BURKINA FASO

LETTER OF INTENT

This paper on Burkina Faso was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on April 8, 2020

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International Monetary Fund
Washington, D.C.
Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
700 19th Street NW  
Washington, DC 20431 (USA)  

Dear Madam Managing Director:

1. Burkina Faso’s economic outlook for 2020 has worsened significantly due to the negative impact of the Covid-19 pandemic. As of today, Burkina Faso is one of the countries most affected by this epidemic in Sub-Saharan Africa. Since the first confirmed case on March 9, the number of infections has grown to 384 by April 7, resulting in nineteen deaths. To contain the outbreak, the government has undertaken several urgent measures, including a nationwide curfew, closure of schools and universities, cancelation of major public events, closure of terrestrial borders and suspension of commercial flights, prohibition of interurban public transport, closure of main markets in major urban centers, and the quarantine of the affected cities (prohibition of entry and exit), including Ouagadougou, Bobo-Dioulasso, etc.. This hardship comes at a time when the country was already facing marked deterioration of security conditions, resulting in a sharp rise in Internally Displaced People, as well as persistent social unrest in the public administration.

2. Our preliminary estimates suggest that real GDP growth could decline to at least 2.0 percent in 2020, 4 percentage points lower than the pre-pandemic projection of 6 percent at the time of the third review of the ECF arrangement. We anticipate that activity in the sectors of tourism, transportation, commerce and mining will be seriously impacted. This situation, combined with the widespread slowdown in activity due to individual and public health measures, is expected to worsen revenue collection by 2.1 percentage points of GDP compared to projections at the time of the third review. In this context, construction and public works and the preparation of the 2020-2021 agricultural campaign will also be very affected.

3. The government budget will be adjusted to mitigate the socio-economic impacts of the pandemic. Although the duration of the pandemic remains very uncertain, we have prepared a response and mitigation plan for the effects of COVID-19 on the national economy, with a total cost currently estimated at CFAF 256.4 billion (2.7 percent of GDP) in 2020. Our health sector response plan, with a provisionally estimated cost of CFAF 177.2 billion (1.8 percent of GDP), aims to address immediate medical needs as well as actions to strengthen the resilience of our health system. Short-term measures include the purchase of medical supplies and materials, as well as mobilizing additional resources to expand lab testing capacity and bed availability in the hospitals. In the
medium term, the plan envisages massive investment and upgrading of the technical platforms of the national and regional university hospital centers. The government is further working on budgetary measures to limit the harmful economic effects of COVID-19 on businesses and workers, and fiscal and financing measures will be enacted. In addition to such measures, other strong actions will be deployed in favor of vulnerable populations and informal sector operators who are strongly affected. The government will continually review its Covid-19 response and mitigation plan as the situation evolves.

4. The country’s external account is expected to worsen in 2020, despite lower oil prices. The current account deficit is projected to widen relative to the pre-pandemic projection, reflecting likely lower exports of cotton and gold. Declines in tourism receipts could further deteriorate the current account. Remittances are projected to be lower, particularly as the neighbor Côte D’Ivoire, the major origin of workers remittances, is also significantly affected by the pandemic. FDI inflows related to the exploration of gold, our main commodity export, along with portfolio inflows, are also negatively impacted, compared to the third review.

5. Against this background, the Government of Burkina Faso requests emergency financing from the IMF under the Rapid Credit Facility (RCF) exogenous shocks window in the amount of SDR84.28 million, equivalent to 70 percent of the country’s quota, to ease the fiscal and BOP pressure. The Fund’s disbursement along with the expected financing from the World Bank and the African Development Bank, will help catalyze support from other partners, to close the remaining financing gap in 2020. We are reaching out to other donors to help close this gap.

6. The government remains committed to the ECF-supported program. We met all December 2019 quantitative performance criteria and all-but-one indicative target. All structural benchmarks were also met, including our continuous commitment not to conclude any new wage agreements outside of the security sector. However, the impact of the pandemic on the economic outlook and the accompanying restrictions make completing the fourth review of the ECF arrangement difficult at this juncture. We will ensure that the any additional spending beyond the required to directly address the pandemic will not jeopardize the macroeconomic stability envisaged under the ECF program, and that the public debt remains sustainable, in conformity with the regional and international agreements in effect or which may be agreed. The government also commits to a transparent and accountable use of the funds disbursed under the RCF, including by enhancing transparency of health-related expenditures. Due to the delay in the completion of the fourth review under the ECF arrangement and to allow for an RCF request of 70 percent of quota, we request that the availability date for the fourth review under the ECF arrangement be moved from June 15, 2020 to July 20, 2020.
7. The government believes that the requested RCF disbursement will be essential to achieve the social and economic objectives. The government stands ready to take, in consultation with the IMF, any further measures that may prove necessary to that end. The government will provide the IMF with any information relating to the use of the RCF disbursement at the IMF’s request. The government will not introduce measures or policies, including exchange measures and trade restrictions, that would compound Burkina Faso’s balance of payments difficulties. With respect to the safeguards assessment, we note that the latest safeguards assessment of the BCEAO was completed in 2018.

As in the past, the government authorizes the IMF to publish this Letter and the IMF Staff Report once they are approved by the IMF Executive Board.

Very truly yours,

/s/

Lassané KABORE
Officier de l’Ordre de l’Etalon