

THE INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

BURKINA FASO

**Final Document on the Initiative for Heavily Indebted
Poor Countries (HIPC)**

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I. INTRODUCTION

1. This paper presents an assessment of Burkina Faso's eligibility for assistance under the Heavily Indebted Poor Countries (HIPC) Initiative. It summarizes the debt sustainability analysis (DSA) discussed earlier by the Fund and IDA Boards, describes the policy reforms to be pursued by Burkina Faso and monitored under Fund and IDA arrangements, and reports on consultations with creditors and the status of the debt reconciliation process. The paper proposes that the Boards of the Fund and the IDA take decisions regarding Burkina Faso's qualification for assistance, its "decision" and "completion points," debt sustainability targets, and the level of assistance to be provided by the Fund and the IDA to Burkina Faso, subject to the commitments of bilateral and other multilateral creditors.

2. During the Fund and IDA Boards discussions on the preliminary HIPC Initiative documents,² most Executive Directors agreed that Burkina Faso be considered eligible for assistance under the HIPC Initiative. Their views were based on Burkina Faso's high level of indebtedness and external vulnerability, its strong track record over an extended period of time, its receipt of Paris Club debt relief in a stock-of-debt operation, and its status as an ESAF-eligible and IDA-only country. Regarding the timing of the "decision point," Executive Directors of the IDA and the Fund were in agreement that it could take place at the time of approval of the second annual ESAF arrangement for Burkina Faso, expected in mid-1997. Most Directors supported the staff recommendation of a target for the NPV of debt/export ratio in the range of 205–225 percent, with a number of Directors favoring a target toward the lower part of that range because of the considerable downside risk in the base case scenario.

3. Regarding the possible "completion point," Directors emphasized the importance of continued strong policy performance supported by the IDA and the Fund. Many Directors supported a shortening of the interval between the "decision" and "completion" points to mid-1999, conditioned on clear progress in structural reform, in particular completion of key reforms in the area of civil service, public enterprise restructuring and privatization, and liberalization of the agricultural sector. Some Directors did not see the case for an exceptional shortening of the "completion point," and thought the "completion point" at mid-2000 was appropriate, given Burkina Faso's track record and the time needed to complete critical structural and social reforms. Directors also stressed that the performance in improving social indicators should be carefully monitored with World Bank assistance.

4. The rest of this paper is organized as follows. Section II presents a brief summary of the DSA highlighting the major assumptions and conclusions. Section III reviews Burkina Faso's track record under Fund- and IDA-supported programs since 1991. Section IV outlines the major structural reforms to be implemented under Fund- and IDA-supported programs in 1997-99. Section V reports on the debt reconciliation and debt management capacity. Section VI reviews consultations with Burkina Faso's creditors regarding their

²The preliminary document was issued in the Fund as EBS/97/51, 3/26/97, and in the IDA as IDA/Sec M97-95, 3/25/97. Executive Board discussions on Burkina Faso's case were held in the IDA on April 15, 1997, and in the Fund on April 17, 1997.

commitments to deliver on the intended assistance by the “completion point.” Section VII presents the contributions of multilateral and bilateral creditors at an NPV of debt/export target in the range of 200-220 percent, and with “completion points” in September 1999 and September 2000. Section VIII presents staff recommendations and issues for discussion.

II. SUMMARY OF DEBT SUSTAINABILITY ANALYSIS

5. The long-term balance of payments prospects for Burkina Faso are described in detail in the preliminary HIPC Initiative document for Burkina Faso (EBS/97/51, 3/26/97, and IDA/Sec M97-95, 3/25/97). The main revisions are presented in the document requesting a second annual arrangement under the ESAF (EBS/97/---, 8/--/97). This section presents a summary of the key assumptions and conclusions of the DSA.

6. The baseline scenario for the DSA jointly prepared with the Burkina Faso authorities assumes the continuation of adjustment policies, and a relatively favorable external environment. The main assumptions of the 20-year baseline scenario are shown in Box 1, and the results in Table 1. The medium-term balance of payments projections presented in EBS/97/51 have been updated on the basis of the most recent information and the latest projections in the World Economic Outlook (WEO). The changes reflect mainly (i) higher cotton exports in CFA francs in the period 1997-99, on the basis of results for 1997 and higher acreage under cultivation; (ii) some adjustments in the estimate of workers’ remittances and private transfers; (iii) higher external assistance for project financing now expected for 1997 and 1998, with related upward revisions of imports for capital equipment and intermediary products; and (iv) downward revisions for other exports for 1997-98 (gold, livestock products). As a result, total exports in CFA franc terms have been revised upwards by 9 percent on average for the 1997-99 period, and by 4 percent in 2000; export projections beyond 2000 are broadly unchanged. These changes have resulted in a higher projected current account deficit, excluding official transfers (by about 0.8 percent of GDP on average in 1999-2000); however, because of larger-than-expected project-related grants, the overall balance of payments in the period 1998-2000 is now expected to be close to balance, compared with a deficit previously projected.

Box 1. Assumptions Used in the Debt Sustainability Analysis (DSA)

- An annual average real GDP growth rate of 5.5 percent to the year 2000 and 5.7 percent thereafter. Nominal per capita GDP rises from US\$220 in 1996 to US\$605 in 2019.
- Export volume growth rate of 10-11 percent a year through 2000 and about 8 percent a year thereafter through 2019.
- Strong cotton export volume growth through 2000 (13 percent a year, on average), related to more favorable incentives for producers, and improved extension services; thereafter cotton export volume should grow at a slower pace (9 percent a year, on average).
- Strong gold exports (10 percent a year, on average, in volume terms), in light of renewed interest by foreign mining firms.
- Growth of imports of goods and nonfactor services at about 6 percent a year, on average, over the long term; the income elasticity of imports is assumed to rise gradually and approach 1.1 in the long term.
- Private transfers, including workers' remittances, will continue to be a significant factor in the current account balance, and are expected to grow in line with GDP.
- Continued inflow of project loans through 2019, although recourse to foreign borrowing on concessional terms is assumed to decline gradually from current levels; the share of the investment program externally financed is assumed to decline from the equivalent of 10 percent of GDP in 1996 to 7 percent in 2005 and 5 percent in 2019, with the share of grants declining from 59 percent in 1996 to 50 percent in 2005. Government investment will remain broadly stable at about 10 percent of GDP up to 2005, and decline thereafter to about 8 percent a year through 2019. Balance of payments support is assumed to be eliminated by 1999; all new borrowing is assumed to remain on highly concessional terms.
- The majority of new borrowing (about 80 percent) is assumed to be on IDA terms, while the remaining borrowing is assumed at 2 percent interest and 20 years maturity.
- Following the stock-of-debt operation with the Paris Club in June 1996, the debt service projections assume that non-Paris club bilateral creditors restructure all eligible debt on terms comparable to Naples terms.

7. The main conclusion of the DSA is that the overall balance of payments would record small deficits in the period 2000-2004, and surpluses thereafter; imputed gross international reserves would decline as a ratio to imports through the year 2006, when they would amount to 3 months of imports, but they would increase thereafter gradually to 4.8 months of imports by 2019. The economy would become more diversified over time, but cotton would remain the main export crop. As regards debt indicators, the NPV of debt/export ratio (with exports calculated as a three-year average) would rise from 241 percent in 1996 and 237 percent in 1997 to 243 percent in 1998, and decline thereafter to 238 percent in 1999; it will not fall below 200 percent until 2005. These ratios for 1996-99 are moderately lower than those

estimated in EBS/97/51. The revisions are due to the assessment of the staff and the authorities, during the June 1997 joint Bank-Fund mission, that the stock of debt at end-1996 is lower than previously estimated; this is based on data reconciled with creditors and reflects more accurate figures of disbursements on loans already committed. The ratio is also affected by some revisions of export data. The debt service ratio (after rescheduling) would decline from 22.9 percent in 1995 to 14.5 percent in 1998, and 14.1 percent in 1999. As a share of fiscal revenue, the debt-service ratio would decline from 25.2 percent in 1995 to 15 percent in 1999.

8. The vulnerability analysis undertaken in the preliminary HIPC document for Burkina Faso remains valid. In summary, the analysis concluded that there was considerable downside risk to the baseline scenario; in particular there was above average vulnerability to external shocks on the export side, notably because of the difficult climatic conditions. On the other hand, Burkina Faso fared somewhat better than a group of reference countries with respect to the fiscal burden of debt and the NPV of debt-to-GDP ratio. The existence of workers' remittances also provides some comfort against shocks. It should be noted, however, that Burkina Faso is among the poorest countries in the reference group.³

III. BURKINA FASO'S TRACK RECORD: ADHERENCE TO BANK- AND FUND-SUPPORTED PROGRAMS

9. Burkina Faso has established an extended adjustment track record under successive programs supported by the Bank and the Fund since 1991. These programs were supported by the first annual arrangement under the Fund's Structural Adjustment Facility (SAF) during 1991-92, a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) approved on March 31, 1993 for an amount equivalent to 110 percent of quota, and an additional three-year arrangement under the ESAF approved on June 14, 1996, for an amount equivalent to 90 percent of quota. Under these arrangements (including disbursements under the first annual arrangement under the current ESAF arrangement), resources totaling SDR 62.5 million (US\$90 million) have been disbursed by the Fund. A request for a second annual arrangement under the current ESAF arrangement will be considered by the Fund shortly. Over the same period, the IDA has approved, in addition to project support, a Structural Adjustment Credit, an Economic Recovery Credit, an Agricultural Sector Adjustment Credit, and a Transport Sector Adjustment Credit. A Second Agricultural Sector Adjustment Credit will be negotiated shortly. Disbursements from the adjustment operations have totaled US\$155 million. Since 1991, the IDA has committed an additional US\$280 million for 14 investment operations, of which US\$112 million has been disbursed.

10. Under these programs, the Government of Burkina Faso implemented a broad range of reforms which have largely succeeded in their basic objective of redirecting the economy from a centralized to a market-oriented mode, and of restoring a viable macroeconomic position

³For a discussion, see EBS/97/51, paras 19-28.

and laying the basis for a major effort to improve social conditions over the coming years (Table 2). Key elements of the reform program have been the strengthening of the fiscal position and the wide-ranging liberalization and deregulation of production and trade in most sectors, including, in particular, agriculture. A program to privatize public enterprises, launched in 1991, encountered substantial delays but is now gathering momentum. Banking sector reforms have essentially succeeded in disentangling the close links between state-owned banks and state enterprises which had been undermining fiscal balance and economic efficiency. Substantial progress was made in the management of public expenditure, with increasing amounts allocated to the improvement of basic health and education services. Civil service reform remains on the agenda, along with a more determined effort to streamline the regulatory environment for unfettered private sector development.

11. Despite firm government commitment to the reforms at the start of the program, internal politics intervened during a transition period to a representative democratic regime, throwing the program off track in early 1992. The adjustment program resumed in earnest in 1993, and was further strengthened following the 1994 CFA franc devaluation. Implementation of IDA's Structural Adjustment Credit suffered significant delays in the early 1990s, as a result of the unsettled political climate. The credit was fully drawn but closed nearly two years behind schedule; no waivers were required, however, as all conditions were eventually fully met. A waiver was required in 1995 in the case of the Agricultural Sector Adjustment Credit, because of protracted delays in the implementation of the agreed privatization of the state rice mill and the liquidation of the already defunct agricultural price stabilization fund. A technical waiver was granted in 1996 for the release of the second tranche of the Transport Sector Adjustment Credit, as the government substituted actions different from, but going well beyond, the objectives of the original conditionality (privatization instead of merely restructuring of the state railways). Third tranche release of this credit has been delayed by uncertainties beyond the control of the government in resolving regional market issues affecting the agreed privatization of Air Burkina (see Table 3).

12. During the five years of SAF/ESAF arrangements, Burkina Faso required one waiver and experienced one program interruption—defined as a gap of six months or more between the end of an annual arrangement and Board approval of the subsequent arrangement—(see Table 4). The interruption was between the completion of the first SAF-supported program (March 1992) and the first program supported by the ESAF arrangements (March 1993), and was due to the political democratization process, which diverted attention from structural reforms. Under the first annual ESAF arrangement for 1993, the midterm review could not be completed because of slippages in the fiscal front. Under the following three annual ESAF arrangements for 1994, 1995, and 1996-97, the reviews were completed and the loans under each of the arrangements were fully disbursed. The performance criterion on net credit to government and on the reduction in external arrears at end-June 1994 were not met because of revenue shortfall in the first half of the year, accompanied by delays in external adjustment assistance. As the authorities took appropriate corrective actions, waivers were granted by the Executive Board; for 1994 as a whole, the corrective actions were adequate, with the result that the fiscal deficit was contained to below the revised program target. However, a shortfall of nearly one third in external assistance persisted during the year, with the result that not all nonreschedulable arrears were cleared.

IV. POLICY REFORM AND CONDITIONALITY

13. The current three-year ESAF arrangement was approved in June 1996 in support of a program of policy reforms covering the years 1996-99, and the request for the second annual arrangement thereunder is scheduled to be discussed by the IMF Executive Board on September 8, 1997. In addition, a second Agricultural Sector Adjustment Credit (AGSAC II) is scheduled to be negotiated with the IDA in the fall of 1997. For a “completion point” in September 1999, Burkina Faso would need to (i) successfully complete the midterm review under the third annual arrangement under the current three-year ESAF arrangement, agree on an additional annual arrangement or a new three-year ESAF arrangement, and make satisfactory progress on key structural reforms supported by the proposed AGSAC II; and (ii) observe the social development targets as envisaged under the ongoing IDA-supported operations in health and education, and the proposed Basic Education Project. In the event the “completion point” were to be set for September 2000, conditionality would also include the successful completion of a possible additional annual arrangement under the ESAF.

14. The following paragraphs highlight selected structural and social sector reforms, particularly monitorable actions between the “decision” and “completion” points. Burkina Faso’s ongoing reform strategy aims to raise the income level of the population and to foster the development of human resources and productive potential. The major objectives of this strategy from now to the year 2005 are to increase per capita GDP by at least 3 percent a year, and to improve substantially the education and health standards over the medium term, as specified below in paras. 22–34. In order to achieve the long-term GDP growth objective, a sustained effort will have to be made in the near term to raise investment and domestic savings, particularly public savings. To that effect, financial policies will be implemented and structural reforms in the following areas will be accelerated and substantially completed during the period of the current three-year ESAF arrangement: tax and budgetary management, civil service, privatization and restructuring of public enterprises, financial sector, agriculture, and health and education. Tables 5 and 6 provide a summary of these reforms and their timing to be monitored under the current three-year ESAF arrangement and the ongoing and proposed IDA credits for the period 1997-99.

A. Macroeconomic and Structural Reform Policies

15. **In relation to fiscal reform**, appreciable results were achieved in recent years in simplifying the tax regime, streamlining expenditure management and improving tax administration. The budget law for 1997 reduced the rate of the corporate income tax from 45 percent to 40 percent (see Table 1 and EBS/96/85); the rate of value-added tax (VAT) was raised from 15 percent to 18 percent effective October 1996; and the current expenditure cycle (from commitment to actual spending), except for wages, was computerized in 1996, thereby reducing considerably the possibility of involuntary accumulation of domestic arrears. The major tax reform to be implemented during the remaining period of the current ESAF will

be the adoption of the common external tariff of the WAEMU, on January 1, 1998.⁴ The expected reduction in tariff rates is likely to lead, at least in the short run, to substantial revenue losses. To offset some of these losses, the authorities are determined to accelerate the implementation of structural measures aimed to broaden the tax base and further strengthen tax administration. To that effect, the computerization of tax revenue collection will be completed before the end of 1998, while tax and customs duty exemptions will be further curtailed, in accordance with the policy being prepared by the WAEMU, in particular in relation to the envisaged regional harmonization of the investment code. The computerization of the expenditure procedures will be completed by end-1997 with efforts concentrated on wage expenditure and public investment. Comprehensive reviews of the public investment program will be resumed and conducted on an annual basis, the first one being scheduled for October 1997, as part of the broader public expenditure review process.

16. Progress on civil service reform has been slower than anticipated in the face of strong opposition from unions and parliament. Government proposals, introduced in 1996, which entailed the replacement of the current system of automatic advancement by a system based on merit was rejected by parliament, which requested that the proposal be recast and included in a more comprehensive reform package. The work on a new proposal is now complete and the authorities intend, following a meeting of representatives of the social partners in September 1997, to present it to parliament before the end of 1997. The reform will include a revision of the statutes concerning permanent and contractual employees, and a merit-based promotion system. More reliance will be placed on hiring contractual employees so as to improve flexibility in personnel allocation, including regional distribution. This reform should help contain the wage bill to under 5 percent of GDP, despite significant recruitment in the social sectors, while increasing incentives to civil servants. The authorities have already retrenched in early 1997 some 800 civil service staff by closing the Regional Agricultural Promotion Centers (CRPPAs), whose functions are being transferred to private operators. This retrenchment partly offsets new recruitment in the priority sectors of health and education, which are necessary to achieve the planned increases in social standards. The civil service reform will also lead to a review of the size and functions of the central government, in light of the decentralization program.

Public enterprises and privatization

17. The implementation of the privatization program, which has been lagging behind schedule, should be brought back on track over the next few months. A strengthening of the existing institutional framework for privatization operations and a streamlining of the decision making process for carrying out the program are now under way, which will make it possible to move quickly on a large number of pending operations. A first phase of privatization or liquidation started in 1991 and involved 22 enterprises out of 76 in the government portfolio. 16 enterprises were privatized, 4 were being liquidated, and for two the feasibility studies on

⁴ The structure of tariff rates is still in discussion at the level of the WAEMU. In this connection, the Burkinabè authorities have sought the technical assistance of the Fund to help them implement the new tariff structure that will be decided at the level of the Union.

the strategy to be pursued (sale or liquidation) are under way. A second phase of privatization started in July 1994, and involves 19 enterprises, of which 3 have been privatized, 6 are under liquidation, and 10 will be brought to the point of sale before end-March 1998.⁵ Among the latter, a number of major enterprises, including the state rice (SONACOR), sugar (SOSUCO), and textile (FASO FANI) companies, will be offered for sale by end-December 1997.

Following the two privatization phases, the government now needs to take stock of the residual equity holdings in its portfolio, and will develop, with the assistance of the World Bank, by June 1998 a comprehensive strategy for dealing with the remaining enterprises, in the framework of its overall objective of fostering private sector development. Privatization would subsequently be broadened to some of the public utilities, possibly starting with the telecommunications sector.

Business environment for the private sector

18. To accelerate economic growth, it is essential that more be done to foster the development of private sector activity, in particular by improving the business environment. The authorities intend to tackle this challenge at various levels. Above all, the government is committed to be attentive to the views of the private sector and, as a first step, will hold a national workshop in October 1997 to seek the sector's views on the assistance needed to promote its activities and the improvements to be made in the business environment. At the same time, the government will improve the effectiveness of the Center for Business Promotion (one-stop window for investors and business promoters), and will begin to implement the recommendations of this Center for streamlining administrative and regulatory procedures by October 1997. The authorities will also improve the legal environment, both through the adoption of the new business code and the regulations designed by the OHADA (organization for harmonizing business law in Africa), and by strengthening the judicial system through the training and hiring of additional magistrates and other personnel, and a more intensive use of computers in the tribunals. Also, the system of bank guarantees will be made more rigorous, thereby providing a safer environment for increased banking activity.

Financial sector

19. Considerable progress was achieved in recent years in bringing the **financial sector** to a more sound financial footing. Recent developments include the liquidation of the BND-B in January 1997 and the privatization of the BFCI in early 1997, following negotiations with an international private group that took up 51 percent of the capital. Moreover, a new private bank began operation in early 1997 and another is expected to do so later this year. The major tasks ahead in the area of financial reform, which the authorities intend to undertake during the period of the current three-year ESAF arrangement, will be to strengthen the network of private savings and loans cooperatives and to restructure the postal checking and savings

⁵The enterprises that are being offered for sale and for which no buyer can be found will be liquidated. It should be noted that some of the enterprises that are being put up for sale are in a difficult financial situation or have stopped operations altogether, and are thus unlikely to find a buyer.

system (CCP-CNE). In view of the difficulties experienced by some private cooperatives, which play an essential role in small project finance, the government has decided to move forward with a comprehensive financial audit of these institutions. With respect to the CCP-CNE, it will complete a restructuring study by the end of 1997 and an action plan will be adopted and implemented in 1998.

Agricultural policy reform

20. Progress in implementing the agricultural policy agenda set in the early 1990s is nearing completion. The liberalization of trade and prices in agricultural markets is now virtually complete. Regulation of the rice and sugar markets, maintained for several years after the rest of the agricultural sector had been liberalized, was eliminated in 1996, along with the state import monopolies for these two commodities. The state-owned rice and sugar mills are being privatized, and the state rice import company, shorn of its monopoly privileges, is rapidly losing market share to more competitive private operators. The restructuring of the cotton sector is still under way, though improved producer incentives and more efficient extension services have already led to a strong supply response. Further benefits are expected from plans to continue improving the performance of the cotton marketing and ginning company, strengthen the influence of farmers' cooperatives on its management and policies, and ensure that producer prices remain closely linked to world market prices for cotton fiber. Along with the deregulation of product markets and the divestiture of key public enterprises in the agricultural sector, the government is also reorganizing its own services in the sector. It has initiated a set of reforms involving the withdrawal of the state from a series of economic activities in production, input supply, veterinary services, etc., which are better left to the private sector, in order to strengthen its research and extension services in support of farmers. It will also focus on a rationalization of the public investment program in agriculture, in the context of a broad growth strategy framework to be developed in 1998.

B. Social Policies

21. Poverty remains widespread in Burkina Faso, with 45 percent of the population estimated to be under the poverty threshold. Debt relief obtained under the HIPC Initiative could support the government's poverty reduction objectives by releasing budgetary funds used for debt service for higher public spending in priority areas. The government's top priority is the improvement of basic services in health and education, where coverage and quality remain very modest, notwithstanding efforts in recent years to raise budgetary expenditure for health and primary education (including foreign financed spending) (see Table 2). In per capita terms, this expenditure currently amounts to roughly \$5 annually in each sector or about the same amount as external debt service per capita. Thus every dollar saved on external debt service per capita could mean a 20 percent increase in per capita expenditure on either health or primary schooling.

Box 2. Health and Basic Education Expenditures

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u> (Est.)	<u>1997</u> (Proj.)
(In percent of total budgetary expenditure)					
Health	7.9	9.0	7.3	10.3	10.5
<i>Of which: current expenditure</i>	(4.8)	(4.5)	(5.1)	(4.9)	(5.1)
Basic education	8.4	9.2	8.7	8.8	10.1
<i>Of which: current expenditure</i>	(5.9)	(5.4)	(6.2)	(6.2)	(6.2)
(In percent of GDP)					
Health	1.8	2.0	1.5	2.2	2.2
Basic education	1.9	2.0	1.8	1.9	2.1
(Per capita expenditure in US\$)					
Health	5.2	3.6	3.4	5.0	5.0
Basic education	5.5	3.7	4.1	4.4	4.9

Source: Ministry of Economy and Finance.

Note: Includes foreign-financed expenditure.

Health

22. Health indicators in Burkina Faso are poor, even by sub-Saharan standards, and the low health status of the population remains a major constraint to economic and social development. To reverse this situation, the government is reorganizing basic health services on a decentralized model, with some 700 local primary care centers (CSPS) grouped into 53 health districts. The task of decentralizing Burkina Faso's previously highly centralized health system has not been easy and much remains to be done to improve the operation of the health districts. The levels of utilization of peripheral health facilities, although they are improving, remain very low, particularly in rural areas and in the poorest provinces, reflecting perceptions of poor service quality, including insufficient availability of personnel and supplies.

23. Overcoming these problems will require far-reaching and complex reforms in the way public health services operate, as well as increased financial resources. The government has already increased the share of expenditure on health in total budgetary outlays (including foreign-financed expenditures) from 7 percent in 1995 to more than 10 percent since 1996. The need is now to revise intrasectoral allocations and ensure that a larger share of the public sector health budget goes to the decentralized health care facilities to make them more effective. Full autonomy at the local level is a long-term objective. As a first step, health budgets will be established at the district level, beginning in 1998, within the framework of a minimum package of health care services, which will be defined in 1998. Financial management capacity will be strengthened in parallel, to ensure that health districts can exercise effective control over their budgetary allotments.

24. The overall shortage of health personnel and large regional disparities in staff availabilities can only be addressed over time. Redeployment of existing staff is taking place, to the extent possible, and a steady pace of recruitments (400 a year) will ensure that minimum staffing norms are met in all CSPPS by the year 2000. In addition, the government is preparing a plan to recruit health personnel directly at the district level, which is the only way decentralized health services will be able to keep abreast of the needs of a rapidly growing population. Similarly, training and supervision programs will be expanded to support the decentralization process.

25. The government has already made substantial progress in promoting the use of essential generic drugs. These drugs were almost nonexistent in Burkina Faso a few years ago, but now account for more than 50 percent of total drug imports in volume terms. Much remains to be done, however, to improve procurement and distribution of drugs throughout the country. To that effect, the authorities will reorganize the public drug purchasing agency (CAMEG) by the end of 1997, so as to enhance its ability to provide adequate and reliable supplies to the CSPPS. The private sector will also be encouraged to participate more actively in the marketing of generic drugs.

26. Child vaccination coverage is another area where Burkina Faso has been lagging behind. Under its Expanded Program of Immunization, the government's objective is to achieve, the following vaccination coverages for infants (0-11 months) by 1999: 85 percent for BCG, 75 percent for DTC/polio, and 80 percent for measles and yellow fever. To achieve these results, the government will improve the vaccine supply, infrastructure and logistics of the CSPPS, strengthen their outreach programs, and step up public information and community relations efforts. Immunization services will be increasingly integrated into routine primary care in order to ensure their sustainability over the long term.

Education

27. Considerable progress has been made in recent years to raise school enrollments, but educational levels in Burkina Faso are still very low, and the illiteracy rate remains one of the highest in sub-Saharan Africa. Universal primary education is still a distant goal. The gross primary school enrollment rate was only about 40 percent in 1996 (30 percent for girls). Access to primary school remains limited and unequal between the regions (primary enroll-

ment rates are below 25 percent in ten of the poorest provinces). The quality of primary education is also low, for a number of reasons, including large classes (as many as 100 to 120 pupils per class in some urban schools), poor teacher qualifications (only about one-third of primary school teachers are certified), lack of teaching materials and inappropriate curricula. Not surprisingly, therefore, repetition rates are high and it takes about 12 student-years, on average, to produce a primary school graduate.

28. For all its deficiencies, the present situation reflects the continuing efforts of the government in recent years to work off an enormous backlog of unmet needs in primary education, while trying to keep up with a school age population growing by over 3 percent a year. Thanks in part to the assistance provided by donors, many classrooms were built or renovated. At the same time, teacher recruitment and training was accelerated, and new pedagogical practices introduced, such as double shifts and multigrade classes, to increase the educational leverage of existing infrastructure and staff resources. The share of expenditure on basic education in total budgetary allocations (including foreign financed spending) was increased from 8.7 percent in 1995 to 10.1 percent in 1997. Also, basic education (primary education and adult literacy programs) will be allotted a larger share of the total education budget than in the past, in accordance with the government's intrasectoral priorities.

29. In view of the magnitude of the task ahead, the government is formulating a more radical strategy for accelerating the development of basic education, and getting ready to implement an ambitious 10-year plan which aims to address the issues of coverage, equity and quality of primary education in an integrated fashion. A key objective of the 10-year plan is to raise the gross primary school enrollment rate from 40 percent in 1996 to 70 percent by 2007-08, while nearly closing the gap in girls' enrollments and greatly reducing regional disparities. A new program of school construction is under preparation, with particular emphasis on the provinces with the lowest enrollment rates.

30. To staff all these schools under the present civil service rules, which also apply to school teachers, would be prohibitively expensive and largely inefficient. The government plans instead to put in place a more flexible system which will allow local communities to hire new teachers directly on a contractual basis. Implementation of this plan is expected to begin, on a pilot basis, in October 1998. It would be generalized in the broader context of administrative decentralization, under which it is expected that local communities will obtain a greater share of autonomy in the management and financing of primary schools.

31. The 10-year plan also aims to increase the quality and efficiency of primary education, along with its relevance. This will be achieved through measures designed to increase the availability of books and other teaching materials, strengthen teacher training and supervision, cut down on class size and revise school curricula. Reduced repetition rates and increased productivity, the generalization of double shifts and multigrade classes and the redeployment of excess administrative personnel into teaching positions, should also contribute to additional increases in the capacity of primary schools to receive new entrants (over and above the substantial capacity increase from the new school construction program). Private schools and the NGO community will also be encouraged to contribute on a greater scale to the expansion of primary education rolls. Finally, efforts to increase adult literacy will be stepped up,

particularly with respect to women and in the poorest provinces, which would also help raise girls' school enrollment rates, as well as overall enrollment rates in the areas where they are currently the lowest.

32. While a number of these measures will take time to translate into measurable outcomes, particularly with respect to quality improvement and girls' education, the accelerated expansion in the capacity of the primary school system will immediately be reflected in higher gross enrollment ratios, which should rise by about 2.5 percentage points annually over the next few years. Perhaps the most telling measure of the potential impact of the 10-year plan on the spread of primary education in Burkina Faso is that, because of it, 40,000 more children each year will be able to start on their first year of primary school and move towards a life of literacy.

33. Table 6 summarizes the social development performance indicators to be monitored in the context of the HIPC Initiative. Social sector performance will be monitored by ongoing and new IDA projects. In the health sector, performance will be monitored in particular under the ongoing Health and Nutrition Project. This project will be restructured to provide more effective support to the decentralization process after a workshop to be held in the fall of 1997 in collaboration with the government and the main donors active in the development of the health sector. In the education sector, progress will be monitored under the on-going Education IV and Post-Primary Education Projects, and particularly under the Basic Education Project currently under preparation, which will support the implementation of the government's 10-year plan.

34. In the context of the HIPC Initiative, specific actions to be undertaken by 1999 include:

- increase public spending for primary health care and basic education;
- allocate budgets to the health districts in amounts sufficient to implement a minimum package of basic health services;
- prepare a plan to recruit health personnel directly at the level of the district;
- reorganize CAMEG and ensure adequate supplies of essential generic drugs to local health facilities;
- accelerate implementation of the Expanded Program of Immunization;
- implement the school construction program of the 10-year plan for the development of basic education, and pilot test a plan for the direct hiring of primary school teachers by local communities;
- step up programs to promote girls' education and adult literacy campaigns for women.

V. DEBT RECONCILIATION AND DEBT MANAGEMENT CAPACITY

35. Burkina Faso has formally contacted its creditors regarding the reconciliation of its external debt and has now reconciled with them close to 95 percent of the total debt stock outstanding as at end-December 1996. The reconciliation of debt with the IMF, IDA, and other multilateral creditors, as well as Paris Club creditors, has been completed. Reconciliation is also complete for some of the non-Paris Club creditors (Saudi Arabia, Kuwait, and Libya). Debt with China, Côte d'Ivoire, Russia, and Algeria remains to be reconciled. Given that most of Burkina Faso's debt has been fully reconciled ahead of the proposed "decision point," it is recommended that the Executive Boards of the IDA and the Fund approve in principle their commitment at the decision point of September 1997, subject to satisfactory assurances of actions by other creditors. Other multilateral creditors would be expected to reduce the NPV of their outstanding claims by the common percentage recommended for all multilaterals by the Boards; this percentage reduction would be applied to fully reconciled debt. The exercise of debt reconciliation is expected to be completed by mid-1998.

36. Burkina Faso's debt monitoring system provides a comprehensive accounting of external loans on a loan by loan basis. However, the system suffers from a lack of accurate information on disbursements. The computerization of public investment expenditures, including foreign-financed expenditures, which is expected to be in place by December 1997, should greatly facilitate the maintenance of an up-to-date data base for monitoring purposes. The government has also established in 1996 a Public Debt Committee to coordinate debt management at the operational and policy level. The authorities are currently assessing their needs for capacity building in this area with a view to requesting technical assistance in implementing a fully computerized system and timely recording all transactions related to external indebtedness.

VI. CONSULTATION WITH CREDITORS

37. Fund and IDA staff have initiated consultations with Burkina Faso's multilateral creditors and with the Paris Club regarding action they would take under the HIPC Initiative for Burkina Faso. The IDA organized a meeting attended by Fund staff on March 24-25, 1997 with multilateral development banks to go over the methodology, data, and recommendations for the first group of country DSAs, including Burkina Faso.

A. Multilateral Creditors

38. In general, multilateral creditors were very supportive of assistance to Burkina Faso under the Initiative, and endorsed Burkina Faso's eligibility under the Initiative, a low debt target, a "decision point" in mid-1997, and an early "completion point." Their main comment on the preliminary HIPC document was that in the future such documents should pay more attention to poverty reduction and that the social indicators should be designed clearly and should target improvement over the adjustment period. While indicating willingness to commit

in principle by the mid-1997 “decision point” date, some of them (for example, the European Union) indicated that their procedures would imply that formal commitment of their assistance was expected shortly after mid-1997.

B. Bilateral Creditors

39. At their meeting in May 1997, Paris Club creditors agreed in principle to reopen at the “completion point” Burkina Faso’s June 1996 stock-of-debt operation, and apply an additional NPV reduction in the debt covered, with the exact treatment determined in the light of fair burden sharing.

40. The authorities are in the process of resolving issues with non-Paris Club creditors, and obtaining debt relief on terms comparable to Naples terms. The debt involved amounts to US\$140 million (11 percent of total nominal debt as of end-December 1996).

VII. DEBT SUSTAINABILITY TARGETS AND DEBT RELIEF

41. Burkina Faso’s NPV of debt stood at US\$683 million at end-December 1996, of which 80.5 percent constituted multilateral debt (Table 7). The NPV of debt is projected to rise to US\$721 million by end-1997 and to US\$775 million by end-1998, with a modest increase in the share of multilateral debt. Table 7 also shows a detailed breakdown within each creditor group of the claims of Burkina Faso’s individual multilateral creditors in the estimated NPV of debt at the “decision point,” as this would determine the breakdown of multilateral assistance at the “completion point.” As noted earlier, some of these totals are provisional, subject to the finalization of the debt reconciliation exercise.

42. During the IDA and Fund Board discussions on the preliminary HIPC Initiative document, there was considerable support for the staff recommendations of a target for the NPV of debt to export ratios in the range of 205–225; many Directors considered that given Burkina Faso’s above average vulnerability to shocks, and given the need to ensure a convincing exit from debt relief, the NPV of debt/export target should be set in the lower end of the range, but some Directors favored the higher part of the range, taking into account the role of workers’ remittances as a factor of strength. Given the need to ensure a convincingly sustainable debt situation and Burkina Faso’s strong track record of adjustment, staff and management recommend an NPV of debt/exports target of 210 percent.

43. Regarding the possible “completion point,” Directors stressed the importance of continued strong performance under the Fund’s ESAF-supported program and the IDA-supported structural adjustment programs. Many Directors supported a shortening of the interim period to the “completion point” to two years after the “decision point,” conditional on clear progress in implementing structural reforms, in particular in the areas of civil service reform, public enterprise privatization, and agricultural sector liberalization. As these reforms are to be completed by end-1998, the staff see merits in advancing the “completion point” to September 1999, provided that a satisfactory track record is maintained.

44. As indicated in Table 8, for a “completion point” in September-1999, and an NPV of debt/exports target of 210 percent, the total debt relief is estimated to be US\$106 million in NPV terms, of which multilateral contributions would be US\$87 million and that by bilateral creditors would be US\$19 million, on the basis of the fully proportional burden-sharing model. This would involve assistance by multilaterals as a group equivalent to 13.7 percent of their claims at the “completion point,” with the same NPV reduction by bilaterals as a group; this implies that the NPV of debt reduction on eligible debt to the Paris Club creditors will remain below 80 percent.⁶ A detailed breakdown of the contributions by each multilateral creditor would be based on their shares in the NPV of multilateral debt at the “decision point.” This implies that each multilateral creditor would commit, at the “decision point,” to reduce their claims in NPV terms by 15.8 percent. On this basis, the IDA share of the debt relief would be US\$40.3 million, and the Fund share would be US\$9.6 million.

45. For a “completion point” in mid-2000 and a target of 210 percent, the total debt relief would be US\$98 million, with multilateral institutions contributing US\$80 million, and bilateral creditors contributing US\$18 million; the common factor of reduction of claims in NPV terms by multilateral creditors would be 14.5 percent; the IDA share would be US\$36.9 million, and the Fund share would be US\$8.8 million.

46. It is proposed that the Fund disburse its assistance, in the form of a grant, into an escrow account at the “completion point” to be used to meet debt service to the Fund on a schedule to be agreed with the Burkina Faso authorities. The objectives of this schedule will be to help bring the debt-service burden down to the agreed target and to smooth the debt-service profile, including any humps, to the Fund and/or generally. Since Burkina Faso’s debt service both to the Fund and overall is relatively smooth, it is proposed that in this case and in other comparable cases where there are no pronounced debt-service humps, the schedule of drawdown of the Fund assistance should be slightly frontloaded and spread over the life of the country’s current obligations to the Fund. A graduated schedule for the drawdown of this assistance for Burkina Faso, which meets these objectives, will be agreed with the Burkina Faso authorities and proposed for approval by the Fund Board in due course, on a lapse-of-time basis.

47. The HIPC Trust Fund will be utilized to provide the required relief on debt owed to IDA—equivalent to US\$40 million in NPV terms. The HIPC Trust Fund will set aside, at the “decision point,” an amount equal to the NPV reduction required on IDA debt from resources transferred from IBRD to the World Bank component of the HIPC Trust Fund. With these resources the HIPC Trust Fund is expected, at the “completion point,” to purchase IDA credits with a nominal value of approximately US\$75 million. The nominal amount of the credits to be purchased will be determined on the basis of the principles agreed upon for calculating the NPV of debt in DSAs⁷ and by selecting for purchase the oldest IDA credits.

⁶On the basis of staff estimates, the reduction would reach 76 percent.

⁷The principles for the calculation were described in detail in SecM96-927 entitled “*The HIPC Debt Initiative—Elaboration of Key Features and Possible Procedural Steps*,” page 11.

The HIPC Trust Fund will then promptly cancel these IDA credits and inform the debtor that the debt is no longer due. The HIPC Trust Fund will enter into an agreement to this effect with IDA as soon as possible following the “decision point.” Total savings in debt service on these credits would amount to US\$85 million over their remaining life (up to 30 years for some of the more recent ones), when relief on both principal and charges is included.

VIII. ISSUES FOR DISCUSSION

48. Executive Directors may wish to focus on the following issues and questions:

49. **Qualification for assistance:** On the basis of the staff analysis, the deliberations of the IDA and Fund Boards, and staff consultations with multilateral creditors and the Paris Club, there is a strong case for Burkina Faso’s qualification for assistance under the HIPC Initiative. The staff and management recommend that Executive Directors make a positive final determination on this matter.

50. **Decision point in principle:** Since a critical mass of debt reconciliation has been achieved, the staff and management recommend approval in principle of a “decision point” in September 1997. Executive Directors are recommended to approve Burkina Faso’s qualification for assistance, the “completion point,” and debt sustainability targets, subject to satisfactory assurances of action by other creditors. If Executive Directors agree, these decisions could be finalized, possibly on a lapse-of-time basis, by the Boards once these assurances have been received.

51. **“Completion point”:** In light of Burkina Faso’s past record and planned substantive additional structural reforms in the immediate period ahead, the staff and management recommend a “completion point” of September 1999. Executive Directors’ consideration of this recommendation is requested.

52. **Debt target:** In light of Burkina Faso’s vulnerability, and with a view to ensuring a credible exit from debt rescheduling, the staff and management recommend that Executive Directors endorse a target of 210 percent for the NPV of debt/exports ratio for a “completion point” in September 1999. Burkina Faso’s debt-service ratio is expected to be below 20 percent in 1998 prior to action under the Initiative and hence is not expected to be binding. In the light of this, Director’s comments on the proposed time profile of IDA and Fund assistance under the Initiative are requested.

53. **Proposed decision:** Executive Directors may wish to consider a decision on Burkina Faso’s qualification for assistance under the Initiative, the “completion point,” the debt target, and the specifics of each institution’s commitment for assistance to Burkina Faso under the Initiative. A draft decision will be issued as a supplement to this paper.

54. **Next steps:** The following steps are envisaged: (i) this document will be made available to Burkina Faso's bilateral and multilateral creditors at the same time as it is circulated to Executive Directors; (ii) the staff will inform Directors of any major new developments regarding debt reconciliation or commitments by creditors by way of a supplement or oral statement at the time of the discussion of this document; (iii) the second annual ESAF arrangement is being brought to the Fund Board on September 8, 1997; and (iv) the AGSAC II is expected to be brought to the IDA Board in early 1998.

Addendum: The Boards of the IMF and World Bank approved in the fall of 1997 Burkina Faso's request for assistance under the HIPC Initiative, to be delivered at the completion point in April 2000, subject to satisfactory assurances of the necessary support from other creditors and continued strong policy implementation. The debt sustainability target for the NPV of debt-to-exports ratio was set at 205 percent, providing total assistance of US\$115 million in present value terms at the completion point.

Table 1. Burkina Faso: Long-Term Balance of Payments, 1993-2019
(In billions of CFA francs)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
			Estimates			Projections			
Exports, f.o.b.	74.5	104.4	118.2	113.6	145.9	169.4	184.3	199.0	213.3
<i>Of which:</i> cotton	22.2	31.7	51.2	49.6	77.2	94.4	102.8	110.5	119.6
gold	8.1	12.2	11.7	9.3	9.8	11.3	12.7	14.1	15.6
Imports, f.o.b.	-153.0	-193.9	-242.2	-277.0	-300.4	-322.0	-344.9	-367.9	-397.5
<i>Of which:</i> capital goods	-32.2	-44.2	-75.4	-95.4	-103.7	-109.9	-118.1	-122.7	-127.6
Trade balance	-78.6	-89.6	-124.1	-163.3	-154.6	-152.6	-160.6	-169.0	-184.2
Services (net)	-42.8	-53.3	-61.6	-74.3	-71.5	-75.6	-79.5	-83.5	-100.6
Nonfactor services	-39.0	-45.6	-56.0	-68.9	-67.9	-72.0	-75.9	-79.9	-97.0
Factor services	-3.8	-7.8	-5.7	-5.4	-3.6	-3.6	-3.6	-3.5	-3.5
<i>Of which:</i> interest payments	-8.3	-12.5	-10.6	-10.7	-9.1	-9.5	-9.8	-10.1	-10.4
Transfers (net)	106.8	163.4	170.4	192.0	173.3	180.1	185.3	194.8	203.1
Private	43.9	53.6	52.9	55.9	60.9	64.1	68.3	73.9	81.3
<i>Of which:</i> workers' remittances	33.2	54.6	55.0	55.9	58.0	62.0	64.8	67.0	73.0
Official	62.9	109.8	117.5	136.1	112.4	116.0	117.0	120.9	121.8
<i>Of which:</i> budgetary	43.2	75.4	88.0	108.9	85.0	88.0	88.0	88.0	88.9
<i>Of which:</i> project grants	28.0	35.4	51.2	81.6	85.0	88.0	88.0	88.0	88.9
program grants	15.2	40.0	36.8	27.3	0.0	0.0	0.0	0.0	0.0
Current account (deficit= -)	-14.6	20.5	-15.3	-45.6	-52.8	-48.1	-54.8	-57.7	-81.6
Excluding official transfers	-77.5	-89.3	-132.8	-181.8	-165.2	-164.1	-171.8	-178.6	-203.4
Official capital	24.8	36.9	41.0	31.9	32.2	40.2	44.6	41.5	39.8
Disbursements	36.9	57.8	69.6	47.8	53.0	63.3	68.4	67.4	70.1
<i>Of which:</i> budget	35.3	57.8	69.6	47.8	53.0	63.3	68.4	67.4	70.1
<i>Of which:</i> project loans	27.6	29.0	46.4	43.3	48.5	52.3	63.1	67.4	70.1
program loans	7.7	28.8	23.3	4.4	4.4	11.0	5.3	0.0	0.0
Amortization	-12.1	-20.9	-24.4	-15.9	-20.7	-21.3	-22.5	-25.9	-30.3
<i>Of which:</i> budget	-9.8	-20.9	-24.4	-15.9	-20.7	-21.3	-22.5	-25.9	-30.3
Capital Transfers	0.0	0.0	-4.2	0.0	0.0	-1.8	-1.3	0.0	0.0
Private capital 1/	2.7	13.5	9.9	11.0	14.2	13.6	11.7	14.8	19.8
Errors and omissions	-6.4	-10.2	32.1	1.1	0.0	0.0	0.0	0.0	0.0
Overall balance	6.4	60.6	67.7	-1.7	-6.4	5.7	1.5	-1.4	-22.1
Financing	-6.4	-60.6	-67.7	1.7	6.4	-5.7	-1.5	1.4	22.1
Net foreign assets	-17.3	-51.0	-71.0	0.6	-7.1	-25.4	-15.0	1.4	22.1
Net official reserves	-15.6	7.3	-38.3	-2.5	-7.1	-25.4	-15.0	1.4	22.1
Gross official reserves	-19.0	-6.6	-51.9	-7.0	-16.7	-34.3	-17.2	7.4	30.2
IMF (net)	3.4	13.9	13.5	4.5	9.5	8.9	2.2	-6.0	-8.2
Net foreign assets, commercial banks 2/	-1.7	-58.2	-32.6	3.1	0.0	0.0	0.0	0.0	0.0
<i>Of which:</i> Post office	-0.5	4.0	0.9	0.0	0.0	0.0	0.0	0.0	0.3
Change in arrears (reduction= -)	7.6	-17.3	-1.4	0.0	-7.0	0.0	0.0	0.0	0.0
Debt relief	3.3	7.7	4.6	1.1	0.0	0.0	0.0	0.0	0.0
Debt under discussion	3.3	0.0	0.0	0.0	9.8	2.8	2.8	0.0	0.0
Financing gap (after IMF purchases)	0.0	0.0	0.0	0.0	10.7	17.0	10.7	0.0	0.0
Memorandum items:									
			(In percent of GDP unless otherwise indicated)						
Current account (deficit= -)									
Including official transfers	-1.8	2.0	-1.3	-3.5	-3.7	-3.1	-3.2	-3.2	-4.1
Excluding official transfers	-9.7	-8.7	-11.3	-14.0	-11.6	-10.5	-10.2	-9.8	-10.2
Debt service ratio 3/	22.1	24.7	22.9	17.7	15.9	14.5	14.1	14.7	15.5
NPV of public external debt (in millions of U.S. dollars)	...	...	933.1	683.5	721.3	775.0	833.1	883.0	933.7
NPV debt/exports ratio (including IMF) 4/	...	...	...	240.7	237.3	243.3	237.9	231.1	227.9
Gross official reserves									
In billions of CFA francs	97.7	162.5	247.0	250.9	267.5	301.9	319.0	311.6	281.4
In months of imported goods, c.i.f	6.5	8.7	10.5	9.2	9.2	9.6	9.5	8.7	7.1
GDP at current prices (in billions of CFA francs)	796.1	1,029.4	1,172.0	1,298.3	1,425.0	1,557.6	1,688.2	1,828.0	1,987.8

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

1/ Includes portfolio investment and foreign direct investment.

2/ Including net foreign assets Post Office; 1994 data reflects holdings of WAEMU government titles.

3/ In percent of exports of goods and nonfactor services.

4/ In percent of exports of goods and nonfactor services (three-year moving average).

Table 1. Burkina Faso: Long-Term Balance of Payments, 1993-2019
(In billions of CFA francs)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Projections								
Exports, f.o.b.	581.7	639.8	703.1	770.9	845.5	927.4	1,017.5	1,116.6	1,225.6
<i>Of which:</i> cotton	394.6	439.4	488.4	541.0	599.3	663.7	735.0	813.8	901.0
gold	50.4	55.6	61.2	67.3	74.0	81.2	89.1	97.7	107.2
Imports, f.o.b.	-838.3	-909.6	-987.2	-1,081.4	-1,185.1	-1,299.2	-1,424.7	-1,562.9	-1,715.0
<i>Of which:</i> capital goods	-224.1	-235.9	-248.0	-270.2	-294.4	-320.7	-349.5	-380.9	-415.2
Trade balance	-256.6	-269.8	-284.1	-310.5	-339.7	-371.8	-407.2	-446.2	-489.4
Services (net)	-170.2	-181.9	-194.7	-210.9	-229.0	-248.5	-270.2	-293.3	-318.9
Nonfactor services	-165.4	-176.9	-189.4	-205.4	-222.9	-241.6	-262.3	-284.2	-308.2
Factor services	-4.8	-5.0	-5.2	-5.6	-6.1	-6.9	-7.9	-9.2	-10.7
<i>Of which:</i> interest payments	-16.5	-17.3	-18.1	-19.2	-20.5	-22.0	-23.7	-25.9	-28.2
Transfers (net)	344.6	366.7	390.6	416.6	444.8	475.5	508.8	545.1	584.6
Private	213.6	234.6	257.6	282.5	309.7	339.4	371.7	407.0	445.4
<i>Of which:</i> workers' remittances	171.7	187.1	203.8	222.0	241.9	263.6	287.2	312.9	340.9
Official	131.1	132.1	133.1	134.1	135.1	136.1	137.1	138.2	139.2
<i>Of which:</i> budgetary	98.2	99.2	100.2	101.2	102.2	103.2	104.2	105.3	106.3
<i>Of which:</i> project grants	98.2	99.2	100.2	101.2	102.2	103.2	104.2	105.3	106.3
program grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current account (deficit= -)	-82.1	-85.0	-88.1	-104.9	-123.9	-144.8	-168.5	-194.4	-223.7
Excluding official transfers	-213.2	-217.1	-221.2	-238.9	-259.0	-280.9	-305.7	-332.6	-362.9
Official capital	87.5	90.8	93.8	109.9	131.0	150.3	173.9	202.0	225.5
Disbursements	158.5	167.8	176.8	200.5	226.4	254.8	285.9	319.8	357.0
<i>Of which:</i> budget	158.5	167.8	176.8	200.5	226.4	254.8	285.9	319.8	357.0
<i>Of which:</i> project loans	158.5	167.8	176.8	200.5	226.4	254.8	285.9	319.8	357.0
program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-71.0	-77.0	-83.0	-90.6	-95.4	-104.5	-112.0	-117.9	-131.5
<i>Of which:</i> budget	-71.0	-77.0	-83.0	-90.6	-95.4	-104.5	-112.0	-117.9	-131.5
Capital Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private capital 1/	40.8	43.8	47.0	50.5	54.2	58.4	62.9	67.8	73.2
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	46.2	49.5	52.6	55.5	61.3	63.9	68.2	75.3	74.9
Financing	-46.2	-49.5	-52.6	-55.5	-61.3	-63.9	-68.2	-75.3	-74.9
Net foreign assets	-46.2	-49.5	-52.6	-55.5	-61.3	-63.9	-68.2	-75.3	-74.9
Net official reserves	-46.2	-49.5	-52.6	-55.5	-61.3	-63.9	-68.2	-75.3	-74.9
Gross official reserves	-46.2	-49.5	-52.6	-55.5	-61.3	-63.9	-68.2	-75.3	-74.9
IMF (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net foreign assets, commercial banks 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which:</i> Post office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (reduction= -)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt under discussion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap (after IMF purchases)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(In percent of GDP unless otherwise indicated)								
Current account (deficit= -)									
Including official transfers	-1.8	-1.7	-1.6	-1.7	-1.9	-2.0	-2.2	-2.3	-2.4
Excluding official transfers	-4.6	-4.3	-4.0	-4.0	-3.9	-3.9	-3.9	-3.9	-3.9
Debt service ratio 3/	13.0	12.8	12.5	12.5	12.1	12.0	11.8	11.4	11.6
NPV of public external debt (in millions of U.S. dollars)	1,724.0	1,835.0	1,950.3	2,081.4	2,231.7	2,406.4	2,607.0	2,837.8	3,101.9
NPV debt/exports ratio (including IMF) 4/	167.8	163.0	158.3	154.6	151.8	149.9	148.6	148.0	147.8
Gross official reserves									
In billions of CFA francs	317.5	367.0	419.7	475.2	536.5	600.4	668.7	744.0	818.9
In months of imported goods, c.i.f	3.8	4.0	4.3	4.4	4.5	4.6	4.7	4.8	4.8
GDP at current prices (in billions of CFA francs)	4,667.8	5,084.6	5,538.8	6,033.0	6,572.1	7,160.2	7,801.8	8,501.8	9,265.6

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

1/ Includes portfolio investment and foreign direct investment.

2/ Including net foreign assets Post Office; 1994 data reflects holdings of WAEMU government titles.

3/ In percent of exports of goods and nonfactor services.

4/ In percent of exports of goods and nonfactor services (three-year moving average).

Table 2. Burkina Faso: Main Structural Reforms Under IDA and Fund SAF and ESAF-Supported Programs, 1991-96

Reforms	Timing	Comments
1. Fiscal Reform		
<i>Tax reform</i>		
Introduction of value-added tax (VAT) on large enterprises and imports.	1993	
Revision of system of taxation for petroleum products, with introduction of VAT.	1993	
Increase in the rate of VAT from 15 to 18 percent.	1996	
Implementation of a single system of taxation of the informal sector and of small and medium-size enterprises.	1993	
Establishment of tax unit for large taxpayers.	1994	
Introduction of single tax identifying number.	1995	
Tightening of customs exemptions.	1991-96	
Foreign-financed projects evaluated including taxes, with tax payments by the Treasury.	1994	
Reduction in the rate of the corporate income tax from 45 to 40 percent.	1996	
<i>Budgetary reform</i>		
Strict enforcement of prior commitment authorization by Ministry of Finance.	1995	
Closure of expenditure commitments by November 20 of each year.	1995	
Preparation of a monthly status of expenditure by budget heading at the commitment, settlement and payment order stage.	1995	
Revision of budget nomenclature, with unified current and capital budget.	1995	
<i>Reduction of domestic arrears</i>		
Repayment of debt of the postal saving system.	1995-96	
2. Public enterprise privatisation (Initial 76 enterprises)		
<i>First phase of privatisation concerning 22 enterprises:</i> 18 enterprises privatized, 2 under liquidation; 2 remaining to be privatized.	1991-96	
<i>Second phase of privatisation concerning 19 enterprises:</i> 3 enterprises privatized, 6 under liquidation, and 10 to be privatized.	1994-96	
3. Banking sector reform		
Liquidation of BND-B	Early 1997	Effectuated with delay
Privatisation of BFCI	Early 1997	
Privatisation of BIB	1994	
Repayment of bank debt and of debt of postal checking system	1995-96	
4. Trade liberalization		
Elimination of all price controls	1991-94	
Elimination of export duties.	1993	
Elimination of import authorisation and requirements.	1993-95	
Trade and price liberalization, including elimination of public marketing and stabilization schemes on traditional cereals, oil seeds, livestock	1993	

Reforms	Timing	Comments
Elimination of CGP (public enterprise) monopoly for rice imports	1996	
Elimination of SOSUCO monopoly for sugar imports	1996	
Reduction in the number of products whose imports are subject to quality controls	1996	
Removal of export restrictions on hides and skins	1996	
5. Liberalisation of Labor Code	1993-94	

Table 3. Burkina Faso: Reforms Supported by IDA Adjustment Credits and Waivers

Credit/approval Date	Reforms Supported	Waivers of Conditionality
Structural Adjustment Credit (Cr. 2281-BUR/1991)	<ul style="list-style-type: none"> ● Improve management of public expenditure, public investment, civil service. ● Increase budget for social sectors. ● Public enterprise reform/privatization. ● Price/trade liberalization. ● Regulatory/institutional reform. 	None.
Transport Sector Adjustment/Investment Project (Cr. 2332-BUR/1992)	<ul style="list-style-type: none"> ● Improve road maintenance ● Privatize parastatals in rail, urban transport and civil aviation. ● Modernize/streamline sector administration. 	Technical waiver for second tranche in 1996; third tranche release expected by end-1997.
Agricultural Sector Adjustment Credit (Cr. 2381-BUR/1992)	<ul style="list-style-type: none"> ● Free trade and prices of traditional cereals, oil seeds, fruits and vegetables; abolish state marketing boards; privatize parastatals. ● Free trade and prices of local paddy rice. ● Reorganize cotton sector. ● Restructure agricultural services. 	Waiver of privatization deadline for two agricultural parastatals in 1995.
Economic Recovery Credit (Cr. 2590-BUR/1994)	<ul style="list-style-type: none"> ● Support adjustment program following CFA franc devaluation. ● Increase producer price of cotton by 40 percent. ● Limit wage increases; control budget deficit. ● Priority action plan for health and primary education. ● Attenuate impact of devaluation on the poor. 	None.

Table 4. Burkina Faso: SAF and ESAF Programs—Waivers and Status of Midterm Review and Program Interruptions

Date Granted	Program	Reason
A. Waivers and Status of Midterm Review		
March 1993	1993 1st-year ESAF	Midterm review not completed because revenue shortfall caused nonobservance of end-June 1993 performance criteria on: (i) ceiling on nonconcessional borrowing by the government; and (ii) target on reduction of external domestic arrears. In view of the size of the slippage (1 percent of GDP for domestic arrears), corrective measures were not able to bring the program back on track.
March 1994	1993 2nd-year ESAF	Waiver for nonobservance of performance criteria because revenue shortfall caused nonobservance of end-June 1994 performance criteria on: (i) net bank credit to government targeted; and (ii) reduction in external arrears. Authorization measures to bring program.
B. Program Interruptions		
	Length	Main factors
	12 months, March 1992-March 1993	Negotiations were delayed because democratization process filled all political agenda in 1992.

Table 5. Burkina Faso: Key Structural Reforms Under IDA and Fund-Supported Programs, 1997-99

	Timing
Fiscal Reform	
Introduce WAEMU's common external tariff with lowering of maximum tariff rate from 37 to 25 percent	January 1998
Revise tax benefits under investment code	1998
Computerization of wage and public investment expenditure	December 1997
Complete computerization of tax revenue collection	1997-99
Conduct review of Public Investment	December 1997
Harmonize the budgetary System within the WAEMU framework	December 1997
Civil Service Reform	
Presentation to parliament of a new civil service reform including a merit-based advancement system	December 1997
Adoption of a master plan for institutional development which addresses:	December 1997
• the modernization of public administration	
• civil service reform	
• the decentralization and deconcentration effort	
Introduction of a single personnel file, encompassing those of the Ministries of Finance, and the Civil Service	December 1997
Introduction of new organic structures for all ministries	March 1998
Financial Sector Reform	
Adopt and implement a plan for the restructuring of the CCP-CNE	December 1998
Strengthen the network of saving and loans cooperatives	1997-98
On the basis of new OHADA acts and the regulations of the Banking Commission, strengthen rules applying to bank collateral, bank reserves, and effective capital	1997-99
Business Environment, Legal and Regulatory Framework	
Simplify business law in context of OHADA	1997-99
Increase recruitment of magistrates and computerize courts and tribunals	1997-99
Strengthen one-stop window (CPE) for private enterprises and streamline regulations	October 1997
Public Enterprises and Privatization	
Strengthen institutional framework for privatization, so as to speed up process	October 1997
Complete ongoing privatization program of 41 enterprises	
Already completed	21 enterprises
Put up for sale or liquidate	8 enterprises
Put remainder for sale	12 enterprises
Strategic review of remaining enterprises in government portfolio	December 1997 March 1998 June 1998
Agricultural Policy	
Phase out activities of state rice import company	1997-99
Adopt new agreement on producer prices and profit sharing mechanism for cotton	March 1998
Adopt plan to open up the capital of SOFITEX to cotton producers and others	June 1998
Complete reorganization of agricultural services of Ministry of Agriculture	December 1998

Table 6. Burkina Faso: Social Development Performance Indicators

Objectives and Policies	Indicators	Targets			
HEALTH					
Improve primary health care quality and coverage		1996 Est.	1997	1998	1999
			Projections		
1. Increase public expenditure on health	● Share of budget expenditure on health ^{1/}	10.3	10.5	11.0	12.0
2. Reallocate budgetary spending to health districts	● Health budgets established at district level		By 1998		
3. Provide adequate staffing of local health centers (CSPS)	● Share of CSPS meeting minimal staffing norms (3 agents)		100 percent by 2000		
4. Provide regular supplies of essential drugs to CSPS	● Share of CSPS with essential drugs ^{1/}	60	70	80	100
5. Increase utilization rates in CSPS	● New cases/inhabitants/year:				
	▪ Urban	0.2	0.4	0.5	0.6
	▪ Rural	0.1	0.2	0.3	0.4
6. Strengthen child vaccination programs	● Share of infants (0-11 months) vaccinated ^{1/}				
	– BCG	67	70	80	85
	– DCT/polio	50	60	70	75
	– Measles/yellow fever	57	70	75	80
EDUCATION					
Improve coverage, equity and quality of basic education		1996 Est.	1997	1998	1999
			Projections		
1. Increase public spending on basic education	● Share of budget expenditure on basic education ^{1/}	8.8	10.1	11.5	13.0
2. Expand capacity of primary school system	● Gross enrollment ratio ^{1/}	40	42	45	47
	● New admissions in first grade (in thousands)	149	189	229	270
3. Recruit primary school teachers locally	● Local recruitment plan ready		By June 1998		
	● Pilot implementation started		October 1998		
4. Promote girls' education	● Girls' primary school gross enrollment ratio ^{1/}	30	33	35	38
5. Reduce regional disparities in access to primary education	● Spread in provincial primary school enrollment ratios ^{1/}	75	73	71	69
6. Improve quality and efficiency of primary education	● Repetition rate ^{1/}	18	17	16	14
	Book/pupil ratio (French and Math)	At least one book for two pupils by 1999			

^{1/} In percent.

Table 7. Burkina Faso: Nominal and NPV of Debt Outstanding, End-December 1996

	Nominal debt			NPV Debt--After Naples Terms		
	US\$ millions	Percent of total debt	Percent of multilateral debt	US\$ millions	Percent of total debt	Percent of multilateral debt
Total	1,287.6	100.0		683.5	100.0	
Total multilateral debt	1,099.3	85.4	100.0	550.3	80.5	100.0
<i>Of which:</i>						
IDA	636.8	49.5	57.9	254.4	37.2	46.2
AfDF	212.3	16.5	19.3	92.2	13.5	16.8
IMF	63.6	4.9	5.8	60.8	8.9	11.0
IDB	35.7	2.8	3.3	26.1	3.8	4.7
EIB	35.8	2.8	3.3	22.3	3.3	4.0
IFAD	22.4	1.7	2.0	10.4	1.5	1.9
BADEA	30.1	2.3	2.7	24.7	3.6	4.5
OPEC Fund	15.2	1.2	1.4	11.6	1.7	2.1
AfDB	19.1	1.5	1.7	21.6	3.2	3.9
Other	28.2	2.2	2.6	26.2	3.8	4.8
Bilateral creditors	188.3	14.6		133.2	19.5	
Paris Club	49.2	3.8		33.8	4.9	
Paris Club I	29.4	2.3		24.5	3.6	
Paris Club II	19.8	1.5		9.3	1.4	
Non-Paris Club	139.1	10.8		99.4	14.5	
Rescheduled	60.2	4.7		50.4	7.4	
Not previously rescheduled	78.9	6.1		49.1	7.2	

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

