

Burkina Faso: Selected Issues and Statistical Appendix

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BURKINA FASO

Selected Issues and Statistical Appendix

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Approved by the African Department

August 23, 2005

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BURKINA FASO BASIC DATA

Area, population, and GDP per capita

Area	274,200 square kilometers
Population: Total (2004)	13.3 million
Growth rate	2.4 percent
GDP per capita (2004)	US\$384

	1999	2000	2001	2002	2003	Est. 2004
(In billions of CFA francs)						
Gross Domestic Product						
Total	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1
At constant 1985 prices	1,357.6	1,399.3	1,493.5	1,570.7	1,696.8	1,774.9
Per capita real income	113.6	114.4	120.4	123.6	130.5	133.3
(In percent of GDP at factor cost)						
Primary sector	40.2	37.8	40.7	39.8	40.1	37.5
Secondary sector	16.5	17.6	16.5	18.0	18.4	19.4
Tertiary sector	43.4	44.7	42.8	42.2	41.6	43.1
(Annual percentage changes)						
Nominal GDP	0.5	1.6	12.6	8.6	9.6	8.1
Real GDP	4.2	3.1	6.7	5.2	8.0	4.6
Prices						
GDP deflator	-3.5	-1.6	5.5	3.3	1.5	3.3
Consumer price index	-1.1	-0.1	4.7	2.3	2.0	-0.4
(In billions of CFA francs)						
Central government finance						
Revenue and grants	377.7	354.2	376.3	378.1	434.6	462.2
Total expenditure and net lending	438.3	421.1	457.5	486.4	507.0	577.0
<i>Of which</i> : current expenditure	180.6	194.3	218.8	258.9	259.6	284.5
capital expenditure	257.4	223.7	240.5	230.3	223.9	297.8
Overall deficit (commitment basis)	-60.6	-67.0	-81.2	-108.3	-72.4	-114.8
Change in arrears	-8.3	0.0	0.0	-3.2	0.0	0.0
Overall deficit (cash basis)	-69.9	-74.2	-82.6	-68.6	-88.5	-106.3
Financing	70.6	75.3	81.0	70.4	89.3	109.0
Foreign	68.2	46.2	88.4	94.1	83.0	118.8
Domestic	2.4	29.0	-7.4	-23.8	6.3	-9.7
Money and credit						
Net foreign assets	163.5	125.8	128.1	140.5	166.2	163.8
Net domestic assets	225.3	285.1	296.2	296.2	341.7	345.6
<i>Of which</i> : net claims to government	3.4	3.4	3.4	3.4	3.4	3.4
credit to the economy	381.9	381.9	381.9	381.9	381.9	381.9
Money and quasi money	388.8	410.8	424.4	436.7	507.9	509.4

Burkina Faso: Basic Data, 1999–2004 (concluded)

	1999	2000	2001	2002	2003	Est. 2004
Balance of payments						
Exports, f.o.b.	156.2	146.2	163.8	170.8	186.3	229.7
Imports, f.o.b.	-357.4	-368.6	-391.5	-401.3	-398.3	-417.8
Trade balance	-201.2	-222.4	-227.7	-230.5	-212.0	-188.1
Services (net)	-70.8	-77.3	-76.0	-72.5	-108.9	-112.0
Transfers	88.7	86.8	90.8	90.1	122.5	104.3
Current account	-194.6	-227.1	-230.9	-227.7	-213.4	-211.4
Excluding official transfers	-243.5	-274.8	-295.9	-288.0	-317.7	-289.6
Capital inflows (net)	69.5	58.8	78.4	98.8	79.9	119.7
Errors and omissions	-8.6	5.3	2.3	28.6	68.8	-10.0
Overall balance	-13.3	-47.5	2.4	12.4	25.7	-2.4
Financing	13.3	47.5	-2.4	-12.4	-25.7	2.4
Change in net foreign assets	9.1	37.7	-2.4	-12.4	-25.7	2.4
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	7.2	26.5	20.8	24.7	25.1
Gross official reserves						
Gross official reserves	192.2	171.3	194.0	190.1	226.2	207.8
In months of imports, c.i.f.	5.5	4.9	5.2	4.8	5.6	4.9
	(CFA francs per U.S. dollar)					
Exchange rate						
End of period	653.0	705.0	735.1	625.5	533.7	489.2
Period average	615.7	712.0	733.0	694.6	580.1	527.6

Sources: Burkinabè authorities; and staff estimates.

INTRODUCTION

1. This collection of selected issues papers provides background information and analytical support for key policy issues discussed in the 2005 Article IV consultation discussions with Burkina Faso. The Article IV consultation report identifies three key objectives of the Burkinabè authorities' poverty reduction strategy: (i) combating corruption; (ii) promoting broad-based growth through economic diversification; and (iii) ensuring that public borrowing to finance fiscal deficits is consistent with debt sustainability.
2. The first of the three papers examines the multifaceted nature of the authorities' strategy to strengthen their fight against corruption. The fight against corruption brings together reforms to enhance fiscal transparency and accountability, which make public malfeasance harder to undertake and hide, with judicial reform, which makes it easier to prosecute. These synergies are complemented by additional institutional reforms to help root out corruption and expedite the prosecutorial process. Measures to strengthen tax and customs administration are being implemented to make corporate and personal tax fraud easier to detect.
3. The second paper considers the rationale for economic diversification in Burkina Faso, examines the extent to which the authorities' poverty reduction strategy paper (PRSP) adequately addresses the challenges of diversification, and assesses the activities that are under way or that will be implemented in the near term to meet the objectives of the PRSP. The paper finds that there is considerable potential for diversifying agricultural production, and that important measures have been implemented to exploit that potential. However, insufficient access to credit, limited physical infrastructure, low mechanization, high factor costs, and the difficulty of reforming the land tenure system are likely to remain significant challenges to diversification in the medium term.
4. The third paper builds on the results from the debt sustainability analysis (DSA) to explore additional topics related to Burkina Faso's debt outlook. Using different scenarios, the paper finds that ensuring sufficient grant financing, attracting external loans at concessional terms and continuing efforts to improve long-term growth and revenue prospects are all essential to contain the external debt situation within acceptable bounds. Next, the paper analyzes in detail how the country's debt ratios would be affected when discount rates change, and shows that this crucially on the intertemporal composition (duration) of the external debt. Finally, in order to distinguish more carefully the various channels through which discount rates affect debt ratios, two alternative debt indicators are introduced and their implications are explored.

I. FIGHTING CORRUPTION IN BURKINA FASO¹

A. Introduction

1. There is widespread agreement that poor governance and corruption hurt a country's investment and growth performance and that they contribute to poverty.² Fighting corruption and promoting good governance requires sustained efforts to change the incentives of a culture that rewards bad behavior.

2. The Burkinabè authorities have publicly reiterated their determination to fight corruption on several occasions, for instance during the annual high-level meeting between the prime minister and, recently, the private sector, and recently in the Prime Minister's State of the Nation speech. The authorities have made the promotion of good governance—political, administrative, economic, and local—one of the four strategic pillars of their PRSP. A key element of this pillar is the fight against corruption, especially as it relates to misuse of public funds, and combines reforms to enhance fiscal transparency and accountability with judicial reform. There are synergies from both types of reforms, with the former making public malfeasance harder to hide and the latter making it easier to prosecute. These synergies are complemented by institutional reforms to help root out corruption and expedite the prosecutorial process.

3. This paper examines the multifaceted nature of the authorities' strategy to strengthen their fight against corruption. We first give an overview of findings of public perceptions of corruption in Burkina Faso. We continue with a discussion of various initiatives for institutional and legal reform, followed by measures to improve fiscal management and transparency. Next we look at the role of civil society, and the final section concludes.

B. Public Perceptions of Corruption

4. Several studies have attempted to measure the perception of corruption in Burkina Faso. Kaufmann, Kraay and Mastruzzi (2005) construct a governance indicator that varies between -2.5 to 2.5, with higher values corresponding to better governance outcomes. The estimated indicator for Burkina Faso is -0.35 for 2004, which compares favorably with the average of -0.64 for the WAEMU countries and puts Burkina Faso in the second best position after Benin. The study does not find any clear trend in the evolution of the index over the period 1996-2004.

5. The REN-LAC (*Réseau National de Lutte Anti-Corruption*) is an NGO that since 2000 has been conducting annual surveys about public perception of corruption. They find

¹ Prepared by Mario Carlos Zejan.

² Useful references are Mauro (1995) and Abed and Gupta (2002).

that corruption in Burkina Faso has become worse over time and is prevalent in both the public administration and the private sector.³ According to the results of the 2003 survey, which are broadly consistent with the earlier ones, 90 percent of participants believe that corruption is widespread and 83 percent think that corruption had increased during the previous year. Survey participants indicated that corruption was most serious in the areas of customs, health and public procurement, although public administration, the police, education, and justice were also cited as problem areas. Forty-eight percent of respondents indicated that they had personal experience with instances of corruption, particularly for services provided by the health sector, the police and the education system. Respondents believe that the police and health sector are affected mainly by petty corruption, while larger amounts are involved in corruption within customs and public procurement. Finally, 67 percent of respondents think that not enough is done to fight corruption, while 25 percent are satisfied with the measures taken by the government.

6. In 2003, the UNDP published a report on corruption and human development that includes results of a survey of 500 individuals. According to the UNDP report, which broadly confirms the results from the REN-LAC studies, 56 percent of the respondents believed that corruption was widespread, though 60 percent thought that corruption in Burkina Faso was less common than in neighboring countries.⁴

C. Institutional Reforms to Promote the Fight against Corruption

7. The Burkinabè government has taken a number of initiatives to reduce corruption. A National Plan of Good Governance (PNBG, 1997-2003) was adopted in 1998 with three main objectives: (i) to enhance the role of the state in the socio-economic development of the country; (ii) to create incentives for the promotion and professionalization of the private sector; and (iii) to enhance capacities in the civil society to influence political and economic decisions. The national good governance plan is the government's framework in the area of governance and provides an umbrella for the elaboration of a comprehensive strategy for fighting corruption. Financial constraints and a difficult socio-economic and political situation in 1998 delayed the start of the PNBG's operations until 2001. The government has recently updated and adopted the PNBG for 2004-08 and is discussing an action plan with donors. The revised PNBG intends to intensify the fight against corruption by strengthening the General State Inspectorate, the General Inspection of Finances and the High Authority of Coordination of the Fight against Corruption, and by revising and updating their statutes.

8. In 2000, the government adopted an action plan to reform the judiciary over the period 2002–06 (PANRJ, *Plan d'Action National pour la Réforme de la Justice*). The main objectives of the PANRJ are to improve efficiency in the Justice administration and to

³ REN-LAC (2004).

⁴ UNDP (2003).

expand access to Justice to broader population groups. Specifically, the PANRJ aims at strengthening and modernizing the administration of the justice and the court system, and at developing experienced and well-trained judicial personnel. In the context of the PANRJ, the Supreme Court was substituted by the *Cour de Cassation*, the *Cour des Comptes*, the *Conseil Constitutionnel*, and the *Conseil de l'Etat* (the Supreme Court for administrative justice). Furthermore, the *Conseil Supérieur de la Magistrature* became independent and the *Inspection Générale des Services Judiciaires* was given more autonomy. To improve efficiency in the enforcement of laws, the number of magistrates increased from 160 in 1996 to 235 in 2003, while measures are implemented to train the personnel of the judiciary and to increase the number of high tribunals from 13 to 20. The government is also providing information about the Justice system through television broadcasts.

9. To improve efficiency in the Justice administration, the President of Burkina Faso established in June 2004 a commission to investigate corruption in the justice system. This resulted in a report prepared by the President of the *Conseil d'Etat* in 2005. The authorities are preparing an action plan to address the findings in the report. Also, in May 2005 the *Conseil Supérieur de la Magistrature*, in the presence of the President of Burkina Faso, discussed the issue of the fight against corruption. In March 2005, the National Assembly authorized the government to sign the United Nations convention against corruption and the African Union's convention against corruption. To date, however, no general law against corruption has been adopted.

10. To coordinate the fight against corruption and assist the government in the prevention, detection and fight against financial delinquency practices and corruption within the administration, a High Authority of Coordination of the Fight against Corruption *Haute Autorité de Coordination de la Lutte contre la Corruption* (HACLC) was created in December 2001. It started operations in September 2002. The work by the HACLC resulted in a national strategy for the fight against corruption, which was submitted in early 2005 to the Council of Ministers and should be adopted before the end of the year. The HACLC has an investigative role as well (albeit without enforcement power), and submits annual confidential reports to the Prime Minister's office. Based on the December 2003 report, in which ten possible cases of corruption were identified, the government initiated judicial action in four cases. The other cases have led to disciplinary measures and are under investigation to assess if there is sufficient cause to initiate judicial actions. Apart from the cases identified by the HACLC, the courts have, since March 2003, prosecuted seven people for defrauding the state, sentencing six of them to prison and ordering them to pay restitutions; another seven persons have been indicted, and eleven cases are under investigation. There are also several cases of fraudulent behavior being investigated in different ministries. Recently, the Council of Ministers decided to apply disciplinary sanctions against 7 custom officers suspected of irregular transactions and to start judicial action against some of the suspects and 4 custom operators.

11. The draft national strategy for the fight against corruption that was submitted by the HACLC includes an analysis of the nature of corruption problems in Burkina Faso, and of

the opportunities and constraints to address those problems. The draft strategy and action plan also propose activities to increase awareness about the costs and causes of corruption to stimulate demand for change. The HACLC makes several recommendations, such as to revise the Penal Code to include provisions against all forms of corrupt practices; to introduce a general law against corruption; to improve coordination between government agencies; and to strengthen enforcement agencies. The HACLC also proposes to improve and expand the regulations about public disclosure of officials' finances; create specific jurisdictions for the fight against corruption; establish hotlines to enlist citizens to report corrupt acts; and introduce mechanisms to protect informers.

12. Other public institutions have prerogatives in the fight against corruption. For example, the National Assembly can request any document at any time to verify budget implementation by ministries and departments. However, these institutions rarely make use of these powers.

D. Fiscal Reforms

13. The creation of an Auditor General Office (*Cour des Comptes*) in 2000 was an important step to improve the transparency of fiscal management and public affairs. The *Cour des Comptes*, which became operational in 2002, is the body authorized to audit the accounts of the government. It is independent of both the legislative and executive branches of government, and has extensive responsibilities covering regularity and management audits, and assisting the government in overseeing and applying the laws governing public finances. The *Cour* is the judge of accounts kept by public accountants and verifies the regularity of all income and expenditure recorded in public accounts. It is therefore responsible for verifying whether revenues have been collected and expenditures have been paid in accordance with applicable accounting rules. The *Cour* prepares an annual report on the draft budget act, which it submits to the National Assembly. As such, the *Cour* is an ex post control mechanism whose role is to identify and point out errors and transgressions. Its findings do not only contain criticisms of past action, but also make recommendations to improve the delivery of public services, which in turn lead to reforms.

14. To fight tax evasion and custom fraud, the government is undertaking fiscal reforms in the context of an action plan to enhance budget management (PRGB, *Plan d'Action pour le Renforcement de la Gestion Budgétaire*). The main objectives of the PRGB are to improve the legal and operational framework for budget procedures, and to enhance transparency and decentralization in budget management. Several donors have made progress in the implementation of the PRGB a condition for budget support, and the Ministry of Finance produces quarterly progress reports. The action plan includes provisions for the regular submission of balance sheets to the *Cour des Comptes*, and contains measures to improve tax compliance and revenue collection. Specifically, some of the measures implemented are the introduction of a revised single tax identification number; the acceleration of the auditing activities of the recently created Large Taxpayer Division (DGE); the launch of a census of taxpayers; the upgrade of the custom computerization system; improved coordination between the Tax and Custom Directorates; and the creation of a special unit to monitor the final destination of imports benefiting from customs and tax exemptions.

15. The authorities' fiscal reform efforts have been supported by the Fund's conditionality in important ways. Structural conditionality has focused on reforms to strengthen revenue performance and remove various sources of drain on the budget, by improving tax and customs administration, public expenditure management, and transparency in fiscal management. Several measures implemented in the context of the PRGB have been part of the structural conditionality of Fund-supported programs. During the last 15 years, the Fund has also provided support in capacity building via technical assistance. On the fiscal side, such assistance has focused on improving the effectiveness of the tax system and custom administration, including training in the fight against tax evasion.

E. The Role of Civil Society

16. Civil society, including human rights associations, the press, and the trade unions participate actively in the debate about corruption, denouncing cases of petty corruption and requesting action against cases identified in audits and reports. The REN-LAC regularly organizes workshops and seminars to discuss corruption, such as in the health sector and in the police. The national television recently broadcast a series of programs to discuss corruption in customs with the participation of senior custom officers.

17. In the PRSP, the government points out that civil society has a role in monitoring corruption, financial crime, and tax evasion; and welcomes the initiatives taken by civil society organizations. Since 2000, several consultative institutions have been established to promote the dialogue between the government and the civil society. These include: the Ombudsman of Faso, who is appointed to receive, investigate and resolve complaints about unfairness in the administration of public services; the Economic and Social Council, a forum for consultation that issues non-binding opinions on major economic and social questions ; the National Ethics Committee, charged with monitoring public life and suggesting measures to moralize government activities; and the High Council of Information, that is responsible for the elaboration of media-related policies.

F. Concluding Remarks

18. The efforts undertaken by the Burkinabè authorities are welcome. Public perceptions are, however, that limited results have been achieved. Looking ahead, the government's major challenge is to demonstrate its resolute determination to fight corruption, which it can do by successfully prosecuting individuals and companies involved in corrupt practices. Other efforts should focus on improving the coordination between government agencies, reinforcing the ministerial inspection offices, strengthening the judicial sector, and giving the HACLC more independence. The division of responsibilities between the HACLC and the General State Inspectorate (IGE) should be clarified. The *Cour des Comptes* would need to be strengthened to improve its auditing and diagnostic capacity. Public dissemination of audit findings could improve transparency and accountability, and promote public scrutiny by the civil society.

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II. PROSPECTS FOR ECONOMIC DIVERSIFICATION¹

A. Introduction

1. A central challenge for Burkina Faso's medium-term growth prospects is the diversification of the economy. This paper examines the extent to which economic diversification is justified and how the Burkinabè authorities are addressing the challenge. In particular, it reviews the main diversification objectives contained in the authorities' poverty reduction strategy paper (PRSP), analyzes the main activities that have been implemented or that are programmed in near future, and attempts to identify the weaknesses and remaining constraints to the successful implementation of the strategy. After an analysis of the rationale for diversification, the following four sections of the paper focus on the principal areas of economic activity on which the authorities rely to generate new sources of income. In addition to identifying new income-generating activities, another essential aspect of the medium term growth strategy is the creation of an enabling environment for private sector initiative to develop. This is the focus of the remaining sections of the paper, which examine some key structural and physical barriers to diversification, before presenting some concluding remarks.

2. The PRSP identifies accelerating broad-based growth and increasing employment and income generating activities for the poor as two of its four pillars, with a particular focus on the rural sector, as the primary sector in Burkina Faso accounts for about one third of GDP and employs more than 80 percent of the population². In addition, about 90 percent of the poor are estimated to live in rural areas. Therefore, in the authorities' view, traditional income sources such as subsistence farming and livestock raising need to be complemented by additional income-generating activities in rural areas. The diversification strategy places strong emphasis on the intensification and modernization of agricultural activity, the provision of producer support through modern inputs and marketing services, and enhancements in physical infrastructure to reduce the isolation of remote areas. Other policies to boost growth through economic diversification include the development of the formal secondary sector by creating an environment conducive to foreign direct investment.

3. The 2004-06 PRSP indicates that while some activities to promote rural development took place between 2000 and 2003, notably in the area of irrigation and the rehabilitation and maintenance of roads, there was little evidence of a marked improvement in agricultural diversification. In particular, the 2004-06 PRSP notes that agriculture in Burkina Faso continues to suffer from recurrent droughts, insufficient mechanization, and little progress in adopting new agricultural techniques because of the low literacy level. Furthermore, development of the private sector continues to be hampered by limited access to financial

¹ Prepared by Ragnar Gudmundsson.

² Between 1985 and 2004, the share of the primary sector in GDP remained almost identical, moving from 37.9 percent to 37.4 percent.

services, and foreign direct investment has remained low, with few investment opportunities, especially in a context of low productivity, institutional weaknesses, and high input and transaction costs.³ As a result, four years after the publication of the first PRSP in 2000, the economy continues to be highly dependent on developments in the cotton sector.

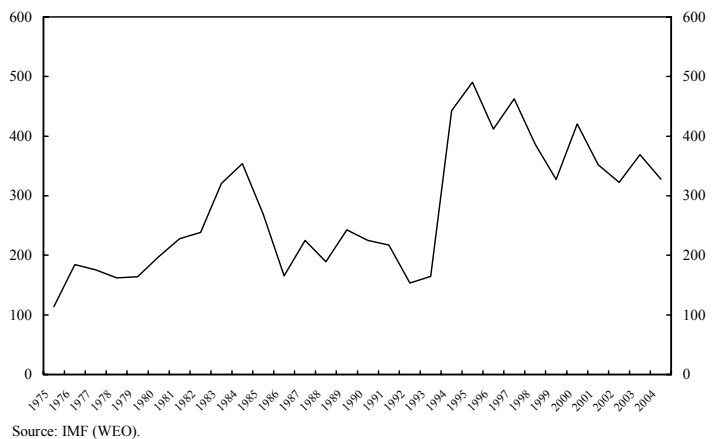
B. Why Diversify?

4. The exploitation of cotton has served Burkina Faso well. Growth in per capita income in rural areas has been largely driven by cotton production and exports, which have increased more than fourfold since 1994. As a result, poverty among cotton farmers is, on the basis of household surveys, estimated to have decreased from 62.1 percent in 1994 to 46.8 percent in 2003.⁴ This spectacular achievement has been realized through an expansion of land under cultivation, an improvement in production techniques, and a restructuring of the previously State-dominated sector, notably by making farmers partial owners of the main cotton ginning company in the context of its privatization. Structural measures envisaged to strengthen further the performance of the cotton sector include the provision of technical advice to cotton farmers, ongoing research to develop new higher yielding varieties of cotton, the construction of new ginning plants, investments in rural feeder roads to facilitate the transport of cotton to ginning plants, and measures to facilitate the purchase of new equipment by cotton farmers.

5. Why diversify if cotton has been so good for the economy? First, diversification can help reduce the volatility of income, an important consideration in Burkina Faso, where the average income is close to

subsistence levels. Incomes related to cotton are subject to great volatility, putting farmers at risk in the event of a drop in world prices. Cotton farmers are not able to shield themselves from the negative impact of a bad cotton campaign by saving in good times or borrowing in bad times, as the vast majority of rural households faces severe credit constraints and has little possibility either of investing savings or obtaining loans.⁵ World cotton prices

Figure II.1. Burkina Faso: Cotton Prices, 1975–2004
(Cotton Outlook 'A Index', CFA francs per pound)



³ World Bank, "Country Assistance Strategy for Burkina Faso," May 2005 (Washington, DC).

⁴ Michel Grimm and Isabel Gunther, "Operationalizing Pro-Poor Growth, A Country Case Study on Burkina Faso," joint initiative of AFD, BMZ, DFID, and World Bank, October 2004.

⁵ The April 2005 issue of the World Economic Outlook points to recent research demonstrating the harmful effects of volatility on growth, welfare, and poverty. In particular, the research shows that:

(continued...)

reached a record low at end-2004 (measured in euros, to which the CFA franc is pegged), eroding part of the competitiveness gains following the 1994 devaluation of the CFA franc, and although they have improved somewhat since then, they remain at a low level by historical standards. Available data from the futures markets and the International Cotton Advisory Committee point to world prices remaining below historical averages for the next five years⁶. Even though Burkina Faso cotton farmers have not suffered in 2005 because the guaranteed producer price had been agreed with ginning companies before prices began to fall in the second half of 2004, income prospects linked to cotton production have waned and are projected to remain subdued for the next three years.

6. A second essential reason to diversify is that not all land is suited for cotton production. Cotton production is estimated to benefit only a fifth of rural households. As pointed out in a recent study on pro-poor growth in Burkina Faso, higher productivity in the cotton sector has not translated into significant positive spill-over effects on subsistence farmers, who represent the majority of the rural sector. Food crop farmers have enjoyed much lower growth rates than cotton farmers since 1994, and continue to suffer from a lack of investments, low productivity, and limited access to domestic and international markets. This points to the need for policies specifically geared at improving the economic prospects of food crop farmers, including by creating an environment that will strengthen incentives to diversify.

7. Third, a growth strategy solely based on a continued expansion of production in the cotton sector is subject to a number of environmental risks. While there are still margins for production to increase through investments in R&D, greater use of fertilizers, and mechanization, there is a limit to the additional land that can be put under cultivation for cotton production. Also, there are already concerns linked to environmental sustainability including, in particular, soil degradation that are exacerbated by monoculture. A diversification strategy aimed at developing market outlets for new agricultural products would encourage the rotation of crops and help promote more sustainable land cultivation.

8. In their revised 2004-06 PRSP, the authorities, while recognizing the limited results achieved to date, reemphasize the importance of their economic diversification strategy, and

(i) in developing countries, a 1 percent increase in the standard deviation of output is associated with a 0.16 percentage point decline in the average growth rate; (ii) economies with a more diversified export base have the ability to withstand higher levels of volatility with less adverse effects on growth; and (iii) the lack of developed financial markets coupled with developing countries' limited access to international financial markets magnify the welfare costs of consumption volatility, which is on average two to three times higher than in developed countries. "World Economic Outlook, Globalization and External Imbalances," April 2005 (Washington, DC).

⁶ International Monetary Fund, "Regional Economic Outlook, Sub-Saharan Africa," May 2005 (Washington, DC).

outline the following main areas where they intend to make progress with support from development partners:

- developing agro processing and the marketing of agricultural products;
- developing infrastructure for bringing products to market, including through investments for road construction and maintenance;
- reducing vulnerability to drought, including through continued investments for small-scale irrigation;
- improving access to physical assets, including through a reform of the land tenure system;
- enhancing access to credit, including through the development of microfinance; and
- building the capacities of stakeholders and creating a favorable institutional framework for private sector investment.

C. Diversification of Cash Crops

9. A key objective of the PRSP is the diversification from subsistence farming to cash crops for the local and export markets, in order to improve rural income, stimulate local consumption and encourage the transformation of locally produced goods. To achieve this objective, the authorities plan to continue withdrawing from agricultural production and marketing activities, and instead to strengthen their support and advisory role vis-à-vis private sector operators, through extension services, research and development, enforcement of international quality and health norms, market information, and provision of infrastructure. In particular, the authorities' policy will be to help economic operators identify niche markets for the development and export of products that enjoy strong domestic and export demand, and to consolidate the marketing system for domestic urban markets and exports to the sub region.

10. With the support of development partners, the authorities will start implementing in 2006 the PAFASP (*Programme d'Appui aux Filières Agro-Sylvo-Pastorales*), a five-year program to support private sector activities, increase competitiveness, and alleviate constraints to marketing and agro processing. The program will help promote the production of fruits (mangoes, citrus fruit, bananas), vegetables (tomatoes, onions, green beans), and oilseeds (cashew nuts, groundnuts, sesame, shea nuts, and soybeans) by providing technical support to farmers, establishing an effective quality control and standardization system, and increasing productivity through the selection of higher yielding varieties.

11. An important step was taken with the opening of a fruit and vegetable export terminal in Bobo Dioulasso in March 2005, financed by the authorities and development partners, which will facilitate stocking and help producers meet quality and packaging standards for export markets. The terminal will be run as a profit-making enterprise, with producers charged for the services provided. The authorities indicated that the terminal could, in a second stage, be extended to allow for the transformation of stored goods into higher value-added products. In that regard, it will be important to ensure that such an extension will also be designed as a commercial venture with private sector involvement. In addition, the authorities are proceeding with the construction of cold storage facilities at the Ouagadougou airport. The production of mangoes well-suited for exports has been resumed in the orchard of Kéné Dougou, and local farmers will benefit from the recent creation of a private company, the Société Burkinabè de Fruits et Légumes (SOBFEL), which is established in the region of Bobo-Dioulasso and that will specialize in the transformation and marketing of fruits and vegetables.

12. A major challenge to diversify and increase productivity remains the low level of mechanization, which will be addressed by the use of ploughs or tractors on a shared basis at the level of the village. In that regard, the PAFASP will place special emphasis on access to appropriate technology and inputs, especially for women farmers. Another important challenge for the authorities is to promote the establishment of specialized farmers' cooperatives that can play an important role in managing the exploitation and preservation of land, and purchasing seeds and fertilizers on a collective basis, as is currently the case in the cotton sector.

D. Food Security and Crops for Domestic Consumption

13. In the first half of 2005, the authorities started implementing an action plan for the development of the cereals sector that foresees large-scale wheat production and the expansion of small-scale irrigation activities to enhance the profitability of other crops, including millet, sorghum, and maize. In addition to generating new sources of income for farmers and thus contributing to poverty reduction, a key objective for the authorities is to enhance the country's food security.

14. In March 2005, the authorities announced officially the launch of the Program for the Development of Wheat Farming, which aims to improve conditions for wheat production. A wheat farmers' association has been created and discussions have been held with local millers and bakers, who have committed to purchase all the domestic wheat production. The purchase price will be determined at the start of each campaign, based on current world prices, and the price paid to farmers will not exceed the world price of wheat. In addition, farmers are committed to ensuring that the quality standards demanded by millers and bakers will be met. Support from the government for the program will be provided through irrigation and harvesting equipment, which the authorities estimate can be amortized over a period of ten years. The wheat campaign will take place between November and March, during the dry season, when agricultural activity is traditionally slower, thus providing an

added incentive to farmers to diversify their activities. Several thousand families would be expected to benefit from the program over the long term.

15. Another stated objective of the authorities is to expand the production of rice. The main difficulty faced by local rice producers is that their costs are still significantly higher than those of competitors from Asia, even once the cost of transport is included, and campaigns to encourage consumption of locally-produced rice have met only with limited success. The authorities pointed out that while the production of rice in Burkina Faso may be less competitive than in other countries, one of their objectives is to promote domestic production in the event of a rupture in imports, and thus to ensure the food security of the country. They also indicated that there are presently about 7,000 rice farmers, who each have an average of ten dependents, and that phasing out rice production would have negative social consequences.

16. While the authorities place strong emphasis on the food security argument, economic diversification should ultimately be based on having a clear comparative advantage, and food production is not tantamount to food security. There will be little economic rationale to continue local production unless production costs can be significantly reduced through productivity gains obtained with higher yielding varieties and mechanization. While the rice varieties currently grown have yields of between five and seven tons per hectare, the authorities indicated that they have been considering the adoption of new varieties from Vietnam that could yield up to 9 tons per hectare. This option may be worth investigating, but close attention will need to be paid to the cost-effectiveness of adopting any new variety. The authorities also indicated that they were considering a commercialization mechanism similar to the one used in Mali, where, if an importer wants to import a given quantity of rice into the country, he/she agrees to purchase a corresponding share of rice from local producers. Such a measure would however constitute a restriction on imports, and should not be encouraged.

17. The authorities expressed some dissatisfaction at being encouraged to liberalize their agricultural sector without sufficient regard for domestic social and food security considerations, while high and middle-income countries continue to heavily subsidize their own agricultural production, based on arguments they consider less compelling than their own. However, it is important to bear in mind that there is an opportunity cost to the resources that would be expended in sustaining a non-competitive activity. Those resources should instead be used to create an enabling environment for crops for which there is evidence of a potential comparative advantage that can be exploited without resorting to new subsidies or trade barriers that impose costs on other segments of the population. The challenge for the authorities is not only to promote diversification, but, more importantly, to promote diversification on the basis of comparative advantage.

E. Livestock Expansion

18. Livestock activities contribute significantly to the economy of Burkina Faso, accounting for slightly more than 10 percent of export earnings and representing a major

source of income for the rural population. It is estimated that livestock provides income for 86 percent of the population, and that the most vulnerable small-scale producers represent the largest contributors to the sector, with about 95 percent of total meat and milk production. The sector is considered to be internationally competitive, and therefore to be a strong potential contributor to diversification and exports growth, food security, and poverty reduction.⁷

19. The PRSP envisages increasing livestock productivity by use of agro-industrial by-products for cattle feed, improving breed selection, and strengthening animal health and quality checks to conform to international sanitary and phytosanitary standards. It also emphasizes the need to improve market access by renovating, organizing and managing livestock markets and by building infrastructure, such as refrigerated slaughterhouses, to facilitate meat exports based on market conditions. The authorities also intend to assist breeders by facilitating the importation of new species of cattle which are better suited for dairy products.

20. Activities recently implemented by the authorities include the establishment of new cattle raising zones and pasture areas, the vaccination of cows against contagious bovine pleuropneumonia, the vaccination of poultry against avian pseudo plague, and the creation of a center for African swine fever. A refrigerated slaughter house has recently been rehabilitated in Ouagadougou, and construction of an additional slaughter house in Bobo-Dioulasso is planned in 2006, with financial support from the World Bank. It will be important to ensure that these slaughterhouses are operated on a profit-making basis, as is the case for the Bobo Dioulasso fruit terminal. In addition to policies aimed at intensifying production, an important challenge will be to improve the organization and capacity of the livestock sector, including through support for technical training and the establishment of breeders' associations.

21. Among the main difficulties presently faced by the livestock sector is the problem of regional political instability, in particular as regards the still fragile situation in Côte d'Ivoire, which has traditionally been the main export market for livestock products. Another source of tension has come from access to agricultural land, with increasing competition for the use of land between farmers and breeders. Farming activities have increased through the expansion of land under cultivation, rather than the intensification of crops, while at the same time, the size of the livestock has increased. The number of cattle is estimated to have grown from 5 million in 1989 to 7.5 million in 2003, and is still considered insufficient to meet local and export demand. The authorities will need to address this source of tension through the selection of dedicated grazing areas with the involvement of all stakeholders at the village level.

⁷ World Bank, "Burkina Faso, Fifth Poverty Reduction Support Operation," April 2005 (Washington, DC).

F. Mining

22. In May 2003, the authorities adopted a revised mining code designed to encourage investments in the sector. The adoption of this new mining code coincided with the start of a recovery in international gold prices, which had reached a historical low in 2001. While 56 exploration permits were delivered between 1997 and 2003, 120 have been delivered in the two years since the revised code was issued, and exploitation permits for gold mining have already been granted to three foreign investors. Construction of the Taparko mine started in the first quarter of 2005, and construction of the Kalsaka and Youga mines is scheduled to begin in the third quarter of the year. Based on the investment plans submitted by the three mining companies, the authorities estimate that the opening of these mines will lead to a considerable increase in Burkina Faso's gold production, which until now has mostly been artisanal.

23. The authorities' project that total gold production could increase from 230 kilograms in 2004, to 7.4 tons in 2006, 8.8 tons in 2007, and 9.4 tons in 2008. With a gradual increase in the activities of the three mines, total gold production over the 2006-2010 periods could reach up to 60 tons. The authorities indicated that two other sites (Essakane and Mana-Fobiri-Wona) have also generated interest from foreign investors, and that feasibility studies are under way. These two mines could be operational by 2008. If these optimistic projections materialize, they could have a significant impact on the economy, notably through an increase in domestic consumption linked to mining investments, an increase in government revenue,⁸ and a sizable improvement in the country's trade balance. Based on 2004 prices, an increase in gold production from 230 kilograms to 8 tons would lead to a rise in the value of gold exports from CFAF 1.6 billion to CFAF 57.1 billion, quite significant when compared with total merchandise exports of CFAF 230 billion at end-2004.

24. The authorities indicated that, in addition, to the above large-scale mining activities, they have also been promoting artisanal mining, including through investments financed by resources provided in the context of the HIPC Initiative, as this is an activity that can contribute to raising the incomes of poorest segments of the population. These investments focus on the establishment of ore crushing and grinding plants, awareness training to reduce health and environmental hazards, and the dissemination of artisanal mining equipment.

G. Land Tenure Reform

25. The authorities' PRSP rightly emphasizes that the intensification and modernization of agriculture will depend on efforts to create conditions under which more farmers can achieve secure land tenure. At present, Burkina Faso's land tenure system is based on traditional, uncodified rights. While in theory and in legal terms, all land is under the ownership of the State, in practice, land used for agricultural production is owned by the

⁸ The increase would come, notably, from a 3 percent ad valorem tax on gold production.

village community. A farmer interested in obtaining the right to exploit a piece of land must obtain prior approval from a land chief, who is the custodian of the land at the village level. Once the permission is obtained from the land chief, the farmer needs to obtain exploitation rights from the local prefect. These rights are granted only if improvements to the land are foreseen, through the planting of trees or the drilling of a well for instance. This system is unfortunately not conducive to larger agricultural exploitations that can yield economies of scale. It does not either stimulate investments to mechanize production, and leaves considerable uncertainty as to an investor's ability to recoup the resources that have been committed from a long-term perspective.

26. The authorities recognize the existence of a tension between the strategy to increase productivity and the relation of communities to the land, and indicated that a multidisciplinary group was created two years ago to draft a new law on land tenure that would help farmers secure property rights and facilitate investments geared at creating larger estates. While the authorities expressed the hope that the new law could be adopted as early as 2007, they indicated that the adoption of a new law would need to be preceded by extensive consultations with stakeholders. They underscored that the issue of land ownership is an especially sensitive one, and that such a crucial reform carried out in haste could have strong negative social and political consequences (citing it as one of the factors having led to political crisis in Côte d'Ivoire). Hence, the transition from a customary to a title-based land ownership system will need to be gradual, and a period of several years will be required for land tenure reform to fully impact agricultural production. Nonetheless, it should be feasible to speed up the process by putting in place a mechanism whereby tracts of land formally under the ownership of the State would be ceded to individuals and investors, while other tracts of land would remain under the responsibility of communities at the village level.

H. Promoting Irrigation

27. Burkina Faso's arable land covers an area of about 9 million hectares, of which 3.5 million are presently exploited. It is estimated that about 500,000 hectares are suitable for irrigation, of which only about 6 percent were irrigated in 2000. In order to help farmers increase and diversify their production during the low season, reduce their vulnerability to drought, and stem rural exodus, a project to expand small-scale irrigation was launched by the authorities in 2001, and has been financed with resources obtained in the context of the enhanced HIPC-Initiative. These resources have been used by to purchase treadle and motor pumps, which have been provided to farmers through interest-free three-year microcredits. Farmers are expected to contribute ten percent of the loan as collateral. The project has been successful in the sense that it has led over the past four years to the irrigation of about 20,000 hectares, the creation of an estimated 100,000 jobs, and demonstrated to farmers the feasibility and benefit of diversifying their production during the low season.

28. Following the implementation of the pilot project, the authorities decided to continue the promotion of small-scale irrigation activities in the context of national program that will last until 2012, and which foresees the extension of irrigation techniques to an additional 30,000 hectares of land at least. While diversification initially focused mostly on the

production of corn and beans, it has since 2004 shifted into the production of fruits and vegetables, which should benefit from the activities implemented in the context of the above-mentioned PAFASP program. The main challenge is to identify ways to alleviate the serious financial constraints faced by small farmers, who are often unable or reluctant to provide the necessary collateral amounting to 10 percent of the loan. Of the 3,391 loan applications during the pilot phase, only 1,311 projects were eventually approved, and microcredit reimbursement rates have been unsatisfactory. In addition, the authorities indicated that the low literacy level continues to impede the adoption of more efficient farming techniques, calling for increased technical support to farmers.

I. Improving Access to Credit

29. Microfinance is underdeveloped and unevenly distributed across the country. While the total number of microfinance institutions reached 309 at end-December 2004, more than 80 percent of the country's 45 provinces accounted for fewer than six institutions, and a quarter of provinces accounted for only 2 institutions, to the detriment of isolated rural areas. Deposits at the level of microfinance institutions represented only 5.2 percent of total deposits in the Burkinabè financial system in 2002, down from 5.6 percent in 1999. Nominal interest rates for loans from microfinance institutions are as high as 24 percent per year, while rates of remuneration on deposit accounts range from 2 to 5 percent per year. Loans represent only about 60 percent of deposits, pointing to excess liquidity.

30. The PRSP states that the aim of the authorities is to extend decentralized financial systems from the current penetration rates of 10 to 15 percent of the population and to enhance their operational capacities through refinancing systems and guarantee funds provided by other financial institutions. However, a clear plan to translate this aim into concrete actions is still lacking. The authorities have indicated that they are currently finalizing a strategy for the development of the microfinance sector, which has benefited from the participation of civil society representatives, and which will take into account the successful experience of other countries in this area. They also indicated that discussions under way at the WAEMU sub regional level would seek to determine common guidelines for the supervision of microfinance institutions. In light of its importance for the development of the rural economy, further delays to the adoption of the strategy should be avoided.

31. It should be emphasized that a reform of land tenure that would enable farmers to use their land title as a guarantee would facilitate the development of financial services in rural areas, as the low utilization rate of deposits in microfinance institutions is linked to difficulties in securing collateral or other forms of guarantee. Looking forward, the development of microfinance should focus on increasing mechanization to achieve productivity gains in agriculture, including by facilitating farmers' access to animal-drawn farm equipment and fertilizers, as the proportion of farms with plows and draft animals is currently estimated at less than 30 percent.

J. Strengthening Road Infrastructure

32. One of the main factors identified by the authorities as a constraint to the development of the private sector and the commercialization of new commodities is the weakness of the country's transport infrastructure. This is especially relevant given Burkina Faso's status as a landlocked country and the need to ensure access to harbors from where goods can be exported.

33. In the context of a sectoral program covering the period 2000-10, one of the authorities' main objectives is to ensure the maintenance of the country's 15,272 kilometers of priority road infrastructure. While at present 10,000 kilometers are maintained on a regular basis, according to the authorities, the remaining 5,272 kilometers would need to be rehabilitated in a first stage, given their poor current condition. Another key objective for the authorities will be to develop and strengthen the network of international roads, which has come under strain as a result of increased traffic in the wake of the crisis in Côte d'Ivoire, and to proceed with the asphaltting of new roads to Ghana and Togo.⁹

34. The authorities have indicated that as a result of political developments in Côte d'Ivoire, Burkina Faso has increasingly been used as a transit route for trade from Mali and Niger. Therefore, they consider that with appropriate investments, the country could develop as a regional transport hub and generate revenues from the use of its road infrastructure. To develop its potential as a transport hub between coastal countries and those in the interior, the PRSP underscores the need to develop inland container depots with large storage and parking capacities. In that regard, construction of a road freight terminal in Bobo Dioulasso started in July 2004.

35. A second essential component of the authorities' strategy with regard to transport infrastructure is the development of rural feeder roads, which currently cover 46,095 kilometers of the territory. These feeder roads are key to reduce the isolation of rural areas and thereby increase access to education and health services, and agricultural markets. The authorities' strategy envisages the rehabilitation and maintenance of 12,000 kilometers by 2007, financed in part by HIPC Initiative resources, and emphasizes labor-intensive construction methods, in order to create temporary jobs for the poorest segments of the population and stem migration to urban areas. The strategy also envisages that local populations will take on maintenance and repair tasks, with the participation the Village Land Management Committees. The costs of maintenance will be divided between central government, local governments and users.

36. The authorities' strategy to improve the country's road infrastructure is justified on both economic and social grounds, and one of the main challenges will be to find the necessary financing on concessional terms for this very costly component of their economic

⁹ In 2004, only 2,007 kilometers of the country's priority roads were asphalted.

strategy. It will also be crucial to ensure that adequate provisions are made in the budget for the regular maintenance of the road network, in order to maximize the longevity of the investments that will take place in the next few years. It has been estimated that ensuring the regular maintenance of roads can nearly double their life expectancy. Ensuring the regular maintenance of the road network will thus help reduce the need to contract new loans for road construction, and this could have a significant positive impact on the country's external debt sustainability.

K. Energy Sector Reform

37. A central medium to long term objective of the authorities is to reduce the cost and improve the reliability of electricity supply, two key impediments to the development of manufacturing activities in the country. The state-owned electricity company (SONABEL) has intrinsically high supply costs, as the country has limited hydropower potential, and electricity generation is dependent on imported petroleum fuels.¹⁰ As a result, electricity tariffs are among the highest in Sub Saharan Africa, as shown in the table below. Yet, even these high tariffs do not cover the costs of supply. Therefore, it appears that one must rule out a reduction in electricity tariffs in the medium term, which will inevitably make the challenge of developing competitive manufacturing industries an even harder one than at present. It is only in the longer term that a reduction in the cost of electricity can be expected, with productivity gains stemming from new investments and more efficient management.

Table II.1. Average Tariff in US Cents/kWh

<i>Country</i>	<i>Average Household</i>	<i>Industry</i>
Burkina Faso	22.5	21.3
Ghana	5.14	7.44
Côte d'Ivoire	8.52	5.54
Togo	10.68	10.95
Benin	12.44	11.22
Mali	17.95	18.12
European Union (avg.)	8.14	8.73

Source: World Bank

38. In addition, even though capacity has been expanding by 7 percent a year from 1995 to 2004, there is substantial unmet demand and capacity is over utilized. The basic elements of authorities' strategy for the sector are: (i) creating an institutional, legal, and regulatory framework conducive to attracting private sector resources; (ii) meeting the short term generation deficit on the Ouagadougou Regional Network; and (iii) lowering the cost and improving the reliability of supply.

¹⁰ World Bank, "Burkina Faso, Power Sector Development Project," October 2004 (Washington, DC).

39. To achieve those goals, the authorities plan to establish an independent regulatory agency and to open the power generation segment to competition by transforming SONABEL into an operating/leasing company that will be managed by a competitively selected private operator. In cooperation with development partners, they will extend in early 2007 the existing Côte d'Ivoire-Bobo Dioulasso transmission line to Ouagadougou. In addition, the authorities plan to connect the current grid to the Ghanaian grid by 2012.

40. A key challenge for the future will also be to improve the supply of energy in rural areas, where most households do not have access to electricity. As expansion of the national electricity grid is not considered a cost-effective option, investments will need to focus on the development of alternative and renewable energy sources.¹¹

L. Enhancing the Business Environment

41. In their PRSP, the authorities indicate their intention to improve the climate for private investment, with a focus on upgrading existing legislation, standards, and regulations, and carrying through reforms to make a decisive improvement in the court system.¹² The strategy also underscores the need to simplify administrative formalities for new businesses and reducing application processing times, and to reduce unit labor costs by cutting the social welfare contributions paid by employers in the modern sector. A third aspect of the strategy relates to building the government's capacity to regulate utility markets, and privatizing existing utilities to facilitate the entry of new operators and an injection of new resources and technology.

42. A new labor law was adopted in September 2004 that aims to reduce labor costs by making the rules governing labor contracts more flexible and streamlining procedures for out-of court settlements of labor disputes. In May 2005, the government approved the creation of a center for business registration that consolidates and simplifies administrative requirements, including the reduction of administrative fees for establishing businesses. In addition, a center of arbitration was created to expedite the resolution of labor disputes. While the privatization program launched by the authorities in 1991 has generally been successful, progress regarding the privatization of key public utilities has been slow, and the government's credibility will be enhanced by bringing ONATEL (the national telecommunications company) to the point of sale and transferring assets to the new operator, as well as the issuance of a tender for the selection of a private operator for the management of the SONABEL in early 2006.

43. While the above measures are encouraging, it appears that investment opportunities for foreign investors will remain limited in the medium term. The costs of key infrastructure

¹¹ World Bank, "Country Assistance Strategy for Burkina Faso," May 2005 (Washington, DC).

¹² Issues related to good governance, which are also key to enhancing the business environment, are examined in detail in the accompanying paper on the fight against corruption in Burkina Faso.

services are high not only compared to other countries in the WAEMU, but especially compared to those of competitors in other regions. A 2001 study prepared by the government of Burkina Faso and the World Bank indicated that the costs of water and electricity were nearly twice as high as those of Asian competitors, and that wage costs in the formal sector in Burkina Faso were 94 percent higher than in Mali, 60 percent higher than in Benin, and 70 percent higher than in Togo.¹³ For example, while the authorities envisage in their PRSP the development of a processing industry in Burkina Faso and the emergence of cotton mills and textile plants, the experience has so far been unsuccessful, and the only remaining spinning plant is facing considerable financial difficulties, owing in part to political instability in neighboring Côte d'Ivoire. At the present stage, it is too early and unrealistic to envision a move from the production of primary commodities to manufacturing industries with higher added value.

M. Conclusion

44. Cotton production will likely remain the dominant sector in Burkina Faso's economy, representing the main source of growth for the next three years. In that regard, the authorities have on several occasions stated that the development of the cotton sector would benefit from the elimination of subsidies in the US, the EU, and China. They hope that significant progress will be made in this area in the context of the WTO in the course of 2005, and that a gradual elimination of subsidies will start having an impact on world prices and the demand for cotton from Burkina Faso in 2006. In that regard, a recent study by the Food and Agriculture Organization estimated that cotton subsidies in middle-and high-income countries reached US\$3.4 billion during the 2003/04 season, and that the impact of subsidies on world prices averaged 15 percent.¹⁴

45. A sustainable growth strategy that will contribute to a reduction in volatility and an improvement in social indicators must rest on the development of new crops, on the intensification of livestock activities, and the creation of the necessary infrastructure to support the production and commercialization of new products. The authorities' analysis of the constraints to their growth strategy and the policies to address them is sound, and they have starting implementing activities that will help them achieve economic diversification. Looking forward, it will be important to ensure that economic diversification is based on the development of activities where the country has a clear comparative advantage.

46. Some of the envisaged policies will require considerable financial support, notably in the area of road infrastructure, and they will take considerable time to have an impact on the

¹³ Ministry of Economy and Finance of Burkina Faso, World Bank, "Burkina Faso: Competitiveness and Economic Growth, Policies, Strategies, Actions," 2001 (Washington, DC).

¹⁴ Food and Agriculture Organization (FAO), 2004, "Cotton: Impact of Support Policies on Developing Countries—A Guide to Contemporary Analysis," FAO Trade Policy Technical Notes, No. 1 (Geneva).

economy, as in the case of land tenure reform. More rapid progress will also be required in enhancing access to credit. In addition, the large-scale development of manufacturing seems a remote prospect, and will depend to a large extent on a significant reduction in factor costs and improvements in productivity linked to the implementation of structural reforms and increased investments in human capital. While Burkina Faso's prospects for economic diversification are encouraging, they will rely on the long term commitment of the authorities, and the continued financial and technical support of development partners.

III. ISSUES IN EXTERNAL DEBT SUSTAINABILITY¹

A. Baseline Scenario: Overview of the Assumptions and Main Findings

1. A baseline DSA scenario for 2005-25 was developed jointly by the staffs of the World Bank and the IMF and is described in detail in Appendix V of the staff report. We briefly repeat the main assumptions for 2009-25:²

- Annual real GDP growth is 6 percent;
- Average inflation as measured by the implicit deflator of GDP is 2.1 percent;
- The revenue-to-GDP ratio is projected to rise gradually from 13.9 percent in 2005 to 18 percent by 2016 and stays constant afterwards, reflecting the gradual convergence of the tax revenue ratio to the 17 percent WAEMU norm;
- The expenditure-to-GDP ratio reaches 24.6 percent of GDP by 2008, up from 21.4 percent in 2005, and afterwards remains constant as a share of GDP.
- Cotton exports are projected to grow at 10 percent annually in real terms during 2009–15 and at 5 percent thereafter. Non-cotton exports grow at 5 percent in real terms annually during 2009–15 and at 7.5 percent thereafter.
- Imports grow on average 7.4 percent annually over 2008–25.
- The grant share of the total external financing need is projected at 55 percent.

2. The results from the baseline scenario are summarized in Figure 1. The figure also includes the policy-dependent indicative thresholds that correspond to the ‘strong performer’ category to which Burkina Faso belongs, based on the latest Country Policy and Institutional Assessment (CPIA).

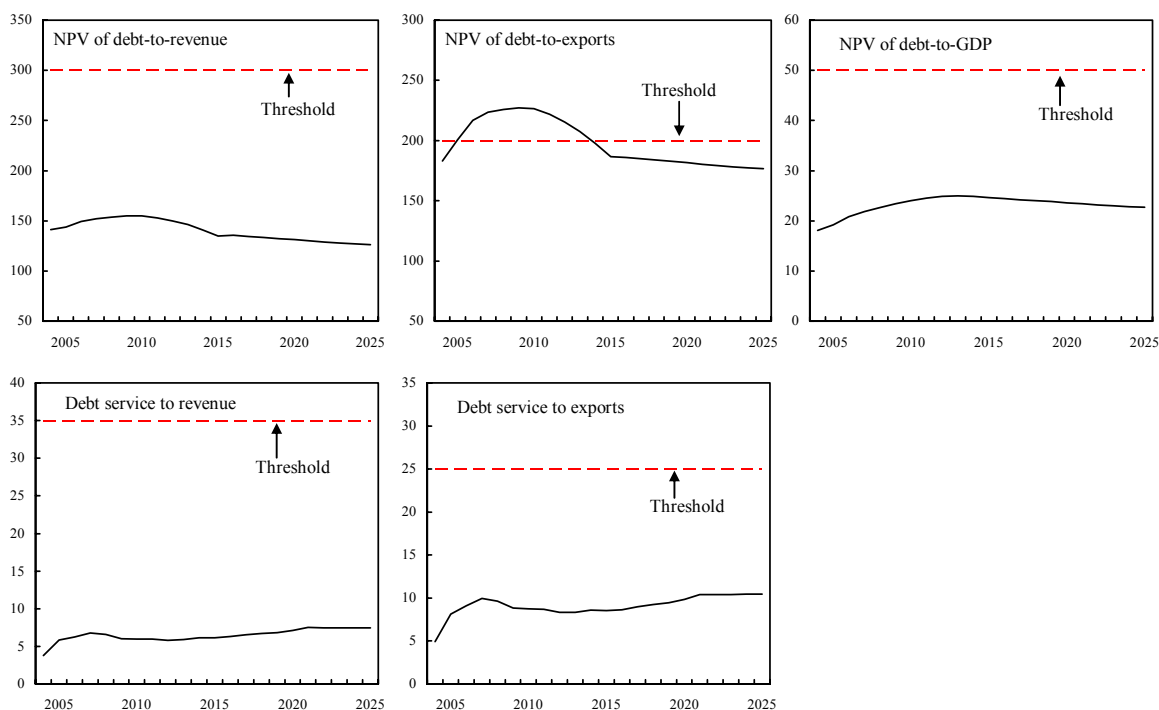
3. The baseline scenario shows that most ratios remain below their respective thresholds and are fairly stable over 2005-25. The one exception is the ratio of net present value (NPV) of debt-to-exports, which increases to 227 percent in 2009 before falling gradually below

¹ Prepared by Chris Geiregat.

² The assumptions for 2005-08, which include the authorities' medium-term expenditure framework, are described in the staff report.

200 percent by 2014. Based on the baseline scenario and on the standard stress tests from the DSA template, the staffs concluded that Burkina Faso faces a moderate risk of debt distress.³

Figure III.1. Burkina Faso: Selected Debt Sustainability Indicators (Baseline Scenario), 2004–25



Source: Burkinabè authorities and IMF–World Bank staff estimates.

B. Alternative Scenarios for Grants, Revenues, and Borrowing Terms

4. The results of any DSA depend crucially on forward-looking assumptions about the path of key macroeconomic variables. This section assesses the sensitivity of the debt dynamics to three types of alternative assumptions, namely for the financing mix (the degree of grant financing versus external borrowing), the path of revenues, and the terms of external borrowing). In particular, the following alternative scenarios are developed:

- Scenario 1. The baseline scenario assumed a grant share of external financing of 55 percent, which is more conservative than the observed 60.4 percent historic average. How the debt dynamics would be affected if the authorities succeeded in ensuring a grant share that is as low as 40 percent or as high as 70 percent?

³ For a detailed analysis and interpretation of the baseline scenario and several alternative scenarios, the interested reader is referred to the DSA Appendix in the staff report.

- Scenario 2. Under the baseline scenario, the revenue-to-GDP ratio improves annually until 2015 as the tax revenue ratio converges gradually to the WAEMU norm of 17 percent (and the revenue-to-GDP ratio stays at 18 percent afterwards). What would happen to the debt dynamics if the projected improvement in the revenue-to-GDP ratio by 2015 is as high as 20 percent or as low as 14 percent?
- Scenario 3. The baseline scenario assumed that new external borrowing would come from multilateral and bilateral partners in roughly the same proportions and at roughly the same conditions as before. While maintaining the same grant/loan mix as in the baseline scenario, how would external debt dynamics be affected if *all* future borrowing needs were contracted at IDA-terms (“most concessional borrowing terms”) or alternatively, if it came in the form of 15-year loans with a grace period of 5 years and an interest rate of 3.5 percent, i.e., similar to non-Paris Club bilateral borrowing conditions (“least concessional borrowing terms”)?

5. It is clear from the Figure 2 that a lower grant/loan mix, a more modest revenue improvement and more expensive borrowing conditions have significant implications for projected debt dynamics. For example, if the Burkinabè authorities succeeded in increasing the grant share of the total external financing need to 70 percent, then the NPV of debt-to-exports ratio would fall below 200 percent as early as by 2010, which is four years sooner than in the baseline scenario. On the other hand, if only 40 percent of the external financing need were obtained through grants, then the ratio of NPV of debt-to-exports would not fall below its indicative threshold at all. Similarly, relatively modest differences in improvements in revenue performance lead to substantially different debt dynamics. For example, if the revenue-to-GDP ratio improved gradually to 20 percent by 2015 (instead of 18 percent under the baseline) then the NPV of debt-to-exports ratio would be below 200 percent after 2012 and decline more rapidly than in the baseline scenario. If, however, no substantial gains in the revenue ratio were made and it went up to 14 percent only, then the debt dynamics would not be sustainable. Finally, the results from the third scenario clearly illustrate that the debt dynamics are crucially affected by the contractual terms of borrowing as well, and loans that come with longer maturities, with longer grace periods and at lower interest rates have a strong impact on the NPV ratios, especially over the medium term.

6. The findings underscore the risks to maintaining an appropriate balance between the authorities’ desire to speed up expenditures in the medium term in order to make significant progress towards the MDGs and the need to preserve external debt sustainability. The tension between these two objectives is borne out with the following policy experiments. Suppose that achieving an NPV of debt-to-exports ratio of 200 is desirable by 2010, and the two policy choices over 2007-2010 are either to obtain sufficient grant financing or adjust expenditures. The results from both policy experiments are summarized in Table 1. The table shows that achieving the target debt ratio would require the authorities to achieve a grant share of about 66 percent during 2007-10, which is higher than the historical average of 60 percent and the 55 percent from the baseline DSA. Alternatively, the results in Table 1 show that achieving the target debt ratio by 2010 would require significant spending

restraint, as the expenditure-to-GDP ratio would need to fall to 20.4 percent by 2010 (3.6 percent below the spending ratio under the baseline scenario, and 2.1 percent below the projected expenditure ratio for 2005).

Figure III.2. Burkina Faso: Debt Dynamics Under Alternative Scenarios, 2004–25

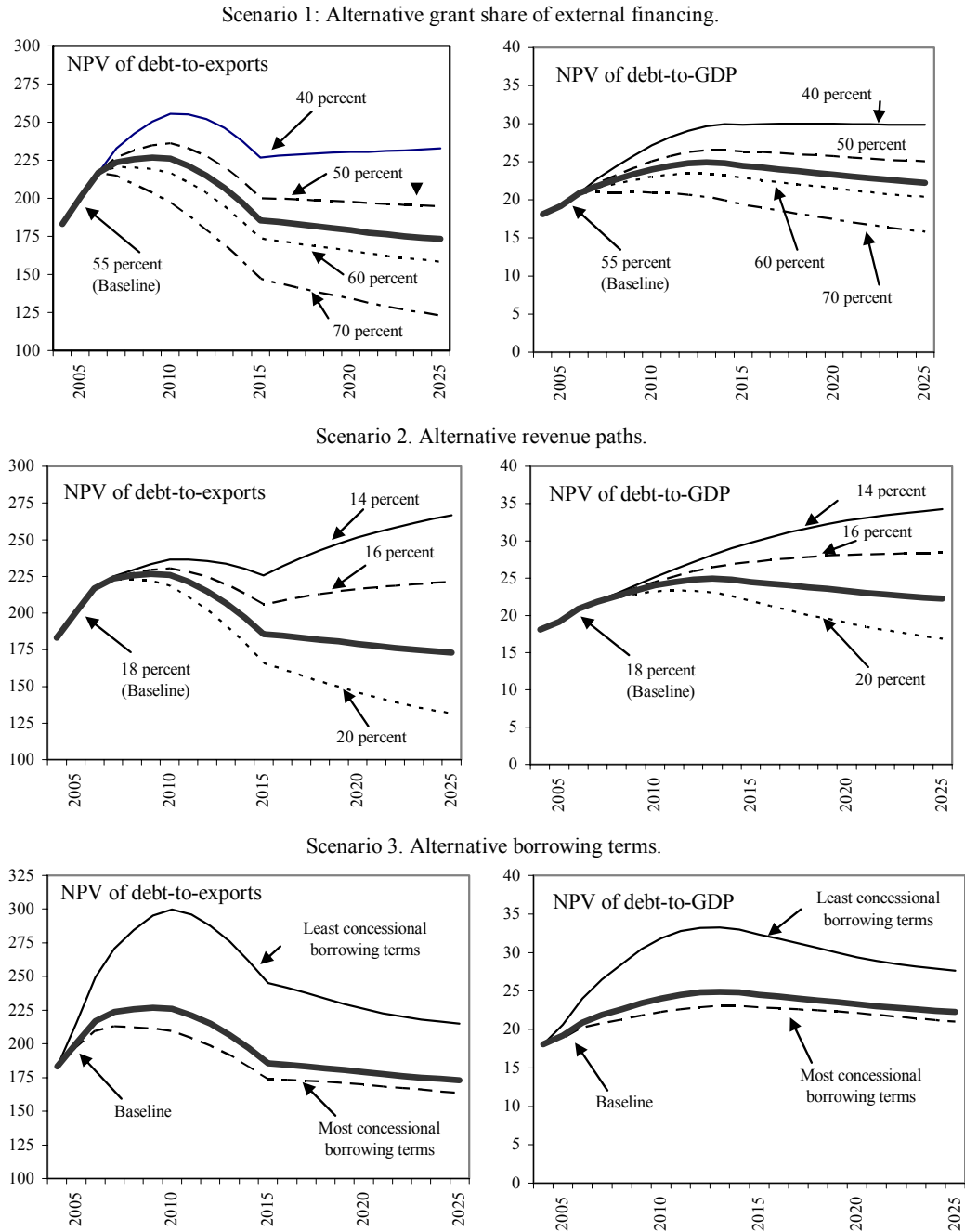


Table III.1. Burkina Faso: Target Grants and Expenditures to Achieve an NPV of Debt-to-Exports Ratio of 200 by 2010

	2004	2005	2006	2007	2008	2009	2010
Baseline (from DSA)							
Revenues-to-GDP ratio	12.8	13.3	14.0	14.4	14.7	15.1	15.5
Expenditures-to-GDP ratio	20.9	22.5	24.3	24.2	24.3	24.3	24.3
Primary balance (percent of GDP)	-8.1	-9.2	-10.3	-9.8	-9.6	-9.2	-8.8
Grant ratio (percent of external financing need)				55.0	55.0	55.0	55.0
NPV of debt-to-GDP	18.1	19.2	20.9	21.9	22.6	23.4	24.0
NPV of debt-to-revenues	141.5	143.9	149.3	151.8	153.7	154.9	154.9
NPV of debt-to-exports	183.1	200.5	216.9	223.6	225.6	226.8	226.0
Target grant ratio to achieve NPV of debt-to-exports of 200 by 2010							
Revenues-to-GDP ratio	12.8	13.3	14.0	14.4	14.7	15.1	15.5
Expenditures-to-GDP ratio	20.9	22.5	24.3	24.2	24.3	24.3	24.3
Primary balance (percent of GDP)	-8.1	-9.2	-10.3	-9.8	-9.6	-9.2	-8.8
Grant ratio (percent of external financing need)				66.1	66.1	66.1	66.1
NPV of debt-to-GDP	18.1	19.2	20.9	21.1	21.1	21.2	21.2
NPV of debt-to-revenues	141.5	143.9	149.3	146.4	143.4	140.5	137.1
NPV of debt-to-exports	183.1	200.5	216.9	215.6	210.5	205.7	200.0
Target expenditures to achieve NPV of debt-to-exports ratio of 200 by 2010							
Revenues-to-GDP ratio	12.8	13.3	14.0	14.4	14.7	15.1	15.5
Expenditures-to-GDP ratio	20.9	22.5	24.3	23.3	22.2	21.3	20.4
Primary balance (percent of GDP)	-8.1	-9.2	-10.3	-8.9	-7.5	-6.2	-4.9
Grant ratio (percent of external financing need)				55.0	55.0	55.0	55.0
NPV of debt-to-GDP	18.1	19.2	20.9	21.6	21.7	21.7	21.2
NPV of debt-to-revenues	141.5	143.9	149.3	150.0	147.8	143.6	137.1
NPV of debt-to-exports	183.1	200.5	216.9	221.0	216.9	210.3	200.0

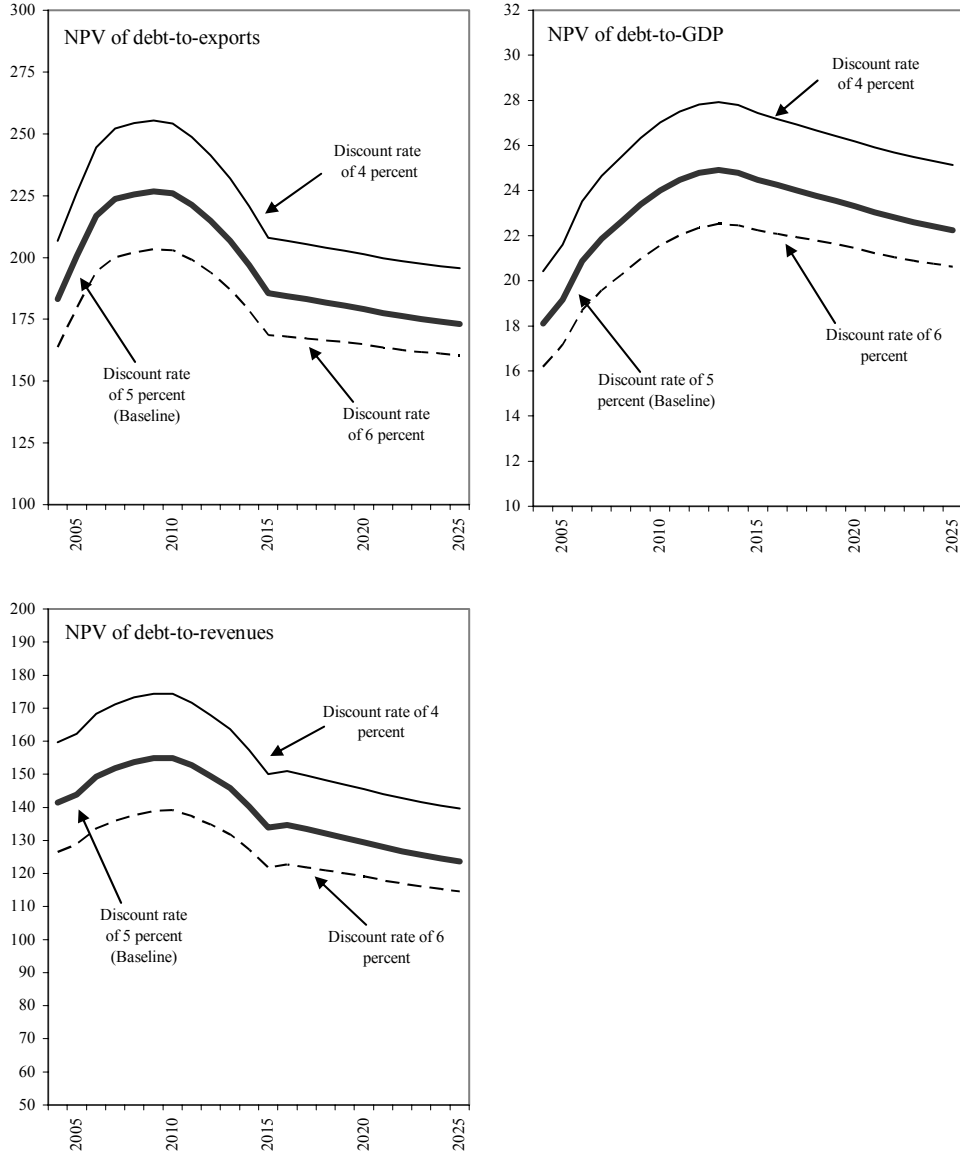
Source: IMF staff estimates.

C. Debt Dynamics with Different Discount Rates

7. It is widely accepted that when a country attracts debt on concessional terms, a debt analysis based on net present value calculations is more meaningful than one that simply looks at debt stocks. The baseline DSA was conducted using a constant and unique dollar discount rate of 5 percent. In this section, we analyze the implications for Burkina Faso's external debt situation of changes in the discount rate.

8. The effects of changes in the discount rate on the debt indicators are summarized in Figure 3. Not surprisingly, compared to the baseline scenario the entire path of the debt ratios shifts down (up) when the discount rate increases (decreases). The end-2004 NPV of debt-to-exports ratio would have been 207 percent and 164 percent with a discount rate of 4 and 6 percent respectively, compared with 185 percent in the baseline DSA. As a further illustration, when we use the CIRR from the DSA calculation at the completion point, the end-2004 NPV of debt-to exports ratio would be 166.5 percent. Since the debt is contracted at concessional rates that do not vary with market interest rates, the entire change in the path of the ratios is due purely to the different discount rate effect, and does not come from changes in any of the other variables such as the primary balance, or nominal debt service, or a decline in revenues, GDP or exports. It is notable that with a discount rate of 6 percent, the NPV of debt-to-exports would barely breach its indicative threshold of 200 percent and would remain below the threshold most of the time (it would reach a maximum of 203 percent in 2009).

Figure III.3. Burkina Faso: Debt Dynamics Under Alternative Discount Rates, 2004–25



Source: IMF staff estimates.

9. It is useful to understand analytically how a change in the discount rate affects the NPV of debt and what such a change means. To derive such an expression, we begin with the usual calculation of the net present value at a given time 0, denoted NPV_0 :

$$(1) \quad NPV_0 \equiv \frac{DS_1}{(1+i)^1} + \frac{DS_2}{(1+i)^2} + \dots + \frac{DS_t}{(1+i)^t} + \dots + \frac{DS_T}{(1+i)^T}$$

In this expression, the DS_t are the (given) debt service payments and i is the discount rate. Intuitively, how the debt service payments are spread over time has an effect on the NPV calculation of NPV_0 and ultimately determines how much NPV_0 is affected by a given change in the discount rate i . Define w_t as the fraction that each of the future debt service payments “contributes” to NPV_0 :

$$(2) \quad w_t \equiv \frac{\frac{DS_t}{(1+i)^t}}{NPV_0} \quad t = 1, \dots, T.$$

The sum of the w_t , $\sum_{t=1}^T w_t$ is equal to one by construction. Therefore it is natural to interpret the w_t as weights. One can use the weights w_t to calculate a *weighted average maturity* of the debt, in which the average is obtained by giving a larger weight to those time points in which a relatively larger debt stream is due. Such a weighted average maturity is known as the (MacCauley) duration of the debt and is denoted by DUR_{Mac} . Thus DUR_{Mac} is defined as:

$$(3) \quad DUR_{Mac} \equiv w_1 \cdot 1 + w_2 \cdot 2 + \dots + w_t \cdot t + \dots + w_T \cdot T = \sum_{t=1}^T w_t \cdot t; \quad \sum_{t=1}^T w_t = 1$$

It is easily verified that, other things equal, the duration of debt will be larger if the debt service is relatively more back loaded and if the debt has a higher maturity T . In other words, highly concessional, long-term debt has a relatively high duration.

10. To show how a small change in the discount rate affects the net present value of debt, one can differentiate equation (1) with respect to the interest rate. The appendix shows that simple manipulations lead to the following expression:

$$\therefore (4) \quad \frac{\partial NPV_0}{\partial i} = -NPV_0 \cdot \frac{DUR_{Mac}}{(1+i)}$$

To simplify equation (4) a bit more, we define *modified duration*, denoted DUR_{Mod} , as follows:

$$(5) \quad DUR_{Mod} \equiv \frac{DUR_{Mac}}{(1+i)}$$

This definition of modified duration leads to a simple first-order approximation to the change in the NPV of debt for a given change in the discount rate:

$$\Delta NPV_0 \approx -NPV_0 \cdot DUR_{Mod} \cdot \Delta i \Leftrightarrow (6) \quad \frac{\Delta NPV_0}{NPV_0} \approx -DUR_{Mod} \cdot \Delta i$$

Equation (6) shows that the percentage change in the NPV of debt from a change in the discount rate depends on the duration of the debt, i.e., the degree with which the NPV of debt

changes due to a given change in the interest rate depends on the weighted average maturity of the debt.⁴ Thus, two countries that start off with the same NPV of debt and that face the same change in the discount rate may see their NPV of debt affected in different ways, for example because the time profile of debt service obligation differs due to different degrees of concessionality. The country with the longer duration of its debt will see its NPV of debt change more than one whose debt has a shorter duration.

Table III.2. Burkina Faso: Duration of External Debt

	2004	2005
NPV of debt, excluding arrears (in millions of US\$)	837.8	970.0
NPV of debt, including arrears (in millions of US\$)	924.5	1,058.8
MacCauley duration of debt excluding arrears (years)	13.47	13.20
MacCauley duration of debt including arrears (years) 1/	12.20	12.09
Modified duration of debt excluding arrears (years) 2/	12.82	12.57
Modified duration of debt including arrears (years)	11.62	11.52

Source: IMF staff estimates.

1/ The duration of arrears is set to zero.

2/ Modified duration is defined as MacCauley duration divided by one plus the discount rate.

11. The duration measures for Burkina Faso's are reported in Table 2. At end-2004, the modified duration of the country's external debt (including arrears) was 11.6 years. Thus, a one-percentage point change in the discount rate would change the country's NPV of external debt by about 11.6 percent, or US\$ 107.4 million. The exact relation between changes in the NPV of debt and changes in the discount rate is summarized in Figure 4.⁵

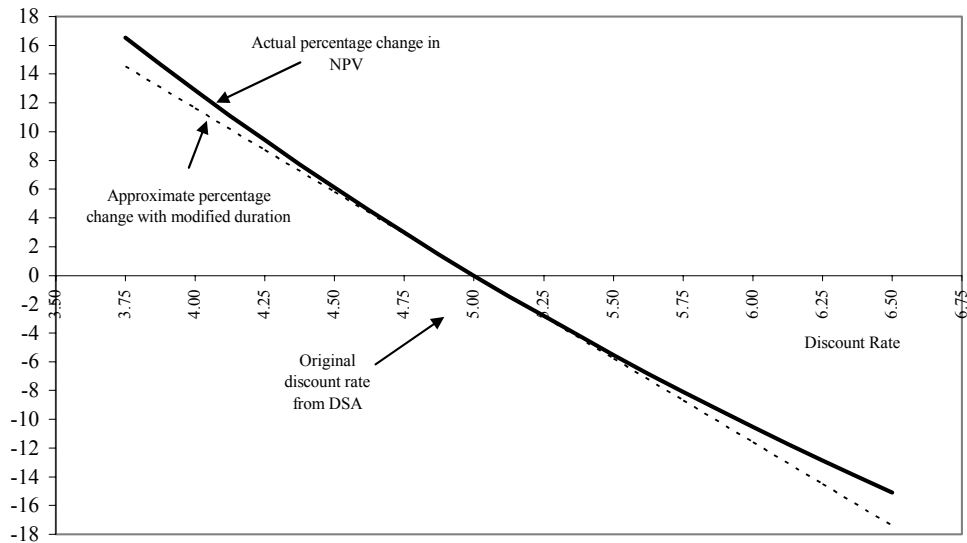
12. Next we show that the impact on the NPV of debt from discount rate changes can be interpreted as a change in the effective degree of concessionality of the debt. To understand why this is the case, consider first an extreme example of a variable interest rate loan, where interest payments are calculated based on the prevailing market interest rate. In such a case, the NPV of debt would always be equal to the nominal value of the debt. Furthermore, if

⁴ While not frequently used by economists in the context of low-income country debt, the modified duration concept is widely used by bond portfolio managers, who use it to calculate how small changes in the market yield affect the exposure of their portfolio to interest rate risk.

⁵ Figure 3 shows that the modified duration measure is a good approximation for the actual change in the NPV of debt when changes in the discount rate are small, but deviates more when discount rate changes are bigger. Since the NPV of debt is a nonlinear function of the discount rate, the actual change in the NPV of debt differs from its linear approximation.

world interest rates change, then the NPV of debt remain equal to the nominal debt stock since the future debt service flows would adjust in line with the new interest rates. However, for countries with concessional debt, the nominal debt stock and its NPV differ and the difference between the two is a measure of the grant element of the debt.

Figure III.4. Burkina Faso: Percentage Change in NPV of Debt at End-2004 due to Discount Rate Changes



Source: IMF staff estimates.

Intuitively, when the discount rate changes, the grant element of the debt, which we call the *effective concessionality*, will be affected. To take an extreme example, were world interest rates (discount rates) to fall to the IDA interest rate of 0.75 percent, then the grant component of the debt contracted at IDA terms would fall to zero.⁶ The appendix formalizes this point and derives an expression that shows that the NPV of concessional debt (denoted \overline{NPV}_0) is equal to the NPV of market debt (NPV_0) minus its grant element (\overline{G}_0), and that the change in \overline{NPV}_0 due to discount rate changes is entirely due to changes in the value of the grant component \overline{G}_0 .

⁶ Provided there is no grant element in the amortization repayment schedule, i.e., provided the entire loan needs to be repaid.

D. Two Alternative Measures to Assess the External Debt Burden

13. Common measures for assessing the debt burden of a country are obtained by comparing the NPV of debt to measures of repayment capacity, such as GDP and (current or backward looking three-year averages of) exports and revenues. These indicators of external debt sustainability have a straightforward interpretation and are easily comparable across countries. The ratio of NPV of debt to current year exports, for example, shows what fraction of this year's export receipts should be used if the entire market value of the debt were to be paid this year.

14. Even though these ratios are widely used, a well-known drawback is that the variables in the numerator and denominator are treated in an asymmetric way.⁷ While the numerator adds debt service flows that are due over a long period, the denominator only considers flows that are coming in immediately. A more symmetric treatment would call for discounting flows in both the numerator and the denominator.⁸ We apply this alternative approach to the NPV of debt ratios with respect to exports and revenues by introducing the following measures:

$$(7) \quad \frac{NPV(debt)}{NPV(Exports)} \equiv \frac{\sum_{t=1}^T \frac{DS_t}{(1+i)^t}}{\sum_{t=1}^T \frac{Exports_t}{(1+i)^t}} \qquad \frac{NPV(debt)}{NPV(Revenues)} \equiv \frac{\sum_{t=1}^T \frac{DS_t}{(1+i)^t}}{\sum_{t=1}^T \frac{Revenues_t}{(1+i)^t}}$$

For simplicity, the debt service flows and the exports and revenues are discounted at the same rate.⁹ We illustrate these concepts for the case of Burkina Faso in Table 3. The respective NPV of future debt is calculated by taking the NPV of debt flows up to 2025 plus the NPV of end-2025 debt (which is the same period covered by the DSA). This differs from the usual NPV of debt calculation, as we include debt service arising from new projected borrowing as well. The denominators of the ratios are calculated by adding the NPV of

⁷ Measures such as the ratio debt service-to-exports and debt service-to-revenues do not have this drawback, as both the numerator and the denominator of these ratios refer to the same period.

⁸ Intuitively, this is similar to the commonly-used NPV approach in evaluating investment projects, which compares the NPV of revenues to that of outlays.

⁹ Which discount rate is the "correct" one is a difficult and even controversial issue among economists and policymakers alike. There are many candidates, each with their own merits and drawbacks (for background, see Kozack, 2005). By choosing the same discount rate in both the numerator and denominator, we opt for a simple and pragmatic approach that does not affect our main argument.

exports and revenues respectively (up to 2040). Table 3 also reports the duration of each of the components of the ratios.

At end-2004, the NPV of debt to NPV of exports and to revenues stood at 9.5 percent and 6.7 percent respectively. That is, if Burkina Faso were able to securitize all its future export receipts (up to 2040), then it would have to use 9.5 percent of this amount to pay off all its future external debt obligations.

Table III.3. Burkina Faso: Alternative Debt Ratios

	2004	2005
NPV of future debt (millions of US\$) 1/	3,922	4,072
NPV of debt to NPV of exports (in percentages)	9.52	9.53
NPV of debt to NPV of revenues (in percentages)	6.71	6.71
<i>Memorandum items:</i>		
NPV of debt-to-exports (in percentages)	183.1	200.5
NPV of debt-to-revenues (in percentages)	141.5	143.9
MacCauley duration of NPV of debt (years)	17.0	16.2
MacCauley duration of NPV of exports (years)	22.1	21.3
MacCauley duration of NPV of revenues (years)	31.4	30.4
Modified duration of NPV of debt (years)	16.2	15.5
Modified duration of NPV of exports (years)	21.0	20.3
Modified duration of NPV of revenues (years)	29.9	28.9

Source: IMF staff estimates.

1/ Includes arrears.

15. We use the new measures of debt burden to revisit the effects of changes in the discount rate. It is obvious that both the numerator and the denominator will be affected by such a change; for example, an increase in the discount rate will lower the NPV of future debt *and* the NPV of exports and of revenues. However, the net effect on the respective ratios need not be zero, since the payment profiles of the debt and of exports and revenues may be spread out differently over time; that is, they may have different durations. It is immediately clear from looking at the modified duration in Table 3 that this is the case. Because the modified durations of the NPV of exports and revenues are both larger than the one of the NPV of future debt—for end-2004, they stand at 16.2 years, 21 years and 29.9 years respectively—it follows that an increase (decrease) in the discount rate will worsen (improve) the two ratios. In the case of Burkina Faso, an increase in the discount rate from 5 percent to 6 percent would worsen the NPV of debt to NPV of exports ratio from 9.52 percent to 9.96 percent (Table 4). The corresponding revenue ratio would deteriorate as well, from 6.37 percent to 7.02 percent.

Table III.4. Burkina Faso: Alternative Debt Ratios: Impact of Changes in the Discount Rate
(In percentages)

	2004	2005
Discount Rate of 5 percent		
NPV of debt to NPV of exports	9.52	9.53
NPV of debt to NPV of revenues	6.71	6.71
Discount Rate falls to 4 percent		
NPV of debt to NPV of exports	9.05	9.05
NPV of debt to NPV of revenues	6.37	6.37
Discount Rate increases to 6 percent		
NPV of debt to NPV of exports	9.96	9.98
NPV of debt to NPV of revenues	7.02	7.03

Source: IMF staff estimates.

16. It can be argued that changes in the discount rate affect the debt capacity of a country, because discount rates contain information about economic conditions in industrialized countries. For example, higher discount rates (from higher inflationary expectations or higher real rates) would signal improved future export prices for commodities and therefore have a positive effect on debt capacity of commodity-exporting countries.

A drawback from using the standard ratios such as the NPV of debt-to-exports (current year or three-year backward-looking average) is that they cannot capture the impact on debt capacity stemming from such changes in future export or revenue capacity. On the other hand, it is easy to modify the two alternative debt burden ratios so that these incorporate the informational content “channel” of discount rates. This is done by making the export and revenue projections in the respective denominators depend on the discount rate:

$$(8) \quad \frac{NPV(debt)}{NPV(Exports)} \equiv \frac{\sum_{t=1}^T \frac{DS_t}{(1+i)^t}}{\sum_{t=1}^T \frac{Exports(i)_t}{(1+i)^t}} \quad \frac{NPV(debt)}{NPV(Revenues)} \equiv \frac{\sum_{t=1}^T \frac{DS_t}{(1+i)^t}}{\sum_{t=1}^T \frac{Revenues(i)_t}{(1+i)^t}}$$

Discount rate changes now affect the respective ratios through three effects. The first effect comes from changes in the effective concessionality, as captured by changes in the NPV of debt. Second, discount rate changes affect the NPV of future export and revenue streams (for given export and revenue projections). And third, a change in world interest rates signals a change in inflationary expectations or an increase in ex-ante real rates, and consequently, a change in expected future commodity prices. Equation (8) also shows that when the correlation between discount rates and world economic conditions is positive, then the overall effect of discount rate changes on the denominator is ambiguous, since while nominal exports (and revenues) increase, they are discounted at a higher rate.

17. Table 5 shows the effects of changes in the discount rate, when such changes affect the respective debt ratios through projected export and revenue streams as well. We capture the effect on these projected streams through the elasticity of export and revenue growth with respect to changes in the discount rate. For example, if the elasticity is one half, then a given change in the discount rate of one percentage point would increase growth rates of exports and revenues by half a percentage point.

The results in Table 5 show that revised export and revenue projections may have a significant effect on the debt burden ratios. For example, a reduction in the discount rate from 5 percent to 4 percent would reduce the NPV of debt to NPV of exports ratio from 9.52 percent to 9.05 percent for given export projections (elasticity of zero), but they would worsen the ratio to 11.13 percent with an elasticity of one. Using the same parameters, the NPV of debt to NPV of revenues ratio would deteriorate from 6.71 percent to 7.84 percent. The results also show that debt ratios are quite sensitive to even relatively small changes in the future path of the affected variables.¹⁰ Of course, the relevance of the third effect depends on how well the discount rate is a proxy for the stance of world economic conditions, and also on how changes in world economic conditions affect Burkina Faso in particular. Preliminary results from simple bivariate VAR estimations that use monthly and annual measures of unit export prices and interest rates are still inconclusive. Answering this question would require estimating a fully specified empirical model, which is a topic of future research.

¹⁰ Indeed, the sensitivity of the debt ratios to export and revenue projections is one reason why the “traditional” debt ratios use current values or backward-looking averages. However, even the construction of those ratios are affected by this uncertainty, as it is still required to project future borrowing needs, which essentially boils down to projecting the current account.

Table III.5. Burkina Faso: Alternative Debt Ratios: Informational
Content of Changes in the Discount Rate
(In percentages)

	2004	2005
Discount Rate of 5 percent		
NPV of debt to NPV of exports	9.52	9.53
NPV of debt to NPV of revenues	6.71	6.71
Discount Rate falls to 4 percent		
Elasticity of -0.5		
NPV of debt to NPV of exports	8.14	8.14
NPV of debt to NPV of revenues	5.73	5.73
Elasticity of 0		
NPV of debt to NPV of exports	9.05	9.05
NPV of debt to NPV of revenues	6.37	6.37
Elasticity of 0.5		
NPV of debt to NPV of exports	10.04	10.06
NPV of debt to NPV of revenues	7.07	7.08
Elasticity of 1		
NPV of debt to NPV of exports	11.13	11.16
NPV of debt to NPV of revenues	7.84	7.86
Discount Rate increases to 6 percent		
Elasticity of -0.5		
NPV of debt to NPV of exports	10.96	11.00
NPV of debt to NPV of revenues	7.72	7.75
Elasticity of 0		
NPV of debt to NPV of exports	9.96	9.98
NPV of debt to NPV of revenues	7.02	7.03
Elasticity of 0.5		
NPV of debt to NPV of exports	9.03	9.04
NPV of debt to NPV of revenues	6.37	6.37
Elasticity of 1		
NPV of debt to NPV of exports	8.18	8.17
NPV of debt to NPV of revenues	5.77	5.76

Source: IMF staff estimates.

E. Conclusions and Policy Recommendations

18. This paper extended the results from the debt sustainability analysis for Burkina Faso and developed two alternative debt ratios that are suitable for assessing the impact of discount rate changes on the debt burden of the country.

19. Our first finding is that it appears feasible for the Burkinabè authorities to proceed with their ambitious medium-term expenditure program and while keeping the debt dynamics within sustainable ranges, provided the authorities continue their efforts to implement structural reforms that are enhance growth and improve revenues. We found that the projected debt indicators are quite sensitive to changes in the underlying assumptions for revenue growth. Furthermore, any external financing needs would preferably need to come in the form of grants or else on terms that are highly concessional.

20. Next, we analyzed the implications of changes in the discount rate for debt sustainability. We found that such changes shift the intertemporal profile of the debt ratios and that they affect the effective concessionality element in the NPV of debt. We found that the impact of a discount rate change can be well-approximated by the duration of the debt, which summarizes how the projected debt service is spread over time. We found the duration of Burkina Faso's debt to be quite large, since the country has attracted much of its debt on highly concessional terms (with long repayment profiles and low interest rates). Therefore, the NPV-of-debt ratios are quite sensitive to changes in the underlying discount rate. This finding extends to other low-income countries and also shows that a worsening of debt ratios due to lower discount rates should be interpreted with some caution.

21. To better understand the implications of discount rate changes on the debt situation, we extended the set of available debt ratios by developing two new measures of debt burden. In essence, the two new ratios attempt to give a more symmetric treatment to the measure of repayment burden (the NPV of debt) and those of repayment capacity, by discounting not only projected debt service but also projected exports and revenues. We showed that the relative durations of the numerator and the denominator will crucially determine the direction of the change in the ratio for a given change in the discount rate. Finally, the measures of debt burden may be affected even more when changes in the discount rate contain information about future repayment capacity (exports and revenues).

Reference

Kozack, Julie, 2005. "Considerations in the choice of the appropriate discount rate for evaluating sovereign debt restructurings", IMF Policy Discussion Paper, pp. 29.

Appendix

Derivation of the expression for the change in the NPV of debt due to discount rate changes

We start with the usual definition of the net present value calculation of a future stream of debt service payments, as in equation (1), and we differentiate with respect to the interest rate:

$$NPV_0 \equiv \frac{DS_1}{(1+i)^1} + \frac{DS_2}{(1+i)^2} + \dots + \frac{DS_t}{(1+i)^t} + \dots + \frac{DS_T}{(1+i)^T}$$

$$\frac{\partial NPV_0}{\partial i} \equiv \frac{(-1).DS_1}{(1+i)^2} + \frac{(-2).DS_2}{(1+i)^3} + \dots + \frac{(-t).DS_t}{(1+i)^{(t+1)}} + \dots + \frac{(-T).DS_T}{(1+i)^{(T+1)}}$$

The remainder of the derivation involves taking out $(1+i)$ and dividing and multiplying the right-hand side by NPV_0 .

$$\Leftrightarrow \frac{\partial NPV_0}{\partial i} = \frac{-NPV_0}{(1+i)} \left[1 \cdot \frac{DS_1}{(1+i)^1 NPV_0} + 2 \cdot \frac{DS_2}{(1+i)^2 NPV_0} + \dots + t \cdot \frac{DS_t}{(1+i)^t NPV_0} + \dots + T \cdot \frac{DS_T}{(1+i)^T NPV_0} \right]$$

Next, we define the weights $w_t \equiv \frac{DS_t}{(1+i)^t NPV_0}$ and substitute those in the expression:

$$\frac{\partial NPV_0}{\partial i} = \frac{-NPV_0}{(1+i)} [1.w_1 + 2.w_2 + \dots + t.w_t + \dots + T.w_T]$$

The term in brackets is the MacCauley duration of the debt, giving

$$\frac{\partial NPV_0}{\partial i} = \frac{-NPV_0}{(1+i)} .DUR_{Mac}$$

To simplify this expression a bit more, it is convenient to define *modified duration*, denoted DUR_{Mod} , as follows:

$$DUR_{Mod} \equiv \frac{DUR_{Mac}}{(1+i)}$$

This leads to the final expression that the percentage change in the NPV of debt is proportional to the change in the discount rate, with the proportionality factor given by the modified duration of the debt:

$$\Delta NPV_0 \approx -NPV_0 \cdot DUR_{Mod} \cdot \Delta i \Leftrightarrow \frac{\Delta NPV_0}{NPV_0} \approx -DUR_{Mod} \cdot \Delta i$$

The change in the NPV of debt is equal to a change in the effective concessionality

We show that a worsening (improvement) in the NPV of debt due to declining (increasing) interest rates is due to changes in the effective concessionality of the debt. To formalize this point, define the following variables:

- D_0 : nominal value of outstanding debt at time 0;
- i : market interest rate (discount rate);
- DS_t : debt service during period t on debt contracted at market conditions (at the prevailing discount rate);
- \overline{DS}_t : debt service during period t, on debt contracted at concessional terms;
- NPV_0 (\overline{NPV}_0): the sum of the net present value of the DS_t (\overline{DS}_t) at time 0.

By construction, the nominal debt stock D_0 is equal to NPV_0 , and the grant element of the debt is calculated by comparing \overline{NPV}_0 to D_0 . Next we derive an expression for the grant element of the debt.

$$\begin{aligned} \overline{NPV}_0 &\equiv \frac{\overline{DS}_1}{(1+i)^1} + \frac{\overline{DS}_2}{(1+i)^2} + \dots + \frac{\overline{DS}_t}{(1+i)^t} + \dots + \frac{\overline{DS}_T}{(1+i)^T} \\ \Leftrightarrow \overline{NPV}_0 &\equiv \frac{DS_1 - (DS_1 - \overline{DS}_1)}{(1+i)^1} + \frac{DS_2 - (DS_2 - \overline{DS}_2)}{(1+i)^2} + \dots + \frac{DS_T - (DS_T - \overline{DS}_T)}{(1+i)^T} \\ \Leftrightarrow \overline{NPV}_0 &= NPV_0 - \left[\frac{(DS_1 - \overline{DS}_1)}{(1+i)^1} + \frac{(DS_2 - \overline{DS}_2)}{(1+i)^2} + \dots + \frac{(DS_T - \overline{DS}_T)}{(1+i)^T} \right] \end{aligned}$$

The term in brackets is the grant component of the debt, denoted by \overline{G}_0 :

$$\overline{G}_0 \equiv \frac{(DS_1 - \overline{DS}_1)}{(1+i)^1} + \frac{(DS_2 - \overline{DS}_2)}{(1+i)^2} + \dots + \frac{(DS_T - \overline{DS}_T)}{(1+i)^T}$$

$$\therefore \overline{NPV}_0 = NPV_0 - \overline{G}_0$$

The effective concessionality of the debt is then

$$\frac{NPV_0 - \overline{NPV}_0}{NPV_0} = \frac{\overline{G}_0}{NPV_0}$$

How does a change in the discount rate affect \overline{NPV}_0 ? From the derivation of \overline{NPV}_0 it follows that $\frac{\partial \overline{NPV}_0}{\partial i} = \frac{\partial NPV_0}{\partial i} - \frac{\partial \overline{G}_0}{\partial i}$. Since $NPV_0 \equiv D_0$, $\frac{\partial NPV_0}{\partial i} = 0$ by definition and $\frac{\partial \overline{NPV}_0}{\partial i} = -\frac{\partial \overline{G}_0}{\partial i}$.

Table 1. Burkina Faso: GDP and Gross National Income (GNI) at Current Prices, 1999–2004
(In billions of CFA francs, unless otherwise indicated)

	1999	2000	2001	2002	2003	Est. 2004
GDP at factor cost	1,720.7	1,737.8	1,959.5	2,120.5	2,316.5	2,473.3
Taxes on production and imports	112.1	123.8	136.8	156.0	177.7	222.8
Subsidies						
GDP at market prices	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1
Net primary incomes from rest of world	-11.3	-14.3	-17.9	-14.7	-14.9	-15.5
GNP at market prices	1,821.5	1,847.2	2,078.4	2,261.8	2,479.3	2,680.6
Net current transfers	-31.7	-36.7	-61.8	-22.6	32.1	104.3
Gross national disposable income	1,789.8	1,810.6	2,016.6	2,239.2	2,511.4	2,784.8
Memorandum items:						
Real GNI at constant 2000 prices	1,760.5	1,810.6	1,911.2	2,055.1	2,270.8	2,436.7
Percentage change	3.1	2.8	5.6	7.5	10.5	7.3
	(In thousands of CFA francs)					
Per capita GDP at current market prices	154.8	153.6	168.9	179.2	191.8	202.5
Per capita GNI at current market prices	151.2	149.4	162.5	176.3	193.1	209.1

Sources: National Institute of Statistics and Demographics (INSD); and staff estimates.

Table 2. Burkina Faso: GDP by Sector at Constant 1985 Prices, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In billions of 1985 CFA francs, unless otherwise indicated)						
Primary sector	511.4	493.6	568.6	582.6	631.9	610.1
Agriculture	278.8	254.9	323.6	327.1	369.3	335.0
Livestock	178.2	182.7	187.2	196.3	201.3	211.2
Forestry and fishing	54.4	56.1	57.7	59.2	61.3	64.0
Secondary sector	210.0	229.7	230.4	264.1	289.2	315.9
Mining and industry	150.3	161.7	162.8	187.6	207.3	229.1
Electricity, gas, and water	8.4	10.9	10.8	14.4	16.1	17.1
Construction and public works	51.2	57.1	56.8	62.0	65.7	69.7
Tertiary sector	552.1	584.2	598.2	617.6	654.8	702.1
Trade	102.7	107.5	110.3	115.6	124.3	132.4
Transport	84.6	95.2	97.6	102.3	110.0	127.2
Nonmarket services	233.3	231.7	238.1	238.6	244.9	261.6
Other services	131.5	149.7	152.3	161.1	175.6	180.9
GDP at factor cost	1,273.5	1,307.4	1,397.2	1,464.3	1,575.9	1,628.2
Import taxes and duties	84.1	91.8	96.3	106.3	120.9	146.7
GDP at market prices	1,357.6	1,399.3	1,493.5	1,570.7	1,696.8	1,774.9
Memorandum items:						
Nominal GDP	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1
GDP deflator (1985 = 100)	135.1	132.9	140.2	144.8	147.0	151.9
(Changes in percent)						
Nominal GDP	0.5	1.6	12.6	8.6	9.6	8.1
Real GDP	4.2	3.1	6.7	5.2	8.0	4.6
GDP deflator	-3.5	-1.6	5.5	3.3	1.5	3.3
Primary sector	5.3	-3.5	15.2	2.5	8.5	-3.4
Secondary sector	-2.2	9.4	0.3	14.6	9.5	9.2
Tertiary sector	5.7	5.8	2.4	3.2	6.0	7.2
(In percent of GDP at factor costs)						
Primary sector	40.2	37.8	40.7	39.8	40.1	37.5
Secondary sector	16.5	17.6	16.5	18.0	18.4	19.4
Tertiary sector	43.4	44.7	42.8	42.2	41.6	43.1

Sources: National Institute of Statistics and Demographics (INSD); and staff estimates.

Table 3. Burkina Faso: Implicit GDP Deflators by Sector, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
	(1985 = 100)					
Primary sector	142.4	141.3	148.3	153.7	156.4	164.1
Secondary sector	152.9	150.9	160.0	164.5	167.5	175.4
Tertiary sector	141.9	140.0	147.9	153.2	156.0	162.5
GDP at factor cost	135.1	132.9	140.2	144.8	147.0	151.9
GDP at market prices	135.0	133.0	140.4	144.9	147.0	151.9
	(Changes in percent)					
Primary sector	-3.6	-0.8	5.0	3.7	1.7	4.9
Secondary sector	-2.8	-1.3	6.1	2.8	1.8	4.7
Tertiary sector	-3.6	-1.3	5.6	3.6	1.8	4.1

Sources: National Institute of Statistics and Demographics (INSD); and staff estimates.

Table 4. Burkina Faso: Supply and Use of Resources in Current Prices, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In billions of CFA francs)						
Resources	2,281.5	2,329.7	2,590.6	2,784.5	3,036.2	3,262.6
GDP at market prices	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1
Imports 1/	448.7	468.2	494.3	508.0	542.0	566.5
Use of resources	2,281.5	2,329.7	2,590.6	2,784.5	3,036.2	3,262.6
Consumption	1,780.2	1,816.7	2,013.1	2,181.8	2,391.6	2,495.9
Public	215.7	233.9	251.4	293.4	302.9	323.7
Private	1,564.6	1,582.8	1,761.7	1,888.4	2,088.7	2,172.2
Investment	324.6	344.3	386.9	397.7	423.5	500.3
Fixed capital formation	334.3	352.6	390.2	397.7	423.5	500.3
Public	180.2	156.6	168.4	161.2	156.7	208.5
<i>Of which: externally financed</i>	134.1	123.3	124.0	100.5	134.4	150.5
Private	154.2	196.1	221.8	236.5	266.8	291.8
Change in inventories	-9.8	-8.3	-3.2	0.0	0.0	0.0
Exports 1/	176.7	168.7	190.6	205.0	221.1	266.4
Resource gap	-272.0	-299.5	-303.7	-303.0	-320.9	-300.1
Gross domestic savings	52.6	44.8	83.2	94.7	102.6	200.1
Net factors services	-11.3	-14.3	-17.9	-14.7	-14.9	-15.5
Private transfers	39.7	34.6	25.8	29.8	18.1	26.0
(In percent of GDP)						
Consumption	97.1	97.6	96.0	95.8	95.9	92.6
Public consumption	11.8	12.6	12.0	12.9	12.1	12.0
Private consumption	85.4	85.0	84.0	83.0	83.7	80.6
Investment	17.7	18.5	18.5	17.5	17.0	18.6
Public investment	9.8	8.4	8.0	7.1	6.3	7.7
Private investment	8.4	10.5	10.6	10.4	10.7	10.8
Gross domestic saving	2.9	2.4	4.0	4.2	4.1	7.4
Public domestic saving	5.0	3.3	2.8	2.8	4.1	4.9
Private domestic saving	-2.2	-0.9	1.1	1.3	0.0	2.6

Sources: National Institute of Statistics and Demographics (INSD); and staff estimates.

1/ Goods and nonfactor services.

Table 5. Burkina Faso: Production of Principal Crops, 1999/00–2003/2004

	1999/00	2000/01	2001/02	2002/03	Est. 2003/04	Est. 2004/05
(In thousands of metric tons)						
Cereals	2,699.8	2,286.3	3,109.1	3,119.1	3,564.3	2,902.0
Sorghum	1,178.4	1,016.3	1,371.6	1,373.3	1,610.3	1,399.3
Millet	945.0	725.6	1,009.0	994.7	1,184.3	937.6
Maize	468.9	423.5	606.3	653.1	665.5	481.5
Rice (paddy)	94.2	103.1	109.9	89.1	95.5	74.5
Fonio	13.3	17.8	12.3	8.9	8.7	9.1
Oilseed crops	361.4	272.2	432.8	338.3	376.6	257.1
Groundnuts (shelled)	282.8	169.1	301.1	323.6	358.1	245.3
Sesame	12.6	7.4	31.2	14.7	18.5	11.8
Shea nuts	66.0	95.7	100.5	...	...	...
Tubers and root crops	427.2	214.0	492.5	392.4	520.6	406.9
Niébé and voandzou	362.9	127.7	376.2	330.2	456.6	276.3
Yams	43.0	55.0	70.7	25.2	35.5	89.7
Sweet potatoes	17.3	27.4	41.6	37.0	28.5	40.9
Manioc	4.0	4.0	4.0	...	...	...
Seed cotton	254.1	212.5	395.0	439.2	471.9	431.0
Fruit and vegetables	525.5	662.1	696.8	745.6	782.9	822.0
(Changes in percent, unless otherwise indicated)						
Cereals	1.6	-15.3	36.0	0.3	14.3	-18.6
Sorghum	-2.0	-13.8	35.0	0.1	17.3	-13.1
Millet	-2.9	-23.2	39.1	-1.4	19.1	-20.8
Maize	24.1	-9.7	43.2	7.7	1.9	-27.7
Rice (paddy)	5.8	9.4	6.6	-18.9	7.2	-22.0
Fonio	-7.6	33.8	-30.9	-27.6	-2.2	4.2
Oilseed crops	32.9	-24.7	59.0	-21.8	11.3	-31.7
Groundnuts (shelled)	31.6	-40.2	78.1	7.5	10.7	-31.5
Sesame	-3.1	-41.3	322.0	-52.9	25.6	-36.2
Shea nuts	50.0	45.0	5.0	...	...	...
Tubers and root crops	-3.1	-42.7	130.1	-20.3	32.7	-21.8
Niébé and voandzou	-4.0	-58.7	194.7	-12.2	38.3	-39.5
Yams	-5.5	27.8	28.6	-64.4	40.9	152.8
Sweet potatoes	27.2	58.2	52.2	-11.2	-22.9	43.3
Manioc	0.0	0.0	0.0	...	...	...
Seed cotton	-10.7	-17.3	85.9	11.2	7.4	-8.7
Fruit and vegetables	18.0	26.0	5.0	7.0	5.0	5.0
Memorandum items:						
Cultivated area for cereals 1/ (in thousands of hectares)	3,292.4	...	...	...	...	...
Yield for cereals (tons per hectare)	0.82	...	...	...	...	...
Cultivated area for seed cotton (in thousands of hectares)	240.3	260.0	361.2	403.6	461.7	572.8
Yield for seed cotton (tons per hectare)	1.06	1.06	1.05	1.01	1.04	1.12

Sources: Ministry of Agriculture and Animal Resources; and staff estimates.

1/ Sorghum, millet, maize, rice, and fonio.

Table 6. Burkina Faso: Performance of the Cotton Sector, 1999/00–2004/2005

	1999/00	2000/01	2001/02	2002/03	2003/04	Est. 2004/05
(In thousand of hectares)						
Cultivated areas	240.3	260.0	361.2	403.6	461.7	572.8
(In kilogram per hectare)						
Yield	1,057.4	1,061.2	1,047.8	1,006.0	1,041.0	1,119.0
(In thousands of metric tons, unless otherwise indicated)						
Production and sales 1/ 2/						
Cotton fiber yield (percent)	41.54	42.2	41.9	41.6	42.2	41.7
Cotton seed yield (percent)	41.53	54.0	54.2	52.6	52.9	52.1
Production of seed cotton	254.2	276.0	378.4	407.7	483.4	631.0
Production of ginned cotton	105.6	116.4	158.4	169.7	203.9	262.9
Exports	115.0	113.3	154.7	169.1	203.3	260.7
Domestic sales	0.7	3.0	3.7	0.6	0.6	2.3
Stocks	0.0	0.0	0.0	0.0	0.0	0.0
(In CFA francs per kilogram)						
Unit values of ginned cotton						
Average f.o.b export price	662.0	826.0	630.0	709.0	781.0	...
Average c.i.f export price	710.0	709.3	771.6	766.5	766.5	...
Average f.o.b export cost	679.0	689.0	703.0	717.0	690.0	...
Average c.i.f export cost	722.0	...	...	...	...	...
(In millions of CFA francs)						
Financial operations						
Income from sales 3/	73,539	97,315.0	114,435.0	...	...	...
Profits	773	17,891.0	118.0	...	...	...
(In CFA francs per kilogram)						
<i>Memorandum items:</i>						
Producer price	158	159.5	174.5	174.1	173.8	174.4
Bonus	25	10.0	25.0	0.0	10.0	35.0
Variable cost per kilogram of fiber	582	588.0	621.0	636.0	612.0	...
Fixed cost per kilogram of fiber	97	101.0	82.0	82.0	77.0	...
Average profit per kilogram of fiber	-5	128.0	-75.0	-9.0	-91.0	...
(In millions of CFA francs)						
Taxes on value added	3,000	2,500.0	3,000.0	4,500.0	6,500.0	4,500.0
Import duties	6,000	2,000.0	3,000.0	4,000.0	5,000.0	4,000.0

Source : Société des Fibres Textiles (SOFITEX).

1/ Crop and financial years run from October 1 to September 30.

2/ Current crop only.

3/ Includes sales from previously accumulated stocks.

Table 7. Burkina Faso: Producer Prices for Principal Crops, 1999/00–2004/05 1/

(CFA francs per kilogram, unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	Est. 2003/04	Est. 2004/05
Sorghum	100.0	100.0	95.0	111.0	90.0	92.3
Millet	115.0	115.0	63.3	121.0	90.0	92.3
Maize	90.0	90.0	103.0	101.0	87.0	89.2
Rice (paddy)	105.0	105.0	110.0	110.9	97.4	99.3
Fonio	159.0	159.0	195.0	196.6	196.6	201.5
Cotton seed, first grade	185.0	170.0	...	...	...	...
Average producer price	157.7	159.5	174.5	174.1	174.5	174.4
Groundnuts (shelled, first grade)	302.0	302.0	...	...	...	...
Shea nuts	87.0	87.0	45.0	45.0	45.0	45.0
Memorandum items:						
Cotton Liverpool price	780.5	927.4	777.8	708.9	730.5	766.6
Average cotton export price, c.i.f.	765.0	710.0	709.3	771.6	766.5	766.5
Average export price (in percent of international price)	98.0	76.6	91.2	108.8	104.9	100.0
Average cotton producer price (in percent of average export price)	20.6	22.5	24.6	22.6	22.8	22.8
Cotton producer price in other countries						
Benin	185.0	220.0	220.0	200.0	210.0	...
Chad	173.0	182.0	164.0	157.0	159.0	...
Mali	140.0	170.0	200.0	180.0	200.0	...
Togo	200.0	180.0	200.0	200.0	175.0	...

Sources: Ministry of Agriculture and Animal Resources until 1997/98; SIM/Sonagese for 1998/99; and staff estimates.

1/ Including the premium redistributed to farmers equal to CFAF 20 in 1996/97-1997/98 and CFAF 25 in 1998/89 and 1999/00.

Table 8. Burkina Faso: Livestock, 1999–2004

(In thousands of heads)

	1999	2000	2001	2002	2003	Est. 2004
Estimated population	19,684	21,393	21,974	22,576	26,902	27,607
Cattle	4,704	4,798	4,894	4,992	7,312	7,458
Sheep	6,585	6,782	6,986	7,199	6,703	6,904
Goats	8,395	8,647	8,907	9,174	10,036	10,337
Pigs	...	622	635	648	1,887	1,925
Camel	...	15	15	15	15	15
Horses	...	26	27	27	36	36
Fowl	...	22,420	23,093	23,786	30,501	31,416
Registered slaughtering						
Cattle	147	156	154	159	196	138
Sheep	296	315	262	334	319	257
Goats	705	706	658	798	797	651
Pigs	...	124	103	139	135	122
Camel	...	0.149	0.198	0.225	0.258	0.233
Horses	...	8	7	8	9	7
Exports of live animals						
Cattle	132	174	242	204	150	161
Sheep	...	226	244	211	111	180
Goats	...	147	232	157	147	170

Sources: Ministry of Agriculture and Animal Resources; and staff estimates.

Table 9. Burkina Faso: Industrial Production, 1999–2004

	Units	1999	2000	2001	2002	2003	Est. 2004
Foodstuff, beverages, and tobacco							
Edible oils	Metric tons	14,727	17,888	19,452	19,626	...	...
Sheanut butter	Metric tons	121	186	101	21	...	...
Flour	Metric tons	21,448	12,289	13,686	10,005	...	...
Pasta	Metric tons	496	211	...	...	...	...
Sugar	Metric tons	29,905	43,412	46,662	47,743	...	...
Beer	Thousand hectoliters	516	494	500	546	...	...
Soft drinks	Thousand hectoliters	206	221	222	250	...	...
Cigarettes	Millions of packets	83	85	78	78	...	...
Textiles and leather							
Spun	Metric tons	21	2	...	...	...	...
Woven	Metric tons	8	...	...	...	...	...
Printed fabric	Thousands of square meters	1,462	275	...	...	...	...
Chemicals							
Soap	Metric tons	1,310	12,079	9,240	9,923	...	...
Matches	Cartons	8,015	9,358	4,956	3,009	...	...
Miscellaneous							
Bicycles	Units	26,017	22,215	17,718	20,849	...	...
Mopeds	Units	22,289	16,531	19,333	19,702	...	...
Tires	Thousands	417	397	599	670	...	...
Inner tubes	Thousands	2,540	2,655	3,217	2,751	...	...

Source: National Institute of Statistics and Demographics (INSD).

Table 10. Burkina Faso - Index of Industrial Production, 1999–2004 1/

(1990 = 100)

	Weights 2/	1999	2000	2001	2002	2003	Est. 2004
Mining	46	5.0	1.1	0.0	0.0	...	...
Food, beverages, and tobacco	342	97.6	109.2	118.5	111.8	...	...
Baked goods	67	43.7	24.9	27.2	19.2	...	...
Beverages and tobacco	82	187.2	189.4	207.0	183.0	...	...
Other food industry	192	74.1	103.5	111.4	113.6	...	...
Textiles	208	84.9	109.4	99.4	131.9	...	...
Chemical industry	140	93.1	74.3	73.8	72.4	...	...
Woodworking and metalworkin;	73	91.0	71.2	79.1	75.6	...	...
Electricity, gas, and water	191	182.0	201.9	200.5	209.3	...	...
Overall index	1,000	105.0	114.2	116.0	121.3	...	...

Sources: Ministry of Trade, Industrial Development, and Mining; Directorate of Industrial Development and Handicraft.

1/ The index does not cover all the manufacturing activities and in particular new enterprises; its weighting system based on 1990 leads to underestimating growth of overall industrial activity in recent years.

2/ Based on the average share in value added during 1990.

Table 11. Burkina Faso: Gold Production, 1999–2004

(Fine gold in kilograms, unless otherwise specified)

	1999	2000	2001	2002	2003	Est. 2004
Industrial gold-mining production	1,000	589	209	189	246	230
Artisanal gold washing	869	551	209	189	246	230
Industrial and semi-industrial	131	38	0	0	0	0
Official exports of gold	1,250	589	209	189	246	220
International gold price (U.S. dollar per fine ounce; London)	288	277	273	280	287	294

Sources: Ministry of Energy and Mines (MEM); and National Institute of Statistics and Demographics (INSD).

Table 12. Burkina Faso: Energy Indicators, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In metric tons) 1/						
Consumption of petroleum products 2/						
Premium gasoline	12,844	12,572	9,979	9,347	8,799	12,604
Regular gasoline	75,545	76,751	74,340	74,632	77,078	120,478
Kerosene	27,701	29,294	29,882	31,926	30,467	20,151
Diesel	71,679	84,565	92,555	94,177	99,784	126,395
Light distillates	56,135	65,263	56,057	56,503	71,936	34,084
Fuel oil	22,852	37,268	22,321	18,817	23,240	34,033
Gas	6,951	8,459	8,253	8,865	8,556	12,509
Total	273,707	314,172	293,387	294,267	319,860	440,318
(In thousands of kilowatt-hours)						
Electricity						
Total production	359,917	390,322	364,902	361,000	444,554	473,249
<i>Of which</i> : hydroelectric	124,687	98,268	53,182	77,000	95,892	101,459
Distributed	345,173	374,059	414,315	426,000	496,927	546,646
Total sales	306,538	323,214	356,897	384,000	427,394	472,690
High voltage	...	...	...	...	...	...
Medium voltage	129,089	136,436	139,631	147,000	160,258	166,992
Low voltage	177,449	186,778	217,266	237,000	267,136	305,698
(In kilometers)						
Length of distribution network	4,440	4,740	5,038	5,190	5,765	5,787
Medium voltage	1,016	1,019	1,105	1,144	1,372	1,321
Low voltage	3,424	3,721	3,933	4,046	4,393	4,466

Source: National Institute of Statistics and Demographics (INSD).

1/ Converted from cubic meters by using the following coefficients (in cubic meters per metric ton): gasoline, 1.36; kerosene, 126; diesel, 1.19; light distillates, 1.18; and fuel oil, 1.09.

2/ Excluding aviation and jet fuel.

Table 13. Burkina Faso: Transport Activity, 2000–2004 1/

	2000	2001	2002	2003	Est. 2004
(In thousands of metric tons, unless otherwise indicated)					
Rail traffic (freight)					
Combustibles, Côte d'Ivoire	460.5	409.7	349.1	...	...
Combustibles, Burkina Faso	58.2	51.1	53.2	16.3	60.6
Clinker	19.9	17.8	0.0	0.0	0.0
Containers	65.8	94.4	59.6	0.1	9.9
Cement	25.2	84.2	104.1	24.8	78.9
Cereals	105.4	161.5	125.7	26.9	39.1
Fertiliser	10.5	37.7	46.1	56.0	15.2
Cotton	32.9	23.5	25.6	19.9	12.3
Livestock	26.3	34.3	29.2	14.5	19.0
Others	71.0	102.0	77.2	21.2	59.0
Total	875.8	1,016.3	869.7	179.7	293.9
Passengers (thousands)	300.2	399.5	320.6	87.5	116.6
Air traffic (Ouagadougou)					
					(In thousands)
Commercial landings and takeoffs	7.8	7.7	...	...	...
Passengers 2/	207.7	220.1	...	...	...
Freight	5.5	5.3	...	...	...
Mail	0.3	0.4	...	...	...

Sources: Ministry of Transport; and Railway Company (SCFP).

1/ 1996 data cover the period October 1, 1995 to September 30, 1996, while 1997 data cover the period October 1, 1996 to November 30, 1997.

2/ Excluding passengers in transit.

Table 14. Burkina Faso: Prices of Petroleum Products, 1999–2004

(In CFA francs per liter)

	1999	2000	2001	2002	2003	Est. 2004
Import prices (c.i.f., Abidjan)						
Premier gasoline	89	162	146	122	131	175
Regular gasoline	85	161	142	117	124	162
Kerosene	85	157	146	132	146	168
Diesel	77	143	145	139	131	161
Retail prices (Ouagadougou) 1/						
Premium gasoline	410	441	488	529	543	580
Regular gasoline	366	390	417	459	480	518
Kerosene	210	238	261	262	280	354
Diesel	285	304	349	376	401	438
Two-stroke mixture	390	413	433	457	495	528

Source: National Petroleum Company of Burkina (SONABHY).

1/ Retail prices in other locations differ from those in Ouagadougou.

Table 15. Burkina Faso: Electricity Rates, 1999–2004

(In CFA francs per kilowatt-hour)

	1999	2000	2001	2002	2003	Est. 2004
High voltage 1/	...	...	...	...	...	...
Medium voltage						
Peak hours	110	110	110	110	110	116
Off-peak hours	51	51	51	51	51	54
Low voltage						
Lighting, domestic use						
Low tariff 2/	73	73	73	73	73	82
High tariff 3/	86	86	86	86	86	107
Power unit						
Peak hours	130	130	130	130	130	137
Off-peak hours	70	70	70	70	70	74
Public lighting	120	120	120	120	120	120

Source: Nationale Electricity Company of Burkina (SONABEL).

1/ Hourly rate for 50 kilowatts and over.

2/ For subscriptions of 0.7 kilowatts and under.

3/ For subscriptions of 1.1 kilowatts and over.

Table 16. Burkina Faso: Average Consumer Price Index, 1999–2004

(1996 = 100, unless indicated)

	New weights	1999	2000	2001	2002	2003	Est. 2004
Food, beverages, and stimulants	3,392.0	107.3	102.1	110.0	113.4	111.5	106.1
Clothing	635.0	107.2	107.0	107.1	107.8	118.7	117.9
Housing	1,050.0	103.7	104.7	103.5	109.5	114.8	115.8
Equipment	666.0	104.7	104.7	104.2	105.9	105.7	106.2
Health	419.0	92.8	95.0	94.7	95.8	104.4	105.3
Transport and communication	1,557.0	101.4	106.3	116.5	119.9	122.7	127.3
Cultural activities	394.0	100.8	100.9	103.3	104.2	104.4	105.7
Schooling	340.0	109.8	110.6	112.1	117.2	118.4	120.4
Hotels and restaurants	996.0	119.9	121.2	126.3	126.9	135.7	140.3
Other goods and services	551.0	116.6	124.8	130.4	127.1	127.3	126.5
Total	10,000.0	106.8	106.5	111.7	114.3	116.6	116.1
Annual percent change		-1.1	-0.3	4.9	2.3	2.0	-0.4

Source: National Institute of Statistics and Demographics (INSD).

Table 17. Burkina Faso: Consolidated Operations of the Central Government, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In billions of CFA francs)						
Total revenue 1/	236.6	219.3	228.0	259.4	301.2	344.8
Tax revenue	220.7	202.9	213.2	240.9	270.4	318.6
Income and profits	53.7	61.4	56.1	61.7	67.2	72.8
Domestic goods and services	106.4	97.7	111.8	130.2	147.2	177.3
International trade	55.3	38.2	39.2	42.4	44.1	57.3
Other	5.3	5.7	6.2	6.6	11.8	11.1
Nontax revenue	15.9	16.4	14.8	18.6	30.9	26.3
Expenditure and net lending 2/	438.3	421.1	457.5	486.4	507.0	577.0
Domestic expenditure and net lending	246.8	244.9	280.4	342.9	372.6	426.5
Excluding interest	233.1	228.3	262.9	326.1	355.8	407.4
<i>Of which</i> : health and primary education 3/	55.2	53.2	62.4	81.2	85.8	105.1
Wages and salaries	82.6	88.7	98.2	103.0	112.5	119.0
Goods and services	37.6	40.0	40.5	62.5	58.8	62.9
Other expenditure	0.0	0.0	0.0	5.1	0.0	0.0
Interest payments	13.7	16.6	17.5	16.8	16.8	19.1
Current transfers	46.8	49.0	60.1	70.1	70.3	83.4
Budgetary contribution to investment	65.8	47.5	63.5	86.7	89.5	147.3
Net lending 4/	0.3	3.1	-1.9	-2.7	23.5	-5.4
Primary balance (excluding foreign-financed investment and restructuring operations)	4.9	-6.8	-34.9	-66.7	-54.6	-62.6
Primary current balance (excluding investment and restructuring operations)	70.7	40.7	28.5	20.1	34.9	84.8
Foreign-financed government investment	191.5	176.2	177.1	143.5	134.4	150.5
Restructuring operations	1.4	2.2	0.0	0.0	0.0	0.0
Overall surplus/deficit 2/	-60.6	-67.0	-81.2	-108.3	-72.4	-114.8
Excluding grants and foreign-financed operations	-201.7	-201.8	-229.5	-226.9	-205.7	-232.2
Change in payments arrears	-8.3	0.0	0.0	-3.2	0.0	0.0
Domestic 5/	-8.3	0.0	0.0	-3.2	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0
Grants	141.1	134.8	148.3	118.6	133.3	117.3
<i>Of which</i> : project	117.4	111.9	121.1	88.7	61.8	70.3
Overall deficit after grants (cash basis)	-69.9	-74.2	-82.6	-68.6	-88.5	-106.3
Financing	69.9	75.3	81.0	110.1	73.2	117.5
Foreign	68.2	46.2	88.4	94.1	83.0	118.8
Drawings	90.2	71.4	115.5	100.8	84.7	119.9
<i>Of which</i> : adjustment aid	16.1	0.0	33.1	46.0	12.1	40.1
Amortization	-26.2	-27.8	-27.1	-27.4	-26.3	-26.2
Change in amortization arrears	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling 6/	4.2	2.6	0.0	0.0	0.0	0.0
Domestic	2.4	29.0	-7.4	-23.8	6.3	-9.7
Bank	12.2	19.8	-11.9	-43.9	10.4	-24.6
Central bank	14.5	23.1	-9.4	-36.4	5.4	-28.8
<i>Of which</i> : IMF	7.0	-0.6	7.9	1.8	-7.0	-7.7
Commercial banks	-2.3	-3.3	-2.5	-7.5	5.0	4.1
Nonbank	-13.5	-5.4	1.4	19.2	-5.1	7.6
Privatization revenue	3.7	14.6	3.0	0.9	1.0	7.3

Table 17. Burkina Faso: Consolidated Operations of the Central Government, 1999–2004 (concluded)

	1999	2000	2001	2002	2003	2004 Est.
	(In percent of GDP; unless otherwise indicated)					
Revenue	12.9	11.8	10.9	11.4	12.1	12.8
Tax Revenue	12.0	10.9	10.2	10.6	10.8	11.8
Domestic primary expenditure and net lending	12.7	12.3	12.5	14.3	14.3	15.1
Current expenditure (excluding net lending)	9.9	10.4	10.3	11.3	10.4	10.6
Current primary expenditure (excluding net lending)	9.1	9.5	9.5	10.6	9.7	9.8
Capital expenditure (excluding restructuring operations)	14.0	12.0	11.5	10.1	9.0	11.0
<i>Of which</i> : foreign financed	10.5	9.5	8.4	6.3	5.4	5.6
Overall balance (including grants)	-3.3	-3.6	-3.9	-4.8	-2.9	-4.3
Primary balance	0.3	-0.4	-1.7	-2.9	-2.2	-2.3
Primary current balance	3.9	2.2	1.4	0.9	1.4	3.1
GDP (in billions of CFA francs)	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1

Sources: Data provided by the Burkinabè authorities; and staff estimates.

1/ Starting in 1999, revenue includes taxes on goods and services paid in execution of public investment projects using checks issued by the treasury.

2/ On a commitment basis.

3/ Primary domestic expenditure on health and education excluding foreign financed investment and tax component.

4/ Excluding foreign-financed on-lending, including proceeds from privatization (-).

5/ Includes expenditures committed but not paid.

6/ Includes contentious debt in negotiation with non-Paris Club creditors.

Table 18. Burkina Faso: Total Revenue, 1999–2004 1/

	1999	2000	2001	2002	2003	2004
(In billions of CFA francs)						
Total revenue	236.6	219.3	228.0	259.4	301.2	344.8
Tax revenue	220.7	202.9	213.2	240.9	270.4	318.6
Income taxes	53.7	61.4	56.1	61.7	67.2	72.8
Corporate income tax	24.9	32.2	26.1	29.0	36.5	39.1
Personal income tax	22.4	23.8	23.7	26.9	22.4	27.5
Other	6.5	5.4	6.2	5.8	8.3	6.2
Payroll taxes	2.4	2.7	2.7	3.0	3.3	4.1
Property taxes	0.9	0.9	1.0	1.1	1.7	4.1
Taxes on goods and services 1/	106.4	97.7	111.8	130.2	147.2	177.3
Value-added tax	63.8	62.6	84.8	89.5	106.5	125.4
Value-added tax (import)	30.7	28.0	37.1	32.1	43.6	52.5
Value-added tax (domestic)	33.1	34.5	47.7	54.8	60.8	70.0
Selected excises on goods	14.5	16.1	12.1	24.1	25.0	30.6
<i>Of which</i> : Single tax on petroleum products	11.6	10.5	6.2	17.5	17.5	22.2
Other 1/	28.1	19.0	14.9	16.6	15.7	21.3
Taxes on international trade 1/ 2/	55.3	38.2	39.2	42.4	44.1	57.3
Import duties	38.7	24.9	30.7	34.2	40.5	45.6
Customs duty	25.7	21.6	27.4	30.6	36.3	40.1
Statistical tax	13.0	3.3	3.1	3.1	3.7	4.1
Special intervention tax	0.0	0.0	0.0	0.0	0.0	0.0
Special community tax	2.3	0.1	0.1	0.0	0.1	0.0
Transfers from WAEMU	0.6	3.0	3.8	3.4	0.7	6.0
Contribution of the livestock sector	0.6	0.6	0.5	0.3	0.2	0.3
Other taxes on international trade 1/ 2/	11.4	9.5	4.1	4.4	2.6	5.4
Other tax revenue	5.3	2.1	2.4	2.5	6.8	2.9
Nontax Revenue	15.9	16.4	14.8	18.6	30.8	26.2
Dividends	5.9	5.8	2.8	4.3	7.7	9.4
Other	10.0	10.6	12.0	14.3	23.1	16.8
Capital revenue	0.1	0.0	0.0	0.0	0.1	0.0
(In percent of GDP)						
Total revenue	12.9	11.8	10.9	11.4	12.1	12.8
Tax revenue	12.0	10.9	10.2	10.6	10.8	11.8
Income taxes	2.9	3.3	2.7	2.7	2.7	2.7
<i>Of which</i> : corporate income tax	1.4	1.7	1.2	1.3	1.5	1.4
personal income tax	1.2	1.3	1.1	1.2	0.9	1.0
Tax on manpower	0.4	0.3	0.3	0.3	0.3	0.2
Property taxes	0.1	0.1	0.1	0.1	0.1	0.2
Taxes on goods and services	0.0	0.0	0.0	0.1	0.1	0.2
<i>Of which</i> : value-added tax	3.5	3.4	4.0	3.9	4.3	4.7
Taxes on international trade	3.0	2.1	1.9	1.9	1.8	2.1
<i>Of which</i> : taxes on imports	2.1	1.3	1.5	1.5	1.6	1.7
Other tax receipts	0.3	0.1	0.1	0.1	0.3	0.1
Nontax revenue	0.9	0.9	0.7	0.8	1.2	1.0

Table 18. Burkina Faso: Total Revenue (concluded), 1999–2004 1/

	1999	2000	2001	2002	2003	2004
(In percent of total revenue, unless otherwise indicated)						
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0
Tax revenue	93.3	92.5	93.5	92.8	89.8	92.4
Income taxes	22.7	28.0	24.6	23.8	22.3	21.1
<i>Of which</i> : corporate income tax	10.5	14.7	11.5	11.2	12.1	11.3
personal income tax	9.5	10.8	10.4	10.4	7.4	8.0
Payroll taxes	1.0	1.2	1.2	1.2	1.1	1.2
Property taxes	0.4	0.4	0.5	0.4	0.6	1.2
Taxes on goods and services	45.0	44.5	49.0	50.2	48.9	51.4
<i>Of which</i> : Value-added tax	27.0	28.5	37.2	34.5	35.4	36.4
Petroleum tax	4.9	4.8	2.7	6.7	5.8	6.4
Taxes on international trade	23.4	17.4	17.2	16.3	14.6	16.6
<i>Of which</i> : taxes on imports	17.8	18.8	19.8	20.8	21.8	22.8
Other tax receipts	2.2	0.9	1.1	1.0	2.3	0.8
Nontax revenue	6.7	7.5	6.5	7.2	10.2	7.6
<i>Of which</i> : dividends	2.5	2.7	1.2	1.7	2.6	2.7
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0
GDP (in billions of CFA francs)	1,833	1,862	2,096	2,277	2,494	2,696

Source: Burkinabè authorities.

1/ Starting in 1999, revenue includes taxes on goods and services paid in execution of public investment projects using checks issued by the treasury.

2/ Including the community solidarity levies of the WAEMU and ECOWAS.

Table 19. Burkina Faso: Economic Classification of Consolidated Government Expenditure, 1999–2004

	1999	2000	2001	2002	2003	2004
(In billions of CFA francs)						
Total expenditure and net lending	438.3	421.1	457.5	486.4	507.0	577.0
Total expenditure	438.0	418.0	459.4	489.2	483.5	582.4
Current	180.6	194.3	218.8	258.9	259.6	284.5
Wages and salaries	82.6	88.7	98.2	103.0	112.5	119.0
Goods and services	37.6	40.0	40.5	62.5	58.8	62.9
Interest	13.7	16.6	17.5	16.8	16.8	19.1
On external debt	10.4	13.1	12.5	12.9	11.6	12.7
On domestic debt	3.3	3.5	5.0	3.9	5.2	6.4
Transfers	46.8	49.0	60.1	70.1	70.3	83.4
Capital	257.4	223.7	240.5	230.3	223.9	297.8
Budget	65.8	47.5	63.5	86.7	89.5	147.3
Financed by foreign grants	117.4	111.9	121.1	88.7	61.8	70.3
Financed by foreign loans	74.1	74.1	74.1	74.1	74.1	74.1
Net lending	0.3	3.1	-1.9	-2.7	23.5	-5.4
(In percent of GDP)						
Total expenditure and net lending	23.9	22.6	21.8	21.4	20.3	21.4
Total expenditure	23.9	22.5	21.9	21.5	19.4	21.6
Current	9.9	10.4	10.4	11.4	10.4	10.6
Wages and salaries	4.5	4.8	4.7	4.5	4.5	4.4
Goods and services	2.1	2.1	1.9	2.7	2.4	2.3
Interest	0.7	0.9	0.8	0.7	0.7	0.7
Tranfers	2.6	2.6	2.9	3.1	2.8	3.1
Capital	14.0	12.2	13.1	12.6	12.2	16.3
Net lending	0.0	0.2	-0.1	-0.1	0.9	-0.2
(In percent of total expenditure)						
Total expenditure and net lending	100.0	100.0	100.0	100.0	100.0	100.0
Total expenditure	99.9	99.3	100.4	100.6	95.4	100.9
Current	41.2	46.1	47.8	53.2	51.2	49.3
Wages and salaries	18.8	21.1	21.5	21.2	22.2	20.6
Goods and services	8.6	9.5	8.8	12.8	11.6	10.9
Interest	3.1	3.9	3.8	3.4	3.3	3.3
Transfers	10.7	11.6	13.1	14.4	13.9	14.5
Capital	58.7	53.1	52.6	47.3	44.2	51.6
Net lending	0.1	0.7	-0.4	-0.6	4.6	-0.9
(In billions of CFA francs)						
Memorandum items:						
Nominal GDP	1832.8	1861.5	2096.3	2276.5	2494.2	2696.1

Sources: Burkinabè authorities; and staff estimates.

Table 20. Burkina Faso: Personnel Expenditures, 1999–2004

(In billions of CFA francs)

	1999	2000	2001	2002	2003	2004
Number of civil servants	50,422	52,984	56,534	59,327	64,319	67,348
Including agents of decentralised administrative entities	50,233	...	...	...	...	...
Total wage bill						
Budget	76.8	84.5	91.2	103.0	108.0	121.0
Actual	86.4	88.7	97.1	102.3	110.0	121.5
Implementation ratio (in percent)	112.6	105.0	106.4	99.3	101.9	100.5
Civilian wage bill	68.4	70.2	76.2	80.1	86.6	94.1
Military wage bill	18.0	18.5	20.8	22.2	23.4	27.5
Memorandum items:						
Average annual civilian wage bill (In millions of CFA francs)	1.3	1.32	1.35	1.35	1.35	1.40
Ratio of per capita civilian wage bill to per capita GDP	9.9	9.58	9.18	9.05	8.50	8.30

Source: Burkinabè authorities.

Table 21. Burkina Faso: Military Expenditures, 1999–2004 1/

(In billions of CFA francs, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004
Salaries	18.0	18.5	20.8	22.2	23.4	27.5
Percent change	5.3	2.8	12.7	6.7	5.2	17.4
Goods and services	4.4	4.5	4.3	4.3	4.4	4.0
Percent change	10.3	4.7	-3.9	0.0	1.3	-7.9
Current transfers	0.3	0.4	0.5	0.4	0.4	0.7
Investments	2.9	1.4	1.3	2.6	2.8	2.4
Percent change	52.6	-51.7	-5.1	94.9	7.8	-12.8
Total	25.6	24.8	27.0	29.6	31.0	34.7
Percent change	10.8	-2.7	8.9	9.5	4.7	11.9

Source: Burkinabè authorities.

1/ Budgetary data only.

Table 22. Burkina Faso: Monetary Survey, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In billions of CFA francs)						
Net foreign assets 1/ BCEAO	163.5	125.8	128.1	140.5	166.2	163.8
Commercial banks	91.6	54.1	76.5	80.9	128.4	121.5
	71.9	71.7	51.6	59.6	37.8	42.3
Net domestic assets	225.3	285.1	296.2	296.2	341.7	345.6
Domestic credit	237.0	299.3	308.4	317.7	369.2	385.3
Net claims on government 2/	49.8	80.3	58.8	17.7	28.3	3.4
Credit to private sector	187.2	219.1	249.6	300.0	340.9	381.9
Credit to other financial institutions	1.1	1.1	1.1	1.1	1.0	1.2
Performing credit	180.6	208.8	239.2	290.8	328.6	361.1
Short term	137.7	159.1	176.3	220.5	241.2	226.8
<i>Of which</i> : crop credit	16.3	28.5	38.3	47.6	40.0	15.0
Medium and long term	42.4	49.4	62.3	69.5	86.1	133.9
Nonperforming credit	3.7	5.5	6.3	4.2	6.4	14.9
Other items (net)	-11.8	-14.2	-12.2	-21.5	-27.5	-39.7
Money and quasi money	388.8	410.8	424.4	436.7	507.9	509.4
Currency	142.6	136.1	120.6	83.2	91.0	60.2
Demand deposits	113.8	122.9	141.4	165.2	195.7	203.2
Time and savings deposits	132.4	151.8	162.4	188.3	221.3	246.1
Long-term foreign liabilities	8.5	5.8	6.4	8.8	9.3	9.8
SDR allocations	7.9	9.0	8.8	8.7	7.7	7.5
(In percent of beginning-of-period broad money, unless otherwise indicated)						
Memorandum items:						
Net foreign assets	43.4	32.3	31.2	33.1	38.1	32.2
Net domestic assets	59.8	73.3	72.1	69.8	78.2	68.1
<i>Of which</i> : net claims on government	13.2	20.6	14.3	4.2	6.5	0.7
credit to private sector	49.7	56.3	60.8	70.7	78.1	75.2
Money and quasi money (percent change)	3.2	5.7	3.3	2.9	16.3	0.3
Nonperforming credit/total credit (percent)	2.0	2.5	2.5	1.4	1.9	3.9

Source: Central Bank of West African States (BCEAO).

1/ Excluding net external position of the postal checking system; excluding gold.

2/ Definition of government comprises central government as well as CGP, CSPPA, and OFNACER.

Table 23. Burkina Faso: Summary Accounts of the Central Bank, 1999–2004

(In billions of CFA francs; end of period)

	1999	2000	2001	2002	2003	Est. 2004
Net foreign assets 1/	99.5	63.0	85.3	89.6	136.1	129.0
Assets	192.2	171.3	194.0	190.1	226.2	207.8
Liabilities	92.7	108.3	108.7	100.5	90.2	78.7
Net claims on government	58.8	81.7	68.9	32.6	37.9	9.2
Claims	103.7	104.4	110.7	112.5	103.3	92.5
Liabilities	44.9	22.7	41.8	79.9	65.3	83.3
Net claims on banks	-9.3	-8.5	-32.5	-30.1	-63.0	-62.1
Claims	3.9	10.3	3.3	3.3	0.0	0.0
Advances to money market	0.0	0.0	0.0	0.0	0.0	0.0
Rediscounts	3.9	10.3	0.0	0.0	0.0	0.0
Other	0.0	0.0	3.3	3.3	0.0	0.0
Liabilities	13.2	18.8	35.8	33.4	63.0	62.1
Deposits on money market	0.0	0.0	2.3	0.0	0.0	0.0
Other deposits	7.3	11.5	24.3	22.9	48.1	46.5
Currency	5.9	7.2	9.2	10.5	15.0	15.6
Net claims on other financial institutions	1.1	1.1	1.1	1.1	1.0	1.2
Currency outside banks	142.6	136.1	120.6	83.2	91.0	60.2
Public enterprise deposits	4.3	5.5	3.8	5.0	9.7	4.7
SDR allocations	7.9	9.0	8.8	8.7	7.7	7.5
Other items (net)	-4.7	-13.3	-10.4	-3.8	3.6	5.0

Source: Central Bank of West African States (BCEAO).

1/ Excluding gold.

Table 24. Burkina Faso: Summary Accounts of Deposit Money Banks, 1999–2004 1/

(In billions of CFA francs; end-of-period)

	1999	2000	2001	2002	2003	Est. 2004
Net foreign assets	71.9	71.7	51.6	59.6	37.8	42.3
Assets	156.4	153.4	140.5	127.4	129.4	131.9
Liabilities	84.5	81.7	88.9	67.8	91.6	89.7
Net money market position	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Advances	0.0	0.0	0.0	0.0	0.0	0.0
Other reserves	16.3	21.2	35.4	33.4	61.8	65.8
Currency	5.9	7.2	9.2	10.5	15.0	15.6
Deposits at BCEAO	10.3	14.0	26.2	22.9	46.9	50.2
Net claims on government	-34.4	-30.9	-42.2	-50.7	-47.6	-50.5
Claims	26.1	24.3	15.0	23.1	31.3	36.0
Deposits	60.5	55.1	57.1	73.8	78.9	86.4
Claims on economy 2/	185.6	217.6	247.9	298.0	338.6	380.3
Performing credits	180.1	208.5	238.7	290.0	327.3	360.7
Short term	137.7	159.1	176.3	220.5	241.2	226.8
<i>Of which</i> : crop credit	16.3	28.5	38.3	47.6	40.0	15.0
Medium and long term	42.4	49.4	62.3	69.5	86.1	133.9
Nonperforming credit	5.5	9.1	9.2	8.0	11.4	19.6
Unpaid claims	1.8	3.6	3.0	3.9	5.0	4.7
Doubtful and litigious credit	3.7	5.5	6.3	4.2	6.4	14.9
Claims on other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0
Deposits	216.0	239.4	267.4	311.8	367.9	399.4
Demand deposits	107.4	115.1	135.7	157.6	183.4	193.9
Public enterprises	...	...	...	...	...	...
Other	...	...	...	...	...	...
Time deposits	108.6	124.4	131.7	154.1	184.6	205.5
Public enterprises	...	...	...	...	...	...
Other	...	...	...	...	...	...
BCEAO claims	3.9	11.0	3.3	0.0	0.0	0.0
Capital, reserves and provisions	38.5	42.4	45.2	46.7	51.2	59.7
Other items (net)	-19.0	-13.2	-23.1	-18.2	-28.5	-21.3

Source: Central Bank of West African States (BCEAO).

1/ Including treasury operations with private sector, Postal Checking (CCP), and National Savings Banks (CNE).

2/ Including public corporations.

Table 25. Burkina Faso: Central Bank Interest Rates, January 2001–December 2004

(In percent per year)

	Rediscount Rate	Repurchase Rate	Rate on Treasury Advances	Penalty Rate 1/
2001				
January	6.50	6.00	4.95	6.50
February	6.50	6.00	4.95	6.50
March	6.50	6.00	4.95	6.50
April	6.50	6.00	4.95	6.50
May	6.50	6.00	4.95	6.50
June	6.50	6.00	4.95	6.50
July	6.50	6.00	4.95	6.50
August	6.50	6.00	4.95	6.50
September	6.50	6.00	4.95	6.50
October	6.50	6.00	4.95	6.50
November	6.50	6.00	4.95	6.50
December	6.50	6.00	4.95	6.50
2002				
January	6.50	6.00	4.95	6.50
February	6.50	6.00	4.95	6.50
March	6.50	6.00	4.95	6.50
April	6.50	6.00	4.95	6.50
May	6.50	6.00	4.95	6.50
June	6.50	6.00	4.95	6.50
July	6.50	6.00	4.95	6.50
August	6.50	6.00	4.95	6.50
September	6.50	6.00	4.95	6.50
October	6.50	6.00	4.95	6.50
November	6.50	6.00	4.95	6.50
December	6.50	6.00	4.95	6.50
2003				
January	6.50	6.00	4.95	6.50
February	6.50	6.00	4.95	6.50
March	6.50	6.00	4.95	6.50
April	6.50	6.00	4.95	6.50
May	6.50	6.00	4.95	6.50
June	6.50	6.00	4.95	6.50
July	6.50	6.00	4.95	6.50
August	5.50	5.00	4.95	5.50
September	5.50	5.00	4.95	5.50
October	5.00	4.50	4.95	5.00
November	5.00	4.50	4.95	5.00
December	5.00	4.50	4.95	5.00
2004				
January	5.00	4.50	4.95	5.00
February	5.00	4.50	4.95	5.00
March	4.50	4.00	4.95	4.50
April	4.50	4.00	4.95	4.50
May	4.50	4.00	4.95	4.50
June	4.50	4.00	4.95	4.50
July	4.50	4.00	4.95	4.50
August	4.50	4.00	4.95	4.50
September	4.50	4.00	4.95	4.50
October	4.50	4.00	4.95	4.50
November	4.50	4.00	4.95	4.50
December	4.50	4.00	4.95	4.50
2005				
January	4.50	4.00	4.95	4.50
February	4.50	4.00	4.95	4.50
March	4.50	4.00	4.95	4.50

Source: Central Bank of West African States (BCEAO).

1/ The penalty rate applies to central bank credit to the government in excess of statutory limits and is equivalent to the repurchase rate plus 0.5 percentage points.

Table 26. Burkina Faso: Money Market Interest Rates,
January 2001–December 2004

(In percent per year)

	Advances and deposits (TMM) 1/
2001	
January	4.95
February	4.95
March	4.95
April	4.95
May	4.95
June	4.95
July	4.95
August	4.95
September	4.95
October	4.95
November	4.95
December	4.95
2002	
January	4.95
February	4.95
March	4.95
April	4.95
May	4.95
June	4.95
July	4.95
August	4.95
September	4.95
October	4.95
November	4.95
December	4.95
2003	
January	4.95
February	4.95
March	4.95
April	4.95
May	4.95
June	4.95
July	4.95
August	4.95
September	4.95
October	4.95
November	4.95
December	4.95
2004	
January	4.95
February	4.95
March	4.95
April	4.95
May	4.95
June	4.95
July	4.95
August	4.95
September	4.95
October	4.95
November	4.95
December	4.95
2005	
January	4.95
February	4.95
March	4.95

Source: Central Bank of West African States (BCEAO).

1/ The money market was introduced in 1975 and has functioned with an auction system since October 1993. Under this system, only part of the funds offered by commercial banks are accepted by the central bank; the interest can be either fixed by the central bank or determined as a result of the auction.

Table 27. Burkina Faso: Maximum Lending Rates Applied by Commercial Banks,
January 1999–December 2004 1/

(In percent per year)

	After Jan. 1 1999	After Jan. 1 2000	After Jan. 1 2001	After Jan. 1 2002	From Jan. 1, 2003 to Mar. 30, 2005
Short- and medium-term credit					
Crop financing and export credit	18.0	11.0	11.0	15.5	15.5
Financing of storage of agricultural products	18.0	11.0	11.0	15.5	15.5
Credit to small and medium- sized national enterprises	18.0	15.0	15.0	15.5	15.5
Credit to nationals 2/ for construction of first primary residence	18.0	13.0	13.0	15.5	15.5
Other credits	18.0	17.5	17.5	15.5	15.5
Long-term credit 2/					
Credit to small and medium- sized national enterprises	18.0	15.0	15.0	15.5	15.5
Credit to nationals 3/ for construction of first primary residence	18.0	13.0	13.0	15.5	15.5
Other credits	18.0	17.5	17.5	15.5	15.5

Source: Central Bank of West African States (BCEAO).

1/ All rate ceilings were unified in October 2, 1989 and set equal to the discount rate plus 5 percent. In October 1, 1993, maximum rates were revised to twice the level of the discount rate. In July 1997, the usury rate was fixed at 18 percent.

2/ With maturity of more than 2 years and less than 15 years.

3/ Of any member state of the West African Monetary Union.

Table 28. Burkina Faso: Deposit Rates Applied by Commercial Banks,
January 1997–March 2005 1/

(In percent per year)

	From Jan. 1, 1997 to Mar. 31, 2005
(Up to CFAF 5,000,000)	
Public deposits 2/	Determined by agreement
Private deposits	
Time deposits	
Less than six months	TMM-2 4/
Six months to less than one year	TMM-2 4/
One year or more	Free 3/
Certificates of deposit	
Six months to less than one year	TMM-2 4/
One year or more	Free 3/
Savings deposits 5/	3.5
(Above CFAF 5,000,000)	
Public deposits 2/	Determined by agreement
Private deposits	
Time deposits	
Less than six months	Free 3/
Six months to less than one year	Free 3/
One year or more	Free 3/
Certificates of deposit	
Six months to less than one year	Free 3/
One year and more	Free 3/
Savings deposits	Free 3/

Source: Central Bank of West African States (BCEAO).

1/ Fixed rates.

2/ Includes deposits of the Treasury, Post Office, Savings Bank, and other government agencies, public and mixed enterprises, and special private sector deposits resulting from legal requirements, such as reserves of insurance companies.

3/ Deposit rates no longer fixed by the Central Bank of West African States (BCEAO).

4/ Monthly average money market rate (TMM), published by the BCEAO, minus 2 percent.

5/ Applicable to savings deposits of less than CFAF 5 million.

Table 29. Burkina Faso: Balance of Payments, 1999–2004

(In billions of CFA francs)

	1999	2000	2001	2002	2003	Est. 2004
Exports, f.o.b.	156.2	146.2	163.8	170.8	186.3	229.7
<i>Of which</i> : cotton	83.6	72.2	96.0	97.4	119.9	158.8
gold	9.2	6.2	2.2	3.9	5.1	7.0
Imports, f.o.b.	-357.4	-368.6	-391.5	-401.3	-398.3	-417.8
<i>Of which</i> : capital goods	-125.0	-122.8	-115.5	-124.5	-129.0	-130.0
Trade balance	-201.2	-222.4	-227.7	-230.5	-212.0	-188.1
Services and Income (net)	-82.0	-91.5	-93.9	-87.2	-123.8	-127.5
Services	-70.8	-77.3	-76.0	-72.5	-108.9	-112.0
Income	-11.3	-14.3	-17.9	-14.7	-14.9	-15.5
<i>Of which</i> : interest payments	-11.1	-13.2	-15.8	-13.5	-13.9	-13.7
Current transfers (net)	88.7	86.8	90.8	90.1	122.5	104.3
Private	39.7	39.1	25.8	29.8	18.1	26.0
<i>Of which</i> : workers' remittances	50.3	44.5	32.0	36.6	26.5	29.0
Official	48.9	47.7	65.0	60.3	104.3	78.3
<i>Of which</i> : budgetary program grants	23.7 23.7	22.9 22.9	27.2 27.2	29.9 29.9	69.8 69.8	47.1 47.1
Current account (deficit= -)	-194.6	-227.1	-230.9	-227.7	-213.4	-211.4
Excluding current official transfers	-243.5	-274.8	-295.9	-288.0	-317.7	-289.6
Capital transfers	120.4	115.4	152.5	112.7	90.4	99.2
Project grants	117.4	111.9	121.1	88.7	61.8	70.3
Other capital transfers	3.0	3.5	31.5	24.0	28.6	29.0
Official operations	69.5	58.8	78.4	98.8	79.9	119.7
Official capital	57.8	26.4	61.9	73.1	57.4	87.1
Disbursements	84.0	60.7	89.1	100.8	84.7	119.9
<i>Of which</i> : budget project loans program loans	84.0 67.9 16.1	66.5 66.5 0.0	89.1 56.0 33.1	100.8 54.8 46.0	84.7 72.6 12.1	119.9 79.8 40.1
Amortization	-26.2	-30.8	-36.6	-37.5	-39.7	-44.8
<i>Of which</i> : budget	-26.2	-27.8	-27.2	-27.7	-27.3	-32.8
Private capital 1/	11.7	32.4	16.5	25.7	22.5	32.5
Errors and omissions	-8.6	5.3	2.3	28.6	68.8	-10.0
Overall balance	-13.3	-47.5	2.4	12.4	25.7	-2.4
Financing	13.3	47.5	-2.4	-12.4	-25.7	2.4
Net foreign assets	9.1	37.7	-2.4	-12.4	-25.7	2.4
Net official reserves	21.5	37.6	-22.5	-4.4	-47.5	6.9
Gross official reserves	14.6	20.9	-22.7	3.9	-36.1	18.5
IMF (net)	7.0	-1.7	6.2	0.3	-7.4	-7.8
<i>Of which</i> : use of resources repayments	10.3 -3.3	5.2 -7.0	15.6 -9.4	10.0 -9.7	2.8 -10.2	2.7 -10.5
Net foreign assets, commercial banks 2/	-12.4	0.2	20.1	-8.0	21.8	-4.5
<i>Of which</i> : Post Office	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (reduction= -)	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	7.2	26.5	20.8	24.7	25.1
Debt under discussion 3/	4.2	2.6	0.0	0.0	0.0	0.0
Financing gap (after IMF loans)	0.0	0.0	0.0	0.0	0.0	0.0

Table 29. Burkina Faso: Balance of Payments, 1999–2004 (concluded)

	1999	2000	2001	2002	2003	Est. 2004
	(In percent of GDP, unless otherwise indicated)					
Memorandum items:						
Trade balance (deficit= -)	-11.0	-11.9	-10.9	-10.1	-8.5	-7.0
Current account (deficit= -)	-10.6	-12.2	-11.0	-10.0	-8.6	-7.8
Excluding current official transfers	-13.3	-15.0	-14.1	-12.6	-12.7	-10.7
Overall balance (deficit= -)	-0.5	-2.0	0.1	0.5	1.0	-0.1
Debt service	2.0	2.6	2.5	2.2	2.2	2.2
Debt-service ratio 4/	22.9	24.2	13.6	14.7	12.1	12.0
International reserves						
Gross international reserves (in billions of CFA francs)	192.2	171.3	194.0	190.1	226.2	207.8
In months of imported goods, c.i.f	5.5	4.9	5.2	4.8	5.6	4.9
Net international reserves (in billions of CFA francs)	163.5	125.8	128.1	140.5	166.2	163.8
In months of imported goods, c.i.f	5.4	4.0	3.9	4.2	4.9	4.6
In weeks of imported goods, c.i.f	23.6	17.5	16.8	18.0	21.2	20.0
Net official reserves (BCEAO)	91.6	54.1	76.5	80.9	128.4	121.5
GDP at current prices (in billions of CFA francs)	1,832.8	1,861.5	2,096.3	2,276.5	2,494.2	2,696.1
Noninterest current account	-183.4	-214.8	-215.1	-214.2	-199.5	-197.7
excluding official transfers	-232.4	-265.9	-280.1	-274.5	-303.8	-275.9
Noninterest current account (in percent of GDP)	-10.0	-11.5	-10.3	-9.4	-8.0	-7.3
excluding official transfers (in percent of GDP)	-12.7	-14.3	-13.4	-12.1	-12.2	-10.2
Financing Gap (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Net official transfers (in millions of US dollars)	79.5	71.9	88.7	86.8	179.9	148.3
(in percent change)	-30.6	-9.6	23.4	-2.1	107.2	-17.5

Sources: Central Bank of West African States (BCEAO); and staff estimates.

1/ Includes portfolio investment and direct foreign investment.

2/ Including net foreign assets of Post Office.

3/ Contentious debt in negotiation with non-Paris Club creditors.

4/ Including public enterprises and private sector debt; in percent of exports of goods and nonfactor services.

5/ Stock of ODA debt cancelled by France amounts to CFAF 66.4 billion at end-1993 (after devaluation).

Table 30. Burkina Faso: Balance of Payments, 1999–2004

(In millions of SDRs)

	1999	2000	2001	2002	2003	Est. 2004
Exports, f.o.b.	185.8	156.2	175.5	189.9	229.7	295.9
<i>Of which</i> : cotton	99.4	77.1	102.9	108.3	147.8	204.6
gold	99.4	77.1	2.4	4.3	6.3	9.0
Imports, f.o.b.	-425.1	-447.9	-419.5	-446.2	-491.1	-538.3
<i>Of which</i> : capital goods	-148.7	-185.4	-123.7	-138.4	-159.0	-167.5
Trade balance	-239.3	-291.7	-244.0	-256.3	-261.4	-242.4
Services and Income (net)	-97.6	-101.6	-100.7	-97.0	-152.7	-164.3
Services	-84.2	-86.7	-81.5	-80.6	-134.2	-144.3
Income	-13.4	-14.9	-19.2	-16.4	-18.4	-20.0
<i>Of which</i> : interest payments	-13.2	-14.7	-16.9	-15.0	-17.1	-17.7
Current transfers (net)	105.5	91.0	97.3	100.1	151.0	134.3
Private	47.3	32.0	27.6	33.1	22.4	33.5
<i>Of which</i> : workers' remittances			34.3	40.7	32.7	37.4
Official	59.8	43.8	69.7	67.0	128.6	100.8
<i>Of which</i> : budgetary	58.2	59.0	29.1	33.3	86.1	60.6
program grants	28.1	24.5	29.1	33.3	86.1	60.6
Current account (deficit= -)	-231.4	-302.3	-247.4	-253.2	-263.1	-272.3
Excluding current official transfers	-289.6	-361.3	-317.1	-320.2	-391.7	-373.2
Capital transfers	143.2	122.7	163.5	125.3	111.4	127.9
Project grants	139.7	119.5	129.8	98.6	76.2	90.5
Other capital transfers	3.5	3.2	33.7	26.7	35.2	37.3
Official operations	82.6	142.7	84.0	109.8	98.5	154.2
Official capital	-12.1	37.6	66.3	81.3	70.8	112.3
Disbursements	19.1	71.0	95.4	112.1	104.4	154.5
<i>Of which</i> : budget	0.0	71.0	95.4	112.1	104.4	154.5
project loans	19.1	0.0	60.0	61.0	89.5	102.8
program loans	19.1	0.0	35.4	51.1	14.9	51.7
Amortization	-31.2	-33.4	-39.2	-41.7	-49.0	-57.7
<i>Of which</i> : budget	-31.2	-29.7	-29.1	-30.8	-33.7	-42.2
Private capital 1/	94.7	105.1	17.7	28.6	27.7	41.9
Errors and omissions	-10.3	-13.8	2.5	31.8	84.9	-12.9
Overall balance	-15.9	-50.8	2.6	13.8	31.7	-3.1
Financing	15.9	50.8	-2.6	-13.8	-31.7	3.1
Net foreign assets	10.9	40.3	-2.6	-13.8	-31.7	3.1
Net official reserves	25.6	40.1	-24.1	-4.9	-58.6	8.9
Gross official reserves	21.4	22.3	-24.3	4.3	-44.5	23.8
IMF (net)	8.3	-1.9	6.7	0.4	-9.2	-10.1
<i>Of which</i> : use of resources	12.2	5.6	16.8	11.2	3.4	3.4
repayments	-3.9	-7.5	-10.1	-10.8	-12.6	-13.5
Net foreign assets, commercial banks 2/	-14.7	0.2	21.5	-8.9	26.9	-5.7
<i>Of which</i> : Post Office	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (reduction= -)	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	7.7	28.4	23.1	30.5	32.3
Debt under discussion 3/	5.0	2.8	0.0	0.0	0.0	0.0
Financing gap (after IMF loans)	0.0	-14.6	0.0	0.0	0.0	0.0

Table 30. Burkina Faso: Balance of Payments, 1999–2004 (concluded)

	1999	2000	2001	2002	2003	Est. 2004
	(In percent of GDP, unless otherwise indicated)					
Memorandum items:						
Trade balance (deficit= -)	-11.0	-11.9	-10.9	-10.1	-8.5	-7.0
Current account (deficit= -)	-10.6	-12.2	-11.0	-10.0	-8.6	-7.8
Excluding current official transfers	-13.3	-15.0	-14.1	-12.6	-12.7	-10.7
Overall balance (deficit= -)	-0.5	-2.0	0.1	0.5	1.0	-0.1
Debt service	2.0	2.6	2.5	2.2	2.2	2.2
Debt-service ratio 4/	22.9	24.2	13.6	14.7	12.1	12.0
International reserves						
Gross international reserves (in billions of CFA francs)	192.2	171.3	194.0	190.1	226.2	207.8
In months of imported goods, c.i.f	5.5	4.9	5.2	4.8	5.6	4.9
Net international reserves (in billions of CFA francs)	163.5	125.8	128.1	140.5	166.2	163.8
In months of imported goods, c.i.f	5.4	4.0	3.9	4.2	4.9	4.6
In weeks of imported goods, c.i.f	23.6	17.5	16.8	18.0	21.2	20.0
Net official reserves (BCEAO)	91.6	54.1	76.5	80.9	128.4	121.5
GDP at current prices (in billions of CFA francs)	1832.8	1861.5	2096.3	2276.5	2494.2	2696.1
Noninterest current account	-183.4	-214.8	-215.1	-214.2	-199.5	-197.7
excluding official transfers	-232.4	-265.9	-280.1	-274.5	-303.8	-275.9
Noninterest current account (in percent of GDP)	-10.0	-11.5	-10.3	-9.4	-8.0	-7.3
excluding official transfers (in percent of GDP)	-12.7	-14.3	-13.4	-12.1	-12.2	-10.2
Financing Gap (in percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Net official transfers (in millions of US dollars)	79.5	71.9	88.7	86.8	179.9	148.3
(in percent change)	-30.6	-9.6	23.4	-2.1	107.2	-17.5

Sources: Central Bank of West African States (BCEAO); and staff estimates.

1/ Includes portfolio investment and direct foreign investment.

2/ Including net foreign assets of Post Office.

3/ Including relief on government guaranteed debt.

4/ Including public enterprises and private sector debt; in percent of exports of goods and nonfactor services.

5/ Stock of ODA debt cancelled by France amounts to CFAF 66.4 billion at end-1993 (after devaluation).

Table 31. Burkina Faso: Composition of Exports, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(Unless otherwise indicated, values in billions of CFA francs, volume in thousand of tons, and price in CFA francs per kilogram)						
Total exports, f.o.b.	156.2	146.4	163.8	170.8	186.3	229.7
Cotton	83.6	72.2	96.0	97.4	119.9	158.8
Volume	114.7	106.8	113.3	154.7	169.1	203.3
Price	728.7	675.8	847.1	630.0	709.0	781.0
Livestock products	29.3	32.1	31.0	34.4	25.1	27.7
Live animals	15.8	16.5	16.5	14.4	5.0	8.2
Heads (in thousands)	310.0	315.0	315.0	335.0	125.0	163.5
Price (in thousands of CFAF/head)	51.0	52.4	52.4	42.9	40.0	50.0
Meats and slaughtered animals	1.7	1.8	3.0	2.0	2.4	1.8
Volume	1.1	1.1	2.0	2.0	2.0	1.5
Price	1,607.0	1,607.0	1,507.0	1,000.0	1,200.0	1,200.0
Leather and hides	11.7	13.8	11.4	18.0	17.7	17.7
Volume	3.4	4.0	3.1	4.5	4.5	4.5
Price	3,447.3	3,450.0	3,697.7	3,997.6	3,944.2	3,944.2
Gold	9.2	6.2	2.2	3.9	5.1	7.0
Volume (metric tons)	1.8	1.0	0.3	0.6	0.8	1.0
Price (in thousands of CFAF/kg)	5,124.2	6,230.0	6,395.3	6,246.8	6,580.8	7,142.9
Manganese	0.0	0.0	0.0	...	...	...
Volume	0.0	0.0	0.0	...	...	...
Price	67.9	80.8	82.3	...	...	...
Zinc value 3/	0.0	0.0	0.0	...	...	...
Volume (in metric tons)	1.1	1.1	1.2	...	...	...
Price (in thousands of CFAF/in metric to)	661.5	800.7	778.7	...	...	...
Other	34.1	35.9	34.6	35.1	36.1	36.2
(In percent of total exports)						
Cotton	53.5	49.3	58.6	57.0	64.4	69.1
Livestock products	18.7	21.9	18.9	20.1	13.5	12.1
Live animals	10.1	11.3	10.1	8.4	2.7	3.6
Meats and slaughtered animals	1.1	1.2	1.8	1.2	1.3	0.8
Leather and hides	7.5	9.4	7.0	10.5	9.5	7.7
Gold	5.9	4.2	1.3	2.3	2.8	3.0
Manganese	0.0	0.0	0.0	...	...	...
Zinc value 3/	0.0	0.0	0.0	...	...	...
Other	21.8	24.4	22.8	20.6	19.4	15.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
(Percentage change)						
Total exports, f.o.b.	-18.0	-6.3	11.9	4.3	9.1	23.3
Cotton	-30.9	-13.7	33.0	1.5	23.0	32.5
Livestock products	8.2	9.7	-3.6	11.0	-26.8	10.1
Gold	-2.9	-32.8	-64.5	77.2	31.7	36.4

Source: Central Bank of West African States (BCEAO).

Table 32. Burkina Faso: Composition of Imports, 1999–2004

	1999	2000	2001	2002	2003	Est. 2004
(In billions of CFA francs)						
Total imports, f.o.b.	357.4	368.6	391.5	401.3	398.3	417.8
Food products	45.5	45.0	71.8	68.1	48.5	53.0
Petroleum products	50.1	65.0	67.9	71.0	78.0	90.0
Capital equipment	125.0	122.8	115.5	124.5	129.0	130.0
Intermediate goods	106.8	105.0	104.8	105.0	110.0	112.0
Miscellaneous and unclassified 1/	30.0	30.8	31.6	32.7	32.8	32.8
(In percent of total)						
Total imports, f.o.b.	100.0	100.0	100.0	100.0	100.0	100.0
Food products	12.7	12.2	18.3	17.0	12.2	12.7
Petroleum products	14.0	17.6	17.3	17.7	19.6	21.5
Capital equipment	35.0	33.3	29.5	31.0	32.4	31.1
Intermediate goods	29.9	28.5	26.8	26.2	27.6	26.8
Miscellaneous and unclassified 1/	8.4	8.4	8.1	8.1	8.2	7.9
(Percentage change)						
Total imports, f.o.b.	-1.5	3.1	6.2	2.5	-0.7	4.9
Food products	-45.6	-1.1	59.6	-5.2	-28.8	9.3
Petroleum products	48.6	29.7	4.4	4.6	9.9	15.4
Capital equipment	18.6	-1.8	-6.0	7.8	3.6	0.8
Intermediate goods	-12.5	-1.7	-0.2	0.2	4.8	1.8
Miscellaneous and unclassified 1/	-4.3	2.7	2.6	3.5	0.3	0.0

Sources: Central Bank of West African States (BCEAO); and staff estimates.

1/ Including adjustments for unrecorded imports.

Table 33. Burkina Faso: Direction of Recorded Exports, 1999–2004

(In billions of CFA francs)

	1999	2000	2001	2002	2003	Est. 2004
Europe	75.2	85.8	84.8	78.5	115.9	...
European Community	40.2	48.9	46.8	65.1	89.5	...
<i>Of which</i>						
France	28.5	27.0	28.7	54.5	58.0	...
Belgium/Luxembourg	6.9	10.7	5.1	4.7	6.8	...
Germany	0.6	0.4	1.2	0.7	1.1	...
Italy	2.4	5.0	6.0	2.0	5.4	...
Denmark	0.1	0.1	0.1	...	...	...
Spain	...	2.3	1.4	0.4	1.2	...
United Kingdom	0.1	1.9	4.0	1.5	3.7	...
Other	35.1	36.9	38.0	13.5	26.5	...
Africa	42.0	29.7	29.5	29.1	37.1	...
West African Monetary Union	38.0	27.3	24.9	23.1	29.6	...
<i>Of which</i>						
Côte d'Ivoire	32.8	14.0	10.5	11.3	6.6	...
Niger	0.6	4.3	6.5	2.5	6.1	...
Togo	0.8	2.0	1.6	4.7	4.9	...
Mali	3.5	6.3	5.1	3.9	6.2	...
Benin	0.2	0.2	1.1	0.6	1.2	...
Ghana	1.9	1.9	3.0	3.3	4.3	...
Nigeria	1.2	0.1	0.1	1.0	2.0	...
Other	0.9	0.4	1.4	1.7	1.1	...
Western Hemisphere	0.2	0.7	1.1	0.7	1.3	...
<i>Of which</i>						
United States	0.1	0.5	0.8	0.6	1.0	...
Canada	0.1	0.1	0.3	0.1	0.2	...
Colombia	...	...	0.0	...	...	...
Asia	5.9	8.8	12.9	9.6	14.2	...
<i>Of which</i>						
China, People's Republic of	...	0.0	0.4	0.9	0.9	...
Taiwan Province of China	...	...	0.0	...	...	...
Japan	0.9	1.7	1.9	2.1	2.8	...
Hong Kong, China	....	...	0.4	...	...	...
Indonesia	0.0	0.0	0.0	...	...	...
Singapore	3.5	7.0	8.2	6.4	9.9	...
Other countries	0.0	0.1	0.1	0.0	0.0	...
Total	123.4	125.0	126.3	118.0	168.5	...

Table 33. Burkina Faso: Direction of Recorded Exports, 1999–2004 (concluded)

(In percentage of total)

	1999	2000	2001	2002	2003	Est. 2004
Europe	61.0	68.6	67.1	66.5	68.8	...
European Community	32.6	39.1	37.1	55.1	53.1	...
<i>Of which</i>						
France	23.1	21.6	22.7	46.2	34.4	...
Belgium/Luxembourg	5.6	8.6	4.1	4.0	4.0	...
Germany	0.5	0.3	1.0	0.6	0.7	...
Italy	2.0	4.0	4.7	1.7	3.2	...
Denmark	0.1	0.1	0.1	...	...	...
Spain	...	1.8	1.1	0.3	0.7	...
United Kingdom	0.1	1.5	3.1	1.3	2.2	...
Other	28.4	29.5	30.1	11.4	15.7	...
Africa	34.0	23.8	23.3	24.7	22.0	...
West African Monetary Union	30.8	21.8	19.7	19.6	17.6	...
<i>Of which</i>						
Côte d'Ivoire	26.6	11.2	8.3	9.6	3.9	...
Niger	0.5	3.5	5.2	2.1	3.6	...
Togo	0.6	1.6	1.2	4.0	2.9	...
Mali	2.9	5.0	4.0	3.3	3.7	...
Benin	0.2	0.1	0.8	0.5	0.7	...
Ghana	1.5	1.5	2.3	2.8	2.6	...
Nigeria	1.0	0.1	0.1	0.8	1.2	...
Other	0.7	0.4	1.1	1.5	0.7	...
Western Hemisphere	0.2	0.5	0.9	0.6	0.7	...
<i>Of which</i>						
United States	0.1	0.4	0.7	0.5	0.6	...
Canada	0.1	0.0	0.2	0.1	0.1	...
Colombia	...	...	0.0	...	...	...
Asia	4.8	7.0	10.2	8.2	8.4	...
<i>Of which</i>						
China, People's Republic of	0.0	0.0	0.3	0.8	0.6	...
Taiwan Province of China	0.0	...	0.0	...	...	...
Japan	0.7	1.3	1.5	1.8	1.7	...
Hong Kong, China	...	...	0.3	...	...	...
Indonesia	0.0	0.0	0.0	...	...	...
Singapore	2.9	5.6	6.5	5.4	5.9	...
Other countries	0.0	0.1	0.0	0.0	0.0	...
Total	100.0	100.0	100.0	100.0	100.0	...

Source : Central Bank of West African States (BCEAO).

Table 34. Burkina Faso: Origin of Recorded Imports, c.i.f., 1999–2004

(In billions of CFA francs)

	1999	2000	2001	2002	2003	Est. 2004
Europe	163.7	164.9	167.4	167.8	196.6	...
European Community	153.4	156.2	155.3	157.4	179.1	...
<i>Of which</i>						
France	91.7	82.7	84.8	89.8	100.0	94.5
Germany	12.2	13.3	13.5	12.3	14.8	14.4
Netherlands	8.4	7.8	7.7	8.9	9.5	9.1
Belgium/Luxembourg	8.7	10.5	7.9	14.2	12.6	...
United Kingdom	7.3	9.7	8.6	3.5	6.9	7.2
Italy	7.9	11.5	10.8	8.3	10.9	8.6
Denmark	...	5.2	2.4	5.2	4.4	...
Spain	...	12.7	15.7	10.9	15.2	...
Other	10.3	8.6	12.1	10.5	17.6	...
Africa	89.7	130.5	132.2	129.7	140.8	...
West African Monetary Union	79.1	100.6	108.6	110.3	116.1	...
<i>Of which</i>						
Côte d'Ivoire	66.8	83.8	89.5	91.2	92.4	86.3
Senegal	4.4	5.7	3.3	3.4	3.8	23.6
Togo	6.8	9.8	13.5	13.4	20.8	18.0
Mali	0.5	0.5	1.0	0.7	1.0	0.6
Ghana	3.0	4.8	5.1	4.8	11.5	6.4
Nigeria	2.5	6.5	5.1	3.2	6.9	5.9
Other	5.0	18.6	13.5	11.4	6.2	...
Western Hemisphere	18.9	13.7	19.9	19.9	22.8	...
<i>Of which</i>						
USA	11.9	10.1	16.0	12.9	16.6	16.7
Canada	1.8	1.2	0.7	0.7	0.8	2.5
Argentina	0.4	0.7	0.0	0.2	0.1	...
Brazil	2.2	1.0	2.1	4.8	3.9	...
Asia	56.3	59.6	84.1	84.2	101.0	...
<i>Of which</i>						
Japan	22.9	20.8	21.3	18.4	22.8	12.6
China, People's Republic of	6.9	15.0	18.9	17.2	25.2	...
Thailand	3.8	2.6	3.2	3.1	3.6	...
Taiwan, Province of China	1.4	1.5	1.0	1.0	1.6	...
Pakistan	3.8	0.9	4.7	1.0	3.3	...
India	3.8	2.2	5.0	9.7	8.4	...
Vietnam		1.3	1.1	0.3	0.8	...
Other countries	1.1	0.2	0.9	0.6	0.8	...
Total	329.7	368.9	404.4	402.2	462.0	...

Table 34. Burkina Faso: Origin of Recorded Imports, c.i.f., 1999–2004 (concluded)

(In percentage of total)

	1999	2000	2001	2002	2003	2004
Europe	49.6	44.7	41.4	41.7	42.6	...
European Community	46.5	42.4	38.4	39.1	38.8	...
<i>Of which</i>						
France	27.8	22.4	21.0	22.3	21.7	...
Germany	3.7	3.6	3.3	3.1	3.2	...
Netherlands	2.6	2.1	1.9	2.2	2.1	...
Belgium/Luxembourg	2.6	2.8	1.9	3.5	2.7	...
United Kingdom	2.2	2.6	2.1	0.9	1.5	...
Italy	2.4	3.1	2.7	2.1	2.4	...
Denmark		1.4	0.6	1.3	0.9	...
Spain		3.5	3.9	2.7	3.3	...
Other	3.1	2.3	3.0	2.6	3.8	...
Africa	27.2	35.4	32.7	32.3	30.5	...
West African Monetary Union	24.0	27.3	26.8	27.4	25.1	...
<i>Of which</i>						
Côte d'Ivoire	20.3	22.7	22.1	22.7	20.0	...
Senegal	1.3	1.5	0.8	0.8	0.8	...
Togo	2.1	2.7	3.3	3.3	4.5	...
Mali	0.2	0.1	0.2	0.2	0.2	...
Ghana	0.9	1.3	1.3	1.2	2.5	...
Nigeria	0.8	1.8	1.2	0.8	1.5	...
Other	1.5	5.0	3.3	2.8	1.3	...
Western Hemisphere	5.7	3.7	4.9	4.9	4.9	...
<i>Of which</i>						
USA	3.6	2.7	4.0	3.2	3.6	...
Canada	0.5	0.3	0.2	0.2	0.2	...
Argentina	0.1	0.2	0.0	0.0	0.0	...
Brazil	0.7	0.3	0.5	1.2	0.9	...
Asia	17.1	16.2	20.8	20.9	21.9	...
<i>Of which</i>						
Japan	7.0	5.6	5.3	4.6	4.9	...
China, People's Republic of	2.1	4.1	4.7	4.3	5.5	...
Thailand	1.1	0.7	0.8	0.8	0.8	...
Taiwan, Province of China	0.4	0.4	0.3	0.2	0.4	...
Pakistan	1.2	0.2	1.2	0.3	0.7	...
India	1.2	0.6	1.2	2.4	1.8	...
Vietnam	0.0	0.3	0.3	0.1	0.2	...
Other countries	0.3	0.1	0.2	0.1	0.2	...
Total	100.0	100.0	100.0	100.0	100.0	...

Source: Central Bank of West African States (BCEAO).

Table 35. Burkina Faso: Services and Transfers, 1999–2004

(In billions of CFA francs)

	1999	2000	2001	2002	2003	Est. 2004
Services and income (net)	-82.0	-91.5	-93.9	-87.2	-123.8	-127.5
Income (net)	-11.3	-14.3	-17.9	-14.7	-14.9	-15.5
Services (net)	-70.8	-77.3	-76.0	-72.5	-108.9	-112.0
Services (net)	-70.8	-77.3	-76.0	-72.5	-108.9	-112.0
Credit	20.5	22.3	26.8	34.2	34.8	36.7
Debit	-91.3	-99.6	-102.8	-106.7	-143.7	-148.7
Freight and insurance	-61.2	-52.4	-54.2	-72.7	-84.5	-89.0
Credit	0.0	0.0	0.0	0.0	0.0	0.0
Debit	-61.2	-52.4	-54.2	-72.7	-84.5	-89.0
Other transport	-4.9	-5.4	-6.6	-1.9	-4.2	-7.2
Credit	2.5	2.6	3.5	7.7	6.8	4.2
Debit	-7.4	-8.0	-10.1	-9.6	-11.0	-11.4
Travel	-1.4	-0.6	-1.3	2.3	-3.8	14.0
Credit	13.3	13.6	14.6	16.7	17.0	24.0
Debit	-14.7	-14.2	-15.9	-14.4	-20.8	-10.0
Government services	-2.7	-3.8	-1.4	-1.0	-3.6	-2.0
Credit	0.8	2.1	3.1	3.0	5.0	5.0
Debit	-3.4	-5.9	-4.5	-4.0	-8.6	-7.0
Other nonfactor services	-0.6	-15.1	-12.5	0.8	-12.6	-27.7
Credit	3.9	4.0	5.6	6.8	6.0	3.5
Debit	-4.5	-19.1	-18.1	-6.0	-18.6	-31.2
Income (net)	-11.3	-14.3	-17.9	-14.7	-14.9	-15.5
Credit	7.8	9.6	11.2	12.2	13.2	8.8
Debit	-19.1	-23.9	-29.1	-26.9	-28.1	-24.3
Transfers (net)	206.1	85.8	90.8	90.1	122.5	104.3
Private	39.7	34.6	25.8	29.8	18.1	26.0
Credit	68.6	62.4	52.8	60.1	58.0	56.3
<i>Of which</i> : workers' remittances	50.3	44.5	32.0	36.6	26.5	29.0
Debit	-28.9	-27.8	-27.0	-30.3	-39.8	-30.3
Official	166.4	51.2	65.0	60.3	104.3	78.3
Credit	169.9	52.1	65.8	61.2	106.4	79.5
<i>Of which</i> : capital grants	117.4	22.9	27.2	29.9	69.8	47.1
Debit	-3.5	-0.9	-0.8	-0.9	-2.0	-1.3

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Burkina Faso: Summary of the Tax System, June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on income and profits			
1.1 Tax on individuals			
1.1.1 Standard tax on income (<i>impôt forfaitaire sur le revenu</i>). Tax Code Articles 152 to 166.	Eliminated through Ordinance No. 54/94 ADP of December 16, 1994.		
1.1.2 Noncommercial profits tax (<i>impôt sur les bénéfices non commerciaux</i>). Tax Code Articles 41 to 54 (BNC).	Tax levied on profits from the exercise of noncommercial professions. Based on previous year's profits. A withholding tax is levied on imports and wholesale purchases, which is creditable against the tax due. Even in case of losses, the tax amount due cannot be below CFAF 50,000 for private nursing offices, CFAF 200,000 for teaching institutions and maternity hospitals and CFAF 500,000 for all other noncommercial professions.	No personal exemptions; a CFAF 100,000 exemption was abolished in 1972 (Loi No. 10/72/AN of December 23, 1972).	Progressive rate by income tranche ranging from 10 to 35 percent (See Loi No. 0027/99/AN of 11/25/99, budget law for execution of the 2003 cash budget). N.B.: this new rate will only apply to earnings for the fiscal year ended 12/31/2000.
1.1.3 Progressive income tax (<i>impôt progressif sur les revenus de l'assistance technique française</i>).	Started in 1990 in accordance with the Franco-Burkinabè cooperation agreement of February 4, 1986. Levied on French technical assistants' income.	No exemptions.	4 to 20 percent.
1.1.4 Single progressive tax on wages and salaries (<i>impôt unique sur les traitements et salaires</i>). Tax Code Articles 55 to 74.	Introduced in 1971, replacing previous specific taxes and the general income tax, and levied on all wages and salaries earned during the current year. Withheld by employers on account of the treasury. To be paid ten days after end of month (see above-cited Law No. 027/99/AN of 11/25/99). Abatement of 15 percent of the base wage (Law No. 32/2002/AN of November 12, 2002)	All pensions are exempted. All exemptions and deductions are spelled out in Article 56 (parliamentary indemnities, severance pay, housing allowance, dependency allowance). Abatements are granted for dependents (up to seven).	Rates are 2 percent to 30 percent, payable by monthly installments.

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.1.5	Tax on rental income (<i>prélèvement sur les loyers</i>). Art. 13, Law No. 42/2000/AN of 12/20/2000	Levied on rental income collected by owners of rental buildings (whatever their usage). Exemptions for state-owned buildings, hotel rooms, and new and renovated buildings. Exemption for owners whose cumulated net monthly revenue from rental buildings in the same locality does not exceed CFAF 5,000. Additional abatement of 30 percent for new construction and building renovations.	Progressive rate by income bracket from 0 percent to 25 percent.
1.1.6	Tax on real estate capital gains. Tax Code Articles 182 to 185.	Effective January 1978; levied on capital gains resulting from real estate sales.	15 percent of the capital gain.
1.2	Corporate taxes		
1.2.1	Industrial, commercial and agricultural profits tax (<i>impôt sur les bénéfices industriels, commerciaux et agricoles</i>). Tax Code Articles 1 to 40.	Tax on profits realized in Burkina Faso after deducting all necessary and reasonable charges to produce profit. It is levied on companies and individuals business with a turnover higher than CFAF 25 or 50 million (depending on the type of activity). Tax returns must be filed before April 30. For insurance companies, returns must be filed by May 31. For businesses below a certain turnover threshold, a simplified declaration system applies.	No personal exemptions; a CFAF 100,000 exemption was abolished in 1972 (Loi No. 10/72/AN of December 23, 1972). Under certain conditions, profits from new industrial and mining enterprises can be exempted for up to five years. Tax reductions may also be granted on profits reinvested. All these incentives may be granted independent of the Investment Code. Exemption on importation in transit; firms exempted from profit tax, oil, water-related material, electricity, and telecommunication-related materials and pharmaceutical products. All transaction greater than CFAF 500,000.
			The withholding tax rate is 2 percent (1 percent for cement, sugar, and flour, and 0.2 percent for hydrocarbons and cola). Withholding rate of 5 percent on services purchased by nonresident and 1 percent for real estate and public construction.

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2.2	Withholding tax on revenue from professional services accruing on economic agents without an established residence in Burkina Faso.		20 percent of value of professional services.
1.3	Other		
1.3.1	Tax on income from securities (<i>impôt sur le revenu des valeurs mobilières</i>).	Distributions by new enterprises during the first eight years for enterprises under the Investment Code are exempt.	12.5 percent for dividends distributed during the first three years of operation of companies; 25 percent otherwise. 15 percent pursuant to Law No. 36:2002 of 12/19/2002
1.3.2	Tax on income from claims (<i>impôt sur le revenu des créances</i>).	Levied on interest income from claims, deposits, current accounts, and the like.	12.5 percent for deposits at banks or specific financial institutions (e.g., treasury or CNCA). 25 percent for all other claims.
2.	Social security contributions (<i>charges sociales</i>).	(1) Levied on family allowances; (2) Women's compensation; and (3) retirement income.	(1) Employer: 11.5 percent. (2) employer: 2.5 percent; and (3) Employer 4.5 percent; Employee: 4.5 percent.
3.	Payroll taxes		
3.1	Payroll and apprenticeship tax (<i>taxe patronale et d'apprentissage</i>). Tax Code Articles 120 to 130. Amended by Law No. 037/2001/AN of 12/20/2001	Partial or complete exemption may be accorded. Tax reductions for occupational training limited to CFAF 150,000 per apprentice.	4 percent on citizens of Burkina Faso; 8 percent on expatriates.

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.	Taxes on property		
4.1	Recurrent taxes on immovable property		
4.1.1	Land tax (<i>taxe de jouissance</i>).		Depends on region and zoning (commercial, industrial, residential, or rural). In Ouagadougou: CFAF 2,000-3,000 per square meter.
4.1.2	Residency tax (<i>taxe de résidence</i>). Tax Code Articles 219 to 235, amended by Ordinance No. 92-0016/PRES of 03/19/1992.	Married women who live with their husband or without earned income, individuals older than 60 or indigent, handicapped with disablement pension as the only source of income, students without earned income, draftees and diplomats.	There are three schedules according to geographical zones. Rates take into account locality, and the equipment and construction material used in the dwelling.
4.2	Estate, inheritance, and gift taxes		
4.2.1	Tax on inheritances	Military and police personnel deceased while on duty.	Progressive rate.
4.2.2	Mortmain tax (<i>axe des biens de main morte</i>). Tax Code Articles 199 to 210.	Government and companies with limited or general partnership are exempted. The following deductions are provided: 40 percent on annual rental value for houses; and 50 percent for factories.	2.5 percent for houses made of mud or other local materials; 10 percent for houses made of concrete or stone.
4.3	Taxes on financial and capital transactions		
4.3.1	Registration fees (<i>droits d'enregistrement</i>). Tax Code, various articles.	Reduced rate on mergers of companies.	Fixed or proportional and sometimes progressive or various rates, depending on the nature of the transaction. 3 percent for fees collected on transfers of first private dwelling after leasing

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.3.2	Real estate registration fee (<i>droit d'immatriculation et d'inscription foncière</i>).	Transfer of ownership of registered real estate and land ownership advertising.	Depending on the nature of the transaction.
5.	Taxes on goods and services	State and local communities fully exempt. Partial exemption for associations, congregations, and other entities recognized by the state for construction for social or cultural purpose.	
5.1	Value-added tax (VAT) (<i>taxe sur la valeur ajoutée</i>). Tax Code Articles 318 to 331.	Replaces the turnover tax. Levied on the value of goods or services produced in Burkina Faso by companies and non-salaried individuals. Required use of registry machine for all sales in cash by the registered TVA taxpayers (Loi 036/97/AN of 12/4/97). Withholding at the rate of 18 percent on state and mixed enterprises' purchases from local suppliers. Tax to be paid by the 20th of the following month.	18 percent, effective September 1, 1996.
5.2	Excises		
5.2.1	Locally manufactured beverages (<i>taxe sur les boissons de fabrication locale</i>). Tax Code Articles 332 to 338.	On value of turnover before tax.	25 percent for alcoholic beverages. 10 percent for nonalcoholic beverages.
5.2.2	Imported beverages (<i>taxe sur les boissons importées</i>). Tax Code Articles 332 to 338.	On customs value, as defined in Article 22 of Customs Code.	25 percent for alcoholic beverages. 10 percent for nonalcoholic beverages.
5.2.3	Cola nuts (<i>taxe sur les colas</i>). Tax Code Articles 355 to 358.	On customs value, as defined in Article 22 of Customs Code.	10 percent.
5.2.4	Coffee- and tea-specific tax.	On customs value, as defined in Article 22 of Customs Code.	10 percent.

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.2.5	Tobacco, cigars, and cigarettes (<i>axe sur tabac, cigares et cigarettes</i>). Tax Code Articles 352 to 354, quater. Law 50/95/ADP of 11/15/95.	Levied on the value of imported and locally produced goods. For imported products, tax is collected by customs. Producers file a return with the tax office before the 15th of each month.	22 percent for imported tobacco; 17 percent for locally produced tobacco (see Budget Law No. 050/98/AN of 11/20/98). Amended by Law No. 42/2000/AN of 12/20/2000
5.2.6	Single tax on petroleum products (<i>taxe unique sur les produits pétroliers</i> (TUPP)). Law No. 042/2000/AN of 12/20/2000. Amended by Law No. 42/2000/AN of 12/20/2000	Replaces all the taxes, except customs duties, previously levied on petroleum products. All petroleum products except gaz and super.	Rates vary according to nature of product and location of warehouse (Bobo Dioulasso or Bingo).
5.3	Profits of fiscal monopolies		
5.3.1	Tobacco (<i>produits du monopole des tabacs</i>). Tax Code Articles 352 to 354.	New disposition - Loi de Finance 2001	Bottom-of-the-range tobacco 17 percent; luxury tobacco products 22 percent. These rates are applicable to both imported and locally-produced products
5.4	Taxes on specific services		
5.4.1	Tax on insurance policies (<i>axe sur les contrats d'assurance</i>). Tax Code Articles 604 to 625. Amended by Law No. 62/2003/AN of 12/19/2003	Annual tax levied on insurance premiums. Life annuity or life insurance contracts taken out by persons not habitually residing in Burkina Faso and any contract covering a risk situated outside Burkina Faso are exempt, as are reinsurance contracts.	Fire: 20 percent. Life: 8 percent. Travel by sea, river or air: 8 percent. Export credits: 0.25 percent. Public transportation vehicles including taxis: 12 percent. Private cars: 10 percent. Other: 12 percent.
5.5	Taxes on use of goods and property, etc.		
5.5.1	Business licenses (<i>contribution des patentes</i>). Tax Code Articles 238-278, amended by Ordinance No. 92-017/PRES of 03/19/1992.	Levied on all non-wage-earning individuals and corporations carrying on business in Burkina Faso. Consists of a fixed charge and a variable charge. Receipts accrue to local government. Exemptions listed in Articles 249 and 271 of the Tax Code for government, subsistence farmers, and agricultural cooperatives.	Fixed charge: depends on the category of business. Variable charge: 8 percent on rental value of business premises.

Burkina Faso: Summary of the Tax System (continued), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.5.2	Beverage sales licenses (<i>licences-vente à la consommation</i>). Tax Code Articles 367 to 371, bis.	Applicable to establishments selling beverages for consumption on the premises or carryout, and to producers of dolo or bangui in the communes.	CFAF 18,000 -150,000 in annual fees, depending on categories of establishment and locality (but not on turnover). For producers of dolo or bangui: CFAF 24,000 for Ouagadougou and Bobo-Dioulasso, CFAF 12,000 elsewhere.
5.5.3	Informal sector contribution (<i>contribution du secteur informel</i>) (CSI). Tax Code Article 371, ter. Amended by Law No. 37/2001/AN of 12/20/2001	Flat levy collected from the informal sector in lieu of all taxes, excluding municipal taxes, and the single tax on wages and salaries; it is applied to businesses with a turnover of between CFAF 5 and 15 million. Proceeds accrue fully to local government budgets.	Companies and individuals already taxed under BNC (1.1.2) and CSB (5.5.4) are exempt.
5.5.4	Beverage sector contribution (<i>contribution du secteur boisson</i>) (CSB) Tax Code Article 371, quater. Amended by Law No. 36/2002/AN of 12/19/2002	Flat levy collected in lieu of all taxes owed by individuals or corporate entities selling locally produced beverages. Proceeds from the CSB accrue to the budget. The tax is withheld by the producer and paid before the 15th of each month to the tax office.	Producers are exempt. 5 percent on gross value (after tax) of purchases made from producers by wholesalers.
6.	Taxes on international trade		
6.1	Import duties		
6.1.1	Customs duties (<i>droits de douane</i>). Customs Code Articles 8 and 12.	Ad valorem tax levied on the c.i.f. value of all imports. Exemptions for imports of some industrial products originating in ECOWAS countries and, since 1994, for pharmaceutical goods. Preferential tariff for products originating in the WAEMU: Agriculture, livestock, and crafts, 100 percent reduction; agreed industrial products, 100 percent reduction, unlisted industrial products 5 percent reduction.	0, 5, 10, and 20 percent, for the categories 0, 1, 2, and 3 of goods defined in Regulation 05/98/CM/WAEMU of July 3, 1998.
6.1.2	Statistical tax (<i>taxe statistique</i>).	Applied to all imports.	1 percent.

Burkina Faso: Summary of the Tax System (concluded), June 1, 2005
(In CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
6.1.3	Solidarity community levy (<i>prélèvement communautaire de solidarité</i> (PCS)).	Applied to all imports from outside the UEMOA.	1 percent.
6.1.4	Community levy (<i>prélèvement communautaire</i> (PC))	Applied to all imports from outside the ECOWAS.	0.5 percent.
6.1.5	<i>Declining protection tax</i> (TDP)	Levied on imported products competing with local products, based on WAEMU regulations.	Maximum rate: 5 percent. Minimum rate: 2.5 percent. This rate declines every year, starting in July 1999. In December 2003, the WAEMU decided to extend the implementation of the TDP until end-December 2005.
6.2	Other taxes on international trade and transactions		
6.2.1	Toll tax (<i>taxe de péage</i>).	Levied on all imports. Receipts accrue to the Chamber of Commerce.	Petroleum products and imports financed by external aid are exempted.
6.2.2	Withholding tax. Law No. 042/2000/AN of 12/20/2000.	Applied to all importations, the tax base is the custom value of product plus custom duties and VAT.	CFAF 75 per ton for rice, cement, and sugar; CFAF 150 per ton for metal works; CFAF 500 per ton for other imports; and CFAF 3,000 per unit for vehicles. 2 percent, except 1 percent for sugar, flour, and cement; 0.2 percent for hydrocarbon/
7.	Other taxes		
7.1	Stamp taxes (<i>droit de timbre</i>).	Levied on miscellaneous legal documents.	Depending on the nature of the document. The same exemptions as for registration fees.

Source: Directorates General of Taxes and Customs, and Ministry of Finance and the Budget