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BURKINA FASO

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staff of the International Development Association (IDA) and the International Monetary Fund (IMF).

BURKINA FASO: JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS[1]	
Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Some, but limited, space to absorb shocks on external and public debt
Application of judgment	Yes: risk of debt distress increased based on high macroeconomic uncertainty, uncertainty regarding concessional finance from donors

Burkina Faso remains at moderate risk of external debt distress and overall public debt distress, and debt remains sustainable over the medium term. The current debt-carrying capacity is consistent with a classification of ’medium’.[2] These ratings are unchanged from the November 2020 Debt Sustainability Analysis (DSA), but debt ratios have deteriorated significantly. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario and the most extreme stress test. While the mechanical results point to a low risk of external debt distress, judgment was applied, considering the high degree of macroeconomic uncertainty as well as uncertainty regarding concessional finance from donors, other than the World Bank. The risk of external debt distress is therefore assessed to be moderate. Overall public debt breaches the relevant benchmark under the most extreme scenario of a commodity price shock

[1] This DSA was prepared jointly with the World Bank and in collaboration with the Burkina Faso authorities.
[2] Burkina Faso’s Composite Indicator (CI) is 2.93 based on the October 2022 WEO and the 2021 CPIA released, corresponding to the medium debt-carrying capacity.

The risk of overall debt distress in Burkina Faso therefore remains moderate, with some, but limited, space to absorb shocks on external and public debt. The key vulnerabilities to debt sustainability include: (i) expenditures required to contain the security crisis; (ii) expenditures required to address food insecurity and the humanitarian crisis; (iii) risks arising due to limited support from donors, while a large proportion of the domestic debt portfolio has relatively short maturities; (iv) increased reliance on the expensive WAEMU regional bond market; and (v) undiversified export base, with high vulnerability to external price shocks.

PUBLIC DEBT COVERAGE

1. The country's coverage of public debt has significantly expanded since 2020 to include guarantees, local government debt, and non-guaranteed SOE debt (Text Table 1). Previous DSAs only included external and domestic obligations of the central government. With the support of the World Bank's Sustainable Development Finance Policy, the authorities expanded the coverage of public debt, which is provided in a quarterly debt bulletin (*Bulletin Statistique de la Dette*). Local government debt and SOE debt are now being tracked through the debt information system (SYGADE) and reported. The bulletin also includes outstanding government guaranteed loans disaggregated by type of creditor and a list of the latest contracted public loans. The data on newly included items is comprehensive, with Burkina Faso meeting the "full disclosure" rating for all categories on the World Bank's Debt Transparency Heat Map as the only IDA country.[3]

Text Table 1. Burkina Faso: Coverage of Public Sector Debt [1/]

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

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

2. Despite a relatively low level of contingent liabilities this DSA continues to include the contingent liability stress test as a precaution (see Text Table 2). Contingent liabilities in Burkina Faso accounted for around 10 percent of public and publicly guaranteed (PPG) debt and 5 percent of GDP at the end of 2021. Burkina Faso's contingent liabilities include SOE debt, debt guarantees, or government debt further loaned for projects and public private partnerships.

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

Text Table 2. Burkina Faso: Combined Contingent Liability Shock

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

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

BACKGROUND ON DEBT

3. **Public debt levels have increased in the last few years following large fiscal deficits and a shift towards more expensive domestic borrowing** (Text Table 3). The nominal stock of public debt as of end-2022 is estimated at 54.3 percent of GDP increasing from 48.2 percent of GDP in 2021. The composition of debt has now shifted towards expensive domestic debt, financed through the WAEMU regional bond market[4], as budget support from donors other than the World Bank has remained suspended since January 2022. External debt is estimated to comprise 46.6 percent of the total debt stock at end-2022, falling over 15 percentage points since 2017.

Text Table 3. Burkina Faso: Public Debt Stock, 2017-22
(In Percent of GDP)

	2017	2018	2019	2020	2021	2022 Est.
Public Debt	**33.2%**	**38.2%**	**42.0%**	**44.9%**	**48.2%**	**54.3%**
External Debt	20.7%	21.7%	23.6%	22.9%	25.1%	25.3%
(share of total debt, percentage)	62.5%	56.8%	56.1%	51.1%	52.1%	46.6%
Domestic Debt	12.4%	16.5%	18.4%	22.0%	23.1%	29.0%
(share of total debt, percentage)	37.5%	43.2%	43.9%	48.9%	47.9%	53.4%
Memorandum Items						
Overall fiscal balance	-6.8%	-4.3%	-3.1%	-5.1%	-7.5%	-10.3%
GDP growth	6.2%	6.6%	5.7%	1.9%	6.9%	2.5%

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

4. **During 2018-2022, the government issued Treasury bills and government debt securities for a cumulative amount of about CFAF 4,000 billion.** The share of bond issuance in total issuance was 68 percent, while the remaining 32 percent consisted of Treasury bills (T-bills) issuance. Specifically, during 2018-2022, Burkina Faso raised a cumulative amount of CFAF 1,275 billion in Treasury bills, most with a 12-month maturity. As regards bonds, between 2018 and 2022 the government issued a cumulative amount of CFAF 2,691 billion (see Figure 1), with maturities ranging between 3 and 10 years.

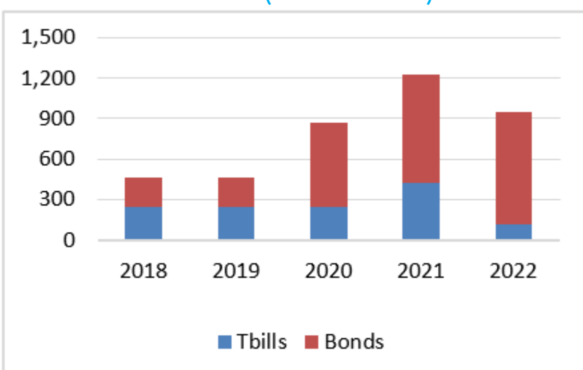
5. **Over time, the government relied more and more on the regional bond market to finance its deficit.** Issuance of medium- and long-term government debt securities grew though time and contributed to extend the long end of the yield curve (see Figure 2). In 2022, following bouts of political instability, total issuance declined compared to 2021, but remained elevated at CFAF 948 billion. Issuance on the regional

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

market has been key for Burkina Faso to finance its budget deficit: average annual issuance during 2018-2022 was 7.5 percent of GDP, which compares with an average budget deficit of 6.1 percent of GDP during the same period.

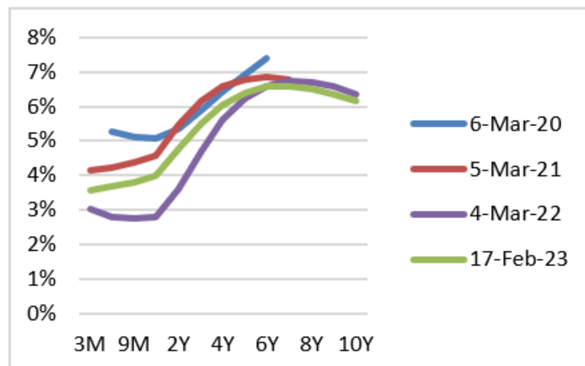
6. Since the beginning of 2020, the yield curve shifted downward, indicating that interest rates declined across all maturities. Between September 30, 2022, and February 14, 2023, Burkina Faso did not issue any security in the regional bond market, due to high long-term interest rates. On February 15, however, the country tapped again the regional bond market by issuing a 6-month Treasury Bill and a 5-year government bond. The authorities have also issued long-term bonds by syndication, which allowed them to raise larger volumes of capital at longer maturities (included between 10 and 12 years) compared to what is available in the regional sovereign bond market.[5] Syndicated bonds are mainly held by WAEMU regional banks.

Text Figure 1. T-Bills and Government Bonds Issuance (CFAF Billions)



Sources: BCEAO; and IMF staff calculations

Text Figure 2. Yield Curve (In Percentage)



Sources: UMOA Titres; and IMF staff calculations

BACKGROUND ON MACRO FORECASTS

7. Text Table 4 summarizes the main differences in macroeconomic assumptions between the previous DSA (November 2020) and the current DSA.[6] Real GDP growth remains lower than estimated in the previous DSA, owing to the deterioration in the security situation which led to increased political volatility, gold mine closures, reduced access to agricultural land and impacted exports in 2022. The authorities remain committed to the broad policy framework of being a WAEMU member and to achieve fiscal convergence to a 3 percent of GDP fiscal deficit implied by the membership. Our baseline, therefore, assumes that the Burkinabè authorities will attain this target by 2027, though risks remain tilted to the downside. The current account deficit widened sharply in 2022, to 5.6 percent of GDP, due to reduced gold exports as well as high prices of food and energy imports. In 2023, the deficit is expected to reduce slightly, and remains broadly in line with the previous vintage. The gold and cotton price forecasts through the projection period are slightly higher than in the previous DSA reflecting global developments.

8. The macroeconomic outlook is uncertain, with several downside risks. The main domestic risks relate to security disruptions, which could increase social and political uncertainty. On the fiscal side, difficulties in revenue mobilization and pressures on spending, including on security and public sector

[5] According to the most recently available information, the interest rate on a 12-year bond issued by syndication is 6.40 percent.
[6] IMF Country Report No. 20/304 of November 2020.

wages, could put further pressure on the government's budget. The materialization of these risks would be likely to exacerbate food insecurity and increase internal displacement and could seriously hamper the baseline macroeconomic projections (including growth and inflation, as well as external accounts) both in the near and medium terms, which would also impact debt sustainability.

9. This DSA update is consistent with the macroeconomic framework underlying emergency access to the Food Shock Window (FSW) under the Rapid Credit Facility (Box 1). As a result of the uncertain economic and security situation, the macroeconomic framework projects overall growth in 2022 moderating to 2.5 percent, from 6.9 percent in 2021. Fiscal consolidation and reform measures will be required to meet the WAEMU fiscal deficit target of 3 percent of GDP. The authorities are committed to use the disbursed resources under the FSW, subject to IMF Board approval, to provide financial and direct food support to the most vulnerable households, improve the clean water supply, and to invest in technologies to mitigate the risks for agricultural production posed by extreme climate conditions.

Text Table 4. Burkina Faso: Changes in Assumptions for Current DSA Compared with Nov-2020 DSA

		2020	2021	2022	2023	2024	2025	2026	2027	2028
					Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gold Price (USD/ounce)	Current Forecast	1769.5	1799.8	1801.5	1959.5	2053.4	2122.7	2153.3	2182.0	2209.8
	Nov-2020 DSA	1787.7	1965.8	1989.6	2010.7	2029.4	2049.5	2049.5	2049.5	2049.5
Cotton Price (USD cts/lb)	Current Forecast	71.9	101.2	130.1	99.9	97.4	94.7	94.7	94.7	94.7
	Nov-2020 DSA	70.0	72.2	72.2	71.4	71.4	71.4	71.4	71.4	71.4
Real GDP Growth (%)	Current Forecast	1.9	6.9	2.5	4.9	5.9	5.8	5.3	5.2	5.2
	Nov-2020 DSA	-2.8	4.1	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Current Account (% of GDP)	Current Forecast	4.1	-0.4	-5.2	-4.4	-3.6	-3.0	-3.1	-3.0	-2.7
	Nov-2020 DSA	-3.5	-3.5	-4.0	-4.7	-5.0	-5.2	-5.6	-5.8	-6.0
Overall Fiscal Balance (% of GDP)	Current Forecast	-5.1	-7.5	-10.3	-7.8	-6.7	-5.5	-4.2	-3.0	-3.0
	Nov-2020 DSA	-5.3	-5.5	-4.8	-4.0	-3.0	-3.0	-3.0	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections

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

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

b. Figure 4 shows the country's planned fiscal adjustment for the next three years at around 1 percent of GDP. However, these projections are based on spending discipline, and improvement in the security situation, and are subject to change if spending pressures remain elevated. Estimated economic growth of 4.9 percent in 2023 is slightly below the possible growth paths suggested by plausible fiscal multipliers (0.2 to 0.8 percent). These figures illustrate that in the baseline scenario the security situation as well as the food crisis are expected to weigh on growth. Finally, Figure 4 also shows the contribution from government capital to real GDP growth is projected in line with the historical magnitude, while the contribution from other factors is expected to decline.

Box 1. Macroeconomic Assumptions Underlying this DSA Vintage

Real GDP in 2023 is estimated to grow by 4.9 percent, lower than the previous DSA projection. The uncertain economic environment and deteriorating security conditions forced the closure of the zinc and several gold mines in 2022; as well as the interruption of construction projects; and the displacement of about 8 percent of the population. Growth is expected to stabilize at around 5 percent in the medium term. Risks to the outlook are tilted to the downside. The main domestic risk relates to further security disruptions, leading to social and political uncertainty. A global slowdown or increasing geopolitical tensions could lead to increased volatility in commodity prices, especially gold which comprises over 70 percent of exports. This would further depress economic activity and weigh on mining, cotton production, and government revenue and expenditure.

Inflation is expected to drop sharply and fall within the WAEMU inflation target band of 1 to 3 percent in 2023. After peaking at 14.1 percent in 2022, the annual average inflation rate is forecasted to slow down sharply to 1.5 percent in 2023, driven by a projected decline in international food and fuel prices in 2023. However, these trends are expected to be counterbalanced by a low local agricultural production due to the displacement of population and higher fertilizer and energy prices throughout 2022, thereby maintaining local food prices at a somewhat elevated level.

The fiscal deficit is expected to remain high in 2023 at 7.8 percent of GDP, larger than the previous DSA estimate of 4 percent. The large increase is mainly driven by higher security spending and higher subsidies as a result of the security situation and continuing impact of global food and energy shocks. The fall in donor grant support also contributed to the higher deficit. With external budget support declining following the coups, the fiscal deficit would be financed through costly bond issuance on the regional sovereign bond market (likely to become more expensive going forward on account of tighter global financing conditions), cuts in capital spending, and possible accumulation of domestic payment arrears.

Domestic debt is assumed to continue to increase through the forecast horizon. This reflects the authorities' large financing needs over the short-term stemming from the security and humanitarian crises. In the medium-term, the composition of domestic financing is assumed to be comparable to the previous DSA with about 45 percent in T-bills with an average interest rate of 5.4 percent, 30 percent in 3 to 5-year bonds with an average interest rate of around 7.2 percent, and 25 percent in 8-year bonds with an average interest rate of 7.7 percent. The interest rates are comparable to the previous DSA and are higher than those reported by authorities in their latest debt bulletin.

Beyond the medium-term, the authorities are assumed to mobilize greater amounts from longer maturity instruments as the regional financial market develops. The remainder of the deficit is assumed to be financed via external debt, but on gradually less generous terms to reflect additional non-concessional financing and conservative assumptions about the availability of concessional financing in future years. The baseline assumption includes an annual net IDA-20 envelope from the World Bank projected to average about US$370 million per year over the medium term.

The current account balance has been trending downward and is estimated to have reached a deficit of 5.2 percent of GDP in 2022. Nominal imports are estimated to have increased by 28 percent in 2022, mainly due to the rise in costs of food, fertilizers and energy imports. Gold exports, which account for over 70 percent of total exports, are estimated to have decreased on account of recent gold mine closures. The current account deficit is expected to decrease from 2024 onwards, based on a recovery in gold production and exports.

11. **This DSA assumes an increase of non-concessional financing over the forecast horizon.** The authorities' medium term debt strategy favors exhausting all options for concessional financing before exploring more expensive non-concessional options, including commercial ones. Nevertheless, since financing needs exceed the amount of expected available concessional financing, this DSA assumes that

non-concessional borrowing will expand to an average of around 30 percent of total external borrowing over time through the DSA horizon. Consistent with this assumption, the grant element of new borrowing is assumed to decrease gradually over the forecast horizon.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

COUNTRY CLASSIFICATION

12. Burkina Faso's current debt-carrying capacity is consistent with a classification of 'medium' (Table 1). The country's Composite Indicator (CI) index, calculated based on the October 2022 WEO and the 2021 CPIA is 2.93, that is below the threshold of 3.05 for "strong," hence the 'medium' classification. The classification based on the previous vintage was also 'medium'. The relevant indicative thresholds for external debt in this 'medium' category are 40 percent for the PV of external debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt for medium debt carrying capacity is 55 percent of GDP.

DETERMINATION OF SCENARIO STRESS TESTS

13. Despite the improvement in coverage of the country's public debt since 2020, a stress test for a combined contingent liability shock of 8.5 percent of GDP was conducted (Text Table 3). A 1.5 percent of GDP shock is included as a contingent liability to account for the guarantees to the private sector. A standard SOE debt of 2 percent of GDP too is included as additional contingent liability to reflect potential guaranteed and unguaranteed external and domestic debt of public companies (e.g., SONABHY, SONABEL, SOFITEX). The authorities estimate SOE debt to be about 4.6 percent of GDP. No shock is used to account for PPPs, as the stock is still less than 1 percent of GDP. For the financial sector, the default value of 5 percent of GDP is retained, representing the average burden of a financial crisis for the authorities.

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

DEBT SUSTAINABILITY

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

15. Under the baseline scenario, all external PPG debt indicators remain below the policy-relevant thresholds for the next ten years (Table 2 and Figure 1). Having a 40 percent threshold, the present value (PV) of external debt-to-GDP ratio is expected to remain around 15 percent over the projection horizon. The ratio decreases from 16.5 percent in 2022 to 14.6 percent in 2032. The PV of external debt-to-exports ratio is projected to decline gradually from 58 percent in 2022 to 54.8 percent in 2032, remaining well below the 180 percent threshold. Neither of the debt service indicators cause any breach of their respective thresholds under the baseline scenario. The PV of debt service-to-exports ratio remains around 4 percent for the next 10 years, while the debt service-to-revenue ratio (excluding grants) peaks at 7.4 percent in 2025, and then decreases to 5.1 percent in 2032.

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

17. While the model signals a low risk of external debt distress, staff is of the view that the risk of external debt distress should continue to be assessed as moderate, as in the previous DSA update of November 2020. All PPG external debt sustainability indicators are expected to remain below their indicative thresholds throughout the projection period (2022–42) under the baseline and the most extreme stress test. Nevertheless, vulnerabilities warrant the application of judgement leading to the assessment of a moderate risk of external debt distress. A further escalation of the security crisis remains the most pertinent risk driving the use of judgement. It could lead to a considerable fall in GDP including through a sharp decline in gold production, adversely affecting export receipts. Increased military spending and rising costs of food, energy and fertilizer imports, as well as reduced support from donors, could add pressure to the authorities' budget. If such a scenario were to materialize, the authorities would require higher spending triggering the usage of non-concessional external debt or more expensive domestic financing with the potential for domestic debt-service to weigh on primary spending.

PUBLIC SECTOR DEBT SUSTAINABILITY ANALYSIS

18. The baseline scenario projects a marginal downward trend of PPG public debt following a peak of 63 percent of GDP projected for end 2026 (Table 3 and Figure 2). An increase in public debt is projected until 2026, mainly through issuance of domestic debt. Over the medium-term, the planned fiscal adjustment allows the debt ratio to be under control, with public debt reaching 56.3 percent of GDP in 2032, and falling to 50.2 percent of GDP by 2042.

19. Under the baseline scenario, the PV of public debt-to-GDP ratio comes close to the 55 percent benchmark. There is a single, marginal breach in 2026, with the public debt-to-GDP ratio reaching 55.1 percent in 2026, reflecting reduced donor support and increasing expenditure commitments on account of the security, food and humanitarian crises. However, it reduces gradually thereafter, reaching 50 percent in 2032. The PV of debt-to-revenue and grants ratio is expected to peak in 2026 at 268.4 percent and then gradually decrease to 227.9 percent by 2032. The PV of debt service-to-revenue and grants ratio escalates rapidly from 22.1 percent in 2022 to 74.9 percent by 2027, given the relatively short maturity of domestic financing. The latter raises concerns over the medium to long term about liquidity risks to the service of total public debt, especially as domestic debt is also driven up by cash flow management issues given maturity and rollover risks as well as a shallow domestic market.

20. Under the most extreme shock ¾ a shock to commodity prices¾ the PV of public debt-to-GDP ratio breaches the benchmark in 2024. (Figure 2, Table 5). The standardized sensitivity analysis shows that the most extreme shock leading to the highest debt figures in the projection period is a shock to commodity prices**.** Under this shock to commodity prices, the PV of debt-to-GDP ratio breaches the benchmark of 55 percent in 2024 and continues to rise over the forecast horizon. The commodity price shock is also the most extreme shock affecting the PV of debt-to-revenue ratio and the debt service-to-revenue ratio.

RISKS AND VULNERABILITIES

21. A meaningful response to the food and security crises entails increased public expenditure. Staff estimates suggest it would cost about 0.5 percent of GDP to lift out of hunger, for a period of one year, the additional 0.6 million people who fell into acute food insecurity between August 2021 and August 2022. Compensating all vulnerable households (about 43.7 percent of the population) for the rise in food prices in 2022 would require nearly 3½ percent of GDP. Climate change has also increased volatility in Burkina Faso's agriculture and animal husbandry sectors, which increases the risk of structural food insecurity in the long term.[7] Key priorities of the new government action plan include addressing the security crisis; providing assistance to the most vulnerable households to address the ongoing humanitarian crisis; improving governance and strengthening national reconciliation and social cohesion. Addressing these priorities while maintaining debt sustainability will require the authorities to secure concessional financing for 2023 and beyond.

22. More than 11 percent of Burkina Faso's debt portfolio is expected to mature within the year with an average maturity of 7.5 years, while the average maturity of domestic debt is shorter at 4.5 years. Given the uncertainty regarding budget support from donors, the authorities will have to rely on costly bond issuance and syndications on the regional market to finance the deficit. The large volume of debt maturing in the short term exposes the portfolio to rollover and liquidity risks. Under the baseline scenario of no reforms to build fiscal space, the fiscal deficit is expected to remain high in 2023 at 7.8 percent of GDP. The baseline scenario assumes that Burkina Faso undertakes gradual fiscal consolidation, achieving the WAEMU fiscal deficit convergence criteria of 3.0 percent of GDP in the medium term.

[7] World Bank G5 Sahel Region Country Climate and Development Report of 2022.

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

Debt Carrying Capacity and Thresholds

Country	Burkina Faso
Country Code	748

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on current vintage	Classification based on current vintage
Medium	Medium 2.93	Medium 2.97	Medium 3.01

Applicable thresholds

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

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Calculation of the CI index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.517	1.35	46%
Real growth rate (in percent)	2.719	5.160	0.14	5%
Import coverage of reserves (in percent)	4.052	44.277	1.79	61%
Import coverage of reserves^2 (in percent)	-3.990	19.604	-0.78	-27%
Remittances (in percent)	2.022	1.460	0.03	1%
World economic growth (in	13.520	2.898	0.39	13%
CI Score			2.93	100%
CI rating			Medium	

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

Reference: Thresholds by Classiciation

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

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

Sources: Country authorities; and staff estimates and projections

23. **Burkina Faso would benefit from a more diversified export base of goods and services.** For three out of four external debt indicators, the most extreme shock is an export shock, and for all public debt indicators, the most extreme shock is a commodity price shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and, to a much lesser extent, of cotton. Gold exports are estimated to have decreased in 2022 on account of gold mine closures, and staff estimates a current account deficit of 5.2 percent of GDP in 2022. The rise in costs of food, fertilizers and energy imports put additional pressure on the current account. The vulnerability of primary exports (namely gold and cotton) and imports (oil) to external developments and unanticipated price shocks remain a structural concern.

CONCLUSION

24. **According to staff's assessment, Burkina Faso's risk of external debt distress and overall debt distress remains moderate.** The baseline scenario shows no breach of debt distress thresholds for any of the debt and debt service indicators for both external and public debt. For external debt distress, while no thresholds are breached under standard stress tests, staff is of the view that the risk of external debt distress should continue to be assessed as 'moderate' due to high macroeconomic uncertainty which could lead to sharp declines in GDP and trigger usage of non-concessional external debt or even higher reliance on expensive domestic debt. The PV of debt-to-GDP ratio is breached only in the commodity stress test, which illustrates vulnerability to developments in export prices. Consequently, Burkina Faso's risk of public debt distress is assessed to be 'moderate'. The granularity in the risk rating (Figure 5) suggests that there is some, but limited space to absorb shocks on external and public debt.

25. **While Burkina Faso's debt remains sustainable over the medium term, it remains very close to the threshold for a high risk of distress on overall public debt.** To avoid a deterioration of the debt distress rating several risks and vulnerabilities need to be addressed. These include, in particular: (i) expenditures required to address food insecurity and the humanitarian crisis; (ii) expenditures required to contain the security crisis; (iii) risks arising due to limited support from donors, while a large proportion of the debt portfolio has relatively short maturities, and is therefore vulnerable to rollover and liquidity risks; (iv) increased reliance on the expensive domestic financing market; and (v) an undiversified export base, with high vulnerability to external price shocks. A Fund-supported program in the near term could help mitigate uncertainties regarding the authorities' policy direction, and therefore catalyze donor finance.

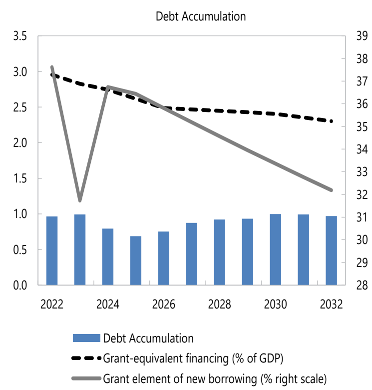
AUTHORITIES' VIEWS

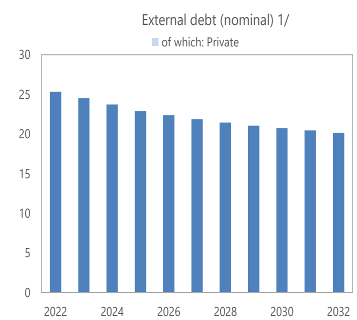
26. **The authorities agree that Burkina Faso remains at moderate risk of debt distress with space to absorb shocks on external debt.** They concurred with the importance of reducing risks and reiterated their commitment to a sustainable debt management strategy. They stressed that their debt strategy aims at mobilizing more concessional external loans and have been actively engaging with international donors. In addition, they are considering sources of semi-concessional financing on terms more favorable than those on the domestic sovereign debt market. They are working towards extending the maturity of the debt portfolio by favoring domestic debt with longer maturities. They acknowledge the importance of diversifying the export base in order to reduce vulnerability to external shocks.

Table 2. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2019-2042
(In percent of GDP, unless otherwise indicated

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**23.6**	**22.9**	**25.1**	**25.3**	**24.5**	**23.7**	**22.9**	**22.3**	**21.9**	**20.1**	**17.6**	**21.5**	**22.2**
of which: public and publicly guaranteed (PPG)	**23.6**	**22.9**	**25.1**	**25.3**	**24.5**	**23.7**	**22.9**	**22.3**	**21.9**	**20.1**	**17.6**	**21.5**	**22.2**
Change in external debt	1.9	-0.7	2.2	0.2	-0.8	-0.8	-0.8	-0.6	-0.5	-0.3	-0.3		
Identified net debt-creating flows	**3.8**	**-7.0**	**-1.1**	**5.0**	**4.4**	**3.3**	**2.7**	**3.2**	**3.2**	**3.0**	**2.7**	**4.5**	**3.3**
Non-interest current account deficit	**2.9**	**-4.3**	**0.2**	**4.9**	**4.9**	**4.1**	**3.5**	**3.8**	**3.7**	**3.5**	**3.2**	**3.9**	**3.9**
Deficit in balance of goods and services	3.4	-3.2	0.1	4.5	4.3	3.4	2.8	2.9	2.8	2.7	2.5	**4.9**	**3.1**
Exports	27.6	29.9	29.5	28.4	27.4	27.8	27.8	27.3	26.9	25.1	21.5		
Imports	31.0	26.6	29.5	32.9	31.7	31.2	30.6	30.2	29.7	27.8	24.0		
Net current transfers (negative = inflow)	-3.4	-4.0	-2.9	-2.4	-2.2	-2.1	-2.0	-1.8	-1.8	-1.5	-0.8	**-3.4**	**-1.9**
of which: official	-0.9	-1.5	-0.7	-0.5	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	0.0		
Other current account flows (negative = net inflow)	2.9	2.9	3.0	2.9	2.9	2.8	2.8	2.7	2.7	2.3	1.5	**2.4**	**2.7**
Net FDI (negative = inflow)	**0.9**	**-0.5**	**0.5**	**0.5**	**0.4**	**0.3**	**0.2**	**0.3**	**0.3**	**0.2**	**0.1**	**1.4**	**0.3**
Endogenous debt dynamics 2/	**-0.1**	**-2.2**	**-1.9**	**-0.4**	**-0.9**	**-1.1**	**-1.0**	**-0.9**	**-0.8**	**-0.7**	**-0.5**		
Contribution from nominal interest rate	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3		
Contribution from real GDP growth	-1.2	-0.4	-1.4	-0.6	-1.1	-1.3	-1.3	-1.1	-1.1	-1.0	-0.9		
Contribution from price and exchange rate changes	0.8	-1.9	-0.6	...	...	...	...	...	...	...	...		
Residual 3/	**-1.9**	**6.3**	**3.3**	**-4.8**	**-5.2**	**-4.1**	**-3.5**	**-3.8**	**-3.6**	**-3.3**	**-3.0**	**-3.7**	**-3.8**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**15.4**	**16.5**	**16.1**	**15.7**	**15.2**	**14.9**	**14.7**	**14.2**	**13.4**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**52.2**	**58.0**	**58.6**	**56.4**	**54.7**	**54.7**	**54.7**	**56.7**	**62.5**		
PPG debt service-to-exports ratio	**3.7**	**2.9**	**3.2**	**3.9**	**4.5**	**4.6**	**4.8**	**4.6**	**4.2**	**4.0**	**4.9**		
PPG debt service-to-revenue ratio	**5.5**	**5.4**	**5.3**	**5.9**	**6.7**	**6.9**	**7.2**	**6.7**	**6.0**	**4.9**	**4.7**		
Gross external financing need (Billion of U.S. dollars)	0.8	-0.7	0.3	1.3	1.4	1.3	1.3	1.4	1.5	1.9	3.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.7	1.9	6.9	2.5	4.9	5.9	5.8	5.3	5.2	5.2	5.3	**5.4**	**5.1**
GDP deflator in US dollar terms (change in percent)	-3.7	8.9	2.9	-3.3	3.7	1.6	1.8	1.6	2.0	2.0	2.0	**0.0**	**1.6**
Effective interest rate (percent) 4/	1.4	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.5	2.0	**0.9**	**1.2**
Growth of exports of G&S (US dollar terms, in percent)	-1.0	20.0	8.5	-4.5	5.0	8.9	7.8	4.8	5.9	5.6	5.8	**8.1**	**5.2**
Growth of imports of G&S (US dollar terms, in percent)	-2.8	-4.7	21.8	10.5	4.8	5.8	5.7	5.4	5.8	6.0	5.9	**5.9**	**6.1**
Grant element of new public sector borrowing (in percent)	...	...	...	37.6	31.7	36.7	36.4	35.8	35.2	32.2	26.1	**...**	**34.6**
Government revenues (excluding grants, in percent of GDP)	18.4	16.1	17.8	18.8	18.4	18.6	18.6	18.7	18.9	20.3	22.3	**16.6**	**19.2**
Aid flows (in Billion of US dollars) 5/	156.3	214.3	337.8	0.6	0.5	0.6	0.6	0.6	0.7	0.9	1.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.0	2.8	2.7	2.6	2.5	2.5	2.3	1.7	**...**	**2.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	69.3	67.0	68.4	67.6	66.6	66.5	65.1	57.5	**...**	**66.8**
Nominal GDP (Billion of US dollars)	16	18	20	20	21	23	25	26	28	40	82		
Nominal dollar GDP growth	1.8	11.0	10.0	-0.9	8.7	7.6	7.6	7.0	7.3	7.3	7.4	**5.3**	**6.7**
Memorandum items:													
PV of external debt 7/	...	...	15.4	16.5	16.1	15.7	15.2	14.9	14.7	14.2	13.4		
In percent of exports	...	...	52.2	58.0	58.6	56.4	54.7	54.7	54.7	56.7	62.5		
Total external debt service-to-exports ratio	3.7	2.9	3.2	3.9	4.5	4.6	4.8	4.6	4.2	4.0	4.9		
PV of PPG external debt (in Billion of US dollars)			3.0	3.2	3.4	3.6	3.7	3.9	4.2	5.7	11.1		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	1.0	0.8	0.7	0.8	0.9	1.0	0.9		
Non-interest current account deficit that stabilizes debt ratio	1.1	-3.6	-2.0	4.7	5.7	5.0	4.4	4.4	4.2	3.8	3.5		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

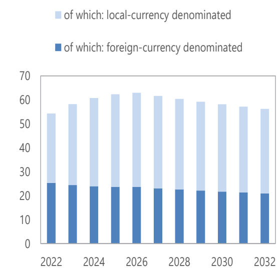
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

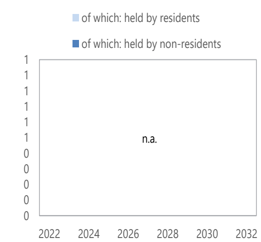
Table 3. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–2042
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	**42.0**	**44.9**	**48.2**	**54.3**	**58.3**	**60.8**	**62.4**	**63.0**	**61.7**	**56.3**	**50.2**	**34.3**	**59.2**
of which: external debt	**23.6**	**22.9**	**25.1**	**25.3**	**24.5**	**24.0**	**23.7**	**23.7**	**23.1**	**21.0**	**18.0**	**21.5**	**23.0**
Change in public sector debt	3.8	2.8	3.3	6.1	4.0	2.5	1.6	0.6	-1.3	-0.9	-0.4		
Identified debt-creating flows	**0.8**	**-0.5**	**6.7**	**4.9**	**3.8**	**2.2**	**1.1**	**0.0**	**-1.3**	**-0.5**	**-0.1**	**1.9**	**0.7**
Primary deficit	**2.1**	**3.8**	**5.7**	**8.5**	**6.3**	**4.8**	**3.4**	**1.9**	**0.6**	**0.6**	**0.6**	**3.1**	**2.6**
Revenue and grants	19.9	19.1	20.3	21.0	20.6	20.6	20.5	20.5	20.7	22.0	23.5	**19.6**	**21.1**
of which: grants	1.4	3.1	2.5	2.2	2.2	2.0	1.9	1.8	1.8	1.7	1.3		
Primary (noninterest) expenditure	22.0	22.9	26.0	29.5	26.9	25.4	24.0	22.5	21.3	22.6	24.1	**22.7**	**23.7**
Automatic debt dynamics	**-1.1**	**-4.2**	**1.0**	**-3.5**	**-2.5**	**-2.6**	**-2.4**	**-2.0**	**-1.9**	**-1.1**	**-0.7**		
Contribution from interest rate/growth differential	-1.7	-1.2	-1.8	-3.5	-2.5	-2.6	-2.4	-2.0	-1.9	-1.1	-0.7		
of which: contribution from average real interest rate	0.4	-0.4	1.1	-2.4	0.0	0.6	1.0	1.2	1.3	1.7	1.8		
of which: contribution from real GDP growth	-2.1	-0.8	-2.9	-1.2	-2.5	-3.2	-3.3	-3.1	-3.1	-2.8	-2.6		
Contribution from real exchange rate depreciation	0.5	-3.1	2.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-0.3**	**0.0**	**0.1**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	-0.3	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**3.1**	**3.3**	**-3.4**	**1.2**	**0.1**	**0.3**	**0.5**	**0.7**	**-0.1**	**-0.4**	**-0.3**	**0.6**	**0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**39.2**	**45.4**	**49.9**	**52.7**	**54.4**	**55.1**	**54.1**	**50.1**	**45.9**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**192.9**	**216.6**	**242.2**	**255.9**	**265.0**	**268.4**	**261.6**	**227.9**	**195.2**		
Debt service-to-revenue and grants ratio 3/	**30.9**	**38.8**	**45.7**	**22.1**	**50.4**	**58.2**	**70.6**	**72.9**	**74.9**	**62.6**	**47.5**		
Gross financing need 4/	8.0	11.1	15.1	13.1	16.7	16.8	17.9	16.9	16.1	14.4	11.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.7	1.9	6.9	2.5	4.9	5.9	5.8	5.3	5.2	5.2	5.3	**5.4**	**5.1**
Average nominal interest rate on external debt (in percent)	1.4	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.2	1.5	2.0	**0.9**	**1.2**
Average real interest rate on domestic debt (in percent)	3.1	-1.4	8.8	-4.4	2.7	2.8	3.3	3.6	3.8	4.2	4.8	**3.9**	**2.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	2.6	-13.4	13.4	...	...	...	...	...	...	...	...	**2.6**	**...**
Inflation rate (GDP deflator, in percent)	1.6	6.8	-0.8	8.6	1.8	2.3	2.1	2.0	2.0	2.0	2.0	**1.4**	**2.6**
Growth of real primary spending (deflated by GDP deflator, in percent)	0.5	6.2	21.4	16.1	-4.2	0.1	-0.4	-1.3	-0.1	6.1	6.0	**8.9**	**3.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.7	0.9	2.3	2.4	2.3	2.3	1.9	1.3	1.9	1.5	1.1	**0.5**	**1.9**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

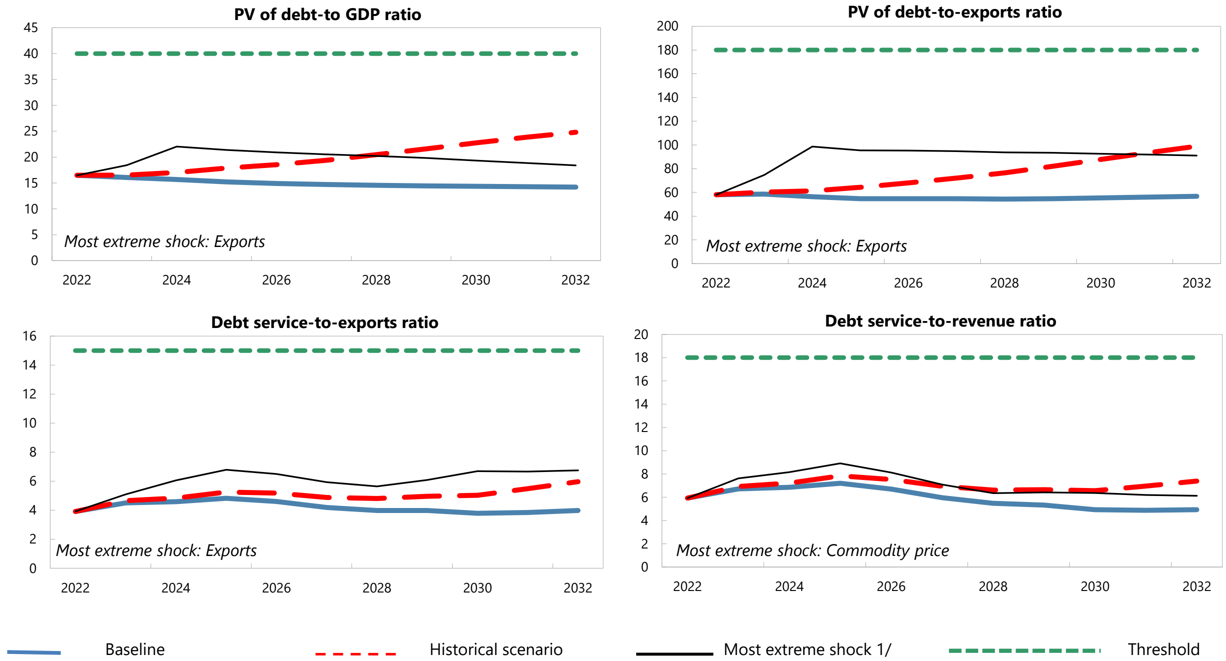
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios[1/ 2/], 2022–2032



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	No	No

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

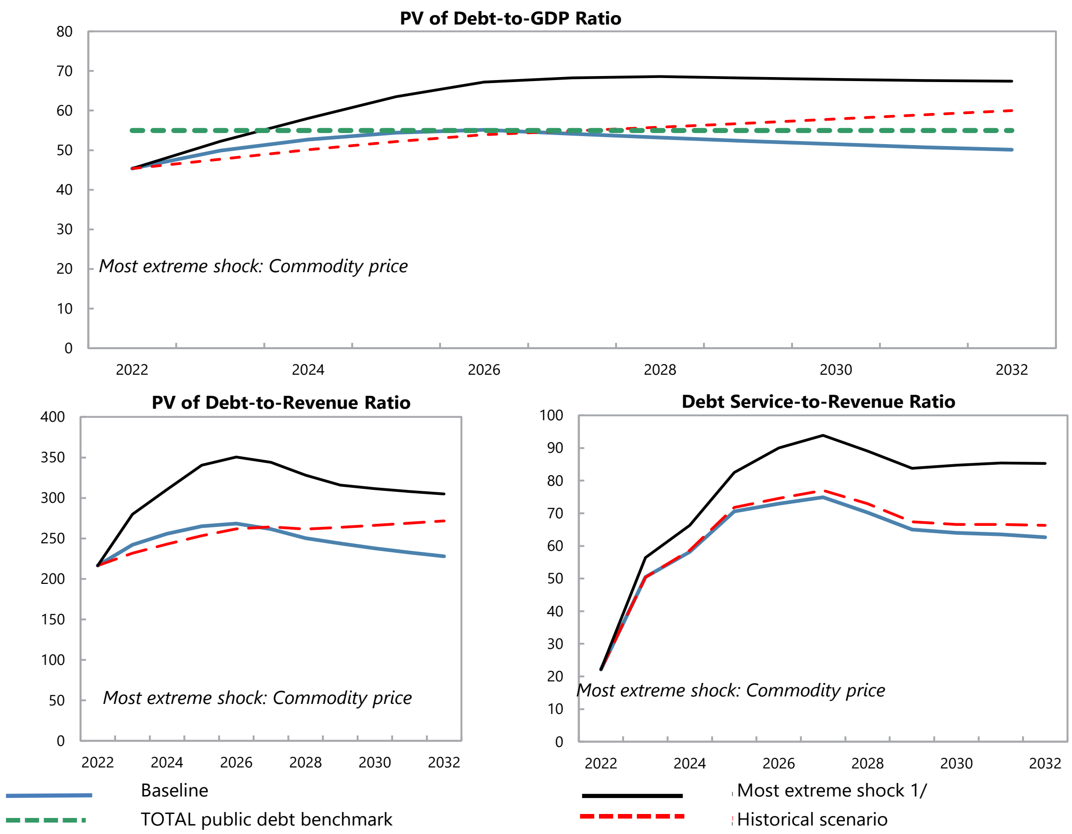
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Burkina Faso: Indicators of Public Debt Under Alternative Scenarios, 2022–2032



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	13%	13%
Domestic medium and long-term	50%	50%
Domestic short-term	38%	38%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	2.8%	2.8%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022-2032
(In percent)

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
PV of debt-to GDP ratio											
Baseline	16	16	16	16	16	15	15	15	15	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	16	17	18	19	21	22	24	26	27	29	30
B. Bound Tests											
B1. Real GDP growth	16	16	16	16	16	16	16	16	16	15	15
B2. Primary balance	16	16	16	16	16	16	16	16	16	16	15
B3. Exports	16	18	22	22	22	21	21	21	20	20	19
B4. Other flows 3/	16	18	19	19	19	19	18	18	18	17	17
B5. Depreciation	16	20	17	17	17	17	16	16	16	16	16
B6. Combination of B1-B5	16	20	19	19	19	19	18	18	18	17	17
C. Tailored Tests											
C1. Combined contingent liabilities	16	17	17	17	17	17	17	17	17	17	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	16	18	20	20	20	20	19	19	18	18	18
C4. Market Financing	16	18	17	17	17	17	17	17	16	16	16
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	58	57	55	54	54	54	53	53	54	54	55
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	58	60	63	67	71	78	84	91	99	106	113
B. Bound Tests											
B1. Real GDP growth	58	57	55	54	54	54	53	53	54	54	55
B2. Primary balance	58	57	57	56	56	56	56	56	57	57	58
B3. Exports	58	72	97	95	95	94	93	92	91	90	89
B4. Other flows 3/	58	63	67	66	66	65	65	65	64	64	64
B5. Depreciation	58	57	47	46	47	47	46	47	48	48	49
B6. Combination of B1-B5	58	69	62	69	69	69	68	68	68	68	68
C. Tailored Tests											
C1. Combined contingent liabilities	58	59	58	58	58	59	59	60	61	62	63
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	58	70	74	72	71	70	69	68	68	67	67
C4. Market Financing	58	57	55	54	54	54	53	53	54	54	55
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	4	4	4	5	5	4	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	4	5	5	5	5	5	5	5	5	6	6
B. Bound Tests											
B1. Real GDP growth	4	4	4	5	5	4	4	4	4	4	4
B2. Primary balance	4	4	5	5	5	4	4	4	4	4	4
B3. Exports	4	5	6	7	6	6	6	6	7	7	7
B4. Other flows 3/	4	4	5	5	5	4	4	4	5	5	5
B5. Depreciation	4	4	4	5	4	4	4	4	3	3	3
B6. Combination of B1-B5	4	5	5	6	5	5	5	5	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	5	5	5	4	4	4	4	4	4
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	5	5	6	5	5	5	5	5	5	5
C4. Market Financing	4	4	4	5	5	4	4	4	4	4	4
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	6	7	7	7	7	6	6	6	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	6	7	7	8	8	7	7	7	7	8	9
B. Bound Tests											
B1. Real GDP growth	6	7	7	8	7	7	6	6	5	5	5
B2. Primary balance	6	7	7	8	7	6	6	6	5	5	5
B3. Exports	6	7	7	8	8	7	7	7	7	7	7
B4. Other flows 3/	6	7	7	8	8	7	6	6	6	6	6
B5. Depreciation	6	8	9	9	8	8	7	7	6	6	6
B6. Combination of B1-B5	6	7	8	8	8	7	6	7	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	6	7	7	8	7	6	6	6	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	6	8	8	9	9	7	7	7	7	7	6
C4. Market Financing	6	7	7	7	7	6	6	6	5	5	5
Threshold	18	18	18	18	18	18	18	18	18	18	18

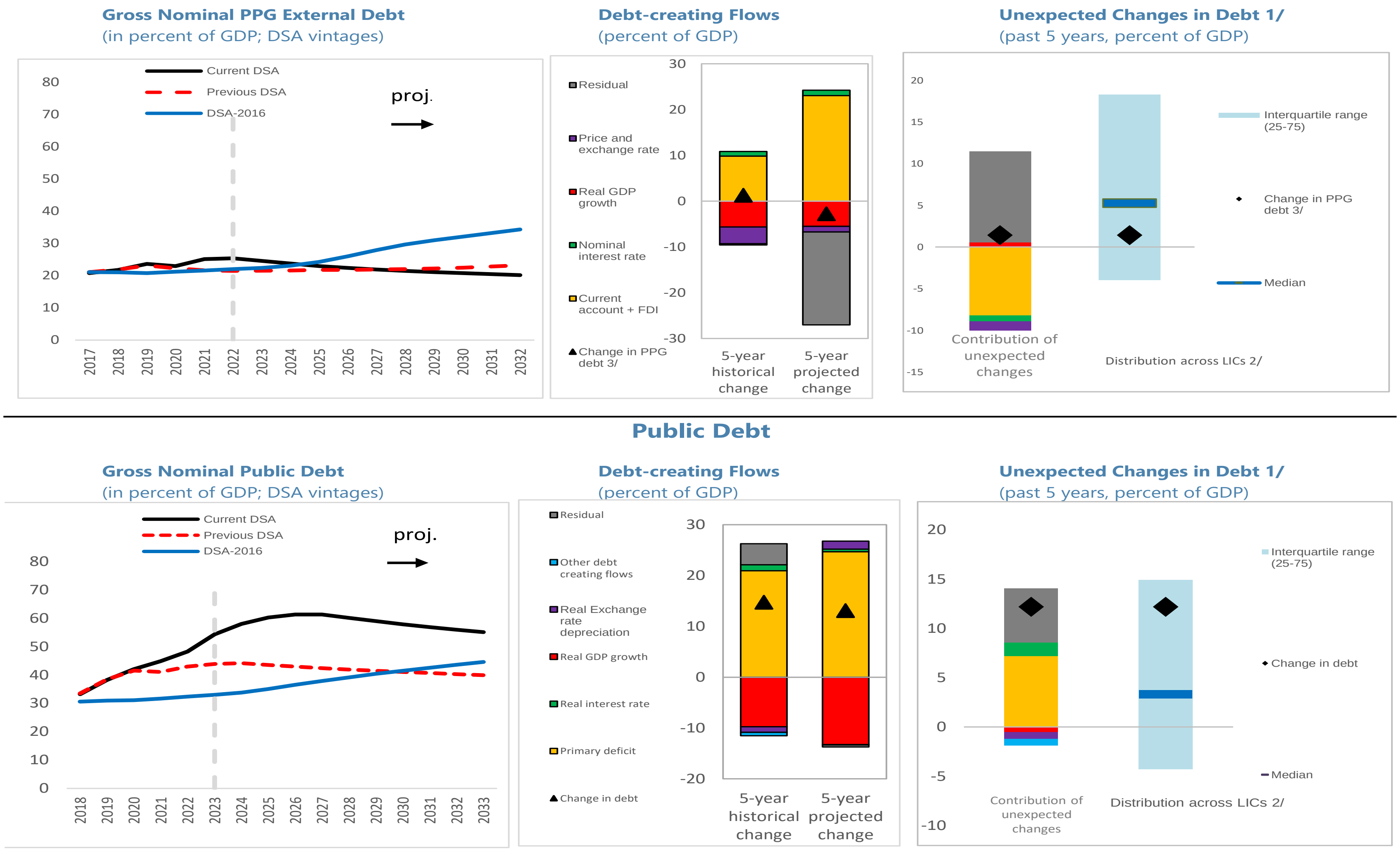
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 5. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2022–2032
(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	45	50	53	54	**55**	54	53	52	51	51	50
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	45	48	50	52	54	55	**56**	**57**	**58**	**59**	**60**
B. Bound Tests											
B1. Real GDP growth	45	52	**57**	**59**	**61**	**61**	**60**	**60**	**60**	**60**	**60**
B2. Primary balance	45	51	**56**	**58**	**58**	**57**	**56**	**55**	54	54	53
B3. Exports	45	52	**59**	**61**	**61**	**60**	**59**	**58**	**57**	**55**	54
B4. Other flows 3/	45	52	**56**	**58**	**59**	**58**	**57**	**55**	54	53	52
B5. Depreciation	45	51	52	53	52	50	48	46	44	43	41
B6. Combination of B1-B5	45	49	53	54	55	53	52	51	50	49	48
C. Tailored Tests											
C1. Combined contingent liabilities	45	**58**	**61**	**62**	**63**	**61**	**60**	**59**	**58**	**57**	**56**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	45	52	**58**	**64**	**67**	**68**	**69**	**68**	**68**	**68**	**67**
C4. Market Financing	45	50	53	54	**55**	54	53	52	51	51	50
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	217	242	256	265	268	262	250	244	238	233	228
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	217	232	243	253	262	264	262	264	266	269	272
B. Bound Tests											
B1. Real GDP growth	217	249	273	287	295	291	283	279	277	275	273
B2. Primary balance	217	250	272	281	284	277	265	258	251	245	240
B3. Exports	217	252	286	295	298	290	277	269	261	254	247
B4. Other flows 3/	217	251	273	282	286	278	266	258	251	245	239
B5. Depreciation	217	251	255	258	255	243	227	216	206	196	188
B6. Combination of B1-B5	217	238	258	265	266	258	245	237	230	223	217
C. Tailored Tests											
C1. Combined contingent liabilities	217	282	294	302	305	297	284	276	269	262	257
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	217	280	311	340	351	344	328	316	312	308	305
C4. Market Financing	217	242	256	265	268	262	250	244	238	233	228
Debt Service-to-Revenue Ratio											
Baseline	22	50	58	71	73	75	70	65	64	64	63
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	22	50	59	72	75	77	73	67	67	67	66
B. Bound Tests											
B1. Real GDP growth	22	52	62	76	80	83	80	76	76	76	77
B2. Primary balance	22	50	62	76	78	80	76	70	69	68	67
B3. Exports	22	50	58	71	74	76	71	66	66	65	64
B4. Other flows 3/	22	50	58	71	73	75	71	66	65	65	64
B5. Depreciation	22	48	56	66	69	71	66	61	60	59	58
B6. Combination of B1-B5	22	49	57	72	72	74	69	64	63	62	61
C. Tailored Tests											
C1. Combined contingent liabilities	22	50	75	83	85	88	84	76	74	73	72
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	22	56	66	82	90	94	89	84	85	85	85
C4. Market Financing	22	50	58	71	73	75	70	65	64	63	63

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

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



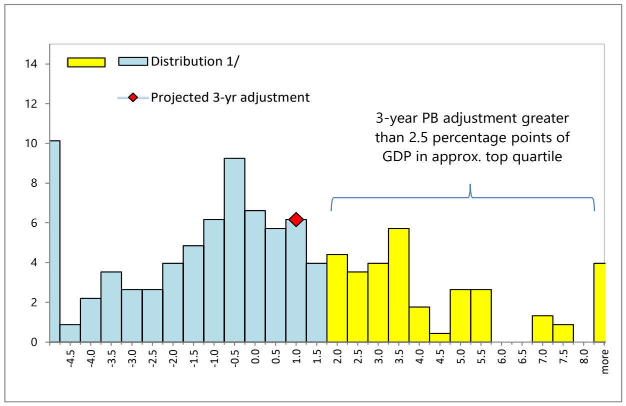
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

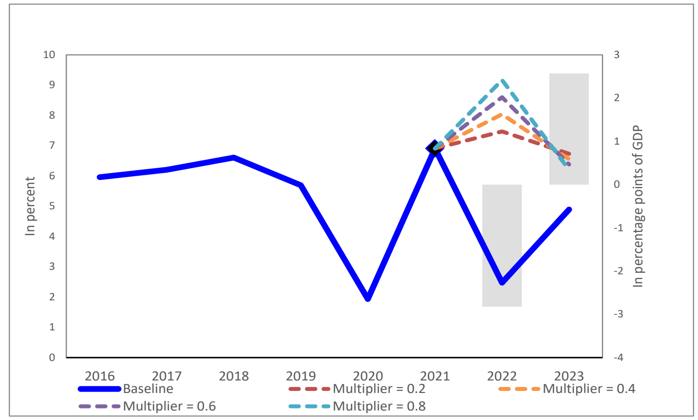
Figure 4. Burkina Faso: Realism Tools

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



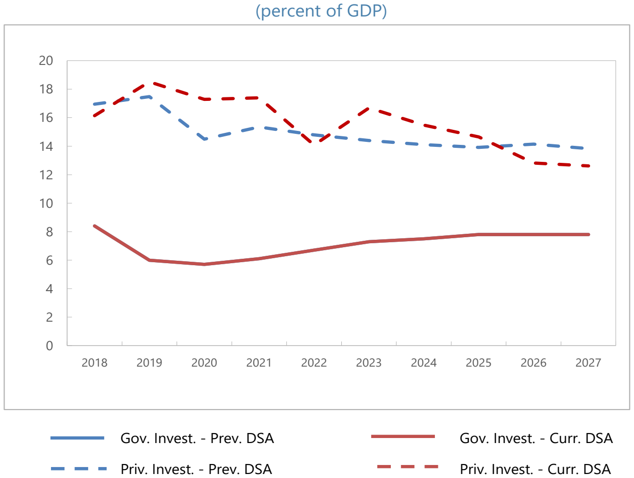
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

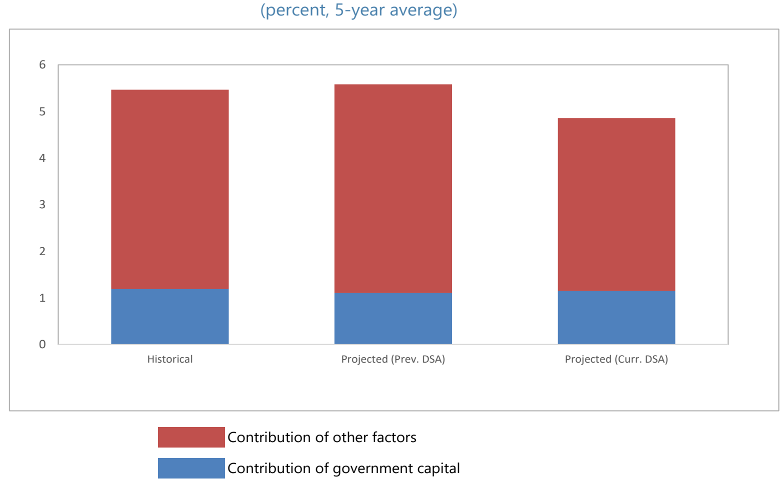


Figure 5. Burkina Faso: Qualification of the Moderate Category, 2022–2032 [1/]

Sources: Country authorities; and staff estimates and projections.

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