorable to the 2012/2013 agricultural season should allow for accelerated growth. Indeed, according to preliminary estimates, the real GDP growth rate would increase to 8 percent in 2012 compared to 4.2 percent in 2011. After the drought in 2011, agricultural production should increase by 24 percent based on good rainfall and government actions giving producers access to inputs and training, in addition to the rehabilitation and construction of water management infrastructures. The production of cottonseed should increase by 38 percent compared to the 2011/2012 season. This increase in due in part to incentives for producers and the increased use of genetically modified cotton seed. Growth in the production of gold has paused, with production of 19 tons up to the end of June 2012 compared to 20 tons for the same period in 2011.

3. With respect to consumer prices, the average annual rate of inflation is projected to be 3.6 percent. This reflects an increase in commodity prices tied to the food crisis on the one hand and increased fuel prices on the other. Although this increase was more pronounced in the first half of the year, the prospects for a good harvest could reduce the inflation rate to about 2 percent in December 2012. The average inflation rate should thus be slightly higher than the WAEMU standard of 3 percent.

4. As of end-July 2012, imports increased by 46 percent compared to June 2011. Some of this increase was due to imports of food products and essential goods to deal with the food crisis and the influx of refugees. During the same period, exports increased by 15 percent.
The volume of gold exports paused in comparison with the preceding year although this decline was offset by increased prices for gold.

5. The money supply increased by 4.8 percent at end-June 2012 compared to end-December 2011. This reflects increased credits to the economy on one hand and an increase in net foreign assets on the other, due in large part to purchases of short-term bills from other WAEMU countries.

6. Overall, the financial system remains sound. Most banks continue to adhere to prudential standards, are sufficiently capitalized according to the new regional standards, and continue to be active in the regional bond market.

7. Revenue mobilization was strong up to end-June 2012. A continued drive for accountability and increased monitoring of collection units made it possible to recover 17.8 percent more revenue than planned. Strong economic growth, prepayment of corporate tax (IS) by wire transfer, and buoyant VAT collection contributed to this good performance.

8. The execution of spending was slightly lower than planned, particularly for investment. This basically reflects delays in the procurement process. The mid-term review of 2012 budget execution produced recommendations such as close monitoring on a case by case basis of files with the sectoral ministries and downstream support to facilitate full execution. These recommendations will help to improve the execution rate of investment expenditures as anticipated in the framework of the amending finance law for 2012 adopted by Parliament on October 23, 2012.

9. National fuel prices increased by CFAF 50 per liter in March 2012 and an explicit subsidy per liter of fuel was introduced in order to curb the increasing financial losses of SONABHY, the publicly owned fuel import company. In addition, the government assumed SONABHY’s losses for the year 2011 through securitization of the related debt. Due to the decline in international fuel prices in the months that followed and the maintenance of prices at the pump, SONABHY’s monthly losses decreased up to end of the July.

B. Results of the Program’s Quantitative and Structural Criteria

10. All of the program’s quantitative objectives at end-June 2012 were achieved. Minimum total revenue of CFAF 428.8 billion was exceeded by 17.8 percent, with performance of CFAF 505.4 billion. In addition, the net domestic financing ceiling set at CFAF 68.4 billion was observed. The level of social expenditures exceeded the objectives and the overall deficit ceiling, including grants, set at CFAF 116 billion, was observed. The government maintained a prudent policy on external indebtedness: it neither contracted nor guaranteed debt under nonconcessional terms. Moreover, it did not accumulate domestic payment arrears.
11. All the structural measures anticipated as of end-June 2012 were implemented. In particular, this involved (i) deploying the General Tax Directorate’s revenue management software (SINTAX) in three directorates of the Bobo-Dioulasso tax center; (ii) preparing a strategy for gradually reducing government participation in the capital of SOFITEX; and (iii) with private and public operators for delegated project management to implement the action plan for the national microfinance strategy.

12. In the context of continuing actions to improve revenue collection, the General Tax Directorate proceeded to conduct a tax census in six (6) urban communes, the results of which will be used to strengthen management of the taxpayer file. In addition, actions to raise awareness and provide information to improve tax compliance are ongoing.

13. Regarding reduced payment times, nearly all the internal audit units created by decree in October 2011 and established by inter-ministerial order in March 2012 are in operation. Between 2011 and end-August 2012, this has helped to achieve a 19 day reduction in payment times after a service is rendered. Moreover, the institutional reform of the Ministry of Economy and Finance that occurred in July 2012 will also help to improve payment times due to the elimination of duplicate controls in the administrative phase of expenditure execution with the merger of the General Government Procurement Directorate and the General Financial Control Directorate and the subsequent creation of the General Government Procurement and Financial Commitments Directorate.

14. Progress was made in controlling the wage bill with the conduct of the administrative census and biometric enrolment of civil service employees. This operation was carried out from end-May to mid-July 2012 in all regions of the country; it registered 113,844 civil servants compared to a SYGASPE base of 120,420. The data collected are now being processed to provide an accurate database without duplications at year-end 2012.

15. With regard to the implementation of the financial sector strategy, the microfinance strategy action plan became effective with the creation of the permanent secretariat responsible for promoting microfinance (SP-PMF) on the one hand and the creation of the Directorate for Oversight and Control of Decentralized Financial Systems on the other. In addition, the permanent secretariat responsible for promoting and developing microfinance signed contracts for execution of the plan with three (3) delegated project managers (MOD): the Professional Association of Decentralized Financial Systems (APSFD/BF), the Maison de l’Entreprise du Burkina Faso, and the Directorate for Oversight and Control of Decentralized Financial Systems.

16. The authorities continued cotton sector reforms by finalizing the study on the inputs fund. Implementation of the mechanism is planned for the 2013/2014 season.

17. In the area of statistics, monthly production of the consumer price index faced some problems between February and June 2012 as some of the data could not be collected due to administrative capacity problems in connection with the implementation of reforms in civil
service compensation. However, the problem has been resolved, collection of information has resumed and the combination of partial information collected earlier with alternative sources of information has allowed for a credible reconstitution of the series.

III. Economic Policies for the Rest of 2012 and 2013

A. Macroeconomic Framework

18. The government intends to continue its efforts to support growth and reduce poverty while adopting the measures necessary for stability of the macroeconomic framework. An economic growth rate of 8 percent, an average inflation rate on the order of 3.6 percent, and an external current account deficit of 4.7 percent are expected in 2012. For 2013, growth is expected to be 7 percent, the inflation rate should fall to about 2 percent, and the current account deficit should fall modestly.

19. Burkina Faso’s external position should deteriorate in 2012 and improve over the medium term. Indeed, anticipated net capital inflows, particularly in connection with the mobilization of budgetary assistance, should only partially offset the projected deficit for the current transactions account, largely due to high food product import requirements. As a result, the overall balance of payments in 2012 should fall by more than CFAF 70 billion compared to 2011. This was the rationale for the increased resources requested in the context of the program supported by the ECF, with tranches to be disbursed with the conclusion of the fourth and fifth reviews.

20. The macroeconomic objectives will be achieved thanks to actions on (i) continued consolidation of the progress made in the area of public finances; (ii) the implementation of structural reforms; and (iii) the execution of programs planned in the context of the SCADD. Budget resource allocations will focus primarily on: (i) strengthening support to the rural development sector, in particular rehabilitating dams and reservoirs, developing areas around dams to increase the availability of arable land, and actions under way in the special programs; (ii) developing economic infrastructures; (iii) consolidating actions to combat poverty; and (iv) promoting employment and reducing unemployment, particularly among youths and women.

21. In implementing the SCADD, the annual review of May 2012 adopted the 2011 annual performance report and the 2012-2015 performance matrix. The measures and indicators implementation rate was deemed to be generally satisfactory in 2011. The government intends to accelerate implementation of its growth model based on growth centers, including the BagréPôle. This center is structured around: (i) basins with natural resources (secured land tenure and water for agricultural use that can be moved easily and that is properly used and managed), allowing for the development of agricultural, forestry, livestock, and fisheries products linked to real/potential securities markets; (ii) transportation infrastructures so that productive basins can be connected in all seasons to product collection and shipment areas and even to product use/consumption areas; (iii) energy supply
infrastructures adapted to stakeholders’ needs; (iv) infrastructure and equipment, particularly for storage, processing, marketing, and communication; and (v) financial and nonfinancial services needed for the sustainable development of value chains.

22. In the area of consolidating social safety nets, the implementation of the action plan for the national social protection policy will emphasize ensuring the access of vulnerable populations to basic social services by: (i) supporting school enrolment and health for children in disadvantaged households; (ii) providing conditional food support to disadvantaged households; (iii) supporting the empowerment of disadvantaged households; (iv) improving access to health care for children under the age of five and pregnant women; (v) improving the coverage of medical emergencies; and (vi) accelerating mechanisms for implementing universal health insurance in the formal and informal sectors.

B. Budgetary Policy for the Rest of 2012

23. Budgetary policy will basically aim at supporting growth with accelerated execution of investment expenditures in order to deal with the food crisis and the influx of refugees from Mali. Projected budgetary resources for the year were revised upward due to good performance noted in the first half of the year.

24. Budgetary revenues excluding grants should increase, reaching CFAF 902.5 billion, or 16.6 percent of GDP in 2012. This represents an increase of 0.5 percentage points of GDP over the original projections. This growth reflects the level of economic activity and the effect of continued enhancement of the revenue-collecting agencies’ organizational structure using the approach centered on collection units.

25. Expenditures and net lending are projected at CFAF 1472.2 billion, or 27.2 percent of GDP, compared to 24.3 percent in 2011. Current expenditures would increase to 14.5 percent of GDP and poverty reduction expenses should increase to 7.7 percent of GDP.

26. Due to recent increases in international oil prices, SONABHY again suffered modest losses. In the short term, given revenue performance in 2012, the continuation of the per liter subsidy will ensure that current retail prices will be maintained without excessive losses for SONABHY. In the meantime, the government is still determined to introduce as soon as possible a more flexible approach for petroleum prices. This will make it possible to limit the need to resort to subsidies that, due to their general nature, would also cover those who need support the least. It would thus release budgetary resources that could be used to expand priority social programs. The government is working to achieve this in collaboration with its technical and financial partners in order to identify methods that will allow adoption in 2013 of a flexible oil price adjustment system, while protecting vulnerable groups.

27. The level of investment expenditure should increase to 12.5 percent over 2012, as compared to 10.2 percent in 2011. Despite execution delays in the first half of 2012, we
expect that this level of investment spending could be reached based on measures seeking to accelerate spending, as described in paragraph 8.

28. The overall budget deficit (commitment basis, excluding grants) is projected at 10.5 percent of GDP in 2012. The deficit will be financed with budgetary supports. Funds from the last bond issue in the amount of CFAF 30 billion on the WAEMU market will be deposited in the government’s account at the Central Bank for use in 2013.

C. Budget Policy for 2013

29. The government’s 2013 budget priorities were defined on the basis of the objectives established in the Accelerated Growth and Sustainable Development Strategy (SCADD). Thus, for 2013 the priorities revolve around four areas: (i) strengthening the growth pillars with particular attention to the productive sectors (agriculture, livestock, fisheries) and production support (transportation infrastructure, energy, and SMISME promotion); (ii) consolidation of social gains, particularly in the health, education, employment, and social protection sectors; (iii) good governance and combating corruption, with particular emphasis on strengthening the capacities of the justice system and supervisory bodies; and (iv) strengthening territorial defense and domestic security. For the selected priority sectors, interventions will be directed to structural investments with real knock-on effects.

30. Revenues are projected at CFAF 998.7 billion in 2013, reflecting a slight increase to 16.9 percent of GDP. Expenditures are projected at CFAF 1536.8 billion or 26.0 percent of GDP, lower than in 2012 as a result of the abatement of crisis-related spending. Including grants, the projected fiscal deficit is expected to be CFAF 151.6 billion or 2.6 percent of GDP. It will be financed by budget support, the use of funds from the bond issue in 2012, and issuance of a bond by the government. Provisional indicative quarterly macroeconomic targets could serve as a bridge to a potential successor program. The draft budget law submitted for approval by the national assembly reflects somewhat higher revenue and spending projections than the provisionally agreed macroeconomic framework, but provision targets on net domestic financing and the fiscal deficit would be respected nonetheless.

D. Balance of Payments

31. As expected, the current deficit in the balance of payments should increase in 2012. This is notably due to imports of food products for the populations affected by the food crisis, as well as international petroleum prices. The volume of gold exports should contract during 2012. However, the implementation of expansion plans by some mining companies bodes well for accelerated growth over the medium term. Despite improvements in the capital and financial account balances, due in large part to foreign aid, the overall balance should deteriorate and could be financed by IMF disbursements, which were increased during the fourth review of the program.
E. Debt Management Policy

32. Debt policy will continue to be prudent. Upon conclusion of the latest external debt sustainability analysis conducted by the IMF and World Bank in May 2012, Burkina Faso’s risk of debt distress fell from “high” to “moderate.” This new situation opens the door to new financing possibilities other than grants. The government intends to make optimal use of this new possibility by choosing projects that have a maximum impact on growth so as not to compromise the sustainability of the public debt. To do so, it has undertaken to improve the structure of its portfolio of priority projects. To this end, the government intends to seek concessional financing as much as possible.

33. For some large projects, the government has identified some preliminary sources of financing but the terms did not reach the level of concessionality required due to the current environment of very low interest rates. While seeking the best terms possible, the government is likely to request project-specific exceptions to the zero limit on non-concessional borrowing under the program. The government will provide cost-benefit studies for each of the projects, as well as the specific financing terms and lenders.

34. The government is currently taking measures to strengthen its ability to manage debt, particularly with more varied sources of financing. Based on technical assistance from the World Bank and the IMF, a medium-term debt strategy is being developed and should be finalized before the end of this year. In addition, a workshop was organized on the debt sustainability framework. Before the end of the year, the government will produce its own debt sustainability analysis, which will be updated regularly.

IV. Structural Reforms for the Rest of 2012 and 2013

35. The economic and financial program will continue to be supported by the implementation of structural reforms. The benchmarks seek to continue improving the collection of tax revenues, to continue implementing measures already taken to make public sector salary payments more effective, and to improve debt management capacity. For SOFITEX, the previous structural benchmark required hiring an investment bank to help implement the strategy to gradually reduce government participation. However, preliminary results of a recent update of the financial evaluation (benchmark for end-March 2013) indicates that the operational restructuring of SOFITEX undertaken last year will require more time to improve the balance sheet of the company in order to interest potential investors. At this stage, it is thus logical to focus on continued improvement of the company’s financial situation before implementing the strategy for reducing the government’s stake. As a result, we propose to modify the structural measure for end-March 2013 to remove the commitment to hire an investment firm, but keeping the commitment to finalize the financial assessment. Nonetheless, the government reaffirms its intention to reduce its participation in the company once the company’s financial situation has improved. We plan to revisit the timing of the divestiture strategy at the next review when the final
results of the financial assessment and preliminary financial results for 2012 will be available.

36. The other benchmarks involve:

- Continuing actions to improve the level of revenue collection, with finalization before the end of 2012 of the tax information management and verification module (GERIF) now being developed.

- Testing the fourteen (14) centers of the Virtual Link System for Import and Export Operations (SYLVIE) to be completed in Ouagadougou before the end of 2012 for deployment at the national level.

- Continuation of the study of the civil service compensation system with a view to submitting conclusions to the Council of Ministers.

- Linkage between the improved biometric database and the database of the integrated government personnel and payment management system (SIGASPE).

- Strengthened debt management capacity with organization of a training session on developing a medium-term debt strategy for end-December 2012 with technical assistance from the IMF and its adoption by the national public debt committee.

- Submission to the SONAPOST Board of Directors of the strategy for improving the quality of financial services offered by the National Postal Service (SONAPOST).

37. The government is also pursuing many reforms outside the framework of the program. One of the most important reforms is revision of the mining code, currently under way, in order, *inter alia*, to align the mining tax system with best international practices. The government has asked for technical assistance from the IMF for evaluating its mining system in comparison with other comparable countries and improving its mining sector revenue projections.
### Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2012

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

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<td><strong>Quantitative Performance Criteria</strong></td>
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<tr>
<td>Ceiling on net domestic financing of central government ¹</td>
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<td>Accumulation of external arrears ²</td>
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<td><strong>Indicative targets</strong></td>
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<td>Ceiling on the overall fiscal deficit including grants ⁴</td>
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<td>89.4</td>
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<td>Government revenue ⁵</td>
<td>184.5</td>
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<td>225.1 Met</td>
<td>428.8</td>
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<td>Poverty-reducing social expenditures ⁵</td>
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<td>76.4 Not met</td>
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<td>Accumulation of new domestic arrears</td>
<td>0.0</td>
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<td>0.0 Met</td>
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Sources: Burkinabé authorities; and IMF staff estimates and projections.

¹ Including on-lending of prospective IMF disbursements and including a bond of CFAF 59.1 billion that was issued in 2011 and recorded in 2012.

The ceiling on net domestic financing is to be adjusted in line with the TMU definition.

² To be observed continuously.

³ Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market.

This ceiling excludes supplier credit with a maturity of one year or less.

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

⁵ Ninety percent of budget amount. September and December projections assume no changes in monthly targets compared to the 4th review.

⁶ Indicative target.

### Table 2. Burkina Faso: Indicative Targets, 2013

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

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<td>Ceiling on net domestic financing of central government</td>
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<td>Government revenue</td>
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<td>Poverty-reducing social expenditures</td>
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<td>Accumulation of new domestic arrears</td>
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Sources: Burkinabé authorities; and IMF staff estimates and projections.

1 Including on-lending of prospective IMF disbursements.
2 To be observed continuously.
3 Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market.
4 The ceiling on the overall fiscal deficit is to be adjusted in line with the TMU definition. It is calculated on a commitment basis.
5 Ninety percent of budget amount. September and December projections assume no changes in monthly targets
6 Indicative target.
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<td>Fiscal management</td>
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<td>Develop and implement</td>
<td>Strengthening tax administration through limiting fraud.</td>
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<td>improve service delivery.</td>
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<td>Conduct and complete</td>
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<td>Committee.</td>
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<td>Cotton sector</td>
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<tr>
<td>Continue the process of</td>
<td>Eliminate market distortions and reduce public stake.</td>
<td>March 2013</td>
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<tr>
<td>divesting the government’s</td>
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<td>holdings in SOFITEX by</td>
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<td>updating an assessment</td>
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<td>of the company’s</td>
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<td>financial position.</td>
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<td>Financial sector</td>
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<tr>
<td>Prepare the strategy to</td>
<td>Deepen access to financial services</td>
<td>December 2012</td>
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<td>improve the quality of</td>
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<td>financial services</td>
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<td>offered by the national</td>
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<td>postal service (SONAPOST)</td>
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<td>and submit it to the</td>
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<td>SONAPOST board of</td>
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<td>directors.</td>
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TECHNICAL MEMORANDUM OF UNDERSTANDING

Ouagadougou, November 30, 2012

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 deadlines for the submission of data to IMF staff.

I. DEFINITIONS

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

3. Definition of debt. For the purposes of the relevant performance criteria, the definition of debt is set out in IMF Executive Board Decision No.6230-(79/140), Point 9, as amended August 31, 2009 (Decision No. 14416-(09/91), as published on the IMF website.

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

5. Debt concessionality. For the purposes of the relevant performance criteria, a debt is considered concessional if it includes a grant element of at least 35 percent.\(^1\) The present value (PV) of debt at the time it is contracted is calculated by discounting the borrower’s future debt service payments on the debt.\(^2\) The discount rates used for this purpose are the currency-specific commercial interest reference rates (CIRRs), published by OECD.\(^3\) For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more) are added to the ten-year and six-month CIRR averages.

\(^1\) The following page of the IMF website provides a tool to calculate the grant element of a wide range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

\(^2\) The calculation of concessionality takes all aspects of the loan agreement into consideration, including maturity, grace period, repayment schedule, upfront fees, and management fees.

\(^3\) For loans denominated in currencies for which the OECD does not calculate the CIRR, the grant element calculation should be based on the (average weighted) composite CIRR of the currencies in the SDR basket.
6. **External debt.** For the purposes of the relevant performance criteria, external debt is defined as debt contracted or serviced in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries. The relevant performance criteria apply to the external debt of the government, public enterprises, and other public entities in which the government 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.

7. **Reporting requirements.** The government will promptly inform IMF staff when new external debt is contracted or guaranteed, including the applicable terms, within a maximum of two weeks after signature of the contract.

II. **Quantitative Performance Criteria**

8. The revised quantitative performance criteria proposed for December 2012 relate to: (i) net domestic financing as defined in paragraph 9; (ii) the contracting or guarantee of nonconcessional external debt, as defined in section 1; and (iii) the non-accumulation of payment arrears on external debt service. The amounts provided in the program for September 2012 and March 2013 are indicative targets. The amounts provided in the program for June, September, and December 2013 represent a hypothetical framework for a potential successor program.

A. **Net Domestic Financing**

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

10. The cumulative ceiling on net domestic financing will be adjusted upward in the amount by which external program support, excluding project grants and loans, falls short of the projected amount, up to a maximum of CFAF 53 billion. The shortfall in external program assistance (grants and loans) will be calculated in reference to the projections in Table 1 below. The ceiling will not be adjusted downward in the event the external program assistance is higher than programmed.

Table 1: External Program Assistance (cumulative, CFAF billions)

<table>
<thead>
<tr>
<th></th>
<th>End-September 2012</th>
<th>End-December 2012</th>
<th>End-March 2013</th>
<th>End-June 2013</th>
<th>End-September 2013</th>
<th>End-December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and loans</td>
<td>152.1</td>
<td>177.2</td>
<td>36.3</td>
<td>56.4</td>
<td>107.8</td>
<td>113.9</td>
</tr>
</tbody>
</table>

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

B. Nonaccumulation of External Payment Arrears

Performance criterion

12. 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 obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. Nonaccumulation of external arrears is a performance criterion, to be observed continuously.

Reporting deadlines

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

C. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

14. The government undertakes not to contract or guarantee any nonconcessional external debt beyond the ceiling indicated in MEFP Table 1. This performance criterion applies external debt as defined in paragraph 6 of this memorandum. It utilizes the concept of
concessionality as defined in paragraph 5 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 section I of this memorandum. In addition, this criterion applies to public enterprises, local governments, and other public sector entities (including public administrative, professional, scientific and technical agencies) unless excluded in MEFP Table 1. However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers’ regular short-term credits, or to IMF loans. This commitment is a performance criterion to be observed continuously. It is measured on a cumulative basis from the IMF Executive Board’s approval of the ECF, and no adjustment factor will apply.

**Reporting deadlines**

15. 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.

**III. OTHER QUANTITATIVE INDICATIVE TARGETS**

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

**A. Overall Deficit Including Grants**

**Definition**

17. For the program, the overall deficit including grants is valued on a commitment basis. It is defined as 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 as the sum of: (i) net bank credit to the government, including the sum of net bank credit to the Treasury as defined below and other government claims and debts vis-à-vis national banking institutions; (ii) the stock of unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. Net bank credit to the treasury is defined as the balance of treasury claims and debts vis-à-vis national bank institutions. Treasury claims include cash holdings of the Burkinabè Treasury, central bank deposits, deposits with commercial banks, secured obligations, and government deposits in postal service checking accounts (CCP). Treasury debt to the banking system includes central bank funding (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, commercial bank funding (including government securities held by commercial banks), and securitized deposits of the national postal savings fund (CNE/CCP). Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose figures are deemed
valid for program purposes. The stock of Treasury bills and bonds and net government external financing is calculated by the Ministry of Economy and Finance. The cash basis adjustment is defined as the sum of: (i) all unpaid expenditure commitments and (ii) the change in treasury deposits.

18. The foregoing items are calculated based on the government budget execution report presented each month in the government financial operations table prepared by the Ministry of Economy and Finance.

Adjustment

19. The overall deficit including grants will be adjusted upward in the amount by which grants fall short of the programmed amount, up to a maximum of CFAF 25 billion. It will not be adjusted if grants are higher than programmed. The shortfall will be calculated in reference to the projections in Table 2 below.

20. The overall deficit including grants will also be adjusted upward in the amount by which concessional loans exceed the programmed amount, up to a maximum of CFAF 15 billion. The surplus will be calculated in reference to the projections in Table 2 below.

<table>
<thead>
<tr>
<th>Table 2: External Assistance (cumulative, CFAF billions)</th>
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<tr>
<td></td>
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<tr>
<td>Grants</td>
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<tr>
<td>(program and projects)</td>
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<td>Loans</td>
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</table>

Reporting deadlines

21. The Ministry of Economy and Finance will forward data to the IMF on the overall deficit excluding grants within six weeks after the end of each quarter.

B. Total Government Revenue

Definition

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

**Reporting deadlines**

23. The Ministry of Finance and Budget will forward details on total revenue to the IMF within six weeks after the end of each month.

**C. Poverty-Reducing Social Expenditures**

**Definition**

24. Poverty-reducing social expenditures are defined as the expenditures of sectors sponsoring the priority programs identified in the Accelerated Growth and Sustainable Development Strategy (SCADD) to accelerate the achievement of poverty reduction objectives. The expenditures cover all spending categories for the following ministries: Basic Education; Health; Social Action and National Solidarity; Promotion of Women; Civil Service, Labor and Social Security (only the labor and social security components); Youth, Professional Training and Employment; Agriculture and Water; Animal Resources; and Environment and Sustainable Development. They also cover rural roads and Heavily Indebted Poor Countries (HIPC) initiative (Category 5) for infrastructures, and HIPC expenditures only for Communication; Mines, Quarries, and Energy; Justice and the Ministry of Economy and Finance. These expenditures are monitored directly through the budget, and the indicative threshold for the program will be 90 percent of the amount established by the budget authority.

**Reporting deadlines**

25. The government will forward monthly data on poverty-reducing social expenditures within six weeks after the end of each month. It will also submit the poverty-reducing expenditure execution report each quarter.

**D. Nonaccumulation of Domestic Payment Arrears**

**Definition**

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

**Reporting deadlines**

27. Data on balances, accumulation, and repayment of arrears on domestic government obligations will be reported within four weeks after the end of each month.
V. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Public Finance

28. The government will forward the following data to IMF staff in MS Excel format:

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

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

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

- Quarterly data on the stock of external debt, external debt service, external debt contracted, and external debt repayment, to be sent within six weeks after the end of each quarter;

- Monthly data in table format on the monitoring of social poverty-reducing expenditures, to be submitted at the same intervals provided above for the TOFE;

- Monthly data on petroleum product prices, consumption, and taxes, including:
  
  - (i) the price structure for the month concerned;
  
  - (ii) detailed calculation of the price structure, from the f.o.b.-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 paid; to be provided within four weeks after the end of each month;

- 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), to be provided within six weeks after the end of each month;
B. Monetary Sector

29. Within six weeks after the end of each month, the government will forward:
   o the consolidated balance sheet of monetary institutions;
   o the monetary survey, within six weeks after the end of the month for provisional data, and within ten weeks after the end of each month for final data;
   o the lending and borrowing interest rates;
   o the standard bank supervision indicators for banks and nonbank financial institutions.

C. Balance of Payments

30. The government will transmit the following to IMF staff:
   o any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions), as they occur;
   o Foreign trade statistics compiled by the National Statistics Institute, within three months after the end of the month concerned; and
   o Preliminary annual balance of payments data, within nine months after the end of the year concerned.

D. Real Sector

31. The government will transmit the following to IMF staff:
   o Disaggregated monthly consumer price index, monthly within two weeks after the end of each month;
   o Provisional national accounts; and
   o Any revision of the national accounts.

E. Structural Reforms and Other Data

32. The government will transmit the following to IMF staff:
   o Any study or official report on Burkina Faso’s economy, within two weeks after publication thereof; and
   o Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or no later than the date of entry into force.