



BURKINA FASO

July 2024

2024 ARTICLE IV CONSULTATION AND FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURKINA FASO

In the context of the 2024 Article IV Consultation and First Review Under the Extended Credit Facility and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 14, 2024 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 14, 2024, following discussions that ended on March 7, 2024, with the officials of Burkina Faso on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 31, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Burkina Faso.

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Burkina Faso: IMF Executive Board Completes First Review under Extended Credit Facility Arrangement and Concludes 2024 Article IV Consultation

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the first review of Burkina Faso's Extended Credit Facility arrangement. The decision allows for an immediate disbursement of about US\$ 31.7 million. The Executive Board also completed the 2024 Article IV consultation.
- Burkina Faso's performance under the program has been positive. All quantitative performance criteria, all indicative targets but one, and most structural benchmarks for the first review were met; some structural benchmarks were implemented with delay. The authorities are progressing in their fiscal consolidation efforts, structural reforms and fiscal governance measures, and the creation of fiscal space for priority spending.
- Growth accelerated in 2023 to 3.6 percent of GDP, supported by a rebound in construction and expansion of the tertiary sector. Inflation significantly decreased, and the fiscal and debt positions improved. Growth is projected at 5.5 percent in 2024 but remains below potential in the medium term, and a lasting recovery is contingent on bringing security under control.

Washington, DC – June 14, 2024: The Executive Board of the International Monetary Fund (IMF) concluded today the Article IV consultation¹ with Burkina Faso. The Board also completed the First Review of the 48-month [Extended Credit Facility](#) (ECF) arrangement, [approved on September 21, 2023](#). The approval of the first review enables the immediate disbursement of about US\$ 31.7 million (SDR 24.08 million), bringing total IMF financial support under the arrangement to about US\$63.4 million (SDR 48.16 million). The Board also completed the Financing Assurances Review.

Burkina Faso faces multiple development challenges, including heightened security conditions, climate change, and food insecurity. This complicates efforts to combat food insecurity and forced displacement, while also disrupting economic activity, especially in the agriculture, livestock, and mining sectors. Following a modest GDP recovery of 3.6 percent in 2023, up from 1.8 percent in 2022, growth is projected to accelerate to 5.5 percent in 2024, buoyed by the expectation of improvements in the security situation. However, medium-term growth remains below potential. The overall fiscal deficit declined from 10.7 percent of GDP in 2022 to 6.7 percent of GDP in 2023, supported by revenue mobilization efforts and expenditure control. It is expected to further decline as fiscal consolidation efforts continue under the ECF-supported program. Inflation averaged 0.7 percent in 2023, down from 14.1 percent in 2022, and is projected to stabilize around 2 percent going forward. Public debt

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

eased to 55.6 percent of GDP in 2023 and is expected to remain stable on account of convergence of the fiscal deficit to 3 percent of GDP over the program period.

In January 2024 the authorities decided to exit the Economic Community of West African States (ECOWAS) but reaffirmed their commitment to their membership in the West African Economic and Monetary Union (WAEMU), which should help support domestic and regional economic stability. The authorities are also committed to a capacity development agenda supported by the IMF and other partners to further enhance fiscal governance and transparency.

Discussions under the 2024 Article IV consultation focused on measures to improve medium-term economic performance and resilience, including policies to (i) enhance growth through structural reforms, diversifying exports, regional integration, and addressing the security crisis; (ii) control fiscal risks and ensure fiscal sustainability; (iii) enhance social safety nets; (iv) adapt to, and mitigate the impact of, climate change; and (v) address forced displacement.

Risks to the outlook are tilted to the downside, mainly stemming from the continuous threat of terrorist attacks, which weighs on mining and agricultural production, impacting government revenue collection and adding pressures on current spending.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

“Burkina Faso faces a challenging macroeconomic outlook amid large development and security needs, compounded by acute food insecurity and long-standing fragility. A sustained recovery, supported by a pick-up in agricultural production and gold mining, is contingent on substantial progress in security and overall reductions in political uncertainty. Adherence to a structural reform agenda aimed at improving economic efficiency, promoting private sector development, diversifying the economy, and increasing resilience to climate change could create the conditions for sustained, shock-resistant long-term growth and poverty reduction.

“Despite the challenging context, the results achieved under the program are broadly satisfactory. All quantitative performance criteria and five of six indicative targets were reached by the end of December. Implementation of the authorities' structural reform program is also broadly on track, with three of five structural benchmarks having been met by December. A resolute commitment to the policy and reform agenda under the arrangement, as well as to the timeline of the political transition, will be critical to safeguard fiscal and debt sustainability, anchor the country's macroeconomic outlook, and catalyze additional concessional financing.

“The authorities remain committed to a gradual fiscal consolidation. They plan to continue domestic revenue mobilization efforts, including by strengthening tax and customs administration. On the expenditure side, the authorities remain on track to bring the public sector wage bill as a share of tax revenue to a sustainable level over the medium term and on reforming the energy sector, including by reducing untargeted energy subsidies and increasing efficiency. In this context, strengthening fiscal governance and transparency is paramount to restoring donors' trust and catalyze concessional financing.

“Given the large humanitarian and socio-economic development needs, social spending must be further scaled up and social protection strengthened, including by consolidating existing social safety nets and accelerating the establishment of the Single National Registry of Beneficiaries.

“For the country’s long-term development process, it remains essential to sustain structural reforms to foster economic growth and diversification, enhance fiscal governance and transparency, as well as to reduce poverty. In this context, further efforts to improve the business environment, reinforce governance and anti-corruption efforts, and address the security crisis are critical.”

Executive Board Assessment

Executive Directors agreed with the thrust of the staff appraisal. Against a context of acute development challenges and downside risks, including security and humanitarian crises, compounded by political instability and climate change, they continued to support the program’s objectives of helping address the country’s balance of payment needs, creating fiscal space for priority spending and reducing debt vulnerabilities. Directors also underscored the importance of strengthening resilience to security and climate shocks, while reducing poverty and inequality and reinforcing fiscal discipline, transparency, and governance.

Directors welcomed the Burkinabè authorities’ satisfactory performance under the ECF-supported program, including their continued commitment to and progress in implementing reforms despite the difficult context. At the same time, noting the still substantial risks to the program, Directors underscored that a resolute commitment to the policy, structural reform, and fiscal governance agenda will be critical, including for donor confidence and to catalyze additional concessional financing. In this context, they welcomed the comprehensive fiscal governance agenda, including an accelerated timeline for the Governance Diagnostics Assessment and the authorities’ request for conducting a Fiscal Transparency Evaluation. Directors also called for contingency planning and stronger safeguards to be incorporated into the program going forward to mitigate potential reputational risks to the Fund. They called on staff to maintain close engagement with the authorities on program implementation and adapt program objectives, as needed, given the uncertainties.

Directors encouraged the authorities to stay the course of fiscal consolidation with continued efforts to mobilize revenue and rationalize expenditure, while prioritizing concessional financing. They urged the authorities to appropriately balance security-related, development, and social expenditures. Directors stressed in particular the importance of scaling up social spending and strengthening social protection, including resuming the cash transfer programs to security-affected regions. They also called for prompt implementation of overdue measures to improve the efficiency of the energy sector.

Directors stressed the need to sustain structural reforms to foster economic growth and diversification, reduce poverty, and enhance resilience to climate shocks. They called for further efforts to reinforce governance, address corruption, and enhance AML/CFT frameworks. Directors emphasized the importance of a tailored capacity development strategy to support the country’s reforms. They also noted the authorities’ interest in accessing the Resilience and Sustainability Facility.

It is expected that the next Article IV consultation with Burkina Faso will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Burkina Faso: Selected Economic and Financial Indicators, 2021–2028

Population (2023): 22.7 million

Gini Index (2018): 47.3

Per capita GDP (2023): 831 USD

Life Expectancy (years): 60

Share of population below the poverty line (2022): 43.7%

Literacy rate (2018): 39%

	2021	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028
	Actual	Actual	Program	Prel.	Program	Proj.	Program	Proj.	Proj.	Proj.	Proj.
<i>(Annual percentage change, unless otherwise indicated)</i>											
GDP and Prices											
GDP at constant prices	6.9	1.8	4.4	3.6	6.4	5.5	6.0	5.8	5.0	4.9	4.9
GDP deflator	-0.2	6.1	1.9	1.4	3.0	2.2	2.0	2.1	2.2	2.2	2.2
Consumer prices (annual average)	3.9	14.1	1.4	0.7	3.0	2.1	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	8.2	9.6	2.4	1.0	2.0	2.6	2.0	2.0	2.0	2.0	2.0
Money and Credit											
Net domestic assets (banking system) 1/	5.2	16.0	...	5.3	...	...	...	...	...	...	...
Credit to the government (banking system) 1/	-5.8	6.6	...	3.0	...	...	...	...	...	...	...
Credit to private sector	10.1	14.2	...	5.9	...	...	...	...	...	...	...
Broad money (M3)	17.6	2.5	...	-3.0	...	...	...	...	...	...	...
Private sector credit/GDP	29.6	31.2	...	31.5	...	...	...	...	...	...	...
External Sector											
Exports (f.o.b.; valued in CFA francs)	12.9	-2.3	0.7	-8.7	7.5	15.0	5.2	10.9	6.7	5.3	7.0
Imports (f.o.b.; valued in CFA francs)	21.1	30.1	-2.8	-3.2	6.6	5.9	5.9	5.8	5.3	5.7	6.1
Current account (percent of GDP)	0.4	-7.2	-4.7	-7.9	-4.2	-5.7	-4.0	-4.1	-3.3	-3.2	-2.7
<i>(Percent of GDP, unless otherwise indicated)</i>											
Central Government Finances											
Current revenue	17.9	19.4	19.0	20.6	19.1	20.4	19.6	20.9	21.5	22.0	22.4
Of which: tax revenue 2/	15.5	17.4	16.7	18.2	16.9	17.9	17.3	18.4	19.0	19.5	19.9
Total expenditure and net lending	28.0	32.4	26.5	28.9	26.0	27.4	26.0	27.4	27.1	26.8	27.0
Of which: current expenditure	18.7	21.6	17.4	17.9	17.3	16.8	17.2	16.7	16.5	16.4	15.7
Overall fiscal balance, incl. grants (commitments) 3/	-7.6	-10.7	-6.6	-6.7	-5.6	-5.6	-4.7	-4.7	-3.8	-3.0	-3.0
Total public debt	55.6	58.4	60.9	55.6	61.0	57.2	61.2	56.0	54.8	52.8	50.2
Of which: external debt	25.7	26.0	24.5	25.4	23.9	25.5	23.6	25.0	24.6	24.3	23.8
Memorandum items:											
Nominal GDP (CFAF billion)	10,893	11,768	12,527	12,361	13,742	13,323	14,854	14,397	15,439	16,549	17,745
Nominal GDP per capita (US\$)	888	830	892	871	964	910	1,017	952	992	1,033	1,076
REER based on Consumer Price Index (CFAF per US\$)	99	...	...	...	...	...	...	...	...	...	...

Sources: Burkinabé authorities; IMF staff estimates and projections.

1/ Percent of beginning-of-period broad money.

2/ Includes large, one-off VAT reimbursement in 2021.

3/ Includes the *fonds de soutien patriotique* (FSP) in 2023.



BURKINA FASO

May 31, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Burkina Faso continues to face significant challenges related to security and food insecurity and remains committed to addressing them. The authorities have formed the Alliance of Sahel States (AES) with Mali and Niger; while they decided to leave ECOWAS in January, they have since reaffirmed their commitment to WAEMU membership. The authorities have in May extended the political transition with elections now planned to take place in five years, and the risk of further political instability remains high. Fund relations have remained strong and collaborative.

Program performance through end-December 2023 was satisfactory. All quantitative performance criteria (QPCs) and indicative targets (ITs) except one were met, some with significant margins. The ceiling on primary expenditure (IT) was exceeded by a small margin (CFAF 1,921.1 billion versus CFAF 1,906.5 billion). Strong revenue collection helped achieve the overall fiscal deficit target and keep net domestic financing well below the program ceiling. The authorities have also met most structural benchmarks (SBs). Out of five SBs, they have (1) submitted the 2024 budget, including information on funding arrangements for the Patriotic Support Fund (as was already done in the revised) 2023 budget), (2) are publishing quarterly budget execution reports, and (3) have contained wage bill growth. They have, with delay, finalized an audit on the expenditures to address food insecurity; the SB on implementing measures to improve the efficiency of the energy sector has not been met (but is in progress).

Policy discussions. The 2024 Article IV discussions considered macro-critical policy measures to boost medium-term growth and resilience, including to (i) enhance growth potential, including through addressing the security crisis, implementing structural reforms, and diversifying exports; (ii) control fiscal risks and ensuring fiscal sustainability; (iii) enhance social safety nets; (iv) address, and adapt to, climate change; and (v) examine recent developments in the displacement of people, its impact, and policies to address it. The first ECF review stressed the importance of maintaining fiscal sustainability in a context of a lack of budget support grants and tight conditions on the regional bond

market, including through a deficit anchor of 3 percent of GDP by 2027; and of creating fiscal space for priority spending, including the extension of social protection to the most vulnerable, addressing food insecurity, and investments to enhance productivity in the agricultural sector. It also discussed measures to further enhance fiscal governance and transparency.

Risks to the program are significant and include (i) a lack of progress in improving security conditions; (ii) a protracted war in Ukraine, which could exert further pressures on food, fertilizers and energy prices; (iii) tighter financing conditions on the regional bond market; and (iv) protracted social and political instability, both within Burkina Faso and across the Sahel region. Risks would be partly mitigated by close engagement with the authorities and burden sharing with donors; a comprehensive capacity development (CD) program; and consideration of a faster fiscal deficit reduction.

Staff views. Staff, as part of the Article IV consultation, held productive discussions with the authorities on key medium-term challenges faced by Burkina Faso and supports the authorities' request for completion of the first review under the ECF.

Approved By

**Annalisa Fedelino
(AFR) and Bergljot
Barkbu (SPR)**

An IMF team comprising Mr. Schindler (head), Messrs. Comelli and Mpatswe (all AFR), Mr. Capelle (RES), Ms. Mitra (SPR), and Mr. Ben Hassine (Resident Representative) held discussions with the authorities in Ouagadougou during February 29 – March 7, 2024. Ms. Fedelino (AFR Deputy Director) joined the mission during March 4-7, 2024, and Mr. Tall (OEDAF) participated in the meetings. The mission met with Finance Minister A. Nacanabo, and BCEAO National Director A. Badiel, as well as their teams and other members of the government and directors of various government agencies. The team also met with members of the diplomatic community and representatives of development partners. Mmes. Ndome-Yandun and Eckling (all AFR) provided administrative support; Mr. Raju (AFR) provided research support.

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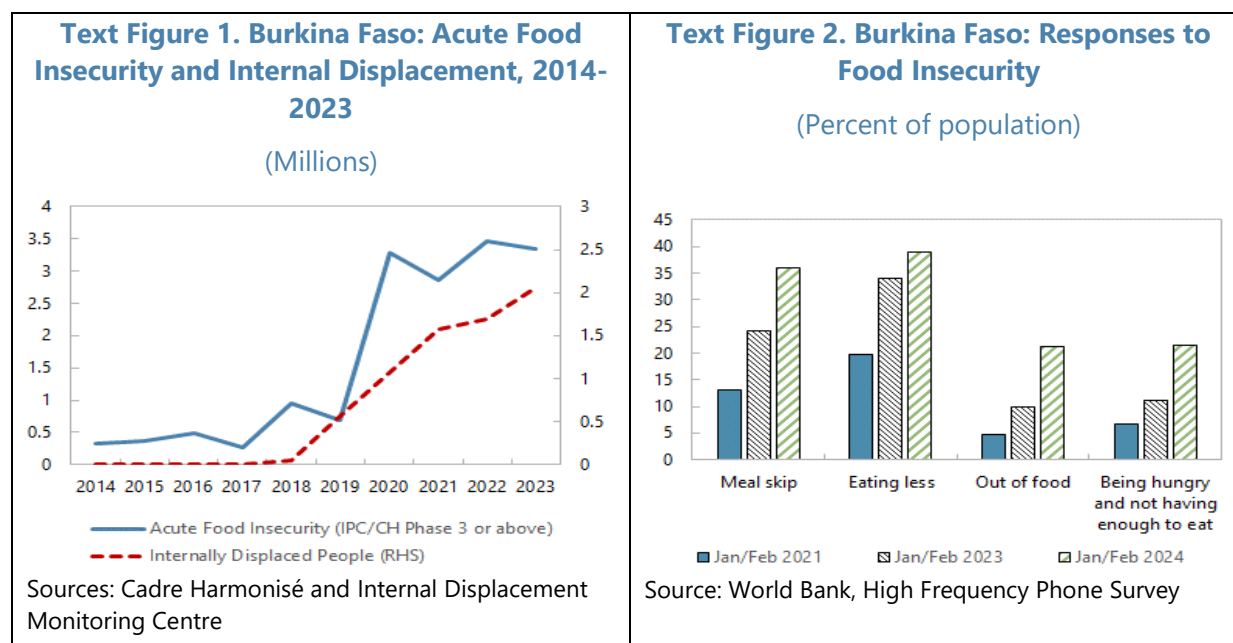
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CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

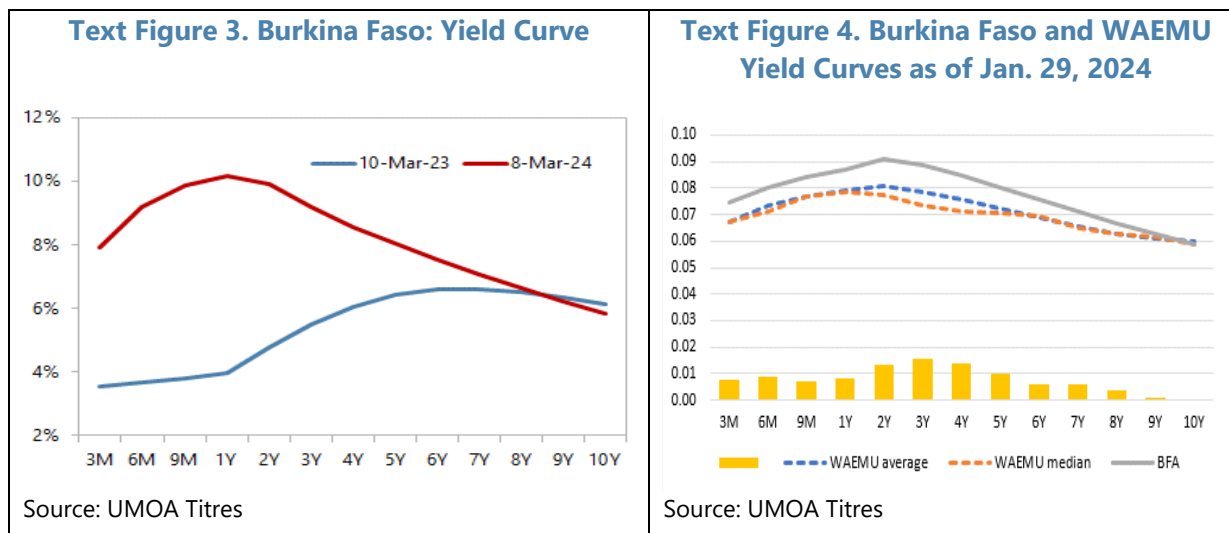
1. Burkina Faso faces multiple development challenges. Security conditions remain fragile, complicating efforts to combat food insecurity and address the humanitarian crisis, while also disrupting economic activity, especially in the agriculture, livestock, and mining sectors. About 3½ million out of 22.7 million Burkinabè—including especially those forcibly displaced by insecurity—still require food aid. According to latest estimates, internally displaced people (IDPs) account for more than two million, a tenth of the population (see accompanying Selected Issues Paper (SIP) on forced displacement).



2. Following Burkina Faso's decision to exit from ECOWAS, the authorities have reaffirmed their commitment to WAEMU. With a renewed commitment to WAEMU membership, the impact of the ECOWAS exit on Burkina Faso's trade and growth outlook is likely to be contained, as trade linkages with non-WAEMU's ECOWAS countries are limited and the authorities intend to negotiate bilateral trade agreements (Annex I). In May 2024, the authorities extended the political transition with elections planned in five years (previously July 2024).

3. Financing the fiscal deficit has become increasingly challenging but should improve with program implementation. The delayed resumption of budget support grants forced the authorities to rely mainly on bond issuances in the regional market, where tighter conditions have raised the cost of financing (Text Figures 3 and 4). Disbursement of project grants was higher than projected, in part due to an acceleration of project implementation in 2023 after donors held up their project support in 2022 following the military coups. Some budget support grants, initially suspended, were converted into project grants. During the program period, fiscal consolidation would gradually reduce the deficit to 3 percent of GDP and lower domestic financing needs to under

2 percent of GDP by 2027 (Text Table 1). The renewed commitment to WAEMU membership could also help reduce uncertainty and ease financing constraints.



Text Table 1. Burkina Faso: Program Financing 2023-2027
(Percent of GDP)

	2023	2023	2024	2024	2025	2026	2027
	Program	Prel.	Program	Proj.	Proj.	Proj.	Proj.
Overall balance	-6.6	-6.7	-5.6	-5.6	-4.7	-3.8	-3.0
Financing	6.6	7.0	5.6	5.6	4.7	3.8	3.0
Foreign financing	0.7	1.3	1.5	1.4	1.4	1.3	1.1
Domestic financing	5.9	5.7	4.2	4.2	3.3	2.5	1.9

Sources: Burkinabè authorities; IMF staff estimates and projections.

4. In a context of high political uncertainty, economic performance has remained resilient.

- Real GDP growth accelerated to 3.6 percent year-on-year (y-o-y) in 2023 from 1.8 percent in 2022, however, falling short of the previously projected 4.4 percent. Mining continued to decline (-2.6 percent relative to 2022), following a sharp decline in 2022 driven by the deterioration in security conditions (Figure 1). Growth was supported by a strong rebound in the construction sector at 28 percent y-o-y and resilient expansion of the tertiary sector at 4.7 percent y-o-y, including tourism (8.8 percent), trade and transportation (8.4 percent) and public administration (5.5 percent).
- Inflation pressures have moderated substantially. Following the July 2022 peak of 17.6 percent year-on-year, inflation became mildly negative from May to October 2023, reflecting stabilization

in food and energy prices. As a result, average annual inflation has decreased from 14.1 percent in 2022 to 0.7 percent in 2023.

- Public investment was at 11.2 percent of GDP higher than previously envisaged (9.1 percent of GDP), reflecting especially externally financed investment on account of accelerated project implementation.
- The external current account deficit widened to 7.9 percent of GDP in 2023 from 7.2 in 2022, driven by a decline in exports (-8.7 percent y-o-y), with imports declining by 3.2 percent y-o-y. The financial account was supported by project loans as well as bond issuances in the regional market.
- Developments in the financial sector have deteriorated since 2022. Credit to the private sector decelerated from 26 percent y-o-y in August 2022 to 3.5 percent y-o-y in June 2023, before reaching 6 percent y-o-y in December, reflecting volatile credit to the mining, tourism, and retail trade sectors. Banks appeared sufficiently capitalized as of June 2023, but loan exposures to the top 5 borrowers increased to 95 percent, from 56 percent in June 2022. In addition, reflecting the 2022 growth deceleration, in June 2023 non-performing loans, net of provisions, increased to 13 percent as a share of bank equity capital, up from 8.2 percent in December 2022. Banks also retained more liquidity, consistent with a more cautious lending approach and a decline in deposits observed during 2023. Bank exposure to sovereign securities remains a source of concentration risk in the banking system.¹ Further increases in bank exposure to the sovereign may heighten duration risk for banks and risk crowding out private sector credit.

7. Burkina Faso continues to face protracted BOP problems which the program will help address. As a landlocked economy with a focus on natural resources such as gold, cotton, and livestock, and reliant on imports for food and energy, BOP stability is largely influenced by external factors, especially commodity prices. Deteriorating security conditions have led to gold production contracting for two consecutive years. This has led to the current account deficit widening to 7.9 percent of GDP in 2023, despite gold prices remaining high. Climate change, an undiversified economic base, and elevated food and energy prices have further exacerbated BOP problems. Financing under the ECF arrangement has been used for budget support to cover budget needs closely intertwined with protracted BOP problems, in a context of large deficits, debt vulnerabilities, and difficult financing conditions.

8. The authorities have made progress in implementing past Article IV recommendations, but more work is needed in some areas (Annex II). While budget transparency, revenue mobilization, and governance have improved, more progress is needed to further strengthen

¹ As of November 2021, banks in Burkina Faso held around 25 percent of total public debt ([WAEMU: Financial Sector Assessment Program-Technical Note on Systemic Risk and Macroprudential Policy](#), IMF Country Report No. 22/309).

governance, better control current spending, including the wage bill and current transfers, and improve fiscal management. The current arrangement seeks to fill the gaps in these areas.

PROGRAM PERFORMANCE

9. Program performance was satisfactory. All QPCs and ITs except one were met, with primary current expenditure in 2023 having marginally exceeded the indicative target by about $\frac{3}{4}$ percent (CFAF 1,921.1 billion against a ceiling of CFAF 1,906.5 billion) (Table 9).

- Helped by strong revenue collection, the primary fiscal deficit (including grants) stood at CFAF 541.3 billion (4.4 percent of GDP) compared to a program target of CFAF 560.0 billion (4.5 percent of GDP).
- Reflecting mainly the impact of tax and customs duties arrears recovery, as well as continued digitization efforts of tax and customs procedures and resource mobilization for the Patriotic Support Fund (PSF), revenue collection stood at CFAF 2,246 billion in 2023 compared to CFAF 2,096.6 billion target under the program. Resource mobilization for the PSF amounted to CFAF 99.0 billion.

10. The authorities met most of the SBs. The authorities have submitted the draft 2024 budget, which integrated the Patriotic Support Fund (PSF). In addition, the wage bill to tax revenue ratio at the end of 2023 was 51.1 percent (resources of PSF excluded), below the 52.3 percent ceiling. The authorities have delivered a report documenting reconciliations between personnel and payroll registers for key ministries (including the ministries of health and education) covering 50 percent of the civil service workforce (excluding the security sector). The Patriotic Support Fund (PSF) funding and spending has been fully integrated in the fiscal reporting for 2023 and in the 2024 budget. Thirdly, the authorities are publishing online quarterly budget execution reports and information on the beneficial owners of entities awarded public contracts to address food insecurity (continuous SBs). Two SBs were not met. The SB on publication of audits of cash transfer programs and emergency food expenditures was implemented with delay on March 4, 2024; the SB on the adoption of performance contracts with SONABHY and SONABEL has not been met.

11. The authorities have suspended cash transfers reflecting their concerns over financing of terrorism. Cash transfers can be efficient measures to address food insecurity, extend social protection, and help support local economic activity (Annex III), but must be balanced against implementation risks. The authorities are working with partners, including the World Bank, on creating and expanding adaptive social protection systems, which may include cash transfers and other measures.

12. Measures to address food insecurity have continued. Following disbursement in March 2023 of emergency financing under the Food Shock Window (FSW), the authorities have, as of end-March 2024, implemented a range of measures to prevent malnutrition, improve access to clean water, and support agriculture and husbandry activities (Box 1).

13. The authorities are further strengthening fiscal governance (Annex IV). In addition to the budget integration of the PSF, the authorities are continuing a broad capacity development (CD) agenda to further strengthen fiscal governance and transparency, including accelerating and expanding the planned governance diagnostic assessment (GDA) exercise. They have requested the conduct of a Fiscal Transparency Evaluation (FTE) as well as a set of targeted Technical Assistance (TA) activities, including in Public Financial Management (PFM) areas. In this context, a recent FAD CD mission noted some progress in PFM reforms, but found a number of remaining weaknesses, particularly the lack of transparency in the PFM system for security expenditures. Initial recommendations that will help tailor subsequent CD and possible SBs at future reviews, including measures to improve the design of the FSP, developing the accounting module of IFMIS (*N@folo*), updating the inventory of government-owned accounts in commercial banks across the country, and undertaking the impact study linked to the repatriation of credit balances of those accounts in the Treasury Single Account (TSA), among other measures. In this context, the World Bank has undertaken, as part of its ongoing IDA operations, a fiduciary assessment of public financial management, disbursement, and auditing aspects.

Box 1. Burkina Faso: Implementation of the RSPVP as of March 31, 2024

In March 2023, the authorities obtained emergency financing under the FSW (SDR 60.2 million, US\$81 million), to help meet BOP needs caused by food insecurity. They committed to various safeguards, including a one-year audit of cash transfers and other food-security-related emergency expenditures (SB for this review).

To address food insecurity, the authorities have continued to implement the *Response and Support Plan for Vulnerable Populations (RSPVP)*. This plan includes measures to prevent malnutrition, improve access to clean water, and support agriculture and livestock husbandry activities, and it is reviewed annually to reflect updated food insecurity levels and their geographic distribution in each year. As of March 31, 2024, actual spending under the RSPVP amounted to US\$313.8 million (1.5 percent of GDP, Box Table 1), up from about US\$218 million at end-September 2023, with just over ½ contributed by partners. The cash transfer

Burkina Faso: Implementation of the RSPVD as of March 31, 2024

Objectives	Actual spending (US\$ million)			Budgeted amount (US\$ million)	Execution rate (%)
	Authorities	Partners	Total		
Immediate food assistance	89.7	30.8	120.5	192.9	62.5
Cash Transfer	1.5	55.9	57.3	106.0	54.1
Prevention of malnutrition and access to water supply	14.3	74.8	89.1	42.3	210.8
Protection of means of subsistence	43.0	4.0	46.9	20.4	229.7
Total	148.4	165.4	313.8	361.5	86.8

Sources: Burkina Faso Authorities and staff calculations.

program under the RSPVP was suspended in 2023 reflecting challenging security conditions and the authorities' concerns over financing of terrorism.

14. The authorities are addressing Anti-Money Laundering and Combating the Financing of Terrorism AML/CFT weaknesses. In February 2021, the FATF included Burkina Faso on its "grey

list" of *Jurisdictions Under Increased Monitoring* and with the authorities prepared an Action Plan to help the country exit the list. Key objectives include reinforcing money laundering and terrorism financing (ML/TF) risk assessment, strengthening the supervision of non-banks, maintaining comprehensive and updated basic and beneficial ownership information, and putting in place systems to identify ultimate beneficiaries of cross-border financial transactions. To date, the authorities implemented the vast majority (70 percent) of the measures recommended by the Action Plan. In October 2023, the country was re-rated to upgrade its compliance with three FATF Recommendations. A beneficial ownership registry accessible to authorities and financial institutions with customer due diligence obligations will be put in place by June 2025.

OUTLOOK AND RISKS

15. Increased activity in mining should support growth. Real GDP growth is projected to accelerate to 5.5 percent y-o-y in 2024, reflecting a favorable agricultural campaign and a rebound in mining activity by existing and new mines. Inflation at end-2024 is expected to stabilize around 2.6 percent y-o-y, with average 2024 inflation around 2.1 percent (Text Table 2).

16. The overall fiscal deficit is projected to decline to 5.6 percent of GDP in 2024, from 6.7 percent of GDP in 2023, reflecting continued tax administration gains and expenditure control in line with program's objectives.

17. Burkina Faso is at moderate risk of external debt distress and overall public debt distress, and debt remains sustainable over the medium term (DSA Supplement). While the mechanical results point to a low risk of external debt distress judgment was applied, considering the high degree of macroeconomic uncertainty as well as increased uncertainty regarding concessional finance. High interest rates and rising risk premia on regional bond issuances also make for a challenging financing environment. Fund credit and donor support will be essential to meet Burkina Faso's substantial financing needs.

Text Table 2. Burkina Faso: Key Projections, 2022-2028

	2022	2023	2024	2025	2026	2027	2028
	Actual	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
	<i>(Annual percentage change)</i>						
GDP at constant prices	1.8	3.6	5.5	5.8	5.0	4.9	4.9
Consumer prices (annual average)	14.1	0.7	2.1	2.0	2.0	2.0	2.0
	<i>(Percent of GDP)</i>						
Current account balance	-7.2	-7.9	-5.7	-4.1	-3.3	-3.2	-2.7
Overall fiscal balance, excl. grants (commitments)	-12.9	-8.4	-6.9	-6.5	-5.6	-4.8	-4.7
Overall fiscal balance, incl. grants (commitments)	-10.7	-6.7	-5.6	-4.7	-3.8	-3.0	-3.0
Total public debt	58.4	55.6	57.2	56.0	54.8	52.8	50.2
Of which: external debt	26.0	25.4	25.5	25.0	24.6	24.3	23.8
Memorandum items:							
Nominal GDP (CFAF billion)	11,768	12,361	13,323	14,397	15,439	16,549	17,745
Nominal GDP per capita (US\$)	830	871	910	952	992	1,033	1,076

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

18. The external position of Burkina Faso in 2023 was moderately weaker than the level implied by medium-term fundamentals and desirable policies (Annex V). For 2024 and beyond,

under the assumption that the security situation stabilizes, the current account deficit is expected to narrow, as gold production (and exports) increase, and fiscal consolidation and structural reforms take place. However, capital, and financial flows are also expected to moderate, reflecting reduced donor support and tighter conditions on the regional financial market.

19. Risks are skewed to the downside (Annex VI). A lack of clear information notwithstanding, the security situation remains challenging. Absent rapid improvements, food insecurity and internal displacement would continue to remain high, and, as a consequence, growth would be lower than in the baseline. Uncertainty over the resolution of post-ECOWAS trade regimes also creates additional risks. Risks to fiscal sustainability arise from lower revenue mobilization, increased spending pressures, rising borrowing costs, and absence of additional concessional financing which, if materialized, may require a more rapid consolidation than currently envisaged. Globally, deepening geopolitical fragmentation could lead to supply chain disruptions, increased trade protectionism, and broader policy uncertainty, adversely affecting financial flows, trade costs, and lower growth.

Authorities' Views

20. The authorities broadly agreed on the outlook and risks. They also agreed on financing risks and the need to mobilize additional concessional financing. They expressed optimism that the security situation, as a result of their concerted policy measures in this area, would improve and support a strong economic recovery.

POLICY DISCUSSIONS

Staff discussed policies and reforms to promote higher, sustained, and inclusive growth—including by mitigating the impact of the security crisis, containing fiscal risks, fostering economic and financial sector development, and addressing climate challenges, all themes of the Article IV consultation. It also assessed the ECF-supported program implementation vis-à-vis end-December 2023 targets and structural benchmarks. New quarterly targets for end-December 2024 and the first quarter of 2025 were discussed, as were efforts to improve fiscal transparency and governance.

A. Promoting Higher, Sustained and Inclusive Growth

21. Burkina Faso enjoyed rapid growth over the past four decades but has not yet achieved a successful structural transformation. Despite having averaged annual real GDP growth of 4.9 percent over the past decades—among the highest in SSA since the 1980s—the country's social indicators remain weak, and the economy is dominated by informality. In addition, hit by domestic and external shocks, but also reflecting long-lasting internal structural impediments, recent growth performance rate has moderated and become more volatile. Total factor productivity growth accounted for only about 8 percent of cumulative growth during 2011-2019, holding back Burkina Faso's growth potential. To promote higher, sustained, and inclusive growth, employment, and productivity, and accelerate the attainment of Sustainable Development Goals (SDGs), staff emphasized the need to maintain macroeconomic stability; improve the business climate and promote good governance; diversify exports; and close human and physical capital gaps (SIP III). In

this context, the authorities have approved in January 2023 an Action Plan for Stabilization and Development (PA-SD) for 2023-2025, which constitutes a reference to operationalize their development agenda and implementation of SDGs (MEFP ¶11-15).

22. Sustained inclusive growth also requires financial development. Financial institutions' access and financial market depth play a key role in promoting per-capita income growth in emerging market and developing economies (see accompanying SIP on growth and structural transformation). Staff stressed the importance of achieving financial inclusion for households and firms as a critical ingredient to achieve sustained and inclusive medium-term growth.

23. Addressing long-standing drivers of fragility and restoring security will be critical for sustained growth. The causes of fragility in Burkina Faso are complex and systemic, stemming from both external and internal sources (IMF Country Report [No. 23/343](#), pp. 39-41). Key obstacles include climate change; widespread poverty and inequality; a poorly diversified economy; weak security conditions due to terrorist incursions; and political instability. Structural fragility has contributed to volatile economic growth, fiscal deficits, and large numbers of IDPs as well as increased cross-border refugee flows. While the PA-SD—parts of which have been implemented leveraging both budget funds and direct support from partners—is aimed to address some of these fragilities, addressing ongoing needs would benefit from a needs reassessment across regions and improved coordination between the government and its partners, including in regards to fundraising (see accompanying SIP on forced displacement).

24. Given the multiple dimensions of fragility, staff stressed the importance of addressing the socio-economic root causes alongside efforts to restore security and territorial integrity. Policy actions in this regard include (i) improving the provision of basic public goods and services and accelerating the state footprint in crisis zones through effective administrative and fiscal decentralization; (ii) promoting socio-economic inclusion through development programs targeting the crisis zones; (iii) operationalizing highly impactful rehabilitation projects dedicated to crises zones. and (iv) strengthening PFM in defense and security, including the control of the respective payrolls, given the increasing size of expenditures in these areas.

Authorities' Views

25. The authorities agreed with staff on the priorities to spur medium and long-term growth, including through investments in human capital, bridging the infrastructure gaps, and enhancing governance. The PA-SD for 2023-2025 aims to operationalize the authorities' development agenda and implementation of SDGs (MEFP ¶11-15). The authorities emphasized, however, that a successful implementation of the development agenda would require substantial resources, which are not easily mobilized given the erosion of the donor base and unavailability of sufficient external concessional resources.

B. Addressing Macro-Critical Climate Changes and Food Insecurity

26. Without strong adaptation measures, climate change will continue to exacerbate poverty and inequality, food insecurity, and conflicts in Burkina Faso. Higher temperatures, and

lower precipitation in some areas could lower production, with possibly uneven impact across regions, sectors, and crops. Overall, GDP could decline by 2 to 7 percent by 2050 relative to a no-climate-change scenario, depending on the climate scenario and the model used, along with worsening food insecurity (see accompanying SIP on climate change and food insecurity).

27. Staff stressed that policies to enhance agricultural productivity and support climate change adaptation are key to minimizing macroeconomic costs and strengthening food security. The authorities should focus on identifying effective adaptation paths, including transitioning economic activity to regions, cities, industries, and crops with the highest growth prospects. They should foster the adoption of productivity-enhancing techniques in agriculture to bolster resilience to climate change and conserve natural resources. In addition, building capacity among farmers is instrumental in adapting to a changing environment and in strengthening agricultural policies (see accompanying SIP on climate). Social assistance (Annex III) can also play an important role in strengthening the resilience of vulnerable households to climate shocks.

Authorities' Views

28. The authorities recognized the need to strengthen resilience to climate change (MEFP 139). Staff and the authorities agreed on the effects of climate change on the economy, food security and livelihoods, recognizing it as one of the causes of fragility. Policies that boost input use need to balance increased productivity with sustainable resource management practices to preserve the quality of soils. The authorities have already included a climate annex to the 2024 budget, detailing efforts to sustain infrastructure investment spending to adapt to climate change and climate-related budget appropriations (proposed SB for the third review). They believe that access to climate finance mechanisms, such as green bonds and the IMF's RSF, would be instrumental in supporting mitigation and adaptation objectives.

C. Ensuring Fiscal and Debt Sustainability while Addressing Social Needs

29. Fiscal consolidation is needed to ensure public debt sustainability, given priority spending needs and elevated borrowing costs. Development needs include the provision of targeted social protection to protect the most vulnerable; laying the foundations for stronger growth; and addressing security. Gradual consolidation envisaged under the program is necessary to create fiscal space for these needs, and to reduce borrowing costs, improve primary balances, and preserve debt sustainability (Annex VII).

30. The authorities remain committed to their consolidation efforts in line with the program (MEFP 120-27). The program envisages a further reduction of the overall deficit from an estimated deficit of 6.5 percent of GDP in 2023 to a projected 5.6 percent of GDP in 2024. The consolidation would be achieved primarily by maintaining strong tax revenue collection efforts (17.9 percent of GDP), and current expenditure rationalization (including lower fuel subsidies (Text Table 3 and Box 2). Improving fiscal governance and transparency, and a strategy to clear existing arrears and prevent their accumulation, will also be key to reduce fiscal risks (Annex VII).

Text Table 3. Burkina Faso: Key Fiscal Indicators of the Program, 2023-2027
(Percent of GDP)

	2023	2023	2024	2024	2024	2025	2026	2027
	Program 2/	Prel.	Program 2/	Budget	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	19.9	22.2	20.4	20.4	21.8	22.7	23.3	23.8
Total revenue	19.0	20.6	19.1	18.6	20.4	20.9	21.5	22.0
Tax revenue	16.7	18.2	16.9	16.5	17.9	18.4	19.0	19.5
Nontax revenue	2.2	2.4	2.2	2.1	2.5	2.5	2.5	2.5
Grants	0.9	1.6	1.3	1.8	1.3	1.8	1.8	1.8
Expenditure and net lending 1/	26.5	28.9	26.0	25.4	27.4	27.4	27.1	26.8
Current expenditure	17.4	17.9	17.3	15.9	16.8	16.7	16.5	16.4
Wages and salaries	8.8	8.9	8.7	8.2	9.0	8.9	8.7	8.5
Goods and services	1.8	1.8	1.8	1.6	1.8	1.8	1.8	1.8
Interest payments	2.2	2.3	2.6	1.8	1.9	2.2	2.3	2.4
Current transfers	4.7	4.9	4.1	4.3	4.1	3.9	3.7	3.8
Investment expenditure	9.1	11.2	8.8	9.5	10.6	10.6	10.6	10.4
Domestically financed	6.6	7.1	5.5	6.1	7.3	6.8	6.8	6.9
Externally financed	2.6	4.0	3.3	3.4	3.3	3.8	3.8	3.5
Overall balance 1/	-6.6	-6.7	-5.6	-5.0	-5.6	-4.7	-3.8	-3.0

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

1/ Commitment basis (base d'engagement).

2/ The 2023 and 2024 program numbers are expressed as a share of projected GDP as of the time of IMF Executive Board approval

Box 2. Burkina Faso: Key Fiscal Measures in 2024-2026

Fiscal policy will continue to aim at creating fiscal space for security and other priority spending, through:

- *Domestic revenue mobilization*, with key reforms including (i) clearance of tax arrears; (ii) taking steps to broaden the tax base (by rationalizing VAT and CIT exemptions) and strengthen tax auditing; (iii) further strengthening the interconnectivity between the tax and customs directorates (DGI and DGD) IT systems and data matching; (iv) strengthening customs goods valuation and combating fraud; and (v) scaling-up efforts to digitalize tax and customs procedures.
- *Rationalization and control of current expenditure*, through:
 - a) *Control of wage bill growth*, for instance, through biometric enrolment of civil servants to eliminate "ghost workers" and audit of payroll management system (SIGASPE) to streamlining of civil servant administrative and wage management.
 - b) *Rationalization of government operating costs*, through digitalization of public procurement and budget execution process, and control of spending on goods and services.
 - c) *Reducing current transfers*, especially energy subsidies (which amounted to CFAF 189.3 billion or 1.5 percent of GDP in 2023), by progressively adjusting fuel pump prices closer to a full pass-through of global oil prices and improving the performance of the two public utilities (SONABHY and SONABEL).

31. The authorities are strengthening the social safety net (SSN) (MEFP ¶40-41). They deployed the Unique Social Registry (USR) in two pilot regions (Center-East and Center-West), and expansion to additional regions is planned in 2024. A broad USR coverage is key to identifying the right beneficiaries of SSN interventions. A flagship SSN program (PAMPV, Annex III) was created to support the 20 percent poorest households by 2033 thereby improving targeting, while also reducing fragmentation in social protection provision. A strong SSN is essential also for addressing the needs of IDPs and refugees (see accompanying SIP on forced displacement). Work on expanding social assistance programs is continuing, following the suspension of cash transfers.

Authorities' Views

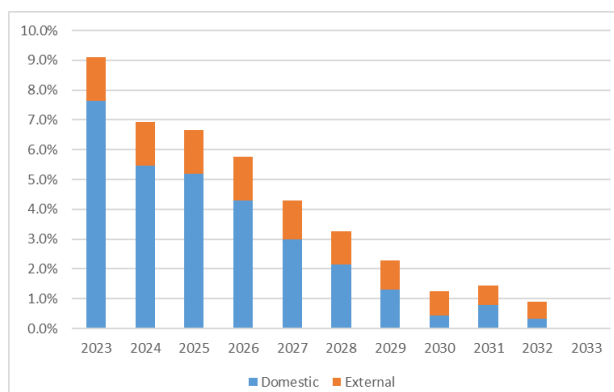
32. The authorities agreed with the need to continue fiscal consolidation to ensure fiscal and debt sustainability. In that context, they emphasize the urgent priorities to restore security and territorial integrity, and to tackle the humanitarian crisis, requiring substantial public investment in the medium term, in addition to resources required to promote economic growth and social protection. Substantial international financial support is therefore vital to supplement their efforts of domestic revenue mobilization, expenditure rationalization and structural reforms. While acknowledging the importance of cash transfers, they intend to gradually resume cash transfers in regions where the USR is already operational (Center-East and Center-West), thus minimizing the risk of cash transfers' misuse.

D. Maintaining Prudent Borrowing Policies and Debt Management

33. The medium-term debt management strategy should focus on increasing the average maturity of debt while containing debt service costs. Burkina Faso's domestic debt has an

average maturity of 3.6 years (as of 2023), and interest rates have increased sharply over the last year, from around 4 percent on short- and medium-term debt in January 2023 to more than 9 percent in February 2024. The large volume of debt maturing in the short term (Text Figure 5) exposes the portfolio to rollover and liquidity risks (although Burkina's needs are limited compared to the size of the regional market), as well as an increasing debt service burden. The authorities should attempt to secure concessional financing for priority expenditures, and domestic bond issuances should be concentrated at longer maturities. Non-concessional loans should be avoided. A robust medium-term debt strategy (MTDS) would be critical in anchoring the authorities' borrowing plans.

Text Figure 5. Burkina Faso: Amortization Profile of the Existing Debt Stock (In percent of GDP)



Sources: Burkinabe authorities and IMF Staff calculations.

Authorities' Views

34. The authorities agreed on the importance of addressing rising debt vulnerabilities (MEFP ¶28-30). A new medium-term debt management strategy (MTDS, 2024-2026) was validated in February 2024. The authorities recognized the tightening financing conditions and stressed that a prudent implementation of the new MTDS should enable the government to address debt vulnerabilities. They were of the view that euro-denominated, non-concessional external loans, if mobilized, would be an option to refinance part of the short-term domestic debt and help improve the debt profile.

E. Pursuing Structural Reforms to Improve Public Financial Management and Governance

35. The authorities are committed to making progress on key PFM reforms (MEFP ¶32-34). These include:

- The Patriotic Support Fund (PSF) was fully integrated into the 2024 budget and in the regular fiscal reporting. The outline of the quarterly budget execution reports has been revised to consider the overall execution in terms of revenue and expenditure of the PSF, although its presentation could be improved to ensure adequate provision of information to the public on resources and expenditures (at least in the main categories).
- Improving public investment prioritization, selection, and efficiency. While Burkina Faso has large infrastructure gaps, it also ranks low on overall infrastructure quality, suggesting potentially important efficiency gains as well as the importance of closely monitoring domestic capital spending and its efficiency.
- Auditing the stock of domestic arrears and floating debts (in progress), with a preliminary report by the High Authority for State Control and the Fight against Corruption (ASCE-LC) expected at end-June 2024 and a clearing strategy to be prepared by end-December 2024 (proposed SB).
- Making further progress on the rollout of the TSA, which is already enshrined in WAEMU's PFM legislation. Next steps include reinforcing the information system; deployment of e-banking; closing dormant accounts; and implementing the conclusions of the impact study on the closure of project and program accounts in banks.

36. Strengthening institutional capacities and governance are priorities. Governance indicators for Burkina Faso compare favorably to other SSA countries but are trending downwards, and weaknesses remain in fiscal governance, risking progress in revenue mobilization and spending control. Discussions with the authorities focused on steps to improve the realism of their medium-term fiscal framework and strengthen fiscal reporting and accountability. Such efforts would help improve delivery of public services, enhance accountability, and limit corruption. The planned GDA will assess the severity of corruption and identify governance weaknesses associated with corruption vulnerabilities in six key state functions.

Authorities' Views

37. The authorities expressed their commitment to continue working with international bodies responsible for transparency and financial integrity (MEFP ¶135). In particular, they intend to accelerate the implementation of actions to address AML/CFT and anti-corruptions critical challenges or weaknesses.

PROGRAM MODALITIES AND OTHER ISSUES

38. Program performance reviews will continue semi-annually through six-monthly QPCs, quarterly ITs, and SBs (Tables 9 & 10). Staff support the authorities' request to set end-December 2024 QPCs and ITs to reflect the current macroeconomic framework, budget projections, and program commitments. To further reinforce the authorities' energy subsidy reform agenda, an additional possible SB has been discussed for the fourth review (by end-June 2025) to establish a concrete action plan for reform to rationalize energy subsidies.

39. Firm financing commitments are in place over the next twelve months following the completion of the review, and there are good prospects that financing will be adequate for the remaining program period. Discussions by the authorities with partners on concessional financing, including with the World Bank and other partners, are well advanced and would fill the financing gap under the program, as well as possibly catalyze further support.

40. The authorities agreed to abide by the continuous performance criteria related to exchange restrictions and multiple currency practices. Namely, they agreed not to (1) introduce or intensify restrictions on payments and transfers for current international transactions; (2) introduce or modify multiple currency practices; (3) enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (4) introduce or intensify import restrictions for balance of payments purposes.

41. Burkina Faso's capacity to repay the Fund is assessed to be adequate, although subject to significant risks (Table 8). Total outstanding IMF credit is projected to peak at 309.5 percent of quota by end-2027, equivalent to 2.0 percent of GDP, 7.1 percent of exports and 9.2 percent of revenues (Table 8). Total obligations to the IMF peak at 0.24 percent of GDP in 2029, 0.90 percent of exports, 1.09 percent of revenues and 43.7 percent of quota. However, in percent of gross international reserves, Burkina Faso's total Fund credit exceeds the 75th percentile of PRGT countries. Should concessional and non-concessional borrowing become unavailable, reliance on available WAEMU international reserves may help the country service its debt to the Fund. Exposure risks for the IMF are mitigated by policy measures envisaged under the program and the authorities' strong track record of servicing their debt obligations to the IMF.

42. Burkina Faso has pre-HIPC Initiative legacy external arrears. Arrears amounting to USD 54.7 million are due to Côte d'Ivoire, and USD 6.9 million to Libya, representing 0.2 and 0.03 percent of GDP in 2023, respectively. Consistent with the Fund's lending-into-official-arrears (LIOA) policy

and reflecting the good progress being made in the discussions to settle legacy arrears, Côte d'Ivoire and Libya have consented to the IMF providing financing under the ECF despite these arrears.

43. Risks to the program include delays in the provision of concessional financing; continued political uncertainty, including over the election timeline and the risk of further irregular changes in government; and tighter financing conditions in the regional bond market which may lead to debt sustainability concerns. In addition, continued unavailability of budget support grants would require relying on the regional market, eroding fiscal space.

44. Capacity development (CD) to support program objectives and future Fund engagement remains critical. Targeted TA, including in the PFM area, would be key to alleviate concerns over the quality of fiscal governance and transparency (Annex VIII). The authorities have requested TA to help them undertake reforms to reduce prospective BOP risks from climate change (see accompanying SIP on climate).

45. The data provided to the Fund has some shortcomings that somewhat hamper surveillance and may affect program reviews (Annex IX). While the quality of real sector data is broadly adequate for surveillance, the fiscal, external, and monetary sectors have shortcomings. The authorities should intensify efforts to increase granularity of public expenditure and financial sector assets data; to increase clarity about VAT reimbursements and the securitization of domestic arrears; and to improve the frequency of external sector data releases. Furthermore, delays in data provision create challenges for program monitoring which may lead to delaying program review conclusion. The authorities have committed to step up efforts in this regard, including through CD.

46. Safeguards assessment. The 2023 BCEAO safeguards assessment found that the central bank continues to have well-established audit arrangements and a strong control environment. The BCEAO has still to align its statute with changes in the 2019 cooperation agreement with France.

STAFF APPRAISAL

47. Burkina Faso continues to face large development, security, and political challenges, with the outlook contingent on improvements in these areas. Based on an assumption of an improvement in the security situation, real GDP growth is expected to accelerate to 5.5 percent in 2024, up from 3.6 percent in 2023 and 1.8 percent in 2022, while headline average inflation is expected to moderate to 2.1 percent in 2024 from its peak of 14 percent in 2022. The current account deficit is projected to narrow to 5.7 percent in 2024 from 7.9 percent in 2023, as gold mining production and export increase, based on the assumption of a stabilization in the security situation, and fiscal consolidation as well as structural reforms are implemented. Revenue mobilization continues to be strong, and the authorities are reinforcing spending discipline to create fiscal space for priority spending, including for security and humanitarian needs.

48. The authorities remain committed to the objectives of the program. The program seeks to create fiscal space for priority needs, including addressing the food insecurity and security crises,

and increase resilience to shocks, while reducing poverty and strengthening fiscal discipline and governance. Revenue mobilization has continued to be strong, and the authorities are reinforcing spending discipline to create fiscal space for priority spending, including for security and humanitarian needs. Achieving program objectives will help the authorities address Burkina Faso's protracted BOP problems in a challenging policy environment characterized by tighter financial conditions, fiscal deficits, and elevated debt, including by catalyzing concessional financing by other development partners.

49. Program performance vis-à-vis end-December 2023 targets was satisfactory. All quantitative performance criteria and indicative targets, but one, have been met, with primary current expenditure in 2023 having marginally exceeded the indicative target by $\frac{3}{4}$ percent. Of the five SBs, three were met by the end-December 2023 test date; a fourth one was not met, but implemented with delay on March 3, 2024; and the fifth SB (on the adoption of performance contracts with state-owned firms operating in the energy sector), while it is in progress, has not been met.

50. Staying the course of fiscal consolidation will require continued revenue mobilization efforts, expenditure rationalization, and public financial management reforms. The fiscal strategy relies on measures to increase domestic resource mobilization and rationalize public expenditure. In addition, the authorities have committed to strengthening social safety nets for the most vulnerable households, including by reducing fragmentation, expanding coverage, and improving targeting. Finally, the authorities are continuing to implement measures to address the ongoing food insecurity crisis, including the sale of food and agricultural inputs at subsidized prices, the distribution of free food to combat acute malnutrition, as well as (conditional and/or unconditional) cash transfers to affected populations.

51. Structural reforms will be introduced to underpin the fiscal strategy and ensure a durable consolidation. These include improving the efficiency of state-owned companies operating in the energy sector, ensuring that wage bill growth is commensurate with fiscal resources, and advancing reforms to bolster tax compliance and intensifying efforts to collect tax arrears. These measures will help create space for growth-enhancing measures and social spending.

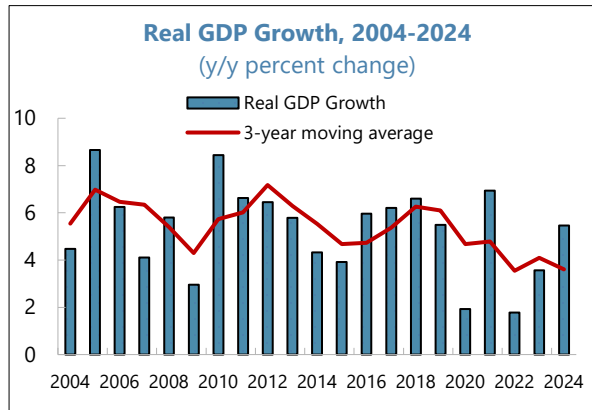
52. Efforts will also be made to improve fiscal transparency, including the publication of budget execution reports. The authorities are committed to appropriately balancing security, development, and social expenditures. They will strengthen public expenditure commitment controls (including the publication of audits on spending to address the food insecurity crisis), tackle structural challenges in the energy sector, improve the efficiency of public investment, and intensify efforts to address financial integrity challenges. Embarking on a tailored set of CD activities, including GDA and FTE exercises (Annex IV), will be helpful.

53. In view of the program performance, and continuous commitment to the program's objectives and reform agenda, staff support the completion of the first review and the financing assurances review, and the release of a second disbursement under the ECF arrangement of SDR 24.08 million (Table 7).

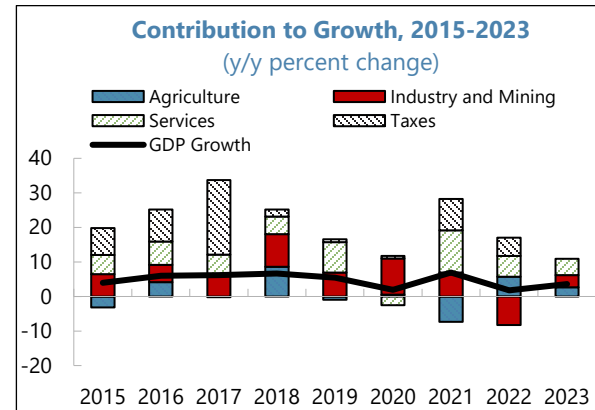
54. The next Article IV Consultation is expected to take place within 24 months in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Figure 1. Burkina Faso: Recent Economic Developments

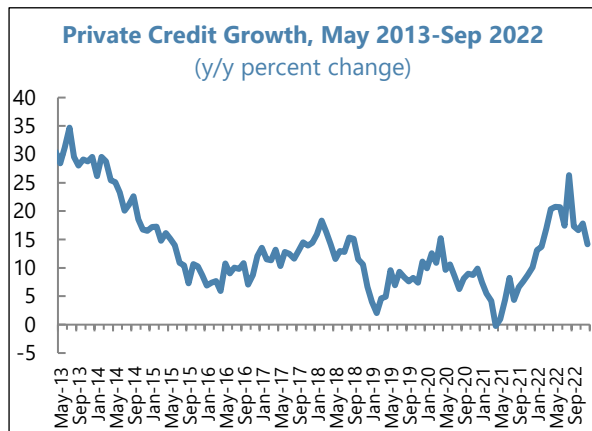
Growth is projected to accelerate in 2024 supported by stronger mining activity.



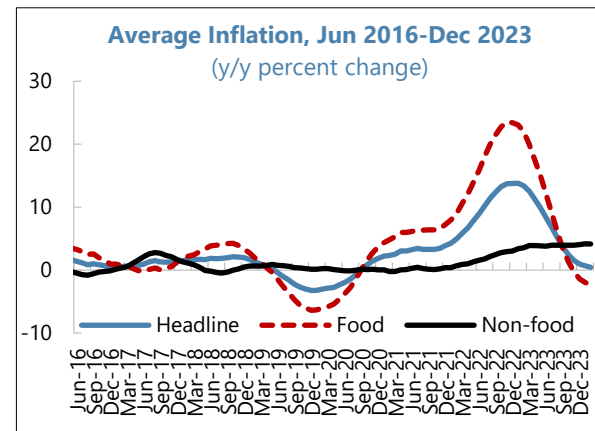
Industrial and mining growth contributions have declined since 2020.



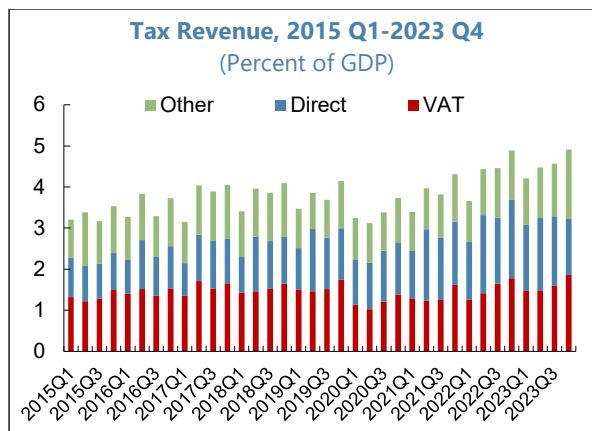
Credit growth has remained resilient and in line with nominal GDP growth.



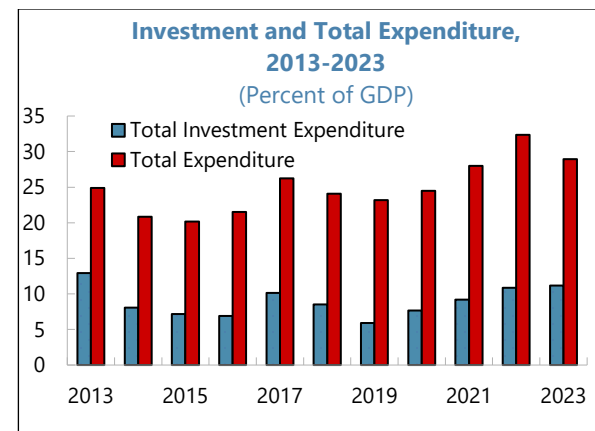
The large increase in headline inflation since 2020 is fading away.



Tax revenue has been rising in recent quarters...



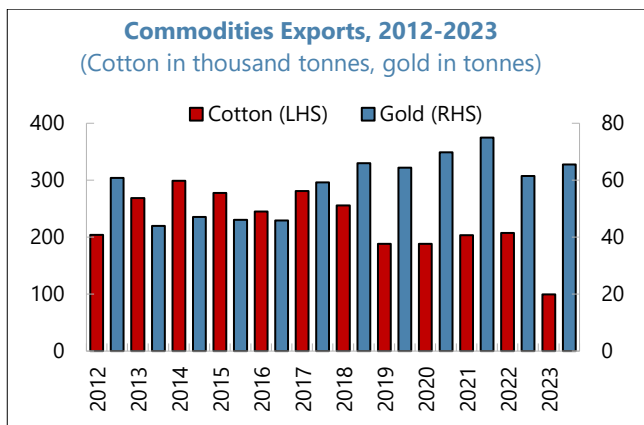
...while public investment execution has remained robust against a drop in total expenditure.



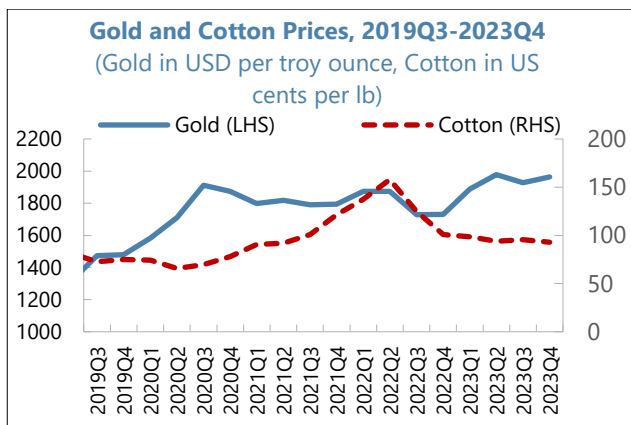
Sources: Burkinabè authorities; and IMF staff calculations.

Figure 2. Burkina Faso: Real and External Developments

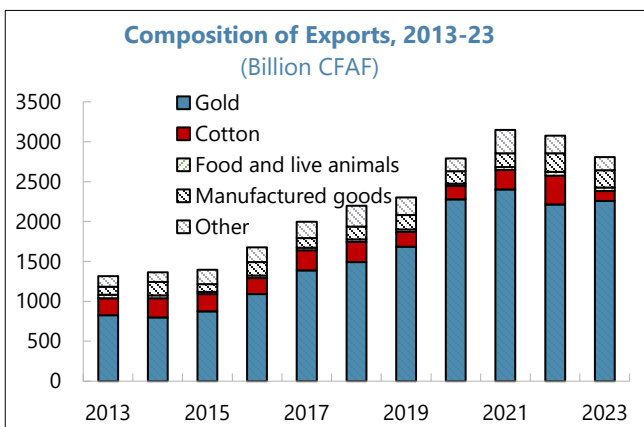
Gold nominal exports are projected to have increased in 2023...



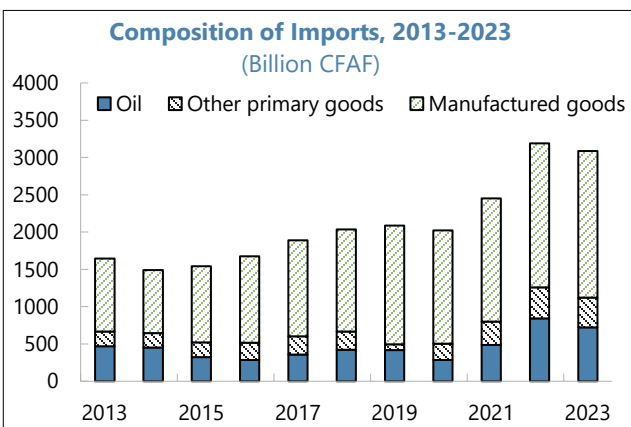
...as gold and cotton prices remained broadly stable.



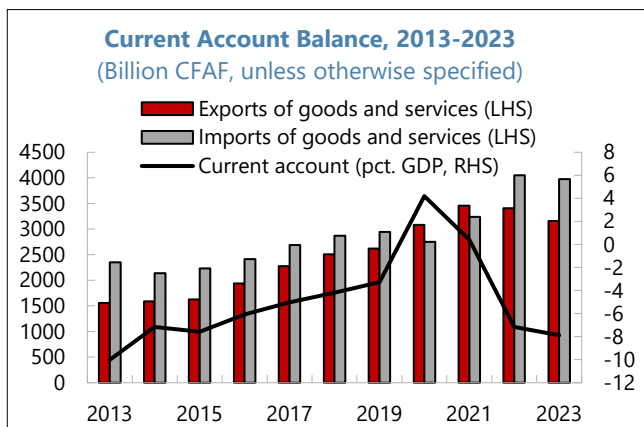
Gold continues to be the main export driver...



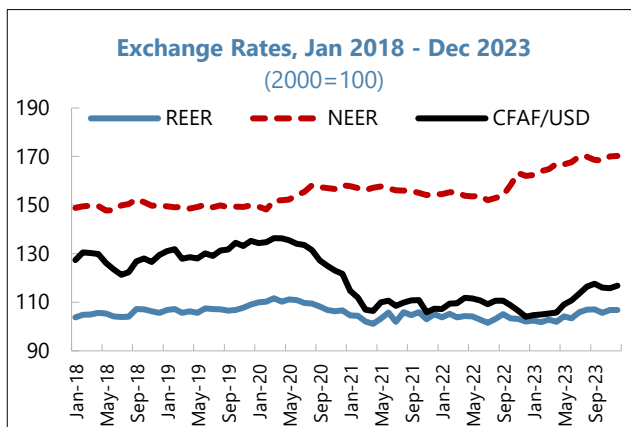
...while oil imports have remained high.



The current account deficit is projected to have widened in 2023.



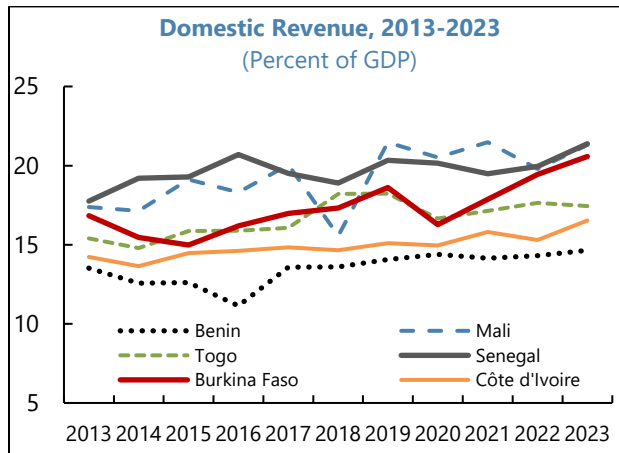
The real exchange rate has remained stable while the CFAF has depreciated against the US\$.



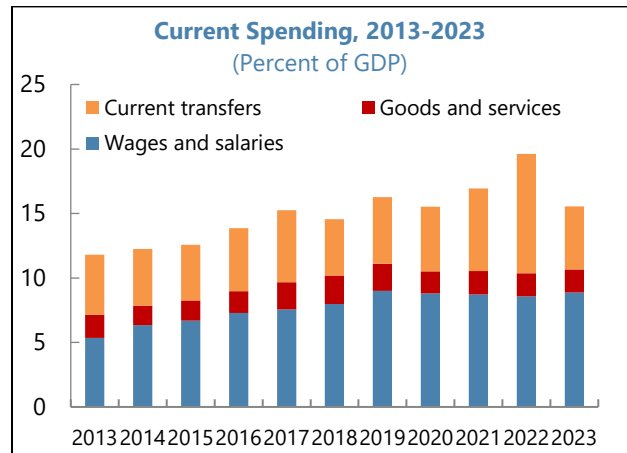
Sources: Burkinabè authorities; and IMF staff calculations.

Figure 3. Burkina Faso: Fiscal Developments

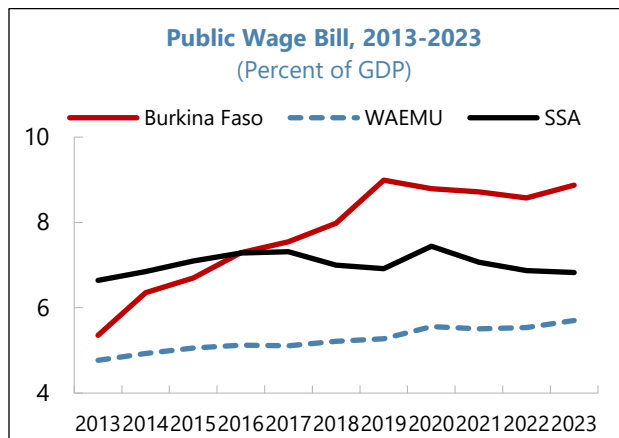
Domestic revenue collection has performed well in 2023



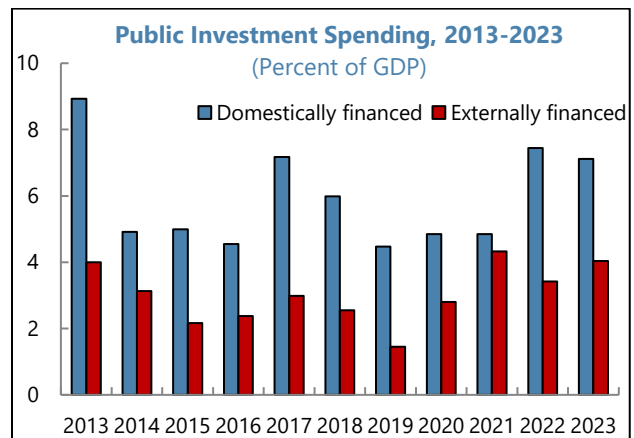
Current spending has declined in 2023, driven by lower energies subsidies.



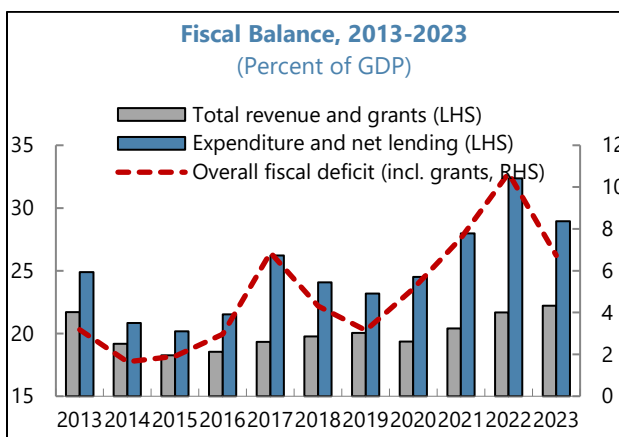
The wage bill remains high relative to WAEMU and SSA peers, though it has broadly stabilized as a share of GDP.



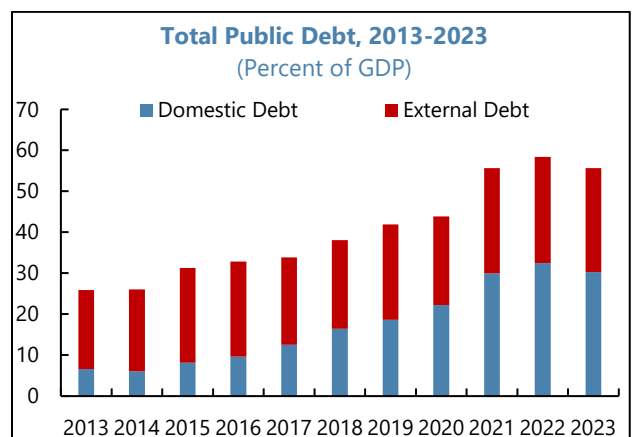
Total investment spending remained broadly unchanged in 2023.



The fiscal deficit has declined substantially in 2023...



...with public debt remaining elevated.



Sources: Burkinabè authorities; and IMF staff calculations.

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2021–28

	2021	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028
	Actual	Actual	Program	Prel.	Program	Proj.	Program	Proj.	Proj.	Proj.	Proj.
Population (2023): 22.7 million											
Per capita GDP (2023): 831 USD											
Share of population below the poverty line (2022): 43.7%											
Gini Index (2018): 47.3											
Life Expectancy (years): 60											
Literacy rate (2018): 39%											
<i>(Annual percentage change, unless otherwise indicated)</i>											
GDP and Prices											
GDP at constant prices	6.9	1.8	4.4	3.6	6.4	5.5	6.0	5.8	5.0	4.9	4.9
GDP deflator	-0.2	6.1	1.9	1.4	3.0	2.2	2.0	2.1	2.2	2.2	2.2
Consumer prices (annual average)	3.9	14.1	1.4	0.7	3.0	2.1	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	8.2	9.6	2.4	1.0	2.0	2.6	2.0	2.0	2.0	2.0	2.0
Money and Credit											
Net domestic assets (banking system) 1/	5.2	16.0	...	5.3	...	...	...	...	...	...	...
Credit to the government (banking system) 1/	-5.8	6.6	...	3.0	...	...	...	...	...	...	...
Credit to private sector	10.1	14.2	...	5.9	...	...	...	...	...	...	...
Broad money (M3)	17.6	2.5	...	-3.0	...	...	...	...	...	...	...
Private sector credit/GDP	29.6	31.2	...	31.5	...	...	...	...	...	...	...
External Sector											
Exports (f.o.b.; valued in CFA francs)	12.9	-2.3	0.7	-8.7	7.5	15.0	5.2	10.9	6.7	5.3	7.0
Imports (f.o.b.; valued in CFA francs)	21.1	30.1	-2.8	-3.2	6.6	5.9	5.9	5.8	5.3	5.7	6.1
Current account (percent of GDP)	0.4	-7.2	-4.7	-7.9	-4.2	-5.7	-4.0	-4.1	-3.3	-3.2	-2.7
<i>(Percent of GDP, unless otherwise indicated)</i>											
Central Government Finances											
Current revenue	17.9	19.4	19.0	20.6	19.1	20.4	19.6	20.9	21.5	22.0	22.4
Of which: tax revenue 2/	15.5	17.4	16.7	18.2	16.9	17.9	17.3	18.4	19.0	19.5	19.9
Total expenditure and net lending	28.0	32.4	26.5	28.9	26.0	27.4	26.0	27.4	27.1	26.8	27.0
Of which: current expenditure	18.7	21.6	17.4	17.9	17.3	16.8	17.2	16.7	16.5	16.4	15.7
Overall fiscal balance, incl. grants (commitments) 3/	-7.6	-10.7	-6.6	-6.7	-5.6	-5.6	-4.7	-4.7	-3.8	-3.0	-3.0
Total public debt	55.6	58.4	60.9	55.6	61.0	57.2	61.2	56.0	54.8	52.8	50.2
Of which: external debt	25.7	26.0	24.5	25.4	23.9	25.5	23.6	25.0	24.6	24.3	23.8
Memorandum items:											
Nominal GDP (CFAF billion)	10,893	11,768	12,527	12,361	13,742	13,323	14,854	14,397	15,439	16,549	17,745
Nominal GDP per capita (US\$)	888	830	892	871	964	910	1,017	952	992	1,033	1,076
REER based on Consumer Price Index (CFAF per US\$)	99	...	...	...	...	...	...	...	...	...	...

Sources: Burkinabé authorities; IMF staff estimates and projections.

1/ Percent of beginning-of-period broad money.

2/ Includes large, one-off VAT reimbursement in 2021.

3/ Includes the *fonds de soutien patriotique* (FSP) in 2023.

Table 2. Burkina Faso: Balance of Payments, 2021–28

	2021	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028
	Proj.	Proj.	Program	Proj.	Program	Proj.	Program	Proj.	Proj.	Proj.	Proj.
	<i>(CFAF billions, unless otherwise indicated)</i>										
Current account	42.8	-843.6	-587.8	-973.6	-574.7	-755.0	-598.7	-596.4	-513.4	-531.8	-472.5
Trade balance	698.2	-113.0	111.5	-276.9	149.5	-36.4	132.8	127.7	183.9	179.2	226.2
Exports of goods	3,148.8	3,075.8	3,131.1	2,808.9	3,367.3	3,230.5	3,541.2	3,582.6	3,822.5	4,025.6	4,307.0
Of which: cotton	245.4	361.6	277.9	122.9	281.2	127.9	278.5	131.4	140.3	146.1	152.1
Of which: gold	2,400.6	2,214.8	2,390.2	2,257.8	2,599.8	2,653.0	2,758.9	2,985.6	3,202.9	3,384.7	3,643.3
Imports of goods	-2,450.6	-3,188.8	-3,019.6	-3,085.8	-3,217.9	-3,266.9	-3,408.4	-3,454.9	-3,638.6	-3,846.4	-4,080.9
Of which: oil	-487.6	-844.3	-630.7	-722.5	-642.9	-745.4	-652.8	-742.5	-747.3	-764.4	-792.5
Services, net	-477.0	-527.6	-542.9	-541.4	-566.5	-562.9	-592.1	-587.0	-606.9	-626.9	-647.2
Primary income, net	-512.0	-477.5	-377.6	-377.6	-386.0	-386.0	-392.1	-392.1	-346.3	-353.6	-333.8
Secondary income, net	333.7	274.5	221.2	222.2	228.4	230.3	252.6	254.9	256.0	269.5	282.3
Of which: Official transfers, net	146.2	125.5	65.3	65.3	65.3	65.3	65.3	65.3	65.3	65.3	65.3
Capital account	235.7	259.9	172.2	260.0	230.4	232.3	310.6	313.1	332.2	349.5	348.7
Project grants	179.3	203.4	115.8	203.5	173.9	175.8	254.1	256.6	275.7	292.9	292.1
Financial account	-1.8	-502.7	-35.7	964.5	190.6	593.9	70.1	323.4	236.3	217.5	158.9
Direct investment	-20.4	23.9	29.6	29.6	13.2	13.2	-1.3	-1.3	9.0	14.9	13.1
Portfolio investment	108.8	-49.0	216.0	652.8	272.8	266.8	228.8	224.5	244.3	291.9	282.9
Other investment	-90.1	-477.6	-281.3	282.1	-95.4	313.9	-157.4	100.2	-17.0	-89.2	-137.1
Commercial banks	-40.5	-149.4	-26.2	209.1	-24.1	-27.3	-22.3	-24.6	-21.4	0.7	0.7
General government	265.0	161.9	91.2	158.1	201.8	187.1	217.3	198.2	205.8	181.5	190.9
Project loans	291.6	199.1	207.1	295.1	274.8	266.5	297.1	287.9	308.8	280.0	282.4
Program loans	45.7	56.7	0.0	0.0	56.1	57.6	55.9	57.9	58.0	58.0	58.1
Amortization of public loans (excl. IMF)	-72.3	-93.9	-115.8	-136.9	-129.1	-137.0	-135.7	-147.6	-160.9	-156.5	-149.6
Other private	-314.7	-490.1	-346.4	-85.1	-273.2	154.1	-352.4	-73.4	-201.3	-271.4	-328.8
Errors and omissions	-23.4	-	-	-	-	-	-	-	-	-	-
Overall balance	253.4	-1,086.4	-451.3	250.8	-153.7	71.1	-218.0	40.1	55.1	35.2	35.1
Net change in foreign assets of the central bank	-253.4	1,086.4	451.3	-250.8	153.7	-71.1	218.0	-40.1	-55.1	-35.2	-35.1
of which: IMF net financing	16.3	15.1	-57.5	-57.7	-25.6	-26.0	-16.3	-16.2	-6.0	-18.3	33.5
Disbursements (past and prospective)	0.0	0.0	68.5	68.8	38.5	38.9	38.5	39.2	39.3	49.3	0.0
Repayments (excluding charges)	-16.3	-15.1	-11.0	-11.1	-12.9	-12.9	-22.2	-23.0	-33.4	-31.0	-33.5
of which: SDR allocation	90.9	...	...	...	...	...	...	...	...	...	...
Residual Financing Gap	-	-	-	-	-	-	-	-	-	-	-
	<i>(Percent of GDP, unless otherwise indicated)</i>										
Memorandum items:											
Exports of goods	28.9	26.1	25.0	22.7	24.5	24.2	23.8	24.9	24.8	24.3	24.3
Imports of goods	-22.5	-27.1	-24.1	-25.0	-23.4	-24.5	-22.9	-24.0	-23.6	-23.2	-23.0
Trade balance (goods)	6.4	-1.0	0.9	-2.2	1.1	-0.3	0.9	0.9	1.2	1.1	1.3
Trade balance (services)	-4.4	-4.5	-4.3	-4.4	-4.1	-4.2	-4.0	-4.1	-3.9	-3.8	-3.6
Trade balance (goods and services)	2.0	-5.4	-3.4	-6.6	-3.0	-4.5	-3.1	-3.2	-2.7	-2.7	-2.4
Current account (- = deficit)	0.4	-7.2	-4.7	-7.9	-4.2	-5.7	-4.0	-4.1	-3.3	-3.2	-2.7
GDP at current prices (CFAF billions)	10,892.9	11,767.6	12,527.4	12,361.4	13,742.0	13,322.5	14,853.7	14,396.8	15,439.3	16,549.4	17,744.6
BCEAO Reserves											
In billion USD	6.0	5.8	...	5.8	...	...	...	...	...	...	...
In months of next year's WAEMU imports	5.1	4.2	...	3.2	...	...	...	...	...	...	...
In percent of broad money	31.6	28.3	...	26.2	...	...	...	...	...	...	...

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

Table 3a. Burkina Faso: Consolidated Operations of the Central Government, 2021–28
(CFAF billions)

	2021	2022	2023	2023	2024	2024	2025	2026	2027	2028
	Actual	Actual	Program	Prel.	Program	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	2223.9	2551.9	2490.0	2746.9	2802.5	2899.3	3265.8	3590.3	3935.0	4260.5
Total revenue	1,946.6	2,288.3	2,374.3	2,543.4	2,628.6	2,723.5	3,009.2	3,314.6	3,642.1	3,968.3
Tax revenue	1,687.5	2,052.4	2,096.6	2,246.0	2,320.8	2,390.5	2,649.3	2,928.6	3,228.3	3,524.7
Of which: Gold Mining CIT	135.3	99.7	119.5	112.9	143.0	145.9	164.2	176.2	186.2	200.4
Nontax revenue	259.1	235.8	277.7	297.4	307.8	333.1	359.9	386.0	413.7	443.6
Of which: Royalties from gold	74.0	88.6	95.6	90.3	104.0	106.1	119.4	128.1	135.4	145.7
Grants	277.3	263.7	115.8	203.5	173.9	175.8	256.6	275.7	292.9	292.1
Project	196.3	203.4	115.8	203.5	173.9	175.8	256.6	275.7	292.9	292.1
Program	80.9	60.3	-	-	-	-	-	-	-	-
Expenditure and net lending 1/	3,047.8	3,807.3	3,321.2	3,578.6	3,576.8	3,644.2	3,941.0	4,177.7	4,436.8	4,798.5
Current expenditure	2,038.5	2,539.6	2,177.6	2,211.5	2,371.0	2,242.5	2,410.7	2,543.1	2,714.6	2,790.5
Wages and salaries	949.5	1,009.1	1,097.2	1,096.9	1,202.3	1,202.3	1,274.6	1,342.0	1,399.1	1,462.1
Goods and services	197.5	210.2	226.1	221.3	248.1	238.5	257.8	276.4	296.3	317.7
Interest payments	192.5	229.6	271.1	290.4	355.4	249.7	318.7	357.8	390.3	358.5
Domestic	163.9	196.3	223.4	247.0	309.1	216.1	281.2	319.9	352.1	319.8
External	28.6	33.3	47.8	43.5	46.3	33.7	37.5	37.9	38.2	38.8
Current transfers	698.9	1,090.7	583.2	602.8	565.2	551.9	559.7	566.8	628.8	652.1
Investment expenditure	999.1	1,277.2	1,143.6	1,378.5	1,205.9	1,411.7	1,530.3	1,634.5	1,722.2	2,008.0
Domestically financed	528.2	875.4	820.8	880.0	757.1	969.4	985.8	1,050.1	1,149.3	1,433.5
Externally financed	470.9	401.9	322.8	498.6	448.8	442.3	544.5	584.5	572.9	574.6
Net lending	10.2	-9.5	0.0	-11.5	0.0	-9.9	0.0	0.0	0.0	0.0
Overall balance 1/	-824.0	-1,255.3	-831.2	-831.7	-774.3	-744.9	-675.2	-587.4	-501.8	-538.0
Cash basis adjustment 2/	120.1	386.5	-	-41.8	-	-	-	-	-	-
Overall balance (cash basis)	-703.8	-868.8	-831.2	-873.6	-774.3	-744.9	-675.2	-587.4	-501.8	-538.0
Financing	799.4	809.0	831.2	867.6	774.3	744.9	675.2	587.4	501.8	538.0
Foreign financing	265.0	161.9	91.2	158.1	201.8	187.1	198.2	205.8	181.5	190.9
Drawings	337.3	255.8	207.1	295.1	331.0	324.1	345.8	366.7	338.0	340.5
Project loans	291.6	199.1	207.1	295.1	274.8	266.5	287.9	308.8	280.0	282.4
Program loans	45.7	56.7	0.0	0.0	56.1	57.6	57.9	58.0	58.0	58.1
Amortization (excl. IMF)	-72.3	-93.9	-115.8	-136.9	-129.1	-137.0	-147.6	-160.9	-156.5	-149.6
Domestic financing	534.4	647.0	739.9	709.5	572.5	557.8	477.0	381.6	320.3	347.1
Bank financing	178.7	628.1	739.9	584.8	572.5	557.8	477.0	381.6	320.3	347.1
Central bank	-48.9	208.3	57.5	114.6	25.6	26.0	16.2	6.0	18.3	-33.5
of which: IMF net financing	-16.3	-15.1	57.5	57.7	25.6	26.0	16.2	6.0	18.3	-33.5
Disbursements	-	-	68.5	68.8	38.5	38.9	39.2	39.3	49.3	-
Repayments	-16.3	-15.1	-11.0	-11.1	-12.9	-12.9	-23.0	-33.4	-31.0	-33.5
Commercial banks	227.6	419.9	682.4	470.2	546.9	531.9	460.8	375.6	302.0	380.6
Nonbank financing	355.7	18.9	-	124.7	-	-	-	-	-	-
Other domestic financing 3/	-	-	-	359.6	-	-	-	-	-	-
Errors and Omissions	(95.6)	59.8	-	5.9	-	-	-	-	-	-
Memorandum items:										
Mining revenue	371.2	467.8	504.8	476.8	549.1	560.3	630.6	676.4	714.8	769.5
Overall Balance excl. mining revenue	-1,075.0	-1,336.6	-1,336.0	-1,350.4	-1,323.4	-1,305.2	-1,305.8	-1,263.8	-1,216.6	-1,307.5

Sources: Burkinabè authorities; IMF staff estimates and projections.

1/ Commitment basis (base d'engagement).

2/ Cash adjustment in 2023 represents the difference between revenue and spending of the Patriotic Support Fund (PSF).

3/ Other domestic financing represents (i) floating debt and (ii) balance changes of Treasury accounts outside the banking system.

Table 3b. Burkina Faso: Consolidated Operations of the Central Government, 2021–28
(Percent of GDP)

	2021	2022	2023	2023	2024	2024	2025	2026	2027	2028
	Actual	Actual	Program 3/	Prel.	Program 3/	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	20.4	21.7	19.9	22.2	20.4	21.8	22.7	23.3	23.8	24.0
Total revenue	17.9	19.4	19.0	20.6	19.1	20.4	20.9	21.5	22.0	22.4
Tax revenue	15.5	17.4	16.7	18.2	16.9	17.9	18.4	19.0	19.5	19.9
Of which: Gold Mining CIT	1.2	0.8	1.0	0.9	1.0	1.1	1.1	1.1	1.1	1.1
Nontax revenue	2.4	2.0	2.2	2.4	2.2	2.5	2.5	2.5	2.5	2.5
Of which: Royalties from gold	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Grants	2.5	2.2	0.9	1.6	1.3	1.3	1.8	1.8	1.8	1.6
Project	1.8	1.7	0.9	1.6	1.3	1.3	1.8	1.8	1.8	1.6
Program	0.7	0.5	-	-	-	-	-	-	-	-
Expenditure and net lending 1/	28.0	32.4	26.5	28.9	26.0	27.4	27.4	27.1	26.8	27.0
Current expenditure	18.7	21.6	17.4	17.9	17.3	16.8	16.7	16.5	16.4	15.7
Wages and salaries	8.7	8.6	8.8	8.9	8.7	9.0	8.9	8.7	8.5	8.2
Goods and services	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Interest payments	1.8	2.0	2.2	2.3	2.6	1.9	2.2	2.3	2.4	2.0
Domestic	1.5	1.7	1.8	2.0	2.2	1.6	2.0	2.1	2.1	1.8
External	0.3	0.3	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Current transfers	6.4	9.3	4.7	4.9	4.1	4.1	3.9	3.7	3.8	3.7
Investment expenditure	9.2	10.9	9.1	11.2	8.8	10.6	10.6	10.6	10.4	11.3
Domestically financed	4.8	7.4	6.6	7.1	5.5	7.3	6.8	6.8	6.9	8.1
Externally financed	4.3	3.4	2.6	4.0	3.3	3.3	3.8	3.8	3.5	3.2
Net lending	0.1	-0.1	-	-0.1	-	-0.1	-	-	-	-
Overall balance 1/	-7.6	-10.7	-6.6	-6.7	-5.6	-5.6	-4.7	-3.8	-3.0	-3.0
Cash basis adjustment 2/	1.1	3.3	-	-0.3	-	-	-	-	-	-
Overall balance (cash basis)	-6.5	-7.4	-6.6	-7.1	-5.6	-5.6	-4.7	-3.8	-3.0	-3.0
Financing	7.3	6.9	6.6	7.0	5.6	5.6	4.7	3.8	3.0	3.0
Foreign financing	2.4	1.4	0.7	1.3	1.5	1.4	1.4	1.3	1.1	1.1
Drawings	3.1	2.2	1.7	2.4	2.4	2.4	2.4	2.4	2.0	1.9
Project loans	2.7	1.7	1.7	2.4	2.0	2.0	2.0	2.0	1.7	1.6
Program loans	0.4	0.5	-	-	0.4	0.4	0.4	0.4	0.4	0.3
Amortization (excl. IMF)	-0.7	-0.8	-0.9	-1.1	-0.9	-1.0	-1.0	-1.0	-0.9	-0.8
Domestic financing	4.9	5.5	5.9	5.7	4.2	4.2	3.3	2.5	1.9	2.0
Bank financing	1.6	5.3	5.9	4.7	4.2	4.2	3.3	2.5	1.9	2.0
Central bank	-0.4	1.8	0.5	0.9	0.2	0.2	0.1	0.0	0.1	-0.2
of which: IMF net financing	-0.2	-0.1	0.5	0.5	0.2	0.2	0.1	0.0	0.1	-0.2
Disbursements	0.0	0.0	0.5	0.6	0.3	0.3	0.3	0.3	0.3	0.0
Repayments	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Commercial banks	2.1	3.6	5.4	3.8	4.0	4.0	3.2	2.4	1.8	2.1
Nonbank financing	3.3	0.2	-	1.0	-	-	-	-	-	-
Other domestic financing	-	-	-	2.9	-	-	-	-	-	-
Errors and Omissions	-0.9	0.5	-	0.0	-	-	-	-	-	-
Memorandum items:										
Nominal GDP (CFAF billion)	10,892.9	11,767.6	12,527.0	12,361.4	13,742.0	13,322.5	14,396.8	15,439.3	16,549.4	17,744.6
Wage bill to tax revenue ratio (percent) 4/	56.3	49.2	52.3	51.1	51.8	50.3	48.1	45.8	43.3	41.5
Primary balance excluding program grants	-6.5	-9.2	-4.5	-4.4	-3.0	-3.7	-2.5	-1.5	-0.7	-1.0

Sources: Burkinabè authorities; IMF staff estimates and projections.

1/ Commitment basis (base d'engagement).

2/ Cash adjustment in 2023 represents the difference between revenue and spending of the Patriotic Support Fund (PSF).

3/ The 2023 and 2024 program numbers are expressed as a share of projected GDP as of the time of IMF Executive Board approval.

4/ Wage bill to tax revenue ratio is adjusted to exclude from 2023.

Table 4. Burkina Faso: Monetary Survey, 2021–28

	2021	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028
	Est.	Prel.	Program	Prel.	Program	Proj.	Program	Proj.	Proj.	Proj.	Proj.
<i>(CFAF billions, unless otherwise indicated)</i>											
Net foreign assets	2,633.8	1,974.2	1,597.6	1,627.7	1,512.7	1,776.8	1,358.3	1,887.1	2,003.4	2,036.6	2,069.6
BCEAO 1/	464.4	-622.0	-1,073.3	-371.1	-1,226.9	-300.0	-1,445.0	-259.9	-204.9	-169.7	-134.6
Assets	1,040.6	169.5	189.0	524.2	209.4	570.2	232.3	629.5	689.4	745.0	813.1
Liabilities	576.2	791.5	1,262.3	895.4	1,436.3	870.2	1,677.3	889.5	894.2	914.7	947.7
Commercial banks	2,169.3	2,596.2	2,670.9	1,998.8	2,739.6	2,076.8	2,803.3	2,147.1	2,208.3	2,206.3	2,204.2
Net domestic assets	2,952.3	3,797.2	4,586.1	4,087.0	5,275.0	4,868.5	6,010.4	5,641.8	6,306.1	6,924.8	7,587.6
Domestic credit	3,494.0	4,402.7	5,275.3	4,771.3	5,964.2	5,597.9	6,699.6	6,371.2	7,035.5	7,654.2	8,317.0
Net Bank credit to government	-59.9	288.2	1,028.1	450.0	1,600.6	1,007.9	2,086.6	1,484.9	1,866.5	2,186.8	2,534.0
BCEAO	-88.8	67.1	124.6	206.3	150.2	232.3	166.6	248.5	254.5	272.8	239.2
Commercial banks	28.9	221.1	903.5	243.7	1,450.4	775.6	1,920.1	1,236.4	1,612.0	1,914.1	2,294.7
Credit to other sectors	3,553.9	4,114.5	4,247.2	4,321.2	4,363.6	4,590.0	4,612.9	4,886.3	5,169.0	5,467.4	5,783.1
of which: Credit to private sector	3,220.3	3,676.4	3,806.9	3,893.0	3,921.0	4,161.0	4,167.8	4,456.4	4,738.2	5,035.7	5,350.4
Other items (net)	-182.4	-232.8	-149.1	-228.5	-149.1	-183.4	-149.1	-183.4	-183.4	-183.4	-183.4
Shares and other equities	724.1	838.3	838.3	912.8	838.3	912.8	838.3	912.8	912.8	912.8	912.8
Total broad money liabilities	5,586.1	5,771.4	6,183.7	5,714.7	6,787.8	6,645.2	7,368.7	7,528.9	8,309.5	8,961.4	9,657.2
Liquid liabilities	5,290.1	5,421.8	5,793.9	5,257.0	6,355.9	6,147.4	6,889.5	6,979.3	7,707.7	8,311.0	8,947.4
Non-liquid liabilities (excl. from broad money)	296.0	349.6	389.7	457.7	431.8	497.8	479.2	549.6	601.8	650.4	709.8
<i>(Annual percentage change, unless otherwise indicated)</i>											
Memorandum items:											
Net foreign assets	32.4	-25.0	-19.1	-17.6	-5.3	9.2	-10.2	6.2	6.2	1.7	1.6
Net domestic assets 2/	5.2	16.0	14.5	5.3	11.9	14.9	11.6	12.6	9.5	8.0	8.0
Net credit to government 2/	-5.8	6.6	13.6	3.0	9.9	10.6	7.6	7.8	5.5	4.2	4.2
Credit to Private Sector	10.1	14.2	3.5	5.9	3.0	6.9	6.3	7.1	6.3	6.3	6.2
Private sector credit (percentage of GDP)	29.6	31.2	30.4	31.5	28.5	31.2	28.1	31.0	30.7	30.4	30.2
Money supply	17.6	2.5	6.9	-3.0	9.7	16.9	8.4	13.5	10.4	7.8	7.7
Velocity of money (GDP/M2) 3/	2.1	2.2	2.2	2.4	2.2	2.2	2.2	2.1	2.0	2.0	2.0

Sources: Burkinabè authorities; IMF staff estimates and projections.

1/ Only includes current reserves in BCEAO Ouagadougou. It does not include all regional reserves.

2/ Annual change as a percentage of broad money from 12 months earlier.

3/ End-of-period average.

Table 5. Burkina Faso: Selected Financial Soundness Indicators, 2015–23

	Dec-15	Dec-16	Dec-17	Dec-18 1/	Dec-19	Dec-20	Dec-21	Dec-22	Jun-23
Capital Adequacy									
Reg. capital to risk-weighted assets	11.1	13.0	12.2	12.0	13.6	13.4	13.7	14.0	14.8
Asset Quality									
Gross NPLs / Total loans	8.9	8.9	8.8	7.4	7.6	7.8	7.4	5.6	6.3
Provisions / NPLs	67.6	70.4	66.4	70.4	69.1	71.4	71.4	80.2	72.4
Loan Concentration									
5 largest clients / equity	179.6	114.5	79.8	70.6	69.3	76.5	66.8	80.0	94.8
By Sector: (share of total)									
Agriculture	1.9	3.7	4.4	4.7	3.7	1.8	2.3	2.4	2.4
Extractive Industries	2.3	1.5	2.0	2.9	4.1	4.6	4.3	6.3	6.4
Manufacturing	15.2	13.2	13.6	12.5	12.1	12.2	11.2	11.1	11.3
Electricity, gas, water	1.0	0.8	1.2	1.0	1.0	2.4	2.8	2.1	2.1
Buildings/Public Works	16.6	16.2	16.9	17.8	16.5	16.7	16.1	12.4	12.5
Commercial (restaurants, hotels)	28.3	25.6	23.9	23.6	18.5	18.0	18.2	28.5	27.8
Transportation/communication	8.4	10.3	8.8	9.1	10.9	9.9	9.0	1.8	1.9
Insurance, real estate, business services	3.0	5.0	5.6	7.2	7.3	10.1	9.9	6.5	6.5
Other	23.1	23.7	23.7	21.3	25.9	24.3	26.2	28.7	29.1
Liquidity									
Loans to deposits	91.2	86.1	83.9	85.7	87.4	77.6	71.3	81.9	84.8
Liquid assets / total assets	29.2	23.2	24.7	25.7	22.5	20.9	18.7	21.2	22.4

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

1/ First year of data reporting in accordance with Basel II/III prudential standards and the new banking chart of account (interim data).

Table 6. Burkina Faso: External Financing Requirements, 2022–27

(CFAF billions)

	2022	2023	2023	2024	2024	2025	2025	2026	2027
	Proj.	Program	Proj.	Program	Proj.	Program	Proj.	Proj.	Proj.
Financing need	-1,686.3	-850.4	-324.1	-736.7	-506.9	-912.6	-650.7	-685.9	-692.0
Current account balance (excl. official transfers)	-969.1	-653.1	-1,038.9	-639.9	-820.3	-664.0	-661.7	-578.7	-597.1
IMF repayments	-15.1	-11.0	-11.1	-12.9	-12.9	-22.2	-23.0	-33.4	-31.0
Private capital flows	-608.2	-70.5	862.9	45.2	463.3	-90.7	181.7	87.1	92.6
Amortization of public loans (excl. IMF)	-93.9	-115.8	-136.9	-129.1	-137.0	-135.7	-147.6	-160.9	-156.5
Financing	1,629.6	781.9	324.1	642.1	410.4	818.1	553.6	588.6	584.6
Project loans:	199.1	207.1	295.1	274.8	266.5	297.1	287.9	308.8	280.0
Official transfers, net	125.5	65.3	65.3	65.3	65.3	65.3	65.3	65.3	65.3
Change in NFA central bank (excl. prospective IMF disbursements and repayments)	1,101.6	393.8	-308.5	128.0	-97.1	201.7	-56.2	-61.1	-53.5
Past IMF financing	0.0	49.9	68.8	...	...	...	...	...	...
Project grants	203.4	115.8	203.5	173.9	175.8	254.1	256.6	275.7	292.9
Errors and Omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	56.7	18.5	-68.8	94.6	96.6	94.4	97.1	97.3	107.4
IMF Financing (prospective)	...	18.5	0.0	38.5	38.9	38.5	39.2	39.3	49.3
Other Donors (including IDA)	56.7	0.0	0.0	56.1	57.6	55.9	57.9	58.0	58.0
Residual Financing Gap (after IMF and Donor Financing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Burkinabè authorities; IMF staff estimates and projections.

Amount	Percent of Quota	Availability Date	Conditions for Disbursements
SDR 24.08 million	20.0	21-Sep-23	Executive Board Approval of a new arrangement under the Extended Credit Facility.
SDR 24.08 million	20.0	31-Mar-24	Observance of continuous and end-December 2023 performance criteria, and completion of the first review under the arrangement.
SDR 24.08 million	20.0	30-Sep-24	Observance of continuous and end-June 2024 performance criteria, and completion of the second review under the arrangement
SDR 24.08 million	20.0	31-Mar-25	Observance of continuous and end-December 2024 performance criteria, and completion of the third review under the arrangement
SDR 24.08 million	20.0	30-Sep-25	Observance of continuous and end-June 2025 performance criteria, and completion of the fourth review under the arrangement
SDR 24.08 million	20.0	31-Mar-26	Observance of continuous and end-December 2025 performance criteria, and completion of the fifth review under the arrangement
SDR 24.08 million	20.0	30-Sep-26	Observance of continuous and end-June 2026 performance criteria, and completion of the sixth review under the arrangement
SDR 30.1 million	25.0	31-Mar-27	Observance of continuous and end-December 2026 performance criteria, and completion of the seventh review under the arrangement
SDR 30.1 million	25.0	31-Aug-27	Observance of continuous and end-June 27 performance criteria, and completion of the eighth review under the arrangement
Total			
SDR 228.76 million	190.0		

Table 9. Burkina Faso: Quantitative Performance Criteria and Indicative Targets for the ECF Arrangement, 2023-25

(CFAF billions)

	2023			2024			2025	
	Dec.	Actual	Status	March 1/	June	Sept. 1/	Dec.	March 1/
	Prog.			Prog.	Prog.	Prog.	Prog.	
Quantitative Performance Criteria								
Ceiling on net domestic financing of the government 2/ 3/ 4/	739.9	709.5	Met	143.1	286.3	429.4	572.5	117.4
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 5/ 6/ 7/	410.0	338.6	Met	410.0	410.0	410.0	410.0	410.0
Ceiling on the accumulation of external payment arrears by the government 8/	-	-	Met	-	-	-	-	-
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	-	-	Met	-	-	-	-	-
Ceiling on government guarantees of new bank pre-financing for public investments 8/	-	-	Met	-	-	-	-	-
Ceiling on the primary fiscal deficit including grants 2/	560.0	541.3	Met	104.7	209.5	314.2	418.9	67.3
Indicative Targets								
Ceiling on the accumulation of domestic arrears by the government 8/	-	-	Met	-	-	-	-	-
Floor on government revenue 2/	2,374.3	2,543.4	Met	657.1	1,314.3	1,971.4	2,723.5	752.3
Floor on poverty-reducing current social expenditures 2/	296.2	300.8	Met	75.9	151.7	227.6	309.0	83.2
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40.0	29.5	Met	40.0	40.0	40.0	40.0	40.0
Ceiling on primary current expenditure 2/ 9/	1,906.5	1,921.1	Not Met	503.9	1,007.8	1,511.7	2,015.6	524.0
Ceiling on the value of PPPs contracted 2/	200.0	2.5	Met	200.0	200.0	200.0	200.0	200.0

Sources: Burkinabè authorities; IMF staff estimates and projections.

1/ March (and September) figures are indicative targets, except for continuous performance criteria. June and December figures are performance criteria.

2/ Cumulative from beginning of the year.

3/ The ceiling on net domestic financing will be adjusted to reflect the shortfall in program grants and loans, while the overall deficit will be adjusted to reflect the shortfall in program

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of unpaid VAT refunds by end-December 2023, up to a maximum of CFAF 85 billion, as specified in the TMU.

5/ The ceiling on the amount of external debt contracted or guaranteed by the government (in PV terms) will be adjusted upward by the present value of the full amount of loans used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

7/ The ceiling on the amount of external debt will be increased up by the present value of the full amount of any concessional loan used for debt management purposes as specified in the TMU.

8/ To be observed continuously.

9/ Primary current expenditure includes spending on the wage bill, goods and services, energy subsidies and excludes interest payments.

Table 10. Burkina Faso: Structural Benchmarks, 2023-24

Benchmarks	Objective	Completion Date	Status
Do not grant any new wage agreement (except for the security sector) that could impact the wage bill trajectory and push it beyond 45 percent of tax revenues by 2027.	Wage bill control.	Continuous structural benchmark.	Met
Publish information on the beneficial owners of entities awarded public procurement contracts to address food insecurity on the Ministry of the Economy, Finance and Perspective's website on a quarterly basis the quarter after the contract is awarded.	Improve fiscal transparency and governance.	Continuous structural benchmark.	Met.
Publish on the Ministry of the Economy, Finance and Perspective's website annual (and to the extent possible, quarterly) budget execution reports which will also include information on the use of funds disbursed under the FSW.	Improve fiscal transparency and governance.	Continuous structural benchmark.	Met.
First Review			
Submit draft 2024 budget, which must include a "CAST-Patriotic Support Fund (PSF)"; the budget must also include an appendix detailing the funding arrangement for the PSF.	Reduce fiscal risks.	End-December 2023.	Met.
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 52.3 percent.	Wage bill control.	End-December 2023.	Met.
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2023.	Met.
Publish audits of the implementation of cash transfer programs and all emergency food expenditure on the Ministry of Economy, Finance and Perspective's website.	Improve fiscal transparency and governance.	End-December 2023.	Implemented with delay (March 4, 2024).
Adopt performance contracts with SONABHY and SONABEL, as well as the tripartite contract between the government, SONABHY and SONABEL.	Improve efficiency in the energy sector.	End-December 2023.	Not met.
Second review			
Conduct a review of energy subsidies and an assessment of the application of the price mechanism to move towards a reduction in subsidies over the program period.	Improve efficiency in the energy sector and reduce fiscal risks.	End-June 2024.	
Publish an audit of all the government arrears and floating spending on the Ministry of Economy, Finance and Perspective's website.	Improve fiscal transparency and governance.	End-June 2024 (new date – previously end-December 2024).	
Raise the ceiling on VAT credit reimbursements to the CAST account to level consistent to avoid accumulation of arrears.	Reduce fiscal risks.	End-June 2024.	

Table 10. Burkina Faso: Structural Benchmarks, 2023-24 (Concluded)

Third review			
Submit the draft budget for the next fiscal year in line with program objectives, including a budget document detailing plans to combat climate change and climate-related budget appropriations, based on an agreed climate budget tagging methodology.	Improve fiscal transparency and governance.	End-December 2024.	
Adopt a new strategic plan for revenue mobilization for the period 2024-27, based on the 2021 self-assessment.	Improve domestic revenue mobilization.	End-December 2024.	
Prepare and implement a strategy for clearing government's arrears.	Improve fiscal transparency and governance.	End-December 2024 (new date – previously end-June 2024).	
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.	Wage bill control.	End-December 2024.	
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50% of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50% of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2024.	

Table 11. Burkina Faso: Summary Table of Projected External Borrowing Program
January 2024-December 2024

PPG external debt	Volume of new debt in 2024		PV of new debt in 2024 (program purposes)		PV of new debt in 2024 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	1807.7	100	908.9	100	908.9	100
Concessional debt, of which	1509.9	84	701.6	77	701.6	77
Multilateral debt	1452.0	80	682.3	75	682.3	75
Bilateral debt	57.9	3	19.3	2	19.3	2
Other	0.0	0	0.0	0	0.0	0
Non-concessional debt, of which	297.9	16	207.3	23	207.3	23
Semi-concessional	297.9	16	207.3	23	207.3	23
Commercial terms	0.0	0	0.0	0	0.0	0
By Creditor Type	1807.7	100	908.9	100	908.9	100
Multilateral	1652.0	91	821.4	90	821.4	90
Bilateral - Paris Club	0.0	0	0.0	0	0.0	0
Bilateral - Non-Paris Club	155.7	9	87.4	10	87.4	10
Other	0.0	0	0.0	0	0.0	0
Uses of debt financing	1807.7	100	908.9	100	908.9	100
Infrastructure	1691.6	94	867.6	95	867.6	95
Social Spending	0.0	0	0.0	0	0.0	0
Budget Financing	116.1	6	41.3	5	41.3	5
Other	0.0	0.0	0.0	0.0	0.0	0.0
Memo Items						
Indicative projections						
Year 2	0.0		0.0		0.0	
Year 3	0.0		0.0		0.0	

Sources: Burkinabè authorities and IMF Staff Calculations

Annex I. Exit from ECOWAS and Possible Implications

1. The impact of Burkina Faso’s exit from ECOWAS, along with Mali and Niger, is likely to be contained, but creates broader uncertainty. Trade and financial linkages with non-WAEMU ECOWAS countries are small, with the economic impact on Burkina Faso’s growth contained.¹ Staff estimates that—in case the authorities do not negotiate continued beneficial trade access—a 10 percent increase in tariffs on Burkinabè exports by non-WAEMU ECOWAS countries would lower GDP by 0.1 percent; and trade diversion, especially of gold and cotton, could offset some of this impact. Given porous borders, the *de facto* impact on labor flows would likely also be limited. Risks to the baseline arise from possible further delays in the resumption of donor financing, which has been interrupted following the first irregular change in government in 2022, as well as concerns over the medium-term stability of other regional institutions, such as the WAEMU.

2. Elevated uncertainty raises cost of domestic financing. Under the program, net domestic financing needs amount to about 4 percent of GDP (CFAF 530 billion) in 2024, in part to be raised on the regional market. IMF staff has projected WAEMU (net) issuances in 2024 of about CFAF 2 trillion, ([IMF Country Report No. 2024/090](#)), and recent large Eurobond issuances by Côte d’Ivoire and Benin may have slightly eased regional borrowing conditions. That said, concerns over concessional financing and broader regional stability have further increased Burkina’s risk premium. As such, Burkina Faso’s domestic financing objectives appear ambitious and not assured, as consistency with the regional market’s absorptive capacity would require regional coordination among national authorities, which is only to a limited extent under Burkina’s control.

3. More adverse scenarios are seen as tail risks at this juncture. An exit from WAEMU would carry substantial costs in terms of economic and financial stability,² but is, given the authorities’ reaffirmation of their WAEMU commitment, considered unlikely in the near-term. That said, heightened uncertainty over the medium term may make regional banks reluctant to purchase new government securities and/or roll over existing debt. In the latter case, net bank financing could turn negative, given large repayments expected in 2024, and may require a larger and faster consolidation than envisaged at the time of program negotiations, potentially necessitating cuts in public investment and security expenditures.

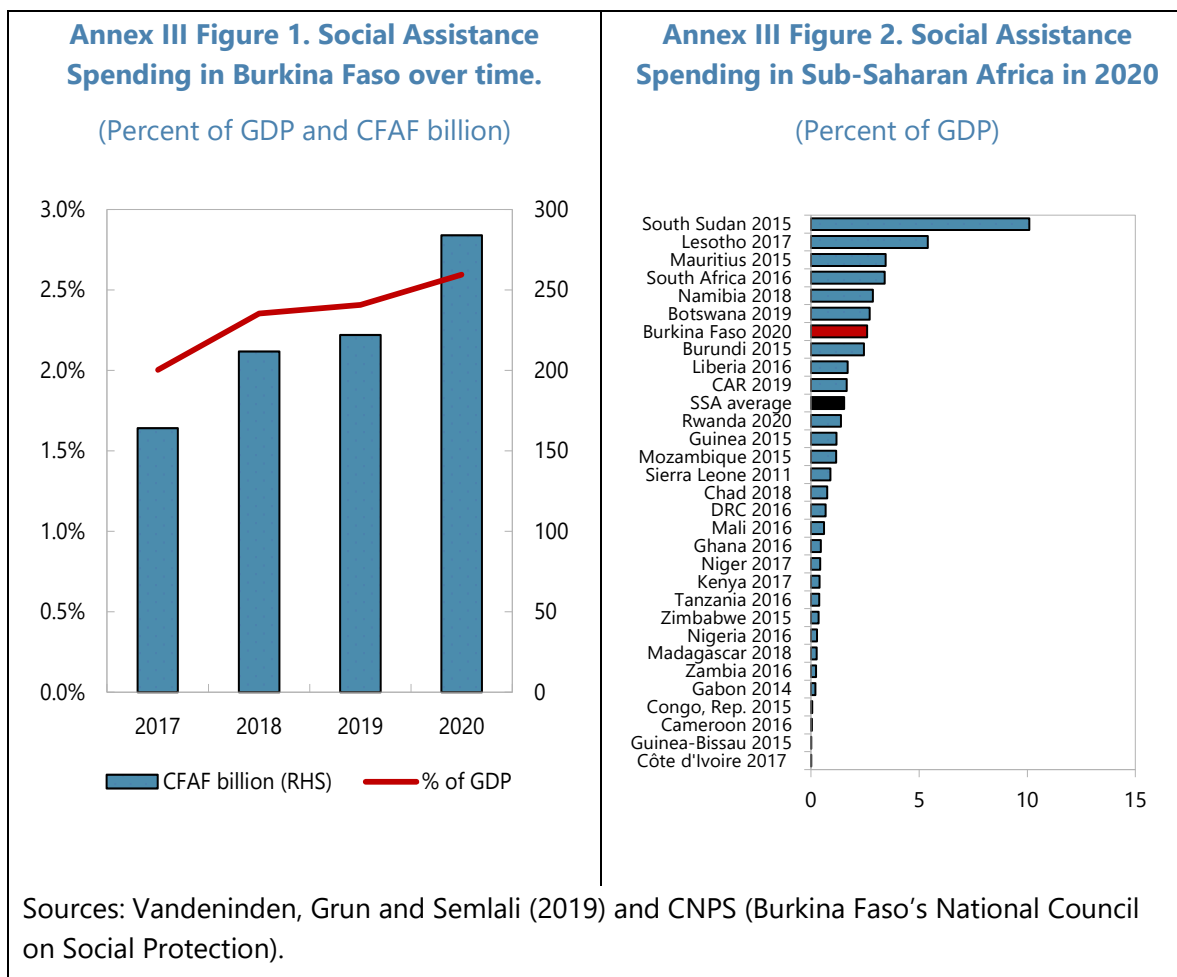
¹ Unless agreed otherwise with WAEMU, if Burkina Faso were to leave WAEMU, it would no longer be able to benefit from the Principle of Solidarity, which allows WAEMU member states access to the pool of common FX reserves to finance external deficits, or from the BCEAO’s liquidity provisions to support banks purchase government bonds. It may also lose access to the regional market, and to the free trade arrangement underlying WAEMU. (As of 2022, Burkina Faso, as a share of GDP, exported 4.6 percent to and imported 14.2 percent from WAEMU members (excluding Mali and Niger), while the equivalent numbers for non-WAEMU ECOWAS were, respectively, 1.9 and 6.3 percent of GDP.)

Annex II. Status of Key 2018 Article IV Consultation Recommendations

Recommendation	Status
<p>Improve budget transparency. Budget preparations based on unrealistic revenue assumptions created room for too ambitious investment plans. These practices should be replaced by a more credible approach that enhances the effectiveness of the budget as a planning tool.</p>	<p>The authorities have made progress in budget transparency as they have been publishing regularly Budget Execution Reports. However, more progress in fiscal governance is needed in the implementation of the Treasury Single Account, as well as comprehensive commitments plans articulated with cash flow plans. The authorities are recipients of intensive CD, current and forthcoming, on related topics (Annexes II and VIII).</p>
<p>Prepare a new medium-term debt strategy (MTDS). A robust MTDS is a key precondition to diversify external financing, in addition to significant capacity building, particularly in the middle-office analysis function.</p>	<p>Since the last Article IV Consultation, capacity in the Ministry of Finance's Debt Unit has been reinforced. The authorities are in the process of preparing a new MTDS.</p>
<p>Enhancing revenue mobilization. Greater revenue collection is key to create fiscal space over the short- and medium-term. With borrowing constrained by the need to contain the fiscal deficit and preserve debt sustainability, the mobilization of additional domestic revenue is key to obtaining the resources necessary to fund priority spending. The tax base needs to be broadened and tax compliance improved to raise the tax revenue-to-GDP ratio to the WAEMU criterion of 20 percent of GDP over the medium-term.</p>	<p>Since the last Article IV Consultation, several tax policy and administration measures have been successfully implemented, including the introduction of electronic filing; amendments to the Tax Code to close loopholes and strengthen compliance. More progress is needed in the areas of VAT reimbursements area (eliminate the budget ceiling), reducing tax exemptions (VAT, CIT on mining companies, PIT on civil servants' bonuses and allowances), as well as enhancing revenue mobilization to create fiscal space, a key pillar of the current ECF program. As of 2023, domestic revenue has exceeded 20 percent of GDP.</p>
<p>Controlling current spending. Containing the wage bill and transfer payments are key to create fiscal space. Burkina Faso's public sector wage bill as a percentage of tax revenues is well above the 35 percent WAEMU convergence criterion threshold. Maintaining fuel prices below cost-recovery levels has weighed on the fiscal position. The gap between import prices and pump prices results in a substantial revenue shortfall to the state-owned fuel importing company, SONABHY.</p>	<p>Progress in this area has been hampered by the COVID-19 pandemic, the security crisis and political instability. The wage bill has increased in recent years, including due to new recruitment of defense and security personnel. Containment of the wage bill growth is a key objective of the current ECF arrangement. Similarly, the authorities are committed to reform energy subsidy schemes and reduce expenditures on subsidies over the program period.</p>
<p>Improving public financial management. Given low efficiency of public investment compared to peer countries, staff recommended to strengthen procedures for the selection and execution of projects; to continue to invest in human capital and social protection systems; to eschew off-budget financing vehicles and analyze PPP's implications for debt sustainability.</p>	<p>Some progress has been made but PFM systems need further strengthening, in particular, the quantification of fiscal risks. Program conditionality includes an SB seeking to strengthen the assessment, quantification and monitoring of public investment budgetary risks on a regular basis, focusing on all public investment projects (including non-PPP projects).</p>
<p>Improve governance and financial inclusion. Governance weaknesses include resolving insolvency and enforcing contracts, which bring forward concerns with the speed and efficacy of the judicial system to regulate financial matters. To accelerate financial inclusion and deepening, staff recommended to intensify efforts to support access to credit, including for businesses operating in the agricultural sector.</p>	<p>The authorities issued an Investment Code to improve the business climate. They have also strengthened the anti-corruption framework by introducing anti-corruption laws on asset declarations and access to information and an organic law on the High Authority for State Control and Anti-Corruption (ASCE-LE). More progress is needed to strengthen financial integrity such as putting in place a beneficial ownership registry accessible to government authorities and financial institutions with customer due diligence obligations (an SB under the current arrangement).</p>

Annex III. Social Protection in Burkina Faso¹

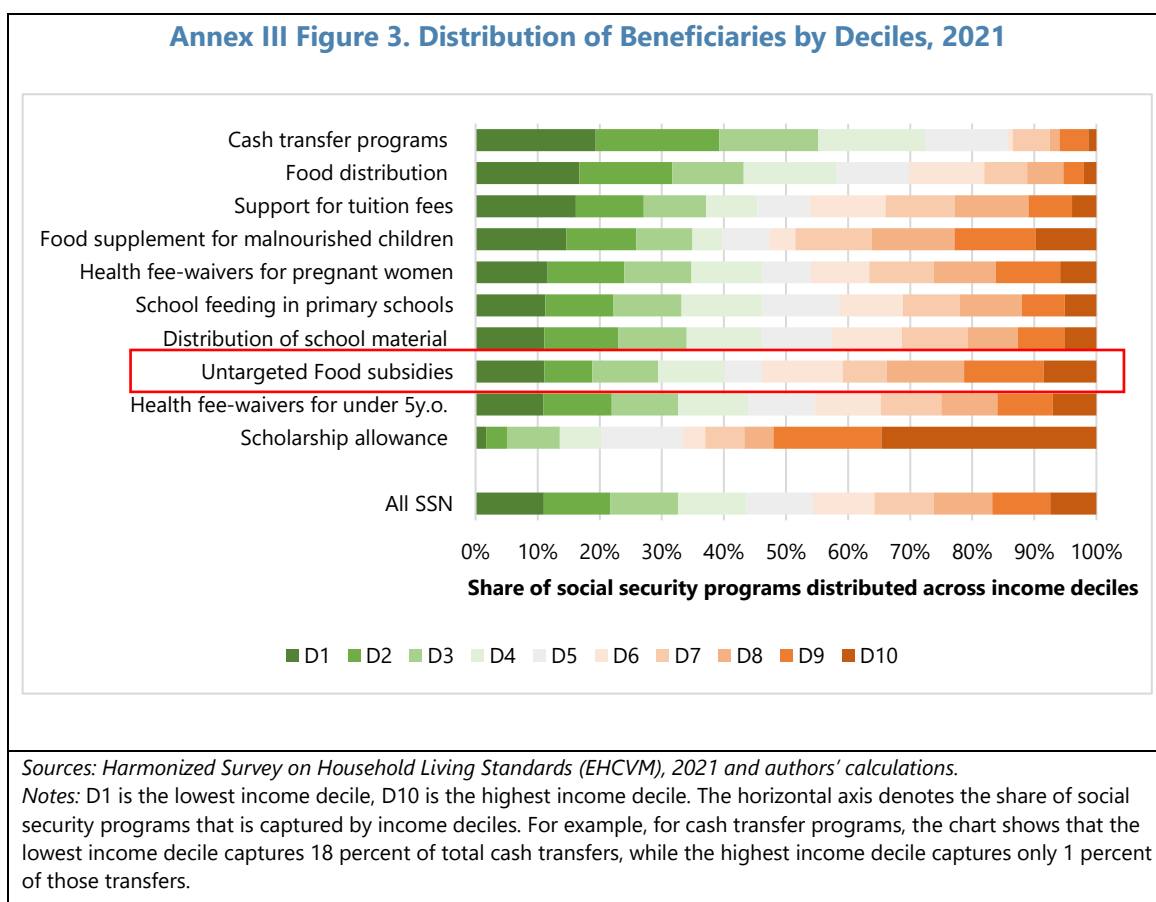
1. Social safety nets (SSN) expenditure in Burkina Faso are relatively high. Latest available data show that social assistance expenditure in Burkina Faso has been rising over the past few years and in 2020, at 2.6 percent of GDP (CFAF 284 billion, US\$468 million),² exceeded average SSA expenditures (Annex III Figures 1 and 2).



2. The poverty-reducing impact could, however, be increased through a more coordinated and less fragmented social safety net. Burkina Faso's social assistance system is highly fragmented, with numerous *ad hoc* social assistance interventions implemented by more than 50 implementing agencies, including ministries, non-governmental organizations, multilateral and bilateral partners. The 20 largest interventions account for 78 percent of total social assistance spending, with many small interventions making up the remainder. High levels of fragmentation raise administrative costs and increase the risk of overlap and duplication.

¹ Prepared by Fabio Comelli (IMF), Julian Alexander Koschorke and Frieda Vandeninden (both World Bank Group).

3. Most social assistance spending in Burkina Faso benefits the non-poor. The distribution of beneficiaries of social assistance programs reveals that most of the benefits are accrued by wealthy segments of the population. Less than half of beneficiaries of all social assistance programs (43.5 percent) are poor (Annex III Figure 3). While the distribution of beneficiaries by deciles and across all SSN programs is broadly even across the income distribution, with the share of beneficiaries varying between 9-11 percent by decile, some of the largest social assistance interventions have much more uneven impacts. For example, scholarship allowances for higher education students benefit groups that are relatively well-off, with more than half of beneficiaries belonging to the top two deciles. Untargeted food subsidy programs are also heavily tilted to the better-off.



4. Social assistance programs that include cash transfers perform best in terms of poverty targeting, followed by food distribution programs. Two thirds of all beneficiaries of programs involving cash transfers are among the extreme poor (bottom two deciles) and more than 76 percent of all beneficiaries are poor (defined as those with below-median income, hence included in the D1-D5 income deciles, Annex III Figure 3), reflecting effective poverty-targeting. In addition, Food distribution programs in Burkina Faso target those immediately suffering from a shock. As a result, 58.1 percent of beneficiaries of food distribution programs are among the poor, even if about 400,000 non-poor individuals benefit from food distribution.

5. Spending on untargeted food subsidy programs mostly benefits the non-poor, including scholarship programs and health fee waivers for children under five (Annex III Figure 3). The regressive nature of food subsidy spending also shows in its geographic distribution. The province with the largest expenditure on untargeted subsidies includes the capital, which received almost one quarter of 2022 spending on food subsidies but is home to only 2.4 percent of the country's poor.

6. With spending on untargeted food subsidy programs increasing, social assistance spending in Burkina Faso risks becoming less focused on the poor. Food subsidies are now entirely untargeted since a poverty-targeted subsidy was discontinued in 2019, in part reflecting the lack of targeting instruments. Moreover, despite its regressive nature, spending on food subsidy programs has been increasing, as total spending on food subsidy programs reached 0.17 percent of GDP in 2023, up from 0.04 percent in 2019.

7. Despite being the most progressive form of social assistance spending in Burkina Faso, the government gradually suspended programs that involve cash transfers in 2023. Beginning in individual regions in late 2022 and early 2023, the government gradually banned cash transfers throughout the country. The ban was in part motivated by the fragmented and sometimes incoherent implementation of cash transfer programs, the perceived supposed adverse impacts on labor market participation rates, and the fear that cash transfers may end up in the wrong hands to finance terrorism.

8. Burkina Faso has begun undertaking critical reforms to strengthen the performance of its social safety net system. The ongoing deployment of the Unique Social Registry is a key tool to better target spending to those who need it the most and to identify beneficiaries that receive multiple non-complementary benefits (so-called "double-dipping"). Programs that currently invest in poverty-targeting processes (such as some of the food and in-kind programs) can thus increase their efficiency and save resources that can be converted into additional support for poor and vulnerable households. The social protection delivery system will also benefit from the creation of a unique identifier, which will strengthen the social registry and therefore targeting efficiency. Combined with the ongoing implementation of a government-wide platform for government-to-person payments, traceability of payments will be strengthened as well.³

9. The authorities have also created a national SSN to harmonize social protection interventions, reduce fragmentation while containing fiscal costs. The Economic Empowerment Support Program for Poor and Vulnerable Households (*Programme d'appui à l'autonomisation des ménages pauvres et vulnérables*, PAMPV), has the objective of covering the 20 percent poorest by 2033 thereby promoting their economic empowerment. PAMPV is expected to reduce social assistance fragmentation, address coordination problems in the provision of social protection,

³ Different social protection programs with poverty-reduction objectives employ different methodologies to improve targeting.

reduce regressivity in social protection and reduce administrative costs, thus contributing to a more efficient use of fiscal resources.

10. Ongoing reforms in social protection have benefited from World Bank and IMF support. The World Bank's Social Safety Net project (US\$196 million; 2014-2024) has provided financial and technical assistance to the deployment of the Unique Social Registry and the elaboration of the PAMPV. Further technical assistance was provided through the World Bank-administered Sahel Adaptive Social Protection Program. Various World Bank Development Policy Operations (DPOs) helped advance these reforms (e.g., the institutionalization of the social registry and the creation of the PAMPV). In addition, under the ECF arrangement, the authorities are committed to achieve the goal of covering at least 180,000 of the poorest households by December 2025 (possible SB). IMF program conditionality will thus help maintain Burkina Faso's reform momentum of putting in place a well-functioning SSN to target the poorest and reduce regressivity in the provision of social assistance.

11. Progress in operationalizing PAMPV and the Unique Social Registry (USR) will yield important benefits in the short- and medium-term. Extending the coverage of the USR in additional individual regions and subsequently in the whole country will improve poverty targeting and nationwide poverty reduction, as PAMPV cash transfers will reach the most remote areas, provided that the security crisis has been successfully addressed. The USR also creates the opportunity to target currently untargeted programs of social assistance, including food subsidies, which will be key to increase the efficiency of existing SSN spending and contain fiscal costs. This, however, requires that the security situation is under control.

Annex IV. IMF Fiscal Governance CD Package

To limit the risks of budgetary leakages and enhance fiscal governance, IMF staff, led by the Fiscal Affairs Department (FAD), will implement a targeted Capacity Development (CD) package balancing staff resource constraints with the objective of strengthening fiscal governance practices where needed. Measures would include:

1. Governance Diagnostic Assessment (GDA)

- *Frontloading remote engagement on PFM-related elements of the GDA.* Prior to the main GDA mission planned for early 2025, PFM experts will continue to engage with the authorities to take stock of key weaknesses in PFM areas, building on findings during the 2024 Article IV and first ECF review mission. An initial stocktaking mission during March 25 – April 5, 2024 on cash management, implementation of the Single Treasury Account, and reporting standards, produced a first set of recommendations which will lay the groundwork for continued CD engagement in this area. These recommendations include specific measures regarding cash flow forecasts, further progress on the Treasury Single Account, and the management of the *Fonds de Soutien Patriotique* (FSP), among others.
- *A comprehensive GDA including key elements of the Fiscal Safeguards Review (FSR) (by February 2025).* The GDA will help identify macro-critical governance weaknesses and corruption vulnerabilities, including anti-corruption and rule of law issues, and prepare an action plan of key governance reforms. It will cover PFM weaknesses encompassing key FSR elements known as LETIFA (**L**egal framework, **T**reasury and cash management, **I**nternal control, **F**iscal reporting, and **A**udit).

2. Fiscal Transparency Evaluation (FTE) (mid-2025), requested by the authorities, to assess Burkina Faso's fiscal transparency institutions and practices against the IMF's Fiscal Transparency Code first three pillars, plus possibly a fourth pillar on natural resources.

3. Targeted CD. Targeted PFM CD activities will be mobilized upon request by the authorities and in coordination with staff. These could be carried out by FAD and AFRITAC West, depending on the scope.

4. World Bank Fiduciary Assessment. The World Bank has, as part of its ongoing IDA operations, undertaken a fiduciary assessment of public financial management, disbursement, and auditing aspects, complementing the IMF's CD efforts.

Staff assesses that this comprehensive package would enhance fiscal transparency and allow the authorities to strengthen fiscal governance as they pursue their efforts to address the security crisis.

Annex V. External Sector Assessment

[Final 2023 current account data are not available at time of writing. All 2023 figures quoted in this ESA draft are based on staff estimates. The latest available actuals are for 2021.]

Overall Assessment: The external position of Burkina Faso in 2023 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The 2023 current account deficit is expected to widen relative to 2022, reflecting weaker exports, particularly of gold. Gold production fell sharply in 2022, and further in 2023, leading to low export volumes despite high prices.

For 2024 and beyond, the current account is expected to narrow gradually, as gold production (and exports) increase in line with an expected stabilization in the security situation, and fiscal consolidation and structural reforms take place.

Potential Policy Responses: Fiscal consolidation is needed to anchor fiscal balances and control debt accumulation. Phasing out energy subsidies and avoiding excessive increases in the wage bill will support fiscal consolidation while providing space for priority spending on social security and poverty alleviation. Governance reform and structural policies should support private sector growth, facilitating export growth and import substitution while encouraging foreign investments.

Foreign Assets and Liabilities: Position and Trajectory

Background. The assessment of the net international investment position is based on the latest data available (2021). The NIIP was –35.4 percent of GDP in 2021, falling over the past two years from –40 percent of GDP in 2019 and –36.1 percent of GDP in 2020. This reflects current account surpluses, driven mainly by the rapid increase in gold prices in 2020, which persisted in 2021. The decrease in the NIIP reflects growth of gross assets towards the rest of the world that significantly outpaced growth of gross liabilities.

Assessment. Burkina Faso’s net international investment position is assessed as sustainable under the baseline, although since 2021 the current account has switched to a deficit, in line with its long run trend. The negative NIIP is driven partly by external debt (around 25 percent of GDP in 2023), as well as financial flows to finance the current account deficit. Burkina Faso’s external public debt is financed entirely by official creditors, and risks stem from slower than projected fiscal consolidation, reduced donor support, a further deterioration in the terms of trade, and a slowdown in real GDP growth. Liabilities on the financial account include both direct and portfolio investment flows. Burkina Faso’s external debt is assessed as sustainable, and at medium risk of debt distress as part of the 2024 DSA (see DSA Supplement).

Data for 2021 (% GDP)	NIIP:	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
	-35.4	70.9	25.9	106.4	31.8

Current Account

Background. The 2023 current account deficit is expected to widen to 7.9 percent of GDP, which is weaker than its historical average. Current account movements since the COVID-19 pandemic have been volatile, with surpluses in 2020–21 reflecting high gold prices, followed by large deficits 2022 onwards, reflecting the deterioration in the security situation and therefore weak gold production and exports. High food and energy prices in 2022 also contributed to the deficit.

For 2024 and beyond, the current account is expected to start gradually narrowing, as gold production (and exports) increase in line with an expected stabilization in security, energy imports stabilize, and fiscal consolidation and structural reforms take place.

Assessment. The current account gap is estimated at -1.8 percent of GDP. This calculation adjusts the current account for the business cycle and the ongoing security situation and compares the adjusted current account balance with a current account norm, namely, the current account for Burkina Faso that would be expected based on country fundamentals and if policies are adjusted to their desirable stance at home and abroad.

Burkina Faso: Model Estimates for 2023		
(Percent of GDP)		
	CA Model 1/	REER Model 1/
CA-Actual	-7.9	
Cyclical contributions (from model) (-)	0.6	
Natural Disasters and conflicts (-)	0.7	
Adjusted CA	-9.1	
CA Norm (from model) 2/	-7.3	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	-7.3	
CA Gap	-1.8	0.6
o/w Relative policy gap	0.2	
Elasticity	-0.2	
REER Gap (in percent)	8.5	-3.0
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments		

Real Exchange Rate

Background. Burkina Faso is part of the WAEMU currency union, with the CFA franc pegged to the euro. The country's real effective exchange rate (REER) appreciated slightly in 2023, driven by the strengthening of the Euro against third currencies. The REER started appreciating gradually starting in 2020, and the 2023 average REER is around 8 percent higher than the level in 2019.

Assessment. The current account model suggests an REER overvaluation of 8.5 percent at end-2023. Staff assesses this is largely a result of the rise in the price of gold since 2020, which is Burkina Faso's main export commodity accounting for around 75 percent of exports.

In contrast, the REER model suggests under-valuation of 3.0 percent in the same period.

Capital and Financial Accounts: Flows and Policy Measures

Background. Burkina Faso does not have access to external financial markets, therefore, capital and financial account flows mainly comprise funding from donors and official creditors, bond issuances on the WAEMU regional financial market, and foreign direct investment.

Burkina Faso's capital and financial account had net inflows of 6.7 percent of GDP in 2023. The main sources of official funding include project grants and loans of around 3.5 percent of GDP. Portfolio investment inflows of around 5 percent of GDP reflect sovereign bond issuances on the WAEMU regional financial market.

The outlook for 2024 remains uncertain, and capital and financial net inflows are expected to moderate. Recent developments, including Burkina Faso's exit from the Economic Community of West African States (ECOWAS) could impact donor support and official financial flows. Against the backdrop of tightening global financial conditions, and deterioration in Burkina Faso's security situation, financing conditions on the regional financial market have also tightened significantly. Burkina Faso's ability to raise funds on the regional market may therefore be limited by liquidity constraints and rising interest rates.

Assessment. Rising interest rates and rising risk premia on Burkina Faso's debt make for a challenging financing environment. Fund credit and donor support will be essential to meet Burkina Faso's substantial financing needs. Fiscal consolidation will help reduce borrowing needs over the medium term.

FX Intervention and Reserves Level

Background. WAEMU reserves increased to 3.2 months of import cover by end-2023. While Burkina Faso's stock of net foreign assets has been negative since June 2022, foreign assets increased over the course of 2023 while foreign liabilities reduced. Hence, Burkina Faso has been a positive contributor to WAEMU reserves in 2023.

Assessment. The ARA metric for credit constrained economies estimates an adequacy range for the level of reserves of 4 to 6 months of prospective import coverage for the WAEMU (based on available data for 2022), with the lower end calibrated on fragile states and the higher end calibrated on non-resource rich countries. Based on this model, the level of reserves estimated for end-2023 (3.2 months of imports) is assessed as being somewhat inadequate. Fund supported programs in a number of WAEMU countries would help build reserves, while export diversification and fiscal consolidation would reduce Burkina Faso's dependence on regional reserves.

Annex VI. Risk Assessment Matrix¹

Source of risks	Likelihood	Expected impact if realized	Possible policy response
External			
Intensification of regional conflicts.	High	High	
Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.		Higher food, fertilizer and energy prices, subsidies spending and deterioration of the fiscal balance.	Create fiscal space; re-prioritize spending to address food insecurity; seek budget support and concessional financing.
Sovereign debt distress	Medium	Medium	
Domino effects from high global interest rates, a growth slowdown in AEs, unfunded fiscal spending, and/or spillovers of disorderly debt events in some EMDEs to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, and loss of market access.		Higher risk premia determine tighter financial conditions on the bond market, leading to elevated costs of deficit financing and deterioration in the fiscal balance.	Seek budget support and concessional financing; re-prioritize spending; intensify efforts to mobilize domestic revenues.
Commodity price volatility	High	High	
A succession of supply disruptions (e.g., due to conflicts, export restrictions, OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.		Higher oil prices deteriorate the fiscal balance if fuel subsidies are maintained.	Activate the fuel price mechanism to reduce subsidies to preserve fiscal space. Pursue energy sector reforms.
Deepening geoeconomic fragmentation.	High	High	
Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.		Challenges for export diversification, higher import prices if global supply is disrupted and lower FDI.	Implement reforms to improve competitiveness; diversify exports; pursue efforts to promote regional trade.
Extreme climate events	Medium	High	
Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.		Lower agricultural output and exports; food insecurity and rising energy prices; rising poverty and internally displaced people.	Re-prioritize spending to address food emergency; seek concessional financing to invest in infrastructure to enhance resilience to climate-related shocks.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of risks	Likelihood	Expected impact if realized	Possible policy response
Domestic			
Security disruptions	High	High	
Intensification of terrorist attacks generates social discontent and political instability.		Adverse impact on activity, revenues and FDI; risk of higher fiscal deficits and financing needs; risk of indefinite postponement of democratic elections.	Re-prioritize spending to address social emergencies; implement social and financial inclusion; seek support from the international community.
Spending pressures	High	High	
Pressures for higher spending on wages, energy subsidies and security.		Crowding out of investment spending; pressures on fiscal deficit targets and prices.	Contain the wage bill; reform energy subsidies; intensify efforts to mobilize revenues.
Rollover and interest rate risks	Medium	High	
Higher interest rates, lack of regional bond market access		Pressures on fiscal deficit targets and prices.	Accelerate fiscal adjustment, seek concessional financial support from bilateral/multilateral partners.
Insufficient revenue collection	Medium	High	
Delays in revenue mobilization		Reduced fiscal space and risk of higher fiscal deficits and financing needs.	Pursue tax policy reforms, optimize current spending and re-prioritize public investment.
Disorderly exit from ECOWAS	Medium	High	
Broad retreat from regional trade integration, trade sanctions, lower exports, and higher trading costs.		Lower growth, wider current account deficit, higher borrowing costs.	Pursue fiscal consolidation while protecting the most vulnerable and seek bilateral free trade agreements.

Annex VII. Assessing Key Fiscal Risks in Burkina Faso¹

1. Assessing fiscal risks to debt sustainability is important not only for macroeconomic surveillance purposes but also for program implementation. The assessment requires estimating the size of fiscal adjustment needs. This estimation helps determine whether fiscal consolidation efforts are needed to reach a chosen debt anchor (or debt target) and/or whether there is fiscal space available to cushion macroeconomic shocks and borrow more for development projects.

2. The computation of adjustment needs is based on the concept of primary gap.

Following Escolano (2010), the primary gap is defined as the difference between the primary balance that would stabilize debt at the debt anchor by a given date and the cyclically-adjusted primary balance (CAPB). A positive primary gap measures the amount of fiscal adjustment, which is needed, while a negative primary gap shows availability of fiscal space. Formally, given an initial debt-to-GDP ratio d_{t-1} and the debt anchor d^* (which is the debt-to-GDP ratio to be achieved in the medium term), the primary balance target p^* that ensures convergence of the initial debt stock d_{t-1} to the anchor d^* after n years and in absence of shocks is expressed as

$$p^* = \frac{\lambda}{(1+\lambda)^{-n-1}} [(1+\lambda)^{-n}d^* - d_{t-1}] \quad (1)$$

with

$$\lambda = \frac{i_t - \gamma_t}{1 + \gamma_t} \quad (2)$$

where i_t and γ_t denote, respectively, the nominal effective interest rate and the nominal GDP growth rate expected to prevail in the medium term and are assumed to be equal to their 2024-2028 average projection. The effective interest rate is expressed as

$$i_t = \frac{INT_t}{D_{t-1}} \quad (3)$$

where INT_t denotes interest spending on government debt at year t and D_{t-1} is the debt stock at the end of year $t - 1$. The primary gap is defined as

$$gap_t = p^* - p_t \quad (4)$$

where p_t is the 2023 CAPB primary balance. To control for the presence of stock-flow adjustments that create a wedge between changes in debt and the budget deficit, the primary gap is modified as follows:

$$gap_t^* = p^* + \overline{sfa} - p_t \quad (5)$$

where \overline{sfa} denotes the recurrent annual stock-flow adjustment (SFA) in percent of GDP. The intuition behind (5) is that a country with a positive primary gap needs to pursue fiscal adjustment, as its primary balance is not large enough to bring its debt-to-GDP ratio toward the debt anchor d^* . Furthermore, the more ambitious (i.e., the lower) the debt anchor, the larger the primary gap. Finally, where there are systematic SFAs, the primary balance needed to bring debt toward the desired anchor is also higher, as shown in (5).

¹ Prepared by Fabio Comelli (IMF).

3. Adjustment needs are estimated using three alternative debt anchors, assuming convergence takes place during 2024-2028. In the first approach, the debt anchor is set at 70 percent of GDP, which is the ceiling for the total public debt to nominal GDP envisaged by the WAEMU Convergence Criteria adopted in 2015 (David et al, 2022). In the second approach, the debt anchor is set at the end-2023 debt-to-GDP ratio (62.3 percent of GDP); in the third the debt anchor is set at the average debt-to-GDP ratio observed during 2015-19, which represents the pre-COVID period. For the primary balance, the baseline specification relies on the CAPB for 2023 constructed with the methodology outlined by Fedelino, Ivanova and Horton (2009) to correct for the business cycle. As a robustness check, primary gaps have also been calculated relative to the 2023 unadjusted primary balance. Finally, for the SFA, two alternative measures have been used: a country-specific average SFA estimated during 2018-2022, and an ad-hoc SFA identical for all countries of 2.7 percent of GDP, which is the historical average SFA in the region during 2018-2023.²

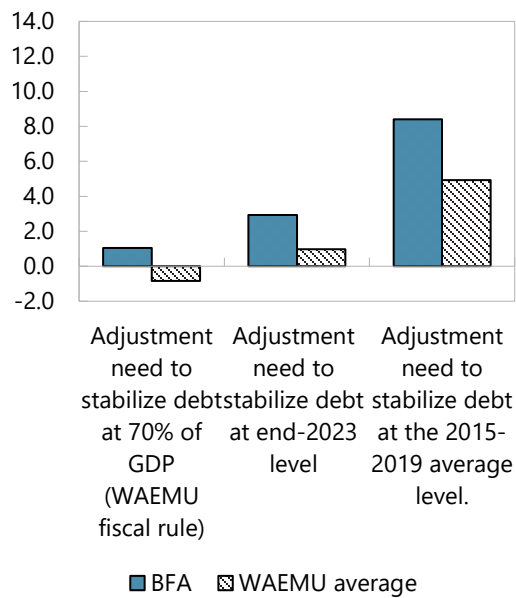
4. The estimates show that Burkina Faso faces sizeable fiscal adjustment needs under all different approaches. Estimated adjustment needs for Burkina Faso vary between 1 and 9 percent of GDP, depending on the chosen debt anchor. Burkina Faso needs to consolidate even when the debt anchor is the debt ceiling envisaged by the WAEMU Convergence Criteria, which represents the least ambitious debt anchor under the three different approaches. By contrast, the largest adjustment need is required to stabilize debt at the pre-pandemic level average (see Annex X Figures 1-4). For WAEMU, fiscal adjustment need estimates are lower but positive most of the times. These estimates are consistent with the fiscal consolidation objectives envisaged by the program.

5. These fiscal consolidation needs should be viewed against Burkina Faso's experience with fiscal adjustment. In the past, policymakers put in place fiscal consolidation plans, but these were rare and relatively short-lived. Looking at available evidence of fiscal consolidation episodes observed in Sub-Saharan Africa (IMF, 2023), only two episodes of fiscal consolidation in Burkina Faso were identified between 1980 and 2021³. These episodes lasted at least 2.5 years, involved an annual fiscal consolidation effort of at about 1 percent of potential GDP, which was implemented in response to an initial fiscal adjustment need with a primary gap of at least 3.5 percent of potential GDP (Annex VII Table 1). At the sub-Saharan Africa (SSA) level, fiscal consolidation episodes are more likely to be maintained over time when the initial fiscal adjustment need is large, and result in larger revenue mobilization and reductions in primary expenditure. In a broader context, over the same period, 251 episodes of fiscal consolidation were identified in non-SSA emerging and developing economies (EMDEs), which is more than three times the fiscal consolidation episodes observed in SSA.

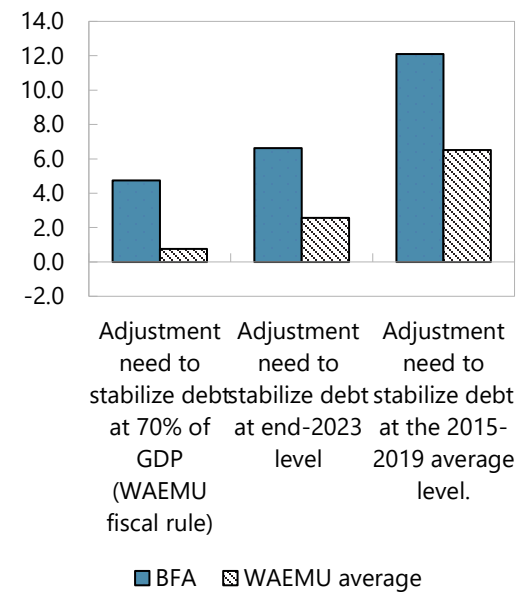
² See IMF (2023): Navigating Fiscal Challenges in Sub-Saharan Africa, African Department Paper (DP/2023/007).

³ A fiscal consolidation episode is defined as a period at least two consecutive years with an annual increase in the ratio of CAPB to potential GDP of, at least, 0.1 percent each year. During an episode, there can be years of neutrality, when the change in the CAPB-to-potential GDP is included between -0.1 and 0.1 percent. In addition, a consolidation episode is sustained if the average annual size of the change in the CAPB-to-potential GDP ratio is larger than 0.5 percent and no more than 25 percent of the adjustment effort is reversed in the first year following the episode. For more details, see IMF (2023).

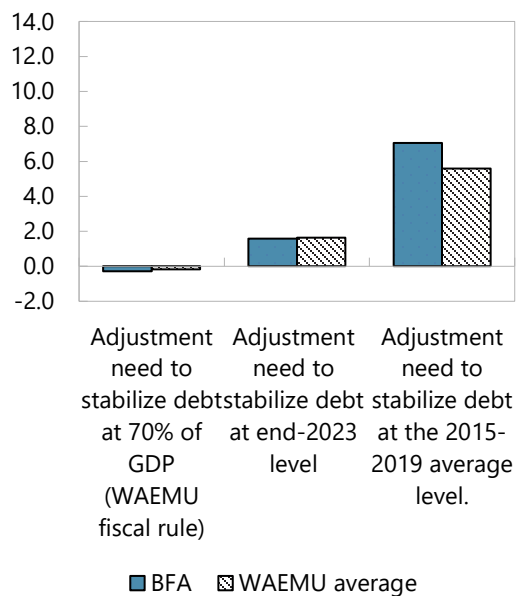
Annex VII. Figure 1. Burkina Faso: Fiscal Adjustment Needs Based on the CAPB and Country-specific SFA estimates.



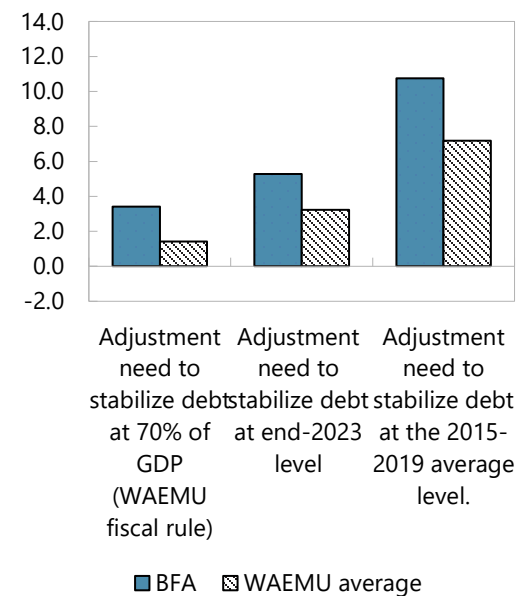
Annex VII. Figure 2. Burkina Faso: Fiscal Adjustment Needs Based on the PB and Country-specific SFA estimates.



Annex VII. Figure 3. Burkina Faso: Fiscal Adjustment Needs Based on the CAPB and ad-hoc SFA estimate.



Annex VII. Figure 4. Burkina Faso: Fiscal Adjustment Needs Based on the PB and ad-hoc SFA estimate.



Sources: IMF WEO and authors' calculations.

Annex VII. Table 1. Burkina Faso: Fiscal Consolidation Episodes in Burkina Faso and WAEMU.								
(Number and frequency of fiscal consolidation episodes)								
		Number of episodes	Median cum. chg. In CAPB/Pot GDP	Median ann. chg. In CAPB/Pot GDP	Median initial primary balance gap	Median change in revenue/GDP (excl. grants)	Median change in primary exp./GDP	Median duration of episode (years)
Burkina Faso	All episodes	2	3.0	1.2	3.5	-1.3	-3.7	2.5
	Sustained episodes	1	3.5	1.2	4.2	-0.8	-2.4	3.0
WAEMU	All episodes	16	3.2	1.1	0.6	0.5	-2.1	3.0
	Sustained episodes	4	3.7	1.2	4.6	-0.1	-3.1	3.0
SSA	All episodes	82	2.4	1.0	-0.2	0.6	-1.7	2.0
	Sustained episodes	24	4.2	1.1	1.4	1.0	-3.1	3.0
Non-SSA EMDEs	All episodes	251	3.4	1.2	-0.5	1.1	-1.8	2.0
Sources: IMF WEO and authors' calculations.								

6. While policymakers in Burkina Faso were able to achieve high fiscal balances occasionally, these were not maintained over time. By replicating past work (IMF, 2013 and IMF, 2023), the annual maximum primary balance achieved in Burkina Faso since 2000 is identified and compared with the corresponding WAEMU and SSA averages. The exercise is replicated by using the three- and five-year moving averages of the annual primary balance data to identify the maximum fiscal position that the country was able to reach over longer time windows (Annex VII, Table 2). The use of moving averages is motivated by the need to compute the average fiscal position within a time-window which is longer than one year, and then compare it with the peak annual fiscal effort, which allows assessing how much of the peak fiscal effort is preserved through time.

7. The results confirm that maintaining a high primary balance for an extended period has been particularly challenging in Burkina Faso (Annex VII Table 2). While the maximum primary balance achieved in 2006 at the time of the HIPC Initiative was exceptionally high (almost 15 percent of GDP), the maximum of the three-year moving average of the annual primary balance was 2.3 percent of GDP, and 0.4 percent of GDP using a five-year window. Annex VII Table 2 also reports the deviations from the peak fiscal effort (the maximum annual primary balance-to-GDP ratio observed between 2000 and 2023) when the window is extended to three and five years. These deviations are calculated as the difference between the maximum three-year (five-year) moving average primary balance and the maximum annual primary balance, divided by maximum annual primary balance. The results also show that on average the fiscal effort tends to be maintained for longer in WAEMU and SSA.

Annex VII. Table 2. Burkina Faso: Maximum Primary Balances During 2000-23 (Percent of GDP unless otherwise indicated)					
	Annual data	Three-year moving average		Five-year moving average	
	Maximum PB/GDP (peak annual effort)	Max PB/GDP	Deviation from peak annual effort (%)	Max PB/GDP	Deviation from peak annual effort (%)
Burkina Faso	14.9	2.3	-84.3	0.4	-97.2
WAEMU (average)	11.0	3.5	-68.0	1.8	-83.5
SSA (average)	11.6	6.0	-48.6	4.1	-64.7
Non-SSA EMDEs (average)	7.8	5.6	-27.4	4.5	-42.0
Sources: IMF WEO and authors' calculations					

8. The analysis suggests that fiscal consolidation is needed to stabilize debt and thereby preserve debt sustainability, a key objective of the program. The results show that not only fiscal consolidation efforts are necessary to preserve debt sustainability, but also that these fiscal consolidation efforts should be maintained over time. Fiscal consolidation does not imply that social and development spending should be reduced, rather, domestic revenue mobilization combined with wage bill growth moderation together with progress in fiscal governance and transparency can help create fiscal space needed to extend social protection and finance development projects in the medium-term.

9. Finally, even though there may have been unsuccessful attempts at fiscal consolidation in the past, this does not necessarily predict future outcomes. Rather, the goal of the analysis is precisely to underscore the significance of establishing a credible medium-term fiscal framework and consistently adhering to it with discipline.

Annex VIII. Capacity Development Strategy

Background

1. The authorities are intense users of Fund technical assistance (see Table 1) provided through AFRITAC-West, FAD, and STA missions.

Table 1. Burkina Faso: Completed Technical Assistance Activities by Fund Department, 2018-2024

FY	Completed TA Activity	Department	Number of Missions
2018	Public Financial Management	FAD	14
	Cash Management and TSA	FAD	1
	Tax and revenue mobilization	FAD	9
	External Sector Statistics	STA	2
	Real sector - National accounts	STA	1
	Government finance	STA	1
2019	Public Financial Management	FAD	11
	Tax and revenue mobilization	FAD	9
	Other	FAD	1
	Assets & Liability Management	MCM	2
	External Sector Statistics	STA	1
	Real sector - National accounts	STA	3
	Government finance	STA	2
	Other (SDDS)	STA	2
2020	Public Financial Management	FAD	4
	Cash Management and TSA	FAD	3
	Tax and revenue mobilization	FAD	6
	Other (macro-fiscal)	FAD	2
	External Sector Statistics	STA	1
	Real sector - National accounts	STA	1
	Government finance	STA	1
2021	Tax and revenue mobilization	FAD	4
	Public Financial Management	FAD	8
	Cash Management and TSA	FAD	4
	Other	FAD	2
	Medium Term Debt Strategy	MCM	2
	Real sector - National accounts	STA	3
	Government finance	STA	1

Table 1. Burkina Faso: Completed Technical Assistance Activities by Fund Department, 2018-2024
(concluded)

FY	Completed TA Activity	Department	Number of Missions
2022	Tax and revenue mobilization	FAD	8
	Public Financial Management	FAD	13
	Cash Management and TSA	FAD	5
	Macroeconomic frameworks	ICD	1
	Medium Term Debt Strategy	MCM	1
	External Sector Statistics	STA	2
	Real sector - National accounts	STA	6
	Government finance	STA	6
2023	Tax and revenue mobilization	FAD	15
	Public Financial Management	FAD	9
	Cash Management and TSA	FAD	4
	External Sector Statistics	STA	2
	Real sector - National accounts	STA	6
	Government finance	STA	6
2024	Tax and revenue mobilization	FAD	6
	Public Financial Management	FAD	3

Key Reform Priorities

2. Revenue Mobilization. Support has focused on developing a tax arrears/collection strategy, expanding the VAT tax base, international taxation and transfer prices, modernizing the VAT refund process, improving data collection and analysis, tax audit-planning, improving the customs valuation function, risk analysis and selectivity control, and strengthening the suspensive regimes and exemption monitoring and control. The authorities have expressed interest in TA on reducing tax expenditures and on taxing agriculture (possibly under a single TA activity).

3. Expenditure Policy: The focus is on improving investment efficiency and developing a sustainable path for the wage bill over the medium term. Options for wage bill reform were set out in earlier TA and have informed the authorities' evolving strategy in this area. IMF staff stands ready to provide TA support on energy subsidy reform if requested.

4. Public Financial Management: Key reform priorities include the need to strengthen PFM in the defense and security sector, following an overall assessment of current practices; and to complete the development of the IFMIS N@FOLO at least on the backbone modules (preparation-execution and budgetary control-accounting and reporting).

5. Debt Management: The focus is on supporting the analysis to allow the consideration of a broader range of appropriate debt management instruments and any possible debt re-profiling.

6. Statistics: Support to the Statistics Institute aims to consolidate the annual and quarterly national accounts following their recent rebasing. At the same time, support is being provided to allow fiscal reporting to move from the 1986 Government Finance Statistics Manual (GFSM) to GFSM 2014.

Annex IX. Data Issues

1. Assessment of Data Adequacy for Surveillance															
Burkina Faso: Data Adequacy Assessment Rating 1/															
C															
Questionnaire Results 2/															
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral	Median Rating								
	B	A	B	C	C	C	C								
Detailed Questionnaire Results															
Data Quality Characteristics															
Coverage	B	A	B	C	C										
Granularity 3/	B		B (GO) A (Debt)	C	C										
Consistency			C	C			C								
Frequency & Timeliness	C	A	C	D	C										
<p>Notes: GO: Government Operations; Debt: Government Debt; MFS: Monetary and Financial Statistics; FSI: Financial Soundness Indicators. When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is color-coded in gray.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>															
<table border="1"> <tr> <td>A</td> <td>The data provided to the Fund is adequate for surveillance</td> </tr> <tr> <td>B</td> <td>The data provided to the Fund has some shortcomings but is broadly adequate for surveillance</td> </tr> <tr> <td>C</td> <td>The data provided to the Fund has shortcomings that somewhat hamper surveillance</td> </tr> <tr> <td>D</td> <td>The data provided to the Fund has serious shortcomings that significantly hamper surveillance</td> </tr> </table>								A	The data provided to the Fund is adequate for surveillance	B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance	C	The data provided to the Fund has shortcomings that somewhat hamper surveillance	D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance
A	The data provided to the Fund is adequate for surveillance														
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance														
C	The data provided to the Fund has shortcomings that somewhat hamper surveillance														
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance														
<p>Rationale for the assessment. Staff assesses that the provision of real sector data (national accounts and prices) to the Fund, despite some shortcomings, is broadly adequate for surveillance purposes. Regarding government finance statistics, the authorities report revenue, expenditure, and financing data in the GFSM 2001/2014 format to STA for the budgetary central government only. They are compiled monthly but published quarterly. Monetary and financial statistics are compiled monthly but are released with lags which sometimes can be long, as in the case of FSI's which are released only twice a year. In addition, to facilitate macro-financial surveillance, the authorities should also release banking sector balance sheet data on a monthly basis. Frequency and timeliness of the external sector statistics (ESS) is still a major concern, as annual outturns are received with around two years lag, while the monthly trade data shared with IMF staff are of low quality (subject to large fluctuations and revisions). Trade and current account estimates are subject to often large revisions of historical data. Informal cross-border trade in goods is not estimated and could be large. Information on remittances should be improved. Consistency between balance of payments (BOP) and international investment position (IIP) should be checked. External debt statistics as reported to QEDS cover only public debt. Under the JSA-funded project, sustained TA on external sector statistics has been provided with a view to improving the quality and scope of data produced as well as their frequency.</p>															
<p>Changes since the last Article IV Consultations. The authorities have successfully built capacity to rebase their national accounts periodically (typically every five years). They have made progress in compiling fiscal statistics using the 2014 Government Finance Statistics Manual. For prices statistics, improvements since last IV consultation include updating CPI weights, expanding the collection of prices to five areas, and expanding coverage to include the expenditure of these five areas (include capital and four other areas).</p>															
<p>Identify corrective actions and prioritize capacity development. Areas for improvement include the extension of TOFE coverage to the general government and basing its compilation on the Treasury ledger. More granularity on the government expenditure side (e.g., military and non-military spending, composition of the wage bill) as well as more clarity on VAT reimbursements and the securitization of domestic arrears would enhance scope for effective surveillance and program monitoring. Recommendations to improve ESS quality include: (1) compile and disseminate quarterly BOP and IIP; (2) prepare EDS consistent to the IIP and submit these data to the WB QEDS; (3) improve statistical techniques to better use of data sources (for instance, custom data, international transactions reporting system (ITRS), and non-monetary gold data sources); and (4) improve methodologies for the estimation of freight expenses and construction services. Efforts are still needed to strengthen human and IT resources, which are essential for the effective implementation of the recommendations provided by the TA missions.</p>															
<p>Explain if data used in the Article IV consultation staff report is different from official statistics. N/A</p>															
<p>Identify any remaining data gaps. Data related to labor market, income and gender inequality are not available.</p>															
2. Data Standards Initiatives															
<p>Burkina Faso participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since December 2018.</p>															

3. Table of Common Indicators Required for Surveillance

As of April 29, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives via the National Summary Data Page (NSDP) ⁶			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency		Timeliness	
					Expectation ⁷	Current Practice	Expectation ⁷	Current Practice
Exchange Rates								
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Mar-24	Apr-24	Monthly	Monthly	M	M	1M	1M
Reserve/Base Money	Mar-24	Apr-24	Monthly	Monthly	M	Q	2M	1Q
Broad Money	Feb-24	Mar-24	Monthly	Monthly	M	Q	1Q	1Q
Central Bank Balance Sheet	Mar-24	Apr-24	Monthly	Monthly	M	Q	2M	1Q
Consolidated Balance Sheet of the Banking System	Feb-24	Mar-24	Monthly	Monthly	M	Q	1Q	1Q
Interest Rates ²	Jan-24	Jan-24	Weekly	Weekly	D	D	...	1D
Consumer Price Index	Mar-24	Apr-24	Monthly	Monthly	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	N/A	N/A	N/A	N/A	A	N/A	3Q	N/A
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Dec-23	Mar-23	Monthly	Quarterly	Q	Q	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec-23	May-24	Annual	Annual	Q	A	2Q	3M
External Current Account Balance	Dec-22	Feb-24	Annual	Annual	Q	A	1Q	2Y
Exports and Imports of Goods and Services	Oct-23	Nov-23	Monthly	Monthly	M	Q	12W	1Q
GDP/GNP	Q2/2023	Nov-23	Quarterly	Quarterly	Q	Q	1Q	2M
Gross External Debt	Dec-23	Apr-24	Annual	Annual	Q	A	2Q	3M
International Investment Position	Dec-22	May-23	Annual	Annual	Q	A	1Q	2Y

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

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

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

⁶ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

⁷ Recommended frequency and timeliness under the e-GDDS and required frequency and timeliness under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are reflected.

Appendix I. Letter of Intent

Ouagadougou, May 17, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Madam Managing Director,

1. The attached Memorandum of Economic and Financial Policies (MEFP) reports on recent economic developments and implementation of our program and sets out policies and structural reforms that we plan to pursue going forward. The program aims at (i) creating fiscal space for priority spending and reducing debt vulnerabilities, (ii) strengthening resilience to shocks while reducing poverty and inequality, and (iii) improving fiscal discipline and governance. The reforms draw on the agenda envisaged in our Action Plan for Stabilization and Development for 2023-25 to promote higher and inclusive growth, employment, and productivity, including through investments in human and physical capital.

2. Program performance has been satisfactory despite a challenging context characterized by food insecurity and fragile security conditions in parts of the territory. Furthermore, extreme weather conditions, such as floods and droughts, have led to poor harvests in recent years, exacerbating the impact of the various shocks on economic activity. As a result, unemployment and poverty have increased and food insecurity has worsened. We are intensifying efforts to address insecurity, which has had a negative impact on mining and other economic activities. In this context, the creation of the Patriotic Support Fund (PSF) has been a critical element in our response to restore security in affected regions.

3. Quantitative indicators of program conditionality have been met. All quantitative performance criteria for end-December 2023 and most indicative targets were met. Robust revenue collection, reflecting the impact of tax and customs duties arrears recovery, helped reduce the primary fiscal deficit and keep it below the program target. Current spending, including the wage bill, was in line with program projections, while domestically and externally financed public investments were higher than envisaged under the program (11.2 percent versus 9.1 percent of GDP). Net domestic financing and the amount of new external debt contracted by the government were also in line with program objectives.

4. Most of the structural benchmarks (SBs) have been met. We have submitted the 2024 budget which includes details on the funding arrangement for the PSF. In addition, the wage bill to tax revenue ratio at the end of 2023 was below the 52.3 percent ceiling, in line with program objectives. We submitted to the mission a report documenting reconciliations between personnel and payroll

registers for key ministries covering 50 percent of the civil service workforce (excluding the security sector). We published online quarterly budget execution reports, information on the beneficial owners of entities awarded public contracts to address food insecurity, and the audit on the implementation of cash transfers and emergency food expenditure. We are working on implementing the SB on the adoption of performance contracts with SONABHY and SONABEL.

5. We are committed to strengthening fiscal governance and improving data submission to IMF staff. To this end, we are committed to implement relevant measures to be implemented during 2024 and 2025, including conducting a Governance Diagnostics Assessment, and a Fiscal Transparency Evaluation, both in cooperation with IMF staff. We are also committed to improving the timing of our data provision to IMF staff. All our commitments are in line with the provisions in the Technical Memorandum of Understanding. We hereby undertake not to impose or intensify import restrictions for reasons related to the balance of payments. We also reaffirm our commitment to Burkina Faso's membership of the WAEMU.

6. To support our efforts in a highly challenging context, we request the completion of the first review of the arrangement under the IMF's Extended Credit Facility, a modification of quantitative targets and SBs, and the release of the second disbursement in the amount equivalent to SDR 24.08 million (20 percent of quota). We consider that the policies described in the attached MEFP are adequate to achieve program objectives in forthcoming reviews. The MEFP defines quantitative targets and SBs through the end of 2024, and indicative targets through the end of March 2025. We stand ready to take additional measures should they be needed to meet the objectives of the program, and we will consult with the IMF in advance of any necessary revisions to the policies contained in this letter and attached memorandum, in line with Fund policies on such matters. We will provide IMF staff all the data and information needed to assess the performance of the policies, particularly those mentioned in the Technical Memorandum of Understanding.

7. We agree to the publication of this Letter of Intent and the attached Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding, as well as the IMF staff report related to the Article IV consultation and first review of the 48-month arrangement under the Extended Credit Facility and the Debt Sustainability Analysis, after approval by the Executive Board of the IMF.

Very truly yours,

/s/

Aboubakar Nacanabo

Minister of the Economy, Finance and the Prospective

Attachments (2)

Memorandum of Economic and Financial Policies

Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

I. INTRODUCTION

1. This Memorandum of Economic and Financial Policies is an update of policies and reforms related to implementation of the program supported by the International Monetary Fund (IMF) through the Extended Credit Facility (ECF) for 2023-2027. The economic and financial program is structured around three main pillars: (i) creation of fiscal space for priority spending and the reduction of debt vulnerabilities; (ii) strengthening of resilience to shocks while reducing poverty and inequality; and (iii) strengthening of fiscal discipline, governance, and the fight against money laundering and financing of terrorism (AML/CFT). The memorandum describes recent economic trends and takes stock of quantitative criteria and structural benchmarks at end-December 2023. It also sets out the main guidelines for the remainder of 2024.

II. RECENT ECONOMIC TRENDS AND PROGRAM IMPLEMENTATION

A. RECENT DEVELOPMENTS IN THE MACROECONOMIC FRAMEWORK IN 2023

2. Economic activity in 2023 unfolded against an international backdrop dominated by the Russia-Ukraine crisis, geostrategic tensions, the geopolitical situation in the West African subregion, malfunctioning raw material supply chains, and the legacy effects of COVID-19. In addition, the various central banks have tightened their monetary policies to combat inflation. At the national level, the context is provided by a dynamic reclaiming of the territory despite the persistence of terrorist attacks, amidst a political transition and a successful agro-sylvo-pastoral season.

3. The main indicators for 2023 reflect this generally gloomy macroeconomic situation:

- Real GDP growth came in at 3.6 percent in 2023, compared to the previous year's 1.8 percent. This expansion of economic activity reflects the continued buoyancy of tertiary activities (+4.3 percent), combined with recovery in the secondary sector (+3.7 percent) as construction rebounded (+27.9 percent). The pace of extractive activities slowed however (-2.0 percent), owing to production stoppages, closures, supply disruptions and postponement of the coming on stream of certain mines. Growth in the primary sector slows to 1.8 percent in 2023, compared to 10.9 percent in 2022. The increase in value-added in this sector results from the combined effect of expansions in cash crops (+5.8 percent), forestry, hunting and fishing (+5.0 percent) and food crops (+2.0 percent), despite a 22.0 percent drop in cotton ginning.
- Average annual inflation will be contained at 0.7 percent in 2023, compared to 14.1 percent a year earlier. This is explained by the good agricultural harvest, the continuation of government measures to combat the cost-of-living crisis, combined with lower international prices for certain commodities, particularly energy.
- The current account with the rest of the world posted a deficit estimated at CFAF 1,097.3 billion in 2023—a 25.3 percent deterioration relative to the previous year and representing 8.7 percent

of GDP, compared to 7.3 percent in 2022. Exports in 2023 are forecast to be down by 2.9 percent, owing to reduced shipments of cotton (-47.0 percent) and zinc (zero exports in 2023). Imports, meanwhile, are projected to be 1.1 percent higher year-on-year, reflecting increased purchases of petroleum products (+8.5 percent), capital goods (+3.6 percent) and food products (+4.0 percent).

- The money supply came in 2.9 percent lower year-on-year at end-December 2023. This decline is reflected in net foreign assets (NFA), which declined by 17.5 percent, combined with a 15.4 percent increase in nonmonetary liabilities and mitigated by an 8.4 percent rise in domestic receivables.

4. In terms of government finance, the State budget for fiscal (FY) 2023 was implemented amid the suspension of the convergence pact and the start of a new economic and financial program with the IMF (ECF 2023-2027). The overall budget deficit (measured on a commitment basis) improved by CFAF 423.6 billion between 2022 and 2023, to represent 6.7 percent of GDP in the latter year, compared to 10.7 percent in 2022.

- Total income other than grants, including resources of the Patriotic Support Fund (*Fonds de soutien patriotique* – FSP), were equivalent to 20.6 percent of GDP in 2023 versus 19.4 percent in 2022. This is the result of enforced recovery campaigns organized in all recovery units; the creation of committees to assess, consolidate and collect tax arrears; and the digitalization of tax and customs procedures. Additional measures included strengthening of the fight against fraud in all its forms (asset freeze, joint control (*contrôle conjoint*), unannounced inspections (*sortie campagne*)); reforms implemented by the customs administration (identification of principal, an alert system for holders of the unique financial identifier (*indentifiant financier unique* – IFU); improved tracking of goods in transit to the destination offices, and strengthened interconnection of customs IT systems with those of neighboring countries. These actions and measures boosted amounts recovered in respect of both tax revenues (+9.43 percent) and nontax income (+26.13 percent). The increase in domestic tax revenues was based on income and profit taxes, as well as taxes on goods and services, which accounted for 72.14 percent of fiscal income.
- Total expenditure and net lending amounted to 28.9 percent of GDP in 2023, down by 6.62 percent on the previous year's figure. This is explained by the drop in current expenditure (2.85 percent of GDP), owing to a 47.57 percent year-on-year contraction in current transfers.
- As a result of efforts to control the wage bill, the audit of the payroll of employees registered in the civil servant payroll management system (SIGASPE) resulted in the recovery, by end-October 2023, of income amounting to CFAF 1.07 billion, out of an adjusted stock of improper wage payments totaling CFAF 7.02 billion—a recovery rate of 15.26 percent. An additional CFAF 3.59 billion was saved in terms of the trend of wages payable between June and October 2023, since gross pay would have increased by this amount if the adjustments to remuneration components

and wage suspensions had not been implemented. However, capital expenditure increased overall, driven by investments in external resources (25.40 percent).

5. In terms of the public debt, the balance outstanding is estimated as representing 56.6 percent of GDP in 2023 versus 57.3 percent in 2022, an increase of 1 percentage point. Public debt service is estimated at 9.9 percent of GDP in 2023, compared to the previous year's 9.1 percent. This increase mainly represents domestic debt, particularly funding raised on the regional financial market. In addition, the liquidity ratio (external debt service relative to budgetary revenue) came in at 6.9 percent in 2023, below the 18 percent norm.

6. The fuel price adjustment mechanism in Burkina Faso was applied partially during 2023. However, the government's decision to raise the price of Super 91 by CFAF 100 per liter in February 2023, combined with a price freeze on certain petroleum products, made it possible to keep capital losses under control. As of December 31, 2023, the latter stood at CFAF 46.6 billion, compared to CFAF 457.6 billion a year earlier—a drastic 89.8 percent reduction. Despite the still partial application of the fuel price readjustment mechanism, the capital loss situation has clearly improved since December 31, 2022.

7. In terms of VAT refunds, a total of CFAF 96.32 billion was paid out at December 31, 2023, and the amount payable consists of 124 tax refund certificates totaling CFAF 128.58 billion. Of these, 12 certificates (totaling CFAF 18.7 billion) are less than 90 days old, and 112 (CFAF 109.87 billion) are older. The special Treasury account (*Compte d'affectation spéciale du trésor* – CAST) reports a credit balance of CFAF 59.24 billion.

8. The government has set up the eCadastre platform for land management. As of December 31, 2023, 1,283,177 cadastral entries had been digitized, 277,875 owners of real estate rights had been identified and recorded, and 17,327 land parcels had been valued through the platform.

9. In 2023, a public-private partnership (PPP) contract was signed for the construction of an R+1 building extendable to R+4 for the Workers' Health Office (*Office de santé des travailleurs* – OST), for an estimated total cost of CFAF 2.46 billion over a seven-year period. Two documents relating to implementation of the PPP legal framework were adopted. The two meetings of the PPP Commission validated the inclusion of 24 projects in the integrated bank of pre-selected PPP projects (BIP-PPP).

B. PROGRAM IMPLEMENTATION

10. Program implementation is satisfactory, despite the problems caused by the security and humanitarian crisis prevailing in 2023. Most continuous and periodic targets were met (Table 1).

- All **quantitative performance criteria** were met (see Table 1).
- Most of the **indicative targets** were met, except for the ceiling on current primary expenditure, which came in at CFAF 1,921.13 billion, compared to a target of CFAF 1,906.50 billion (see Table 1).
- Of the eight **structural benchmarks** to be implemented in 2023, of the three continuous SBs two were met, while the SB regarding the publication on the Ministry of the Economy, Finance and Perspective's website of annual (and to the extent possible, quarterly) budget execution reports, including also information on the use of funds disbursed under the FSW, was realized at end-March 2024.
- Of the other five structural benchmarks set for end-December, four were met (Table 2). Progress is being made on the remaining SB concerning the adoption of performance contracts with SONABHY and SONABEL, as well as the government-SONABHY-SONABEL tripartite contract. A draft memorandum of understanding between the government, SONABHY, and SONABEL has been prepared by an interministerial committee and is currently being finalized. As for the government-SONABEL and government-SONABHY plan contracts, drafts have been produced and forwarded to the various ministries that have technical responsibility, pending signature by the three ministers in question.

C. IMPLEMENTATION OF NATIONAL DEVELOPMENT POLICY

11. Implementation of the National Development Policy (*Politique nationale de développement – PND*) in 2023 is based on the Action Plan for Stabilization and Development (*Plan d'action pour la stabilisation et le développement – PA-SD*). This is built around the following four pillars: (i) combating terrorism and restoring territorial integrity; (ii) responding to the humanitarian crisis; (iii) rebuilding the State and improving governance; and (iv) working towards national reconciliation and social cohesion.

12. In terms of **combating terrorism and restoring territorial integrity**, the most important actions in 2023 were: the national evaluation of terrorism financing risks; increase in the personnel of the Defense and Security Forces (*Forces de défense et de sécurité – FDS*) and strengthening of their operational and logistic capacities; recruitment and equipping of Volunteers for the Defense of the Homeland (*Volontaires pour la défense de la patrie – VDP*); interconnection of 27 new security services; construction and rehabilitation of new security services; creation of new operational units; implementation of security patrols; and provision of advanced training for the FDS.

13. As part of the **response to the humanitarian crisis**, the key actions in 2023 included the provision of food for 118,989 returning internally displaced persons (IDPs), and support to build their homes; cash transfers to 143,388 poor and vulnerable households, including IDPs; and psychosocial care for 3,327,721 IDPs and disaster victims. Support has also been provided for income-generating activities benefiting 101,345 IDPs and vulnerable persons in host communities; and 73,208 kits were delivered to vulnerable internally displaced adolescents with disabilities. In addition, the support plan

implemented for IDPs, vulnerable persons, and others affected by terrorism benefited 1,594,859 people. A national program to support the empowerment of poor and vulnerable households (PAMPV) was created and implemented, along with an integrated national plan of action for the Women's Agenda for Peace and Security (PANI/FPS), and a new project known as the Ouaga-Kaya-Dori-Djibo (OKDD) plan.

14. In terms of **reestablishing and improving governance**, the major achievements were evaluation of the implementation of Law 081-2015/CNT of November 24, 2015 on the general status of the state civil service; adoption of the regulation on human resource management in times of crisis and the timely issuance of career records for 61.96 percent of civil servants; the drafting of a decree on the terms and conditions of appointment to technical positions; development of two new e-services; adoption of a guide for drafting a public administration procedures manual; and completion of a study for the reform of the civil servant performance appraisal system.

15. In the context of **strengthening social cohesion and peace**, achievements include capacity-building for 1,492 members of the National Office for the Prevention and Management of Community Conflicts, of whom 132 were women, which led to the resolution of 207 community disputes; awareness-raising among 180,000 actors from various socioprofessional categories, on the prevention and management of community disputes; the drafting of a compendium of endogenous mechanisms to prevent community disputes; the prosecution of individuals suspected of perpetrating hate speech and/or community stigmatization; awareness-raising among 150,000 people in the context of national citizenship week (SENAC); interest group training for 794 youth movements and associations; civic engagement training for 27,603 young people; and awareness-raising for 58,630 young people on civics, the culture of peace, combating addictive behavior, and violent extremism.

III. MACROECONOMIC POLICY FOR 2024 AND THE MEDIUM TERM

A. Macroeconomic Framework

16. Economic activity can be expected to remain buoyant, assuming an easing of international geostrategic tensions, particularly the Russia-Ukraine crisis and the Israeli-Palestinian conflict, together with sociopolitical stability in the West African subregion, an improvement in the national security situation, and favorable rainfall over the projection period.

17. Economic activity is set to grow by 5.5 percent in 2024, driven by all sectors, in particular the buoyancy of tertiary activities, a recovery among extractive industries and resilience of the primary sector. In 2025 and 2026, economic activity is expected to achieve value-added growth of 5.8 percent and 5.0 percent] respectively.

18. Average annual inflation is likely to remain subdued at 2.0 percent over the entire 2024-2026 period, compared to the community target of no more than 3 percent. This control of inflation would be founded on expectations of a good agricultural harvest, an improvement in the national security

situation and the continuation of government measures to combat the cost-of-living crisis, combined with the resolution of the Russia-Ukraine crisis and the easing of geopolitical tensions.

19. In 2024, foreign trade is expected to see a fall in cotton prices and increases in gold and oil prices. With the expected expansion of domestic activity, the current account deficit with the rest of the world should narrow, with a larger net inflow on the financial account. The capital account surplus is expected to decline. The overall balance of payments is expected to remain in deficit in 2024, at negative CFAF 115.1 billion, an improvement of CFAF 230.7 billion in one year.

B. Budgetary Policy

20. Fiscal policy over the period is fully aligned with the Multiyear Budgetary and Economic Programming Paper (MBEPP) 2024-2026. Strategic choices continue to be based on increasing the funding of budgetary expenses with internally generated revenues and recourse to other forms of assistance—specifically external financing in the form of budgetary support, the subregional financial market, and public-private partnerships (PPP).

21. In terms of domestic resource mobilization, the aim will be to continue modernizing revenue collection procedures to optimize tax yields, and to complete reforms aimed at substantially expanding the tax base.

22. In the case of external resources, the assumption of an easing of financial conditions and the fulfillment of commitments made with the IMF and other partners will likely give renewed impetus to the mobilization of additional resources. Cooperation with technical and financial partners will also be pursued and strengthened.

23. On the expenditure side, budgetary policy will be based primarily on optimizing resource allocation and the quality of budgeting for proper budget execution. Efforts in priority sectors will be stepped up to guarantee the production of basic goods and services in quantity and quality for the population at large, and for the most disadvantaged in particular. Specific emphasis will be placed on the defense and security sectors, with a view to securing the resources needed to tackle the security crisis. In the context of modernizing public expenditure procedures, the aim will be to pursue the dematerialization of public procurement processes and documents in the public expenditure chain.

24. The FY 2024 State budget reflects the government's ambitions to pursue the reforms currently under way in the revenue-collecting agencies (*régies*), in line with growth prospects. These include the digitalization of tax and customs procedures; control and clearance of tax arrears; satellite tracking of goods in transit, combating fraud; certified electronic invoicing, and so forth.

25. The resources of the initial budget (*Loi de finances initiale* – LFI) are estimated at CFAF 2,746.9 billion, or 22.2 percent of GDP, while total expenditure and net loans are expected to total CFAF 3,578.6 billion (28.9 percent of GDP). Several reforms and supporting measures have been identified as part of the implementation of the State budget.

- On the revenue side: (i) broadening of the tax base by consolidating the new business segmentation and strengthening tax auditing; (ii) clearance of the stock of outstanding amounts to be recovered; (iii) systematic cross-checking of information between the tax and customs directorates (DGI and DGD) on taxpayers' declarations, based on the unique taxpayer identifier; (iv) combating fraudulent motorcycle imports; and (v) continuing with the computerization and digitalization of tax procedures and services.
- In terms of reforms aimed at rationalizing the administration's operating costs, with a view to generating savings for investment: (i) reduction of fuel allocations to rationalize consumption; (ii) rationalization of the management of state property through the optimal management of administrative leases and the inclusion of real estate strategy guidelines in all construction projects; (iii) rationalization of missions both within and outside the country, and related expenses; (iv) creation of vehicle pools for the ministries, to reduce the number of vehicles assigned to the top managers of the various entities; (v) continued rationalization of electricity, water, and telephone consumption, by cutting off inactive meters and telephone lines, or those used by businesses associated with the administration, and adjusting the electric power contracted by public administration, etc.

26. With regard to controlling the wage bill, the government intends to: (i) continue its efforts to control the workforce by perpetuating and consolidating the biometric enrolment of civil servants registered in SIGASPE; (ii) perform an audit of SIGASPE to assess the operational status of the application's various modules, and the accuracy of the statements and situations it can generate, with a view to streamlining civil servants' administrative and wage management; and (iii) institute an annual check of the payroll file to ensure that entries correspond to reality and that the respective components of remuneration are correct.

27. Investments financed from domestic resources are expected to rise to CFAF 865.7 billion in 2024, i.e., 6.5 percent of GDP, compared to 7.1 percent in 2023. The total financing requirement in 2024 is projected at 5.6 percent of GDP, of which 1.4 percentage points would come from net external financing and 4.2 points from net domestic financing. With a view to covering part of the financing requirement, the government has prepared an issuance schedule to mobilize CFAF 1,220.0 billion for 2024 on the regional financial market.

C. Debt Policy

28. A new national public debt and debt management policy was launched in 2023. This policy and its operational action plan were reviewed and validated by the National Public Debt Committee (*Comité National de la Dette Publique* – CNDP) at its regular meeting of February 1, 2024. Several bylaws were revised to bring them into line with this debt policy.

29. During the program period, the government intends to optimize management of its public debt through: (i) implementation of the 2024-2026 debt strategy, (ii) the introduction of tools (new debt sustainability framework, a new medium-term debt strategy (MTDS) model.; and (iii) capacity-building to afford actors a better understanding of new financing opportunities in the light of

changes in the international financial environment. These actions will help to meet the government's financing needs, while keeping the risk of overborrowing at an acceptable level.

30. The 2024-2026 MTDS should enable the government, and in particular the CNDP, to steer and supervise borrowing, while improving debt management in line with international standards. The main pillars of this strategy can be summarized as follows:

- continued use of concessional resources to finance the needs of the economy. Euro-denominated external financing will be preferred, given the low exchange-rate risk involved;
- use of euro-denominated non-concessional external resources to refinance the short-term portion of the domestic debt and the investments specified in the 2023-2025 PA-SD;
- longer maturities for domestic market instruments. This choice is also justified by the need to improve the average maturity of the domestic debt portfolio.

31. Regarding the issuance of treasury bills and bonds, despite the current difficult market conditions, the government is seeking to obtain the best cost and maturity alternatives. It also recognizes the importance of strengthening the planning and monitoring of these operations, to control the associated repayment schedule and refinancing requirements.

D. Other structural reforms

Public finance reforms

32. The government is committed to maintaining close oversight of expenditure commitments awaiting payment (*instances de paiement*), in order to avoid accumulating large arrears, and to clear these progressively as the cash position permits. To take this further, the government has asked the High Anti-Corruption Authority (ASCE-LC) to perform an audit of all the government's arrears and floating debts, and to publish the results on the website of the Ministry of Economy, Finance, and Perspective (MEFP) by end-December 2024. At the same time, the government will continue to improve cash management, planning, and transparency, to avoid periods of tension and minimize the risk of new accumulations of pending payment demands.

33. The government will continue efforts to set up the Treasury Single Account (*Compte unique du trésor* – CUT), which is based on international best practice in public financial management. The single account mechanism has been enshrined in public finance legislation in the West African Economic and Monetary Union (WAEMU), with the main objective of strengthening government cash management by improving the centralization of public funds. The following actions have been undertaken thus far: (i) the preparation of a treasury single account agreement, which has been submitted to the Central Bank of West African States (BCEAO) and on which discussions are continuing prior to its signing; (ii) the preparation of a technical note specifying the CUT model and mode of operation; (iii) the adoption of a decree and a notice (*arrêté*) concerning the CUT, defining more clearly its scope as well as the procedures for opening and operating the system; (iv) the opening of a settlement account and the effective participation in the WAEMU electronic transfer

systems (the automated interbank settlement system (SICA) and the real time gross settlement system (STAR UEMOA)); (v) a review identifying the accounts held by public agencies in commercial banks in December 2023; (vi) a study of the impact of the withdrawal of public funds from commercial banks (possible structural benchmark of the sixth review); (vi) the August 2023 closure of the BCEAO accounts of public accountants whose transactions are recorded directly in the CUT via SICA and STAR transfers, mainly the BCEAO current accounts of all regional treasurers except for those of the Centre (TRC) and Haut Bassins (TRHB) regions.

34. Going forward, and in accordance with the roadmap for CUT rollout, the main actions to be pursued can be summarized as follows:

- **concerning information systems:** (i) in the cases of SICA and STAR UEMOA, continued parameterization to operationalize the working accounts of public accountants (treasurers and collection agents (*receveurs*) in respect of agrarian and land reorganization (*réorganisation agraire et foncière* (RAF)) for customs and taxes), to replace bank accounts; (ii) for the cash deposit management system (*système de gestion des dépôts de fonds* – SGDF), adaptation to the relevant standards and deployment of e-banking. The specifications and terms of reference are available (procurement process under way in the project to support financial inclusion and access to financing for small and medium-sized enterprises (PAIF-PME);
- **for bank accounts, the main objectives are to:** (i) continue closing inactive RAF accounts; and (ii) expand the scope of the Treasury Single Account by gradually including the accounts of projects and programs and other public services, by closing their bank accounts and transferring their cash into the CUT. This expansion will be carried out by (i) implementing the conclusions of the impact study on the closure of project and program accounts in banks (structural benchmark), undertaken with support from the World Bank's Economic Governance and Citizen Participation project; and (ii) implementing the recommendations of the report to the Council of Ministers on the centralization of public funds (structural benchmark).
- On the organizational front, the Banque des dépôts du Trésor, created by the decree organizing the MEFP, will be made operational to further improve the services offered to Treasury depositors.

35. Strengthening governance and combating money laundering and terrorism financing (AML/CFT). To be delisted and protect the integrity of the financial sector and economy and prevent potential pressure on correspondent banking relationships, Burkina Faso has prepared and delivered seven reports in the context of monitoring implementation of the action plan of the International Country Risk Guide Co-operation Review Group (ICRG). These have been discussed at face-to-face meetings with the team of experts from the ICRG Joint Group. At the seventh of these meetings, held in Abu Dhabi, United Arab Emirates on January 9, 2024, the evaluators and national stakeholders were able to agree on the content of the monitoring report in terms of the progress made by Burkina Faso. To improve governance further, the government will adopt measures to improve cash management and fiscal transparency (including reporting), strengthen the independence of audit institutions, reduce corruption, and address critical AML/CFT challenges. The government will also

create a beneficial ownership registry, which will be made accessible to the relevant government authorities and to financial institutions subject to customer due diligence obligations (structural benchmark).

36. Burkina Faso is committed to undertaking a series of targeted actions to strengthen budget governance practices through the recommendations of the Governance Diagnostic Assessment (GDA). To this end, the government will seek technical assistance from the IMF and the World Bank on certain aspects of budget governance, including the fiscal transparency evaluation (FTE).

37. With regard to strengthening resistance to shocks while reducing poverty and inequalities, the government is committed to tackling key vulnerabilities. In terms of social protection and resilience to shocks, four priority reforms will be introduced, including: (i) continued development of the Single Social Registry of vulnerable persons; (ii) adoption of the national social protection strategy; (iii) implementation of the response and support plan for populations that are vulnerable to food insecurity and malnutrition; and (iv) implementation of measures to improve resilience through digitalization and actions to combat climate change.

38. The national program to support the empowerment of poor and vulnerable households (PAMPV 2023-2032) was created through Notice (*Arrêté*) 2024-00004/MSAHRNGF, dated 01/02/2024, of the Minister responsible for humanitarian action. The general objective of this program is to increase access to social safety nets for poor and vulnerable households, while strengthening their resilience to shocks and enhancing their economic empowerment. In 2024, the program will focus on the economic inclusion of poor and vulnerable households, as well as shock-affected households. To achieve this, it plans to support 40,000 vulnerable households, including IDPs (returnees, those settled in host areas or resettled outside them), for recovery (housing reconstruction/rehabilitation, AME kit, food, and production inputs); and 10,000 vulnerable households affected by shocks for recovery (housing reconstruction/rehabilitation, AME kit, food, and production inputs).

39. Strengthen resilience to climate-change shocks: The government has allocated resources to address the effects of climate shocks on social protection in the 2024 budget (structural benchmark). An annex identifying actions to mitigate the effects of climate change is attached to the budget and represents 15.01 percent of payment credits for all ministries and institutions, totaling CFAF 465.61 billion.

40. Extension of social protection to the most vulnerable: The Single Social Register (*Registre social unique* – RSU) of poor and vulnerable households and individuals, which provides actors with a data collection application, is still under construction. A data management program (*Système d'Information et de Gestion* – SIG-RSU) has been installed to manage the data platform. This enables geographic and community targeting and household surveys to be conducted, in accordance with the operating manual adopted by the RSU. The pilot phase in rural areas made it possible to target, collect, and record socioeconomic data on 143,842 poor households in the RSU database. The urban pilot phase, now nearing completion, has already registered over 75,000 poor and vulnerable

households. A total of more than 220,000 poor households will be registered in the RSU database by the end of March 2024. Data processing tools are available and will be provided to actors wishing to use them, following capitalization of the pilot phase, no later than end-March 2024.

41. In 2024, the RSU will be deployed in 11 provinces in addition to the seven included in the pilot phase in the Center-West and Center-East regions. This nationwide rollout will take place in the second half of 2024 and is scheduled for completion in 2026, with 3,908,847 poor and vulnerable households forecast to be registered in the database. The RSU will be rolled out in twelve provinces in 2025, with the remaining fifteen provinces of the country being completed in 2026. The government will submit a progress report to IMF staff on implementation of the RSU by end-June 2025 (structural benchmark).

Energy sector

42. One of the government's main priorities is to increase electricity production to avoid load shedding and outages during the hot season, and to sustain growth over the coming years. To this end, a number of reforms are envisaged to enable SONABEL to manage the new investments in the sector effectively, in particular by:

- deploying smart meters at distribution substations to stem technical and nontechnical losses;
- authorizing the installation of prepayment meters in certain government buildings.

43. Energy policy in 2024 and the medium term: the energy sector strategy is fully aligned with national and international objectives, in particular Burkina Faso's international, regional, and subregional commitments. Inspired by agreements such as the United Nations 2030 Agenda for Sustainable Development and the Rio Convention on Climate Change, the aim is to guarantee sustainable access to modern energy services in support of sustainable development. The general objective of the strategy is to guarantee access to quality modern energy services and promote energy efficiency. The action modalities focus on strengthening energy supply and promoting energy efficiency.

44. The aim of strengthening energy supply is to increase the number of electric power plants, make the most of renewable energies, and boost regional energy cooperation. The promotion of energy efficiency aims to rationalize its transportation, distribution, and consumption, and to promote technologies and energies that can replace fuel wood.

45. In 2024, further efforts will be made to control state subsidies more effectively on the sale of petroleum products. Application of the mechanism, albeit still partial, should make it possible to maintain the progressive reduction in capital losses by the end of the year. The application of our hydrocarbon price readjustment mechanism will be evaluated in the first half of 2024 (structural benchmark), to identify new actions and directions (structural benchmark). To keep gas subsidies under control, a decree will be issued directing subsidized gas to domestic use exclusively; and

onsite monitoring will be undertaken to combat fraud, which should make it possible to rationalize the overall volume.

Improvement of macroeconomic monitoring

46. The government is committed to supporting renewal of the national accounts base year, with 2022 as the new base. The rebasing work began in 2023 and is ongoing. Provisional accounts for 2022 are expected in late 2024. Once the new national accounts series has been updated, work will begin on backcasting the old series, with a view to creating a long series anchored to the new base year. The authorities are also encouraging actions to deepen the automated forecasting instrument (IAP), notably the development of the micro-simulation module taking into account the recent results of the Harmonized Survey of Household Living Conditions (*Enquête Harmonisée sur le Conditions de Vie des Ménages – EHCVM*), and the development of a long-term macroeconomic forecasting model.

47. We will step up our efforts to improve compliance with the budget data publication schedule and the frequency with which external data are published, and to provide greater clarity on VAT refunds and the securitization of domestic arrears.

IV. PROGRAM MODALITIES

48. The government will adopt all necessary measures to achieve the targets and satisfy the criteria, as set out in Tables 1 and 2 of this memorandum. The program will be evaluated based on Tables 1 and 2 in accordance with the Technical Memorandum of Understanding, which defines the quantitative performance criteria and requirements for data reporting to IMF staff.

49. To ensure the program's fiscal anchoring in the event of a shock, the government will review its fiscal policy by basing it on the alternative scenario (pessimistic or optimistic) of the 2024-2026 multiyear budgetary and economic programming paper (*document de programmation budgétaire et économique pluriannuel – DPBEP*). More specifically, in a worst-case scenario in which it would be impossible to meet the quantitative performance criteria owing to disruptions in economic activity, increased spending pressures, and higher borrowing costs on the regional market, we stand ready to implement several measures, including fiscal adjustment, possibly supplemented by cuts in public investment, to mitigate risks to fiscal and debt sustainability, and to achieve a fiscal deficit of 3 percent of GDP by 2027, in line with the program's fiscal anchor.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2023-25

(CFAF billion)

	2023			2024			2025	
	Dec.		Status	March 1/	June	Sept. 1/	Dec.	March 1/
	Prog.	Actual		Prog.	Prog.	Prog.	Prog.	Prog.
Quantitative Performance Criteria								
Ceiling on net domestic financing of the government 2/ 3/ 4/	739.9	709.5	Met	143.1	286.3	429.4	572.5	117.4
Ceiling on the amount of external debt contracted or guaranteed by the government (PV) 2/ 5/ 6/ 7/	410.0	338.6	Met	410.0	410.0	410.0	410.0	410.0
Ceiling on the accumulation of external payment arrears by the government 8/	-	-	Met	-	-	-	-	-
Ceiling on the guaranteeing of new domestic loans to suppliers and contractors by the government 8/	-	-	Met	-	-	-	-	-
Ceiling on government guarantees of new bank pre-financing for public investments 8/	-	-	Met	-	-	-	-	-
Ceiling on the primary fiscal deficit including grants 2/	560.0	541.3	Met	104.7	209.5	314.2	418.9	67.3
Indicative Targets								
Ceiling on the accumulation of domestic arrears by the government 8/	-	-	Met	-	-	-	-	-
Floor on government revenue 2/	2,374.3	2,543.4	Met	657.1	1,314.3	1,971.4	2,723.5	752.3
Floor on poverty-reducing current social expenditures 2/	296.2	300.8	Met	75.9	151.7	227.6	309.0	83.2
Ceiling on the stock of certified and unpaid VAT refunds older than 30 days	40.0	29.5	Met	40.0	40.0	40.0	40.0	40.0
Ceiling on primary current expenditure 2/ 9/	1,906.5	1,921.1	Not Met	503.9	1,007.8	1,511.7	2,015.6	524.0
Ceiling on the value of PPPs contracted 2/	200.0	2.5	Met	200.0	200.0	200.0	200.0	200.0

Sources: Burkinabè authorities; IMF staff estimates and projections.

1/ March (and September) figures are indicative targets, except for continuous performance criteria. June and December figures are performance criteria.

2/ Cumulative from beginning of the year.

3/ The ceiling on net domestic financing will be adjusted to reflect the shortfall in program grants and loans, while the overall deficit will be adjusted to reflect the shortfall in program

4/ The ceiling on net domestic financing will be adjusted upward by the amount of securitization of unpaid VAT refunds by end-December 2023, up to a maximum of CFAF 85 billion, as specified in the TMU.

5/ The ceiling on the amount of external debt contracted or guaranteed by the government (in PV terms) will be adjusted upward by the present value of the full amount of loans used for debt management purposes as specified in the TMU.

6/ The limit is not tied to specific projects.

7/ The ceiling on the amount of external debt will be increased up by the present value of the full amount of any concessional loan used for debt management purposes as specified in the TMU.

8/ To be observed continuously.

9/ Primary current expenditure includes spending on the wage bill, goods and services, energy subsidies and excludes interest payments.

Table 2. Burkina Faso: Structural Conditionality		
Benchmarks	Objective	Completion date
Do not grant any new wage agreement (except for the security sector) that could impact the wage bill trajectory and push it beyond 45 percent of tax revenues by 2027.	Wage bill control.	Continuous.
Publish information on the beneficial owners of entities awarded public procurement contracts to address food insecurity on the MEFP website, on a quarterly basis, in the quarter after the contract is awarded.	Strengthen governance and the fight against corruption.	Continuous.
Publish on the Ministry of Finance website annual (and to the extent possible, quarterly) budget execution reports which will also include information on the use of funds disbursed under the food shock window (FSW).	Improve fiscal transparency and governance.	Continuous.
Second review		
Benchmarks	Objective	Completion date
Conduct a review of energy subsidies and an assessment of the application of the price-setting mechanism, to move towards a reduction in subsidies over the program period.	Improve efficiency in the energy sector.	End-June 2024.
Publish the audit of all government arrears and floating debts.	Improve fiscal governance and transparency.	End-June 2024 (new date – previously end-December 2024).
Raise the ceiling on VAT credit reimbursements to the CAST account to level consistent to avoid accumulation of arrears.	Reduce fiscal risks.	End-June 2024.
Third review		
Submit the draft budget for the next fiscal year in line with program objectives, including a budget document or annex detailing plans to combat climate change and climate-related budget appropriations based on an agreed climate budget tagging methodology.	Reduce fiscal risks.	End-December 2024 and each year thereafter
Adopt a new strategic plan for 2024-2027, based on the 2021 self-assessment.	Improve revenue mobilization.	End-December 2024.
Prepare and implement a strategy for clearing government arrears.	Improve fiscal transparency and governance.	End-December 2024 (new date – previously end-June 2024).
Contain wage bill growth to ensure that the wage bill to tax revenue ratio is below 51.8 percent.	Wage bill control.	End-December 2024.

Table 2. Burkina Faso: Structural Conditionality (concluded)

Benchmarks	Objective	Completion date
Present to IMF staff alternating annual reconciliations between personnel registers and payroll registers either at the level of the Ministry of Education and other ministries covering around 50 percent of the civil service workforce (excluding the security sector), or, in alternation, at the level of the Ministry of Health and the rest of other ministries covering the remaining around 50 percent of the civil service workforce (excluding the security sector).	Wage bill control.	End-December 2024.

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (T.M.O.) defines the quantitative achievement criteria, indicative targets and structural benchmarks that will be used to assess performance under the Extended Credit Facility (ECF)-supported program. It establishes the framework and deadlines for reporting data that will enable IMF staff to assess program implementation.

CONDITIONALITY

2. Quantitative performance criteria and indicative targets are set out in table 1 of the MPEF. The structural benchmarks defined in the program are detailed in tables 2 of the MPEF.

DEFINITIONS

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

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

- (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds (including Treasury bills), debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
- (ii) suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of these guidelines the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

6. Debt guarantees. A government debt guarantee means an explicit legal obligation to service the debt in the event of nonpayment by the borrower (through payment in cash or in kind).

7. Debt concessionality. A debt is considered concessional if it includes a grant element of at least 35 percent.¹ The present value (PV) of debt at the time it is contracted is calculated by discounting the borrower's future debt service payments on the debt.² The discount rate used is 5 percent.

8. External debt. External debt is debt contracted or serviced in a currency other than the CFA franc. The realization criteria apply to the external debt of the State, public enterprises receiving transfers from the State and other public entities in which the State holds more than 50% of the capital, or to any other private debt for which the State has offered a guarantee constituting a contingent liability.

QUANTITATIVE PERFORMANCE CRITERIA

9. The quantitative performance criteria for 2023 and 2024 are as follows:

- (i) A ceiling on the State's net domestic financing;
- (ii) A ceiling on external debt contracted or guaranteed by the State in VA;
- (iii) A ceiling on external debt servicing arrears;
- (iv) A ceiling on domestic loans guaranteed to suppliers and service providers;
- (v) A ceiling on the amount guaranteed by the State on bank pre-financing of public investments and;
- (vi) A ceiling on the primary budget deficit (commitment basis), including grants.

A. Net Domestic Financing of the Government

Definition

10. Net domestic financing of the government is defined as the sum of (i) net bank credit to the government, including net bank credit to the government as defined below vis-à-vis the national banking institutions; (ii) the stock of unredeemed Treasury bills and bonds (including syndicated issuances) held outside national commercial banks; (iii) privatization receipts and other government claims and debts vis-à-vis national non-bank institutions; (iv) securitized debt; (v) VAT refunds; (vi)

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

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

any other arrears and floating debts, including payables. Net bank credit to the government is defined as the balance of government receivables and payables to domestic banking institutions. Government receivables include cash held by the Burkina Faso government, deposits with the central bank, deposits with commercial banks, guaranteed bonds, and government deposits in postal checking accounts (CCP). Government debt to the banking system includes central bank financing (including statutory advances, consolidated advances and refinancing of guaranteed bonds), government securities held by the central bank, and commercial bank lending (including government securities held by commercial banks). Net bank credit to the State is calculated on the basis of data provided in the TOFE. All these elements are calculated on the basis of the State budget execution report, which is presented each month in the table of State financial operations prepared by the Ministry of the Economy, Finance and Forward Planning.

Adjustment

11. The cumulative ceiling on net domestic financing will be adjusted upward in the amount by which actual external program support falls short of the projected amount, in the event external program assistance is lower than programmed, up to a maximum of CFAF 75 billion. The shortfall will be calculated in relation to the projections in Table 1 below. The ceiling will not be adjusted downward in the event external program assistance is higher than programmed.

Table 1. Burkina Faso: Projected External Program Assistance		
(Cumulative, CFAF billion)		
	End-June 2024	End-December 2024
Program grants and loans	0	57.6
(of which: program grants)	0	0

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

B. New External Debt Contracted or Guaranteed by the State and Present Value of External Debt Contracted or Guaranteed by the State

13. This performance criterion applies to external debt as defined in paragraph 4 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 7 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent liability as defined in paragraphs 4 to 7 of this memorandum. For the purpose of this performance criterion, "government" shall include the central government of Burkina Faso, public enterprises that receive government transfers, local governments, and other public sector entities (including public administrative, professional, scientific

and technical agencies). However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to normal import-related commercial debts with a term of less than one year, or to IMF loans. It is measured on a cumulative basis from the date of the IMF Executive Board's approval of the ECF arrangement, and no adjustor will apply.

14. For 2024 and 2025, the government undertakes not to contract or guarantee any external debt (concessional or non-concessional) with a total PV in excess of the ceiling indicated in table 1 of the MPEF, measured cumulatively from the beginning of the year (i.e., January 1 of each year). In the case of a (concessional or non-concessional) loan for debt reprofiling, the ceiling will be raised by the PV of the total amount of the loan if such debt reprofiling operation constitutes an improvement in the overall debt profile as determined by IMF staff. The authorities will consult the IMF staff in advance when such a debt reprofiling operation is expected to materialize. All other provisions and definitions of paragraph 13 will continue to apply.

15. The proceeds of any concessional reprofiling loan referred to in paragraph 13 will be used only to help finance the government's gross financing requirements that are consistent with the overall budget deficit ceilings established in the program. Any surplus resources will be safeguarded.

Reporting deadlines

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

C. Non-Accumulation of new External Payment Arrears by the State

17. The term "external arrears" refers to external debt service payments that are due but unpaid. Under the program, the government agrees not to accumulate external payment arrears on its debt, with the exception of arrears arising from external payment obligations currently being renegotiated with creditors, including bilateral creditors who are not members of the Paris Club. The non-accumulation of new external arrears by the government is a performance criterion that must be observed continuously.

D. State Guarantee for new Domestic Loans to Suppliers and Service Providers

18. The government undertakes not to guarantee new bank pre-financing for public investments. In a pre-financing arrangement, a private company granted a public works contract by the government obtains a loan from a domestic commercial bank or group of commercial banks. The Ministry of Finance guarantees this loan and at the same time signs an unconditional and irrevocable substitution of debtor agreement to service all principal and interest. For this performance criterion, government includes the central government, public establishments of an industrial or commercial nature (EPICs), administrative public establishments (EPAs), public establishments of a scientific and technical nature, public establishments of a professional nature, public health agencies, local governments, public enterprises, government corporations, semi-public corporations (public

corporations with financial autonomy in which the government holds at least 50 percent of the capital), and government agencies. This performance criterion shall be observed continuously.

E. State Guarantee for new Bank Pre-financing of Public Investments

19. The State undertakes not to guarantee new bank pre-financing of public investments. In a pre-financing agreement, a private company to which the State awards a public works contract obtains a loan from a national commercial bank or a group of commercial banks. The Ministry of Finance guarantees this loan and at the same time signs an unconditional and irrevocable agreement to stand in for the debtor to pay all principal and interest. For the purposes of this performance criterion, the term "State" refers to central government, public industrial and commercial institutions (EPICs), public administrative bodies (EPAs), public scientific and technical establishments, public professional establishments, public health bodies, local authorities, state-owned enterprises, semi-public companies (public companies with financial autonomy in which the State holds at least 50% of the capital) and state agencies. This performance criterion must be met on observed continuously.

F. Basic Primary Budget Deficit, Including Grants

Definition

20. For program purposes, the domestic primary fiscal balance is calculated on a commitment basis. It is defined as the difference between domestic revenues (including grants) and public expenditure, less interest payments and externally financed capital expenditure. Arrears payments are not included in the calculation of the domestic primary balance.

Adjustment

21. The primary budget deficit ceiling will be adjusted upwards by an amount equivalent to the difference between actual and projected external program grants, up to 75 billion CFA francs. This difference will be calculated in relation to projections (see table 1). The ceiling will not be adjusted downwards in the event that actual external program grants are higher than the projected amount.

INDICATIVE QUANTITATIVE TARGETS

22. The program also includes quantitative indicative targets for:

- (i) A ceiling on the accumulation of domestic arrears;
- (ii) A floor on total government revenues;
- (iii) A floor on poverty-reducing current social spending;
- (iv) A ceiling on the stock of unpaid certified VAT claims older than 30 days;
- (v) A ceiling on primary current expenditure;
- (vi) A ceiling on public-private partnerships.

G. Amounts Payable, Including Arrears on Domestic Payments by the State

23. “Amounts payable” (or “outstanding balances”) include domestic arrears and the floating debt and represent overdue obligations of the government. They are defined as expenditures accepted by the public accountant but not yet paid. For program purposes, these obligations include (i) public and private nonfinancial enterprise invoices due and unpaid, including VAT refunds and (ii) domestic debt service.

24. For program purposes, domestic payment arrears are outstanding balances to suppliers and domestic debt service. Arrears to suppliers are defined as overdue obligations of the government to public and private nonfinancial enterprises that are more than the regulatory 90 days overdue; arrears on the domestic debt service refer to debt service obligations that are more than 30 days past the due date stipulated in the agreements, including any applicable grace period.

25. The floating debt corresponds to amounts that are unpaid for less than the regulatory period (90 days for debt to nonfinancial corporations and 30 days for debt service).

26. For program purposes, the ceiling on the accumulation of new domestic payments arrears is zero. This indicative target will be subject to continuous monitoring by the authorities and any breach will be immediately reported to IMF staff.

H. Government Revenue

Definition

27. State revenues are calculated on a cash basis. They include all tax revenues collected by the Direction Générale des Impôts (DGI), the Direction Générale des Douanes (DGD), the Trésor Burkinabè (DGTCP) and other revenue collection units. They also include receipts from treasury vouchers.

I. Poverty-Reducing Current Social Expenditure

Definition

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

J. Certified VAT Refunds and Overdue Payments Over 30 Days

Definition

29. For the purposes of the program, the stock of value-added tax (VAT) refund claims that have been certified but remain unpaid for more than 30 days consists of the amounts of signed refunds. The 30-day period begins on the date the refund certificate is signed by the Director General of Taxes.

K. Current Primary Expenditures

Definition

30. For program purposes, current primary expenditure is defined as the sum of wage bill expenditure, expenditure on goods and services, and current transfers, net of interest payments.

Consultation clause on wage bill

31. If, at the end of each quarter (i.e., March 31, June 30, September 30 and December 31) during the program period, observed annual growth of the wage bill (measured as a 12-month sliding growth rate) exceeds the wage bill growth rate projected for each year of the program macroeconomic framework (see Table 2 below), the authorities must consult with IMF staff. During this consultation, the authorities must explain the reasons for the discrepancy between the observed wage bill growth rate and the growth rate projected in the macroeconomic framework, and the corrective measures that they intend to implement.

Table 2. Burkina Faso: Annual Wage Bill Growth Projections				
(Percentage)				
2023	2024	2025	2026	2027
8.7	9.6	6.0	5.3	4.3

L. Public-Private Partnerships

Definition

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

Additional information for program monitoring

33. To enable IMF staff to assess program performance, the authorities agree to submit the following data to them, in hard copy and/or MS Excel electronic files, with the frequencies and deadlines specified below.

Table 2. Burkina Faso: Summary of Data Reporting Requirements

Information	Responsible Institution	Data Frequency	Reporting Frequency
<i>Government finances</i>			
The government's fiscal reporting table (TOFE) and the customary annexed tables (if data on actual investment financed by external grants and loans are not available in time, a linear estimate of execution based on annual projections will be used).	Ministry of Economy, Finance and Forecasting (MEFP/DGTCP)	Monthly	6 weeks
Domestic financing of the budget (net bank credit to the government and stock of unredeemed Treasury bonds and bills).	MEFP/DGTCP and BCEAO	Monthly	6 weeks
Monthly data on custom post-performance relative to monthly forecasts.	MEFP/DGD	Monthly	6 weeks
Quarterly report on performance and actions taken to improve the supervision and audit of taxpayers using the single taxpayer identification number to cross-check information between DGI and DGD, starting with large taxpayers.	MEFP/DGI	Quarterly	6 weeks
Data on implementation of the public investment program, including details on financing sources.	MEFP/DGEP	Weekly	6 weeks
Stock of external debt, external debt service, contracted external debt, and external debt repayment.	MEFP/DGTCP	Quarterly	6 weeks
Poverty-reducing social spending in table format.	MEFP/DGB	Monthly	6 weeks
Petroleum product prices, consumption and taxes, including: (i) the price structure for the month concerned; (ii) detailed calculation of the price structure, from the f.o.b. price to the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY), with a distinction made between retail and industry sales; and (iv) a breakdown of tax revenue from petroleum products—customs duties, tax on petroleum products (TPP) and value-added tax (VAT)—and subsidies payable.	CIDPH, MEFP/DGD/DGTCP, SONABHY	Monthly	4 weeks

Table 2. Burkina Faso: Summary of Data Reporting Requirements (continued)

Table 2. Burkina Faso: Summary of Data Reporting Requirements (continued)			
Quarterly report, including monthly data, on SONABHY's accounts including gains/losses from the purchase and sale of hydrocarbon products by type of product, cash flow statements and income statements, taking account of all received subsidies and government securities issued or sold to the banking system or other.	SONABHY/	Quarterly	6 weeks
Quarterly report, including monthly data, on SONABEL's accounts including its cash flow and income statements and taking into account all received subsidies and project grants and loans from the technical and financial partners.	SONABEL/	Quarterly	6 weeks
Monthly statement of accounts with the Treasury, broken down by major category (administrative services, government enterprises, semi-public enterprises, administrative public establishments (EPAs), international organizations, private depositors, and other).	MEFP/DGTCP	Monthly	6 weeks
Quarterly activity report from the Investigation and Intelligence Directorate including taxpayer audits across DGI and DGD using the single taxpayer identification number, beginning with large taxpayers.	MEFP/DGI/DGD	Quarterly	6 weeks
Monthly projections of annual customs revenues by customs post, and report on monthly performance compared to projections.	MEFP/DGD	Monthly	6 weeks
"Field 44" enabled for input of references from inspection notices for all customs declarations.	MEFP/DGD	Monthly	Continuous
Monthly DGI revenue projections (on an annualized basis) by type, and report on monthly performance compared to projections.	MEFP/DGI	Monthly	3 months
Monthly DGTCP revenue projections (on an annualized basis) by type, and report on monthly performance compared to projections.	MEFP/DGTCP	Monthly	3 months

Table 2. Burkina Faso: Summary of Data Reporting Requirements (continued)			
Quarterly report on VAT refunds, including transfers received from ACCT, the cumulative amount paid since the beginning of the current year, the stock of certified refund claims (imprest administrators) and total VAT refund claims handled (DGE, DLC).	MEFP/DGI	Quarterly	3 months
Monthly update of the PPP and sovereign guarantee databases.	MEFP/UPPP	Monthly	4 weeks
Monthly statement of the implicit pump price subsidy.	CIDPH	Monthly	4 weeks
Monthly data on new domestic debt contracted and amortized (including bank credit, all sovereign debt issuances and securitizations).	MEFP/DGTCP	Monthly	6 weeks
<i>Consolidated balance sheet of monetary institutions</i>			
Consolidated balance sheet of monetary institutions.	BCEAO National Directors	Monthly	6 weeks
Monetary survey: provisional data.	BCEAO	Monthly	6 weeks
Monetary survey: final data.	BCEAO	Monthly	6 weeks
Lending and borrowing interest rates.	BCEAO	Monthly	6 weeks
Standard bank supervision indicators for banks and non-bank financial institutions.	BCEAO	Monthly	6 weeks
<i>Balance of payments</i>			
Preliminary annual balance of payments data.	BCEAO	Annual	9 months
Foreign trade statistics.	MEFP/INSD	Monthly	3 months
Any revision of balance of payments data (including services, private transfers, official transfers, and capital transactions).	BCEAO	When revised	2 weeks
<i>Real sector</i>			
Provisional national accounts and any revisions.	MEFP/INSD	Annual	6 months
Quarterly national accounts and any revisions.	MEFP/INSD	Quarterly	3 months
Monthly disaggregated consumer price indices.	MEFP/INSD	Monthly	4 weeks

Table 2. Burkina Faso: Summary of Data Reporting Requirements (concluded)

Monthly performance and projections through end-December 2023 of mining and ore production and exports (volume and value); statement of mines and mines under construction.	MEFP/DGD and MEMC/DGMG/D GESS	Monthly	3 months
<i>Structural reforms and other data</i>			
Any study or official report on Burkina Faso's economy.	MEFP/DGEP		On date published or date of entry into force
Any decision, order, law, decree, ordinance or circular having economic or financial implications.	MEFP/SG		On date published or date of entry into force
Any study or official report on measures taken to combat corruption.	ASCE-LC		On date published or date of entry into force
Annex to the 2025 budget detailing plans to combat climate change (including resource allocations and assessment of the fiscal latitude for climate friendly infrastructure).	MEFP/DGB		On date published or date of entry into force



BURKINA FASO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCE REVIEW—DEBT SUSTAINABILITY ANALYSIS¹

May 31, 2024

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Prepared jointly by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Some, but limited, space to absorb shocks
Application of judgement	Yes: Risk of external debt distress increased based on high macroeconomic uncertainty, uncertainty regarding concessional finance from donors.

Burkina Faso remains at moderate risk of external debt distress and overall public debt distress, and debt remains sustainable over the medium term. The current debt-carrying capacity is consistent with a classification of 'medium.'² The risk of overall debt distress remains unchanged since the September 2023 Debt Sustainability Analysis. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario and the most extreme stress test. While the mechanical results point to a low risk of external debt distress, judgment was applied, considering the high degree of macroeconomic uncertainty as well as increased uncertainty regarding concessional finance. The risk of external debt distress is therefore assessed to be moderate. The key vulnerabilities to debt sustainability include: (i) expenditures required to address food insecurity and the humanitarian crisis; (ii) expenditures required to contain the security crisis; (iii) increased refinancing risks arising due to limited support from donors; (iv)

¹ This DSA was prepared jointly with the World Bank and in collaboration with the Burkina Faso authorities.

² Burkina Faso's Composite Indicator (CI) is 2.90 based on the October 2023 WEO and the 2022 CPIA release corresponding to the medium debt-carrying capacity.

constrained access to the WAEMU regional bond market, including high interest rates, rising risk premia, and limited market liquidity; and (v) an undiversified export base with high vulnerability to external price shocks.

PUBLIC DEBT COVERAGE

1. The country's coverage of public debt includes central government debt, guarantees, local government debt, and non-guaranteed SOE debt (Text Table 1). With the support of the World Bank's Sustainable Development Finance Policy (SDFP), the authorities expanded the coverage of public debt, which is provided in a quarterly debt bulletin (*Bulletin Statistique de la Dette*). Local government debt and SOE debt are now being tracked through the debt information system (SYGADE) and reported. The bulletin also includes outstanding government guaranteed loans disaggregated by type of creditor and a list of the latest contracted public loans. The data on newly included items is comprehensive, with Burkina Faso meeting the "full disclosure" rating for all categories on the World Bank's Debt Transparency Heat Map as the only IDA country.³

Text Table 1. Burkina Faso: Coverage of Public Sector Debt ^{1/}

Subsectors of the public sector	Check box
1 Central government	X
2 State and local government	X
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	X

1/ The Central Bank is not allowed to borrow on behalf of the central government.

2. Despite a relatively low level of contingent liabilities, this DSA continues to include the contingent liability stress test as a precaution (see Text Table 2). Contingent liabilities in Burkina Faso reduced by around 9 percent in 2023, and now account for around 7 percent of public and publicly guaranteed (PPG) debt and 4 percent of GDP at the end of 2023. Burkina Faso's contingent liabilities include SOE debt, debt guarantees, or government debt further loaned for projects and public private partnerships.

3. Despite the improvement in coverage of the country's public debt since 2020, a stress test for a combined contingent liability shock of 8.5 percent of GDP was conducted (Text Table 2). A 1.5 percent of GDP shock is included as a contingent liability to account for the guarantees to the private sector. A standard SOE debt of 2 percent of GDP too is included as additional contingent liability to reflect potential guaranteed and unguaranteed external and domestic debt of public companies (e.g., SONABHY, SONABEL, SOFITEX). The authorities estimate SOE debt to be about 4.6 percent of GDP. No shock is used to account for PPPs, as the stock is less

³ See: [Why One African Country Opted for Full Disclosure on Debt \(worldbank.org\)](https://www.worldbank.org)

than 5 percent of GDP. For the financial sector, the default value of 5 percent of GDP is retained, representing the average burden of a financial crisis for the authorities.

1 The country's coverage of public debt		The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.		0 percent of GDP	1.5	Guarantees to private sector
3 SoE's debt (guaranteed and not guaranteed by the government) 1/		2 percent of GDP	2.0	
4 PPP		35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)		5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)			8.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON DEBT

4. Public debt levels have increased in the last few years following large fiscal deficits and a shift from concessional external borrowing towards domestic borrowing with higher financing cost (Text

Tables 3 and 4). The nominal stock of public debt as of end-2023 was 55.6 percent of GDP and is expected to increase to 57.2 percent of GDP in 2024. Limited issuances on the WAEMU regional bond market,⁴ as

	2019	2020	2021	2022	2023	2024
						Est.
Public Debt	41.9	43.8	55.6	58.4	55.6	57.2
External Debt	23.3	21.6	25.7	26.0	25.4	25.5
<i>(share of total debt, percentage)</i>	55.6	49.3	46.2	44.5	45.7	44.6
Domestic Debt	18.6	22.2	29.9	32.4	30.2	31.7
<i>(share of total debt, percentage)</i>	44.4	50.7	53.8	55.5	54.3	55.4
Memorandum Items						
Overall fiscal balance	-3.1%	-5.1%	-7.6%	-10.7%	-6.7%	-5.6%
GDP growth	5.5%	1.9%	6.9%	1.8%	3.6%	5.5%

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

well as budget support from the IMF in 2023, temporarily led to an increase in the share of external debt in overall public debt (45.7 percent of total debt in 2023 compared to 44.5 percent in 2022). Burkina Faso is, however, expected to rely more on the regional bond market in the coming years with the proportion of domestic debt in overall public debt increasing steadily.

5. From January 2018 to December 2023, the government issued Treasury bills and government debt securities for a cumulative amount of about CFAF 5,092 billion. The share of

⁴ Domestic debt is defined as debt denominated in the regional currency, the CFAF. The choice of coverage is based on currency, rather than residency, due to the difficulty of monitoring the residency of creditors for debt traded in the regional market. Borrowing from the West African Development Bank (BOAD) is denominated in local currency though classified as external debt as per the residency definition criteria.

bond issuance in total issuance was 71 percent, while the remaining 29 percent consisted of Treasury bills (T-bills) issuance. Specifically, during January 2018–December 2023, Burkina Faso raised a cumulative amount of CFAF 1,484 billion in Treasury Bills, most with a 12-month maturity. As regards bonds, between January 2018 and December 2023 the government issued a cumulative amount of CFAF 3,610 billion (see Text Figure 1), with maturities ranging between 3 and 10 years.

6. Over time, the government has been increasingly relying on the regional bond market to finance its deficit, but challenges remain. In 2023, following political instability in 2022, total issuance of government debt securities increased reaching CFAF 936 bn, up from CFAF 773 billion in 2022. Issuance on the regional market has been key for Burkina Faso to finance its budget deficit: average annual issuance during 2018–2022 was 7.9 percent of GDP, which compares with an average budget deficit of 6.6 percent of GDP during the same period.

Text Table 4. Burkina Faso: Creditor Composition of Public Debt Stock (2023)

	Debt Stock			Debt Service					
	2023 (end of period)			In CFAF bn			Percentage of GDP		
	In CFAF bn	Percentage of total debt	Percentage of GDP	2023	2024	2025	2023	2024	2025
Total	6940.3	100%	56%	1119.38	1087.25	998.45	9.1%	8.2%	6.9%
External	3202.8	46%	26%	179.63	187.82	206.36	1.5%	1.4%	1.4%
Multilateral	2870.4	41%	23%	142.87	145.36	164.41	1.2%	1.1%	1.1%
IMF: International Monetary Fund	222.3	3%	2%	11.62	13.51	23.74	0.1%	0.1%	0.2%
WB: International Development Association	1436.0	21%	12%	33.77	42.44	47.94	0.3%	0.3%	0.3%
Other Multilaterals	1212.1	17%	10%	97.47	89.41	92.72	0.8%	0.7%	0.6%
Bilateral	332.4	5%	3%	36.76	42.46	41.95	0.3%	0.3%	0.3%
Paris Club	149.6	2%	1%	15.31	15.75	16.37	0.1%	0.1%	0.1%
Non-Paris Club	182.9	3%	1%	21.45	26.70	25.58	0.2%	0.2%	0.2%
Domestic	3737.4	54%	30%	939.76	899.43	792.09	7.6%	6.8%	5.5%

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

7. The yield curve has started shifting upwards since January 2023, with short- to medium-term interest rates breaching the 9 percent threshold in January 2024. Throughout 2023, and reflecting absence of budget support, the authorities have been very active in the regional bond market by making 46 issuances, including 3 syndicated bond issuances to raise larger volumes of capital at longer maturities compared to what is available in the regional sovereign bond market.⁵ The authorities' raised CFAF 88 billion in an auction on May 8, 2024, with around CFAF 25 billion in 1–3 year maturities, and the remaining at longer maturities of 5–7 years, with slightly lower yields across the yield curve compared to recent auctions. Burkina Faso government debt securities are mainly held by WAEMU resident banks.

⁵ According to the most recently available information, the interest rate on a 12-year bond issued by syndication is 6.50 percent.

8. The increased reliance on borrowing in the domestic market has increased debt service costs. Debt service payments at the end of December 2023 amounted to almost CFAF 1,300 billion, with CFAF 1,130 billion (87.1 percent of total debt service) to domestic creditors. Around 80 percent was used for principal payments, with around half used to amortize Treasury Bills.

BACKGROUND ON MACRO FORECASTS

9. The baseline macro-fiscal scenario has worsened since September. Text Table 5 summarizes the main differences in macroeconomic assumptions between the previous DSA (corresponding to the Staff Report for Request for a Four-Year Arrangement Under the Extended Credit Facility⁶, henceforth ECF Request) and the current DSA. While the growth rate in real GDP was earlier projected at 4.4 percent for 2023, recent data releases have since revealed an economic slowdown. Staff's estimates for real GDP growth have now been revised down to 3.6 percent in 2023 driven by continued weak security conditions, mainly affecting mining. The economy is expected to rebound in 2024, albeit slower than expected earlier, with real GDP growth at 5.5 percent (vs. the previous forecast of 6.4 percent). The current account deficit is expected to widen to 6.9 percent of GDP in 2023, in line with the previous DSA vintage, because of weak gold production in 2022 and 2023. While exports are projected to rebound thereafter, risks are tilted to the downside, as several gold mines remain closed.

10. The macroeconomic outlook is uncertain, with several downside risks. The main domestic risks relate to security disruptions, which could increase social, political and economic uncertainty, with implications for donor sentiment. On the fiscal side, difficulties in revenue mobilization and pressures on spending, including on security and public sector wages, could put further pressure on the government's budget. The materialization of these risks would likely exacerbate food insecurity and increase internal displacement; it could seriously hamper the baseline macroeconomic projections (including growth and inflation, as well as external accounts), both in the near and medium terms.

11. This DSA update is consistent with the macroeconomic framework underlying access to the Extended Credit Facility (ECF) (Box 1). As a result of the uncertain economic and security situation, the macroeconomic framework projects overall GDP growth in 2023 rebounding slightly to 3.6 percent. The arrangement is articulated around three main pillars: (1) creating fiscal space for priority spending; (2) strengthening resilience to shocks and reducing poverty and inequality; and (3) reinforcing fiscal discipline, transparency, and governance. The fiscal anchor of the program is centered around key WAEMU convergence criteria, including reducing the deficit-to-GDP ratio to 3 percent by 2027; significantly reducing the wage-bill-to-revenues ratio to 45 percent by 2027 (compared to over 50 percent currently); raising the tax revenue-to-GDP ratio by 1.5 percentage

⁶ IMF Country Report No. 2023/343

points relative to a baseline without reforms; and undertaking energy sector reforms, including limiting subsidies.

12. The trajectory of public debt to GDP is substantially improved compared to the DSA prepared for the request for access to the ECF. The change is due to some non-bank financing, including a drawdown of cash reserves and floating spending (payable), in lieu of regional market financing. While this has reduced the headline debt/GDP ratio, off-budget financing could pose risks in the future. Thus, the ECF program proposes a range of measures, including (i) audit of payment arrears, (ii) fiscal transparency evaluation, and (iii) further progress towards the Treasury Single Account, to more clearly assess and mitigate such risks going forward.

Text Table 5. Burkina Faso: Changes in DSA Assumptions for Compared with September 2023

		2022	2023	2024	2025	2026	2027	2028
			Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Gold Price (USD/ounce)	Current Forecast	1801.5	1943.1	2073.2	2172.6	2282.5	2338.3	2371.8
	Sep 2023 DSA	1801.5	1958.6	2071.2	2157.6	2212.3	2250.5	2283.2
Cotton Price (USD cts/lb)	Current Forecast	130.1	95.0	98.1	89.8	86.5	86.5	86.5
	Sep 2023 DSA	130.1	95.2	92.8	87.9	87.1	87.1	87.1
Real GDP Growth (%)	Current Forecast	1.8	3.6	5.5	5.8	5.0	4.9	4.9
	Sep 2023 DSA	1.5	4.4	6.4	6.0	5.6	5.3	5.3
Current Account (% of GDP)	Current Forecast	-7.2	-7.9	-5.7	-4.1	-3.3	-3.2	-2.7
	Sep 2023 DSA	-6.2	-4.7	-4.2	-4.0	-3.9	-3.7	-3.2
Overall Fiscal Balance (% of GDP)	Current Forecast	-10.7	-6.7	-5.6	-4.7	-3.8	-3.0	-3.0
	Sep 2023 DSA	-10.6	-6.6	-5.6	-4.7	-3.8	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections

13. The realism tools suggest that the baseline scenario is credible when compared to cross-country experiences and to Burkina Faso's own historical experience (Figures 3 and 4).

a. Figure 3 shows that external-debt-creation is driven largely by current account and FDI dynamics in the projection period. External debt dynamics partly reflect non-identified debt-creating flows (as illustrated by the large residuals). These residuals are largely due to the definition of external debt on a currency basis, in misalignment to the current account which is conducted on a residency basis. High energy subsidies in 2022 (4.9 percent of GDP) and military and security-related expenditures (4.6 percent of GDP in 2022, up from 3.4 percent in 2021) resulted in a substantial widening of the fiscal deficit to 10.3 percent in 2022, from 7.5 percent in 2021; as a result, total public debt projections remain elevated compared with Burkina Faso's historical experience. Unexpected changes in public debt are in the upper quartile of the distribution across low-income countries.

b. Figure 4 shows the country's planned fiscal adjustment for the next three years at around 1.5 percent of GDP. Estimated economic growth of 3.6 percent in 2023 is within the range of possible growth paths suggested by plausible fiscal multipliers (0.2 to 0.8 percent). The estimated

economic growth in 2024, at 5.5 percent, is within the level suggested by plausible multipliers. Continued expansion in 2025 is above the range suggested by plausible multipliers, but relies on an improvement in the security situation, as well as reprioritization of expenditures, which are expected to support economic activity. Finally, Figure 4 also shows the contribution from government capital to real GDP growth is projected in line with the historical magnitude, while the contribution from other factors is expected to decline slightly.

Box 1. Macroeconomic Assumptions Underlying this DSA Vintage

Real GDP growth and is expected to have rebounded to 3.6 percent in 2023 but is lower than previously forecast due to declining gold production, as several gold mines remain closed following the deterioration in the security situation in 2022. Growth is expected to stabilize at around 5.4 percent in the medium term.

After peaking at 14.1 percent in 2022, the annual average inflation rate is estimated to have reduced sharply to 0.9 percent in 2023, and recover to 2.1 percent in 2024, within the WAEMU inflation target range.

The ECF program is anchored by a gradual decline of the fiscal deficit, in line with WAEMU criteria, to ensure debt sustainability and remain at a moderate risk of debt distress while limiting the growth impact. A deficit reduction of 7.7 percent of GDP during 2023-2027 to reach the WAEMU target of 3 percent of GDP would be achieved by a mix of revenue and expenditure measures and more favorable financing.

Debt levels reduced to 55.6 percent of GDP in 2023, compared to 58.4 percent of GDP in 2022. Under the program, debt levels rise slightly till 2024, and then decline to 52.8 percent of GDP in 2027, remaining throughout at a moderate risk of debt distress. In the short term (for 2024 and 2025), interest rates have been revised in line with recent developments in the regional bond market. In 2024, we assume an average interest rate of 9 percent for T-bills (previously 8.5 percent), 9 percent for bonds up to 3 years (previously 8.5 percent), 8 percent for 3 to 7-year bonds (as earlier) and 7.7 percent for long-term bonds (as earlier). For 2025, we assume interest rates will reduce slightly, but remain at 9 percent for T-bills, 8 percent for bonds up to 3 years, and 7.7 percent for longer maturities. In the medium term, we assume that interest rates return to their historical averages. The composition of domestic financing up to 2028 has been shifted towards shorter maturities in comparison to the previous DSA with about 45 percent in T-bills, 40 percent in bonds up to 3 years, and 15 percent in maturities longer than three years.

Beyond the medium term, the authorities are assumed to mobilize greater amounts from longer maturity instruments as the regional financial market develops. The remainder of the deficit is assumed to be financed via external debt, but on gradually less generous terms to reflect additional non-concessional financing and conservative assumptions about the availability of concessional financing in future years. The baseline assumes that IDA-20 financing from the World Bank will resume in 2024 and is projected to average about USD 370 million per year over the medium term, with USD 95 million as budget support.

As a result of declining gold production, the current account deficit is expected to decline to 6.9 percent of GDP in 2023, from 6.1 percent in 2022. It is expected to gradually improve thereafter, reaching 3.2 percent of GDP in 2027. In addition, the uncertain political environment discourages private capital flows, contributing to a BoP financing gap of CFAF 96 billion in 2024.

14. This DSA assumes an increase of non-concessional financing over the forecast horizon.

The authorities' medium-term debt strategy favors exhausting all options for concessional financing before exploring more expensive non-concessional options, including commercial ones.

Nevertheless, since financing needs exceed the amount of expected available concessional financing,

this DSA assumes that non-concessional borrowing will expand to an average of around 35 percent of total external borrowing over time through the DSA horizon.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

A. Country Classification

15. Burkina Faso's current debt-carrying capacity is consistent with a classification of 'medium' (Table 1). The country's Composite Indicator (CI) index, calculated based on the October 2023 WEO and the 2022 CPIA is 2.90, below the threshold of 3.05 for "strong," hence the 'medium' classification. The classification based on the previous vintage was also 'medium'. The relevant indicative thresholds for external debt in this 'medium' category are 40 percent for the PV of external debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt for medium debt carrying capacity is 55 percent of GDP.

B. Determination of Scenario Stress Tests

16. Besides the standardized stress tests and contingent liability test (see Text Table 3), the analysis includes a tailored stress test for commodity price shocks given that commodities constitute around 80 percent of total exports in Burkina Faso. This shock is applied to all countries where commodities constitute more than 50 percent of total exports of goods and services over the previous three-year period. The scenario captures the impact of a sudden one-standard-deviation decline in the export prices of gold, grains, and cotton in 2022, corresponding to a decline in prices by 19 percent, 28 percent, and 31 percent, respectively, and incorporates macroeconomic interactions with real GDP growth, inflation, and primary balance.

Table 1. Burkina Faso: Debt Carrying Capacity and Relevant Indicative Thresholds

Debt Carrying Capacity and Thresholds		
Country	Burkina Faso	
Country Code	748	
Debt Carrying Capacity		
Final	Classification based on current vintage	Classification based on the previous vintage
Medium	2.90	2.93
		Medium
		2.97
		Medium



Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of Exports	180
GDP	40
Debt service in % of Exports	15
Revenue	18

Components	Coefficients (A)		10-year average values (B)		CI Score components (A/B) = (C)	Contribution of components
	Medium	Strong	Medium	Strong		
CPIA	0.385	3.517	1.35	4.77		47%
Real growth rate (in percent)	2.719	5.065	0.14	5%		5%
Import coverage of reserves (in percent)	4.052	39.591	1.60	55%		55%
Import coverage of reserves ² (in percent)	-3.990	15.674	-0.63	-22%		-22%
Remittances (in percent)	2.022	2.085	0.04	1%		1%
World economic growth (in percent)	13.520	2.856	0.39	13%		13%
CI Score					2.90	100%
CI rating					Medium	

New framework	
Cut-off values	
Weak	CI < 2.69
Medium	2.69 ≤ CI ≤ 3.05
Strong	CI > 3.05

Reference: Thresholds by Classification

EXTERNAL debt burden thresholds	TOTAL public debt benchmark		
	Weak	Medium	Strong
PV of debt in % of Exports	140	180	240
GDP	30	40	55
Debt service in % of Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark		
PV of total public debt in percent of GDP	Weak	Strong
	35	70

Sources: Country authorities; and staff estimates and projections

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

17. Under the baseline scenario, all external PPG debt indicators remain below the policy-relevant thresholds for the next ten years (Table 2 and Figure 1). Having a 40 percent threshold, the present value (PV) of external debt-to-GDP ratio is expected to remain around 16 percent over the projection horizon. The ratio decreases from 17.4 percent in 2024 to 11.9 percent in 2034. The PV of external debt-to-exports ratio is projected to decline gradually from 67.5 percent in 2023 to 47.2 percent in 2034, remaining well below the 180 percent threshold. Neither of the debt service indicators cause any breach of their respective thresholds under the baseline scenario. The PV of debt service-to-exports ratio remains around 5 percent in the medium term, while the debt service-to-revenue ratio (excluding grants) peaks at 7 percent in 2026, and then decreases to 4.2 percent in 2034.

18. The standardized stress tests show that an export shock has the largest negative impact on the debt trajectory but does not trigger a breach of the external PPG debt indicators (Table 4). The PV of debt-to-exports ratio is significantly impacted by the export shock driven mostly by a high historical volatility in receipts in US dollar terms. However, it remains below the threshold of 180 percent through the projection period. Nevertheless, the test highlights the need for a sustained effort to improve the economy's potential in exporting goods and services by addressing the security situation, through policy reforms in the mining sector, and diversification efforts. The PV of debt service-to-exports ratio deteriorates as well but stays well below its threshold of 15 percent for the projection period. Other shocks, including to real GDP growth, the primary balance, a one-time 30 percent depreciation of the CFAF and the tailored tests (for contingent liabilities and commodity prices) do not lead to any breach of the debt thresholds (Table 4).

B. Public Sector Debt Sustainability Analysis

19. The baseline scenario projects an increase of PPG public debt reaching a peak of 57.2 percent of GDP projected for end 2024 (Table 2 and Figure 2). Under the baseline scenario, the PV of public debt-to-GDP ratio remains below the 55 percent benchmark. It declines from 47.3 percent of GDP in 2023 to 44.3 percent of GDP in 2027, albeit rising slightly in the interim years. The PV of debt-to-revenue and grants ratio is expected to peak in 2024 at 225.5 percent and then rapidly decrease to 123.8 percent by 2034. The PV of debt service-to-revenue and grants ratio escalates rapidly from 40.6 percent in 2023 to 62.1 percent by 2026, given the relatively short maturity of domestic financing. The latter raises concerns over the medium to long term about liquidity risks to the service of total public debt, especially given maturity and rollover risks as well as a shallow domestic market.

20. Under the most extreme shock — a shock to commodity prices — the PV of public debt-to-GDP ratio remains above the benchmark through the projection period. (Figure 2, Table 5).

The standardized sensitivity analysis shows that the most extreme shock leading to the highest debt figures in the projection period is a shock to commodity prices. The commodity price shock is also the most extreme shock affecting the PV of debt-to-revenue ratio and the debt service-to-revenue ratio.

C. Other Factors To Account For (application of judgement)

21. While the model signals a low risk of external debt distress, staff is of the view that the risk of external debt distress should continue to be assessed as moderate (as in the previous DSA of September 2023). All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2024–44) under the baseline and the most extreme stress test. In staff’s view, several vulnerabilities warrant the application of judgement. A further escalation of the security crisis remains the most pertinent risk driving the use of judgement. It could lead to a considerable fall in GDP including through a sharp decline in gold production, adversely affecting export receipts. Increased military spending could add pressure to the authorities’ budget. The announcement of an exit from ECOWAS, although expected to have minimal economic impacts, has added to uncertainty, including in regard to donor sentiment.

RISKS AND VULNERABILITIES

22. A meaningful response to the food and security crises entails increased public expenditure. Domestically, more security disruptions may lead to further political uncertainty, food insecurity, internal displacement, and lower economic activity. Difficulties in revenue mobilization and increased spending pressures could further deteriorate the fiscal balance. The overarching objectives of the ongoing ECF program are to create fiscal space for priority needs and to increase resilience while reducing poverty and strengthening fiscal discipline and governance. In the absence of the policy framework under the program, the deficit would likely increase, and debt would likely become unsustainable.

23. High interest rates and rising risk premia in the regional financial market poses risks to debt sustainability in the medium term. Burkina Faso’s interest rates on recent debt issuances have been rising over the last year and are substantially higher than the average rates paid by other WAEMU issuers. Given the uncertainty regarding budget support from donors, the authorities will have to rely on costly bond issuance and syndications on the regional market to finance the deficit. Lower than expected concessional financing, in conjunction with the large volume of debt maturing in the short term exposes the portfolio to rollover and liquidity risks, with implications for debt sustainability.

24. Burkina Faso would benefit from a more diversified export base of goods and services. For three out of four external debt indicators, the most extreme shock is an export shock, and for all public debt indicators, the most extreme shock is a commodity price shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and, to a much

lesser extent, of cotton. The vulnerability of primary exports and imports (oil) to external developments and unanticipated price shocks remain a structural concern.

CONCLUSIONS

25. According to staff's assessment, Burkina Faso's risk of external debt distress and overall debt distress remains moderate. The baseline scenario shows no breach of debt distress thresholds for any of the debt and debt service indicators for both external and public debt. For external debt distress, while no thresholds are breached under standard stress tests, staff is of the view that the risk of external debt distress should continue to be assessed as 'moderate' due to high macroeconomic uncertainty which could lead to sharp declines in GDP and trigger usage of non-concessional external debt or even higher reliance on expensive domestic debt.

26. Burkina Faso's medium-term debt sustainability is contingent on substantial fiscal consolidation as well as donor support. To avoid a deterioration of the debt rating several risks and vulnerabilities need to be addressed. These include, in particular: (i) expenditures required to address food insecurity and the humanitarian crisis; (ii) expenditures required to contain the security crisis; (iii) risks arising due to limited support from donors, while a large proportion of the debt portfolio has relatively short maturities, and is therefore vulnerable to rollover and liquidity risks; (iv) increased reliance on the expensive domestic financing market; and (v) an undiversified export base, with high vulnerability to external price shocks.

27. The granularity assessment indicates that Burkina Faso has limited space to absorb shocks (Figure 5). Under the granularity assessment module, which allows for qualifying the moderate risk of debt distress, Burkina Faso is assessed as having substantial space to absorb shocks, however Staff believe that following recent developments, this should be assessed as limited. While none of the indicators breach the threshold under a median observed shock scenario, the evolution of the debt service to exports ratio and the service to revenue ratio increases in the short term.

AUTHORITIES' VIEWS

28. The authorities agree with the conclusions of the DSA and Burkina Faso's classification as a country at moderate risk of debt distress despite an unfavorable macroeconomic context. They are working to improve debt management, achieve sustainable development objectives, and improve Burkina Faso's debt trajectory. A new national public debt and debt management policy was initiated in 2023, and the authorities are implementing the 2024–2026 debt management strategy over the program period, which includes strengthening capacities to leverage new financing opportunities in a changed international financial environment. These actions are expected to help meet the country's financing needs without running the risk of debt distress. They will also continue to search for the best possible options in terms of cost and maturity for Treasury bond issuances in the context of difficult market conditions. The debt management strategy will include planning and monitoring issuances to best manage repayment schedules and refinancing operations.

Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2021–2044

(In percent of GDP, unless otherwise indicated)

	Actual				Projections										Average 8/ Historical	Projections	Definition of external/domestic debt is there a material difference between the two others? Currency-based Yes
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034			
External debt (nominal) 1/ of which public and publicly guaranteed (PPG)	25.7	26.0	25.4	25.5	25.0	24.6	24.3	23.8	23.1	22.5	21.8	21.1	20.4	12.5	23.1	22.7	
Change in external debt	4.1	0.3	-0.6	0.1	-0.5	-0.4	-0.3	-0.4	-0.7	-0.9	-0.9	-0.9	-0.9	-0.4	23.1	22.7	
Identified net debt-creating flows	-2.7	8.4	6.2	4.5	2.8	2.2	2.2	1.6	1.3	0.6	0.4	0.4	0.4	4.3	4.3	1.7	
Non-interest current account deficit	-0.6	5.4	7.5	5.4	3.9	3.1	2.7	2.4	2.1	1.8	1.5	1.5	1.5	4.2	4.2	2.5	
Deficit in balance of goods and services	-2.0	5.4	6.6	4.5	3.2	2.7	2.7	2.4	2.1	1.8	1.5	1.5	1.5	4.2	4.2	2.5	
Exports	31.7	29.0	25.6	27.1	27.7	27.6	27.2	27.1	27.1	26.1	25.1	24.5	23.0	23.0	23.0	23.0	
Imports	29.7	34.4	32.2	31.6	30.9	30.3	29.9	29.5	29.2	28.9	28.6	28.3	28.0	28.0	28.0	28.0	
Net current transfers (negative = inflow) of which: official	-3.1	-2.3	-1.8	-1.7	-1.8	-1.7	-1.6	-1.6	-1.5	-1.3	-1.3	-1.3	-1.3	-0.7	-3.1	-1.5	
Other current account flows (negative = net inflow)	-0.7	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net FDI (negative = inflow)	4.5	3.8	2.7	2.6	2.5	2.0	1.9	1.7	1.4	0.7	0.1	0.1	0.1	3.0	1.6	0.1	
Endogenous debt dynamics 2/ Contribution from nominal interest rate	-0.2	0.2	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.8	0.1	
Contribution from real GDP growth	-1.9	1.3	-1.5	-1.0	-1.1	-0.9	-0.9	-0.9	-0.9	-0.9	-0.8	-0.8	-0.5	0.0	0.8	0.1	
Contribution from price and exchange rate changes	0.2	0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.1	
Residual 3/ of which: exceptional financing	-1.4	-0.5	-0.9	-1.3	-1.4	-1.2	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-0.6	-3.7	-3.7	-2.3	
	-0.7	1.5	-1.0	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-3.7	-2.3	
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	-3.7	-2.3	
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	...	...	17.2	17.4	16.8	16.2	15.7	15.3	14.8	14.8	14.8	14.8	14.8	8.1	4.7	5.1	
PV of PPG external debt-to-exports ratio	...	...	67.5	64.1	60.5	58.7	58.0	56.6	54.6	47.2	37.8	37.8	37.8	8.1	4.7	5.1	
PPG debt service-to-exports ratio	3.1	4.0	5.6	5.1	5.2	5.5	5.0	4.6	4.2	3.9	2.6	2.6	2.6	2.6	2.6	2.6	
PPG debt service-to-revenue ratio	5.4	6.0	6.9	6.7	6.9	7.0	6.2	5.6	5.1	4.2	2.2	2.2	2.2	2.2	2.2	2.2	
Gross external financing need (Billion of U.S. dollars)	0.0	1.6	1.9	1.5	1.3	1.2	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.3	1.3	1.3	
Key macroeconomic assumptions																	
Real GDP growth (in percent)	6.9	1.8	3.6	5.5	5.8	5.0	4.9	4.9	5.0	5.1	5.4	5.4	5.4	5.4	4.7	5.1	
GDP deflator in US dollar terms (change in percent)	3.5	-5.5	4.1	1.9	1.7	2.0	2.0	2.1	1.9	2.2	2.2	2.2	2.2	2.2	-0.1	2.0	
Effective interest rate (percent) 4/	16.3	-12.2	-4.9	1.39	10.1	6.6	5.3	6.9	6.9	5.8	6.0	5.9	5.8	6.0	1.0	1.0	
Growth of exports of G85 (US dollar terms, in percent)	22.0	11.4	0.8	5.5	5.3	5.1	5.4	5.7	5.9	5.7	6.0	6.0	5.8	6.0	5.9	7.1	
Growth of imports of G85 (US dollar terms, in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Government revenues (excluding grants, in percent of GDP)	17.9	19.4	20.6	20.4	20.9	21.5	22.0	22.4	22.5	23.1	24.9	24.9	24.9	17.4	17.4	22.2	
Aid flows (in Billion of US dollars) 5/	337.8	256.2	295.4	0.3	0.9	1.0	1.0	0.9	1.0	1.1	1.5	1.5	1.5	1.5	...	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Nominal GDP (Billion of US dollars)	20	19	20	22	24	25	27	29	31	44	92	92	92	92	...	...
Nominal dollar GDP growth	10.7	-3.8	7.8	7.5	7.6	7.1	7.0	7.1	7.0	7.4	7.7	7.7	7.7	7.7	4.6	7.3	
Memorandum items:																	
PV of external debt 7/	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
In percent of exports	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total external debt service-to-exports ratio	3.1	4.0	5.6	5.1	5.2	5.5	5.0	4.6	4.2	3.9	2.6	2.6	2.6	2.6	2.6	2.6	
PV of PPG external debt (in Billion of US dollars)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
(PV+PV-1)/GDP-1 (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Non-interest current account deficit that stabilizes debt ratio	-4.7	6.6	8.1	5.3	4.4	3.5	3.3	2.9	2.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $(1 - g - p)/(1 + r - p + g)$ times previous period debt ratio, with r = nominal interest rate, g = real GDP growth rate, and p = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

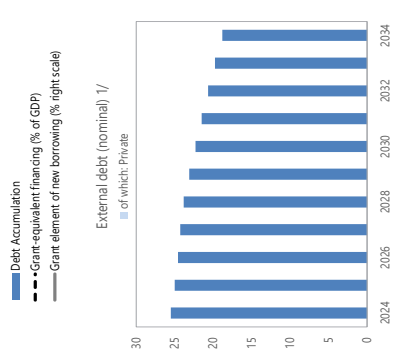
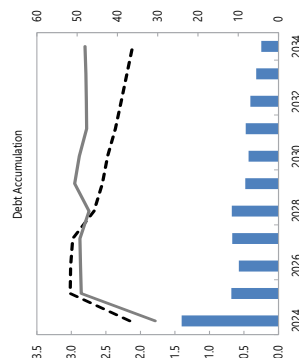


Table 2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–2044

(In percent of GDP, unless otherwise indicated)

	Actual						Projections								Average 6/
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections		
Public sector debt 1/	55.6	58.4	55.6	57.2	56.0	54.8	52.8	50.2	47.7	37.5	24.7	41.8	47.7		
of which: external debt	25.7	26.0	25.4	25.5	25.1	24.7	24.4	23.9	23.2	18.9	12.5	23.1	22.7		
Change in public sector debt	11.8	2.8	-2.8	1.5	-1.2	-1.2	-1.9	-2.6	-2.6	-1.9	-1.0	4.1	4.7		
Identified debt-creating flows	1.5	1.6	3.4	0.8	-1.0	-1.2	-2.0	-2.7	-2.4	-1.3	-0.9	1.3	-1.4		
Primary deficit	1.3	2.5	6.8	3.0	1.0	0.2	-0.7	-1.2	-0.8	-0.4	-0.3	2.3	-0.1		
Revenue and grants	20.4	21.7	22.2	21.8	22.7	23.3	23.8	24.0	24.2	24.7	26.1	19.9	23.8		
of which: grants	2.5	2.2	1.6	1.3	1.8	1.8	1.8	1.6	1.6	1.5	1.2	2.2	2.2		
Primary (noninterest) expenditure	21.7	24.2	29.0	24.8	23.6	23.5	23.1	22.8	23.3	24.3	25.8	20.2	23.7		
Automatic debt dynamics	0.1	-0.8	-1.3	-2.1	-1.9	-1.4	-1.3	-1.5	-1.5	-0.9	-0.6	2.2	2.2		
Contribution from interest rate growth differential	-2.4	-2.6	-1.1	-2.1	-1.9	-1.4	-1.3	-1.5	-1.5	-0.9	-0.6	2.2	2.2		
of which: contribution from average real interest rate	0.5	-1.6	0.9	0.8	1.2	1.2	1.3	1.0	0.9	1.1	0.7	2.2	2.2		
of which: contribution from real GDP growth	-2.8	-1.0	-2.0	-2.9	-3.1	-2.7	-2.6	-2.5	-2.4	-1.9	-1.3	2.2	2.2		
Contribution from real exchange rate depreciation	2.5	1.8	-0.2	...	...	...	...	...	...	...	...	2.2	2.2
Other identified debt-creating flows	0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0		
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g. bank recapitalization)	0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	10.3	1.1	-8.2	0.7	-0.2	0.0	0.0	0.1	-0.2	-0.6	-0.1	1.7	-0.2		
Sustainability indicators															
PV of public debt-to-GDP ratio 2/	...	...	47.3	49.1	47.7	46.3	44.3	41.7	39.3	30.5	20.3	41.8	47.7
PV of public debt-to-revenue and grants ratio	...	...	213.0	225.5	210.2	199.3	186.2	173.7	162.5	123.8	78.0	23.1	22.7
Debt service-to-revenue and grants ratio 3/	...	...	41.0	41.2	40.6	37.4	49.7	62.1	62.3	56.7	35.2	23.1	22.7
Gross financing need 4/	7.2	7.2	9.7	11.1	12.2	14.6	14.0	13.8	12.9	8.3	4.5	2.3	2.2		
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	6.9	1.8	3.6	5.5	5.8	5.0	4.9	4.9	5.0	5.1	5.4	4.7	5.1		
Average nominal interest rate on external debt (in percent)	1.0	1.0	1.6	1.1	1.1	1.1	1.0	1.0	0.9	0.9	1.1	1.0	1.0		
Average real interest rate on domestic debt (in percent)	5.7	-0.6	4.4	3.5	4.4	4.9	5.3	4.5	4.3	4.7	5.0	3.4	4.5		
Real exchange rate depreciation (in percent, + indicates depreciation)	12.8	7.7	-0.8	...	...	...	...	...	...	...	...	3.7	...
Inflation rate (GDP deflator, in percent)	-0.2	6.1	1.4	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	1.7	2.2		
Growth of real primary spending (deflated by GDP deflator, in percent)	2.3	6.9	18.7	23.4	-9.9	1.0	4.1	3.3	3.7	4.9	6.1	8.8	5.1		
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-10.5	-0.3	9.6	1.5	2.2	1.4	1.3	1.4	1.7	1.4	0.7	-0.4	1.6		
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.

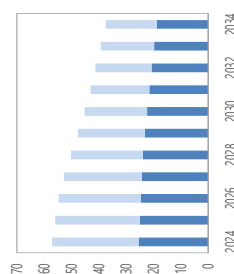
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term and short-term debt.

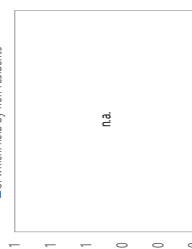
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

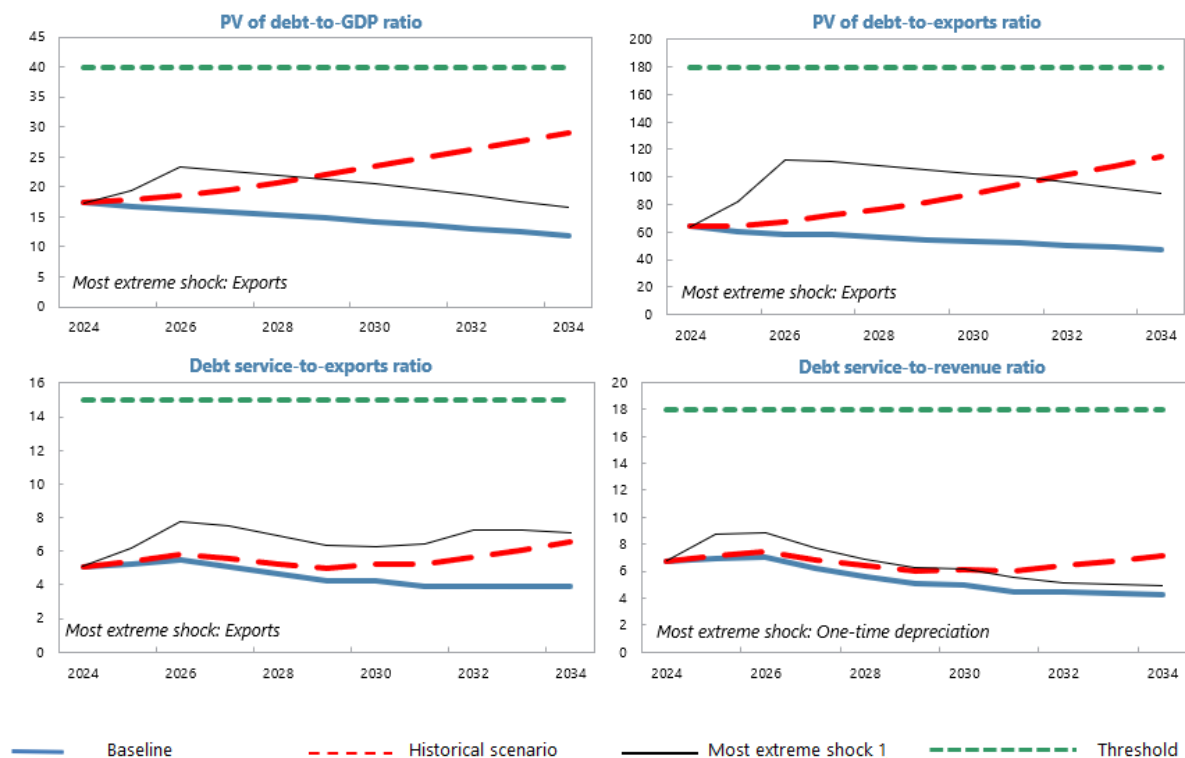


■ of which: local-currency denominated
■ of which: foreign-currency denominated



2024 2026 2028 2030 2032 2034

Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–2033



Customization of Default Settings			Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Size	Interactions		Default	User defined
Tailored Stress			Shares of marginal debt		
Combined CL	Yes		External PPG MLT debt	100%	
Natural disaster	n.a.	n.a.	Terms of marginal debt		
Commodity price 2/	No	No	Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Market financing	n.a.	n.a.	USD Discount rate	5.0%	5.0%
			Avg. maturity (incl. grace period)	33	33
			Avg. grace period	5	5

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

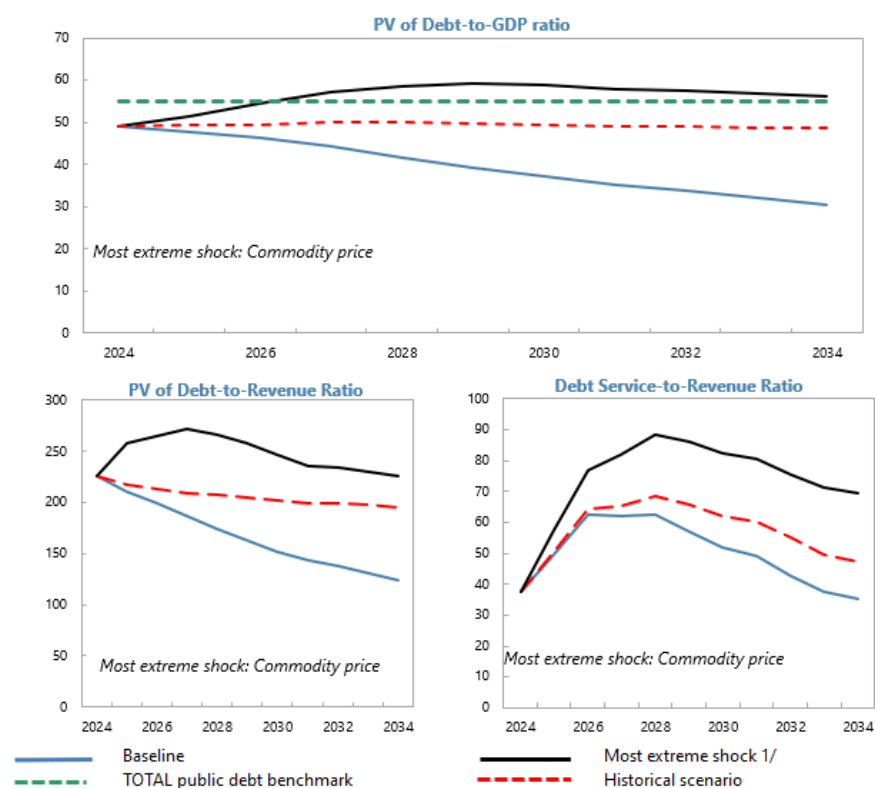
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Burkina Faso: Indicators of Public Debt under Alternative Scenarios, 2024–2034



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	17%	17%
Domestic medium and long-term	48%	48%
Domestic short-term	36%	36%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.3%	5.3%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024-2034

(In percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	17	17	16	16	15	15	14	14	13	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	17	18	19	20	21	22	23	25	26	28	29
B. Bound Tests											
B1. Real GDP growth	17	18	18	17	17	16	15	15	14	14	13
B2. Primary balance	17	17	17	17	17	16	16	15	15	14	14
B3. Exports	17	19	23	23	22	21	20	20	19	18	17
B4. Other flows 3/	17	18	19	18	18	17	17	16	15	14	14
B5. Depreciation	17	21	18	18	18	17	16	16	15	14	14
B6. Combination of B1-B5	17	21	20	20	19	19	18	17	16	15	15
C. Tailored Tests											
C1. Combined contingent liabilities	17	18	17	17	17	16	16	16	15	15	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	18	19	19	19	18	18	17	16	15	14
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	64	60	59	58	57	55	53	52	51	49	47
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	64	64	67	72	77	81	88	94	101	108	115
B. Bound Tests											
B1. Real GDP growth	64	60	59	58	57	55	53	52	51	49	47
B2. Primary balance	64	62	62	62	61	60	59	59	58	57	55
B3. Exports	64	82	113	111	109	105	103	100	96	92	88
B4. Other flows 3/	64	66	69	68	66	64	62	61	59	57	54
B5. Depreciation	64	60	53	53	51	49	48	47	46	45	43
B6. Combination of B1-B5	64	77	67	79	77	75	73	71	68	66	63
C. Tailored Tests											
C1. Combined contingent liabilities	64	63	62	62	62	61	60	59	59	58	56
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	64	71	75	74	72	69	67	64	62	59	57
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	5	5	5	5	5	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	5	5	6	6	5	5	5	5	6	6	7
B. Bound Tests											
B1. Real GDP growth	5	5	5	5	5	4	4	4	4	4	4
B2. Primary balance	5	5	5	5	5	4	4	4	4	4	4
B3. Exports	5	6	8	7	7	6	6	6	7	7	7
B4. Other flows 3/	5	5	6	5	5	4	4	4	4	4	4
B5. Depreciation	5	5	5	5	5	4	4	4	4	4	4
B6. Combination of B1-B5	5	6	7	6	6	5	5	5	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	5	5	5	5	5	4	4	4	4	4	4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	6	6	6	5	5	5	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	7	7	7	6	6	5	5	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	7	7	7	7	6	6	6	6	6	7	7
B. Bound Tests											
B1. Real GDP growth	7	7	8	7	6	5	5	5	5	5	5
B2. Primary balance	7	7	7	6	6	5	5	5	5	5	5
B3. Exports	7	7	7	6	6	6	6	6	6	6	6
B4. Other flows 3/	7	7	7	6	6	5	5	5	5	5	5
B5. Depreciation	7	9	9	8	7	6	6	6	6	5	5
B6. Combination of B1-B5	7	7	8	7	6	6	6	6	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	7	7	7	6	6	5	5	5	5	5	4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	7	8	8	8	7	6	6	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2024–2034

(In percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to-GDP Ratio											
Baseline	49	48	46	44	42	39	37	35	34	32	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	49	49	49	50	50	50	49	49	49	49	48
B. Bound Tests											
B1. Real GDP growth	49	51	53	52	51	50	49	48	48	48	47
B2. Primary balance	49	51	54	51	48	46	43	41	40	38	36
B3. Exports	49	50	53	50	48	45	43	41	39	37	35
B4. Other flows 3/	49	49	49	47	44	42	40	37	36	34	32
B5. Depreciation	49	49	46	43	39	36	33	30	28	25	23
B6. Combination of B1-B5	49	49	49	46	43	40	38	36	34	32	31
C. Tailored Tests											
C1. Combined contingent liabilities	49	56	54	52	49	46	44	42	40	38	36
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	49	51	54	57	59	59	59	58	57	57	56
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	225	210	199	186	174	162	152	144	138	131	124
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	225	217	212	209	208	205	202	200	200	198	195
B. Bound Tests											
B1. Real GDP growth	225	223	226	218	211	205	200	196	196	194	191
B2. Primary balance	225	225	230	216	202	190	178	169	162	154	146
B3. Exports	225	221	227	212	199	187	176	166	159	149	141
B4. Other flows 3/	225	216	211	197	184	173	162	153	147	139	131
B5. Depreciation	225	219	198	181	164	149	136	124	115	104	94
B6. Combination of B1-B5	225	217	211	194	180	168	156	146	140	132	125
C. Tailored Tests											
C1. Combined contingent liabilities	225	245	232	217	203	191	179	170	163	155	147
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	225	257	264	271	266	258	247	235	234	229	226
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	37	50	62	62	62	57	52	49	43	38	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	37	50	64	65	68	65	62	60	55	49	47
B. Bound Tests											
B1. Real GDP growth	37	52	69	71	74	71	68	67	62	59	58
B2. Primary balance	37	50	68	74	73	69	63	58	52	46	43
B3. Exports	37	50	62	62	63	57	52	50	44	39	36
B4. Other flows 3/	37	50	62	62	62	57	52	49	43	38	36
B5. Depreciation	37	47	60	58	59	53	49	46	40	35	33
B6. Combination of B1-B5	37	49	61	67	66	60	55	51	45	40	37
C. Tailored Tests											
C1. Combined contingent liabilities	37	50	76	73	74	70	62	58	52	46	43
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	58	76	82	88	86	82	80	75	71	69
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

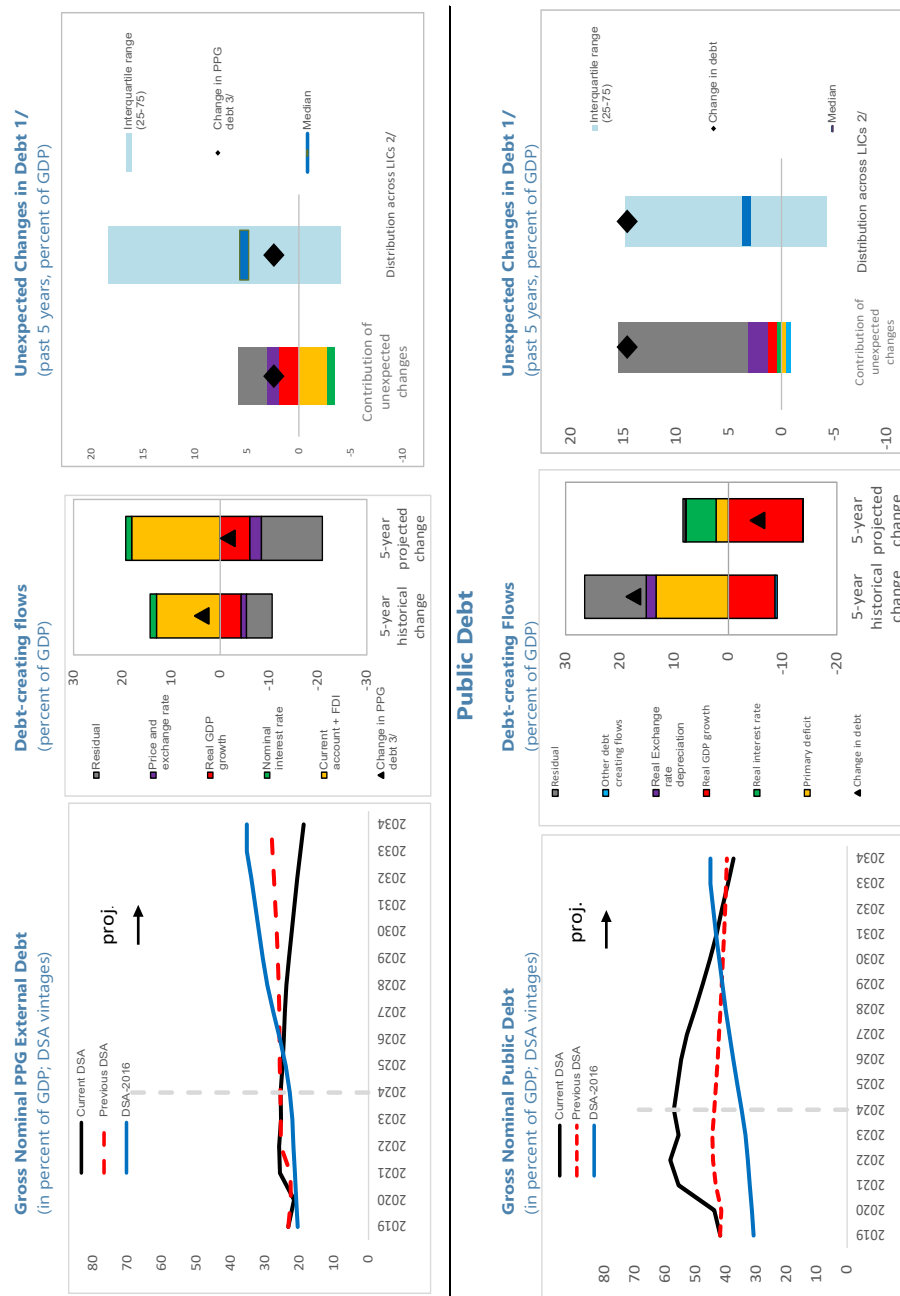
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Burkina Faso: Drivers of Debt Dynamics - Baseline Scenario – External Debt



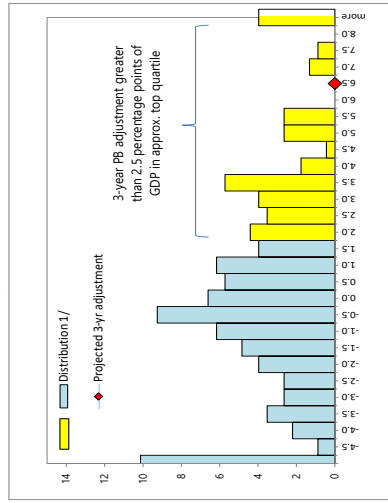
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

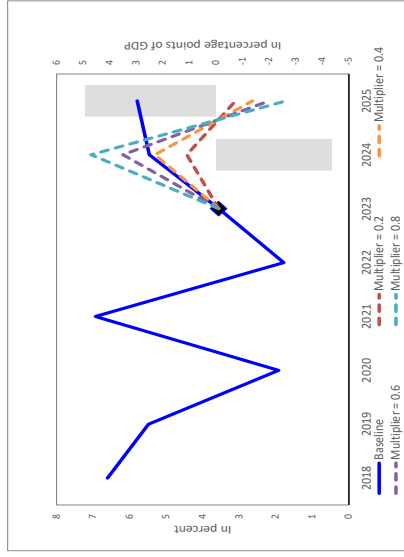
Figure 4. Burkina Faso: Realism Tools

3-Year Adjustment in Primary Balance
(percent of GDP)



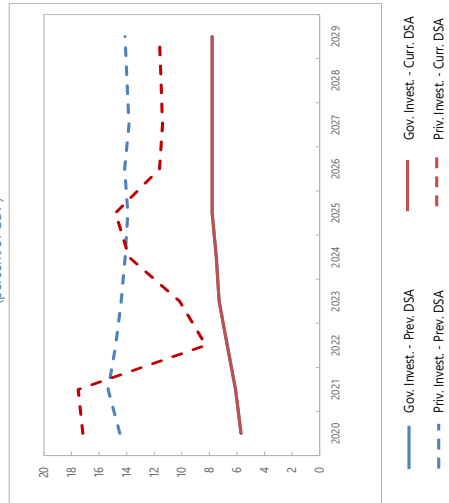
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

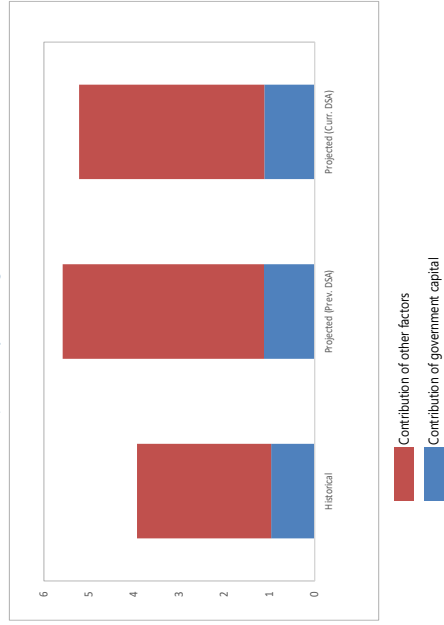
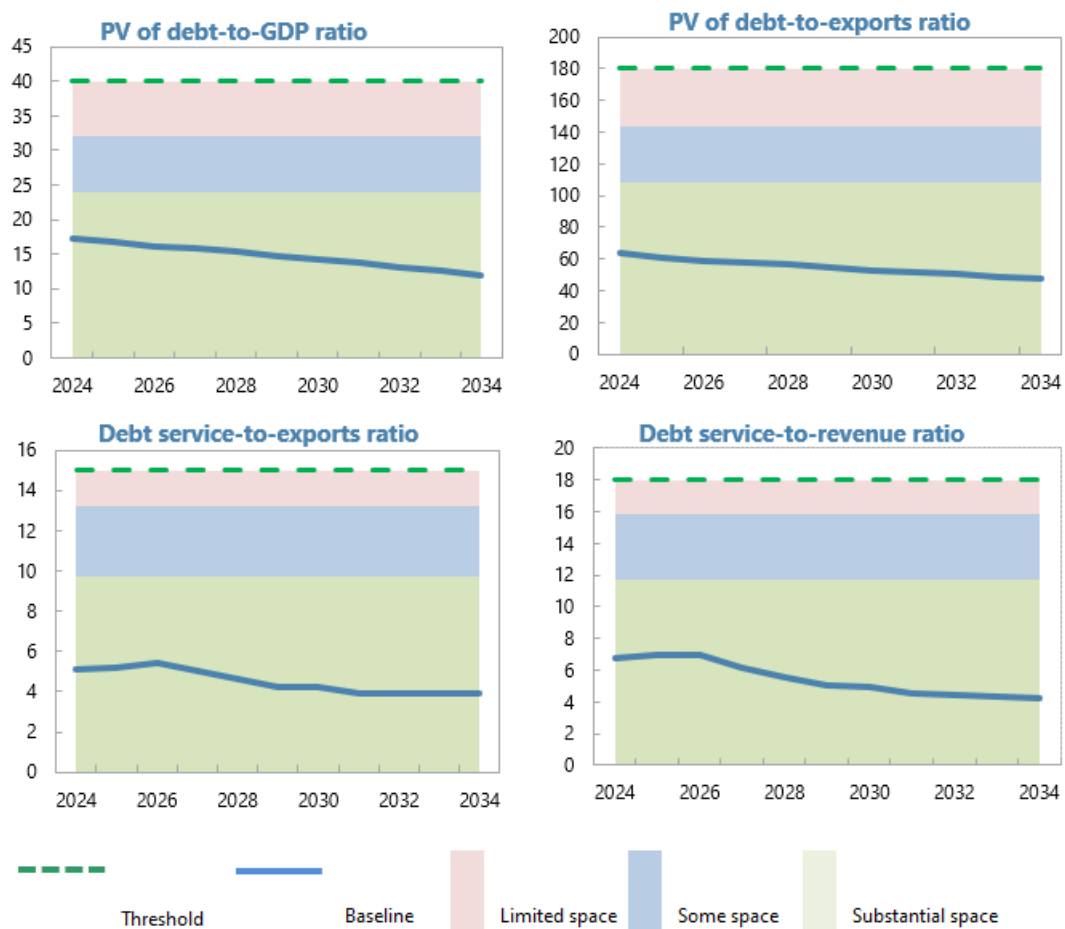


Figure 5. Burkina Faso: Qualification of the Moderate Category, 2024–2034 ^{1/}



Sources: Country authorities; and staff estimates and projections.

^{1/} For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.



BURKINA FASO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCE REVIEW—INFORMATIONAL ANNEX

May 31, 2024

Prepared By

African Department

CONTENTS

RELATIONS WITH THE FUND	2
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RELATIONS WITH THE FUND

Membership Status: Joined: May 02, 1963; Article VIII

General Resources Account:	SDR Million	%Quota
Quota	120.40	100.00
IMF's Holdings of Currency (Holdings Rate)	96.98	80.55
Reserve Tranche Position	23.51	19.53
SDR Department:	SDR Million	%Allocation
Net cumulative allocation	172.98	100.00
Holdings	167.18	96.64
Outstanding Purchases and Loans:	SDR Million	%Quota
RCF Loans	144.48	120.00
ECF Arrangements	152.89	126.99

Latest Financial Commitments:

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	Sep 21, 2023	Sep 20, 2027	228.76	24.08
ECF	Mar 14, 2018	Nov 17, 2020	108.36	108.36
ECF	Dec 27, 2013	Jul 24, 2017	55.64	55.64

Outright Loans^{1/}:

<u>Type</u>	<u>Date of Commitment</u>	<u>Date Drawn/Expired</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
RCF	Mar 27, 2023	Mar 29, 2023	60.20	60.20
RCF	Apr 14, 2020	Apr 16, 2020	84.28	84.28

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e., Board approval date.

Overdue Obligations and Projected Payments to Fund^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Principal	15.33	30.68	42.17	41.23	40.94
Charges/Interest	<u>0.18</u>	<u>0.24</u>	<u>0.24</u>	<u>0.24</u>	<u>0.24</u>
Total	<u>15.51</u>	<u>30.92</u>	<u>42.41</u>	<u>41.47</u>	<u>41.18</u>

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

Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
Commitment of HIPC assistance			
Decision point date	Sep 1997	Jul 2000	
Assistance committed by all creditors (US\$ Million) ^{1/}	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	
Disbursement of IMF assistance (SDR Million)			
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 ^{2/}	--	2.01	2.01
Total disbursements	16.30	29.68	45.98

^{1/} 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.

^{2/} 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.

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million) ^{1/}	62.12
Financed by: MDRI Trust	57.06
Remaining HIPC resources	5.06

Debt Relief by Facility (SDR Million)

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

^{1/} 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.

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr 13, 2020	8.74	8.74
N/A	Oct 02, 2020	10.30	10.30
N/A	Apr 01, 2021	9.65	9.65
N/A	Oct 06, 2021	10.61	10.61
N/A	Dec 15, 2021	0.26	0.26

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Safeguards Assessments. The 2023 update assessment of the BCEAO found that the institution continues to have a robust control environment with strong governance arrangements. All recommendations from the 2018 safeguards assessment have been implemented. Financial reporting and external audit arrangements remain in line with international practices.

Exchange System. Burkina Faso is a member of the West African Economic and Monetary Union (WAEMU); the exchange system, common to all members of the union, is free of restrictions on payments and transfers for current international transactions (as is the exchange system of Burkina Faso). The common currency, the CFA franc, is pegged to the euro at the rate of € 1 = CFAF 655.957. The most recent annual discussion on common policies of member countries of the WAEMU was concluded by the IMF's Executive Board on March 15, 2024 (Country [Report](#) No.24/90).

Technical Assistance. Technical assistance on customs and tax revenue administration, tax policy, wage bill control, management of fiscal risks, public financial management, improvement of budget execution, management of fiscal expenditures, financial reporting, cash flow management, the investment expenditure budgeting and execution systems, government finance statistics, national account statistics, debt management, and macroeconomic programming framework has been provided mainly through AFRITAC [West.I](#), FAD, MCM, and STA.

Article IV Consultation. The Executive Board concluded the last Article IV consultation with Burkina Faso on December 21, 2018. Burkina Faso follows a 24-month consultation cycle. Burkina Faso follows a 24-month consultation cycle. The subsequent Article IV consultation was delayed due to the outbreak of COVID-19, protracted program negotiations, and a challenging political situation. In accordance with [Decision No. 15106- \(12/21\)](#), in December 2022 the Managing Director notified the authorities in writing of the delay. The delay notwithstanding, the authorities' engagement with the Fund continued throughout this period, including through TA; staff visits; discussions of a new ECF arrangement during 2021/22 and in 2023; and financial support under the Food Shock Window in March 2023 as well as under the current ECF arrangement approved in September 2023.

Resident Representative. Fund resident representative, Mr. Moez Ben Hassine, has been in the post since November 24, 2021.

RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

Burkina Faso collaborates with the World Bank Group and the African Development Bank. Further information can be obtained from the following websites:

The World Bank Group:

The World Bank supports active operations in several areas, including education, environment, urban and rural development, health, transportation, and agriculture.

<https://www.worldbank.org/en/country/burkinafaso>

African Development Bank

African Development Bank's key priority areas: (1) reinforcement of sustainable infrastructure for inclusive and green growth and (2) support for agricultural value chains to build economic resilience.

<https://www.afdb.org/en/countries/west-africa/burkina-faso>

**Statement by Mr. N'Sonde, Executive Director for Burkina Faso
Mr. Matungulu, Alternate Executive Director
and Mr. Tall, Senior Advisor to the Executive Director
June 14, 2024**

Introduction

On behalf of Burkina Faso's authorities, we would like to thank IMF staff for the constructive discussions held in Ouagadougou in the context of the First Review under the Extended Credit Facility (ECF) and the 2024 Article IV Consultations. We would also like to convey the authorities' appreciation to IMF Management and Executive Board for the continued support to Burkina Faso, through both financial and capacity building assistance.

Burkina Faso continues to face significant challenges. Domestic challenges include longstanding structural impediments to inclusive growth and the struggle to regain control of the territory and to protect the population from vicious terrorist attacks. The conflict and dire security situation have caused massive displacements of population, acute humanitarian needs, and deep food insecurity for a significant share of the population. As documented in the very helpful Selected Issues paper by IMF and UNHCR staffs, 3.5 million people require food aid. Internally displaced persons represent more than 2 million people—10 per cent of the total population—adding to refugees from conflicts in neighboring countries and putting strong humanitarian spending pressures on the government. The household composition of forcibly displaced communities—with 84 percent women and children—is a source of vulnerability, notably exposure to gender-based violence, and limited employment opportunities. External challenges pertain to tight global financing conditions, increasing geo-political fragmentation, and political tensions in the Sahel region.

Against this difficult backdrop, the authorities stepped up the implementation of their homegrown Action Plan for Stabilization and Development (AP-SD). The main strategic pillars of the AP-SD include: (i) combatting terrorism to restore state's control of the territory; (ii) implementing the response plan to the humanitarian crisis; (iii) strengthening governance; and (iv) enhancing social cohesion and peace.

The ECF program is fully in line with the authorities' overarching strategic priorities aiming at creating fiscal space for priority spending, notably in security and development, while ensuring macro-economic stability.

Program implementation was strong during the period under review despite the very challenging context, underscoring the authorities' commitment to sound policies. All end-December 2023 quantitative performance criteria were met, including ambitious revenue mobilization targets. All indicative targets were met except the ceiling on primary spending which was breached by a small margin due to the shocks mentioned above. Most structural benchmarks were met. Significant governance reforms were implemented, including the full incorporation into the budget law of the Patriotic Support Fund to improve transparency. Additionally, budget execution reports and the report on the use of the IMF Food Shock Window resources were published.

The authorities appreciated the candid and insightful 2024 Article IV Consultation discussions, noting that they will guide efforts to address key medium-term vulnerability factors. They concur with the main thrust of staff's recommendations and continue stressing the critical role of the ECF program in catalyzing the resources needed to tackle the enormous challenges the country faces and that have been aptly identified by staff.

Recent Economic Developments and Outlook

The authorities reaffirm their commitment to regional integration and adherence to their international commitments as they endeavor to achieve their security and development objectives. To better pool resources and leverage synergies, while addressing common challenges in the Sahel, notably on security, the authorities joined the newly created regional bloc, the *Alliance des Etats du Sahel*, alongside Mali and Niger. Even as the authorities have decided to exit from the Economic Community of West African States (ECOWAS), as noted by staff, they have unequivocally decided to remain within West African Economic and Monetary Union (WAEMU). They are committed to observe the WAEMU's common external tariffs framework, as well as the WTO and the African Continental Free Trade Area rules, as they aim to deepen intra-regional trade and mitigate potential trade diversion risks.

Against this background, economic activity gathered steam, with growth recovering to 3.6% in 2023, a significant improvement from the 1.8% recorded in 2022. Growth was driven by services and construction activities. Inflation declined to 0.7 percent in 2023, from a 14-percent peak in 2022, returning within the central bank's 3 percent target. Contributing factors include favorable weather conditions, tighter monetary policy, and governments' measures aimed at controlling the cost of living.

Economic growth is expected to further strengthen in 2024, supported by a broader range of sector activities, and inflation should remain subdued and within target. However, the outlook is subject to significant downside risks and hinge on improved security, sustained political stability in the Sahel, and a reduction in regional and geo-political tensions. The authorities are committed to implementing the reforms needed to address the challenges ahead and advance their development agenda.

Macroeconomic Policies and Reforms Going Forward

Fiscal Policy and Debt Sustainability

The authorities' fiscal policy aims to mobilize the resources required to meet priority security, development, and humanitarian needs, while maintaining macro-economic stability. The fiscal framework is anchored by the WAEMU-level commitment to converge to a 3% deficit level by 2027. Fiscal policy is also supported by a medium-term budget framework that underpins program budgeting.

On revenues, key reforms in train include the development of a medium-term revenue strategy (MTRS) which benefited from IMF technical assistance. The authorities are also pursuing further revenue and tax administration modernization efforts, as well as tax policy reforms with the view to broadening the tax base. The authorities plan to notably remove tax exemptions, including through reforms to the VAT system, and to step up efforts to enhance tax compliance and advance digitalization of the tax system.

On spending, priorities include controlling the wage bill, through wage and benefits moratoriums, and effective payroll control measures. The latter include biometric controls and audits. Plans are also underway to rationalize untargeted subsidies such as the domestic fuel price subsidy. As they seek to improve spending efficiency and enhance fiscal consolidation, the authorities are equally striving to strengthen the social safety net to better protect vulnerable households. In this context, they launched the Unique Social Registry with the view to rationalizing and streamlining fragmented and duplicative interventions into a single social security system. With the support of the World Bank, the authorities are broadening enrollment into the Registry. Progress is also being made towards resuming cash transfers while mitigating security risks.

Public financial management reforms are underway as the authorities strive to improve fiscal transparency and strengthen governance. In addition to enhanced transparency measures, and fiscal reporting and safeguards supported by IMF technical assistance, the authorities will expedite reforms in train to establish the treasury single account.

The authorities are committed to preserve debt sustainability by further strengthening revenue mobilization, adhering to prudent debt policies, and limiting recourse to non-concessional borrowing. In this respect, they plan on implementing a prudent medium-term debt strategy. A primary goal of the debt management strategy will be to reduce roll-over risks and to extend debt maturities while securing the most favorable borrowing terms. On pre-HIPC completion debt arrears, the authorities continue to pursue good faith efforts towards resolving the legacy arrears and are appreciative of the advances made and the cooperation from creditors and Executive Director offices involved.

Monetary and Financial Sector Policies

Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), the regional central bank, continued its tightening policy stance to control inflation and safeguard reserves. Following a series of policy interest rate hikes, inflation has declined substantially within the central bank's target range, and any further tightening will be data dependent. The reserves position has improved as well on the back of a favorable Eurobond issuance and higher yields.

Stability indicators in the financial sector confirm the system's resilience amidst recent shocks. Nevertheless, the authorities continue to closely monitor individual institutions to ensure continued financial stability.

Structural Reforms

Burkina Faso's authorities are committed to undertake transformative structural reforms to further improve the economy's competitiveness, and to sustainably promote growth. In this respect, enhanced governance reforms are a key feature of the ECF program, drawn from a comprehensive governance diagnostic assessment. Reforms are also planned to strengthen the AML/CFT framework.

The authorities pledge to invest in priority sectors as well, such as security, education, and health, with the view to reversing the declining trend in productivity highlighted by staff.

Recognizing the systemic importance of the energy sector for economic competitiveness, the authorities plan to overhaul the sector policies, to improve its efficiency, increase access to electricity, and reduce power outages and load shedding. Based on the audit of the implementation of the petroleum pricing mechanism and IMF technical assistance, they are preparing an action plan and performance contracts between the government, the national electricity company (SONABEL) and the national hydrocarbon corporation (SONABHY).

Policies to Address Climate Challenges

Burkina Faso is extremely vulnerable to climate change, which significantly impacts the lives and livelihoods of a large portion of the population. As noted in the topical Selected Issues Paper (SIP), climate change is a major factor contributing to the country's fragility, with pressures over depleting water resources exacerbating intercommunity tensions. Even under very conservative assumptions, climate change is projected to cause a permanent reduction of 3.5 to 6.8 percentage points in GDP growth by 2050.

To address the threat of climate change, the authorities have committed to ambitious adaptation and mitigation efforts. To better inform their climate reforms, they have requested green Public Financial Management (PFM) and climate Public Investment

Management Assessment (c-PIMA) assistance from the IMF, and recently completed a Country Climate and Development Report (CCDR) from the World Bank.

The authorities are also implementing significant other climate reforms, including presenting in the Budget annexes an assessment of risks from climate change. They are also considering scaling up the share of renewable energy in the energy supply mix, and adequately pricing hydrocarbon energy to properly align incentives. To support their ambitious climate-related agenda, the authorities expressed an interest in an RSF arrangement, and are looking forward to a roadmap from staff to that effect.

Conclusion

Considering Burkina Faso's satisfactory program performance, as well as the authorities' commitment to sound policies and reforms going forward in the pursuit of their AP-SD, we call on Executive Directors' support for the authorities' request for the completion of the First Review under the ECF-supported program.