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Burkina Faso: Second Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burkina Faso

In the context of the second review under the three-year arrangement under the Extended Credit Facility and request for modification of performance criteria, the following documents have been released and are included in this package:

- The staff report for the Second Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on April 7, 2011, with the officials of Burkina Faso on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 29, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its July 15, 2011 discussion of the staff report that completed the request and/or review.

- A statement by the Executive Director for Burkina Faso.

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

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

*Also included in Staff Report

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

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BURKINA FASO

Second Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria

Prepared by the African Department
(In Consultation with Other Departments)

Approved by Michael Atingi-Ego and Dominique Desruelle

June 29, 2011

Executive Summary

- ***Burkina Faso's economy recovered from the 2009 downturn.*** Economic growth was robust and higher than anticipated, driven by strong activity in agriculture, mining, and services sectors, while inflation remained low. The external position strengthened thanks to better terms of trade and a significant increase in gold production. In the financial sector, credit to the economy rose substantially, consistent with the rebound in economic activity.

- ***There was a wave of unrest in the first half of the year.*** Riots, demonstrations and lootings from various groups, including sporadic unrest among the military disrupted economic activity. The authorities' response included consultations with stakeholders, and social measures estimated at about 0.5 percent of GDP. Consequently, the authorities request a modification of performance criteria on the overall fiscal deficit for June and December 2011.

- ***The short-term outlook remains promising despite downside risks***. Continued buoyant activity in agriculture, cotton, and mining sectors is expected to support growth in 2011. There are risks to the outlook, however, related to the volatile social environment, and rising global fuel and food prices that may lead to higher expenditure and inflationary pressures, as well as revenue shortfalls, thus limiting the scope for fiscal policy's support to economic growth.

- ***Performance under the ECF-supported program was satisfactory.*** All structural benchmarks and quantitative targets at end-December 2010 were met, and there was good progress on reform measures planned for 2011. Staff supports the authorities' request for the modification of PCs, and recommends the completion of the second ECF review, based on continued strong program performance and the authorities' policy commitments for the medium term.

- ***Program review discussions took place in Ouagadougou during March 23–April 7, 2011***.The team comprised Mrs. Kabedi-Mbuyi (Head), Ms. Diouf, Ms. Adenauer (resident representative), and Messrs. Boutin-Dufresne and El Harrak (all AFR). Mr. Abdoulaye Tall (OED) assisted the authorities during the discussions.

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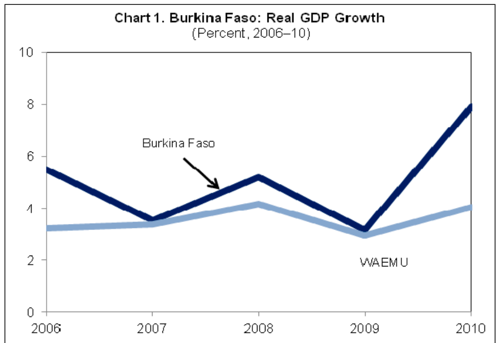
List of Acronyms

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

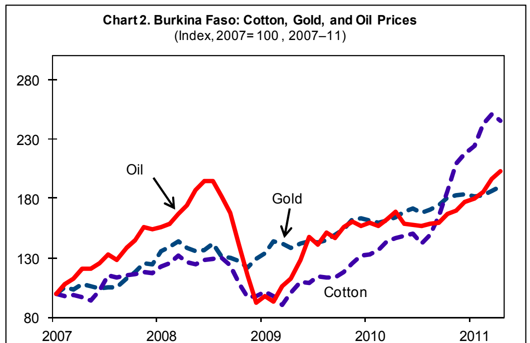
I. Recent Economic And Social Developments

1. **Economic growth accelerated in 2010 and inflation remained low**. Favorable weather conditions, higher gold production and prices, and increased public investment led to a strong economic recovery, with real GDP expanding by 7.9 percent, well-above the WAEMU average (Chart 1). In agriculture, growth was boosted by favorable climatic conditions combined with incentive measures taken by the authorities in recent years to support production. The mining sector expanded substantially thanks to increased production at ESSAKANE, the onset of operations in two additional mines, and higher international prices. Activity in the services sector benefitted mostly from increased public investment. Inflation remained low mostly reflecting the good harvest (Table 1, Figure 1, and MEFP ¶¶ 2–3).



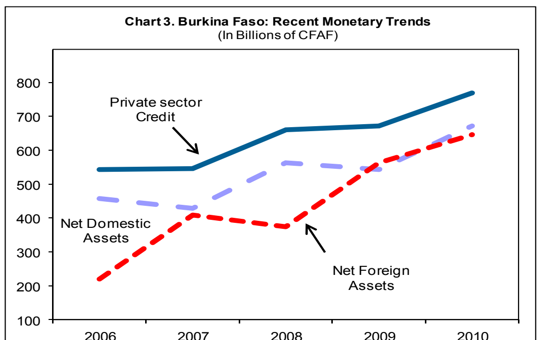
Sources: Burkinabè authorities; and IMF staff estimates.

2. **The external position strengthened further in 2010.** The current account deficit narrowed from 4.2 percent of GDP in 2009 to 3 ½ percent, reflecting an increase in exports. Cotton and gold exports rose significantly thanks to higher production and better global prices, more than compensating the impact of higher oil prices on imports (Table 2 and Chart 2).



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

3. **Developments in the financial sector were consistent with the economic recovery.** Money supply rose by 19.1 percent, reflecting the sharp increase in net foreign assets of the banking system, while credit to the economy rose substantially, mostly driven by a strong demand from the services sector. (Table 3 and Chart 3).

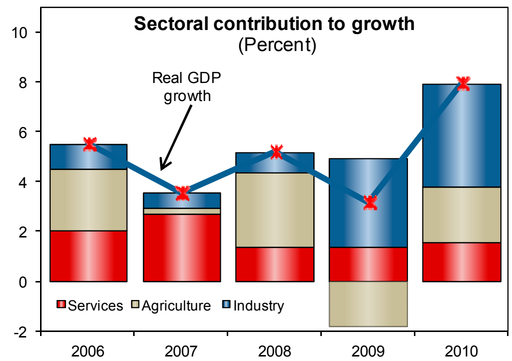


Sources: Burkinabè authorities; and IMF staff estimates and projections.

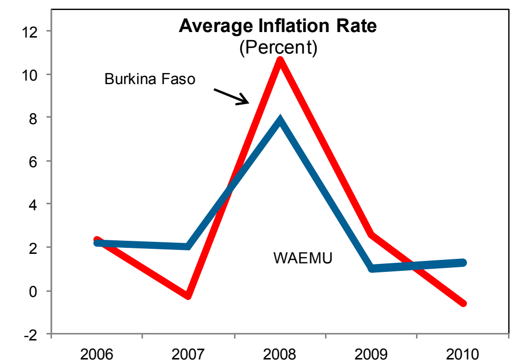
4. **The financial health of the banking system remained sound**. Commercial banks complied with the regional regulation to raise the minimum capital level at end-2010, and the majority of banks observed the regional prudential ratios. Despite strong ties with the Ivorian banking system and an important portfolio of Ivorian government bonds and Treasury bills, Burkinabè banks were not adversely affected by the Ivorian crisis.

Figure 1. Burkina Faso: Recent Economic Developments, 2006–10

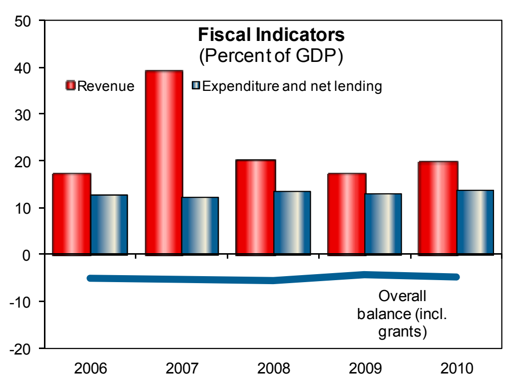
Economic growth expanded significantly...



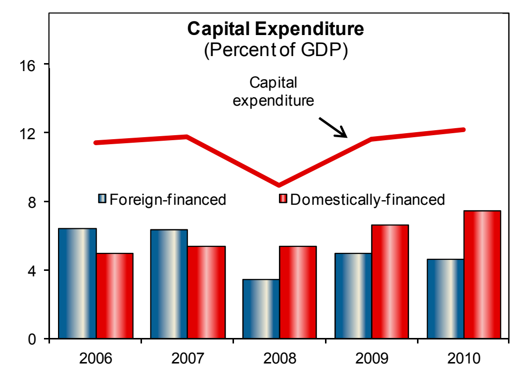
...while inflation declined.



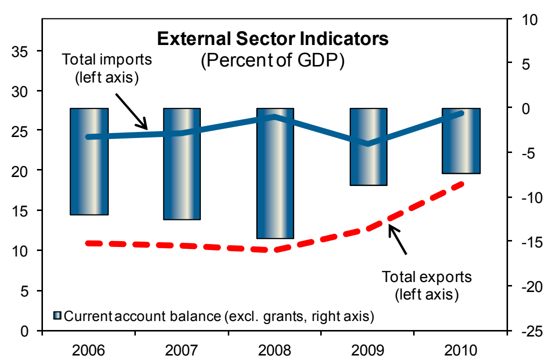
The fiscal position improved...



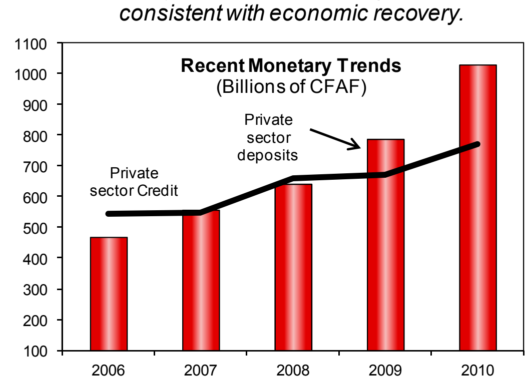
...despite a rise in expenditure due to higher capital spending.



Better terms of trade helped improve the external position.



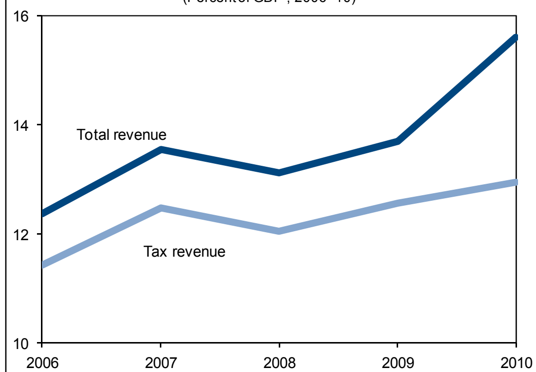
Monetary and financial developments were consistent with economic recovery.



Sources: Burkinabè authorities and IMF staff estimates.

5. **The fiscal position improved in 2010 thanks to a strong revenue performance.** Revenue collection strengthened further owing to administrative efficiency gains, and one-off nontax revenue from the renewal of cellular phone licenses. Expenditure also increased, reflecting mainly higher capital spending, partly related to special infrastructure projects. The wage policy remained prudent with the wage bill declining slightly compared with 2009. Hence, the basic primary fiscal deficit slightly declined from 5.3 percent of GDP in 2009 to 5 percent in 2010 (Table 4, Chart 4, and MEFP ¶¶ 6–9).

Chart 4. Burkina Faso: Government Revenue
(Percent of GDP , 2006–10)



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

6. **The political situation has been volatile in recent months with various groups demonstrating without a common claim**. Students' protests in February were followed by sporadic demonstrations, riots and looting through early June. To address concerns raised during the social turmoil, the authorities held consultations with different stakeholders; a new Cabinet was appointed in early May; and social measures were taken by the government (Box 1).

II. Program Performance at End-2010

7. **Performance under the program was generally satisfactory.** The authorities met all quantitative targets, implemented all structural reform measures programmed for end-December 2010, and made commendable progress towards meeting the targets set for 2011 (MEFP ¶¶ 10–18 and Text Tables 1 and 2).

8. **Performance was particularly strong in the fiscal area**: (i) the PC on the overall deficit was met as expenditure was contained below the programmed level and revenue targets were exceeded; (ii) the large taxpayer compliance rate was higher than anticipated; (iii) priority social spending were above target; (iv) two additional customs posts were electronically connected to the main terminal as planned; (iv) the merit-based promotion system in the civil service was implemented; and (iv) a study on a new system for petroleum products taxation and pricing was completed.

9. **In the cotton sector**, the business plan for SOFITEX was completed as scheduled, and additional cost cutting measures were taken. The authorities finalized the arrangements for the redistribution of cotton cultivated area to the two privately-owned cotton ginning companies, as well as studies for financing mechanisms for the cotton price-smoothing fund, and the input fund.

Box 1. Burkina Faso—Managing Exogenous Shocks and Social Tensions

After recovering from the impact of exogenous shocks of 2009 which included the global economic slowdown, the collapse of cotton prices, and severe floods, the economic and social environment was adversely affected by new shocks in early 2011: spillover effects from the Ivorian crisis (January-April); social turmoil (February-early June); and the impact of increased global oil and food prices.

The escalation of the Ivorian crisis in early 2011 affected Burkina Faso's economy, mainly through higher transportation costs as alternative channels for external trade, through other neighboring countries had to be sought after the closing of the railroad system. Disruptions in the power supply, and other imports fuelled inflationary pressures. Production, particularly for small-scaled enterprises relying on imported spare parts from Cote d'Ivoire was also affected. The overall impact of the Ivorian crisis on Burkina Faso's economy is expected to be marginal because the crisis was short-lived, and the Burkinabè authorities took mitigating measures, notably to increase energy production through the leasing of generators (MEFP ¶ 31).

The political situation has been volatile since February 2011. Various groups (students, labor unions, cotton producers' organizations, opposition parties, magistrates, and armed forces) have held demonstrations for different reasons. There have also been several incidents of unrest in the military, as well as looting and destruction of public and private property. The social turmoil has disrupted economic activity, particularly in the capital city. The authorities' response has included consultations with key stakeholders and social groups, the appointment of a new Cabinet in late April, and social measures some of which generated additional expenditure estimated at 0.5 percent of GDP as presented below.

Mitigating Measures Against the 2011 Social Turmoil

Measures	Cost	
	Billion CFA Francs	Percent of GDP
Total budgetary Impact	23.5	0.50
1. A reduction in the price of rice, sugar, cooking oil for three months	5.0	0.11
2. Elimination of the local development tax	0.0	0.00
3. A 10 percent reduction in the salary tax rate	4.0	0.08
4. Clearance of unpaid civil service promotions for 2008–09	3.7	0.08
5. Low interest rate loans to retailers affected by lootings	7.0	0.15
6. Compensation for destroyed private property	1.8	0.04
7. Rehabiliation of destroyed government buildings	2.0	0.04

Sources: Burkinabè authorities and IMF staff estimates.

10. **In the financial sector**, the authorities reached an agreement with IFC for the sale of 6 percent of the government's shares in the housing bank, and completed the restructuring of *Banque Commeriale du Burkina* with its recapitalization.

11. **The authorities adopted a new PRSP in December 2010**.[1] The new strategy aims to accelerate growth and enhance poverty reduction programs. To this end, it outlines policies to consolidate macroeconomic stability, support fiscal and debt sustainability, address impediments to growth, and progress towards the MDGs (MEFP ¶¶ 19–24).

Text Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2010

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

	2009	2010														
	Act.	Mar. [5]				Jun. [6]				Sep. [5]			Dec. [6]			
		Prog.	Adj.	Est.	Status	Prog.	Adj.	Est.	Status	Prog.	Est.	Status	CR 10/361	Adj.	Est.	Status
Performance criteria and benchmarks																
Ceiling on the overall fiscal deficit including grants [1]	222.7	71.3	96.3	91.3	Met	95.1	120.1	123.6	Not met	143.6	102.4	Met	217.8	246.8	232.4	Met
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	0.0	Met	0.0	…	0.0	Met
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	0.0	Met	0.0	…	0.0	Met
Accumulation of external arrears [2]	0.0	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	0.0	Met	0.0	…	0.0	Met
Indicative targets																
Government revenue	539.1	124.4	…	133.1	Met	300.1	…	342.1	Met	438.6	504.7	Met	667.9	…	681.3	Met
Poverty-reducing social expenditures	259.6	60.4	…	53.2	Not met	126.3	…	118.0	Not met	200.4	176.6	Not met	274.5	…	297.2	Met
Large taxpayer non-filer rate (percent) [4]	3.0	5.0	…	4.7	Met	5.0	…	3.1	Met	5.0	2.3	Met	5.0	…	1.9	Met
Accumulation of domestic arrears	0.0	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	0.0	Met	0.0	…	0.0	Met
Maximum upward adjustment of deficit ceiling including grants due to:																
Shortfall in grants relative to program projections	25.0	25.0	…	25.0	…	25.0	…	25.0	…	25.0	50.1	…	25.0	…	25.0	…
Excess in concessional loan financing relative to program projections	0.0	15.0	…	0.0	…	15.0	…	0.0	…	15.0	0.6	…	15.0	…	3.9	…
Adjustment factors																
Shortfall in grants relative to program projections	38.7	0.0	…	51.8	…	0.0	…	80.4	…	0.0	50.1	…	-7.5	…	73.6	…
Excess in concessional loan financing relative to program projections	-28.2	0.0	…	-5.9	…	0.0	…	-3.2	…	0.0	0.6	…	5.3	…	3.9	…
Memorandum items:																
Basic primary balance (cash basis)	-111.8	-125.1	…	-66.5	…	-168.3	…	-66.8	…	-222.4	-84.8	…	-213.6	…	-172.6	…
Grants	232.4	69.1	…	17.2	…	134.5	…	54.0	…	212.2	162.1	…	272.6	…	198.9	…
Concessional loans	123.9	37.2	…	31.3	…	74.4	…	71.2	…	119.0	119.6	…	161.5	…	165.4	…

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

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

[2] To be observed continuously.

[3] Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market. This ceiling excludes supplier credit with a maturity of one year or less.

[4] Applies to average over respective quarter.

[5] Indicative target.

[6] Performance criteria.

Text Table 2. Burkina Faso: Structural Conditionality-Status of Implementation, at end 2010

Measures	Date	Status
Public Financial Management		
Electronically connect two additional customs posts to the main Customs system.	end-Dec. 2010	Done.
Prepare a study on the taxation of petroleum products and on a new pricing system.	end-Dec. 2010	Done.
Civil Service		
Implement the merit-based promotion system.	end-Dec. 2010	Done.
Financial Sector		
Finalize the restructuring of the *Banque Commerciale du Burkina.*	end-Dec. 2010	Done.
Cotton Sector		
Develop a business plan for SOFITEX.	end-Dec. 2010	Done.

[1] The new PRSP is called Strategy for Accelerated Growth and Sustained Development (SCADD).

III. Macroeconomic Outlook and Risks

12. **The medium-term macroeconomic prospects are positive.** Economic growth is forecast to reach 6.5 percent by 2015, supported by higher and more efficient public investment, notably in infrastructure, and continued strong performance in agriculture, mining and services sectors. After the expected spike in 2011, annual inflation would return to levels compatible with the regional convergence criterion of 2 percent on average. The external current account deficit is forecast to widen to 6.2 percent of GDP by 2015 reflecting the projected deterioration in terms of trade, and a strong domestic demand (Text Table 3).

Text Table 3. Burkina Faso - Selected Macroeconomic Indicators, 2008–2015

	2008	2009	2010	2011	2012	2013	2014	2015
				Projections				
	(In percent of GDP unless otherwise indicated)							
Real GDP (percentage change)	5.2	3.2	7.9	5.2	5.6	6.0	6.5	6.5
Inflation (period average, percentage change)	10.7	2.6	-0.6	2.8	2.0	2.0	2.0	2.0
Basic primary balance (Commitment basis)	-4.6	-5.3	-5.0	-4.1	-1.3	-0.9	-0.6	-0.6
Overall budget deficit (Commitment basis, including grants)	-4.5	-4.8	-5.6	-3.9	-3.1	-2.8	-2.3	-2.3
Current account balance (including official transfers)	-11.2	-4.2	-3.5	-5.8	-6.3	-7.1	-7.2	-6.2

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

13. **The outlook for 2011 has not changed significantly since the last program review despite heightened risks.** Economic growth would remain robust at 5.2 percent driven by the expected expansion in agriculture, gold and cotton production and prices. Inflation, however, is expected to inch up, mostly reflecting spillover effects from the Ivorian crisis, increased global fuel prices, and supply disruptions from the social unrest (See Box 1). The external current account deficit is expected to deteriorate mainly because of higher import prices.

14. **The short-term economic outlook is subject to important downside risks.**

- **Prolonged social turmoil**. Further social unrest would increase expenditure pressures and weaken revenue collection. Should this risk materialize, investment spending could be crowed out, thus reducing the scope for fiscal policy's support to economic growth.

- **Shortfall in budget revenue.** Uncertainties on reaching the programmed revenue target have increased mainly because of the social turmoil. In view of potential expenditure pressures, any revenue shortfall would weaken fiscal consolidation efforts and could lead to the accumulation of domestic payment arrears. Under the circumstances, it will be critical for Burkina Faso to meet disbursement conditions agreed with donors to avoid delays or shortfalls in securing the budget support programmed for 2011.

- **Continued rise in global oil prices**. Rising oil prices are likely to affect productivity and potentially dampen economic growth in 2011 while contributing to inflationary pressures.

IV. POLICY DISCUSSIONS

15. **Burkina Faso's vulnerability to external shocks dominated the discussions.** There was a general agreement that in 2011 policy implementation would take place in a difficult environment because of adverse exogenous shocks. The authorities concurred with staff that while addressing pressing social demands expressed by the population during the social turmoil, it was important to maintain a prudent fiscal policy stance, consistent with the medium-term fiscal sustainability objective, and the need to support poverty reduction efforts and economic growth.

16. **Program discussions focused on:** fiscal policy and mitigating measures against exogenous shocks; external sector policies and reforms; and prospects for accelerated growth under the new PRSP.

A. Fiscal Policy

17. **The authorities intend to maintain a prudent fiscal policy stance in 2011.** The revised 2011 budget adopted by parliament is consistent with the macroeconomic framework agreed with staff during the first review although it accounts for additional spending triggered by exogenous shocks and social unrest. While revenue projections are lower than anticipated by 0.6 percentage points of GDP, budget grants are 1.4 percentage points of GDP higher than expected. The projected windfall reflects mostly higher financing from the World Bank under the PRSC program, expected to be presented to the World Bank Executive Board in September. The authorities plan to use the additional resources to mitigate the impact of exogenous shocks, address social demands and increase capital expenditure (Text Table 4 and Figure 2).

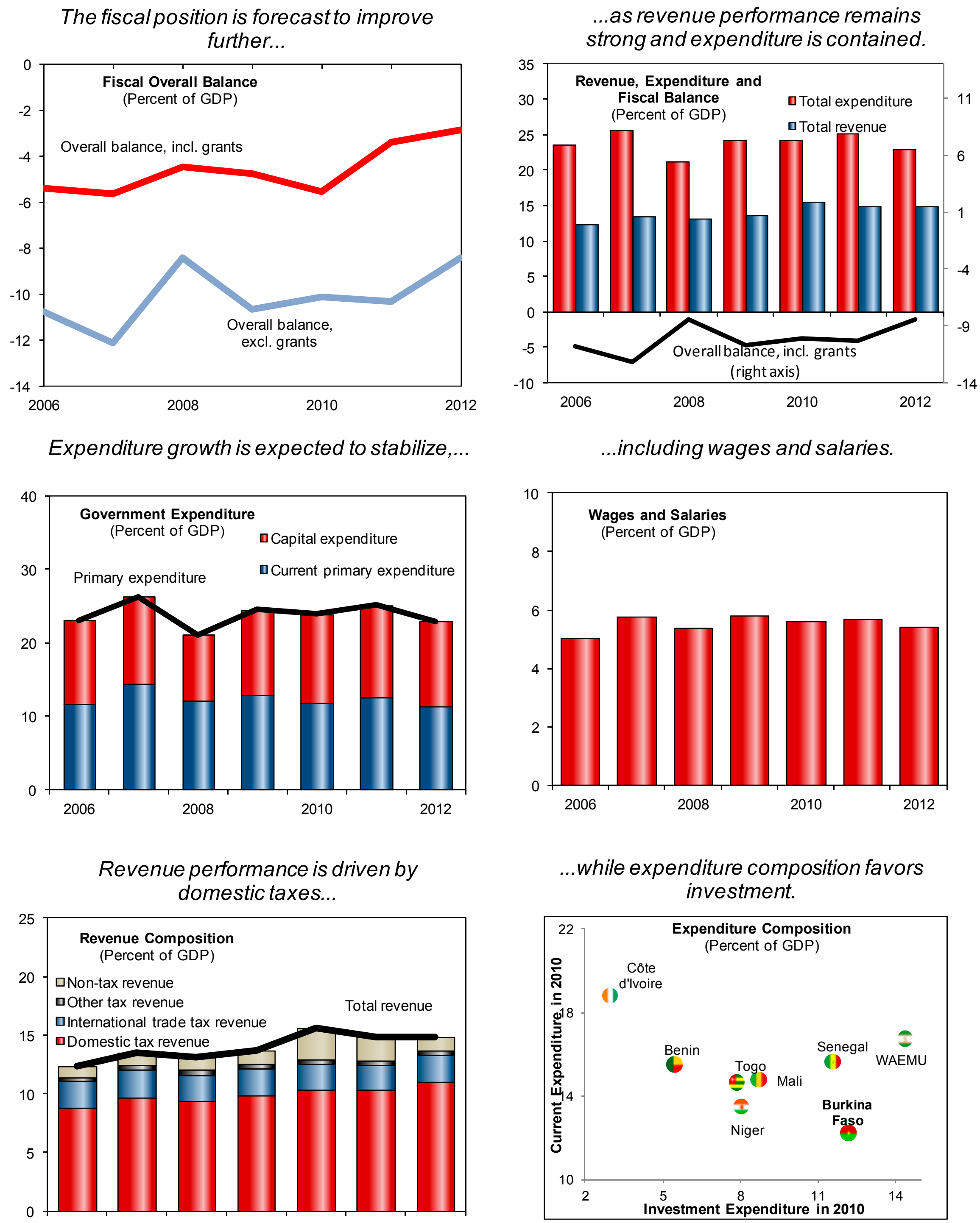
Text Table 4. Burkina Faso - Selected Fiscal Indicators, 2008–2012

	2008	2009	2010	2011	2012
				Projections	
	(In percent of GDP)				
Revenue and grants	17.1	19.6	20.1	22.1	20.5
Tax revenue	12.1	12.6	13.0	13.0	13.8
Grants	4.0	5.9	4.6	7.0	5.5
Expenditure and net lending	21.6	24.4	25.7	26.0	23.5
Overall budget deficit (Commitment basis, including grants)	-4.5	-4.8	-5.6	-3.9	-3.1

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

18. **Revenue is forecast to be lower than originally anticipated.** Total revenue is projected at 15.1 percent of GDP against 15.7 percent at the time of the first program review, because of spillover effects from the Ivorian crisis that affected economic activity in the first quarter, and the reduction in the salary tax rate introduced by the authorities to address labor unions demands during the social unrest (MEFP ¶ 30). The authorities concurred with staff that to meet the revenue target, it will be critical to ensure an efficient implementation of tax

Figure 2. Burkina Faso: Fiscal Indicators, 2006–12



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

policy and administrative measures planned for 2011,[2] particularly the introduction of the corporate income tax.

19. **Shock-related spending is expected to bring expenditure above the original program level.** Current expenditure is forecast at 13.5 percent of GDP (12.4 percent previously) mostly on account of higher transfers, which reflects mitigating measures against exogenous shocks, notably higher subsidies on petroleum products for vulnerable groups (cooking gas), and for the fuel oil used by the power company, as well as the leasing of generators to address power disruptions during the Ivorian crisis. The authorities intend to increase investment expenditure to support growth-enhancing initiatives under the new PRSP, with a particular focus on infrastructure. Pro-poor spending is expected to increase from 7.7 percent of total expenditure in 2010 to about 9 percent in 2011 (Table 7 and MEFP ¶ 31).

20. **The 2011 program is fully financed.**[3] The overall budget deficit (cash basis, including grants) is projected at 4.4 percent of GDP. It is financed with resources from bilateral and multilateral donors, a drawdown in Treasury deposits, and the issuance of bonds in the WAEMU regional bond market (Text Table 5). In the context of a volatile social situation, and rising fuel and food prices, the authorities agreed with staff that increased caution and vigilance was needed in executing the 2011 budget. They stand ready to take corrective measures to compensate additional expenditure or revenue and external financing shortfall that may arise in the second half of the year. Such measures would include a scaling down of capital expenditure and a reallocation of budgetary appropriations within line ministries. The authorities indicated that they would prepare a second supplementary budget

Text Table 5: Burkina Faso - Program Grants and Loans, 2009–11
(In billions CFA Francs, unless otherwise indicated)

	2009	2010	2011	
			CR 10/361	Proj.
Total Program Grants and Loans	195.5	195.6	139.7	209.2
Grants	145.5	147.8	130.1	199.6
World Bank	56.1	45.4	34.0	59.9
The EU	45.4	52.9	35.0	35.0
African Development Bank	0.0	7.7	0.0	22.5
The Netherlands	16.8	11.8	13.4	13.4
Switzerland	3.4	4.0	3.7	4.0
Sweden	5.4	8.3	7.4	7.9
Denmark	4.2	7.2	4.8	5.1
France	4.3	4.6	4.3	4.6
Germany	3.9	5.9	0.0	0.0
Other	6.1	0.0	0.0	0.0
Multiple donor programs 1/	0.0	0.0	27.4	47.1
Loans (excluding IMF)	14.5	12.6	0.0	0.0
World Bank	0.0	0.3	0.0	0.0
African Development Bank	14.5	12.3	0.0	0.0
IMF	35.5	35.1	9.6	9.6

Sources: Burkinabè authorities; and IMF staff estimates and projections.
1/ Managed by the World Bank.

[2] See IMF Country Report No. 10/361 (12/15/10).

[3] All donors have confirmed their expected financing for 2011.

if corrective measures become necessary (MEFP ¶ 32). The 2011 fiscal program provisions for contingency expenditure totaling 0.4 percent of GDP for priority measures aimed at dampening the impact of further exogenous shocks, in consultation with Fund staff.

21. **Staff encouraged the authorities to accelerate pace in the implementation of PFM reforms.** Priority areas remain the transition to a program budgeting system; the strengthening of budget execution procedures; and the improvement of Treasury cash flow management. Staff called for the efficient implementation of recommendations from the audits of financial departments in line ministries planned for 2011, and further improvement in the Treasury cash flow management system put in place in 2010, to reflect expenditure prioritization (MEFP ¶ 37). Staff argued that an efficient Treasury cash flow management system was an important tool for domestic debt management, including in the context of bond issuance in the WAEMU market.

B. External Sector Policies and Reforms

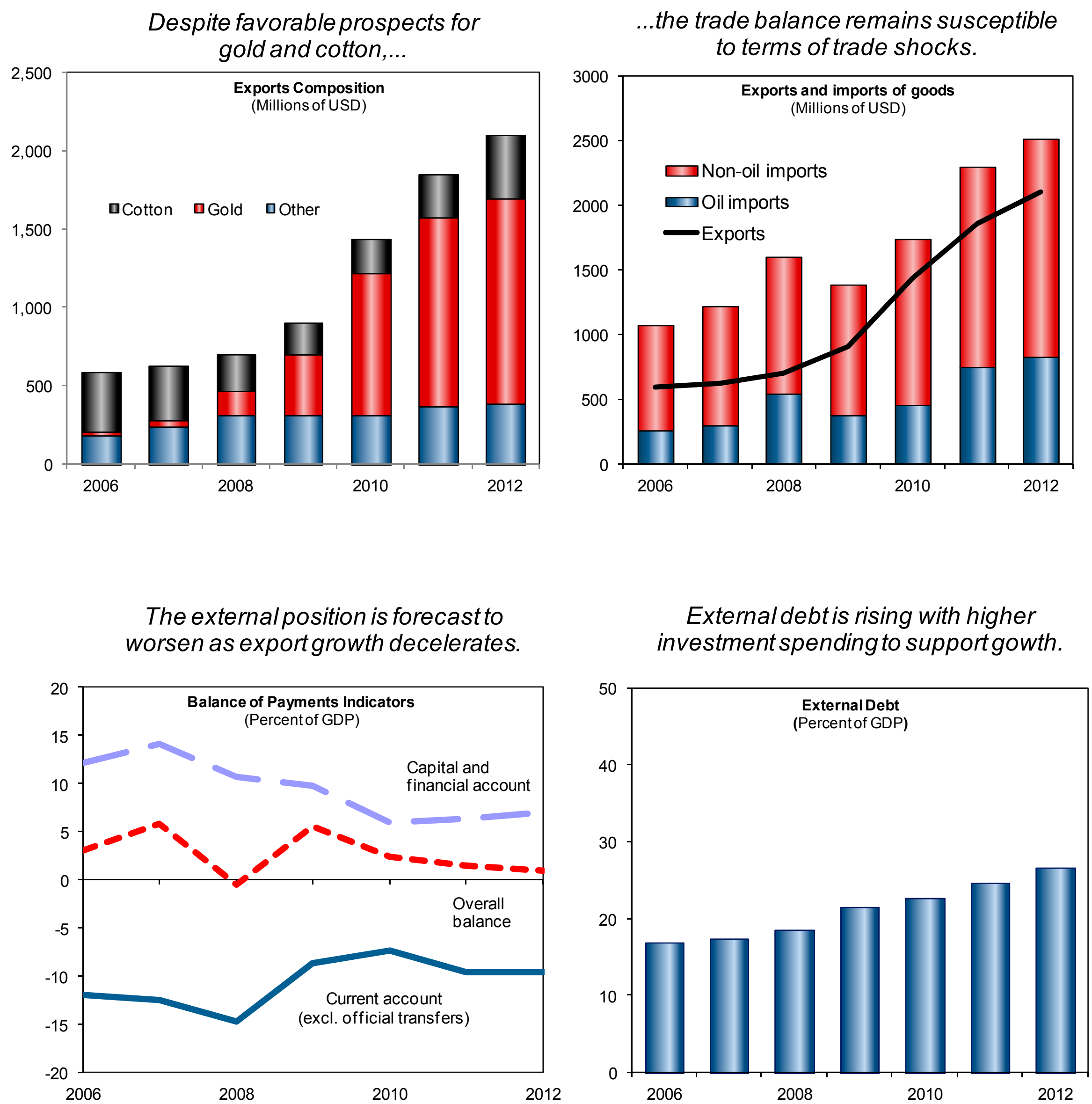
22. **The authorities intend to intensify efforts to diversify the export base and reduce vulnerability to exogenous shocks.** Medium-term diversification prospects include the development of growth poles and business clusters in selected areas, and expansion in the mining sector. The first growth pole initiative in underway, in collaboration with the World Bank, to develop agribusiness in the Bagré region. Regarding business clusters, the authorities plan to focus on agriculture, handicrafts, forestry, and horticulture with the aim of supporting business network across the country, with a potential for income generating opportunities for vulnerable groups. The mining sector's contribution to growth is expected to increase substantially thanks to planned investment in new gold mines, and potential operations in other minerals. In the event, the authorities are hopeful that the ongoing revisions to the mining law would provide an improved regulatory framework for investment in the mining sector. Until diversification projects are brought to fruition, the external sector will continue to be dominated by cotton and gold exports, thus vulnerable to terms of trade shocks.

23. **In 2011, the current account deficit is forecast to widen to 12.2 percent of GDP** (11.2 percent in 2010). Despite an increase in exports, the current account is expected to deteriorate because of the projected rise in global oil prices, as well as higher non-oil imports, notably for investment purposes. Nonetheless, the overall balance is expected to be in surplus thanks to the anticipated increase in current transfers (Figure 3).

24. **The authorities concurred with staff on maintaining a prudent borrowing policy.** The last DSA[4] indicated that the risk of debt distress remains high for Burkina Faso. Taking

[4] See IMF Country Report No. 10/197 (7/08/10).

Figure 3. Burkina Faso: External Sector Indicators, 2006–12



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

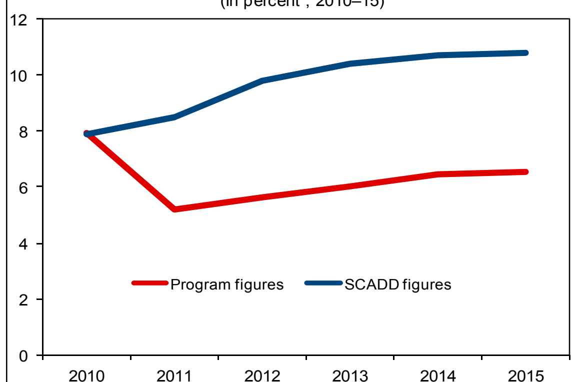
particularly into account the planned increase in public investment under the new PRSP, staff reiterated the need for the authorities to rely mostly on grants and highly concessional loans for investment financing to ensure that external borrowing is consistent with medium-term fiscal and debt sustainability.

25. **Staff encouraged the authorities to continue enhancing debt management capacity**. Building on measures implemented in 2010, and on recommendations from the recent World Bank DEMPA mission, the authorities will continue to enhance analytical capacity and debt management tools (MEFP ¶ 35).

C. Growth-Enhancing Policies and Structural Reforms

26. **The authorities reaffirmed commitment to policies needed to accelerate growth and reduce poverty**. Under the SCADD, economic growth is forecast to average 10 percent in 2011–15 through enhanced economic diversification, increased investment, and continued implementation of structural reforms and sound macroeconomic policies. The authorities concurred with staff, however, that growth objectives under the SCADD were too ambitious. In view of existing impediments to growth and financing constraints, it will be challenging to bring economic growth significantly above 6 percent by 2015. For 2011 in particular, it is unlikely that real GDP growth could reach 8.5 percent as envisaged in the SCADD, when new growth-enhancing initiatives under the strategy have not been implemented. Hence, the authorities agreed that projections under the ECF-supported program provide a sound central scenario for the medium term (MEFP ¶ 25).

Chart 5. Burkina Faso: Real GDP Growth: SCADD vs. Program
(In percent , 2010–15)

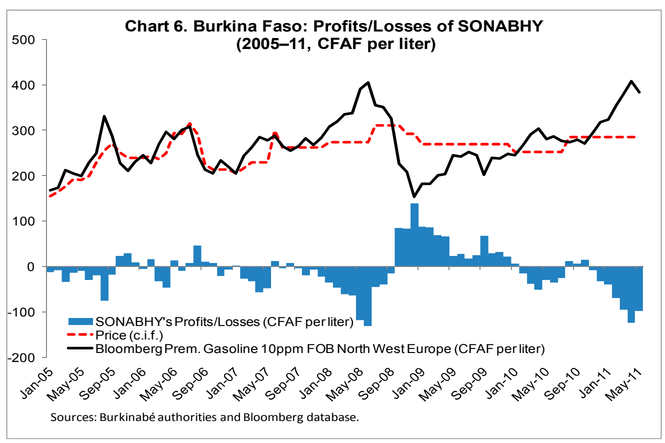


Sources: Burkinabè authorities; and IMF staff estimates and projections.

27. **The new strategy to accelerate growth is centered on increasing public investment to support a private sector-led growth and human development.** Key priority areas include infrastructure (roads, airports, and electricity), education, and health and sanitation. While agreeing with the authorities that Burkina Faso needs a substantial increase in public investment to close the infrastructure gap, staff stressed that the impact of higher investment on economic growth will critically depend on the authorities' ability to enhance administrative and analytical capacity in projects preparation and execution; remove bottlenecks in procurement procedures; and increase absorptive capacity. Staff encouraged the authorities to be selective in preparing investment projects to account for financing constraints.

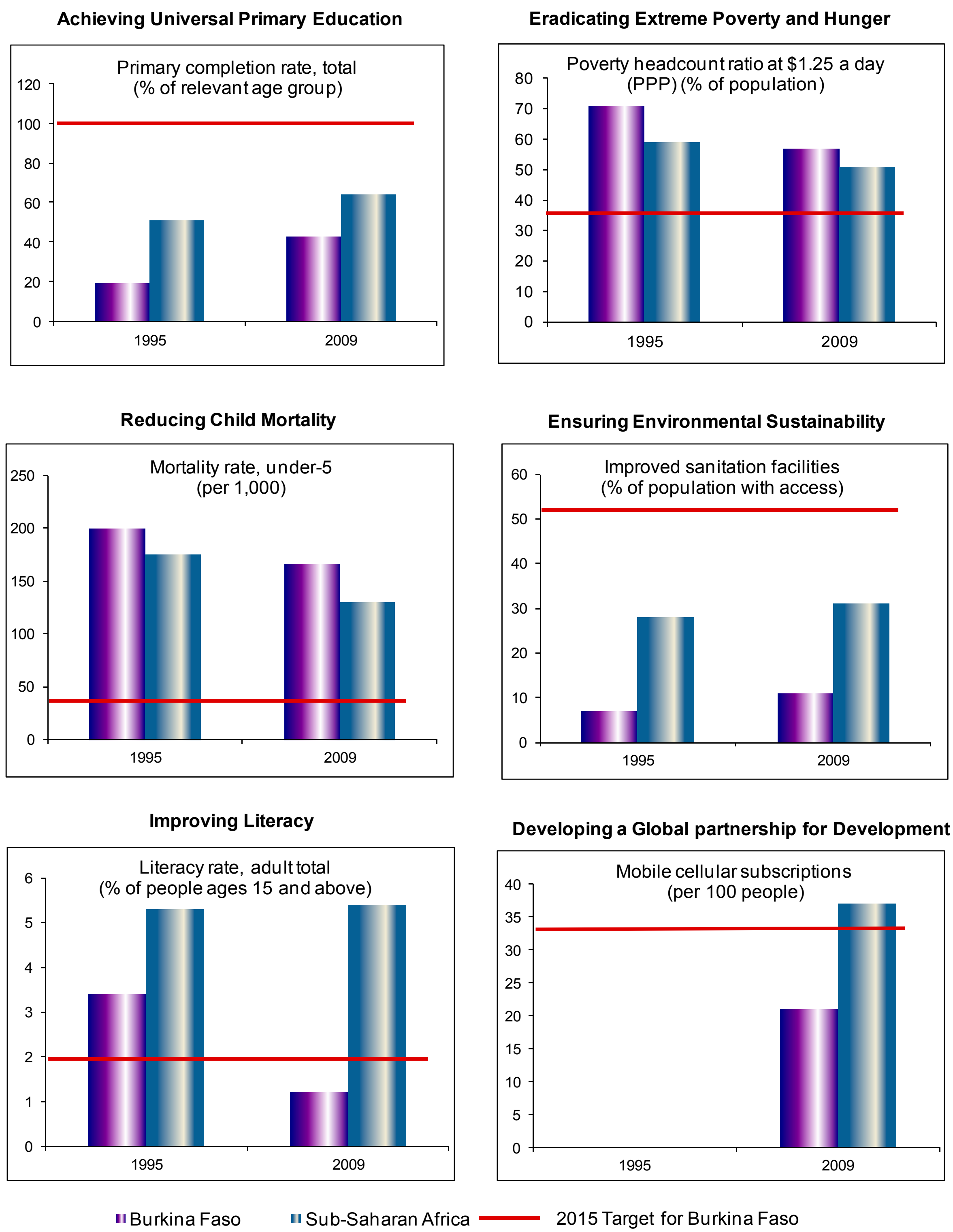
28. **There was an agreement that continued implementation of structural reforms is essential to enhance growth prospects**. The authorities intend to maintain the focus on cotton sector reforms, financial sector development and access to financial services, and business climate improvement. In the cotton sector, improved global market conditions have strengthened prospects for financial viability for ginning companies and higher producer prices. Staff encouraged the authorities to press ahead with reforms in the sector. For SOFITEX, management practices will be strengthened thanks to measures put in place at end-2010, and cost-cutting efforts will continue. In addition, a privatization strategy will be completed by end-2012. The authorities agreed with staff that the implementation of the financial sector strategy needed to be reinvigorated. They indicated that efforts were underway to secure financing for key measures under the strategy. The focus in 2011–12 will be on the implementation of the new strategy for microfinance development, and the preparation of a reform plan for postal services (SONAPOST). The setting up of one stop window for merchandise clearance at customs, and civil service reforms aimed at enhancing efficiency in public administration are expected to support the authorities' efforts to improve the business climate further (MEFP ¶¶ 36–42).

29. **A new petroleum product pricing mechanism will be implemented in 2011.** Based on the study completed at end-2010, the authorities plan to select the new mechanism to pass-through changes in international oil prices (MEFP ¶ 39). They agreed with staff that general subsidies to petroleum products are costly for the government budget and not efficient to alleviate the impact of the surge in global oil prices on the vulnerable segments of the population. An efficient implementation of the new mechanism will also strengthen the cash-flow position for the oil importing company (SONABHY) that has absorbed the increase in international oil prices through June 2011 (Chart 6). The authorities argued however, that the implementation of the new mechanism should be reprogrammed from June to end-December 2011.



30. **The authorities' poverty reduction efforts are geared towards achieving the MDGs, as indicated in the SCADD**. They intend to focus particularly on alleviating extreme poverty and hunger, ensuring universal primary education, improving maternal health, reducing infant mortality, and combating HIV/AIDS and other diseases. Despite the increase in pro-poor spending and recent progress in some of these areas, achieving the MDGs by 2015 will be an important challenge, one that the authorities plan to tackle in the new PRSP (Figure 4).

Figure 4. Burkina Faso: Selected Millennium Development Goals for 2015 1/



Source: World Development Indicators database.

1/ When data were not available for the specific year, the charts use the data from the closest available year.

V. PROGRAM MONITORING

31. **Program performance will be monitored on a semi-annual basis through structural benchmarks and quantitative targets** (MEFP Tables 1 and 2). The program sets quantitative indicative targets for March and September, and performance criteria for June and December 2011. The authorities have requested that the performance criterion on the overall budget deficit for end-June and end-December 2011 be modified to take into account higher than originally anticipated expenditure and a possible revenue shortfall in 2011, mainly triggered by exogenous shocks and the recent social turmoil. Structural conditionality measures in the program aim to support fiscal sustainability through enhanced revenue collection and PFM reforms; improve service delivery in the civil service; and support a private sector-led growth.

VI. STAFF APPRAISAL

32. **Economic recovery was strong in 2010, and short-term prospects are broadly positive despite downside risks.** Economic growth accelerated significantly in 2010, driven by the agriculture, mining, and services sectors, as well as public investment. The recovery was accompanied by an increase in credit to the economy, particularly in the tertiary sector. Real GDP growth is expected to remain robust in 2011, while inflation could increase, particularly because of rising global oil and food prices. Risks to the short-term outlook are mainly related to domestic uncertainties on the social front, and a potential worsening of the global energy crisis.

33. **Performance under the program was satisfactory.** All end-December quantitative and structural targets were met, and the authorities have made commendable progress on reform measures programmed for 2011.

34. **Staff encourages the authorities to maintain a prudent fiscal policy stance in 2011 to safeguard medium-term fiscal objectives.** The economic environment is likely to be difficult in 2011 as exogenous shocks have heightened the risk for inflationary and expenditure pressures, as well as a shortfall in revenue. Staff encourages the authorities to remain prudent in executing the budget, and to ensure an efficient implementation of the tax strategy adopted in 2010 as well as revenue-enhancing measures planned in the 2011 budget. Staff welcomes the authorities' commitment to revisit budget appropriations and re-prioritize spending if unforeseen expenditure emerges in the second part of the year.

35. **Staff commends the authorities for the adoption of the new PRSP for 2011–15.** It believes that an efficient implementation of policies and reforms under the new strategy will support higher growth and enhance poverty reduction efforts. Staff finds, however, that it will be challenging for Burkina Faso to achieve the investment and growth targeted under the PRSP, in view of existing impediments to growth, and the time needed to bring new growth-enhancing initiatives to fruition. It encourages the authorities to take the opportunity of the

first APR to reassess macroeconomic prospects underpinning the PRSP objectives and prioritize growth-enhancing programs accordingly.

36. **Priority areas for structural reforms remain appropriately focused and supportive of the authorities' objectives under the new PRSP**. Staff calls the authorities' attention on the importance of maintaining the momentum in structural reform implementation, particularly in the cotton and financial sectors that are critical for growth and poverty reduction.

37. **Burkina Faso's risk of debt distress remains high, particularly in relation with the country's narrow export base.** Relying mostly on grants and highly concessional loans to finance investment remains important. Staff encourages the authorities to ensure that investment projects are selected with a particular attention to their impact on growth and debt sustainability.

38. **Staff supports the authorities' request for the modification of PCs, and recommends the conclusion of the second ECF review based on the continued strong performance under the program, and the authorities' medium-term policy commitments.**

Table 1. Burkina Faso: Selected Economic and Financial Indicators, 2008–15

	2008	2009	2010		2011		2012	2013	2014	2015
			CR 10/361	Est.	CR 10/361	Prog.		Proj.		
	(Annual percentage change, unless otherwise indicated)									
GDP and prices										
GDP at constant prices	5.2	3.2	5.2	7.9	5.5	5.2	5.6	6.0	6.5	6.5
GDP deflator	7.9	3.4	2.1	2.8	2.0	2.7	2.0	2.0	2.0	2.0
Consumer prices (annual average)	10.7	2.6	0.2	-0.6	2.0	2.8	2.0	2.0	2.0	2.0
Consumer prices (end of period)	11.6	-0.3	0.1	-0.3	2.0	3.0	2.0	2.0	2.0	2.0
Money and credit										
Net domestic assets (banking system) [1]	15.9	-2.0	9.4	11.6	5.5	5.7	5.1	5.9	7.0	4.4
Credit to the government [1]	4.6	0.2	6.8	6.4	3.1	3.5	1.6	-1.3	-2.5	-3.0
Credit to the economy [1]	13.6	1.2	2.5	8.9	2.5	2.2	3.5	7.1	9.5	7.4
Broad money (M2)	11.7	18.2	16.6	19.1	7.6	8.0	7.7	8.1	8.6	8.6
Velocity (GDP/M2)	3.9	3.6	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
External sector										
Exports (f.o.b.; valued in CFA francs)	3.9	37.0	40.3	65.1	32.7	26.3	13.7	3.4	4.8	6.7
Imports (f.o.b.; valued in CFA francs)	21.6	-8.3	23.7	29.6	23.3	32.1	8.1	7.2	5.2	9.0
Terms of trade	-2.5	19.3	16.5	0.6	-3.3	3.3	-2.5	-1.6	-2.0	-2.0
Real effective exchange rate (– = depreciation)	8.4	2.6	…	-10.4	…	…	…	…	…	…
World cotton price (US$ cents per pound)	71.4	62.8	85.0	103.5	80.0	190.3	107.0	100.0	90.0	85.0
Average petroleum spot price (US$ per barrel)	97.0	61.8	76.2	79.0	78.8	107.2	108.0	105.5	104.5	105.0
Average price of Gold (US$ per troy once)	871.7	973.0	1,183.3	1,224.7	1,220.5	1,426.8	1,446.3	1,478.0	1,530.0	1,596.0
	(Percent of GDP, unless otherwise indicated)									
Central government finances										
Current revenue	13.1	13.7	15.6	15.6	15.7	15.1	15.0	15.7	16.2	16.7
Of which: Tax revenue	12.1	12.6	13.0	13.0	13.8	13.0	13.8	14.4	14.8	15.1
Total expenditure and net lending	21.6	24.4	26.8	25.7	25.2	26.0	23.5	24.0	24.1	24.5
Of which: Current expenditure	12.3	12.7	12.4	12.2	12.4	13.5	11.9	11.8	11.7	11.6
Overall fiscal balance, excl. grants (commitments)	-8.4	-10.7	-11.2	-10.1	-9.6	-10.9	-8.6	-8.3	-7.9	-7.8
Overall fiscal balance, incl. grants (commitments)	-4.5	-4.8	-4.8	-5.6	-3.9	-3.9	-3.1	-2.8	-2.3	-2.3
Overall fiscal balance, incl. grants (cash basis)	-4.0	-2.4	-5.4	-4.6	-3.9	-4.4	-3.1	-2.8	-2.3	-2.3
Basic primary balance (commitments)	-4.6	-5.3	-4.4	-5.0	-2.7	-4.1	-1.3	-0.9	-0.6	-0.6
Savings and investment										
Current account balance (including current official transfers)	-11.2	-4.2	-5.2	-3.5	-6.3	-5.8	-6.3	-7.1	-7.2	-6.2
Current account balance (excluding current official transfers)	-15.1	-10.8	-9.3	-11.2	-9.6	-12.2	-11.8	-11.7	-11.5	-11.0
Gross investment	20.2	16.7	22.8	19.0	24.5	17.7	17.2	17.9	18.0	17.9
Government	6.2	8.1	9.1	8.5	9.0	8.8	8.1	8.5	8.7	9.0
Private	14.0	8.6	13.7	10.5	15.5	8.9	9.1	9.4	9.4	8.8
Gross domestic savings	3.6	6.1	12.4	10.0	13.9	5.6	6.0	6.1	6.3	7.4
Government	2.3	1.8	3.4	4.0	3.5	3.1	3.3	4.0	4.4	4.9
Private	1.2	4.3	9.0	6.0	10.4	2.5	2.7	2.1	1.9	2.5
Gross national savings	9.0	12.5	17.6	15.5	18.3	11.9	10.9	10.8	10.8	11.7
Government	5.4	6.0	7.1	7.6	6.5	7.5	6.5	7.0	7.4	7.8
Private	3.5	6.5	10.5	7.9	11.7	4.3	4.4	3.8	3.4	3.9
External sector and debt indicators										
Exports of goods and services	10.0	12.6	15.0	18.2	18.2	20.8	21.7	20.7	19.9	19.6
Imports of goods and services	26.6	23.3	25.5	27.2	28.9	32.9	32.8	32.4	31.6	30.1
External debt	17.4	18.6	24.9	21.5	26.2	23.6	25.6	27.4	28.9	30.1
NPV of external debt	11.6	13.2	16.5	16.2	17.7	17.4	18.5	19.5	20.3	20.9
NPV of external debt (percent of exports)	116.2	107.0	109.6	89.1	97.1	83.7	85.4	94.5	102.1	106.4
NPV of external debt (percent of revenues)	87.3	98.6	105.6	104.1	112.9	115.2	123.7	124.3	125.3	125.2
Memorandum item:										
Nominal GDP (CFAF billions)	3,690	3,938	4,280	4,368	4,605	4,720	5,085	5,499	5,972	6,488

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

[1] Percent of beginning-of-period broad money.

Table 2. Burkina Faso : Balance of Payments, 2008–15

	2008	2009	2010		2011	2012	2013	2014	2015
			CR 10/361	Proj.	Prog.	Proj.			
	(CFAF billions)								
Current account	-414.6	-166.6	-223.4	-152.2	-275.7	-319.4	-390.2	-431.1	-401.3
Excluding official transfers	-540.9	-340.1	-398.2	-322.4	-498.1	-495.5	-574.0	-626.2	-607.7
Trade balance	-401.4	-227.7	-214.2	-144.0	-231.1	-199.4	-252.1	-269.6	-318.9
Exports of goods	310.3	425.2	586.2	701.8	886.6	1008.5	1042.7	1092.4	1165.4
Of which : cotton	102.8	96.8	134.7	108.8	131.5	193.1	162.8	153.9	149.7
gold	70.2	179.8	332.0	440.0	578.1	630.2	683.2	728.4	790.0
Imports of goods	-711.7	-652.8	-800.5	-845.9	-1117.7	-1207.9	-1294.7	-1362.0	-1484.4
Of which : oil	-241.8	-179.7	-238.2	-220.4	-358.7	-386.8	-400.5	-404.7	-431.0
Services, net	-211.6	-192.1	-234.1	-249.0	-339.5	-369.0	-394.8	-429.2	-360.8
Exports of services	59.2	72.1	57.2	93.3	93.3	93.3	93.3	93.3	109.4
Imports of services	-270.8	-264.1	-291.3	-342.3	-432.9	-462.3	-488.1	-522.5	-470.2
Of which : freight and insurance	-161.8	-149.1	-183.8	-193.2	-255.3	-281.0	-306.8	-341.2	-351.8
Income, net	15.1	17.1	-17.9	8.7	9.4	8.5	7.2	5.6	3.7
Of which : interest on public debt (incl. IMF charges)	-8.4	-8.7	-10.3	-11.3	-11.3	-13.2	-15.2	-17.5	-20.2
Current transfers	183.3	236.0	242.8	232.0	285.5	240.5	249.4	262.0	274.7
Private transfers, net	57.0	62.5	68.0	61.9	63.1	64.4	65.7	67.0	68.3
Of which : remittances, net	0.4	0.6	0.3	8.2	8.4	8.5	8.7	8.9	9.1
Official transfers, net	126.3	173.5	174.8	170.2	222.4	176.1	183.8	195.1	206.4
Of which : program grants	88.2	145.5	151.1	147.8	199.6	152.9	160.1	170.9	181.8
Capital account	85.5	113.7	148.2	77.9	157.2	155.6	168.6	191.0	202.6
Project grants	58.7	86.9	121.4	51.1	130.4	128.8	141.8	164.2	175.8
Other capital transfers	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8	26.8
Financial account	311.7	272.8	150.8	182.6	149.3	201.8	256.8	266.8	275.7
Direct investment	47.5	43.6	3.5	16.8	3.5	6.6	36.8	40.2	43.7
Portfolio investment	4.1	7.6	2.4	8.5	3.2	2.7	2.6	3.2	3.5
Other investment	260.2	221.6	144.8	157.3	142.6	192.5	217.4	223.4	228.5
Long-term investment	259.4	221.4	143.3	155.0	141.1	190.5	213.3	218.7	223.9
Project loans	69.3	109.4	148.8	152.8	164.6	218.2	234.6	241.6	258.6
Program loans	45.9	14.5	12.7	12.6	0.0	0.0	0.0	0.0	0.0
Amortization of public loans (excl. IMF)	-13.0	-14.3	-22.6	-14.7	-25.6	-29.8	-30.4	-31.6	-34.6
Private investment	157.1	111.8	4.4	4.3	2.1	2.2	9.0	8.7	0.0
Short-term investment	0.8	0.2	1.6	2.4	1.6	2.0	4.1	4.7	4.6
Errors and ommisions / gap	-17.7	-30.6	0.0	-29.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-35.1	189.3	75.6	79.3	30.8	38.0	35.1	26.6	76.9
Financing	35.1	-189.3	-80.3	-79.3	-40.4	-47.6	-39.9	-26.6	-76.9
Net change in foreign assets of the Central Bank	40.0	-70.8	29.6	89.8	-40.4	-47.6	-39.9	-26.6	-76.9
Of which : gross official reserves	18.2	-149.9	9.9	63.1	-39.3	-44.1	-26.5	-21.2	-66.3
IMF net financing	8.1	25.5	5.9	5.9	-1.0	-3.5	-3.8	-5.4	-10.6
Uses of resources	8.1	25.5	5.9	5.9	0.0	0.0	0.0	0.0	0.0
Repayments (excluding charges)	0.0	0.0	0.0	0.0	-1.0	-3.5	-3.8	-5.4	-10.6
Net foreign assets of commercial banks	-4.9	-118.5	-109.9	-169.0	0.0	0.0	0.0	0.0	0.0
Financing gap [1]	0.0	0.0	4.8	0.0	9.6	9.6	4.8	0.0	0.0
	(Percent of GDP, unles otherwise indicated)								
Memorandum items :									
Trade balance (– = deficit)	-10.9	-5.8	-5.0	-3.3	-4.9	-3.9	-4.6	-4.5	-4.9
Cotton export volume (thousands of metric tons)	149.8	144.7	149.7	148.2	140.2	214.8	193.8	197.7	201.6
Gold export volume (metric tons)	5.6	12.5	18.5	23.0	25.9	27.9	29.7	31.1	33.1
Current account (– = deficit)	-11.2	-4.2	-5.2	-3.5	-5.8	-6.3	-7.1	-7.2	-6.2
Excluding official transfers	-14.7	-8.6	-9.3	-7.4	-10.6	-9.7	-10.4	-10.5	-9.4
Overall balance (– = deficit)	-1.0	4.8	1.8	1.8	0.7	0.7	0.6	0.4	1.2
Gross international reserves									
Gross official reserves (imputed reserves, billions of U.S. dollars) [2]	0.9	1.3	1.2	1.1	1.2	1.2	1.3	1.3	1.4
(percent of broad money)	46.8	53.2	45.1	39.8	39.0	38.4	37.4	35.6	36.2
WAEMU gross official reserves (billions of U.S. dollars)	10.7	13.6	…	…	…	…	…	…	…
(percent of broad money)	55.0	58.7	…	…	…	…	…	…	…
(months of WAEMU imports of	6.1	6.9	…	…	…	…	…	…	…
US$/EURO	1.47	1.39	1.33	1.33	1.37	1.36	1.35	1.34	1.33
GDP at current prices (CFAF billions)	3,690	3,938	4,280	4,368	4,720	5,085	5,499	5,972	6,488

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

[1] The financing gap is expected to be covered by ECF disbursements as financing from other sources is included in program grants and loans.

[2] Including the Special Drawing Rights allocation of August 2009.

Table 3. Burkina Faso: Monetary Survey, 2008–12

	2008	2009	2010	2011	2012
				Prog.	Proj.
	(CFAF billions)				
Net foreign assets	374.2	563.6	647.6	678.4	716.4
Central Bank of West African States (BCEAO)	315.0	385.8	300.8	331.6	369.6
Assets	438.7	588.7	525.6	555.3	589.8
Liabilities	123.7	202.9	224.8	223.7	220.2
Commercial banks	59.2	177.8	346.8	346.8	346.8
Net domestic assets	563.1	543.9	671.9	747.2	819.6
Net domestic credit	604.7	618.2	787.3	862.6	935.0
Net credit to government	-55.8	-53.8	16.7	62.7	85.6
Treasury	35.0	-3.7	16.5	62.5	85.4
BCEAO	-3.3	-46.9	-27.0	23.3	46.2
Commercial banks	38.3	43.1	43.5	39.2	39.2
Other central government	-90.8	-50.1	0.2	0.2	0.2
Credit to the economy	660.5	672.1	770.6	799.9	849.4
Crop credit	14.1	22.1	10.3	10.7	11.4
Other	646.4	650.0	760.3	789.2	838.0
Other items (net)	-41.6	-74.3	-115.4	-115.4	-115.4
Broad money	937.3	1107.5	1319.5	1425.6	1536.0
Of which: Private sector deposits in commercial banks	640.2	789.0	1029.2	1170.0	1262.4
	(Annual changes in percent of broad money from 12 months earlier, unless otherwise indicated)				
Memorandum items:					
Net foreign assets	-4.2	20.2	7.6	2.3	2.7
Net domestic assets	15.9	-2.0	11.6	5.7	5.1
Net credit to government	4.6	0.2	6.4	3.5	1.6
Credit to the economy	13.6	1.2	8.9	2.2	3.5
(annual percentage change)	20.8	1.7	14.7	3.8	6.2
(excluding crop credit)	22.3	0.6	17.0	3.8	6.2
Money supply	11.7	18.2	19.1	8.0	7.7
Of which: bank deposits	10.1	15.9	21.7	10.7	6.5
Currency velocity (GDP/broad money)	3.9	3.6	3.3	3.3	3.3

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

Table 4. Burkina Faso: Consolidated Operations of the Central Government, 2008–15

	2008	2009	2010		2011		2012	2013	2014	2015
			CR 10/361	Est.	CR 10/361	Prog.		Proj.		
					(CFAF billions)					
Total revenue and grants	630.8	771.5	940.5	880.2	981.8	1041.7	1042.0	1165.4	1301.7	1440.5
Total revenue	483.8	539.1	667.9	681.3	721.4	711.7	760.3	863.5	966.6	1082.9
Tax revenue	444.7	494.6	558.1	565.7	635.1	614.4	701.5	793.4	882.8	982.6
Income and profits	103.5	106.7	140.4	133.6	163.4	158.2	197.8	248.2	285.0	311.9
Domestic goods and services	243.8	282.9	307.0	318.4	350.8	337.9	368.3	400.5	438.5	489.3
International trade	81.8	89.7	94.9	96.8	104.3	101.1	117.7	126.0	139.4	159.8
Other	15.6	15.2	15.8	17.0	16.7	17.1	17.7	18.8	19.9	21.6
Nontax revenue	39.2	44.5	109.9	115.5	86.3	97.4	58.7	70.1	83.8	100.3
Grants	146.9	232.4	272.6	198.9	260.4	330.0	281.7	301.8	335.1	357.6
Project	58.7	86.9	121.4	51.1	130.4	130.4	128.8	141.8	164.2	175.8
Program	88.2	145.5	151.1	147.8	130.1	199.6	152.9	160.1	170.9	181.8
Expenditure and net lending [1]	795.3	959.6	1145.9	1123.6	1161.2	1225.5	1197.5	1319.1	1438.8	1586.8
Current expenditure	455.2	499.1	532.3	530.9	571.1	635.2	606.0	647.5	699.2	750.6
Wages and salaries	198.8	228.4	245.9	245.8	265.5	269.3	284.8	304.4	328.7	355.8
Goods and services	95.3	95.1	100.3	90.8	106.8	104.4	117.3	126.1	137.5	144.9
Interest payments	12.7	16.9	21.1	21.4	22.4	23.4	25.3	27.3	29.7	32.3
Current transfers	148.4	158.6	164.9	172.9	176.4	238.1	178.6	189.7	203.3	217.6
Of which contingency expenditure for 2011 [2]	0.0	0.0	0.0	0.0	0.0	17.6	0.0	0.0	0.0	0.0
Investment expenditure	328.5	457.4	550.5	531.2	585.1	596.6	587.5	667.6	741.6	838.2
Domestically financed	200.4	261.0	280.3	327.3	290.1	301.7	240.5	291.2	335.8	403.8
Capital transfers	6.2	25.4	5.4	3.8	7.0	9.0	7.0	7.0	7.0	7.0
Exonerations	27.1	36.5	24.8	29.0	27.2	20.0	30.7	32.9	36.4	41.7
Other investment expenditure	167.2	199.2	250.1	294.6	255.9	272.7	202.8	251.3	292.4	355.1
Externally financed	128.0	196.3	270.2	203.9	295.0	295.0	347.0	376.4	405.8	434.4
Expenditure carried over from 2009 appropriations [3]	0.0	0.0	67.7	67.7	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	11.6	3.2	-4.5	-6.2	5.0	-6.3	4.0	4.0	-2.0	-2.0
Overall balance (commitment basis)	-164.5	-188.1	-205.4	-243.4	-179.4	-183.8	-155.5	-153.7	-137.1	-146.3
Excluding grants	-311.4	-420.5	-478.0	-442.3	-439.8	-513.8	-437.2	-455.6	-472.2	-503.9
Basic primary balance (commitment basis)	-170.7	-207.3	-186.6	-217.1	-122.4	-195.4	-64.9	-51.9	-36.7	-37.2
Cash basis adjustment	15.8	95.5	-27.0	44.5	0.0	-23.3	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	-16.7	-6.2	0.0	0.0	-2.3	0.0	0.0	0.0	0.0
Expenditures committed awaiting payment orders	-36.9	56.1	-56.10	20.2	0.0	-21.0	0.0	0.0	0.0	0.0
Payment orders not executed	1.9	63.6	-32.20	-24.1	0.0	0.0	0.0	0.0	0.0	0.0
Change in treasury commitments	50.7	4.1	73.7	41.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	0.0	-11.6	-6.2	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-148.7	-92.6	-232.4	-198.9	-179.4	-207.1	-155.5	-153.7	-137.1	-146.3
Excluding grants	-295.6	-325.0	-505.0	-397.9	-439.8	-537.1	-437.2	-455.6	-472.2	-503.9
Basic primary balance (cash basis)	-154.9	-111.8	-213.6	-172.6	-122.4	-218.7	-64.9	-51.9	-36.7	-37.2
Errors and omissions	5.4	-6.3	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	143.4	98.9	227.6	194.9	169.7	197.5	145.9	148.9	137.1	146.3
Foreign financing	102.3	109.6	138.9	150.7	138.1	139.0	188.3	204.3	210.0	223.9
Drawings	115.3	123.9	161.5	165.4	164.6	164.6	218.2	234.6	241.6	258.6
Project loans	69.3	109.4	148.8	152.8	164.6	164.6	218.2	234.6	241.6	258.6
Program loans	45.9	14.5	12.7	12.6	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-13.0	-14.3	-22.6	-14.7	-26.5	-25.6	-29.8	-30.4	-31.6	-34.6
Domestic financing	41.1	-10.6	88.7	44.2	31.7	58.6	-42.4	-55.3	-72.9	-77.6
Bank financing	38.3	2.0	70.8	70.5	29.8	36.4	13.3	-24.6	-42.2	-54.9
Central bank	47.3	-42.8	20.9	18.2	29.8	40.7	13.3	-24.6	-42.2	-54.9
Commercial banks	-9.0	44.7	49.9	52.3	0.0	-4.3	0.0	0.0	0.0	0.0
Nonbank financing	2.8	-12.6	17.9	-26.3	1.8	22.2	-55.7	-30.7	-30.7	-22.7
Government bonds	-12.3	18.0	16.8	-5.0	1.8	22.2	-55.7	-30.7	-30.7	-22.7
New issues	30.9	55.5	51.6	47.5	30.0	139.9	0.0	0.0	0.0	0.0
Bills	….	…	…	…	0.0	115.0	0.0	0.0	0.0	0.0
Bonds	….	…	…	…	30.0	24.9	0.0	0.0	0.0	0.0
Amortization	-43.3	-37.5	-34.9	-52.5	-28.2	-117.7	-55.7	-30.7	-30.7	-22.7
Privatization revenue	2.9	30.1	6.6	6.9	0.0	0.0	0.0	0.0	0.0	0.0
Other nonbank financing	12.3	-60.7	-5.5	-28.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [4]	0.0	0.0	4.8	0.0	9.6	9.6	9.6	4.8	0.0	0.0
Memorandum items:										
Poverty-reducing expenditure	198.5	259.6	274.5	297.2	300.6	314.4	345.8	390.4	441.9	454.2
Of which: Education [5]	82.2	91.4	109.2	123.5	119.6	115.9	127.4	143.9	162.8	167.3
Health	60.1	69.8	83.8	88.3	91.7	85.4	94.0	106.1	120.1	123.4
Nominal GDP	3,690	3,938	4,280	4,368	4,605	4,720	5,085	5,499	5,972	6,488

(continued)

Table 4. Burkina Faso: Consolidated Operations of the Central Government, 2008–15 (concluded)

	2008	2009	2010		2011		2012	2013	2014	2015
			CR 10/361	Est.	CR 10/361	Prog.		Proj.		
	(Percent of GDP, unless otherwise indicated)									
Total revenues and grants	17.1	19.6	22.0	20.1	21.3	22.1	20.5	21.2	21.8	22.2
Total revenue	13.1	13.7	15.6	15.6	15.7	15.1	15.0	15.7	16.2	16.7
Tax revenue	12.1	12.6	13.0	13.0	13.8	13.0	13.8	14.4	14.8	15.1
Income and profits	2.8	2.7	3.3	3.1	3.5	3.4	3.9	4.5	4.8	4.8
Domestic goods and services	6.6	7.2	7.2	7.3	7.6	7.2	7.2	7.3	7.3	7.5
International trade	2.2	2.3	2.2	2.2	2.3	2.1	2.3	2.3	2.3	2.5
Other	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Nontax revenue	1.1	1.1	2.6	2.6	1.9	2.1	1.2	1.3	1.4	1.5
Grants	4.0	5.9	6.4	4.6	5.7	7.0	5.5	5.5	5.6	5.5
Project	1.6	2.2	2.8	1.2	2.8	2.8	2.5	2.6	2.7	2.7
Program	2.4	3.7	3.5	3.4	2.8	4.2	3.0	2.9	2.9	2.8
Expenditure and net lending [1]	21.6	24.4	26.8	25.7	25.2	26.0	23.5	24.0	24.1	24.5
Current expenditure	12.3	12.7	12.4	12.2	12.4	13.5	11.9	11.8	11.7	11.6
Wages and salaries	5.4	5.8	5.7	5.6	5.8	5.7	5.6	5.5	5.5	5.5
Goods and services	2.6	2.4	2.3	2.1	2.3	2.2	2.3	2.3	2.3	2.2
Interest payments	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Current transfers	4.0	4.0	3.9	4.0	3.8	5.0	3.5	3.5	3.4	3.4
Of which contingency expenditure for 2011[2]	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Investment expenditure	8.9	11.6	12.9	12.2	12.7	12.6	11.6	12.1	12.4	12.9
Domestically financed	5.4	6.6	6.5	7.5	6.3	6.4	4.7	5.3	5.6	6.2
Capital transfers	0.2	0.6	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Exonerations	0.7	0.9	0.6	0.7	0.6	0.4	0.6	0.6	0.6	0.6
Other investment expenditure	4.5	5.1	5.8	6.7	5.6	5.8	4.0	4.6	4.9	5.5
Externally financed	3.5	5.0	6.3	4.7	6.4	6.2	6.8	6.8	6.8	6.7
Expenditure carried over from 2009 appropriations[3]	0.0	0.0	1.6	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.3	0.1	-0.1	-0.1	0.1	-0.1	0.1	0.1	0.0	0.0
Overall balance (commitment basis)	-4.5	-4.8	-4.8	-5.6	-3.9	-3.9	-3.1	-2.8	-2.3	-2.3
Excluding grants	-8.4	-10.7	-11.2	-10.1	-9.6	-10.9	-8.6	-8.3	-7.9	-7.8
Basic primary balance (commitment basis)	-4.6	-5.3	-4.4	-5.0	-2.7	-4.1	-1.3	-0.9	-0.6	-0.6
Cash basis adjustment	0.4	2.4	-0.6	1.0	0.0	-0.5	0.0	0.0	0.0	0.0
Change in payment arrears	0.0	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures committed awaiting payment orders	-1.0	1.4	-1.3	0.5	0.0	-0.4	0.0	0.0	0.0	0.0
Payment orders not executed	0.1	1.6	-0.8	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Change in treasury commitments	1.4	0.1	1.7	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Change in Basic Education Fund account	0.0	-0.3	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-4.0	-2.4	-5.4	-4.6	-3.9	-4.4	-3.1	-2.8	-2.3	-2.3
Excluding grants	-8.0	-8.3	-11.8	-9.1	-9.6	-11.4	-8.6	-8.3	-7.9	-7.8
Basic primary balance (cash basis)	-4.2	-2.8	-5.0	-4.0	-2.7	-4.6	-1.3	-0.9	-0.6	-0.6
Errors and omissions	0.1	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing	3.9	2.5	5.3	4.5	3.7	4.2	2.9	2.7	2.3	2.3
Foreign	2.8	2.8	3.2	3.4	3.0	2.9	3.7	3.7	3.5	3.5
Drawings	3.1	3.1	3.8	3.8	3.6	3.5	4.3	4.3	4.0	4.0
Project loans	1.9	2.8	3.5	3.5	3.6	3.5	4.3	4.3	4.0	4.0
Program loans	1.2	0.4	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (excl. IMF)	-0.4	-0.4	-0.5	-0.3	-0.6	-0.5	-0.6	-0.6	-0.5	-0.5
Domestic financing	1.1	-0.3	2.1	1.0	0.7	1.2	-0.8	-1.0	-1.2	-1.2
Bank financing	1.0	0.1	1.7	1.6	0.6	0.8	0.3	-0.4	-0.7	-0.8
Central bank	1.3	-1.1	0.5	0.4	0.6	0.9	0.3	-0.4	-0.7	-0.8
Commercial banks	-0.2	1.1	1.2	1.2	0.0	-0.1	0.0	0.0	0.0	0.0
Nonbank financing	0.1	-0.3	0.4	-0.6	0.0	0.5	-1.1	-0.6	-0.5	-0.4
Government bonds	-0.3	0.5	0.4	-0.1	0.0	0.5	-1.1	-0.6	-0.5	-0.4
New issues	0.8	1.4	1.2	1.1	0.7	3.0	0.0	0.0	0.0	0.0
Bills	…	…	…	…	0.0	2.4	0.0	0.0	0.0	0.0
Bonds	…	…	…	…	0.7	0.5	0.0	0.0	0.0	0.0
Amortization	-1.2	-1.0	-0.8	-1.2	-0.6	-2.5	-1.1	-0.6	-0.5	-0.4
Privatization revenue	0.1	0.8	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other nonbank financing	0.3	-1.5	-0.1	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap [4]	0.0	0.0	0.1	0.0	0.2	0.2	0.2	0.1	0.0	0.0
Memorandum item:										
Nominal GDP (CFAF billions)	3,690	3,938	4,280	4,368	4,605	4,720	5,085	5,499	5,972	6,488

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

[1] Commitment ("*engagement*") basis

[2] Contingency expenditure to address the impact of expected exogenous shocks in 2011, should they materialize.

[3] For 2010 only.

[4] The financing gap is expected to be covered by ECF disbursements as financing from other sources is included in program grants and loans.

[5] Basic education.

Table 5. Burkina Faso: Indicators of Capacity to Repay the Fund, 2008–15

	2008	2009	2010	2011	2012	2013	2014	2015
				Projections				
Fund obligations based on existing credit				(SDR millions)				
Principal	0.0	0.0	0.0	2.4	4.7	5.1	7.2	14.1
Charges and interest	0.4	0.2	0.0	0.1	0.3	0.2	0.2	0.2
Fund obligations based on existing and prospective credit				(SDR millions)				
Principal	0.0	0.0	0.0	2.4	4.7	5.1	7.2	14.1
Charges and interest	0.4	0.2	0.0	0.1	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit								
SDR millions	0.4	0.2	0.0	2.5	5.0	5.4	7.5	14.4
CFAF billions	0.3	0.1	0.0	1.8	3.8	4.1	5.6	10.8
Percent of exports of goods and services	0.1	0.0	0.0	0.2	0.3	0.4	0.5	0.9
Percent of debt service [1]	1.4	0.6	0.0	4.9	8.0	8.2	10.3	17.1
Percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Percent of tax revenue	0.1	0.0	0.0	0.3	0.5	0.5	0.6	1.1
Percent of quota	0.7	0.3	0.0	4.1	8.3	9.0	12.4	23.9
Outstanding Fund credit								
SDR millions	35.3	70.4	83.6	94.1	102.3	103.7	96.5	82.4
CFAF billions	24.8	51.1	63.1	70.6	77.0	78.0	72.6	62.0
Percent of exports of goods and services	6.7	10.3	7.9	7.2	7.0	6.9	6.1	4.9
Percent of debt service [1]	117.8	221.6	252.8	186.0	165.1	157.8	133.1	97.6
Percent of GDP	0.7	1.3	1.4	1.5	1.5	1.4	1.2	1.0
Percent of tax revenue	5.6	10.3	11.1	11.5	11.0	9.8	8.2	6.3
Percent of quota	58.6	116.9	138.9	156.3	169.9	172.2	160.3	136.8
Net use of Fund credit (SDR millions)	11.5	35.1	13.9	10.5	8.2	1.4	-7.2	-14.1
Disbursements	11.5	35.1	13.9	12.9	12.9	6.5	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.0	2.4	4.7	5.1	7.2	14.1
Memorandum items:								
Exports of goods and services (CFAF billions)	369.5	497.2	795.2	980.0	1101.8	1136.0	1185.7	1274.9
External Debt service (CFAF billions) [1]	21.1	23.1	24.9	37.9	46.6	49.4	54.6	63.5
Nominal GDP (CFAF billions)	3,690	3,938	4,368	4,720	5,085	5,499	5,972	6,488
Tax Revenue (CFAF billions)	444.7	494.6	565.7	614.4	701.5	793.4	882.8	982.6
Quota (SDR millions)	60.2	60.2	60.2	60.2	60.2	60.2	60.2	60.2

Sources: IMF staff estimates and projections.

[1]Total external debt service includes IMF repurchases and repayments.

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

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

Source: IMF Staff.

[1] In addition to the generally applicable conditions under the Extended Credit Facility.

Table 7. Burkina Faso: Poverty-Reducing Social Expenditures, 2001–11

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										Est.	Proj.
	(CFAF billions)										
Total poverty-reducing social expenditure	80.4	108.9	116.6	145.0	161.8	167.2	182.6	198.5	259.6	297.2	314.4
Total current expenditure	64.9	76.7	83.8	94.0	112.6	121.7	143.1	146.2	172.0	183.2	201.4
Total capital expenditure	15.5	32.2	32.8	50.9	49.2	45.5	39.5	52.2	87.6	114.0	113.1
Health	27.3	38.5	37.9	48.1	54.2	55.7	60.2	60.1	69.8	88.3	85.4
Current expenditure	24.1	31.5	29.9	31.9	39.4	43.6	50.6	49.9	55.4	62.7	71.1
Capital expenditure	3.2	6.9	8.0	16.3	14.8	12.1	9.6	10.2	14.5	25.6	14.4
Education	35.1	42.7	47.9	56.9	64.5	70.6	76.6	82.2	91.4	123.5	115.9
Current expenditure	29.8	30.5	37.6	44.2	53.1	59.5	67.6	72.8	82.7	90.2	96.6
Capital expenditure	5.3	12.2	10.3	12.7	11.4	11.1	9.0	9.5	8.8	33.3	19.2
Rural roads	1.9	1.8	2.3	3.3	3.7	3.9	2.7	2.3	15.4	3.3	3.0
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1
Capital expenditure	1.9	1.8	2.3	3.3	3.6	3.7	2.7	2.2	15.3	3.2	2.9
Women's welfare and other poverty-reducing social expenditure	16.2	25.9	28.5	36.6	39.4	37.0	43.2	53.8	82.9	82.1	110.2
Current expenditure	11.1	14.7	16.3	18.0	20.1	18.5	24.9	23.5	33.9	30.2	33.5
Capital expenditure	5.1	11.2	12.2	18.6	19.3	18.6	18.3	30.3	49.0	51.9	76.7
	(Percent of GDP)										
Total poverty-reducing social expenditure	3.9	4.9	4.8	5.7	5.6	5.3	5.6	5.4	6.6	6.8	6.7
Total current expenditure	3.1	3.4	3.4	3.7	3.9	3.8	4.4	4.0	4.4	4.2	4.3
Total capital expenditure	0.7	1.4	1.3	2.0	1.7	1.4	1.2	1.4	2.2	2.6	2.4
Health	1.3	1.7	1.6	1.9	1.9	1.8	1.9	1.6	1.8	2.0	1.8
Current expenditure	1.2	1.4	1.2	1.2	1.4	1.4	1.6	1.4	1.4	1.4	1.5
Capital expenditure	0.2	0.3	0.3	0.6	0.5	0.4	0.3	0.3	0.4	0.6	0.3
Education	1.7	1.9	2.0	2.2	2.2	2.2	2.4	2.2	2.3	2.8	2.5
Current expenditure	1.4	1.4	1.5	1.7	1.8	1.9	2.1	2.0	2.1	2.1	2.0
Capital expenditure	0.3	0.5	0.4	0.5	0.4	0.3	0.3	0.3	0.2	0.8	0.4
Rural roads	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.1
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.1
Women's welfare and other poverty-reducing social expenditure	0.8	1.2	1.2	1.4	1.4	1.2	1.3	1.5	2.1	1.9	2.3
Current expenditure	0.5	0.7	0.7	0.7	0.7	0.6	0.8	0.6	0.9	0.7	0.7
Capital expenditure	0.2	0.5	0.5	0.7	0.7	0.6	0.6	0.8	1.2	1.2	1.6
	(Percent of total expenditure)										
Total poverty-reducing social expenditure	17.5	22.3	20.0	24.9	24.7	22.3	21.9	25.3	27.1	28.0	25.5
Total current expenditure	14.1	15.7	14.4	16.1	17.2	16.3	17.2	18.7	18.0	17.3	16.3
Total capital expenditure	3.4	6.6	5.6	8.7	7.5	6.1	4.7	6.7	9.2	10.7	9.2
Health	5.9	7.9	6.5	8.3	8.3	7.4	7.2	7.7	7.3	8.3	6.9
Current expenditure	5.2	6.4	5.1	5.5	6.0	5.8	6.1	6.4	5.8	5.9	5.8
Capital expenditure	0.7	1.4	1.4	2.8	2.3	1.6	1.1	1.3	1.5	2.4	1.2
Education	7.6	8.7	8.2	9.8	9.8	9.4	9.2	10.5	9.6	11.6	9.4
Current expenditure	6.5	6.2	6.5	7.6	8.1	8.0	8.1	9.3	8.6	8.5	7.8
Capital expenditure	1.2	2.5	1.8	2.2	1.7	1.5	1.1	1.2	0.9	3.1	1.6
Rural roads	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.3	0.2
Current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	0.4	0.4	0.4	0.6	0.6	0.5	0.3	0.3	1.6	0.3	0.2
Women's welfare and other poverty-reducing social expenditure	3.5	5.3	4.9	6.3	6.0	4.9	5.2	6.9	8.7	7.7	8.9
Current expenditure	2.4	3.0	2.8	3.1	3.1	2.5	3.0	3.0	3.5	2.8	2.7
Capital expenditure	1.1	2.3	2.1	3.2	3.0	2.5	2.2	3.9	5.1	4.9	6.2

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

APPENDIX I—LETTER OF INTENT

Ouagadougou, June 28, 2011

John Lipsky
Acting Managing Director,
International Monetary Fund
700 19th Street NW
WASHINGTON, DC 20431 (USA)

Dear Mr. Lipsky:

1. The government of Burkina Faso is committed to implementing sound policies and reforms to address Burkina Faso's developmental challenges. The government is also determined to take the necessary actions to achieve the objectives defined in its new PRSP called "Strategy for Accelerated Growth and Sustainable Development" (SCADD), adopted in December 2010.

2. Government policies in 2010 were sound and supportive of economic objectives. In particular, investment in infrastructure increased significantly to support economic recovery and productivity gains in the private sector, while maintaining a prudent fiscal policy stance. For 2011, however, economic prospects could be tamed by inflationary pressures that could emerge from exogenous shocks, including the surge in global food and oil prices, further social unrest, and spillover effects from the crisis in Cote d'Ivoire earlier in the year. Under the circumstances, the government remains vigilant in the execution of the budget and stands ready to take any corrective measures that may be deemed necessary to safeguard macroeconomic stability.

3. The government's medium-term objectives are aligned with the SCADD. To safeguard the attainment of the SCADD's objectives, we will focus on five key areas: (i) increasing the diversification of the productive base; (ii) enhancing absorptive capacity and the quality of public investment; (iii) increasing investment in the energy sector to support private sector activity; (iv) closing the infrastructure gap through better prioritization in investment; and (v) improving the business environment further through continued structural reforms. Our ambition is to accelerate the building of a foundation for a robust, double-digit economic growth before 2015 through decisive actions in these key areas; and to intensify poverty reduction actions.

4. Following the recent social unrest in the country, the government took correctives measures at the political level, as well as the necessary social measures to safeguard the return to peace in the country. These measures were taken while ensuring that the macroeconomic framework under the ECF-supported program, as agreed with IMF staff was

preserved, particularly in the fiscal area. As a result, the 2011 draft Budget adopted by the National Assembly is consistent with our goal to preserve medium-term fiscal and debt sustainability. Nonetheless, these events, as well as exogenous shocks that affected the economy in the first half of this year, are expected to generate additional expenditure and possible revenue shortfall, compared with the original program projections for 2011, resulting in a higher than anticipated budget deficit. Consequently, the government is requesting that the performance criterion on the overall budget deficit for end-June and end-December 2011 be modified as reflected in the MEFP, to account for these developments.

5. The government is convinced that the economic and financial policies presented in the attached Memorandum of Economic and Financial Policies (MEFP) will help achieve the objectives set under our ECF–supported program. Nonetheless, the government is determined to take any additional measures that may become necessary to reach the objectives. The government will consult with the IMF before adopting such measures, and prior to any revision to policies outlined in the MEFP, in accordance with IMF policies on such consultation. Furthermore, the government will provide the IMF with information on policy and reform implementation, as agreed on under the attached Technical Memorandum of Understanding, or upon request.

6. Despite a difficult environment in the second half of 2010, marked by regional uncertainties, the government implemented its economic and financial program supported by the IMF under the Extended Credit Facility in a satisfactory manner. As a result, at end-December 2010, all quantitative and structural targets under the program were met. On this basis, and in view of our policy commitments in the attached MEFP, the government of Burkina Faso requests the completion of the second ECF review, and the third disbursement totaling SDR 6.45 million.

7. As was the case in the past, the government authorizes the IMF to publish this letter of Intent and its attachments, as well as the staff report, upon approval by the IMF Executive Board.

Sincerely yours,

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

Attachments: Memorandum of Economic and Financial Policies, 2011–12
Technical Memorandum of Understanding

APPENDIX I—ATTACHMENT 1

MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES FOR 2011–12

I. INTRODUCTION

1. This memorandum updates Burkina Faso's economic and financial program in connection with the implementation of the three-year economic and financial program supported by the IMF under the Extended Credit Facility (ECF). It reviews recent developments in the economy and performance under the program during the second half of 2010, and assesses the outlook for 2011–12. The objectives of the program, approved by the IMF Executive Board on June 14, 2010, are to consolidate macroeconomic stability, and enhance growth prospects as well as the fight against poverty. This memorandum updates and supplements those of May 31, 2010 and of November 17, 2010. Economic policies presented in this memorandum are consistent with the objectives of the new PRSP (Strategy for Accelerated Growth and Sustained Development–SCADD), which was adopted by the government in December 2010.

II. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION AT END-DECEMBER 2010

A. Recent Economic Developments

2. **In a regional context marked by uncertainty, the Burkinabè economy recovered its trend growth of the past decade**. Real GDP growth is estimated at 7.9 percent for 2010, compared with 3.2 percent in 2009. Although all sectors contributed to this growth, it was largely driven by the agricultural and mining sectors.

- **In the agricultural sector, cereal production, estimated at 4,560,574 tons, increased by 26 percent** over the previous crop year, mostly because of more favorable weather conditions and the impact of government measures in recent years to improve agricultural productivity. These measures included (i) supplying farming equipments to enhanced-seed producers; (ii) increasing the use of organic fertilizers; and (iii) training, organizing, and providing technical support for more than 5,000 farming households. The emergency program for food and nutritional security, launched in 2010 with support from the European Union also supported agricultural production through measures to improve the quality and increase production of seeds.

- **Gold production increased from 12.1 tons in 2009 to 23. 7 tons in 2010, representing an increase of more than 90 percent**. In addition to the four mines already in production (Mana, Youga, Kalsaka, and Taparko), the Inata and Essakane mines came on-stream in April and October 2010, respectively.

- **However, cottonseed production fell by 6 percent, from 361,991 tons in 2009 to 338,000 tons in 2010**. This decline was unexpected, given the rise in the producer price (from CFAF 160 per kg to CFAF 182 per kg), the continuation of measures promoting increased and appropriate use of inputs, and the payment of a bonus. It was mainly due to delayed rainfall and inefficient use of fertilizers. These conditions affected the production of genetically modified cotton in particular, which represents 60 percent of total surfaces.

- **Tertiary sector activities were up by 3.7 percent, boosted by several major events in 2010,** including the Ouagadougou International Artisan Exhibition (SIAO), the Ouagadougou International Tourism and Hotel Trade Show (SITHO), the National Culture Week (SNC), and the celebration of the 50th anniversary of Burkina Faso's independence.

3. **Consumer prices remained relatively stable compared with 2009**. The average annual inflation rate was -0.6 percent, compared with 2.6 percent for the previous year. Contributing factors included strong growth in agricultural production, which slowed down the rise in food prices, the freeze of retail petroleum prices, and lower mobile telephone rates.

4. **The external position improved in 2010**. Imports rose sharply, driven by the expansion of mining activities and the need to rebuild the infrastructure damaged by the September 2009 and July 2010 floods. Yet, the current account improved thanks to significantly higher exports, reflecting substantial increases in gold production and prices and the higher price of cotton. The current account deficit (including grants) narrowed from 4.2 percent of GDP the previous year to 3.5 percent of GDP in 2010, a stronger result than projected.

5. **Money supply was up by 19.1 percent, compared with end-December 2009**, reflecting a substantial increase in the net foreign assets of the banking system. With the economic expansion, credit to the economy increased by 8.9 percent, compared with end-December 2009, with a large increase in credit to the services sector.

6. **Public finances continued to improve in 2010 as a result of continued efforts to raise revenue and effectively monitor spending**. Revenue measures included the following actions by the tax department: (i) revamping the database of large and medium-size taxpayers; (ii) improving automated management of nonfilers and non-payers; and (iii) cross-checking data from files pertaining to income tax. With regard to customs department, measures to improve revenue collection included: (i) the strengthening of controls; (ii) the simplifying of customs clearance procedures; (iii) automating transit processes; and (iv) increasing the number of inspections by the pre-shipment inspection company. Overall, the authorities' approach to make revenue collecting units accountable adopted in 2009 continued to produce good results. Revenue increased from 13.7 percent of GDP in 2009 to 15.6 percent in 2010. Tax revenue increased by 14.4 percent to CFAF 565.74 billion,

exceeding program projections. Nontax revenue increased by 157 percent, reflecting the 10-year renewals of mobile telephone licenses for a total of CFAF 61.8 billion.

7. **Expenditure increased to 25.7 percent of GDP in 2010, compared with 24.4 percent in 2009**. This increase reflects measures taken by the government to support the economic recovery after the 2009 downturn, owing to the global financial and economic crisis. Current spending stood at 12.2 percent of GDP, a decline from 2009 owing to a modest reduction in the wage bill and in goods and services expenditure, combined with stable transfers. Investment expenditure totaled 12.2 percent of GDP, compared with 11.6 percent in 2009, reflecting the rehabilitation of infrastructure destroyed or damaged by the 2009 and 2010 floods, and the construction of new infrastructure to celebrate the 50th anniversary of Burkina Faso's independence.

8. **On the reduction of payment arrears audited at end-December 2008**, the outstanding balance at end-2009, for which payment was programmed for 2010, stood at CFAF 6.2 billion. The payment could not be made as planned, because the reconciliation work with the National Social Security Fund (CNSS) took longer than anticipated.

9. **The overall budget deficit (cash basis, including grants) represented 4.6 percent of GDP in 2010, compared with 2.4 percent in 2009**. It was financed primarily by external resources and the issuance of bonds in the regional market. IMF financing under the ECF amounted to CFAF 10.7 billion.

B. Results of Program Implementation in 2010

10. **Program implementation was satisfactory**. All quantitative performance criteria (Table 1) at end-December 2010 were met: (i) the overall deficit as defined in the November 17, 2010, Technical Memorandum of Understanding totaled CFAF 232.4 billion, below the adjusted ceiling of CFAF 246.8 billion; (ii) the government did not contract or guarantee new nonconcessional external debt; (iii) the government did not contract or guarantee new short-term external debt; and (iv) the government did not accumulate any arrears on external debt. All indicative targets were met or exceeded: (i) the minimum total revenue of CFAF 667.9 billion was exceeded with an actual collection of CFAF 681.3 billion; (ii) the benchmark for social spending was outperformed with an actual execution of CFAF 297 billion, compared to the floor of CFAF 274.5 billion; (iii) the large taxpayer nonfiler rate was reduced to 3 percent, below the 5 percent target; and (iv) the government accumulated no domestic payment arrears.

11. **All structural benchmarks for the second program review were achieved (Table 2)**: (i) computerization and connection of the Bingo and Cinkansé offices to the single customs server is now complete. However, some final arrangements remain to be carried out by the WAEMU to allow operations at the Cinkansé joint border post to begin; these include the interconnection of the Togolese and Burkinabè customs services systems, and the harmonization of procedures and the transit management system; (ii) the government

conducted a study of the pricing and taxation of petroleum products to improve the petroleum pricing mechanism; (iii) efforts to enhance the effectiveness of the civil service and compensation policy resulted in the comprehensive application of the merit-based promotion system; (iv) regarding the restructuring of the *Banque Commerciale du Burkina,* the two principal shareholders agreed at the October 2010 board meeting to pay their respective shares of the capital increase, in accordance with new regional capital adequacy requirements; and (v) SOFITEX prepared its five-year business plan for 2010–2014.

12. **To strengthen debt management capacity, a World Bank mission conducted an assessment of debt management performance at the government's request in March 2011,** using the Debt Management Performance Assessment (DEMPA) tool. In addition, new regulations issued by the Minister of Economy and Finance will help clarify the roles and responsibilities of all external-financing parties. Recommendations from the DEMPA mission will help define needed reforms for the period ahead.

13. **The process of harmonizing national law with WAEMU directives on public finances began** by strengthening national experts' capacities and updating user guides for the directives, supervised by the WAEMU Commission to ensure a smooth harmonization. Based on the action plan for this harmonization, three working groups were created and began work in January 2011.

14. **Reforms in the cotton sector continued in a more favorable context owing to the increase in the international price of cotton**. The government signed an agreement with SOFITEX for the repayment of its debts to the domestic banking system, thereby consolidating its financial position. It also began the process of re-allocating the cotton cultivated area between ginning companies. This process is aimed at increasing cottonseed production for the two smaller ginneries to increase their viability. In particular, the government offered to transfer the Koudougou production area operated by SOFITEX to *Faso Coton*. The area proposed for transfer includes two ginning plants. In addition, studies on the financing mechanisms for the price-smoothing and inputs funds were conducted, and will be finalized during two workshops to be organized in coming months. Moreover, climate risk insurance for the cotton sector is also being studied.

15. **Regarding the implementation of the financial sector development strategy**, despite continued problems with its funding, several measures were completed: (i) the government and the Central Bank of West African States (BCEAO) organized information and outreach activities to promote access to banking services; (ii) an organizational and functional audit of the Directorate of Insurance was conducted and its recommendations were forwarded to the authorities; (iii) a number of activities were carried out to disseminate and implement the new legal provisions concerning the Decentralized Financial System (SFD), including providing stakeholders with pamphlets on the new SFD law adopted in 2009; organizing an annual information workshop in July 2010 for stakeholders and in March 2011 for regional government authorities; publishing a list of licensed decentralized financial

institutions (SFD) in November 2010; and organizing 139 SFD inspection missions. Also, the assessment of contribution arrears to the CNSS established the amount payable by the government to the Fund at CFAF 2.3 billion, which is programmed to be settled in 2011.

16. **In 2010–11, efforts to divest the government's holdings in the productive sector focused on two measures**: negotiations with the International Finance Corporation (IFC) to divest part of the government's holdings in *Banque de l'Habitat du Burkina Faso* (BHBF) resulted in the transfer of 6 percent of the capital of BHBF to the IFC; and the motor vehicle inspection service (CCVA) was privatized.

17. **There was progress in meeting conditions under the Extractive Industries Transparency Initiative (EITI).** The main actions taken in 2010 were**:** (i) a website was developed for the EITI Secretariat (www.itie-bf.gov.bf); (ii) informational, communication, and outreach activities were arranged for representatives of the administration, mining companies, and civil society organizations, as well as for translators from the areas bordering the mining sites; and (iii) the first data reconciliation report was prepared.

18. **In accordance with the second pillar of the poverty reduction strategy regarding promoting access to basic social services and social protection, the government continued implementing reforms approved in the education and health sectors**. In the education sector, efforts to implement the 10-year educational development plan produced satisfactory results in supply and quality of basic education: (i) the number of students increased from 1,906,275 in 2008/2009 to 2,047,630 students in 2009/2010; (ii) the ratio of books to students increased to 1.1 for reading and 1.0 for mathematics during the 2009/2010 school year. To consolidate these efforts, key institutional changes were implemented by the government, with the creation of the Ministry of National Education and Literacy (MENA), which effectively extended basic education to the first cycle of secondary school. In post-primary and secondary education, the government is committed to finalizing the school districting map. To increase health care coverage, the government implemented measures to construct and equip healthcare centers; recruit healthcare personnel; and increase vaccination coverage. In addition in 2010, the percentage of local healthcare centers' meeting personnel standards was 84.3 percent, indicating better quality services for the population. The percentage of births attended by qualified personnel was 75.3 percent compared with an annual target of 72 percent. To improve the performance of the national social protection system and develop a coherent strategy of effective social safety nets for vulnerable population groups, the government, with support from its partners, is committed to developing a social protection strategy that will strengthen the government's capacity to design, implement, monitor, and evaluate pro-poor programs.

C. The Accelerated Growth and Sustainable Development Strategy (SCADD)

19. **In December 2010, the government adopted a new Poverty Reduction and Growth Strategy Paper called Strategy for Accelerated Growth and Sustainable Development** (SCADD) for 2011–15, which replaces the poverty reduction strategy implemented during 2000–10. The SCADD will now serve as the basis for the government's medium-term economic policies and objectives and is therefore the reference framework for all development interventions. Its implementation will allow a more effective fight against poverty and will strengthen the dialogue between the government and all stakeholders.

20. **The SCADD was prepared following an extensive consultation process**. Consultations were conducted at five levels: sector and thematic consultations; regional consultations; consultation with private sector and civil society stakeholders; consultation with government institutions; and national conferences.

21. **The main objective under the SCADD is to achieve a strong, diversified, and sustained economic growth,** based on sustainable management of natural resources which produces multiplier effects in terms of increasing the population's income and improving its quality of life. To achieve this objective, the government intends to (i) intensify measures aimed at supporting the diversification of the production base; (ii) significantly improve the absorptive capacity for and quality of public investment; (iii) increase investment in the energy sector to support private sector activity; (iv) give priority to infrastructure investments; and (v) continue structural reforms, especially those needed to improve the business climate. It is expected that these measures will boost growth to an average of 10 percent during the SCADD implementation period.

22. **In addition to accelerating growth, the specific objectives of the SCADD are also to make progress toward the Millennium Development Goals (MDG) by 2015.** Priority areas will be (i) eradicate extreme poverty and hunger; (ii) achieve universal primary education; (iii) promote gender equality and empower women; (iv) improve citizens' health by reducing the under-5 child mortality rate; (v) improve maternal health; (vi) combat HIV/AIDS, malaria, and other diseases; and (vii) ensure environmental sustainability.

23. **The SCADD is based on the following four pillars:**

- *Pillar 1: Developing the engines of accelerated growth*. This pillar will identify the sectors and locations to be supported in the production of high value-added goods and services: regional centers, manufacturing industry, agribusiness, culture and tourism, and the environment.

- *Pillar 2: Consolidating human capital and promoting social protection*. Significant progress was made during the last ten years in valuing human capital and strengthening social protection. This area remains vital for the country, as it embarks on a new phase in its development, to join the ranks of emerging and prosperous nations. Accordingly, the government will focus on income generating opportunities and job creation, the development of education and training, health—especially women's health, social protection, demographic issues, urban development, and access to basic social services in general.

- *Pillar 3: Strengthening governance*. The government is determined to improve economic, political, administrative, and local governance.

- *Pillar 4: Addressing cross-cutting priorities in development policies and programs*. The success of the SCADD will depend on addressing cross-cutting issues such as gender, population, the environment, and regional development. Accordingly, these issues will be considered and addressed in policy dialogue at all levels and in the process of formulating sector policies and programs.

24. **The satisfactory implementation of the SCADD and the achievement of the objectives established for 2011–15 are subject to certain risks** for which the government will prepare mitigating measures. These risks involve essentially: (i) uncertainties about available financing; (ii) the economy's vulnerability to natural disasters; (iii) lack of capacity and commitments from stakeholders on needed actions; and (iv) the economy's vulnerability regional and international economic developments.

III. Medium-Term Macroeconomic Framework

25. **The medium-term macroeconomic framework intends to support the SCADD's objectives**. Under the central scenario: (i) growth should reach 6.5 percent by 2015; (ii) inflation will remain modest, in line with regional convergence criteria; and (iii) the external position will improve, with the external current account deficit reaching 5.6 percent of GDP in 2015. The growth and investment projections under the central scenario are less ambitious then under the SCADD, reflecting existing impediments to growth, and some of the risks linked to the implementation of the SCADD, particularly the time needed for the strategy's effects on growth to materialize.

IV. Economic and Financial Policies for 2011

A. Macroeconomic Framework

26. **The government will maintain efforts to support fiscal consolidation, strengthen social policies, and pursue the reforms necessary to increase the pace of growth and reduce poverty**. The government is aware that program implementation in 2011 will take place in a difficult context marked by higher petroleum and food prices and the impact of postelection crisis in Côte d'Ivoire in early 2011, which negatively affected the Burkinabè economy. Therefore, the government has adopted measures to contain the impact of these shocks on public finance and the most vulnerable groups of the population. The economy has also been affected by the social turmoil that took place during the first part of the year.

27. **The objectives for the 2011 framework are**

- **Real growth of 5.2 percent**. This rate is set slightly below the original program projections of 5.5 percent, mostly because of the potential impact of exogenous shocks. In particular, the crisis in Côte d'Ivoire has affected energy supply and activities of companies that stopped production because of shortages of inputs and raw materials imported from Côte d'Ivoire.

- **Average inflation of close to 3 percent**. Despite the anticipated positive effect of a good harvest in 2011, inflationary pressures will be exacerbated by the impact of the Ivoirian crisis on production costs, particularly transportation costs, and by imported inflation.

- **An external current account deficit of 5.8 percent of GDP**. This is less optimistic than the 2010 estimates, reflecting the impact of projected higher oil prices and, to a lesser extent, lower exports growth.

B. Fiscal Policy

28. **Fiscal policy will aim to support the macroeconomic stability required for accelerated growth and sustainable development**. Accordingly, reforms aiming to increase revenue and contain expenditure will be pursued and intensified.

29. **The government drafted a supplementary budget for 2011 that takes account of the institutional changes implemented in April 2011 following the social unrest and the impact of exogenous shocks in 2011**. Under the supplementary budget, which was adopted by the National Assembly in May, the budget deficit (commitment basis, including grants) would amount to 3.4 percent of GDP, an improvement from 2010, mainly owing to a substantial increase in external budgetary assistance.

30. **Revenue mobilization will continue to be supported by the measures presented in the November 17, 2010, Memorandum of Economic and Financial Policies**. Revenue will increase through the implementation of tax measures adopted in 2010, notably the entry into force of the corporate income tax; the installation of two scanners at the Ouagadougou and Bobo Dioulasso customs posts to improve valuation of imported goods by December 2011 (**Structural Benchmark**); the implementation of other administrative measures, including continued computerization of tax offices; and the intensification of joint inspections by the customs and tax administrations. Despite the positive impact of these factors, however, revenue could be lower than originally projected because of the impact of the social unrest and exogenous shocks. Accordingly, fiscal revenue is projected at CFAF 711.7 billion, equivalent to 15.1 percent of GDP.

31. **Total expenditure and net lending is expected to reach CFAF 1,207.9 billion**. It is higher than originally anticipated owing to the following factors:

- Higher current spending, in particular the wage bill and transfers. Regarding the wage bill, the increase essentially reflects the regularization of administrative decisions on recruitment and promotion in the civil service, and the impact of measures announced after the social unrest in early 2011. The higher budget allocations for transfers reflect the impact of the 2011 exogenous shocks: (i) increased subsidies for petroleum products to SONABEL for electricity production and for butane gas (the latter being considered of social importance), to mitigate the impact of higher international oil prices on the company financial situation; (ii) increased transfers to SONABHY consistent with the continued freeze in the adjustment of petroleum products retail prices; and (iii) some of the financial cost of measures taken the authorities to ensure the return to peace in the country by meeting some of the claims made by protestors. Key measures taken in this respect include: a three-month freeze in the retail price for rice, sugar, and cooking oil; a 10 percent reduction on the tax on salaries; the extension of low-interest loans to businesses that suffered damages during the lootings; and compensation to private owners for rehabilitation of their properties destroyed by protestors.

- Higher investment spending. Using a portion of the additional budgetary assistance, this increased spending seeks to support growth as laid out in the SCADD, particularly through investment in infrastructure. Special investment projects planned for 2011 will cover those aiming at increasing energy supply, including solar-powered rural electrification; expanding programs based on multifunctional platforms and programs to provide technology to women for income-generating activities; improving agricultural, sanitation, and health equipment; providing sanitation equipment to improve the quality of public hospitals; extending administrative support, including for government entities; and establishing research funds for major projects and disaster management. Higher capital spending will also finance the leasing of generators to increase SONABEL's production, thereby compensating the lack of electricity supply from Côte d'Ivoire during January-May 2011; and cover higher cost for projects caused by increased oil prices and the expected rise in import prices.

32. **The overall budget deficit (cash basis, excluding grants) is projected at 11.1 percent of GDP**. It will be financed with budget support from Burkina Faso's development partners, and the issuance of debt on the regional market. Aware of the uncertainties surrounding 2011, the government has been vigilant in executing the 2011 budget, and agrees to revise spending downward, notably capital expenditure, or to reallocated budgetary appropriations between line ministries to compensate for any shortfall in budget resources, in order to avoid accumulating domestic payment arrears, that would adversely affect economic activity and the banking system. Such actions would take place, if needed, through a second supplementary budget in the second half of the year.

C. Balance of Payments and External Debt

33. **In 2011, export receipts are expected to increase by 51.2 percent, primarily as a result of the sharp rise in the export prices of cotton and gold**. However, the current account deficit (including grants) is expected to widen to 4.9 percent of GDP owing to the anticipated rise in prices of oil and several food products. The overall balance of payments is projected at a surplus of CFAF 30.8 billion, reflecting a significant increase in other financial flows expected in 2011.

34. **The government remains committed to maintaining a prudent external borrowing policy to ensure the sustainability of external debt**. To this end, it will continue to request support from Burkina Faso's development partners to ensure that most of its financing needs are covered with grants. It will also ensure that future loans will be contracted under concessional terms as defined in the Technical Memorandum of Understanding attached to this memorandum.

35. **Measures to strengthen external debt management in 2011–12 will essentially follow recommendations of the March 2011 World Bank debt management performance assessment mission (DEMPA)**. Additional reform measures for 2011–12 will include (i) improving the medium-term borrowing strategy, (ii) developing a debt-issuance strategy for the WAEMU bond market, (iii) conducting an external audit of debt management practices, and (iv) implementing the integrated external-financing system by end-June 2011 (**Structural Benchmark**). Training activities will be organized in 2011 to facilitate the use of the procedures manual adopted in 2009.

D. Policies and Structural Measures

36. **The government will continue to consolidate progress toward implementing measures programmed for end-June and end-December 2011, as presented in the November 17, 2010 memorandum** and in Table 2. Building on measures completed in 2010, the government will also initiate reforms in areas expected to support the achievement of program objectives.

37. **Regarding public finances, efforts to improve budget procedures and cash management will continue**. The new framework for the monthly Treasury cash flow management plan will be refined to present expenditure according to priority. The authorities also plan to complete the audits of expenditure commitment systems in line ministries by end-June 2011 (**Structural Benchmark**) and to implement recommendations from the audits. In addition, a committee will be set up to coordinate the preparation of budget execution data, and efforts to reduce delays in payments will continue, including through the introduction of verification units in five pilot line ministries by March 2012 (**Structural Benchmark**).

38. **Regarding the reform of the civil service management and compensation policy, preparatory work for the civil service census will continue**. The civil service census and the harmonization of the payroll and civil service system are expected to be finalized by December 2011 (**Structural Benchmark**). Building on the outcome of the census, the authorities plan to issue biometric identification cards to civil servants in three pilot institutions and ministries by June 2012 (**Structural Benchmark**). This experimental phase will provide lessons to be used for the extension of the system. Also, implementation of the merit-based promotion policy will continue.

39. **The authorities are aware of the high cost for the budget of subsidies to petroleum products, and are committed to adopt a new pricing system.** Taking into account financing constraints and pressing social needs, the authorities believe that a new pricing system that would allow a pass-through of fluctuations in the international oil price would help contain the level of subsidies to petroleum products, and benefit SONABHY financial situation. Based on the study completed at end-2010, the authorities plan to adopt and implement such a system by December 2011 (**Structural Benchmark**), instead of June 2011 as originally anticipated.

40. **In the cotton sector, the rehabilitation of SOFITEX will continue through implementation of internal measures to reduce costs and improve risk management**. The study on revision of the price-smoothing mechanism conducted in 2010–11 was validated on March 25, 2011. The new system was used to assess the final adjustment (*décompte*) for the 2010/2011 crop year, which determined a producer price of CFAF 210/kg of cottonseed and purchase price of CFAF 245/kg of cottonseed for the 2011/2012 crop year. The preliminary report of the inputs fund study was completed at end-April 2011. Based on the outcome of the two studies, new mechanisms will be agreed upon between stakeholders in the cotton sector by end-June 2011 (**Structural Benchmark**). The exclusivity arrangement for the three cotton-producing areas will expire in 2012, and discussions will be initiated with stakeholders to reach a new agreement in advance of this date. Based on this new framework to be defined for the sector, and in view of progress made in rehabilitating SOFITEX, the government plans to prepare a strategy to reduce its stake in SOFITEX by end-June 2012 (**Structural Benchmark**).

41. **Regarding developing pillars of growth as defined in the SCADD**, the government is in the process of launching the Bagré pilot growth pole in the country's Central East Region. In March 2011, the government adopted a strategy to promote Public-Private Partnerships (PPP), notably to increase private sector participation in public investment programs. The action plan for the strategy's implementation, including the definition of the legal and institutional framework will be prepared in coming months.

42. **The government intends to continue and intensify the implementation of the financial sector strategy,** while continuing efforts to raise the funds needed to properly implement the strategy. Two actions are planned for 2011–12: the implementation of the new

strategy for microfinance development by end-June 2011 (**Structural benchmark**), and the preparation of a strategy to enhance the quality of financial services offered by SONAPOST by end-June 2012 (**Structural benchmark**).

E. Program Monitoring

43. **The authorities intend to closely monitor the implementation of their economic and financial program**. To ensure the success of the program, they intend to take the necessary steps to reach the quantitative and structural targets agreed upon with IMF staff and presented in Tables 1 and 2 of this memorandum. In monitoring program implementation, the authorities plan to follow the Technical Memorandum of Understanding, which defines quantitative performance criteria and requirements for data transmission to IMF staff.

44. **Throughout the program, the Burkinabè government will not** (i) introduce restrictions on payments and transfers under current transactions or tighten any such restrictions without prior consultation with the IMF; (ii) introduce or modify multiple currency practices; (iii) conclude bilateral payment agreements incompatible with the provisions of Article VIII of the IMF Articles of Agreement; or (iv) introduce restrictions on imports for balance of payments' controls.

45. **The second review of the ECF-supported program is expected to be concluded no later than July 15, 2011, and the third review no later than December 15, 2011**.

Table 1. Burkina Faso: Quantitative Performance Criteria and Indicative Targets, 2011

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

	2010		2011			
	Dec.		Mar. [5]	Jun. [6]	Sep. [5]	Dec. [6]
	Prog.[7]	Est.	Prog.	Prog.	Prog.	Prog.
Performance criteria and benchmarks						
Ceiling on the overall fiscal deficit including grants [1]	217.8	232.4	73.0	91.0	178.3	186.1
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on the amount of new external debt of less than one year's maturity contracted or guaranteed by the government [2, 3]	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of external arrears [2]	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
Government revenue	667.9	681.3	142.8	347.6	508.2	711.7
Poverty-reducing social expenditures	274.5	297.2	69.2	144.6	229.5	314.4
Large taxpayer non-filer rate [4]	5.0	1.9	5.0	5.0	5.0	5.0
Accumulation of domestic arrears	0.0	0.0	0.0	0.0	0.0	0.0
Maximum upward adjustment of deficit ceiling including grants due to:						
Shortfall in grants relative to program projections	25.0	25.0	25.0	25.0	25.0	25.0
Excess in concessional loan financing relative to program projections	15.0	3.9	15.0	15.0	15.0	15.0
Adjustment factors						
Shortfall in grants relative to program projections	-7.5	73.6	0.0	0.0	0.0	0.0
Excess in concessional loan financing relative to program projections	5.3	3.9	0.0	0.0	0.0	0.0
Memorandum items:						
Basic primary balance (cash basis)	-213.6	-172.6	-50.6	-147.3	-196.9	-218.7
Grants	272.6	198.9	19.9	137.2	195.2	330.0
Concessional loans	161.5	165.4	41.2	41.2	82.3	164.6

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

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

2 To be observed continuously.

3 Excluding Treasury bills and bonds issued in CFA francs on the regional West African Economic and Monetary Union (WAEMU) market. This ceiling excludes supplier credit with a maturity of one year or less.

4 Applies to average over respective quarter. The value for 2010 corresponds to the fourth quarter.

5 Indicative target.

6 Performance criteria.

7 CR 10/361.

Table 2. Structural Benchmarks, 2011–12

Measures	Date
Public Financial Management	
Prepare an audit of expenditure commitment systems in line ministries.	End-June 2011 (Third review)
Implement a new pricing and taxation system for petroleum products.	End-Dec. 2011 (New date) (Third review)
Implement the external financing integrated system.	End-June. 2011 (Fourth review)
Set up a one stop window for customs clearance.	End-Dec. 2011 (Fourth review)
Set up an electronic system to improve merchandise valuation in two customs posts.	End-Dec. 2011 (Fourth review)
Install units in charge of expenditure control in five line ministries.	End-March 2012 (Fifth review)
Public Service	
Complete the civil service survey and harmonize the payroll and the civil service roster.	End-Dec. 2011 (Fourth review)
Implement the biometric card for civil servants in three pilot institutions.	End-June 2012 (Sixth Review)
Cotton Sector	
Adopt recommendations from the studies on financing mechanisms for the price-smoothing fund, and for the inputs fund, and develop an action plan for implementing the new mechanisms.	End-June 2011 (Third review)
Prepare a strategy for the gradual reduction of state participation in the capital structure of SOFITEX.	End-June 2012 (Sixth Review)
Financial Sector	
Implement the microfinance strategy.	End-June 2011 (Third review)
Prepare a strategy to enhance the quality of financial services offered by the SONAPOST.	End-June 2012 (Sixth Review)

ATTACHMENT II—TECHNICAL MEMORANDUM OF UNDERSTANDING

Ouagadougou, June 28, 2011

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

I. DEFINITIONS

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

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

a) the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

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

cover the operation, repair or maintenance of the property.

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

4. **Debt guarantees**. For the purposes of the relevant assessment criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

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

6. **External debt**. For the purposes of the relevant assessment criteria, external debt is defined as debt borrowed or serviced in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.

7. **Debt-related assessment criteria**. The relevant assessment criteria apply to the contracting and guaranteeing of new non-concessional external debt by the government, public enterprises, and other official entities unless excluded in the MEFP (Table 1). The criteria apply to debt and commitments contracted or guaranteed for which value has not yet been received. The criteria also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. The

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[1] The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

[2] The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[3] For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

assessment criteria are measured on a cumulative basis from the time of approval of the ECF by the Executive Board. ACs will be monitored on a continuous basis. No adjuster will be applied to these criteria.

8. **Reporting requirements**. The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

II. Quantitative Performance Criteria

9. Quantitative performance criteria are proposed for June and December 2011 for the overall deficit (commitment basis, including grants) as defined in paragraph 4; contracting or guaranteeing of non-concessional and short-term external debt as specified below in this paragraph; and accumulation of external arrears. Programmed amounts for March and September 2011 are benchmarks. The following performance criteria will be monitored on a continuous basis: (i) the contracting or guaranteeing of new non-concessional external debt by the government, public enterprises and other official sector entities unless excluded in Tables 1 of the Memorandum of Economic and Financial Policies (MEFP), as well as private debt for which official guarantees have been extended and which, therefore constitute a contingent liability of the government; (ii) the contracting or guaranteeing of new short-term external debt; and (iii) the accumulation of arrears on the external debt service of the government.

A. Overall Deficit Including Grants

Definition

10. For the program, the overall deficit including grants is valued on a commitment basis *(base engagement)*. It is the sum of foreign and domestic financing (net) of the government measured from the financing side plus cash basis adjustment. Net foreign financing is the sum of foreign borrowing minus amortization. Net domestic financing is the sum of (i) net bank credit to the government, including both net bank credit to the treasury as defined below and other government claims on and debts to national banking institutions; (ii) unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. Net bank credit to the treasury is the balance of the treasury's claims and debts vis-à-vis national banking institutions. Treasury claims include the cash holdings of the Burkinabè Treasury, deposits with the central bank, deposits with commercial banks, secured obligations, and government deposits with the postal system (CCP). Treasury debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and CNE *(Caisse Nationale d'Épargne Postale)*/CCP securitized deposits. Net bank credit to the government is calculated by the Central Bank of

West African States (BCEAO), whose figures are recognized as valid for program purposes. The stock of treasury bills and other government debt, as well as net foreign financing, is calculated by the Ministry of Finance. Cash basis adjustment is the sum of (i) expenditure commitments not paid *(engagées nonpayées)*; and (ii) change in treasury deposits.

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

Adjustment

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

13. The overall deficit including grants will also be adjusted upward by the amount that concessional loans exceed what is programmed up to a maximum of CFAF 15 billion (see the MEFP Table 1).

Reporting deadlines

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

B. Nonaccumulation of External Arrears

Performance criterion

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

Reporting deadlines

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

C. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

17. The government undertakes not to contract or guarantee any external debt maturing in one year or more that has a grant element of less than 35 percent (calculated using the interest reference rate for borrowed foreign currencies provided by the IMF) beyond the ceiling indicated in the MEFP (Table 1). This performance criterion applies not only to debt as defined in point 9 of Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009, but also to commitments contracted or guaranteed (including lease-purchase contracts) for which no value have been received. This criterion also applies to the guaranteeing of private sector debt by the government, which consequently constitutes a contingent liability of the government, as defined in section I of this memorandum. In addition, this criterion applies to public enterprises and other official entities unless excluded in the MEFP (Table 1). External debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market. This performance criterion is to be observed continuously.

Reporting deadlines

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

D. Government Short-Term External Debt

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

Performance criterion

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

III. Other Quantitative Indicative Targets

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

A. Total Government Revenue

Definition

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

Reporting deadlines

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

B. Poverty-Reducing Social Expenditures

Definition

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

Reporting deadlines

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

C. Nonaccumulation of Domestic Payment Arrears

Definition

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

Reporting deadlines

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

D. Large Taxpayer Nonfiler Rate

Definition

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

Reporting deadlines

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

IV. Structural Benchmarks

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

V. Additional Program Monitoring Information

A. Public Finance

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

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

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

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

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

- Monthly data in the table on the monitoring of poverty-reducing expenditures that will be submitted with the same transmission delay as for the above-defined TOFE table;

- Monthly data on prices and taxation of petroleum products, including

  (i) prices prevailing during the month; (ii) detailed calculation of the price structure, from the f.o.b.-MED price to the retail price; (iii) volumes purchased and made available for consumption by the petroleum distributor (SONABHY); and (iv) a breakdown of receipts from the taxation of petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT)—and of subsidies, to be provided within four weeks after the end of each month;

- A monthly statement of the status of accounts with the treasury, classified by major category (administrative services, state enterprises, mixed enterprises, public administrative enterprises, international organizations, private depositors, and others), to be provided within six weeks after the end of each month;

- Quarterly data for the large taxpayer office on (for *TVA, BIC, IUTS*) the numbers of: register taxpayers, statements received, and reminder letters sent to late and non filers; and

- These quarterly statistics are to be provided within two weeks after the end of each quarter. Similarly, quarterly data on the following are to be sent within two weeks of the end of the quarter: total number of customs statements, number of statements selected by channel, and number of statements by channel subject to non-standard treatment.

B. Monetary Sector

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

- The consolidated balance sheet of monetary institutions;

- Provisional data on the monetary survey provided six weeks after the end of each month (with final data provided ten weeks after the end of each month);

- Borrowing and lending interest rates; and

- Customary banking supervision indicators for bank and nonbank financial institutions, if necessary.

C. Balance of Payments

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

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

- Foreign trade statistics compiled by the National Statistics Institute, within three months after the end of the month concerned; and

- Preliminary annual balance of payments data within nine months after the end of the year concerned.

D. Real Sector

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

- Disaggregated monthly consumer price indices, within two weeks after the end of each month;

- Provisional national accounts; and

- Any revision of the national accounts.

E. Structural Reforms and Other Data

35. The government will also report the following:

- Any study or official report on Burkina Faso's economy, within two weeks after its publication and

- Any decision, order, law, decree, ordinance, or circular that has economic or financial implications as soon as it is published or at the latest when it enters into force.

INTERNATIONAL MONETARY FUND

BURKINA FASO

Second Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria

Informational Annex

Prepared by the African Department

Approved by Michael Atingi Ego and Thomas Dorsey

June 29, 2011

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 82.56 million (134.14 percent of quota) at end-May 2011.

- **JMAP Implementation.** Describes Bank-Fund collaboration.

- **Statistical Issues.** Assesses the quality of statistical data. Weaknesses in a broad range of economic statistics are hampering the analyses of economic developments in the country.

Contents Page

I. Relations with the Fund

(As at May 31, 2011)

I. Membership Status: Joined: May 2, 1963; Article VIII

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	60.20	100.00
Fund holdings of currency (Exchange Rate)	52.72	87.57
Reserve Tranche Position	7.50	12.45

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	57.58	100.00
Holdings	48.16	83.63

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	82.56	137.14

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jun 14, 2010	Jun 13, 2013	46.15	13.90
ECF [1/]	Apr 23, 2007	Apr 22, 2010	48.16	47.16
ECF [1/]	Jun 11, 2003	Sep 30, 2006	30.10	30.10

[1/] Formerly PRGF.

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

	Forthcoming				
	2011	2012	2013	2014	2015
Principal	1.38	4.69	5.10	7.15	14.13
Charges/Interest	0.02	0.25	0.23	0.22	0.20
Total	1.40	4.94	5.33	7.37	14.33

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

VII. Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Sep 1997	Jul 2000	
Assistance committed			
by all creditors (US$ Million) [1/]	229.00	324.15	
Of which: IMF assistance (US$ million)	21.70	35.88	
(SDR equivalent in millions)	16.30	27.67	
Completion point date	Jul 2000	Apr 2002	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	16.30	27.67	43.97
Interim assistance	--	4.15	4.15
Completion point balance	16.30	23.52	39.82
Additional disbursement of interest income [2/]	--	2.01	2.01
Total disbursements	16.30	29.68	45.98

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

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

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

I. MDRI-eligible debt (SDR Million)[1/]	62.12
Financed by: MDRI Trust	57.06
Remaining HIPC resources	5.06

II. Debt Relief by Facility (SDR Million)

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

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

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

X. Safeguards Assessments:

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

XI. Exchange Rate Arrangement:

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

XII. Article IV Consultations:

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

XIII. ROSC/AAP:

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

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

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

XIV. Technical Assistance:

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

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

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

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

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

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

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

STA	Improve GFS coverage	July 25-August 7, 2010	Improve statistical capacity of the Government
AFRITAC	Tax administration	July 26-August 06, 2010	Increase the tax capacity of the DGI
FAD	Public Financial Management	October 25-November 5, 2010	Improve the management of the expenditure chain
STA	Statistics	December 13-17, 2010	Improve WAEMU statistics
FAD	Customs	March 7-11, 2011	Regional Workshop on customs
FAD	Tax administration	June 1-14, 2011	Taxation of the mining sector

XV. Resident Representative:

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

II. Joint Management Action Plan (JMAP) Implementation

IMF and World Bank
Joint Management Action Plan (May 2011)

Title	**Products**	**Provisional timing of missions**	**Expected delivery date**
A. Mutual information on relevant work programs			
Bank work program in next 12 months	• Country Economic Memorandum	Dissemination ongoing	End-November 2009
	• Programmatic Public Expenditure Review		
	First phase: health, education, agriculture and decentralization	Dissemination done (March 2010)	End-November 2009 (first phase)
	• Second phase: transport and energy		Second phase January 2011
	• Poverty Reduction Support Grant (PRSG 10)	February 2010, April 2010 (reversed mission)	June 2010
	• Poverty Assessment		March 2011
	• Mining sector EITI and study		August 2010
	Technical Assistance		
	• Support to the AICB to develop a weather risk management strategy	July 2010	May 2011
	• Road map for decentralization (TA)		Intermediate: December 2010 Final: June 2011
	• Support on risk based auditing to the ASCE and pilot ministries in health, education and infrastructure	3-4 June 2010 (High level seminar)	July 2010 to Jan 2011: TA
	• Global Legal Information Network membership feasibility study		June 2010

IMF work program in next 12 months	**IMF-supported program:**		
	• Second ECF-review	March/April 2011	June 2011
	• Third ECF review and Art IV. Mission	September 2011	December 2011
	Technical Assistance		
	• TA support to follow-up on customs and tax policy administration, PFM, microfinance supervision, and national accounts statistics		November 2009–April 2010
	• TA on tax policy (follow-up, resources permitting)		November 2009–10
	• TA on debt management		
Fund request to Bank	• Periodic update on progress with PRSC • PER to provide quantitative inputs for fiscal consolidation		
Bank request to Fund	• Regular updates of medium-term macro projections • Fund Relation Note (for budget support operations)		
C. Agreement on joint products and missions			
Joint products in next 12 months	• DSA update	March /April 2011	June 2011
	• JSAN of the SCADD	March/April 2011	June 2011

III. Statistical Issues

Burkina Faso—Statistical Issues Appendix
(As of May 12, 2011)

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

<table>
<tr><td colspan="2">preliminary stage. To improve the quality of the BOP reports, the BCEAO authorities plan to integrate two additional data sources: the regional stock exchange transactions and the firms' balance sheet database. The BCEAO authorities have indicated that quarterly data, derived from banking settlement reports, will be used to assess the existing BOP reports. BOP compilers receive payment statements every ten days; however, the information is not used in the compilation of the annual BOP statements, but rather to support data quality controls and to provide early information to the BCEAO authorities. The BCEAO does not produce data on the international investment position of Burkina Faso.</td></tr>
<tr><th colspan="2">II. Data Standards and Quality</th></tr>
<tr><td>Burkina Faso participates in the General Data Dissemination Standard since December 28, 2001.</td><td>A data ROSC mission visited Burkina Faso during May 8–21, 2003.</td></tr>
<tr><th colspan="2">III. Reporting to STA (Optional)</th></tr>
<tr><td colspan="2">In October 2010, annual data and quarterly data for 2006-2008 covering budgetary central government were reported to STA for publication in International Financial Statistics and the Government Finance Statistics yearbook. The BCEAO reports monetary data to STA with a lag of at most three months. Despite requests, BOP and IIP data have not been reported to STA for publication in IFS and the BOPSY since 2001.</td></tr>
</table>

Burkina Faso: Table of Common Indicators Required for Surveillance (May 2011)

<table>
<tr><th rowspan="2"></th><th rowspan="2">Date of latest observation</th><th rowspan="2">Date received</th><th rowspan="2">Frequency of Data[7]</th><th rowspan="2">Frequency of Reporting[7]</th><th rowspan="2">Frequency of Publication[7]</th><th colspan="2">Memo Items:[8]</th></tr>
<tr><th>Data Quality – Methodological soundness[9]</th><th>Data Quality – Accuracy and reliability[10]</th></tr>
<tr><td>Exchange Rates</td><td>Current</td><td>Current</td><td>D</td><td>D</td><td>D</td><td></td><td></td></tr>
<tr><td>International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td><td></td><td></td></tr>
<tr><td>Reserve/Base Money</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td><td rowspan="4">LO, LO, LNO, O</td><td rowspan="4">LO, O, O, O, O</td></tr>
<tr><td>Broad Money</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td></tr>
<tr><td>Central Bank Balance Sheet</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td></tr>
<tr><td>Consolidated Balance Sheet of the Banking System</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td></tr>
<tr><td>Interest Rates[2]</td><td>4/2011</td><td>4/2011</td><td>M</td><td>M</td><td>M</td><td></td><td></td></tr>
<tr><td>Consumer Price Index</td><td>3/2011</td><td>3/2011</td><td>M</td><td>M</td><td>M</td><td>O, LNO, O, O</td><td>LNO, O, O, O, NA</td></tr>
<tr><td>Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]</td><td>5/2011</td><td>5/2011</td><td>I</td><td>I</td><td>I</td><td rowspan="2">O, LO, O, O</td><td rowspan="2">O, LO, O, O, LNO</td></tr>
<tr><td>Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government</td><td>5/2011</td><td>5/2011</td><td>M</td><td>M</td><td>M</td></tr>
<tr><td>Stocks of Central Government and Central Government-Guaranteed Debt[5]</td><td>5/2011</td><td>5/2011</td><td>A</td><td>A</td><td>A</td><td></td><td></td></tr>
<tr><td>External Current Account Balance</td><td>2009</td><td>5/2011</td><td>A</td><td>A</td><td>A</td><td rowspan="2">O, O, O, O</td><td rowspan="2">LO, O, LO, O, O</td></tr>
<tr><td>Exports and Imports of Goods and Services</td><td>2009</td><td>5/2011</td><td>A</td><td>A</td><td>A</td></tr>
<tr><td>GDP/GNP</td><td>2009</td><td>5/2011</td><td>A</td><td>A</td><td>A</td><td>LO, LNO, LNO, LO</td><td>LNO, LNO, LO, LO, LNO</td></tr>
<tr><td>Gross External Debt</td><td>12/2009</td><td>5/2011</td><td>A</td><td>A</td><td>A</td><td></td><td></td></tr>
<tr><td>International Investment Position[6]</td><td>12/2009</td><td>3/2010</td><td>A</td><td>A</td><td>A</td><td></td><td></td></tr>
</table>

[1]Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[8] These columns should only be included for countries for which Data ROSC (or a Substantive Update) has been published.
[9] Reflects the assessment provided in the data ROSC or the Substantive Update (published on March 10, 2004, and based on the findings of the mission that took place during May 8-21, 2003) for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording, respectively, are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).
[10] Same as footnote 9, except referring to international standards concerning, respectively, source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 11/283
FOR IMMEDIATE RELEASE
July 15, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second Review Under ECF for Burkina Faso and Approves US$10.3 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the second review of Burkina Faso's economic program supported by the Extended Credit Facility (ECF). The approval will enable an immediate disbursement in an amount equivalent to SDR 6.45 million (about US$10.3 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 20.354 million (about US$32.4million).

In completing the review, the Board approved a modification of a performance criterion on the overall budget deficit for end-June and end-December 2011. The ECF Arrangement for Burkina Faso was approved by the Board on June 14, 2010 (See Press Release No. 10/241).

Following the Executive Board's discussion, Ms. Nemat Shafik, Deputy Managing Director and Acting Chair, said:

"The Burkinabè authorities are to be commended for their implementation of the ECF-supported program. Sound policies, aided by improved global economic conditions, have supported an economic rebound and greater macroeconomic stability. Nonetheless, inflation pressures and social uncertainties pose risks to the near-term outlook.

"The authorities are committed to a prudent fiscal policy while accommodating additional spending on social priorities. In this regard, it will be important to implement revenue-enhancing measures, mobilize further external financing, and develop contingency plans in the event of revenue or financing shortfalls. The authorities are also encouraged to maintain a prudent debt policy and rely on grant and concessional financing to the extent possible.

"Growth-enhancing reforms and pro-poor programs will be essential to support the authorities' objectives under the new poverty reduction strategy. Careful prioritization of programs and selection of investment will be critical, going forward, as well as additional steps to strengthen the cotton sector, broaden access to financial services, and further improve the business environment," Ms. Shafik added.

Statement by Kossi Assimaidou, Executive Director for Burkina Faso
July 15, 2011

I would like to convey my authorities' appreciation for the Fund's continued support to Burkina Faso and the quality of the policy dialogue during the discussions under the Extended Credit Facility (ECF) program review held in Ouagadougou in March-April 2011. The staff report is well balanced and reflects the broad convergence of views between the authorities and staff on the key challenges facing Burkina Faso.

My authorities have continued to implement the ECF-supported program amid a particularly difficult environment. The external context was marked by the global economic and financial crisis and by regional instability, including the post-electoral crisis in Cote d'Ivoire with which Burkina has close trade links. Higher fuel and food prices—largely imported—added pressures on the cost of living. On the domestic front, Burkina Faso also faced a severe socio-political crisis characterized by broad social demands and violent protests.

In addressing these multiple crises, the authorities privileged dialogue and negotiations with domestic stakeholders, and close consultations with development partners. They are thankful for the continued support of the international community to Burkina Faso throughout these very challenging times.

Amid the difficult environment, the authorities implemented steadfastly the ECF-supported program. They made progress in achieving the program's goals of consolidating macroeconomic stability, promoting sustainable growth and furthering poverty reduction. All quantitative performance criteria were met with comfortable margins. All structural benchmarks at end-December 2010 were also met. The authorities also made so far good progress on reform measures envisaged for 2011.

Looking forward, the authorities are committed to further implement reforms in order to consolidate the gains already achieved and reduce remaining vulnerabilities, notably those related to rising fuel and food prices, revenue constraints and volatile social context. They request the completion of the second review under the ECF. They also request a modification of performance criteria on the overall fiscal deficit for June and December 2011 to take into account their response to the multiple crises they have faced recently.

I. Recent Economic Developments

Driven by the mining and agricultural sectors, real GDP growth in 2010 is estimated at 7.9 percent, which represents acceleration relative to 2009 (3.2 percent). Despite pressures from higher international prices, inflation rate declined to -0.6 percent—well within the regional norms—thanks to good harvest. Although investment-related imports increased sharply, the external position strengthened as well, with improved terms of trade and higher volumes of exports, particularly gold.

On **fiscal policy**, the authorities implemented reforms aimed at mobilizing revenue and strengthening expenditure controls, and met their overall budget deficit target. Key measures undertaken in the area of revenue collection are improvements in taxpayers' database management, a simplification of customs procedures and stepped-up inspections, and large taxpayer compliance actions. As a result, revenue increased to 15.6 percent in GDP in 2010, compared to 13.7 percent in 2009, with tax revenues increasing by 14.4 percent. In parallel, the authorities' efforts to control expenditure led to a reduction in current spending and a lower wage bill. Additional spending was directed towards social spending, particularly in education and health, and investment outlays, including the reconstruction of infrastructure damaged by severe flooding in 2009 and 2010.

Regarding the **financial sector**, the authorities continued to implement their financial sector development strategy. They organized outreach activities in order to promote access to banking services. They also undertook an audit of the insurance sector's regulatory body in order to ensure that it fully meets its mandate.

With respect to s**tructural reforms**, the authorities intensified reforms aimed at enhancing the public sector's effectiveness and promoting the private sector, including through the privatization of CCVA, a transfer of shares in the *Banque de l'Habitat*, and the strengthening of natural resources management through adherence to the Extracted Industries Transparency Initiative's standards.

In the cotton sector, the authorities sought to consolidate the financial position of SOFITEX, the cotton ginning company. They also undertook to reallocate cotton production areas between cotton ginning companies, with the view to improving the productivity and viability of smaller ginneries.

II. Policy and Reform Agenda for 2011

Fiscal and Debt Policies

Fiscal policies will seek to support the authorities' objectives of accelerated and sustainable development, while preserving macroeconomic stability. The reforms envisioned will strengthen revenue mobilization, and enhance the effectiveness of spending. On the revenue side, key measures planned include the implementation of the corporate income tax, an expansion in the computerization of the tax offices, investments in capacity in the customs offices, and increased joint inspections by customs and tax administrations.

On the expenditure side, the authorities will seek to increase spending directed at priority sectors. They plan to increase investments in areas identified by the Strategy for Accelerated Growth and Sustained Development (SCADD) as critical to achieve their poverty reduction and accelerated growth objectives, including in education, health and infrastructure. Expenditure in the latter sector includes outlays to increase energy supply, notably solar-powered rural electrification.

Given the heightened near-term uncertainty stemming from the unsettled economic environment—both domestically and in advanced countries—the authorities have made contingency plans to reduce spending allocations or adjust line-ministries' appropriations to make up for any budget shortfall, with the view to preserving fiscal sustainability.

The authorities remain committed to pursuing prudent debt policies, aimed at preserving debt sustainability. They will seek in priority financing in the form of grants or concessional loans. They will also undertake reforms to further strengthen their debt management capabilities, in line with the recommendations of the World Bank's recent debt management performance assessment mission.

Structural Reforms

The authorities' reform agenda going forward will be informed by the SCADD which envisions a multipronged growth enhancement and diversification strategy based on regional competitiveness clusters.

The structural reform agenda in 2011 focuses on implementing priority projects identified by SCADD, with the view to reaching sustainably high growth levels which will support the authorities' poverty reduction objectives. To this end, the authorities will promote private sector's participation in priority sectors, including through Public-Private Partnerships (PPPs), and financial sector development, notably through the implementation of the recently-adopted strategy to promote PPPs.

As regards the financial sector, the authorities plan to intensify the implementation of this sector's strategy, including through reforms aimed at promoting micro-finance and enhancing the quality of the postal office's financial services.

In the cotton sector, the authorities will pursue reforms undertaken as part of their comprehensive strategy aimed at putting this sector on a sustainable path, and reducing risks to the budget stemming from it. They will seek to further enhance the productivity of SOFITEX by reducing costs, improving risk management, and reducing the government's stake in the company. A review of the price-smoothing and producer price determination mechanisms is envisioned.

III. Poverty Reduction and Growth Strategy

The authorities' SCADD provides the framework for achieving Burkina Faso's growth and poverty reduction goals for 2011-15. It builds on progress made and lessons drawn under the implementation of the PRSP during the last decade. It is also consistent with the country's ambitious long-term development strategy (*Burkina Faso Vision 2020*).

The authorities acknowledge challenges to the successful implementation of their SCADD. In particular, they recognize the need to incorporate lessons from the recent political and social developments in this strategy going forward and the necessity to enhance revenue collection in a medium-term fiscal strategy to meet the financing needs of the SCADD. More broadly, the authorities greatly value the recommendations made by the World Bank and Fund staffs to advance growth-enhancing reforms, give priority to governance and accountability, improve the business environment further, and address administrative capacity constraints. In this regard, they hope that they can continue to count on technical assistance and financial support from these institutions and other development partners.

IV. Conclusion

Although my authorities continue to face unprecedented challenges, they managed to meet all performance criteria and benchmarks under the ECF-supported program. They are committed to implement further reforms under the new poverty reduction strategy—SCADD—to further accelerate growth and reduce poverty. I would appreciate Directors' support of my authorities' requests for the conclusion of the second review under the ECF program and modification of performance criteria. They also count on the continued strong support of the international community, notably the Fund, to Burkina Faso during this critical period.