

**Burkina Faso: First Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Waiver of Nonobservance of Performance Criterion—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burkina Faso.**

In the context of the first review under the three-year arrangement under the extended credit facility and request for a waiver of nonobservance of performance criterion, the following documents have been released and are included in this package:

- The staff report for the First Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Waiver of Nonobservance of Performance Criterion, prepared by a staff team of the IMF, following discussions that ended on September 30, 2010, with the officials of Burkina Faso on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 18, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the views of the Executive Board as expressed during its December 3, 2010 discussion of the staff report that completed the request and/or review.
- A statement by the Executive Director for Burkina Faso.

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

Letter of Intent sent to the IMF by the authorities of Burkina Faso\*  
Memorandum of Economic and Financial Policies by the authorities of Burkina Faso\*

\*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

BURKINA FASO

**First Review Under the Three-Year Arrangement Under the Extended Credit Facility  
and Request for a Waiver of Nonobservance of Performance Criterion**

Prepared by the African Department

Approved by Peter Allum and Thomas Dorsey

November 18, 2010

**The arrangement.** On June 14, 2010 the Executive Board approved Burkina Faso's three-year arrangement under the Extended Credit Facility (ECF) totaling SDR 46.154 million (76.67 percent of quota).

**The mission.** The team comprised Mrs. Kabedi-Mbuyi (Head), Ms. Diouf, Ms. Adenauer (resident representative), and Messrs. Boutin-Dufresne and Lonkeng Ngouana (all AFR). The mission took place in Ouagadougou during September 16–30, 2010. The team met with Mr. Lucien N. Bembamba, Minister of Economy and Finance; Mr. Bolo Sanou, the National Director of the BCEAO; and other senior officials. Discussions were also held with the private sector, labor union representatives, civil society organizations, the donor community, and the press.

**Mission outcome.** Performance under the program was generally satisfactory. At end-June 2010, the authorities implemented all structural benchmarks, and met all quantitative performance criteria but one. They are requesting a waiver for nonobservance of the performance criterion on the overall deficit, which was due to the delayed disbursement of budget grants. Staff supports the authorities' request because the breach was temporary. Because the budget grants expected in June were disbursed in August, the authorities expect to meet the end-December fiscal target. Staff recommends the completion of the first ECF review based on the authorities' performance record and policy commitment in the attached Letter of Intent.

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### List of Acronyms

BCEAO	Central Bank of West African States
BIC	tax on industrial and commercial profits
GNF	goods and nonfactor services
GNI	gross national income
CPIA	Country Policy and Institutional Assessment
DeMPA	Debt Management Performance Assessment
IGF	Inspection Générale des Finances (General Finance Inspection)
LTO	large taxpayer office
MCC	Millennium Challenge Corporation
MEFP	Memorandum of Economic and Financial Policies
MTO	medium taxpayer office
PV	present value
OHADA	Organization for the Harmonization of Business Law in Africa
PC	performance criterion
PFM	public financial management
PRSP	Poverty Reduction Strategy Paper
REER	real effective exchange rate
SCADD	Stratégie pour une Croissance Accélérée et pour le Développement Durable (Strategy for Accelerated Growth and Sustainable Development)
SOFITEX	Société Burkinabè des Fibres Textiles (The largest cotton ginning company)
VAT	value-added tax
WAEMU	West African Economic and Monetary Union

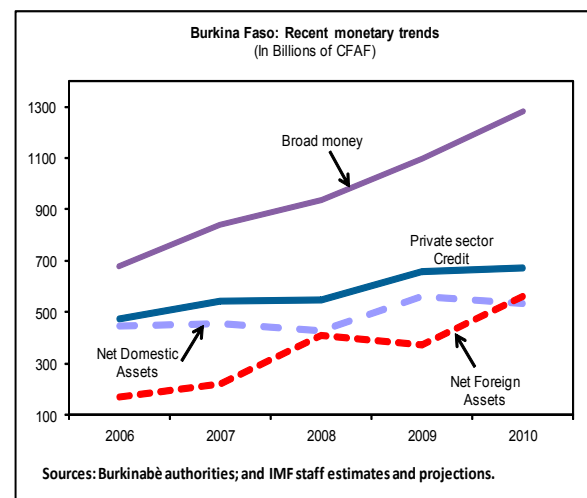
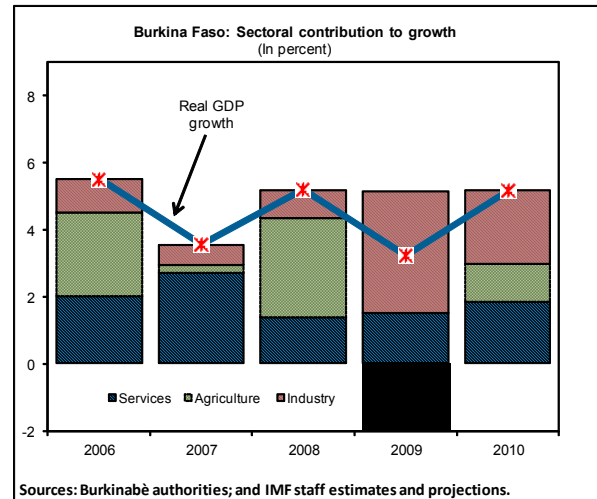
## EXECUTIVE SUMMARY

- **Economic recovery gained momentum in the first half of 2010, and short-term prospects have improved.** Private sector activity has picked up, and agriculture production increased because of favorable climatic conditions, thus keeping price pressures down. With improved prospects in the cotton and mining sectors, economic growth in 2010–11 is projected to be higher than originally anticipated.
- **Program implementation was generally good.** The authorities met all end-June quantitative performance criteria (PCs) but one. The PC on the overall deficit (commitment basis, including grants) was above the target because a significant share of budget grants programmed for end-June was disbursed in August. The authorities observed structural benchmarks through end-September, and made progress on measures programmed for the remainder of the year.
- **Fiscal consolidation is essential for Burkina Faso’s macroeconomic stability and debt sustainability.** The authorities’ medium-term fiscal strategy focuses on enhancing revenue performance and increasing spending in priority areas. They plan to improve efficiency in tax administration further, and intensify measures to combat tax evasion. They intend to increase capital spending to rebuild infrastructure damaged by flood in 2009-10 and support economic growth.
- **Structural reforms remain focused on a few priority areas supporting growth and macroeconomic stability.** Program measures aim to enhance revenue collection and expenditure management, strengthen financial viability in the cotton sector, promote financial intermediation, and support private sector development.
- **Burkina Faso’s external position remains weak.** The export base is narrow, and the risk of debt distress is high. To address these vulnerabilities, the authorities seek to support export diversification opportunities, notably in the agriculture and mining sectors, and remain committed to prudent borrowing policies.
- **Terms of trade and weather-related shocks are the main risks to the economic outlook.** They may generate additional public spending and hamper fiscal consolidation. Efficient implementation of growth-enhancing reforms and progress towards export diversification would help the authorities mitigate these risks.
- **The authorities are requesting a waiver** for nonobservance of the PC on the fiscal deficit at end-June. Staff supports the request because the breach was temporary. It recommends the completion of the first ECF review based on the authorities’ performance record and policy commitment.

## I. RECENT DEVELOPMENTS AND SHORT-TERM OUTLOOK

### 1. Recent macroeconomic developments show that the short-term outlook has improved (Tables 1–3).

- *Economic activity has strengthened and growth is expected to be higher than anticipated.* Private sector activity has picked up, aided mainly by higher agriculture and mining production.
- *Inflation has been low.* The 12-month inflation rate declined by 1 percent in June, reflecting mostly increased food supply. It is estimated at 0.1 percent for the year.
- *Better terms of trade have improved the external position.* With the rebound in global cotton prices and the increase in gold prices, the external position is projected to worsen only marginally compared with 2009.
- *Money supply rose significantly at end-June* mainly owing to an increase in net foreign assets, reflecting the improved external position. Credit to the economy strengthened, in line with the economic recovery, and net credit to the government increased.



### 2. Fiscal policy has been broadly prudent in the run up to the November presidential election, and end-year targets are achievable (Text Table 1, MEFP ¶ 4–5).

- *Revenue over-performed at end-June and is projected to be higher than programmed.* Administrative measures, including strengthened monitoring of revenue collecting agencies and increasing efforts to combat fraud, combined with a projected nontax revenue windfall of 1.4 percent of GDP from the renewal of mobile phone licenses are expected to increase revenue to 15.6 percent of GDP in 2010 (13.9 percent in the program).

- *Total expenditure was slightly lower than programmed at end-June. It is projected to increase in the second part of the year because of higher capital outlays.* The implementation of the investment budget is hampered by low administrative capacity and bottlenecks in procurement procedures. Early preparation of investment projects is one of the measures taken by the authorities to accelerate investment execution in 2010–11. The authorities spent 1.6 percent of GDP on 2009 budget appropriations through end-April 2010. They agreed with staff that closing the 2009 budget in April 2010 was not in compliance with legal procedures, which set December as the end of the fiscal year. The authorities explained that the one-off expenditure covered programs approved by parliament in 2009 to address the impact of exogenous shocks, including the September 2009 flood and the global economic downturn.
- *The authorities' response to the July flood is not expected to strain the 2010 budget.* They allocated about CFAF 4 billion for humanitarian assistance to flood victims and are assessing infrastructure damage.

	2008	2009	2010			
			Jan–June		Year	
			Prog.	Proj.	Prog.	Proj.
Total revenue and grants	17.1	19.4	10.2	8.5	20.1	22.0
Total revenue	13.1	13.5	7.0	7.3	13.9	15.6
Tax revenue	12.1	12.4	6.6	6.7	12.8	13.0
Nontax revenue	1.1	1.1	0.4	0.6	1.0	2.6
Grants	4.0	5.8	3.1	1.3	6.3	6.4
Project	1.6	2.2	1.4	0.6	2.9	2.8
Program	2.4	3.7	1.7	0.7	3.4	3.5
Total expenditure and net lending	21.6	24.1	12.3	12.1	25.1	26.8
Current	12.3	12.5	6.2	6.2	12.6	12.4
Wage bill	5.4	5.7	2.8	2.6	5.7	5.7
Nonwage expenditure	6.9	6.8	3.4	3.6	6.9	6.7
Capital	8.9	11.5	6.1	4.4	12.4	12.9
Domestically financed	5.4	6.6	3.0	2.1	6.0	6.5
Foreign financed	3.5	4.9	3.2	2.2	6.4	6.3
Unclassified	0.0	0.0	0.0	1.6	0.0	1.6
Net lending	0.3	0.1	0.0	-0.1	0.2	-0.1
Overall balance (commitment basis)						
Including grants	-4.5	-4.7	-2.1	-3.5	-5.0	-4.8
Excluding grants	-8.4	-10.6	-5.3	-4.8	-11.3	-11.2

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

## II. PERFORMANCE UNDER THE PROGRAM

3. **Program performance was broadly satisfactory** (MEFP ¶ 8–11; Tables 1 and 2).
- *The authorities met all structural benchmarks at end-June and made progress on other structural reforms.* They adopted legal documents implementing the tax reform approved by parliament in January 2010 and produced the first quarterly report on poverty-reducing expenditure. Structural benchmarks at end-September were also met, and measures programmed for December are well underway.
  - *Most quantitative PCs and indicative targets were met.* The authorities maintained a sound external borrowing policy, and did not accumulate arrears. The indicative targets on revenue and on the large taxpayer non-filer rate were exceeded, while priority social spending was slightly below target. The authorities are requesting a waiver for nonobservance of the PC on the overall budget deficit (commitment basis, including grants) that was above the end-June target by about 0.9 percent of GDP, because budget grants programmed for end-June were disbursed in August, reflecting administrative delays. Because the revised 2010 forecast for budget aid is higher than programmed, the authorities expect to meet the end-December PC on the overall deficit.

## III. POLICY DISCUSSIONS

4. **The authorities reiterated commitment to sound policies to accelerate growth and poverty reduction.** Discussions focused on three key issues: (i) strengthening and diversifying growth; (ii) improving fiscal sustainability; and (iii) addressing external sector vulnerabilities. Staff reached agreements with the authorities on new structural reform measures for 2011 to support the above goals (Text Table 2; MEFP Table 2).

Measures	Objective	Due Date
Prepare an audit of expenditure commitment systems in line ministries	Enhance expenditure management	June
Implement a new pricing and taxation system for petroleum products	Reduce subsidies	June
Set up an electronic system to improve merchandise valuation in two customs posts	Strengthen revenue collection	December
Set up a one-stop window for customs clearance	Improve the business environment	December
Implement key measures from the new microfinance sector strategy	Increase access to financial services	June
Complete the civil service census and harmonize the payroll system and the civil service roster	Improve the wage policy	December



## A. Strengthening and Diversifying Growth

5. **The policy framework aims to achieve the following objectives by 2013** (Text Table 3): (i) a real GDP growth above 6 percent; (ii) an average inflation rate of 2 percent, slightly below the regional convergence criterion; and (iii) an external current account deficit (excluding official transfers) around 11 percent of GDP. These objectives are consistent with the authorities' PRSP. Burkina Faso's medium-term outlook is similar to other WAEMU countries, with a projected stronger performance on growth and inflation (Figure 1).

	Original ECF Program Projections <sup>1</sup>				Revised Projections			
	2010	2011	2012	2013	2010	2011	2012	2013
<b>GDP and prices</b>								
Real GDP <sup>2</sup>	4.4	4.7	5.5	6.2	5.2	5.5	5.6	6.2
Consumer prices (period average) <sup>2</sup>	2.3	2.0	2.0	2.0	0.2	2.0	2.0	2.0
Gross domestic investment <sup>3</sup>	21.2	20.8	21.5	23.0	22.8	24.5	25.3	26.0
<b>Fiscal indicators <sup>3</sup></b>								
Total revenue	13.9	14.9	15.4	15.9	15.6	15.7	16.1	17.0
Total expenditure	25.1	24.9	24.8	24.7	26.8	25.2	25.3	25.6
Basic primary balance	-4.5	-1.1	-0.7	-0.5	-4.4	-2.7	-1.9	-1.2
Overall budget balance (excluding grants)	-11.3	-9.9	-9.4	-8.9	-11.2	-9.6	-9.2	-8.6
<b>Balance of payments indicators</b>								
Current account balance (excl. official transfers) <sup>3</sup>	-13.1	-13.7	-13.1	-11.7	-9.3	-9.6	-11.3	-11.0
Export <sup>2</sup>								
Cotton								
volume	-15.1	8.9	10.5	12.0	-20.4	37.5	16.0	15.0
price (US\$ cents per pound)	22.7	1.3	0.0	0.0	35.5	-5.9	-2.5	0.0
Gold								
volume	48.2	21.0	17.1	3.9	52.5	40.0	7.6	6.4
price (US\$ per troy ounce)	16.8	1.2	2.6	1.5	21.6	3.1	2.0	2.9
Import of goods (value, fob) <sup>2</sup>	24.7	13.6	9.7	2.5	23.7	23.3	14.9	6.9
Petroleum products (share of goods imports)	34.3	32.6	29.9	30.5	29.8	27.9	31.5	32.2
Average petroleum spot price (US\$ per barrel) <sup>2</sup>	29.5	3.8	1.5	0.9	23.3	3.3	4.4	3.0

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

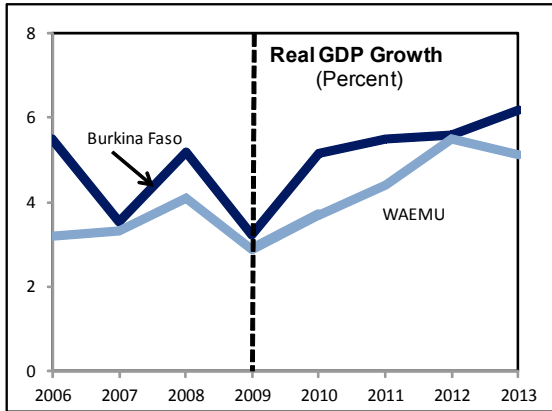
<sup>1</sup> IMF Country Report 10/197.

<sup>2</sup> Annual percentage change.

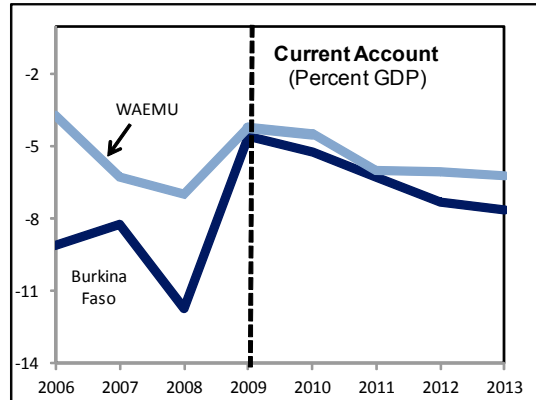
<sup>3</sup> In percent of GDP.

**Figure 1. Burkina Faso and WAEMU Comparators: Recent Economic Developments and Medium-Term Prospects**

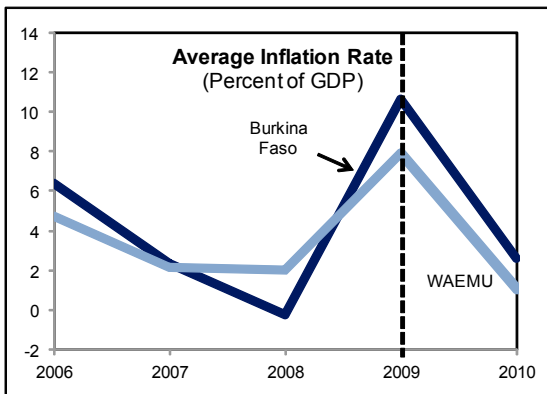
*Growth continues to exceed the WAEMU average.*



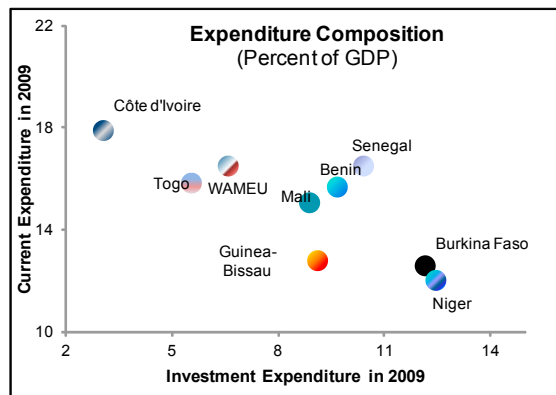
*The current account performance has been boosted by gold exports, ...*



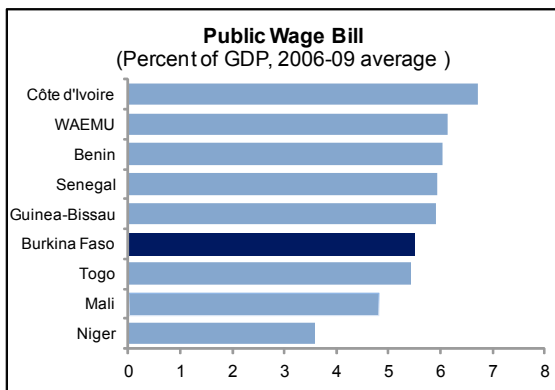
*... and inflation is declining after a sharp increase in 2008.*



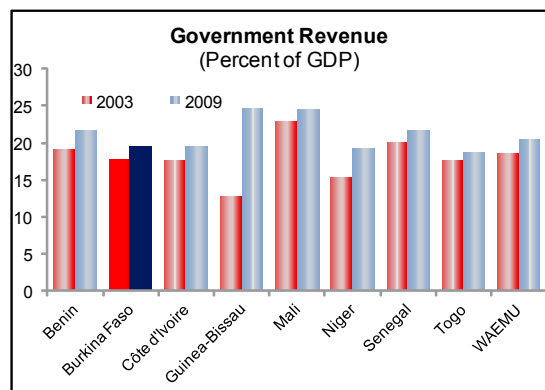
*The composition of public spending favors investment.*



*The public wage bill is moderate and slightly below the regional average.*



*The revenue increase, however, has been relatively timid.*



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

6. **Agriculture, cotton, and mining are the main sources of growth.** Their expansion has therefore been among the authorities' policy priorities. These sectors' vulnerability to weather-related and terms of trade shocks makes medium-term growth prospects uncertain, pointing to the need for the authorities to advance the structural reform agenda and preserve macroeconomic stability.

- *Measures taken in recent years to support the agriculture sector are expected to increase production, notably of cereal, and help contain inflationary pressures.* The authorities are contemplating additional support to the sector with export diversification initiatives. However, they face financing constraints.
- *In the cotton sector, prospects have improved and the authorities are pushing ahead with reforms.* Production is projected to increase, reflecting: (i) the extended use of genetically modified seeds, which is expected to increase productivity; (ii) the rebound in global prices; and (iii) the recent increase in producers' prices. The authorities agreed with staff that progress in rehabilitating the sector is crucial for its medium-term viability, and that improved short-term prospects provide an opportunity to press ahead with needed reforms, and reduce the sector's weight on public finance. They therefore, have initiated discussions with SOFITEX for the refund of payments made by the treasury to the banking system in 2009–10 on its debt, and set up a framework to monitor reform implementation. Key measures planned for 2010-11 aim to strengthen the company's management and risk assessment. The authorities are working with other stakeholders to improve the cotton price-smoothing mechanism, and identify new financing schemes for cotton inputs (MEFP ¶ 24 and Table 2).
- *Medium-term prospects have improved in the mining sector.* Gold production is expected to increase as new mines become operational and the largest mine accelerates operations to benefit from high global prices. Good prospects exist for developing other minerals, and the authorities are continuing discussions with potential investors, notably for manganese, copper, iron ore, and zinc.

7. **To accelerate broad-based growth, the authorities plan to increase public investment and improve the business environment.** Under the new growth strategy (SCADD) to be adopted in early 2011, the authorities plan to achieve double-digit growth by 2013. To meet this goal, they intend to significantly increase public investment, notably in infrastructure. They agreed with staff, however, that more ambitious measures are needed to improve efficiency in the execution of the public investment budget, and that financing options have to be assessed in light of implications for growth and debt sustainability. To support private sector development, two measures are planned for 2011: setting-up a one-stop window at customs to expedite imports clearance; and beginning of operations of the two commercial courts established in 2009. For the latter, the authorities have developed a constructive dialogue framework with the private sector through the Chamber of Commerce.

In the financial sector, they plan to accelerate implementation of measures aimed at increasing access to financial services, notably through rehabilitation of the two ailing banks, and strengthening of microfinance institutions (MEFP ¶ 26).

## **B. Improving Fiscal Sustainability**

8. **The authorities' medium-term fiscal strategy aims to improve fiscal sustainability through continued revenue-enhancing measures and PFM reforms** (Table 4, Figure 2). By 2013, revenue is expected to reach 17 percent of GDP, benefitting from continued improvement in tax administration, new tax policy measures, and higher revenue from the mining sector. Future program reviews will provide an opportunity to agree with the authorities on specific revenue measures. Spending is projected to stand at some 25.6 percent of GDP with increasing pro-poor and capital outlays. Within this framework, the 2011 overall fiscal deficit is projected to narrow to 3.9 percent of GDP (MEFP ¶ 15).

9. **Revenue is expected to increase to 15.7 percent of GDP in 2011.** Key measures include: the introduction of a corporate tax with the entry into force of the 2010 tax reform; the increase in the excise tax rate for alcoholic beverages from 25 to 30 percent; the increase in gold royalties from 3 percent of turnover to 5 percent; and expected receipts from a fourth mobile phone license. Revenue performance is also expected to benefit from further administrative efficiency gains from the introduction of an electronic system for import valuation at customs, and the setting-up of a Medium-Sized Enterprises Unit in the Tax Department to strengthen monitoring and compliance (MEFP ¶ 16).

10. **Expenditure is programmed to decline to 25 percent of GDP in 2011,** following the completion of one-off investment programs in 2010. Current expenditure is expected to stabilize at about 12½ percent of GDP. Because the authorities plan to enhance their social policies, pro-poor spending is set to reach 6½ percent of GDP, with priority for areas related to the MDGs (MEFP ¶ 12, 15, 17).

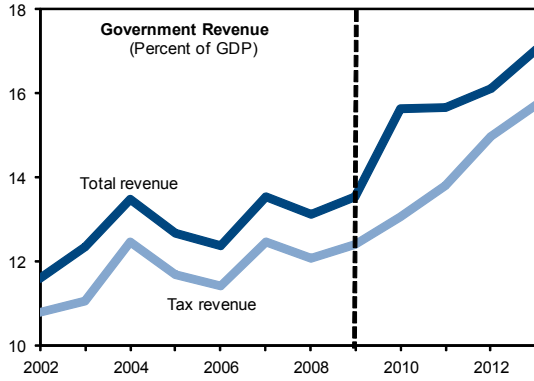
11. **The 2011 draft budget is consistent with the program framework.** It is financed largely with expected donor support, and programmed ECF disbursements, supplemented by bonds to be issued in the regional WAEMU market. Staff called the authorities' attention on the projected increase in domestic debt service (Figure 3) on bond issued in previous years.<sup>1</sup>

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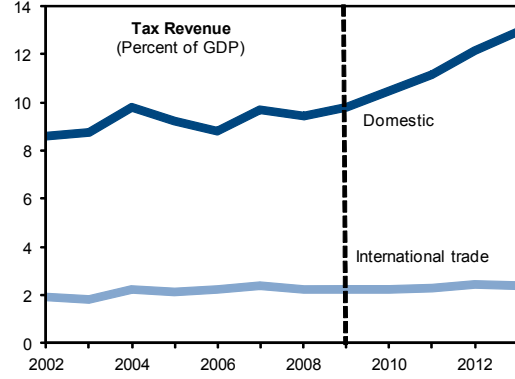
<sup>1</sup> Burkina Faso's stock of bonds issued in the regional market amounted to 3.7 percent of GDP at end-2010.

**Figure 2. Burkina Faso: Fiscal Indicators, 2002–13**

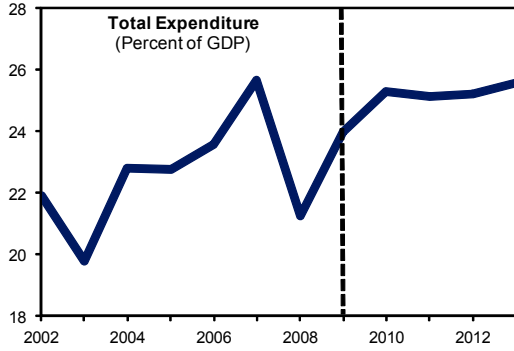
*Revenue performance remains strong despite uneven economic activity, ...*



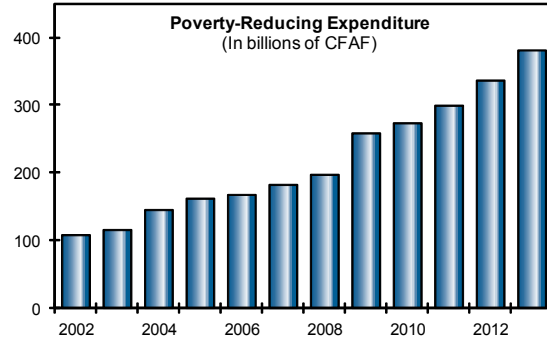
*... and tax performance is driven by domestic taxes.*



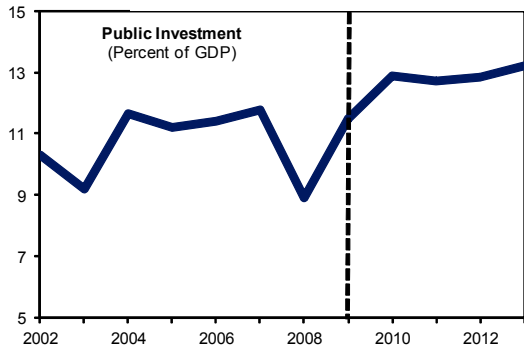
*Expenditure growth is expected to stabilize, ...*



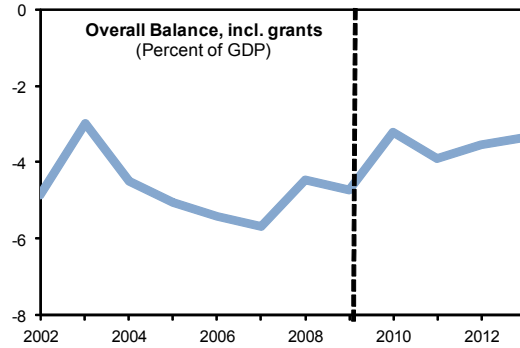
*... with rising pro-poor spending and ...*



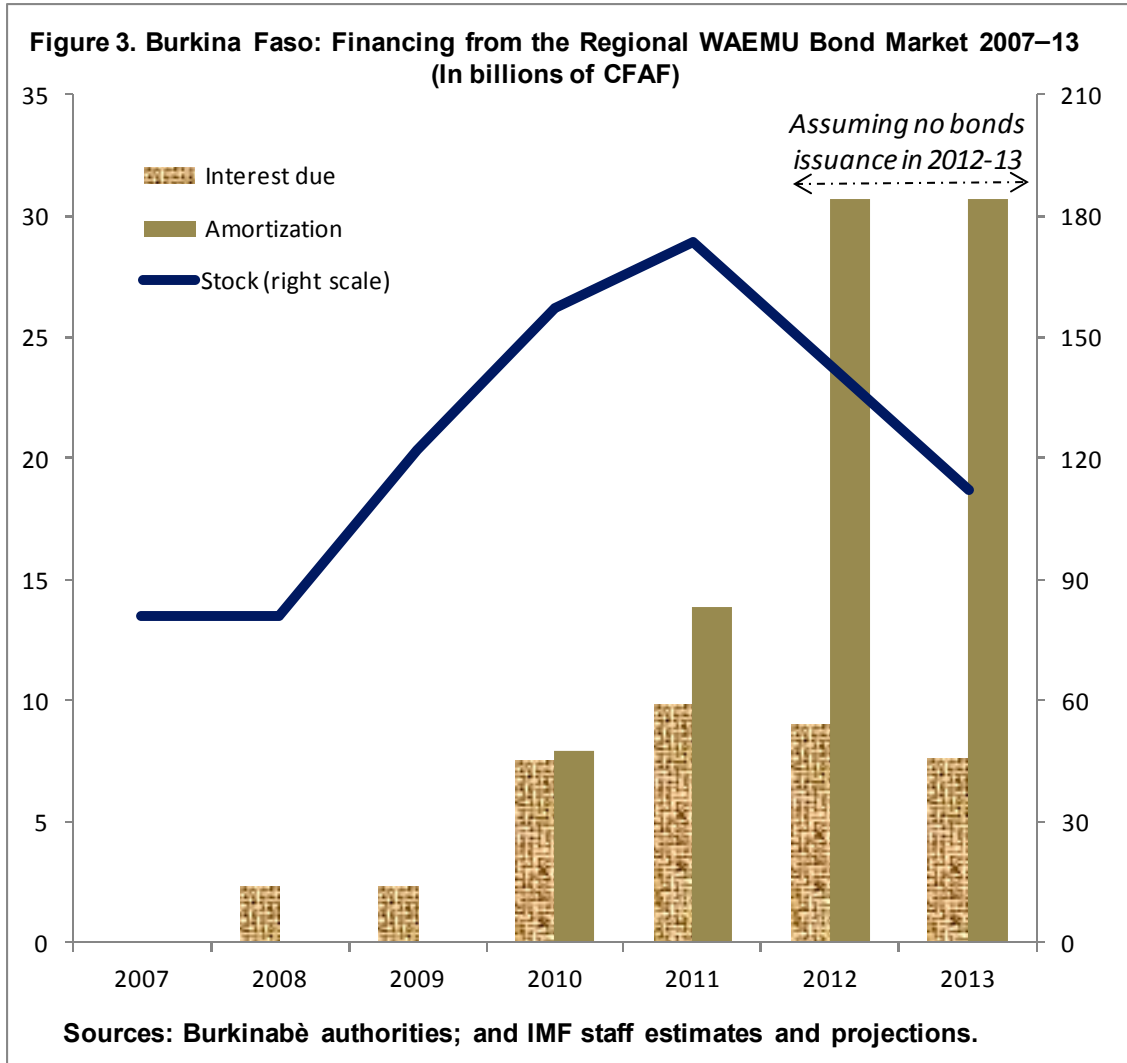
*.... public investment.*



*Fiscal consolidation efforts have been sustained.*



Sources: Burkina Faso authorities; and IMF staff estimates and projections.



12. **PFM reforms focus on expenditure procedures and treasury cash-flow management.** The authorities plan to reinforce compliance with budget execution procedures, including the closing of the fiscal year. To eliminate bottlenecks and delays in budget execution, they will prepare an audit of expenditure commitment systems in line ministries and implement its recommendations in 2011 (MEFP ¶ 22). Treasury cash-flow management is expected to be enhanced through the new system prepared in September.

13. **The authorities intend to carry out a census of the civil service in 2011 to enhance the wage policy further.** Results from the census will help update and harmonize the payroll system and the civil service roster, and refine the assessment of recruitment needs (MEFP ¶ 25).

### C. Addressing External Sector Vulnerability

14. **Burkina Faso's external position is fragile, despite encouraging prospects in 2010–11.** Despite an increase in exports, the current account deficit (excluding official transfers) is expected to widen from 9.3 percent of GDP in 2010 to 11 percent in 2013, because terms of trade deteriorate, and demand for imports remains strong, reflecting sustained economic activity and increasing oil prices (Figure 4). The authorities are aware that diversifying the export base would help reduce the country's vulnerability to exogenous shocks, notably fluctuations in terms of trade. They are seeking diversification opportunities in mining and agriculture. Recent successful conclusion of discussions with a private investor in a textile company is encouraging.

15. **The authorities agreed with staff on the need to maintain prudent borrowing policies, and strengthen debt management.** Staff emphasized that Burkina Faso should continue to rely on grants, and highly concessional loans for its financing needs. It called the authorities' attention to the high risk of debt distress facing the country, as shown in the last Debt Sustainability Analysis<sup>2</sup> (Figure 5). Staff encouraged the authorities to carry out a new debt management assessment, in collaboration with the World Bank, and to strengthen management capacity through increased equipment and training for the debt department (MEFP ¶ 20–21).

### IV. PROGRAM MODALITIES AND RISKS

16. **The program includes structural benchmarks and quantitative targets** (MEFP Tables 1 and 2) to monitor performance on a semi-annual basis. It sets quantitative performance criteria for June and December 2011, and indicative targets for March and September 2011. Structural conditionality measures aim to support fiscal consolidation, cotton sector rehabilitation, financial intermediation, and improvement in the business climate.

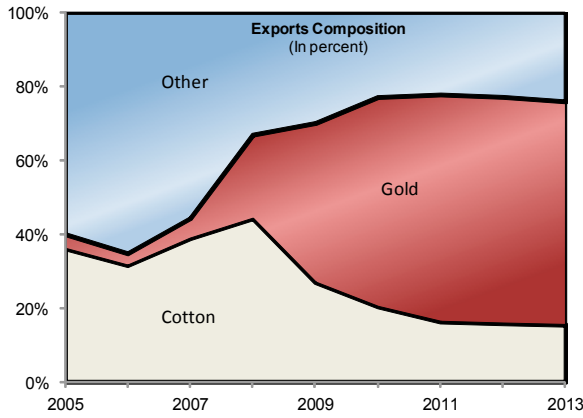
17. **Terms of trade and weather-related shocks are the main risks to the economic outlook.** They may generate additional spending and hamper fiscal consolidation. Other potential risks include a possible shortfall in revenue mobilization and budget support. Should these risks materialize, there will be limited scope to finance the budgeted investment program for 2011 and the medium term. Efficient implementation of programmed policies and progress toward export diversification will contribute to mitigating these risks.

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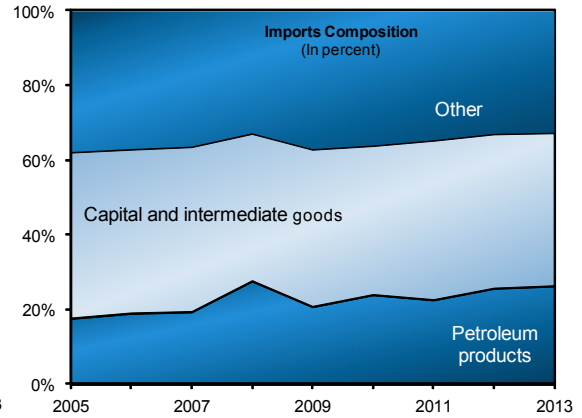
<sup>2</sup> IMF Country Report No. 10/197 (July 2010).

**Figure 4. Burkina Faso: External Sector Indicators, 2005–13**

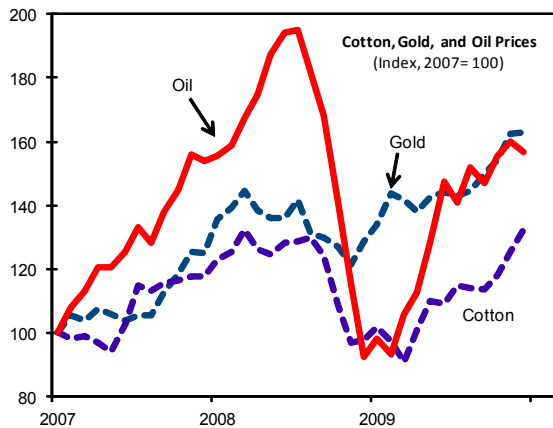
*Cotton and gold dominate the trade balance,  
...*



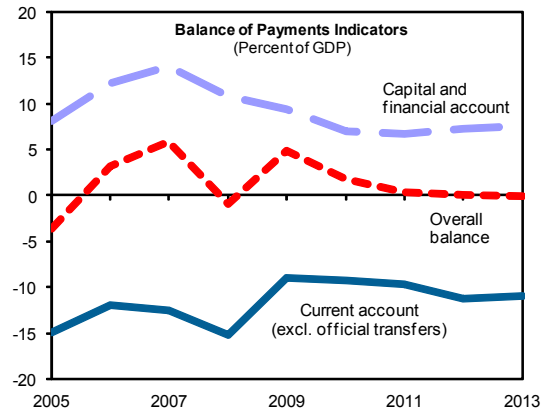
*... and oil accounts for about one third of imports, ...*



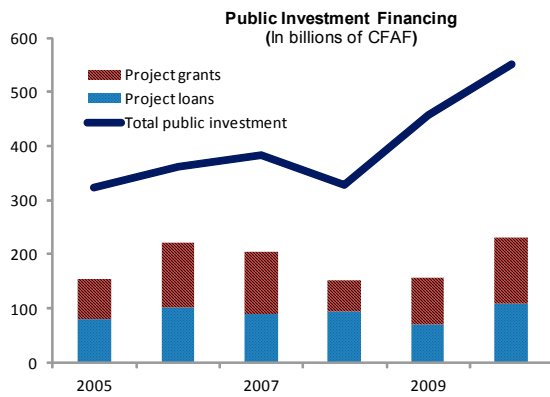
*... making the external position vulnerable to terms-of-trade shocks.*



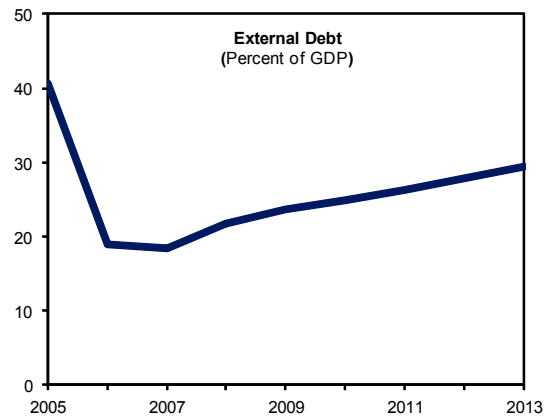
*After improving in 2009, the external position is projected to worsen.*



*Dependency on external loans for investment is high, ...*



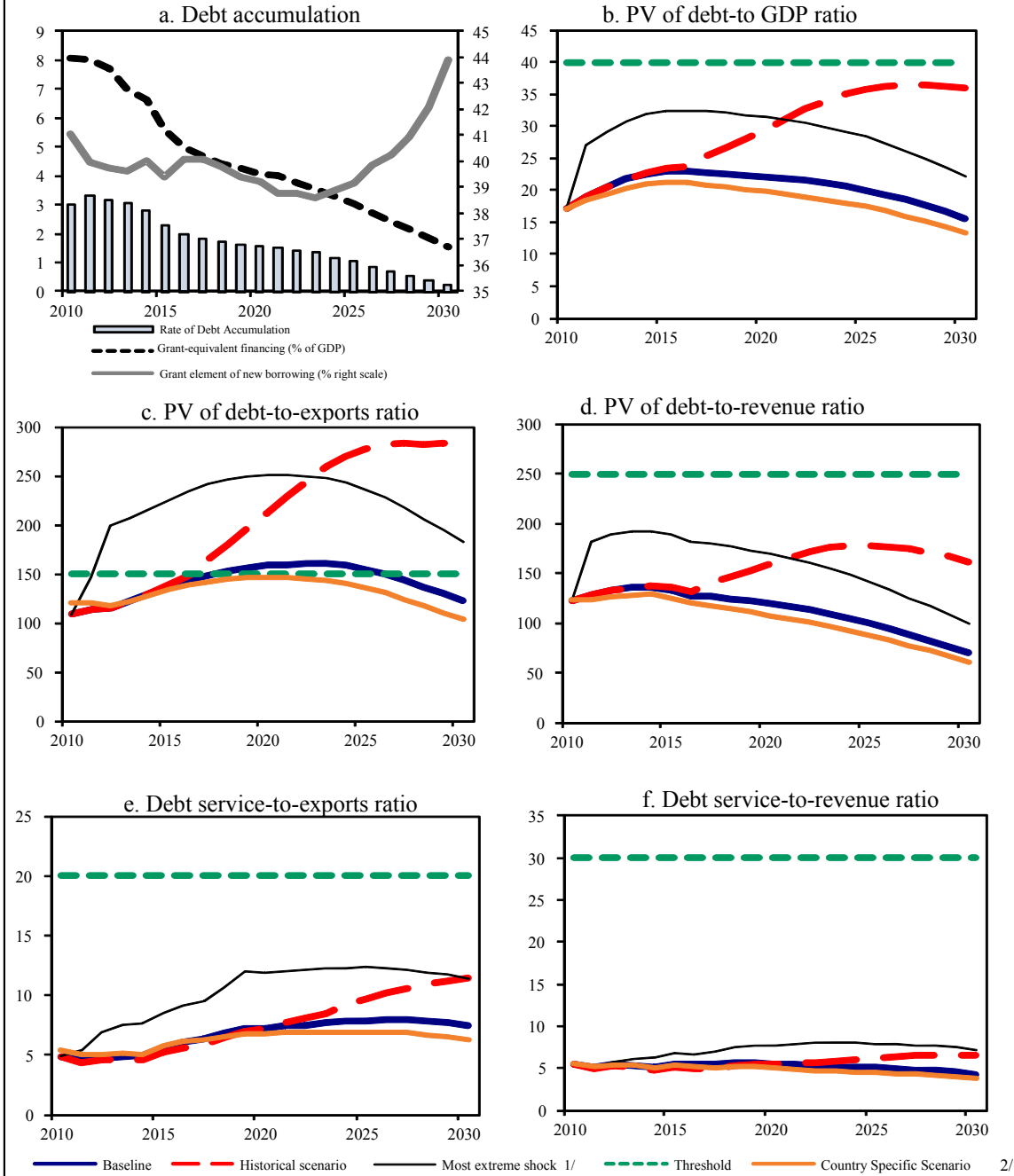
*... and external debt is rising.*



Sources: Burkina Faso authorities; and IMF staff estimates and projections.



**Figure 5. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2010-2030 1/**



Sources: Country authorities; and staff estimates and projections.  
(IMF Country Report 10/197)

1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a Country Specific Scenario shock; in c. to a Country Specific Scenario shock; in d. to a Country Specific Scenario shock; in e. to a Country Specific Scenario shock and in figure f. to a Country Specific Scenario shock

2/ Country Specific Scenario is a scaled-up aid scenario in which 60% of financing needs are met through grants.

## V. STAFF APPRAISAL

18. **Macroeconomic prospects have improved, and economic growth is expected to be higher than anticipated for 2010–11.** Agriculture, cotton and mining remain the main sources of growth. Because of vulnerability to adverse exogenous shocks in these sectors, staff urges the authorities to press ahead with structural reforms to support broad-based growth and to maintain macroeconomic stability.

19. **Staff commends the authorities for their commitment to sound policies and encourages them to proceed with the remaining reform agenda.** In particular, staff urges the authorities to reinvigorate PFM reforms, especially for expenditure management, to prevent the reoccurrence of delays in closing the fiscal year as was the case for the 2009 budget, and to accelerate the implementation of financial sector reforms.

20. **Staff encourages the authorities to sustain revenue mobilization to improve fiscal sustainability.** Tax administration and policy measures contemplated in the program should help the authorities meet their medium-term fiscal targets. Staff urges them to improve efficiency in public investment to support productivity gains in the private sector and growth.

21. **Burkina Faso's external position is fragile and the risk of debt distress is high.** Staff encourages the authorities to pursue diversification opportunities, while maintaining prudent borrowing policies.

22. **Staff supports the authorities' request for a waiver for the nonobservance of the performance criterion on the fiscal deficit at end-June 2010 and recommends the completion of the review** based on the authorities' program implementation record and policy commitment.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2007–14

	2007	2008	2009		2010		2011		2012		2013		2014
			Est.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.			
(Annual percentage change, unless otherwise indicated)													
<b>GDP and prices</b>													
GDP at constant prices	3.6	5.2	3.2	4.4	5.2	5.5	5.6	6.2	6.5				
GDP deflator	-1.0	7.8	4.7	2.0	2.1	2.0	2.0	2.0	2.0				
Consumer prices (annual average)	-0.2	10.7	2.6	2.3	0.2	2.0	2.0	2.0	2.0				
Consumer prices (end of period)	2.3	11.6	-0.3	2.0	0.1	2.0	2.0	2.0	2.0				
<b>Money and credit</b>													
Net domestic assets (banking system) <sup>1</sup>	-4.0	15.9	-2.0	9.7	9.4	5.5	7.0	8.2	10.1				
Credit to the government <sup>1</sup>	-9.4	4.6	0.2	7.9	6.8	3.1	0.2	-0.5	-1.0				
Credit to the economy <sup>1</sup>	0.6	13.6	1.2	1.8	2.5	2.5	6.8	8.7	11.1				
Broad money (M2)	23.8	11.7	18.2	6.5	16.6	7.6	7.7	8.3	8.6				
Velocity (GDP/M2)	3.9	3.9	3.6	3.6	3.3	3.3	3.3	3.3	3.3				
<b>External sector</b>													
Exports (f.o.b.; valued in CFA francs)	-2.9	3.9	34.7	23.4	40.3	32.7	9.5	9.2	6.9				
Imports (f.o.b.; valued in CFA francs)	4.1	21.8	-9.2	24.7	23.7	23.3	14.9	6.9	4.6				
Terms of trade	1.2	-3.2	28.6	-3.1	16.5	-3.3	-2.1	-0.8	0.1				
Real effective exchange rate (= depreciation)	-1.0	8.6	2.6	...	...	...	...	...	...				
World cotton price (US\$ cents per pound)	63.3	71.4	62.8	77.0	85.0	80.0	78.0	78.0	77.0				
Average petroleum spot price (US\$ per barrel)	71.1	97.0	61.8	80.0	76.2	78.8	82.3	84.8	86.0				
Average price of gold (US\$ per troy ounce)	696.7	871.7	973.0	1,136.0	1,183.3	1,220.5	1,245.1	1,281.0	1,329.4				
(Percent of GDP, unless otherwise indicated)													
<b>Central government finances</b>													
Current revenue	13.5	13.1	13.5	13.9	15.6	15.7	16.1	17.0	17.7				
Of which: Tax revenue	12.5	12.1	12.4	12.8	13.0	13.8	15.0	15.7	16.3				
Total expenditure	25.7	21.6	24.1	25.1	26.8	25.2	25.3	25.6	25.6				
Of which: Current expenditure	13.8	12.3	12.5	12.6	12.4	12.4	12.4	12.4	12.3				
Overall fiscal balance, excl. grants (commitments)	-12.1	-8.4	-10.6	-11.3	-11.2	-9.6	-9.2	-8.6	-7.9				
Overall fiscal balance, incl. grants (commitments)	-5.7	-4.5	-4.7	-5.0	-4.8	-3.9	-3.5	-3.3	-2.8				
Overall fiscal balance, incl. grants (cash basis)	-5.1	-4.0	-2.3	-7.1	-5.4	-3.9	-3.5	-3.3	-2.8				
Overall fiscal balance, incl. grants (payment orders)	-5.4	-5.5	-4.7	-5.0	-4.8	-3.9	-3.5	-3.3	-2.8				
Basic primary balance (commitments)	-5.3	-4.6	-5.2	-4.5	-4.4	-2.7	-1.9	-1.2	-0.3				
Basic primary balance (cash basis)	-5.2	-4.2	-2.8	-6.6	-5.0	-2.7	-1.9	-1.2	-0.3				
Domestic financing	2.1	1.1	-0.3	3.4	2.1	0.7	-0.8	-0.8	-0.8				
<b>Savings and investment</b>													
Current account balance (including current official transfers)	-8.2	-11.7	-4.5	-8.7	-5.2	-6.3	-7.3	-7.6	-8.1				
Current account balance (excluding current official transfers)	-12.5	-15.1	-8.9	-13.1	-9.3	-9.6	-11.3	-11.0	-10.6				
Gross investment	19.6	20.9	17.8	21.2	22.8	24.5	25.3	26.0	26.4				
Government	9.0	6.4	8.5	8.8	9.1	9.0	9.1	9.3	9.4				
Private	10.6	14.5	9.3	12.4	13.7	15.5	16.3	16.6	17.1				
Gross domestic savings	5.4	4.3	7.1	6.8	12.4	13.9	13.1	14.1	15.1				
Government	0.8	2.3	1.6	1.6	3.4	3.5	3.8	4.6	5.3				
Private	4.6	2.0	5.6	5.1	9.0	10.4	9.3	9.5	9.8				
Gross national savings	11.3	9.2	13.2	12.5	17.6	18.3	18.0	18.3	18.4				
Government	4.8	5.4	5.6	5.6	7.1	6.5	7.5	7.6	7.4				
Private	6.6	3.8	7.6	6.8	10.5	11.7	10.6	10.7	10.9				
<b>External sector and debt indicators</b>													
Exports of goods and services	10.5	9.8	11.8	14.2	15.0	18.2	18.5	18.6	18.3				
Imports of goods and services	24.7	26.5	22.5	28.6	25.5	28.9	30.7	30.4	29.6				
External debt	18.5	21.7	23.7	26.4	24.9	26.2	27.9	29.4	30.4				
NPV of external debt	12.0	11.6	15.4	17.7	16.5	17.7	19.1	20.5	21.4				
NPV of external debt (percent of exports)	113.2	116.2	124.6	124.8	109.6	97.1	103.7	110.2	117.2				
NPV of external debt (percent of revenues)	88.0	87.3	115.3	127.9	105.6	112.9	118.7	120.3	120.9				
<b>Memorandum item:</b>													
Nominal GDP (CFAF billions)	3,252	3,689	3,986	4,225	4,280	4,605	4,960	5,370	5,833				

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

<sup>1</sup> Percent of beginning-of-period broad money.

Table 2. Burkina Faso: Balance of Payments, 2007–14

	2007	2008	2009		2010		2011	2012	2013	2014
			Est.	Prog.	Proj.	Proj.	Proj.	Proj.		
	(CFAF billions)									
<b>Current account</b>	-268.1	-432.2	-181.3	-369.4	-223.4	-288.5	-362.3	-409.2	-471.2	
<i>Excluding official transfers</i>	-406.4	-558.4	-356.5	-552.7	-398.2	-442.7	-560.2	-588.4	-615.5	
Trade balance	-286.6	-402.2	-229.3	-347.5	-214.2	-208.9	-282.1	-281.8	-272.6	
Exports of goods	298.6	310.4	417.9	542.8	586.2	777.7	851.7	930.2	994.8	
<i>Of which: cotton</i>	166.4	102.8	125.4	101.5	134.7	173.5	195.4	224.8	246.2	
gold	16.1	70.2	179.8	304.9	332.0	477.4	521.6	561.8	595.0	
Imports of goods	-585.1	-712.6	-647.2	-890.3	-800.5	-986.6	-1133.9	-1212.0	-1267.4	
<i>Of which: oil</i>	-143.3	-241.8	-173.2	-305.1	-238.2	-275.7	-357.0	-389.9	-415.5	
Services, net	-173.7	-211.6	-194.3	-261.8	-234.1	-281.9	-325.7	-353.0	-387.7	
Exports of services	43.5	53.0	54.4	56.9	57.2	60.3	63.7	67.6	72.0	
Imports of services	-217.1	-264.6	-248.7	-318.7	-291.3	-342.2	-389.4	-420.7	-459.8	
<i>Of which: freight and insurance</i>	-138.7	-182.1	-148.6	-202.3	-183.8	-226.5	-264.8	-288.4	-318.9	
Income, net	-1.1	-1.6	-2.2	-6.3	-17.9	-18.3	-20.0	-22.5	-25.5	
<i>Of which: interest on public debt (incl. IMF charges)</i>	-6.9	-8.3	-8.9	-11.0	-10.3	-10.3	-11.8	-14.2	-17.0	
Current transfers	193.3	183.3	244.5	246.1	242.8	220.5	265.6	248.2	214.6	
Private transfers, net	55.0	57.0	69.3	62.8	68.0	66.3	67.6	69.0	70.4	
<i>Of which: remittances, net</i>	-0.5	0.2	0.3	5.3	0.3	0.3	0.3	0.3	0.3	
Official transfers, net	138.3	126.3	175.2	183.2	174.8	154.2	198.0	179.2	144.3	
<i>Of which: program grants</i>	95.6	88.2	145.5	143.6	151.1	130.1	173.3	154.1	118.6	
<b>Capital account</b>	140.2	85.5	113.7	142.1	148.2	157.2	132.8	156.9	201.1	
Project grants	114.7	58.7	86.9	121.4	121.4	130.4	106.0	130.2	174.3	
Other capital transfers	25.5	26.8	26.8	20.7	26.8	26.8	26.8	26.8	26.8	
<b>Financial account</b>	317.8	311.7	259.4	167.2	150.8	148.7	229.5	248.2	246.2	
Direct investment	164.5	47.5	16.2	18.1	3.5	3.5	19.4	16.8	20.2	
Portfolio investment	3.6	4.1	7.6	2.4	2.4	3.2	2.7	2.6	3.2	
Other investment	149.6	260.2	235.7	146.7	144.8	142.0	207.4	228.8	222.8	
Long-term investment	120.2	259.4	235.4	144.9	143.3	140.2	205.5	226.1	220.7	
Project loans	93.0	69.3	109.4	148.8	148.8	164.6	229.0	243.4	239.7	
Program loans	21.5	45.9	14.5	7.4	12.7	0.0	0.0	0.0	0.0	
Amortization of public loans (excl. IMF)	-15.2	-13.0	-14.3	-22.6	-22.6	-26.5	-25.7	-26.3	-27.7	
Private investment	20.9	157.1	125.9	11.3	4.4	2.1	2.2	9.0	8.7	
Short-term investment	29.4	0.8	0.2	1.8	1.6	1.9	1.9	2.7	2.1	
<b>Errors and omissions / gap</b>	-1.7	-0.1	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Overall balance</b>	188.1	-35.1	189.3	-60.2	75.6	17.4	0.0	-4.1	-23.9	
<b>Financing</b>	-188.1	35.1	-189.3	35.5	-80.3	-27.0	-9.6	-0.8	23.9	
Net foreign assets of the central bank	-151.6	40.0	-70.8	35.5	29.6	-27.0	-9.6	-0.8	23.9	
<i>Of which: gross official reserves</i>	-181.7	18.2	-149.9	36.0	9.9	-25.5	-6.4	3.0	29.5	
IMF net financing	0.4	8.1	25.5	-0.5	5.9	-1.9	-3.7	-4.0	-5.6	
Uses of resources	0.4	8.1	25.5	0.0	5.9	0.0	0.0	0.0	0.0	
Repayments (excluding charges)	0.0	0.0	0.0	-0.5	0.0	-1.9	-3.7	-4.0	-5.6	
Net foreign assets of commercial banks	-36.5	-4.9	-118.5	0.0	-109.9	0.0	0.0	0.0	0.0	
<b>Financing gap <sup>1</sup></b>	0.0	0.0	0.0	24.6	4.8	9.6	9.6	4.8	0.0	
	(Percent of GDP, unless otherwise indicated)									
<i>Memorandum items:</i>										
Trade balance (= deficit)	-8.8	-10.9	-5.8	-8.2	-5.0	-4.5	-5.7	-5.2	-4.7	
Cotton export volume (thousands of metric tons)	275.6	149.8	188.0	161.9	149.7	205.8	238.8	274.7	295.8	
Gold export volume (metric tons)	1.5	5.6	12.1	18.0	18.5	25.9	27.9	29.7	31.1	
Current account (= deficit)	-8.2	-11.7	-4.5	-8.7	-5.2	-6.3	-7.3	-7.6	-8.1	
<i>Excluding official transfers</i>	-12.5	-15.1	-8.9	-13.1	-9.3	-9.6	-11.3	-11.0	-10.6	
Overall balance (= deficit)	5.8	-1.0	4.8	-1.4	1.8	0.4	0.0	-0.1	-0.4	
Gross international reserves										
Gross official reserves (imputed reserves, billions of U.S. dollars) <sup>2</sup>	1.0	0.9	1.2	1.1	1.2	1.2	1.3	1.3	1.2	
(percent of broad money)	54.5	46.9	53.6	47.2	45.1	43.8	41.0	37.7	33.0	
WAEMU gross official reserves (billions of U.S. dollars)	10.8	10.7	13.6	...	...	...	...	...	...	
(percent of broad money)	56.6	55.0	58.7	...	...	...	...	...	...	
(months of WAEMU imports of GNFS)	5.4	6.1	6.9	...	...	...	...	...	...	
US\$/EURO	1.37	1.47	1.39	1.31	1.31	1.28	1.28	1.27	1.26	
GDP at current prices (CFAF billions)	3,252	3,689	3,986	4,225	4,280	4,605	4,960	5,370	5,833	

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

<sup>1</sup> The financing gap is expected to be covered by ECF disbursements as financing from other sources is included in program grants and loans.<sup>2</sup> Including the Special Drawing Rights allocation of August 2009.

Table 3. Burkina Faso: Monetary Survey, 2007–11

	2007	2008	2009	2010			2011	
				Est.	Mar.	June		Dec.
				Est.	Est.	Proj.		
	(CFAF billions)							
<b>Net foreign assets</b>	409.3	374.2	563.6	564.9	675.5	643.3	670.3	
Central Bank of West African States (BCEAO)	355.0	315.0	385.8	345.4	387.9	355.7	382.7	
Assets	457.0	438.7	588.7	554.0	599.5	578.7	604.2	
Liabilities	102.0	123.7	202.9	208.6	211.6	223.0	221.5	
Commercial banks	54.3	59.2	177.8	219.5	287.6	287.6	287.6	
<b>Net domestic assets</b>	429.9	563.1	543.9	633.5	668.9	648.1	719.3	
Net domestic credit	452.6	604.7	618.2	707.8	742.9	722.1	793.3	
Net credit to government	-94.0	-55.8	-53.8	17.3	32.5	21.8	61.2	
Treasury	-18.0	35.0	-3.7	60.5	79.2	71.9	111.3	
BCEAO	-54.7	-3.3	-46.9	-38.2	-57.5	-21.1	18.3	
Commercial banks	36.7	38.3	43.1	76.5	66.0	93.0	93.0	
Other central government	-76.0	-90.8	-50.1	-43.2	-44.6	-50.1	-50.1	
Credit to the economy	546.6	660.5	672.1	690.5	708.3	700.3	732.1	
Crop credit	18.1	14.1	22.1	52.6	33.4	23.1	24.2	
Other	528.5	646.4	650.0	637.9	674.8	677.2	707.9	
Other items (net)	-22.7	-41.6	-74.3	-74.3	-74.0	-74.0	-74.0	
<b>Broad money</b>	839.2	937.3	1107.5	1198.5	1344.4	1291.5	1389.7	
Of which: Private sector deposits in commercial banks	555.7	640.2	789.0	901.2	1086.3	964.8	1040.7	
	(Annual changes in percent of broad money from 12 months earlier, unless otherwise indicated)							
<i>Memorandum items:</i>								
Net foreign assets	27.8	-4.2	20.2	15.0	17.8	7.2	2.1	
Net domestic assets	-4.0	15.9	-2.0	7.9	12.5	9.4	5.5	
Net credit to government	-9.4	4.6	0.2	8.1	9.2	6.8	3.1	
Credit to the economy	0.6	13.6	1.2	2.3	5.0	2.5	2.5	
(annual percentage change)	0.8	20.8	1.7	2.3	5.0	4.2	4.5	
(excluding crop credit)	13.2	22.3	0.6	1.6	11.4	4.2	4.5	
Money supply	23.8	11.7	18.2	22.9	30.3	16.6	7.6	
Of which: bank deposits	12.7	10.1	15.9	24.6	37.6	15.9	5.9	
Currency velocity (GDP/broad money)	3.9	3.9	3.6	3.6	3.4	3.3	3.3	

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

Table 4. Burkina Faso: Consolidated Operations of the Central Government, 2007–14

	2007	2008	2009	2010		2011	2012	2013	2014
				Prog.	Proj.	Prog.		Proj.	
	(CFAF billions)								
<b>Total revenue and grants</b>	650.5	630.8	771.5	850.2	940.5	981.8	1078.5	1198.1	1327.1
Total revenue	440.2	483.8	539.1	585.2	667.9	721.4	799.1	913.9	1034.2
Tax revenue	405.2	444.7	494.6	541.6	558.1	635.1	741.8	844.1	948.9
Income and profits	98.2	103.5	106.7	125.6	140.4	163.4	206.1	258.4	297.1
Domestic goods and services	217.3	243.8	282.9	308.8	307.0	350.8	396.4	435.1	476.6
International trade	78.1	81.8	89.7	95.8	94.9	104.3	119.8	127.9	147.7
Other	11.6	15.6	15.2	11.5	15.8	16.7	19.5	22.7	27.5
Nontax revenue	35.0	39.2	44.5	43.6	109.9	86.3	57.4	69.8	85.3
Grants	210.3	146.9	232.4	265.1	272.6	260.4	279.3	284.2	292.9
Project	114.7	58.7	86.9	121.4	121.4	130.4	106.0	130.2	174.3
Program	95.6	88.2	145.5	143.6	151.1	130.1	173.3	154.1	118.6
<b>Expenditure and net lending <sup>1</sup></b>	834.8	795.3	959.6	1061.9	1145.9	1161.2	1253.6	1377.2	1492.4
Current expenditure	450.3	455.2	499.1	532.2	532.3	571.1	613.2	664.1	720.3
Wages and salaries	187.6	198.8	228.4	242.0	245.9	265.5	290.2	314.2	341.5
Goods and services	94.8	95.3	95.1	107.0	100.3	106.8	116.1	125.9	136.8
Interest payments	13.1	12.7	16.9	18.4	21.1	22.4	24.0	26.3	29.2
Current transfers	154.8	148.4	158.6	164.8	164.9	176.4	183.0	197.6	212.9
Investment expenditure	383.3	328.5	457.4	522.9	550.5	585.1	636.4	709.1	774.0
Domestically financed	175.7	200.4	261.0	252.6	280.3	290.1	301.4	335.5	360.1
Capital transfers	32.9	6.2	25.4	9.4	5.4	7.0	7.0	7.0	7.0
Exonerations	18.8	27.1	36.5	25.0	24.8	27.2	31.3	33.4	38.6
Other investment expenditure	124.0	167.2	199.2	218.2	250.1	255.9	263.1	295.2	314.5
Externally financed	207.6	128.0	196.3	270.2	270.2	295.0	335.0	373.6	414.0
Expenditure carried over from 2009 appropriations	0.0	0.0	0.0	0.0	67.7	0.0	0.0	0.0	0.0
Net lending	1.2	11.6	3.2	6.8	-4.5	5.0	4.0	4.0	-2.0
<b>Overall balance (commitment basis)</b>	-184.2	-164.5	-188.1	-211.6	-205.4	-179.4	-175.1	-179.1	-165.3
Excluding grants	-394.5	-311.4	-420.5	-476.7	-478.0	-439.8	-454.4	-463.3	-458.2
<b>Basic primary balance (commitment basis)</b>	-173.8	-170.7	-207.3	-188.0	-186.6	-122.4	-95.5	-63.4	-15.1
Cash basis adjustment	17.2	15.8	95.5	-89.3	-27.0	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	0.0	-16.7	-6.2	-6.2	0.0	0.0	0.0	0.0
Expenditures committed awaiting payment orders	8.8	-36.9	56.1	-56.2	-56.1	0.0	0.0	0.0	0.0
Payment orders not executed	-2.9	1.9	63.6	-26.9	-32.2	0.0	0.0	0.0	0.0
Change in treasury commitments	7.3	50.7	4.1	0.0	73.7	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	4.0	0.0	-11.6	0.0	-6.2	0.0	0.0	0.0	0.0
<b>Overall balance (cash basis)</b>	-167.0	-148.7	-92.6	-300.9	-232.4	-179.4	-175.1	-179.1	-165.3
Excluding grants	-377.3	-295.6	-325.0	-566.0	-505.0	-439.8	-454.4	-463.3	-458.2
<b>Basic primary balance (cash basis)</b>	-169.7	-154.9	-111.8	-277.3	-213.6	-122.4	-95.5	-63.4	-15.1
<b>Errors and omissions</b>	-1.0	5.4	-6.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing</b>	168.0	143.4	98.9	276.3	227.6	169.7	165.5	174.2	165.3
Foreign financing	99.3	102.3	109.6	133.6	138.9	138.1	203.3	217.1	212.0
Drawings	114.5	115.3	123.9	156.2	161.5	164.6	229.0	243.4	239.7
Project loans	93.0	69.3	109.4	148.8	148.8	164.6	229.0	243.4	239.7
Program loans	21.5	45.9	14.5	7.4	12.7	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-15.2	-13.0	-14.3	-22.6	-22.6	-26.5	-25.7	-26.3	-27.7
Domestic financing	68.7	41.1	-10.6	142.7	88.7	31.7	-37.8	-42.8	-46.7
Bank financing	-63.9	38.3	2.0	87.4	70.8	29.8	-7.1	-12.1	-16.0
Central bank	-70.8	47.3	-42.8	87.4	20.9	29.8	-7.1	-12.1	-16.0
Commercial banks	6.9	-9.0	44.7	0.0	49.9	0.0	0.0	0.0	0.0
Nonbank financing	132.6	2.8	-12.6	55.3	17.9	1.8	-30.7	-30.7	-30.7
Government bonds	-25.2	-12.3	18.0	15.2	16.8	1.8	-30.7	-30.7	-30.7
New issues	23.8	30.9	55.5	43.0	51.6	30.0	0.0	0.0	0.0
Amortization	-49.0	-43.3	-37.5	-27.8	-34.9	-28.2	-30.7	-30.7	-30.7
Privatization revenue	139.1	2.9	30.1	7.1	6.6	0.0	0.0	0.0	0.0
Other nonbank financing	18.7	12.3	-60.7	33.0	-5.5	0.0	0.0	0.0	0.0
<b>Financing gap <sup>2</sup></b>	0.0	0.0	0.0	24.6	4.8	9.6	9.6	4.8	0.0
<i>Memorandum items:</i>									
Poverty-reducing expenditure	182.6	198.5	259.6	274.5	274.5	300.6	337.3	381.3	431.6
Of which: Education	76.6	82.2	91.4	109.2	109.2	119.6	134.2	151.7	171.7
Health	60.2	60.1	69.8	83.8	83.8	91.7	103.0	116.4	131.7
Nominal GDP	3,252	3,689	3,986	4,225	4,280	4,605	4,960	5,370	5,833

(continued)

Table 4. Burkina Faso: Consolidated Operations of the Central Government, 2007–14 (concluded)

	2007	2008	2009	2010		2011	2012	2013	2014
				Prog.	Proj.	Prog.		Proj.	
(Percent of GDP, unless otherwise indicated)									
<b>Total revenues and grants</b>	20.0	17.1	19.4	20.1	22.0	21.3	21.7	22.3	22.8
Total revenue	13.5	13.1	13.5	13.9	15.6	15.7	16.1	17.0	17.7
Tax revenue	12.5	12.1	12.4	12.8	13.0	13.8	15.0	15.7	16.3
Income and profits	3.0	2.8	2.7	3.0	3.3	3.5	4.2	4.8	5.1
Domestic goods and services	6.7	6.6	7.1	7.3	7.2	7.6	8.0	8.1	8.2
International trade	2.4	2.2	2.3	2.3	2.2	2.3	2.4	2.4	2.5
Other	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.5
Nontax revenue	1.1	1.1	1.1	1.0	2.6	1.9	1.2	1.3	1.5
Grants	6.5	4.0	5.8	6.3	6.4	5.7	5.6	5.3	5.0
Project	3.5	1.6	2.2	2.9	2.8	2.8	2.1	2.4	3.0
Program	2.9	2.4	3.7	3.4	3.5	2.8	3.5	2.9	2.0
<b>Expenditure and net lending <sup>1</sup></b>	25.7	21.6	24.1	25.1	26.8	25.2	25.3	25.6	25.6
Current expenditure	13.8	12.3	12.5	12.6	12.4	12.4	12.4	12.4	12.3
Wages and salaries	5.8	5.4	5.7	5.7	5.7	5.8	5.9	5.9	5.9
Goods and services	2.9	2.6	2.4	2.5	2.3	2.3	2.3	2.3	2.3
Interest payments	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Current transfers	4.8	4.0	4.0	3.9	3.9	3.8	3.7	3.7	3.7
Investment expenditure	11.8	8.9	11.5	12.4	12.9	12.7	12.8	13.2	13.3
Domestically financed	5.4	5.4	6.6	6.0	6.5	6.3	6.1	6.2	6.2
Capital transfers	1.0	0.2	0.6	0.2	0.1	0.2	0.1	0.1	0.1
Exonerations	0.6	0.7	0.9	0.6	0.6	0.6	0.6	0.6	0.7
Other investment expenditure	3.8	4.5	5.0	5.2	5.8	5.6	5.3	5.5	5.4
Externally financed	6.4	3.5	4.9	6.4	6.3	6.4	6.8	7.0	7.1
Expenditure carried over from 2009 appropriations	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0
Net lending	0.0	0.3	0.1	0.2	-0.1	0.1	0.1	0.1	0.0
<b>Overall balance (commitment basis)</b>	-5.7	-4.5	-4.7	-5.0	-4.8	-3.9	-3.5	-3.3	-2.8
Excluding grants	-12.1	-8.4	-10.6	-11.3	-11.2	-9.6	-9.2	-8.6	-7.9
<b>Basic primary balance (commitment basis)</b>	-5.3	-4.6	-5.2	-4.5	-4.4	-2.7	-1.9	-1.2	-0.3
Cash basis adjustment	0.5	0.4	2.4	-2.1	-0.6	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	0.0	-0.4	-0.1	-0.1	0.0	0.0	0.0	0.0
Expenditures authorized without payment orders	0.3	-1.0	1.4	-1.3	-1.3	0.0	0.0	0.0	0.0
Payment orders not executed	-0.1	0.1	1.6	-0.6	-0.8	0.0	0.0	0.0	0.0
Change in treasury commitments	0.2	1.4	0.1	0.0	1.7	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	0.1	0.0	-0.3	0.0	-0.1	0.0	0.0	0.0	0.0
<b>Overall balance (cash basis)</b>	-5.1	-4.0	-2.3	-7.1	-5.4	-3.9	-3.5	-3.3	-2.8
Excluding grants	-11.6	-8.0	-8.2	-13.4	-11.8	-9.6	-9.2	-8.6	-7.9
<b>Basic primary balance (cash basis)</b>	-5.2	-4.2	-2.8	-6.6	-5.0	-2.7	-1.9	-1.2	-0.3
<b>Errors and omissions</b>	0.0	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financing</b>	5.2	3.9	2.5	6.5	5.3	3.7	3.3	3.2	2.8
Foreign	3.1	2.8	2.7	3.2	3.2	3.0	4.1	4.0	3.6
Drawings	3.5	3.1	3.1	3.7	3.8	3.6	4.6	4.5	4.1
Project loans	2.9	1.9	2.7	3.5	3.5	3.6	4.6	4.5	4.1
Program loans	0.7	1.2	0.4	0.2	0.3	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-0.5	-0.4	-0.4	-0.5	-0.5	-0.6	-0.5	-0.5	-0.5
Domestic financing	2.1	1.1	-0.3	3.4	2.1	0.7	-0.8	-0.8	-0.8
Bank financing	-2.0	1.0	0.0	2.1	1.7	0.6	-0.1	-0.2	-0.3
Central bank	-2.2	1.3	-1.1	2.1	0.5	0.6	-0.1	-0.2	-0.3
Commercial banks	0.2	-0.2	1.1	0.0	1.2	0.0	0.0	0.0	0.0
Nonbank financing	4.1	0.1	-0.3	1.3	0.4	0.0	-0.6	-0.6	-0.5
Government bonds	-0.8	-0.3	0.5	0.4	0.4	0.0	-0.6	-0.6	-0.5
New issues	0.7	0.8	1.4	1.0	1.2	0.7	0.0	0.0	0.0
Amortization	-1.5	-1.2	-0.9	-0.7	-0.8	-0.6	-0.6	-0.6	-0.5
Privatization revenue	4.3	0.1	0.8	0.2	0.2	0.0	0.0	0.0	0.0
Other nonbank financing	0.6	0.3	-1.5	0.8	-0.1	0.0	0.0	0.0	0.0
<b>Financing gap <sup>2</sup></b>	0.0	0.0	0.0	0.6	0.1	0.2	0.2	0.1	0.0
<i>Memorandum item:</i>									
Nominal GDP (CFAF billions)	3,252	3,689	3,986	4,225	4,280	4,605	4,960	5,370	5,833

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

<sup>1</sup> Commitment ("engagement") basis<sup>2</sup> The financing gap is expected to be covered by ECF disbursements as financing from other sources is included in program grants and loans.

**Table 5. Burkina Faso: Indicators of Capacity to Repay the Fund, 2008–14**

	2008	2009	2010	2011	2012	2013	2014
		Est.	Projections				
<b>Fund obligations based on existing credit</b>			(SDR millions)				
Principal	0.0	0.0	0.0	2.4	4.7	5.1	7.2
Charges and interest	0.4	0.2	0.0	0.0	0.2	0.2	0.2
<b>Fund obligations based on existing and prospective credit</b>			(SDR millions)				
Principal	0.0	0.0	0.0	2.4	4.7	5.1	7.2
Charges and interest	0.4	0.2	0.0	0.0	0.3	0.3	0.3
<b>Total obligations based on existing and prospective credit</b>							
SDR millions	0.4	0.2	0.0	2.4	5.0	5.4	7.5
CFAF billions	0.3	0.1	0.0	1.9	3.9	4.2	5.8
Percent of exports of goods and services	0.1	0.0	0.0	0.2	0.4	0.4	0.5
Percent of debt service <sup>1</sup>	1.4	0.6	0.0	5.3	9.5	9.5	12.1
Percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Percent of tax revenue	0.1	0.0	0.0	0.3	0.5	0.5	0.6
Percent of quota	0.7	0.3	0.0	4.0	8.3	9.0	12.4
<b>Outstanding Fund credit</b>							
SDR millions	35.3	70.4	83.6	94.1	102.3	103.7	96.5
CFAF billions	24.8	51.1	63.6	73.1	79.9	81.0	75.4
Percent of exports of goods and services	6.8	10.8	9.9	8.7	8.7	8.1	7.1
Percent of debt service <sup>1</sup>	117.8	221.6	193.1	205.4	194.0	181.8	156.5
Percent of GDP	0.7	1.3	1.5	1.6	1.6	1.5	1.3
Percent of tax revenue	5.6	10.3	11.4	11.5	10.8	9.6	7.9
Percent of quota	58.6	116.9	138.9	156.3	169.9	172.2	160.3
<b>Net use of Fund credit (SDR millions)</b>							
Disbursements	11.5	35.1	13.9	10.5	8.2	1.4	-7.2
Repayments and repurchases	0.0	0.0	0.0	2.4	4.7	5.1	7.2
<b>Memorandum items:</b>							
Exports of goods and services (CFAF billions)	363.3	472.3	643.4	838.0	915.4	997.9	1066.9
External Debt service (CFAF billions) <sup>1</sup>	21.1	23.1	32.9	35.6	41.2	44.6	48.2
Nominal GDP (CFAF billions)	3,689	3,986	4,280	4,605	4,960	5,370	5,833
Tax Revenue (CFAF billions)	444.7	494.6	558.1	635.1	741.8	844.1	948.9
Quota (SDR millions)	60.2	60.2	60.2	60.2	60.2	60.2	60.2

Sources: IMF staff estimates and projections.

<sup>1</sup>Total external debt service includes IMF repurchases and repayments.



**Table 6. Burkina Faso: Schedule of Disbursements Under the ECF Arrangement, 2010–13**

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

Source: IMF Staff.

<sup>1</sup> In addition to the generally applicable conditions under the Extended Credit Facility.

Table 7. Burkina Faso: Poverty-Reducing Social Expenditures, 2001–10

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 Proj.
	(CFAF billions)									
<b>Total poverty-reducing social expenditure</b>	80.4	108.9	116.6	145.0	161.8	167.2	182.6	198.5	259.6	274.5
Total current expenditure	64.9	76.7	83.8	94.0	112.6	121.7	143.1	146.2	172.0	209.8
Total capital expenditure	15.5	32.2	32.8	50.9	49.2	45.5	39.5	52.2	87.6	64.7
Health	27.3	38.5	37.9	48.1	54.2	55.7	60.2	60.1	69.8	83.8
Current expenditure	24.1	31.5	29.9	31.9	39.4	43.6	50.6	49.9	55.4	67.8
Capital expenditure	3.2	6.9	8.0	16.3	14.8	12.1	9.6	10.2	14.5	16.0
Education	35.1	42.7	47.9	56.9	64.5	70.6	76.6	82.2	91.4	109.2
Current expenditure	29.8	30.5	37.6	44.2	53.1	59.5	67.6	72.8	82.7	99.8
Capital expenditure	5.3	12.2	10.3	12.7	11.4	11.1	9.0	9.5	8.8	9.4
Rural roads	1.9	1.8	2.3	3.3	3.7	3.9	2.7	2.3	15.4	4.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Capital expenditure	1.9	1.8	2.3	3.3	3.6	3.7	2.7	2.2	15.3	4.0
Women's welfare and other poverty-reducing social expenditure	16.2	25.9	28.5	36.6	39.4	37.0	43.2	53.8	82.9	77.4
Current expenditure	11.1	14.7	16.3	18.0	20.1	18.5	24.9	23.5	33.9	42.2
Capital expenditure	5.1	11.2	12.2	18.6	19.3	18.6	18.3	30.3	49.0	35.3
	(Percent of GDP)									
<b>Total poverty-reducing social expenditure</b>	3.9	4.9	4.8	5.7	5.6	5.3	5.6	5.4	6.5	6.4
Total current expenditure	3.1	3.4	3.4	3.7	3.9	3.8	4.4	4.0	4.3	4.9
Total capital expenditure	0.7	1.4	1.3	2.0	1.7	1.4	1.2	1.4	2.2	1.5
Health	1.3	1.7	1.6	1.9	1.9	1.8	1.9	1.6	1.8	2.0
Current expenditure	1.2	1.4	1.2	1.2	1.4	1.4	1.6	1.4	1.4	1.6
Capital expenditure	0.2	0.3	0.3	0.6	0.5	0.4	0.3	0.3	0.4	0.4
Education	1.7	1.9	2.0	2.2	2.2	2.2	2.4	2.2	2.3	2.6
Current expenditure	1.4	1.4	1.5	1.7	1.8	1.9	2.1	2.0	2.1	2.3
Capital expenditure	0.3	0.5	0.4	0.5	0.4	0.3	0.3	0.3	0.2	0.2
Rural roads	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1
Women's welfare and other poverty-reducing social expenditure	0.8	1.2	1.2	1.4	1.4	1.2	1.3	1.5	2.1	1.8
Current expenditure	0.5	0.7	0.7	0.7	0.7	0.6	0.8	0.6	0.9	1.0
Capital expenditure	0.2	0.5	0.5	0.7	0.7	0.6	0.6	0.8	1.2	0.8
	(Percent of total expenditure)									
<b>Total poverty-reducing social expenditure</b>	17.5	22.3	20.0	24.9	24.7	22.3	21.9	25.3	27.1	25.4
Total current expenditure	14.1	15.7	14.4	16.1	17.2	16.3	17.2	18.7	18.0	19.4
Total capital expenditure	3.4	6.6	5.6	8.7	7.5	6.1	4.7	6.7	9.2	6.0
Health	5.9	7.9	6.5	8.3	8.3	7.4	7.2	7.7	7.3	7.7
Current expenditure	5.2	6.4	5.1	5.5	6.0	5.8	6.1	6.4	5.8	6.3
Capital expenditure	0.7	1.4	1.4	2.8	2.3	1.6	1.1	1.3	1.5	1.5
Education	7.6	8.7	8.2	9.8	9.8	9.4	9.2	10.5	9.6	10.1
Current expenditure	6.5	6.2	6.5	7.6	8.1	8.0	8.1	9.3	8.6	9.2
Capital expenditure	1.2	2.5	1.8	2.2	1.7	1.5	1.1	1.2	0.9	0.9
Rural roads	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.4
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.4
Women's welfare and other poverty-reducing social expenditure	3.5	5.3	4.9	6.3	6.0	4.9	5.2	6.9	8.7	7.1
Current expenditure	2.4	3.0	2.8	3.1	3.1	2.5	3.0	3.0	3.5	3.9
Capital expenditure	1.1	2.3	2.1	3.2	3.0	2.5	2.2	3.9	5.1	3.3

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

**Table 8. Burkina Faso: Selected Indicators on the Millennium Development Goals, 1990–2008**

	1990	1995	2000	2008
Eradicate extreme poverty and hunger	(2015 target: halve 1990 US\$1 a day poverty and malnutrition rates)			
Income share held by lowest 20 percent	..	5.1	5.9	6.9*
Malnutrition prevalence, weight for age (percent of children under 5)	..	32.7	34.3	37.7*
Poverty gap at \$1 a day (PPP, percent) <sup>1</sup>	..	19.5	14.4	7.3*
Poverty headcount ratio at \$1 a day (PPP) (percent of population) <sup>1</sup>	..	51.4	44.9	27.2*
Poverty headcount ratio at national poverty line (percent of population)	..	..	54.6	46.4*
Prevalence of undernourishment (percent of population)	21.0	19.0	..	10.0
Achieve universal primary education	(2015 target: net enrollment to 100)			
Literacy rate, youth total (percent of people ages 15–24)	..	..	..	40.0
Persistence to grade 5, total (percent of cohort)	70.0	..	69.0	69.0
Primary completion rate, total (percent of relevant age group)	20.0	20.0	25.0	37.0
School enrollment, primary (percent net)	29.0	..	36.0	59.0
Promote gender equality and empower women	(2015 target: education ratio 100)			
Proportion of seats held by women in national parliament (percent)	..	4.0	8.0	15.0
Ratio of girls to boys in primary education (percent)	61.0	..	70.0	87.0
Ratio of girls to boys in secondary education (percent)	..	..	..	74.0
Share of women employed in the nonagricultural sector (percent of total nonagricultural employment)	12.5	13.0	13.9	14.6**
Reduce child mortality	(2015 target: reduce 1990 under 5 mortality by two-thirds)			
Immunization, measles (percent of children ages 12–23 months)	79.0	43.0	59.0	94.0
Mortality rate, infant (per 1,000 live births)	113.0	107.0	100.0	104.0
Mortality rate, under-5 (per 1,000)	210.0	204.0	196.0	191.0
Improve maternal health	(2015 target: reduce 1990 maternal mortality by three-fourths)			
Births attended by skilled health staff (percent of total)	..	42.0	31.0	54.0
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	1000.0	700**
Combat HIV/AIDS, malaria, and other diseases	(2015 target: halt, and begin to reverse, AIDS, etc.)			
Contraceptive prevalence (percent of women ages 15–49)	..	25.0	12.0	17.0
Incidence of tuberculosis (per 100,000 people)	158.0	155.0	182.0	226.0
Prevalence of HIV, female (percent ages 15–24)	..	..	..	0.9
Prevalence of HIV, total (percent of population ages 15–49)	..	..	..	1.6
Tuberculosis cases detected under DOTS (percent)	..	11.0	17.0	18.0
Ensure environmental sustainability	(2015 target: various)			
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1**
Forest area (percent of land area)	26.0	..	25.0	25**
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..
Improved sanitation facilities (percent of population with access)	7.0	..	..	13.0
Improved water source (percent of population with access)	38.0	..	..	72.0
Nationally protected areas (percent of total land area)	..	..	..	14.0
Develop a global partnership for development	(2015 target: various)			
Aid per capita (current US\$)	38.0	50.0	30.0	63.0
Debt service (PPG and IMF only, percent of exports of goods and services, excl. workers' remittances)	7.8	14.6	20.3	7.0
Internet users (per 1,000 people)	0.0	0.0	1.0	9.0
Personal computers (per 1,000 people)	0.0	0.0	1.0	2.0*
Total debt service (percent of exports of goods, services and income)	6.8	11.9	14.9	..
Unemployment, youth female (percent of female labor force ages 15–24)	..	..	..	..
Unemployment, youth male (percent of male labor force ages 15–24)	..	..	..	..
Unemployment, youth total (percent of total labor force ages 15–24)	..	..	..	..
Other				
Fertility rate, total (births per woman)	6.9	6.9	6.5	6.0
GNI per capita, Atlas method (current US\$)	350.0	240.0	250.0	480.0
GNI, Atlas method (current US\$) (billions)	2.9	2.4	2.8	7.3
Gross capital formation (percent of GDP)	18.2	22.8	22.7	18.1
Life expectancy at birth, total (years)	48.0	46.0	47.0	52.0
Literacy rate, adult total (percent of people ages 15 and above)	..	..	..	29.0
Population, total (millions)	8.5	9.8	11.3	15.2
Trade (percent of GDP)	35.4	40.7	34.3	38.3

Note: \* refers to 2006 data, \*\* refers to 2007 data.

<sup>1</sup> \$1.25 as of 2008.

Source: World Development Indicators database, 2010.

**APPENDIX I—LETTER OF INTENT**

Ouagadougou, November 17, 2010

Dominique Strauss-Kahn  
Managing Director,  
International Monetary Fund  
700 19<sup>th</sup> Street NW  
WASHINGTON, DC 20431 (USA)

Dear Mr. Strauss-Kahn:

1. The government of Burkina Faso is committed to implementing sound policies and reforms to address the country's development challenges. Thus, during the first half of 2010, we continued our efforts to consolidate macroeconomic stability and fight poverty, through our economic and financial program supported by the Extended Credit Facility (ECF).
2. The government is convinced that continued implementation of policies and reforms under the program will enable it to support fiscal and debt sustainability, and enhance growth prospects. In the first half of 2010, key objectives under the program were achieved. In particular, all structural measures programmed for end-June and end-September were taken; and significant progress was made toward meeting end-year targets. On quantitative objectives, our continued efforts to increase efficiency in tax administration helped collect more revenue than expected at end-June, and to reduce the rate of large taxpayer nonfiler below the program target. Moreover, the government continued to maintain a prudent borrowing policy and did not accumulate any arrears. However, the indicative target on pro-poor spending was somewhat lower than programmed because of difficulties with procurement procedures. Moreover, the performance criterion (PC) on the overall deficit (commitment basis, including grants) was not met, because an important portion of grants programmed for end-June was disbursed in August.
3. The government's medium-term macroeconomic objectives communicated in my letter dated May 31, 2010 remain appropriate. Macroeconomic stability and fiscal consolidation will continue to be our priorities. We, therefore, plan to maintain our efforts on revenue mobilization and expedite public financial management reforms. We continue to believe that progress on structural reform implementation is essential to enhancing growth prospects and reducing poverty. We will continue the rehabilitation of the cotton sector, which is very important for our economy and provides income to a large portion of the population. We intend to accelerate reforms in the financial sector, and to improve the business environment further to support private sector development. We also plan to deepen civil service reforms to enhance our wage policy.

4. The government is convinced that economic and financial policies presented in the attached Memorandum of Economic and Financial Policies (MEFP) will help achieve the objectives set under our ECF-supported program. Nonetheless, we are prepared to take any additional measures that may become necessary. The government will consult with the IMF before adopting such measures, and prior to any revision to policies outlined in the MEFP, in accordance with the Fund's policies on such consultation. In addition, we will provide the IMF with information on policy and reform implementation, as agreed on under the attached Technical Memorandum of Understanding, or upon request.
5. The government is aware that the observance of performance criteria set in the program for end-June is a condition for the completion of the first review under the ECF-supported program. As explained above, all PCs were observed, except for the one on the overall budget deficit that was missed at end-June because of a sizeable, albeit temporary shortfall in budget grants, and for which we are requesting a waiver. In addition, the end-December PC is expected to be met because budget execution will remain prudent, revenue mobilization efforts will continue, and grants are expected to be higher than anticipated.
6. In view of the overall program performance through end-June, and commitments taken in the attached MEFP, the government requests that the second disbursement under the ECF arrangement, totaling SDR 6.45 million, be made available upon the completion of the first ECF review by the IMF Executive Board.
7. The government will take necessary measures to ensure that conditions are met for the completion of the second program review by June 14, 2011.
8. The government authorizes the IMF to publish this letter of Intent and its attachments, as well as the staff report, upon the completion of the first review.

Sincerely yours,

/s/

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

Attachments: Memorandum of Economic and Financial Policies, 2011  
Technical Memorandum of Understanding

**APPENDIX I—ATTACHMENT 1****MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES FOR 2010–11****I. INTRODUCTION**

1. **Burkina Faso’s economic and financial program, supported by the IMF under the ECF aims to consolidate macroeconomic stability, enhance growth prospects, and intensify the fight against poverty.** This memorandum is a supplement to the one attached to the Letter of Intent dated May 31, 2010. It reviews program implementation through end-June 2010 and outlines economic policies that the government intends to put in place in 2010–11 to reach its medium-term objectives.

**II. ECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE THROUGH END-JUNE 2010****A. Recent Economic Developments and Prospects for End-2010**

2. **Economic activity picked up during the first half of the year, and inflation remained moderate.** Growth projections have been revised upward by about 1 percentage point to 5.2 percent, mostly because of strong activity in the agriculture and mining sectors and the recovery in cotton-related activities. In agriculture, cereal production is expected to expand by 4.4 percent due to favorable climatic conditions and the impact of measures taken by the government in recent years to support productivity in the sector, notably with improved seeds. In mining, gold production is set to increase by 50 percent with the beginning of operations of the fifth mine (ESSAKANE). Finally, thanks to better climatic conditions, cotton production is projected to increase by 24 percent, recovering from a 17 percent decline in 2009. Inflation dropped substantially during the first half of 2010, mostly reflecting an increase in local cereal production. It should remain moderate and well below the 3 percent regional convergence criterion.

3. **Flood affected the country in July 2010.** Unlike the September 2009 flood that mainly affected the capital city, Ouagadougou, the July flood caused casualties and damage in several rural parts of the country, affecting more than 100,000 people. The emergency assistance totaled some CFAF 4 billion and the cost of damage to infrastructure is being assessed.

4. **In the fiscal area, revenue collection improved further and capital expenditure was lower than expected.** Increased accountability and better monitoring of revenue-collecting units further strengthened tax administration, contributing to higher revenue. Budget execution was somewhat exceptional during the first half of the year as CFAF 67.7 billion (1.6 percent of GDP) of outlays from the 2009 budget were committed and paid in January–April 2010. These outlays were related to programs designed in 2009 to mitigate the impact of exogenous shocks, notably the global economic downturn and the September flood. However, despite the late closing of the 2009 fiscal year, all expenses, including those committed in 2010, were duly recorded in the 2009 budget execution law transmitted to the Audit Court. Capital and pro-poor spending were lower than expected,

mostly because of inefficiencies in procurement procedures. The budget mid-term review process led to a number of recommendations, the most important of which were the elimination of prior notification for budget allocations delegated to decentralized institutions and the preparation of 2011 investment projects in the last quarter of 2010. These measures are expected to improve the investment execution rate.

5. **Based on the outcome at end-June, and continued efforts in the second half of the year, revenue is projected to increase to 15.6 percent of GDP**, compared with 13.9 percent in the program and 13.5 percent in 2009. This increase reflects efficiency gains made since 2009 and higher than anticipated receipts from renewal of mobile phone licenses. Within the framework of the supplementary budget for 2010, the government plans to use these exceptional receipts to finance new investment projects. Thus, it plans to accelerate capital outlays in the second part of the year, to CFAF 280.3 billion, compared with CFAF 252.6 billion in the program. Because of this increase, and the execution of the expenditure from 2009, total expenditure and net lending are projected to reach about 27 percent of GDP in 2010, compared with a programmed level of 25 percent. Nevertheless, the budget deficit (commitment basis, including transfers) is forecasted to remain in line with the program, at 4.8 percent of GDP, thanks to the projected higher revenue and budget support.

6. **Burkina Faso's external position is expected to benefit from the projected improvement in the terms of trade compared with the program.** The projected increase in exports and improvement in the terms of trade should more than compensate for the expected rise in imports related to higher global oil prices, increased agriculture and mining production, and rehabilitation of infrastructure damaged by the 2009 and 2010 floods. Therefore, the current account deficit (including official transfers) is expected to narrow to 5.2 percent of GDP in 2010, compared with 8.7 percent initially projected.

7. **Developments in the financial sector were consistent with the economic recovery that marked the first half of the year.** Money supply increased and credit to the economy strengthened. For the year, money supply is expected to grow by about 17 percent, in line with the substantial increase in net foreign assets.

## **B. Performance under the Program**

8. **The government achieved most objectives under its program:** (i) the floor of total revenue of CFAF 300.1 billion was exceeded by approximately 4 percent, with a collection level of CFAF 310.9 billion. Moreover, owing to better monitoring, the large taxpayer nonfiler rate was 4 percent, compared with a program target of 5 percent for end-June. However, priority social spending was slightly below target, and the performance criterion on the budget deficit (commitment basis, including grants) was not met because of delays in the disbursement of budget support expected at end-June. The government maintained a prudent borrowing policy: it did not contract or guarantee nonconcessional loans nor accumulate any arrears (Table 1). The government took all structural reform measures programmed for June (Table 2). In particular, the first quarterly report on poverty-reducing expenditure was prepared, and the legal documents (the new investment law and the decree on the VAT

refund modalities) for the implementation of the tax reform strategy adopted by Parliament in January 2010 were adopted by the Cabinet.

**9. Progress in the implementation of other public financial management reforms included the following:**

- ✓ The customs offices of Thiou and Ouessa were connected to the customs main server. For the Bingo office, the special telephone landline was installed, and data transfer is underway.
- ✓ Measures to prepare for the implementation of the program budgeting system were adopted. They included (i) preparing a guide for sectoral policy design, which was adopted by the Cabinet on September 15, 2010; (ii) setting up special monitoring units in line ministries and institutions; (iii) putting in place a consultative group for program budgeting; (iv) hiring a consultant to prepare the program budgeting implementation strategy; and (v) stepping up the dissemination of information on the new system for line ministries and other stakeholders.
- ✓ A new classification of expenditure-supporting documentation was approved. This will help reduce payment delays by streamlining documentation required for expenditure payments.
- ✓ A new treasury cash flow plan was finalized in September.
- ✓ The General Inspection of the Budget (IGB) in collaboration with the General Inspection of Finances (IGF) carried out an organizational audit of the financial departments in 28 line ministries and institutions. Recommendations of the audit allowed the authorities to define accountability and performance assessment criteria for this important stage of the public expenditure process.

**10. Although the implementation of the financial sector strategy was delayed, the decree setting up the monitoring committee was signed in May 2010.** The dissemination workshop and a donors' round table will be organized before the end of the year. Delays in the installation of institutional monitoring mechanisms and difficulties in mobilizing financing necessary to implement the strategy prevented the implementation of most measures planned for 2010. Regarding the rehabilitation of banks, the board of directors of *Banque Commerciale du Burkina* (BCB) decided to increase its capital by CFAF 18 billion. To date, shareholders released CFAF 6.5 billion, with planned release of the remainder by end-December 2010, for the bank to comply with regional regulations. With regard to *Banque de l'Habitat du Burkina Faso* (BHBF), discussions are underway with the International Finance Corporation (IFC) for its participation in BHBF's capital.

**11. Prospects have improved in the cotton sector after many challenging years.** Most difficulties were due to climatic shocks, the decline in global cotton prices, and the weak rate



of transformation of cotton fiber. With the recent improvement in the global environment, and in view of the sector's key role for the economy and poverty reduction efforts, the government intends to continue the restructuring of SOFITEX and to improve the financial sustainability of the sector, in collaboration with other stakeholders. In this context, SOFITEX's capital was increased by CFAF 16.4 billion in 2010. The company has recruited a consulting firm to carry out the revaluation of its fixed assets and finalize the recapitalization in accordance with regional regulations. Moreover, it pursued cost-cutting measures and other reforms as follows:

- ✓ It updated staffing plans, effective July 2010, based on recommendations from the 2009 audit; and created two new departments that will operate under international standards: the internal audit, the management oversight departments;
- ✓ It prepared a procedure manual to strengthen management practices;
- ✓ It set up a new information system that will become effective with the 2010-11 crop year; and
- ✓ It prepared a business plan.

12. **The government continued its poverty reduction efforts.** Its goal under the Poverty Reduction Strategy is to reduce poverty from 43.2 percent of the population at end-2009 to less than 35 percent by 2015. To make progress on this goal, it has focused on the following sectors: (i) primary education and health services coverage; (ii) food security; and (iii) employment generation. Poverty-reduction programs have also focused on vulnerable groups directly. In particular, the government recently expanded its school lunch program, and distributed food and building materials to floods victims.

### III. ECONOMIC AND FINANCIAL POLICIES FOR 2011

#### A. Macroeconomic Framework

13. **The government intends to maintain its reform efforts.** It plans to implement the necessary measures to maintain macroeconomic stability, enhance growth prospects, and reduce poverty. In 2011, the government intends to finalize and implement its Strategy for Faster Growth and Sustainable Development (SCADD), for which preparation is well advanced.

14. **Economic growth is projected at 5.5 percent in 2011, and inflation is expected to remain moderate.** The stronger growth will be driven primarily by continued good performance in agriculture, cotton, mining, and services. In particular, cotton production is expected to grow by 10 percent, thanks to the timely payment to producers planned for the current crop season, the clearance of internal arrears between producers, and the 14 percent increase in producer prices for the 2010/11 cotton season. Gold production is projected to

grow by about 40 percent, stimulated by high global prices and reflecting higher production from Burkina Faso's largest gold mine (ESSAKANE). The services sector is expected to benefit from the expansion of activities in the secondary sector, as well as higher demand for services from scheduled official events, in particular the celebration of the 50<sup>th</sup> anniversary of Burkina Faso's independence. The Government is taking steps to improve public investment execution rate, especially for the rehabilitation of infrastructure damaged by floods in 2009 and 2010. This is also expected to support growth. With the projected increase in agriculture production, inflation is expected to remain moderate, and well below the 3 percent regional convergence criterion.

## **B. Fiscal Policy**

15. **The government intends to maintain its efforts for fiscal consolidation.** In 2011, fiscal policy will support economic recovery and address the impact of the 2009–10 floods, while preserving medium-term fiscal and debt sustainability. Therefore, priority will be given to revenue-enhancing measures and public financial management. Within a prudent fiscal framework, resources allocation will focus on (i) enhancing support to agriculture and livestock; (ii) rehabilitating economic infrastructure; (iii) consolidating poverty-reducing measures; and (iv) promoting employment.

16. **The Government plans to enhance revenue collection further.** Total revenue is projected at CFAF 721.4 billion, equivalent to 15.7 percent of GDP in 2011. Revenue performance will benefit from:

- New tax policy measures: (i) the effective implementation of the tax reform adopted in early 2010, which will increase corporate tax receipts; (ii) the increase in the excise tax rate on alcoholic beverages (other than beer) from 25 to 30 percent in the 2011 budget; and (iii) the gradual implementation of a new taxation system raising royalties from 3 percent of turnover to 5 percent, based on global prices. The impact of this measure will be strengthened by the projected increase in gold exports.
- Higher nontax revenue on mobile phone operating licenses, which includes revenue from a fourth license and collection of remaining balances on license renewals in 2010. Administrative measures include: (i) continued monitoring of revenue performance by collecting units; (ii) set-up, in October 2010, of the Medium-Sized Enterprise unit for a better coverage of this category of taxpayers; (iii) improved collection of tax arrears; (iv) strengthened controls and information dissemination on tax obligations; (v) set-up of two merchandise scanners at the customs office of Ouagadougou (road) and the customs office at the train station in Bobo Dioulasso by end-December 2011 (**Structural Benchmark**); and (vi) Strengthened joint (Customs and Tax Departments) control brigades.

17. **Expenditure is projected at CFAF 1,161.1 billion, equivalent to 25.2 percent of GDP.** Current expenditure is expected to be at 12.4 percent of GDP, while pro-poor spending will increase by about 10 percent to reach 6.5 percent of GDP. Thanks to the implementation of the merit-based promotion system, the wage bill should be contained at 5.8 percent of GDP, while allowing recruitment in priority sectors. Capital expenditure is projected at 12.5 percent of GDP, with an important share allocated to the rehabilitation of infrastructure.

18. **Thanks to the planned revenue efforts, the budget deficit is projected to narrow to 3.9 percent of GDP in 2011.** Expected financing include budgetary assistance from bilateral and multilateral development partners, the programmed third and fourth IMF disbursements under the ECF, and borrowing from the WAEMU regional bond market. In case of a shortfall in revenue collection or budget support, the government will reduce non-priority expenditure to avoid any accumulation of payment arrears.

### C. Balance of Payments and External Debt

19. **The external position is forecast to worsen somewhat in 2011.** The current account deficit (including the official transfers) is projected at 6.3 percent of GDP compared with 5.2 percent of GDP in 2010, mainly because of the projected decline in official transfers, and the anticipated deterioration in the terms of trade, which largely compensate the effect of the increase in cotton and gold export volumes. Taking into account other net flows in the balance of payments, the overall balance is expected to record a moderate surplus (CFAF 17.4 billion).

20. **The government intends to maintain a prudent borrowing policy.** The last Debt Sustainability Analysis (DSA) carried out by IMF and World Bank Staff in May 2010 showed that the risk of debt distress is high for Burkina Faso. Indeed, the present value of debt-to-export ratio, one of the main DSA indicators, could exceed its threshold by 2017. This indicator shows that, in spite of the increase in gold exports in the last three years, the export base remains narrow. Consequently, the government is committed to continuing a prudent borrowing policy to preserve debt sustainability. Hence, it will not contract nor guarantee nonconcessional loans as defined in the Technical Memorandum of Understanding attached to this memorandum.

21. **The improvement of debt management capacity will continue.** In this context, the authorities plan to request World Bank's assistance to update the results of the Debt Management Performance Assessment carried out in 2008. In addition, the procedure manual on external debt management, finalized in September 2010, will become operational. With support from Burkina Faso's financial and technical partners, other measures for 2011 include:

- An increase in computerization of the debt management department;

- Capacity building activities;
- Improvement in the quality of the debt database, including setting up a back-up site in Bobo Dioulasso; and
- The setting-up of an integrated electronic system to manage external financing.

#### **D. Structural Reforms**

**22. The government plans to intensify public financial management reforms in 2011.**

Priority areas will be expenditure execution procedures and the follow-up of the treasury cash flow plan. In this context, and in order to avoid delays in closing the fiscal year, the authorities will take the necessary measures to ensure strict compliance with the budget execution regulatory framework, namely, to close expenditure commitment and issuance of payment orders in November and December respectively, and to end payments with the supplementary period at end-February of the following year. Moreover, the IGF will carry out, by end-June 2011 (**Structural Benchmark**), the audit of the financial services (*Direction des Affaires Administratives et Financières*) in line ministries to identify and address bottlenecks in expenditure commitments, particularly for capital expenditure. The authorities plan to accelerate preparatory work for the adoption of a new budget classification system that is consistent with WAEMU regulations by end-December 2011.

**23. Regarding petroleum products**, a new pricing and taxation system will be implemented by end-June 2011 (**Structural Benchmark**), building on recommendations from studies that the authorities plan to complete by end-December 2010.

**24. The authorities plan to take advantage of improved prospects in the cotton sector to accelerate reforms.** The focus will remain on SOFITEX's rehabilitation and on the preparation of financing mechanisms for the cotton price-smoothing fund and for the inputs fund. Regarding SOFITEX, the recapitalization that took place in 2010, combined with the expected increase in export earnings, should contribute to reinforcing its financial situation and reducing the need for further financial support from the government. It will also allow the signing of an agreement between SOFITEX and the Treasury for the repayment of SOFITEX's obligations to commercial banks, which were paid by the treasury since 2009. In addition, the following measures are planned for 2010–11:

- Strengthening of SOFITEX's management through the following actions: (i) make the audit and management oversight departments operational; (ii) set up a research and development department; (iii) finalize the procedure manual; (iv) prepare a risk management chart; (v) finalize the business plan discussed by the company's Executive Board in June 2010.

- Reallocation of cotton production zones to strengthen the financial sustainability of ginning companies, in collaboration with the World Bank and other stakeholders.
- Completion of studies on the financing of the cotton price-smoothing fund and the inputs fund. Building on recommendations from the studies, the authorities will prepare an action plan with key measures for 2011–12.

25. **Civil service reforms intend to strengthen the wage policy and the quality of public service.** The implementation of the merit-based promotion system will continue, and recruitments will be concentrated in the priority sectors. Moreover, a physical census of civil servants will be carried out by end-December 2011 (**Structural Benchmark**), and its results will be used to update the payroll and the civil service roster. Furthermore, electronic identification cards for all civil servants will be issued to monitor the size of the civil service.

26. **The implementation of the financial sector strategy will be consistent with the action plan adopted by the government in 2010.** In 2011–12, the authorities plan to:

- Reduce the Government’s stake in the BHBF;
- Implement the WAEMU action plan on the promotion of financial intermediation;
- Conduct an operational and financial audit of the unit in charge of monitoring the insurance sector and implement the audit’s recommendations;
- Disseminate and implement new legal provisions for decentralized financial institutions (SFD);
- Prepare quarterly financial indicators for SFD;
- Implement the national strategy for microfinance;
- Prepare a strategy for privatization of the postal financial services; and
- Assess contribution arrears to the social security fund (CNSS).

27. **To support private sector development, the government intends to continue actions aimed at improving the business climate.** In this context, it plans to make the commercial courts of Ouagadougou and Bobo Dioulasso operational in 2011. In addition, it will set up, by end-2011, an electronic one-stop window for foreign trade, using the ORBUS system (**Structural Benchmark**) to expedite customs clearance transactions.

28. **Complete implementation of conformity measures for the Extractive Industry Transparency Initiative (EITI) principles is expected before the cut-off date of May 2011.** Actions planned for end-2010 include setting up an Internet site for reports and

data from the mining sector and completing training for EITI committee members. The first report, on mining activities in 2008–09, is expected by end-2010.

### **E. Improving Statistics**

29. **Reinforcement of the quality and availability of economic and social data will continue**, building on recommendations from technical assistance missions from the IMF and other technical and financial partners of Burkina Faso. Priority areas are still public financial management, revenue enhancement, debt management, monitoring of the microfinance sector, as well as national accounts and prices.

### **F. Program Monitoring**

30. **The authorities intend to monitor closely the implementation of their economic and financial programs.** To make the program successful, they intend to take the necessary steps to reach the quantitative and structural targets agreed upon with IMF Staff and presented in Tables 1 and 2 of this memorandum. In monitoring program implementation, the authorities plan to follow the Technical Memorandum of Understanding (attached to this memorandum), which defines quantitative performance criteria and requirements for data communication to IMF staff. Throughout the program, the Burkinabè government will not introduce restrictions on payments and transfers under current international transactions or tighten any such restrictions without prior consultation with the IMF; introduce or modify multiple currency practices; conclude bilateral payment agreements incompatible with the provisions of Article VIII of the IMF Articles of Agreement; or introduce restrictions on imports for balance of payments purposes. The second review of the program supported by the ECF is expected to be completed by June 14, 2011, the third review by December 15, 2011, and the fourth review by June 14, 2012.

31. **The government requests a waiver for nonobservance of the performance criterion on the budget deficit at end-June 2010.** As explained in this memorandum, the government did not meet the end-June performance criterion (PC) because of delays in disbursement of budgetary aid, leading to a shortfall of CFAF 81 billion in budgetary resources at end-June. Taking into account the CFAF 25 billion of adjustment under the program, the breach of the PC was limited to 0.9 percent of GDP. We expect to meet the end-December fiscal target, because budget aid is anticipated to be higher than programmed, and budget execution will remain prudent.

**Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2009–11**

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

	2009	2010										
		Mar. <sup>5</sup>			Jun. <sup>6</sup>				Sep. <sup>5</sup>		Dec. <sup>6</sup>	
		Prog.	Adj.	Est.	Prog.	Adj.	Est.	Status	Prog.	Proj.	Prog.	Proj.
<b>Performance criteria and benchmarks</b>												
Ceiling on the overall fiscal deficit including grants <sup>1</sup>	222.7	71.3	96.3	82.5	95.1	120.1	156.9	Not met	143.6	161.3	217.8	217.8
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government <sup>2,3</sup>	0.0	0.0	...	0.0	0.0	...	0.0	Met	0.0	0.0	0.0	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government <sup>2,3</sup>	0.0	0.0	...	0.0	0.0	...	0.0	Met	0.0	0.0	0.0	0.0
Accumulation of external arrears <sup>2</sup>	0.0	0.0	...	0.0	0.0	...	0.0	Met	0.0	0.0	0.0	0.0
<b>Indicative targets</b>												
Government revenue	539.1	124.4	...	132.9	300.1	...	310.9	Met	438.6	488.7	585.2	667.9
Poverty-reducing social expenditures	259.6	60.4	...	53.2	126.3	...	118.0	Not met	200.4	200.4	274.5	274.5
Large taxpayer non-filer rate (percent) <sup>4</sup>	3.0	5.0	...	5.0	5.0	...	4.0	Met	5.0	5.0	5.0	5.0
Accumulation of domestic arrears	0.0	0.0	...	0.0	0.0	...	0.0	Met	0.0	0.0	0.0	0.0
<b>Maximum upward adjustment of deficit ceiling including grants due to:</b>												
Shortfall in grants relative to program projections	25.0	25.0	...	25.0	25.0	...	25.0	...	25.0	25.0	25.0	25.0
Excess in concessional loan financing relative to program projections	0.0	15.0	...	0.0	15.0	...	0.0	...	15.0	15.0	15.0	15.0
<b>Adjustment factors</b>												
Shortfall in grants relative to program projections	38.7	0.0	...	51.8	0.0	...	80.6	...	0.0	17.6	0.0	-7.5
Excess in concessional loan financing relative to program projections	-28.2	0.0	...	-5.9	0.0	...	-3.2	...	0.0	-9.0	0.0	5.3
<i>Memorandum items:</i>												
Basic primary balance (cash basis)	-111.8	-125.1	...	-75.1	-168.3	...	-103.3	...	-222.4	-168.4	-277.3	-213.6
Grants	232.4	69.1	...	17.2	134.5	...	53.9	...	212.2	194.6	265.1	272.6
Concessional loans	123.9	37.2	...	31.3	74.4	...	71.2	...	119.0	110.0	156.2	161.5

(continued)

**Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2009–11 (concluded)**

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

	2011			
	Mar. <sup>5</sup>	Jun. <sup>6</sup>	Sep. <sup>5</sup>	Dec. <sup>6</sup>
	Proj.	Proj.	Proj.	Proj.
<b>Performance criteria and benchmarks</b>				
Ceiling on the overall fiscal deficit including grants <sup>1</sup>	68.2	88.1	148.6	179.4
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government <sup>2, 3</sup>	0.0	0.0	0.0	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government <sup>2, 3</sup>	0.0	0.0	0.0	0.0
Accumulation of external arrears <sup>2</sup>	0.0	0.0	0.0	0.0
<b>Indicative targets</b>				
Government revenue	144.8	353.0	515.4	721.4
Poverty-reducing social expenditures	66.1	138.3	219.4	300.6
Large taxpayer non-filer rate <sup>4</sup>	5.0	5.0	5.0	5.0
Accumulation of domestic arrears	0.0	0.0	0.0	0.0
<b>Maximum upward adjustment of deficit ceiling including grants due to:</b>				
Shortfall in grants relative to program projections	25.0	25.0	25.0	25.0
Excess in concessional loan financing relative to program projections	15.0	15.0	15.0	15.0
<b>Adjustment factors</b>				
Shortfall in grants relative to program projections	0.0	0.0	0.0	0.0
Excess in concessional loan financing relative to program projections	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>				
Basic primary balance (cash basis)	-24.9	-56.9	-97.5	-122.4
Grants	19.7	70.0	160.7	260.4
Concessional loans	41.2	41.2	82.3	164.6

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

<sup>1</sup> The ceiling on the overall fiscal deficit is to be adjusted in line with the TMU definition. It is calculated on a commitment basis.<sup>2</sup> To be observed continuously.<sup>3</sup> Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU)<sup>4</sup> Applies to average over respective quarter.<sup>5</sup> Indicative target.<sup>6</sup> Performance criteria.



**Table 2. Burkina Faso: Structural Conditionality****January–September 2010**

<b>Measures</b>	<b>Due date</b>	<b>Status</b>
Adopt legal documents that implement the new fiscal reform strategy approved by parliament in January 2010.	end-June	Done
Produce a quarterly report on poverty-reducing expenditure, on a continuous basis, using the new tracking system adopted in October 2009, starting in June 2010.	end-June	Done
Prepare a new Treasury Cash Flow plan Table	end-Sept.	Done
Finalize the procedure manual on external debt management	end-Sept.	Done
Finalize the social audit of the public service	end-Sept.	Done
Set up an internal audit system at SOFITEX	end-Sept.	Done

(continued)

Table 2. Burkina Faso: Structural Conditionality (concluded)

October 2010–January 2011

Measures	Date	Rationale
<b>Public Financial Management</b>		
Electronically connect two additional customs posts to the main Customs system.	end-Dec. 2010 (second review)	Strengthen revenue collection.
Prepare a study on the taxation of petroleum products and on a new pricing system.	end-Dec. 2010 (second review)	Reduce subsidies on petroleum products.
Prepare an audit of expenditure commitment systems in line ministries.	end-June 2011 (third review)	Enhance expenditure Management.
Implement a new pricing and taxation system for petroleum products.	end-June 2011 (third review)	Reduce subsidies.
Set up a one-stop window for customs clearance.	end-Dec. 2011 (fourth review)	Improve the business environment.
Set up an electronic system to improve merchandise valuation in two customs posts.	end-Dec. 2011 (fourth review)	Strengthen revenue collection.
<b>Civil Service</b>		
Implement the merit-based promotion system.	end-Dec. 2010 (second review)	Improve wage policy and efficiency in the civil service.
Complete the civil service census and harmonize the payroll system and the civil service roster.	end-Dec. 2011 (fourth review)	Improve the wage policy.
<b>Financial Sector</b>		
Finalize the restructuring of the <i>Banque du Commerce du Burkina</i> .	end-Dec. 2010 (second review)	Increase access to financial services.
Adopt and implement the strategy for microfinance development.	end-June 2011 (third review)	Increase access to financial services.
<b>Cotton Sector</b>		
Develop a business plan.	end-December 2010 (second review)	Strengthen the financial health of SOFITEX.

**APPENDIX I—ATTACHMENT II****TECHNICAL MEMORANDUM OF UNDERSTANDING**

Ouagadougou, November 17, 2010

1. This technical memorandum of understanding (TMU) defines the quantitative performance criteria and indicative targets, as well as structural benchmarks to assess performance under the program supported by the Extended Credit Facility (ECF). It also sets deadlines for data reporting.

**I. DEFINITIONS**

Unless otherwise indicated, “government” means the central administration of Burkina Faso and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).

2. The definitions of “debt” and “concessional borrowing” in this memorandum of understanding are as set out in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009:

- (a) Debt means a direct, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, 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 a number of forms, the primary ones are:
  - (i) Loans, that is, 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 equal 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, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided;

- (iii) Leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purpose of this guideline, 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; and
- (iv) Treasury bills and bonds issued in CFA francs on the West African Economic and Monetary Union (WAEMU) regional market, which are included in domestic debt for the purpose of this memorandum.

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

- (b) A loan is considered concessional if, on the date on which the contract was signed, the ratio of the present value of the loan, based on the reference interest rates, to the nominal value of the loan is less than 65 percent (i.e., the grant element of the loan is more than 35 percent of its nominal value). The present value of the loan will be calculated by discounting future payments of interest and principal using the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). Specifically, the 10-year average of CIRRs reported by the OECD will be used for loans with maturities longer than 15 years while the six-month average of CIRRs will be used for loans with shorter maturities. To both the 10-year and six-month averages of the reference rate, the margin for different repayment periods will be added, as established by the OECD (0.75 percent for repayment periods of less than 15 years; 1 percent for repayment periods of 15–19 years; 1.15 percent for repayment periods of 20–29 years; and 1.25 percent for repayment periods of 30 years or more).
- (c) "Domestic debt" is defined as debt denominated in CFA francs, while "foreign debt" is defined as debt denominated in any currency other than the CFA franc.

## **II. QUANTITATIVE PERFORMANCE CRITERIA**

3. Quantitative performance criteria are proposed for June and December 2011 for the overall deficit (commitment basis, including grants) as defined in paragraph 4; contracting or guaranteeing of nonconcessional and short-term external debt as specified below in this paragraph; and accumulation of external arrears. Programmed amounts for March and September 2011 are benchmarks. The following performance criteria will be

monitored on a continuous basis: (i) the contracting or guaranteeing of new nonconcessional external debt by the government, public enterprises and other official sector entities unless excluded in Tables 1 of the Memorandum of Economic and Financial Policies (MEFP), as well as private debt for which official guarantees have been extended and which, therefore constitute a contingent liability of the government; (ii) the contracting or guaranteeing of new short-term external debt; and (iii) the accumulation of arrears on the external debt service of the government.

### **A. Overall Deficit Including Grants**

#### **Definition**

4. For the program, the overall deficit including grants is valued on a commitment basis (*base engagement*). It is the sum of foreign and domestic financing (net) of the government measured from the financing side plus cash basis adjustment. Net foreign financing is the sum of foreign borrowing minus amortization. Net domestic financing is the sum of (i) net bank credit to the government, including both net bank credit to the treasury as defined below and other government claims on and debts to national banking institutions; (ii) unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. 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 with the postal system (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 CNE (*Caisse Nationale d'Épargne Postale*)/CCP securitized deposits. Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose figures are recognized as valid for program purposes. The stock of treasury bills and other government debt, as well as net foreign financing, is calculated by the Ministry of Finance. Cash basis adjustment is the sum of (i) expenditure commitments not paid (*engagées nonpayées*); and (ii) change in treasury deposits.

5. All these items are valued according to the statement of government budgetary execution established monthly in the central government's financial operations table. This is prepared by the Permanent Secretariat for the Monitoring of Financial Policies and Programs (SP-PPF), in collaboration with the other departments of the Ministry of Economy and Finance.

### **Adjustment**

6. The overall deficit including grants is adjusted upward by the amount that grants fall short of what is programmed up to a maximum of CFAF 25 billion (see the MEFP Table 1). It will not be adjusted if grants are higher than programmed.
7. The overall deficit including grants will also be adjusted upward by the amount that concessional loans exceed what is programmed up to a maximum of CFAF 15 billion (see the MEFP Table 1).

### **Reporting deadlines**

8. 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. Nonaccumulation of External Arrears**

### **Performance criterion**

9. The government's external debt is the stock of debt owed or guaranteed by the government. External arrears are external payments due but not paid on the due date. Under the program, the government undertakes not to accumulate arrears on its external debt, except those arising from government debt being renegotiated with creditors, including non-Paris Club bilateral creditors. Nonaccumulation of external arrears is a performance criterion, to be observed continuously.

### **Reporting deadlines**

10. 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**

11. The government undertakes not to contract or guarantee any external debt maturing in one year or more that has a grant element of less than 35 percent (calculated using the interest reference rate for borrowed foreign currencies provided by the IMF) beyond the ceiling indicated in the MEFP (Table 1). This performance criterion applies not only to debt as defined in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009, but also to commitments contracted or guaranteed (including lease-purchase contracts) for which no value have been received. This criterion also applies to the guaranteeing of private sector debt by the government, which consequently

constitutes a contingent liability of the government, as defined in section I of this memorandum. In addition, this criterion applies to public enterprises and other official entities unless excluded in the MEFP (Table 1). External debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market. This performance criterion is to be observed continuously.

### **Reporting deadlines**

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

### **D. Government Short-Term External Debt**

13. The definitions in paragraph 11 also apply to this performance criterion. Short-term external debt is debt with a contractual term of less than one year. Import- and export-related loans, Treasury bills issued in CFA francs on the WAEMU regional market, normal short-term supplier credits, and debt relief operations are not covered by this performance criterion.

### **Performance criterion**

14. In the context of the program, the government undertakes not to contract or guarantee short-term nonconcessional external debt. The definition of nonconcessional in paragraph 3b applies here. The government also undertakes not to contract or guarantee any short-term external debt without having first determined its concessionality with IMF staff. This performance criterion is to be observed continuously. As of September 30, 2010, the government of Burkina Faso had no short-term external debt.

## **III. OTHER QUANTITATIVE INDICATIVE TARGETS**

15. The program also includes indicative targets on total government revenue, poverty-reducing social expenditures, accumulation of domestic payment arrears, and large taxpayer nonfiler rates.

### **A. Total Government Revenue**

#### **Definition**

16. 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**

17. Details on total revenue will be sent to IMF staff by the SP-PPF of the Ministry of Finance and Budget within six weeks after the end of each month.

### **B. Poverty-Reducing Social Expenditures**

#### **Definition**

18. Poverty-reducing social expenditures are defined by the PRSP priority sector programs designed to accelerate the reduction of poverty. They cover all spending categories for the following ministries: Primary Education and Literacy; Health; Social Action and National Solidarity; Promotion of Women; Labor and Social Security; Employment and Youth; Agriculture, Water and Fishing Resources; Animal Resources; and Environment and Living Conditions. They also cover rural roads and HIPC resources (Category 5) for infrastructure spending and HIPC expenditures only for the Justice Ministry and the Ministry of Economy and Development. These expenditures are monitored directly through the budget.

#### **Reporting deadlines**

19. The government will report within six weeks after the end of each month the monthly data on poverty-reducing social expenditures.

### **C. Nonaccumulation of Domestic Payment Arrears**

#### **Definition**

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

#### **Reporting deadlines**

21. Data on balances, accumulation, and repayment of arrears on domestic government obligations will be reported within four weeks after the end of each month.

### **D. Large Taxpayer Nonfiler Rate**

#### **Definition**

22. The large taxpayer nonfiler rate is the ratio of late and nonfilers in the Large Taxpayer Office (LTO) relative to the total number of taxpayers obligated to file in LTO. A late filer is anyone who files a tax return after the deadline. A nonfiler is anyone in the database who did not file taxes. The main tax categories are the VAT (*TVA*), the corporate income tax (*BIC*), and the tax on wage income (*IUTS*). Filing deadlines for the



main tax categories are set in the tax code.

### **Reporting deadlines**

23. The government will report within two weeks after the end of each quarter the total number of late and nonfilers as well as the total number of taxpayers obligated to file in LTO for the main tax categories.

## **IV. STRUCTURAL BENCHMARKS**

24. The program incorporates structural benchmarks (see the MEFP Table 2).

## **V. ADDITIONAL PROGRAM MONITORING INFORMATION**

### **A. Public Finance**

25. The government will report the following to Fund staff:
- The monthly government flow-of-funds 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 implementation estimate 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 external debt stock, external debt service, signing of external loans, and disbursements of external loans, to be sent within six weeks after the end of each quarter;
  - Monthly data in the table on the monitoring of poverty-reducing expenditures that will be submitted with the same transmission delay as for the above-defined TOFE table;
  - Monthly data on prices and taxation of petroleum products, including

- (i) prices prevailing during the month; (ii) detailed calculation of the price structure, from the f.o.b.-MED price to the retail price; (iii) volumes purchased and made available for consumption by the petroleum distributor (SONABHY); and (iv) a breakdown of receipts from the taxation of petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT)—and of subsidies, to be provided within four weeks after the end of each month;
- A monthly statement of the status of accounts with the treasury, classified by major category (administrative services, state enterprises, mixed enterprises, public administrative enterprises, international organizations, private depositors, and others), to be provided within six weeks after the end of each month;
  - Quarterly data for the large taxpayer office on (for *TVA*, *BIC*, *IUTS*) the numbers of: register taxpayers, statements received, and reminder letters sent to late and non filers; and
  - These quarterly statistics are to be provided within two weeks after the end of each quarter. Similarly, quarterly data on the following are to be sent within two weeks of the end of the quarter: total number of customs statements, number of statements selected by channel, and number of statements by channel subject to non-standard treatment.

### **B. Monetary Sector**

26. The government will provide the following information within six weeks after the end of each month:

- The consolidated balance sheet of monetary institutions;
- Provisional data on the monetary survey provided six weeks after the end of each month (with final data provided ten weeks after the end of each month);
- Borrowing and lending interest rates; and
- Customary banking supervision indicators for bank and nonbank financial institutions, if necessary.

### **C. Balance of Payments**

27. The government will report the following to Fund staff:

- Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions), as they occur;

- Foreign trade statistics compiled by the National Statistics Institute, within three months after the end of the month concerned; and
- Preliminary annual balance of payments data within nine months after the end of the year concerned.

#### **D. Real Sector**

28. The government will report the following to Fund staff:

- Disaggregated monthly consumer price indices, within two weeks after the end of each month;
- Provisional national accounts; and
- Any revision of the national accounts.

#### **E. Structural Reforms and Other Data**

29. The government will also report the following:

- Any study or official report on Burkina Faso's economy, within two weeks after its publication and
- Any decision, order, law, decree, ordinance, or circular that has economic or financial implications as soon as it is published or at the latest when it enters into force.

## INTERNATIONAL MONETARY FUND

## BURKINA FASO

**First Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Waiver of Nonobservance of Performance Criterion—  
Informational Annex**

Prepared by the African Department

Approved by Peter Allum and Thomas Dorsey

November 18, 2010

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 77.14 million (128.14 percent of quota) at end-October 2010.
- **JMAP Implementation.** Describes Bank-Fund collaboration.
- **Statistical Issues.** Assesses the quality of statistical data. Weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

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**I. Relations with the Fund**

(As at October 30, 2010)

**I. Membership Status:** Joined: May 02, 1963; Article VIII

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
Quota	60.20	100.00
Fund holdings of currency	52.74	87.60
Reserve Tranche Position	7.47	12.41
Lending to the Fund		
Notes Issuance		
Holdings Exchange Rate		

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
Net cumulative allocation	57.58	100.00
Holdings	48.18	83.66

<b>IV. Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>%Quota</b>
ECF Arrangements	77.14	128.14

**V. Latest Financial Arrangements:**

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF	Jun 14, 2010	Jun 13, 2013	46.15	7.45
PRGF	Apr 23, 2007	Apr 22, 2010	48.16	47.16
PRGF	Jun 11, 2003	Sep 30, 2006	30.10	30.10

**VI. Projected Payments to Fund <sup>1/</sup>****(SDR Million; based on existing use of resources and present holdings of SDRs):**

	<u>Forthcoming</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal		2.41	4.69	5.10	7.15
Charges/Interest	<u>0.01</u>	<u>0.04</u>	<u>0.22</u>	<u>0.21</u>	<u>0.19</u>
<b>Total</b>	<u>0.01</u>	2.45	4.91	5.30	7.34

<sup>1/</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**VII. Implementation of HIPC Initiative:**

	<u>Original Framework</u>	<u>Enhanced Framework</u>	<u>Total</u>
I. Commitment of HIPC assistance			
Decision point date	Sep 1997	Jul 2000	
Assistance committed by all creditors (US\$ Million) <sup>1/</sup>	229.00	324.15	

Of which: IMF assistance (US\$ million)	21.70	35.88	
(SDR equivalent in millions)	16.30	27.67	
Completion point date	Jul 2000	Apr 2002	
<b>II. Disbursement of IMF assistance (SDR Million)</b>			
Assistance disbursed to the member	16.30	27.67	43.97
Interim assistance	--	4.15	4.15
Completion point balance	16.30	23.52	39.82
Additional disbursement of interest income <sup>2/</sup>	--	2.01	2.01
<b>Total disbursements</b>	<b>16.30</b>	<b>29.68</b>	<b>45.98</b>

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

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

### **VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):**

I.	MDRI-eligible debt (SDR Million) <sup>1/</sup>	62.12
	Financed by: MDRI Trust	57.06
	Remaining HIPC resources	5.06
II.	Debt Relief by Facility (SDR Million)	

<u>Delivery</u> <u>Date</u>	<u>Eligible Debt</u>		
	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
January 2006	N/A	62.12	62.12

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

### **IX. Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable**

### **X. Safeguards Assessments:**

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework should nonetheless be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAMU and the BCEAO, completed after the approval of the safeguards report, stipulated the creation of the Audit Committee, which should now start

working. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

#### **XI. Exchange Rate Arrangement:**

Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU) and has no separate legal tender. The union's common currency, the CFA franc, is pegged to the euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. On November 1st, 2010, the rate of the CFA franc in terms of SDR was CFAF 743.01 = SDR 1.0. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its member. The exchange system is free of restrictions on the making of payments and transfers on current international transactions.

#### **XII. Article IV Consultations:**

The periodicity of Burkina Faso's Article IV consultation is set in accordance with the July 15, 2002 Executive Board Decision on consultation cycles. Discussions on the 2009 Article IV consultation and fifth review under the Poverty Reduction and Growth Facility (PRGF) were held during the period September 17–October 4, 2009 in Ouagadougou. The staff report was considered by the Executive Board on December 14<sup>th</sup>, 2009. The next Article IV consultation is scheduled for September 2011.



### **XIII. ROSC/AAP:**

An FAD mission visited Ouagadougou during May 7–18, 2001 to assist the authorities undertake a draft fiscal module of a Report on the Observance of Standards and Codes (ROSC). The final report, which was issued in July 2002, found that Burkina Faso was making good progress in a number of areas to increase the transparency and accountability of government. Additional efforts are needed to bring a number of improvements to the point of implementation, particularly with regard to expenditure tracking at the local level and external audit functions. Initial discussions indicated that the authorities broadly concurred with the mission assessment. On July 31, 2002, the authorities formally adopted an action plan based on the recommendations of the final ROSC.

An STA mission during May 8–21, 2003 assisted the authorities in preparing a data ROSC. The report was published in March 2004. The mission found that most of the methodologies used in the compilation of macroeconomic statistics are in broad conformity with internationally accepted guidelines. However, most datasets are affected by limited or impaired source data arising from irregularity in the conduct of surveys (national accounts), use of outdated weights (CPI), or low response rate to surveys (balance of payments). For CPI and government finance statistics, data dissemination meets the SDDS requirement, but for other macroeconomic datasets, timeliness falls short of GDDS recommendations. The authorities broadly concurred with the main findings of the mission as well as the recommendations made to address them.

The team, jointly with World Bank staff, also discussed a HIPC Initiative Assessment and Action Plan (AAP) with the authorities. The aim was to assess the capacity of the public expenditure management system to track poverty-reducing public expenditures under the HIPC Initiative and the need for technical assistance to enhance that capacity. The mission secured the officials' approval of the jointly prepared preliminary assessment; identified the main needs for technical assistance on upgrading the capacity to track such expenditures; and drew up a draft outline action plan. This plan identifies the main needs for further technical assistance to improve tracking of poverty-reducing expenditures. The AAP has been endorsed by the authorities.

**XIV. Technical Assistance:**

Significant technical assistance has been provided since 1989, more recently especially in the fiscal area:

<b>Department</b>	<b>Type of Assistance</b>	<b>Time of Delivery</b>	<b>Purpose</b>
AFRITAC	Tax Advisor	February 7–11, 2005	Review the progress made on: (1) the setup of the Large Taxpayer Unit and the Medium Taxpayers Office; (2) the steps to strengthen the fiscal control; and (3) the corporate registry reform.
AFRITAC	Customs Advisor	February 14–18, 2005	Provide assistance to control transit merchandises in the country and travelers at Ouagadougou airport.
AFRITAC	Customs, short-term Expert	February 14–23, 2005	Implement customs valuation code and establish a database for indicative import prices.
AFRITAC	Microfinance Advisor	March 21–25, 2005	Assess the TA need of the Cellule responsible of the supervision of microfinance institutions and prepare a capacity-building program.
AFRITAC	Short-term Expert	April 18–29, 2005	Training of auditors of the Tax administration.
AFRITAC	PEM Advisor	June 27, July 1, 2005	Review of the public finance directives of WAEMU.
AFRITAC	STA Advisor and Short-term Expert	June 27–July 5, 2005	Assist in setting up database for the TOFE (first or two scheduled missions) and expand further the scope of the TOFE (last of three scheduled missions).
AFRITAC	Customs Advisor visits	July 10–16, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	Tax Advisor	August 8–12, 2005	(1) Review the status of implementation of the 2003 FAD mission's recommendations; (2) update the tax directorate's action plan; and (3) asses the DGI

<b>Department</b>	<b>Type of Assistance</b>	<b>Time of Delivery</b>	<b>Purpose</b>
			TA's needs.
AFRITAC	STA Short-term Expert	August 22–26, 2005	Assist with putting in place the database of public finances.
AFRITAC	Customs Advisor	August 28–September 1, 2005	Advise on customs enforcement and assessment of further TA needs.
AFRITAC	STA Short-term Expert	August 29–September 2, 2005	Assist and set up database for the TOFE (last of the two scheduled missions).
AFRITAC	Microfinance Advisor	September 19–23, 2005	Strengthen operational systems for the surveillance of microfinance institutions.
AFRITAC	STA Short-term Expert	September 19–23, 2005	Assist and setting up database for the TOFE (additional mission).
AFRITAC	PEM Advisor	October 10–14, 2005	Review the status of implementation the January 2004 mission recommendations and assess the technical assistance needs.
AFRITAC	Microfinance Advisor and Short-term Expert	November 21–December 16, 2005	Coach in microfinance inspections.
AFRITAC	STA Advisor	December 6–15, 2005	Review the WAEMU directives on budgetary nomenclature.
AFRITAC	Customs Advisor	January 23–25, 2006	Strengthen the dialogue between the customs administration and the private sector (regional workshop).
AFRITAC	STA Advisor	March 11–25, 2006	Review the directive on the TOFE.
AFRITAC	PEM Advisor	March 13–17, 2006	Review the directive on the TOFE.
AFRITAC	Tax administration; Short term Expert	March 14–28, 2006	Assist in strengthening (1) operations of the LTU; and (2) tax auditing.
AFRITAC	Customs Advisor	March 14–28, 2006	Assist in defining an action plan to improve revenue mobilization.

<b>Department</b>	<b>Type of Assistance</b>	<b>Time of Delivery</b>	<b>Purpose</b>
FAD	Revenue administration mission	March 14–28, 2006	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
AFRITAC	Custom Advisor	April 4–14, 2006	Strengthen the control of goods valuation.
AFRITAC	Tax administration; Short term Expert	April 17–28, 2006	Strengthen the management of the most important taxpayers.
AFRITAC	Tax Advisor	July 24–28, 2006	Follow up the implementation of the recommendations by the FAD mission in March 2006.
AFRITAC	Microfinance Advisor	July 31–August 4, 2006	Identify the follow-up indicators from a distance.
AFRITAC	Real statistic sector Advisor	September 11–20, 2006	Take stock of the implementation of the recommendations by the ROSC mission in March 2004.
AFRITAC	Microfinance, Short term Expert	September 28– October 20, 2006	Accompany the agents of the Cell S-IFD.
AFRITAC	Public expenditure Advisors	October 2–12, 2006	Review and follow up the implementation of the priority action plan in the PF strengthening strategy.
AFRITAC	Microfinance; Short term Expert	October 2–20, 2006	Develop agent's abilities in inspection and accompany them in the field.
AFRITAC	Customs administration, Short-term Expert	November 20– December 1, 2006	Assess the implementation of preview recommendations relating to the control of goods valuation in the customs.
AFRITAC	Tax Advisor	November 20– December 1, 2006	Strengthen capacities of the tax administration to fight tax evasion.

AFRITAC	Macroeconomic statistics Advisor	March 5–9, 2007	Training in Government Statistics Manual 2001.
AFRITAC	Debt Advisor	March 5–16, 2007	Study the situation of the administrative management of the internal and external debts.
AFRITAC	Customs Advisor	March 12–23, 2007	Follow up the implementation of the recommendations by the FAD mission in March 2006, and assess the implementation of the goods valuation control in the customs.
AFRITAC	Macroeconomic statistics Advisor	March 19–23, 2007	Training in Government finance statistics framework.
AFRITAC	Tax Advisor	March 26–30, 2007	Assist in the implementation of the tax administration strengthening and modernization measures.
AFRITAC	Tax Advisor	May 22–June 4, 2007	Follow up on fiscal administration.
AFRITAC	Custom Advisor	July 16–27, 2007	Computerization of customs procedures.
MCM	Bank supervision	July 23–27, 2007	Technical assistance needs assessment and evaluation on bank supervision.
FAD	Budget management	June 26–July 9, 2007	Advise on tax and customs administration reform strategy (including improvement of the large tax payer unit, and strengthening of the tax and customs organization and operations).
STA	Macroeconomic statistics	November 26–December 7, 2007	Support in setting up fiscal accounts for the Treasury.
FAD	Tax policy reform	November 27–December 12, 2007	Review and simplification of tax system.

FAD/ AFRITAC	Public financial management		Assist in the implementation of the authorities' reform agenda in public financial management.
AFRITAC	Debt Sustainability Workshop	January 28– February 1, 2008	To assist the authorities in the implementation of the Debt sustainability Analysis framework.
AFRITAC	Revenue administration	February 11–22, 2008	Segmentation of taxpayers, functionality of Syntax system and its implementation in the medium taxpayer Office.
AFRITAC	Micro finance supervision	February 11–15, 2008	Support personnel of microfinance supervision.
STA/PEM	UEMOA Directives	February 25–29, 2008	Support the preparation of the revision of UEMOA directives.
STA	National Accounts	April 14–25, 2008	Train staff in national accounts software and improved compilation techniques and tabulation procedures.
FAD	Tax and Customs Administration reforms	June 1, 2008–April 2009	Advise on tax and customs administration reform strategy.
FAD	Modernization of revenue administration	May 1, 2008	Advise on the modernization of revenue administration.
STA	Real Sector Statistics Advisor	December 26, 2007–December 31, 2008	Advise on the compilation of real sector statistics.
FAD	Public Financial Management	April 29–May 11, 2009	Advise on elaborating a strategy to operationalize program budgeting.
FAD	Tax Policy	April 21–May 05, 2009	Review and simplification of tax system.
AFRITAC	Financial Supervision	April 20–24, 2009	Improve the supervision of microfinance institutions.

MCM	Sovereign Asset and Liability Management	April 28–May 5, 2009	Reinforcement of the capacity of the national debt committee.
AFRITAC	Public Expenditure Management	April 28–May 5, 2009	Advise on public financial management and public financial statistics
STA	Statistics	December 7–14, 2009	Assist in extending global Financial statistics coverage
FAD	Tax Policy	January 18–22, 2010	Technical assistance in fiscal policy
MCM	Debt management	February 8–12, 2010	TA Needs Assessment & Evaluation of public debt management capacity
MCM	Debt Management	March 15–19, 2010	Improve public debt management capacity
AFRITAC	Public financial management	March 15–26, 2010	Improve treasury cash management
FAD	Program budgeting	March 31–April 15, 2010	Improve program budgeting capacity
STA	Statistics	April 26–30, 2010	Assist with WAEMU directives implementation
FAD	Public Financial Management	April 26–May 13, 2010	Follow-up mission on program budgeting and expenditure
FAD	Tax administration	June 14-25, 2010	Customs Administration TA mission
AFRITAC	Public Financial Management	July 15-22, 2010	Improve PFM capacity within the government

STA	Improve GFS coverage	July 25-August 7, 2010	Improve statistical capacity of the Government
AFRITAC	Tax administration	July 26-August 06, 2010	Increase the tax capacity of the DGI
FAD	Public Financial Management	October 25-November 5, 2010	Improve the management of the expenditure chain

**XV. Resident Representative:**

Ms. Isabell Adenauer took up the post of Resident Representative in June 2008.



**II. Joint Management Action Plan (JMAP) Implementation  
IMF and World Bank  
Joint Management Action Plan (June 2010)**

Title	Products	Provisional timing of missions	Expected delivery date
<b>A. Mutual information on relevant work programs</b>			
Bank work program in next 12 months	<ul style="list-style-type: none"> <li>• Country Economic Memorandum</li> </ul>	Dissemination ongoing	End-November 2009
	<ul style="list-style-type: none"> <li>• Programmatic Public Expenditure Review</li> </ul>		
	First phase: health, education, agriculture and decentralization	Dissemination done (March 2010)	End-November 2009 (first phase)
	<ul style="list-style-type: none"> <li>• Second phase: transport and energy</li> </ul>		Second phase January 2011
	<ul style="list-style-type: none"> <li>• Poverty Reduction Support Grant (PRSG 10)</li> </ul>	February 2010, April 2010 (reversed mission)	June 2010
	<ul style="list-style-type: none"> <li>• Poverty Assessment</li> </ul>		March 2011
	<ul style="list-style-type: none"> <li>• Mining sector EITI and study</li> </ul>		August 2010
	<b>Technical Assistance</b>		
	<ul style="list-style-type: none"> <li>• Support to the AICB to develop a weather risk management strategy</li> </ul>	July 2010	May 2011
	<ul style="list-style-type: none"> <li>• Road map for decentralization (TA)</li> </ul>		Intermediate: December 2010 Final: June 2011
	<ul style="list-style-type: none"> <li>• Support on risk based auditing to the ASCE and pilot ministries in health, education and infrastructure</li> </ul>	3-4 June 2010 (High level seminar)	July 2010 to Jan 2011: TA
	<ul style="list-style-type: none"> <li>• Global Legal Information Network membership feasibility study</li> </ul>		June 2010

IMF work program in next 12 months	<b>IMF-supported program:</b>		
	<ul style="list-style-type: none"> <li>Sixth ECF review and new arrangement under the ECF</li> </ul>	March 2010	June 2010
	<ul style="list-style-type: none"> <li>First review under the new ECF</li> </ul>	September/October 2010	December 2010
	<ul style="list-style-type: none"> <li>Second ECF review</li> </ul>	March 2011	June 2010
	<b>Technical Assistance</b>		
	<ul style="list-style-type: none"> <li>TA support to follow-up on customs and tax policy administration, PFM, microfinance supervision, and national accounts statistics</li> </ul>		November 2009–April 2010
	<ul style="list-style-type: none"> <li>TA on tax policy (follow-up, resources permitting)</li> </ul>		November 2009–10
	<ul style="list-style-type: none"> <li>TA on debt management</li> </ul>		
Fund request to Bank	<ul style="list-style-type: none"> <li>Periodic update on progress with PRSC</li> <li>PER to provide quantitative inputs for fiscal consolidation</li> </ul>		
Bank request to Fund	<ul style="list-style-type: none"> <li>Regular updates of medium-term macro projections</li> <li>Fund Relation Note (for budget support operations)</li> </ul>		
<b>C. Agreement on joint products and missions</b>			
Joint products in next 12 months	<ul style="list-style-type: none"> <li>FSAP-follow-up to help authorities set-up action plan</li> </ul>		January 2011
	<ul style="list-style-type: none"> <li>DSA</li> </ul>	March /April 2011	June 2011
	<ul style="list-style-type: none"> <li>Growth and Investment Analysis</li> </ul>	September 2010	December 2010

### III. Statistical Issues

#### Burkina Faso—Statistical Issues Appendix (As of November 17, 2010)

<b>I. Assessment of Data Adequacy for Surveillance</b>
<p><b>General:</b> Data provision has some shortcomings, but is broadly adequate for surveillance. The most affected areas are: national accounts and price statistics. Burkina Faso has received technical assistance (TA) from the IMF; the TA has been partially financed by Japan.</p>
<p><b>National accounts:</b> Annual GDP estimates are compiled by economic activity, by institutional sector accounts and by expenditure categories at current and constant prices (1985=100). The quality of the national accounts estimates is affected by the scarcity of suitable data sources and by deficiencies in statistical practices. The informal sector is not properly captured—estimates are derived from limited surveys of the informal sector conducted in 1989 and 1996. Most medium and small enterprises in the “modern sector” fall short of submitting accounting statements or tax declarations. Private household consumption is estimated as the residual and is not adequately validated with supply-use tables.</p>
<p><b>Price statistics:</b> The CPI (1996=100) only covers households living in the capital; it excludes non-African households, various types of purchased goods and services, and services of owner-occupied dwellings. Compared to neighboring countries, the weight for “food, beverages, and tobacco” is very low. The prices of unavailable products are presumed unchanged for a period of up to three months—best practice would impute a price change for these items based on the recorded prices changes for closely related products. The software package used for calculating the CPI needs to be improved. The producer price index and the wholesale price index are not compiled and the development of these indices is not envisaged.</p>
<p><b>Government finance statistics:</b> Compilation is constrained by a lack of coordination among fiscal agencies. The data areas for improvement are the production of functional and ministerial breakdowns of expenditure, the extension of coverage of the TOFE to the general government, and basing the compilation on the Treasury ledger.</p>
<p><b>Monetary finance statistics:</b> Most of the problems in monetary statistics are not specific to Burkina Faso but affect all member countries of the WAEMU. The BCEAO has encountered difficulties in estimating currency in circulation in each WAEMU member country due to large backlogs of unsorted banknotes held by the central bank in its various national agencies.</p>
<p><b>Balance of payments (BOP):</b> The coverage of informal trade is incomplete. Improvements in the coverage of services and transfers (especially workers’ remittances) depend on the intensification of contacts with reporting bodies. The 2003 data ROSC mission found that the response rate for the survey among industrial and commercial enterprises was only 40 percent. Annual surveys, reporting foreign direct investment transactions, are at a</p>

preliminary stage. To improve the quality of the BOP reports, the BCEAO authorities plan to integrate two additional data sources: the regional stock exchange transactions and the firms' balance sheet database. The BCEAO authorities have indicated that quarterly data, derived from banking settlement reports, will be used to assess the existing BOP reports. BOP compilers receive payment statements every ten days; however, the information is not used in the compilation of the annual BOP statements, but rather to support data quality controls and to provide early information to the BCEAO authorities.

## **II. Data Standards and Quality**

Burkina Faso participates in the General Data Dissemination Standard since December 28, 2001.	A data ROSC mission visited Burkina Faso during May 8–21, 2003.
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## **III. Reporting to STA (Optional)**

In October 2010, annual data and quarterly data for 2006-2008 covering budgetary central government were reported to STA for publication in *International Financial Statistics* and the *Government Finance Statistics yearbook*. The BCEAO reports monetary data to STA with a lag of at most three months. Despite requests, BOP and IIP data have not been reported to STA for publication in *IFS* and the *BOPSY* since 2001.

### Burkina Faso: Table of Common Indicators Required for Surveillance (November 2010)

	Date of latest observation	Date received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>	Memo Items: <sup>8</sup>	
						Data Quality – Methodological soundness <sup>9</sup>	Data Quality – Accuracy and reliability <sup>10</sup>
Exchange Rates	Current	Current	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	09/2010	9/2010	M	M	M		
Reserve/Base Money	9/2010	9/2010	M	M	M	LO, LO, LNO, O	LO, O, O, O, O
Broad Money	9/2010	9/2010	M	M	M		
Central Bank Balance Sheet	9/2010	9/2010	M	M	M		
Consolidated Balance Sheet of the Banking System	9/2010	9/2010	M	M	M		
Interest Rates <sup>2</sup>	9/2010	9/2010	M	M	M		
Consumer Price Index	7/2010	9/2010	M	M	M	O, LNO, O, O	LNO, O, O, O, NA
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	9/2010	9/2010	I	I	I	O, LO, O, O	O, LO, O, O, LNO
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	9/2010	9/2010	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	9/2010	9/2010	A	A	A		
External Current Account Balance	2009	9/2010	A	A	A	O, O, O, O	LO, O, LO, O, O
Exports and Imports of Goods and Services	2009	9/2010	A	A	A		
GDP/GNP	2009	9/2010	A	A	A	LO, LNO, LNO, LO	LNO, LNO, LO, LO, LNO
Gross External Debt	12/2009	9/2010	A	A	A		
International Investment Position <sup>6</sup>	12/2009	9/2010	A	A	A		

<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup> Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

<sup>8</sup> These columns should only be included for countries for which Data ROSC (or a Substantive Update) has been published.

<sup>9</sup> Reflects the assessment provided in the data ROSC or the Substantive Update (published on March 10, 2004, and based on the findings of the mission that took place during May 8-21, 2003) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording, respectively, are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).

<sup>10</sup> Same as footnote 9, except referring to international standards concerning, respectively, source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

**INTERNATIONAL MONETARY FUND**EXTERNAL  
RELATIONS  
DEPARTMENT

Press Release No.10/470  
FOR IMMEDIATE RELEASE  
December 3, 2010

International Monetary Fund  
Washington, D.C. 20431 USA

**IMF Executive Board Completes First Review Under Extended Credit Facility for  
Burkina Faso and Approves US\$ 9.9 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Burkina Faso's economic performance under the three-year Extended Credit Facility (ECF)-supported program. The Executive Board approved a request for a waiver for nonobservance of one performance criterion related to fiscal performance at end-June 2010. Completion of the review enables the immediate disbursement of SDR 6.45 million (about US\$ 9.9 million), bringing total disbursements under the arrangement to SDR 13.904 million (about US\$21.4 million).

The Executive Board approved a three-year SDR46.154 million (about US\$70.9 million) ECF program for Burkina Faso on June 14, 2010 (see Press Release No. 10/241). The country has been a member of the IMF since May 2, 1963 and has a quota in the Fund of SDR 60.2 million (about US\$ 92.5 million).

Following the Executive Board's discussion of Burkina Faso, Mr. John Lipsky, First Deputy Managing Director and Acting Chair, said:

“Economic performance has been satisfactory under the Fund-supported program. Prudent macroeconomic policies have contributed to sustain a strong economic recovery and favorable conditions for cotton production and mining have improved economic prospects. Important reforms have been implemented in several areas, including tax administration. Burkina Faso's productive base, however, remains narrow, making the economy vulnerable to weather-related and terms of trade shocks. Economic policies should therefore be focused on preserving macroeconomic stability and supporting economic diversification.

“Fiscal consolidation is essential for macroeconomic stability and long-term debt sustainability. The authorities’ continued resolve to enhance revenue mobilization has produced encouraging results that need to be consolidated. At the same time, expenditure should be reallocated to critical infrastructure and social sectors. Maintaining prudent borrowing policies will be essential to reduce risks of debt distress.

“Rapid progress in the structural reform agenda will help achieve the authorities’ objectives of sustainable broad-based growth and poverty reduction. In this regard, it will be important to accelerate financial sector reforms to promote financial development and increase access to financial services, which remains limited. Measures to improve the business environment, such as the new initiative to expedite customs clearance, will help promote private sector development. Favorable conditions for cotton production provide an opportunity to advance reforms needed to restore the sector’s financial viability.”

**Statement by Kossi Assimaidou, Executive Director for Burkina Faso  
December 3, 2010**

We thank staff for a well written report and for the constructive discussions recently held in Ouagadougou with the authorities, in connection to the first review of the Extended Credit Facility (ECF) arrangement. We also thank Management and Executive Directors for their continued support to Burkina Faso.

**I. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE**

The real sector posted a strong recovery in 2010, with GDP growth projections increasing to 5.2 percent, reflecting the authorities' forceful response to the crisis, as well as structural reforms efforts. The agriculture, notably cotton production, and the mining sectors were the main drivers of growth. Inflation remained subdued, well below the 3 percent regional convergence criterion.

However, in July 2010, Burkina Faso experienced again severe flooding which impacted more than 100,000 persons, causing losses of lives and significant infrastructure damages, especially in the Eastern and Northeastern parts of the country. The country continued as well to face the effects of the lingering global economic and financial crisis. A World Bank study concluded that the series of shocks have reversed six years of progress in poverty reduction in Burkina Faso, and that further deterioration is possible if the impact of the global crisis worsens.

Performance under the Extended Credit Facility has been strong, notwithstanding the exogenous shocks and a socio-political environment dominated by the recently concluded electoral cycle. All quantitative performance criteria were met except the criterion on the overall budget deficit, which was met with a month delay due to a late budget support disbursement. My authorities also sought to improve revenue collection, notably by implementing tax administration reforms, and enhancing the monitoring of revenue collection agencies. On spending, the authorities focused their efforts on improving efficiency, by streamlining budget allocation processes in order to improve the rate of execution of capital and poverty-related spending. They also improved the tracking of poverty-related expenditure. Structural reforms benchmarks were comfortably met.

Governance and state institutions were strengthened further in the run up to the Presidential elections. At the regional level, the authorities have been actively engaged in peace-brokering initiatives, which will contribute to the normalization of trade flows, and to regional integration.

In light of their overall program performance, and with the view to furthering their growth and poverty reduction agenda, as detailed in the following, the authorities request the completion of the first review under the ECF, and a waiver for the non-observance of a performance criterion.



## **II. POLICIES FOR 2011**

In the period ahead, the authorities will continue to seek the consolidation of macroeconomic stability, and to achieve further poverty reduction gains. They are in the process of finalizing a homegrown *Strategy for Accelerated Growth and Sustainable Development* (SCADD) which will guide their actions. The key focus of SCADD will be the promotion of a pro-poor and sustainable growth path. To achieve this objective, the authorities plan to create the fiscal space needed, promote the development of the financial sector with the view to supporting a private sector-led development, and deepen structural reforms.

### **Fiscal and Debt Policies**

The authorities' fiscal policies will aim at supporting economic recovery while preserving medium-term fiscal and debt sustainability. To that regard, they will intensify their revenue mobilization efforts, including through new tax policy measures, the broadening of the tax base, and tax administration reforms. They will in particular seek to improve tax compliance of medium-sized enterprises, and enhance the controls and monitoring of revenue collection units.

As regards public spending, the authorities will focus on reallocating spending towards priority sectors, notably in infrastructure and social sectors such as health and education.

The authorities are committed to implementing prudent debt policies in order to preserve debt sustainability. In line with their poverty reduction strategy, they will seek to diversify exports towards high-value products and services, including mining, agriculture, livestock, and tourism. They are also seeking an update of the World Bank's Debt Management Performance Assessment, which will help inform their policies. Moreover, they plan to further strengthen the debt management unit capabilities by improvement of its data base and IT framework.

The authorities are appreciative of the Fund's ongoing efforts to overhaul its guidance on debt policies and limits in Fund-supported programs. Improvements to the Debt Sustainability Analysis, with a view to improving its flexibility, refining sustainability indicators, and integrating the contribution of public investment to growth would be helpful in their efforts to mobilize needed resources to implement their development strategy.

### **Financial Sector Policies**

The authorities will follow up on the recently adopted action plan for the financial sector which aims at promoting financial development and stability. To foster financial sector development, they envision increasing competition in the banking sector by reducing further the government's stake in the sector, and by taking steps towards the privatization of the postal financial services. Moreover, they plan to adopt a national strategy for

microfinance in order to harness its contribution to development. They will also continue their efforts to strengthen the regulatory and supervisory framework, in particular for decentralized financial institutions.

### **Structural Reforms**

On the structural reform front, the authorities will implement a comprehensive agenda, with the goal of accelerating growth and further reducing poverty. Their new strategy adopts a regional approach which takes advantage of regional specializations to create regional growth and competitiveness poles. The authorities plan also to increase investments in human capital to create the skills matching the labor market's needs, with the view to creating employment.

The authorities' efforts will also be directed towards improving the resilience of the economy to shocks through economic diversification. They will foster the development of the private sector by improving further the business climate and investing in critical infrastructure. Amongst the measures planned are the installment of a one-stop window for foreign trade with streamlined customs procedures, and the opening of commercial courts in Ouagadougou and Bobo Dioulasso to expedite the resolution of trade disputes.

In light of the increased share of the mining sector in economic activity in Burkina, the authorities will continue their efforts to adhere to international best practices in the management of natural resources, including through a timely implementation of EITI principles.

In the cotton sector, the authorities plan to deepen further the reforms already underway in order to put the sector on a sustainable financial footing. To this regard, they plan to move forward with the restructuring of SOFITEX, the main cotton ginning company, and to finalize the price-smoothing Fund.

### **III. CONCLUSION**

Given Burkina Faso's continued track record of strong program implementation, the significant challenges ahead, and the authorities' adherence to sound policies to address these challenges, I call on Directors to support the completion of the first program review under the ECF arrangement, and to grant a waiver for the non-observance of a performance criterion.