International Monetary Fund

Burkina Faso and the IMF

Burkina Faso: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

Press Release:
IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement for Burkina Faso and Approves US$4.84 Million Disbursement
July 1, 2013

June 14, 2013

The following item is a Letter of Intent of the government of Burkina Faso, which describes the policies that Burkina Faso intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Burkina Faso, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Country's Policy Intentions Documents

LETTER OF INTENT

Ouagadougou, June 14, 2013

Madame Christine Lagarde,
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431 (USA)

SUBJECT: Letter of Intent and [Memorandum] of Economic and Financial Policies 2013-2014

Madame Managing Director,

The government of Burkina Faso has continued to implement the measures established in its economic program supported by the three-year arrangement under the IMF Extended Credit Facility (ECF) for the period 2010-2013.

Program implementation took place in an environment marked by resumed growth. The fifth review of our economic and financial program supported by the ECF was completed by the IMF Board of Directors on December 19, 2012, allowing for a disbursement of 18.49 million SDRs or about 28.4 million dollars.

The attached Memorandum of Economic and Financial Policies (MEFP) examines implementation of the program and presents the policies that the government intends to pursue for what remains of 2013.

Over the course of 2012, the government pursued implementation of the Accelerated Growth and Sustainable Development Strategy (SCADD) to strengthen the economy's resilience against various shocks while promoting inclusive growth and poverty reduction. The measures taken to mitigate the food crisis brought on by the 2011 drought and assistance provided to refugees, along with their cattle, weighed on the country’s finances. However, the economy continued to be dynamic, with estimated growth of 9.0 percent in 2012 as compared to 5.0 percent in 2011. The growth was basically due to performance of the primary and secondary sectors. Added to this were achievements in implementing reforms in the area of mobilizing tax revenues, which allowed for substantial growth in budgetary revenues. The overall deficit on a cash basis reached 2.8 percent of GDP in late 2012 compared to 2.1 percent in 2011.

As of the end of December 2012, all quantitative performance criteria for completion of the sixth review of the program supported by the ECF arrangement were observed.

All structural measures agreed to under the program for the same period were carried out, with the exception of: (i) submission to the Board of Directors of the National Postal Service (SONAPOST) of a strategy for improving the quality of financial services offered; and (ii) linkage between the improved biometric database and the database of the integrated system of government personnel and payment management (SIGASPE), which are in progress. In any case, the government is committed to carrying out these measures during the course of 2013.

Reforms in tax policy and customs administration succeeded in improving revenue collection, including revenues linked to growing mining activities. Consequently, program reforms will be aimed at improving the use of the new revenues, by strengthening and accelerating public investment spending capacity. Investments in human capital will be stepped up, particularly in health, education, and professional training. Particular emphasis will be placed on increasing infrastructure investment, reducing production costs and ensuring job creation, so that the benefits of growth are shared among the population.

In view of the progress made in implementing the program and based on the policies set out in the attached MEFP, we request that the IMF conclude the sixth review of the arrangements under the ECF and disburse an amount equivalent to 3.225 million SDRs.

From end-June 2013 through the remainder of the arrangement, we request a modification of the continuous performance criterion on nonconcessional external debt contracted or guaranteed by the government. Specifically, we request an increase from zero to an amount of CFA 136 billion (US$276.5 million or 2.2 percent of GDP), which is intended to be used over four years, in connection with four projects described in the attached memorandum.

To allow successful completion of the current program and measures being carried out, and to have more time for successor program negotiations with the IMF, the government requests an extension of the ECF arrangement to December 31, 2013, and addition of a seventh review under the program, with a request for associated quantitative performance criteria for end-June 2013 and structural measures for the remainder of the year (Tables 1-3).

The government believes that the policies set forth in the attached MEFP are adequate to achieve the economic and social objectives of its program. It is determined, nonetheless, to take any further measures that may prove necessary to this end. The government will consult with the IMF on the adoption of these measures, and in advance of any revisions to the policies contained in the MEFP, in accordance with applicable IMF policies.

Furthermore, the government will provide the IMF with information on implementation of the agreed measures and program execution, as provided in the attached revised Technical Memorandum of Understanding or at the request of the IMF.

As in the past, the government agrees to publication of this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely,

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

Attachments: 2013–2014 Memorandum of Economic and Financial Policies
Revised Technical Memorandum of Understanding

Attachment I. Memorandum on Economic and Financial Policies, 2013

Introduction

1. This memorandum updates Burkina Faso's economic and financial program, supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) for 2010-2013. The program supported by the ECF aims to consolidate macroeconomic stability, improve prospects for growth, and intensify efforts to reduce poverty, consistent with the objectives of the Accelerated Growth and Sustainable Development Strategy (SCADD). This memorandum describes the country's economic development in 2012 and updates the structural reforms pursued in the program as of end-December 2012. Furthermore, it establishes the macroeconomic objectives and structural reforms for the remainder of 2013.

ECONOMIC SITUATION AND PROGRAM IMPLEMENTATION AT THE END OF 2012

2. In a context of favorable economic growth, public revenues increased from 16.1 percent of GDP in 2011 to 17.7 percent of GDP in 2012, increasing more rapidly than current expenditures excluding exceptional expenses related to the elections, the food crisis, and care provided to refugees from Mali.

A. Recent Economic Developments

3. Economic activity in Burkina Faso developed against a domestic sociopolitical background that was calmer, however marked by international geopolitical tensions, particularly the crisis in Mali that led to an influx of refugees. Furthermore, resumption of growth was sustained by weather conditions favorable to the 2012/2013 agricultural season, and progress in normalizing the socioeconomic, security, and economic situation in Côte d'Ivoire. Real GDP growth was thus 9.0 percent in 2012 compared to 5.0 percent in 2011, due to performance of the primary and secondary sectors. In the primary sector, grain production increased by 33.6 percent and cotton production grew by 43.0 percent, basically due to good rainfall together with government incentives to farmers to boost agricultural productivity. In the secondary sector, gold production increased by 9.5 percent to about 42,419 tons. In 2012, the primary, secondary, and tertiary sectors respectively contributed 4.7, 1.4, and 3.0 points to GDP growth. The change in the growth rate for 2011 (initially estimated at 4.2 percent) was due to revised gold production data to take account of the new information provided by Customs. Gold production for 2011 was revised upward to 38 tons, from 32.4 tons previously. Gold production estimates in 2012 also take into account the new information from Customs.

4. Inflationary pressures intensified, with an annual average inflation rate that reached 3.8 percent in 2012, higher than the regional norms (and compared to 2.8 percent in 2011).

This inflation is due in part to the poor 2011-2012 agricultural harvest, leading to increased prices for basic staples, as well as the impact of increased retail fuel prices in April 2012. At the end of March 2013, the inflation rate (compared to the same month of the previous year) reached 3.6 percent, a slowdown compared to February and January (3.7 and 3.8 percent, respectively). This level of inflation can be explained by the markets being supplied from commercial stocks, while farmers hold back on their sales. The rate should fall further as supplies are gradually replenished by farmers' stocks.

5. The trade balance improved over the course of 2012, as exports increased at a higher rate than imports. The export growth was primarily due to exports of gold and cotton. Based on final customs figures, gold exports totalled 42,419 kg in 2012 compared to 30,168 kg initially estimated. As a result of the export figures, estimates of gold production volumes have been increased as well. Despite the improvement in the trade balance, the current account deficit deteriorated, from 1.3 percent of GDP in 2011 to 2.2 percent of GDP in 2012, as a result of a decline in the services balance, while current transfers remained broadly stable.

6. The monetary situation as of end-December 2012 was characterized by a year-over-year contraction in net external assets of 2.7 billion CFAF (-0.4 percent) and an increase in net domestic asets of about 20.0 percent, with a 24.1 percent increase in private sector credit, contrasting with the government's net position, which improved by 40.4 billion CFAF. Reflecting these trends, the money supply increased by 15.9 percent at end-December 2012.

7. With respect to public finances, the government has pursued program objectives in a context of substantial improvement of domestic revenue collection, with a tax ratio of 15.8 percent of GDP in 2012, an increase of 1.7 percentage points of GDP over 2011. This result, due in part to domestic revenue amounting to 110.6 percent compared to the program, was possible due to government reforms, particularly: establishment of collection units, expansion of the tax base, an awareness campaign for taxpayer compliance, and efforts to combat fraud, counterfeiting, and corruption. This outcome was also attributable to other actions undertaken by different agencies, particularly reclassifying administration for larger taxpayers to allow better follow-up, institution of a specific tax on transactions related to mining rights, and customs administration. Grants increased by 9.4 percent, from CFA 253.7 billion at end-December 2011 to CFA 277.5 billion at end-December 2012.

8. Expenditures and net lending amounted to CFA 1,452.9 billion in 2012, or 25.8 percent of GDP, representing an increase of CFA 286.8 billion, attributable to both current expenditures (14.7 percent of GDP) and capital expenditures (11.1 percent of GDP). The increase in current expenditures over the previous year is tied to: (1) some planned increases in components of the wage bill; and (2) the combined costs of elections, food security, increased fuel subsidies, and expenses related to refugees from Mali. The increase in domestically-financed investment spending was mainly due to a new construction projects and road maintenance. Externally-financed investment spending amounted to 3.9 percent of GDP in 2012 compared to 4.1 percent in 2011. The overall fiscal deficit on a commitment basis reached CFA 176.3 billion at end-December 2012, representing 3.1 percent of GDP compared to 2.4 percent of GDP in 2011. The overall deficit on a cash basis was 2.8 percent of GDP in 2012, an increase of 0.7 percentage points of GDP compared to 2011.

9. For the first quarter of 2013, government financial operations resulted in a surplus of CFA 6.7 billion CFAF, stemming from good performance with respect to revenues and grants, amounting to 322.4 billion, combined with a moderate increase in expenditures and net lending, amounting to 315.6 billion.

10. During 2012, SONABHY continued to operate under a difficult cash flow situation and with a low level of inventories. The increase in retail fuel prices in April 2012 reduced financial losses, but was not enough to eliminate them. To cover remaining losses, the government increased subsidies by CFA 15.5 billion. At the same time, it provided securities to SONABHY to cover past losses, in an amount of CFA 38 billion. SONABHY placed these securities with commercial banks (30 billion were sold in late March 2013).

11. Nearly all of SONABEL's technical performance indicators improved in 2012, with the volume of sales increasing from 857 GWh in 2011 to 952 GWh in 2012, an increase of about 11.14 percent, and a collection rate that increased from 82.75 percent in 2011 to 98.75 percent in 2012. Despite this improvement, SONABEL's financial situation remained difficult during 2012, with a net loss of CFA 14.6 billion. This situation was due to higher fuel prices, higher debt service costs, and the need to rely on higher cost domestic supplies, based on declining volumes of cheaper imported energy.

Program Performance

12. End-December quantitative performance criteria were met. Net domestic financing was CFA 64.7 billion against a ceiling of CFA 69.1 billion (adjusted to CFA 78.6 billion). The government has maintained a prudent policy on external indebtedness: it neither contracted nor guaranteed debt on noncessional terms, nor incurred new domestic or external arrears. Total revenues amounted to 998.9 billion, against an indicative target of CFA 902.5 billion. The overall deficit amounted to CFA 176.4 billion CFAF against an adjusted ceiling of CFA 197.5 billion. Poverty-reducing expenditures amounted to CFA 408.4 billion against a program target of CFA 367.6 billion.

13. All the structural measures anticipated as of end-December 2012 were implemented, with the exception of the measure to prepare a "strategy for improving the quality of financial services offered by SONAPOST." The delay is explained by personnel changes at the top management levels at SONAPOST. A strategy is currently under preparation, which will be submitted to the SONAPOST Board of Directors for its approval. The measure has therefore been reformulated to require adoption of the strategy by the SONAPOST Board of Directors, before end-December 2013.

14. Structural measures for end-March 2013 were implemented, but the measure to interconnect the biometric database and the database of the integrated government personnel and payment management system (SIGASPE) has not yet been finalized. It will be finalized after the SIGASPE database is completely cleaned up and the technical implementation of a continuous connection of the two databases—the process will be automated based on a platform implemented by a Moroccan consulting firm, GEMADEC, which undertook the biometric census of civil service workers. A new measure is being proposed that will expand the interconnected database to include magistrates, and will automate the process for temporary hires, in order to avoid manual processing of the integrated files.

Economic Policies for the Rest of 2013

A. Macroeconomic framework

15. The government intends to continue its efforts to support growth and reduce poverty, while adopting measures necessary to preserve macroeconomic stability. In terms of the momentum of economic activity, the rate of real growth for 2013 should be 7.0 percent, due to the good 2012/2013 agricultural harvest, and average inflation should be around 2.0 percent.

16. The trade balance is expected to be in surplus in 2013, of 1.5 percent of GDP. Export growth should continue to be driven by gold and cotton. The current account deficit should be around 2 percent of GDP. The overall balance of payments should show an improvement, with a slight surplus of 0.1 percent of GDP.

17. Macroeconomic targets will be achieved due to: (i) continued consolidation of progress made in the area of public finances; (ii) implementation of structural reforms; and (iii) execution of the government's priority programs as defined within the SCADD.

18. The 2012 annual assessment of SCADD implementation, discussed on April 30, 2013, indicates that 57 percent of the measures and actions included in the SCADD performance matrix were fully carried out, and 66 percent of the targets were achieved. The annual review revealed impediments to full implementation. As a result, measures are being adopted to strengthen regional and sectoral capacity to improve implementation over the period 2014-2016. Key measures and actions include developing the Bagré growth pole, more use of public-private partnerships, improving the population's access to energy, and increasing the competitiveness of the private sector by improving the business climate and promoting more capacity for structural transformation.

19. To promote a stronger social safety net, implementation of the action plan for the national social protection policy, adopted in December 2012, is continuing, and a mechanism has been established to monitor implementation nationally.

B. Budgetary policy for the rest of 2013

20. Budget policies will be prioritized based on the SCADD objectives to promote sustainable economic growth, and equitable and effective redistribution of wealth. To this end, public financial management with focus on strengthening already-achieved progress in mobilizing domestic and foreign resources, as well as improving the quality of investment spending, both domestically and externally financed.

21. A supplemental budget law for 2013 has been submitted for parliamentary approval. In the supplemental budget, revenue projections have been revised upward, to reach a level of 18.7 percent of GDP, based on favorable trends so far this year. Capital expenditures should increase significantly due, inter alia, to loans provided in the context of the Donsin airport construction project, the Bagré growth pole project, and university and roads infrastructure projects, as well as projects to increase electricity supplies. To accelerate the execution rate for investment expenditures on infrastructure, the government plans to strengthen processes for identifying priority projects, and undertake reforms in the public expenditure chain to streamline and digitalize spending control processes and documents. In order to properly identify the most relevant actions, the government plans to organize a national workshop including relevant parties, from which an action plan will be prepared and submitted for adoption by the Council of Ministers.

22. The overall budget deficit (commitment basis) is projected to be 2.4 percent of GDP in 2013. This deficit will be financed to a large extent by external financing, mostly on concessional terms. In addition, the proceeds from the CFA 32.53 billion bond issued on the WAEMU market in late 2012 will be used in 2013. A new bond issue amounting to CFA 55 billion CFAF is planned for November. Bonds of CFA 30.7 billion are scheduled to mature, thus net bond issuance in 2013 will be CFA 24.3 billion.

C. Public companies

23. SONABHY: In April 2013 the government reduced subsidies for butane by increaseing butane prices as of May 2013. In addition, as part of its strategy to reduce SONABHY's losses, the government will renounce a portion of its take of the per liter excise tax on petroleum products (TPP). In addition, SONABHY is continuing internal efforts to diversify the sources of its fuel purchase in order to obtain better prices. A competitive bidding process will be introduced for those shipping fuel, in the hope of reducing transport costs.

24. SONABEL: an increased subsidy will be included in the supplemental budget law to offset higher projected losses for 2013. In addition, in order to reduce costs and improve the supply of energy, the government will accelerate planned expansion projects, specifically the interconnection with Ghana, execution of the third 37.5MW segment of the Komsilga power station, and construction of the Zagtouli solar power station. Steps to implement the first two, larger, projects were added as structural reforms for the program.

D. Balance of payments

25. Burkina Faso's foreign trade in 2013 will continue to be marked by sustained exports of gold and cotton, in an environment of uncertainty concerning international prices, of these products and for fuel. However, exports should cause some improvement in the current account deficit, which is projected to remain at a level of about 2 percent in 2013 and 2014.

E. Debt policy

26. Debt policy will continue to be prudent. Consistent with its medium-term debt strategy, the government will continue to use concessional financing whenever possible. However, for certain highly profitable projects where concessional financing is not available, it will resort to use of nonconcessional financing. To this end, it has identified four projects that have an impact on growth and for which it requests exceptions to the program limit of zero nonconcessional financing. Financiers have been identified, and the government will seek the most favorable terms possible. These projects are: (i) development of 1,500 hectares of irrigated areas in Seguere, Nieguema, Bossora and construction of a 53 km feeder channel downstream of the Samendeni Dam (CFA 10 billion); (ii) development of the urban section of the RN04/RN03+ extension up to where it crosses the Avenue de la Liberté (CFA 18 billion); (iii) construction of the Donsin airport and its access routes (CFA 306 billion, of which CFA 104.5 billion to be financed on concessional terms, CFA 91.5 billion on non-concessional terms, and the remainder to be financed by domestic resources and PPPs); and (iv) paving the Kongoussi-Djibo and Dédougou-Tougan roads (CFA 68 billion, of which CFA 51.9 billion is to be financed concessionally, and CFA 16.4 billion non-concessionally). Inclusion of these projects in the latest external debt sustainability analysis conducted by the IMF and World Bank in May 2013 resulted Burkina Faso's risk of debt distress remaining at "moderate."

Structural reforms

27. Table 1 lays out structural benchmarks for the remainder of the current program, while Table 2 presents key structural goals for end-December 2013. Certain benchmarks are intended to accelerate the execution rate of investment expenditures, including already this year. Other benchmarks also seek to consolidate and improve achievements made in mobilizing tax revenues. The government is also pursuing many other reforms to achieve program objectives. One of the most important is the revision of the mining code, currently under way, in order, inter alia, to align the mining tax system with best international practices. In addition, the government is planning reforms to its public procurement processes, to be inscribed in law.

28. The government also plans to undertake other reforms that could have been structural benchmarks. For example, the Directorate of the Treasury plans to undertake a mining revenues diagnostic study to better define all opportunities for its share of collection of mining revenues and to improve revenue forecasting. Since used vehicles represent a large share of imports, the Directorate of Customs plans to purchase and configure software to improve their valuation and overall revenue collection. Finally, the government is working with development partners on two important projects to expand the energy supply, which will alleviate fiscal pressure for SONABEL and remove an important constraint to inclusive growth. These are:

- Accelerate implementation of electricity grid connection with Ghana (as evidenced by signing and implementing the supervisory engineering contract); and

- Accelerate implementation of the third and final phase of the Komsilga thermal power plant (to be achieved through ensuring the generators are operational through factory testing).

Program Modalities

29. The authorities intend to take all measures necessary to achieve the objectives and benchmarks agreed with IMF staff, as presented in Tables 1 and 2 of this memorandum. The program will be monitored in accordance with the Technical Memorandum of Understanding, which defines quantitative performance criteria and requirements for data reporting to IMF staff. The seventh program review is expected to take place on or after November 1, 2013.

Table 1: Structural Benchmarks for the 7th ECF Review

Measures	Reason	Completion Date
Decide on measures to accelerate investment projects included in the 2013 budget, to be determined in a Cabinet-level meeting.	Accelerating the execution of the investment budget	June 2013
Create by ministerial decree a committee to monitor the implementation of externally-financed investment projects and programs.	Accelerating the execution of the state investment budget.	June 2013
Adopt a plan of action by the Council of Ministers to implement recommendations to modernize and digitalize public spending systems, based on input from a national conference.	Improving the procedural efficiency and the level of execution of investment spending.	Sept. 2013
Finalize and operationalize the interconnection of the biometric database and the SIGASPE (payroll database).	Improving the monitoring of elements of the public sector wage bill	Sept. 2013 (building on the partially-met Dec. 2012 benchmark)

Table 2: Additional Structural Targets for December 2013

Measures	**Reason**	**Completion Date**
Make the tax information crosscheck module operational and functional in GERIF taxpayer database.	Improving information-sharing between the DGI and the DGD.	Dec. 2013
Update projections of the 2013-16 financial situation of the SOFITEX business plan based on results from fiscal year 2012 and submit update for approval by the Board of Directors	Updating of the latest developments in the financial situation.	Dec. 2013
Prepare a strategy to improve the quality of financial services offered by the national postal service (SONAPOST), and have it approved by the Board of SONAPOST.	Improving access to financial services	Dec. 2013 (building on the Dec. 2012 benchmark that was not met)

Table 3. Burkina Faso: Performance Criteria and Indicative Targets, 2013

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

	2013		
	June	Sep. [4]	Dec.[4]
	Proj.	Proj.	Proj.
Quantitative Performance Criteria			
Ceiling on net domestic financing of central government[1]	18.8	34.2	49.1
Ceiling on the amount of new nonconcessional external debt contracted or guaranteed by the government [2 3]		135.9	135.9
Accumulation of external arrears [2]	0.0	0.0	0.0
Indicative targets			
Ceiling on the overall fiscal deficit including grants	57.7	95.7	144.3
Government revenue	601.7	817.5	1148.4
Poverty-reducing social expenditures[5]	170.5	266.2	417.9
Accumulation of new domestic arrears [2]	0.0	0.0	0.0

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

[1] Including on-lending of prospective IMF disbursements.

[2] Performance criterion, to be observed continuously.

[3] The non-zero limit applies to 4 specific projects namely, (i) the hydro- agriculture project at Samendeni (ii) the Donsin airport and access roads (iii) highways RN03 and RN04 and (iv) the road links between Kongoussi-Djibo and Dédougou-Tougan

[4] Indicative Target, except for continuous performance criteria.

[5] 90 percent of budget amount.

Attachment II. Technical Memorandum of Understanding

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

DEFINITIONS

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

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

4. Debt guarantees. For the purposes of the relevant performance criteria, a government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind).

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

6. External debt. For the purposes of the relevant performance criteria, external debt is defined as debt contracted or serviced in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries. The relevant performance criteria apply to the external debt of the government, public enterprises, and other public entities in which the government holds more than 50 percent of the capital, and any private debt for which the government has extended guarantees that constitute a contingent liability for the government.

[1] The following page of the IMF website provides a tool to calculate the grant element of a wide range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

7. Reporting requirements. The government will promptly inform IMF staff when new external debt is contracted or guaranteed, including the applicable terms, within a maximum of two weeks after signature of the contract.

QUANTITATIVE PERFORMANCE CRITERIA

8. The revised quantitative performance criteria proposed for June 2013 relate to: (i) net domestic financing as defined in paragraph 9; (ii) the contracting or guarantee of nonconcessional external debt, as defined in section 1; and (iii) the non-accumulation of payment arrears on external debt service. The amounts provided in the program for September 2013 and December 2013 are indicative targets.

A. Net Domestic Financing

9. For the purposes of the relevant performance criteria, net domestic financing is defined as the sum of (i) net bank credit to the government, including net bank credit to the Treasury as defined below and other government claims and debts vis-à-vis the national banking institutions (claims associated with IMF disbursements are included); (ii) the stock of unredeemed government bills and bonds held outside national commercial banks; (iii) privatization receipts; and other government claims and debts vis-à-vis national nonbank institutions. Net bank credit to the Treasury is the balance of the Treasury's claims and debts vis-à-vis national banking institutions. Treasury claims include the cash holdings of the Burkinabè Treasury, deposits with the central bank, deposits with commercial banks, secured obligations, and government deposits in postal checking accounts (CCP). Treasury debt to the banking system includes funding from the central bank (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, funding from commercial banks (including government securities held by commercial banks), and securitized deposits of the national postal savings fund (CNE/CCP). Net bank credit to the government is calculated based on information provided by the Central Bank of West African States (BCEAO), whose figures are deemed valid for program purposes. The foregoing items are calculated based on the government budget execution report presented each month in the government financial operations table prepared by the Ministry of Economy and Finance.

Adjustment

10. The cumulative ceiling on net domestic financing will be adjusted upward in the amount by which external program support, excluding grants and project loans, falls short of the projected amount, up to a maximum of CFAF 53 billion. The shortfall in external program assistance (grants and loans) will be calculated in reference to the projections in Table 1 below. The ceiling will not be adjusted downward in the event the external program assistance is higher than programmed.

Table 1: External Program Assistance (cumulative, CFAF billions)			
	End-June 2013	End-September 2013	End-December 2013
Grants and loans	24.0	81.0	179.7

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

B. Non-accumulation of External Payment Arrears

Performance criterion

12. External payment arrears are external payments due but unpaid. Under the program the government agrees not to accumulate external payment arrears on its debt except arrears arising from obligations being renegotiated with external creditors, including bilateral non-Paris Club creditors. Nonaccumulation of external arrears is a performance criterion, to be observed continuously.

Reporting deadlines

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

C. Nonconcessional External Debt Contracted or Guaranteed by the Government

Performance criterion

14. The government undertakes not to contract or guarantee any nonconcessional external debt beyond the ceiling indicated in MEFP Table 3. This performance criterion applies to external debt as defined in paragraph 6 of this memorandum. It utilizes the concept of concessionality as defined in paragraph 5 of this memorandum. This performance criterion also applies to any private debt guaranteed by the government that constitutes a contingent government debt as defined in section I of this memorandum. In addition, this criterion applies to public enterprises, local governments, and other public sector entities (including public administrative, professional, scientific and technical agencies) unless excluded in MEFP Table 3. However, this performance criterion will not apply to Treasury bills and bonds issued in CFA francs on the WAEMU regional market, to suppliers' normal short-term credits, or to IMF loans. This commitment is a performance criterion to be observed continuously. It is measured on a cumulative basis from the IMF Executive Board's approval of the ECF, and no adjustment factor will apply.

Reporting deadlines

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

III. OTHER QUANTITATIVE INDICATIVE TARGETS

16. The program also includes indicative targets for the overall deficit (commitment basis, grants included) as defined in paragraph 17 below; total government revenue; poverty-reducing social expenditures, and nonaccumulation of domestic payment arrears.

A. Overall Deficit Including Grants

Definition

17. For the program, the overall deficit including grants is valued on a commitment basis. It is defined as the sum of the government's net foreign and domestic financing, measured from the financing side, plus a cash basis adjustment. Net foreign financing is the sum of new foreign borrowing less amortization. Government net domestic financing is defined as the sum of: (i) net bank credit to the government, including the sum of net bank credit to the Treasury as defined below and other government claims and debts vis-à-vis national banking institutions; (ii) the stock of unredeemed government bills and bonds held outside national commercial banks; and (iii) privatization receipts. Net bank credit to the Treasury is defined as the balance of Treasury claims and debts vis-à-vis national bank institutions. Treasury claims include cash holdings of the Burkinabè Treasury, central bank deposits, deposits with commercial banks, secured obligations, and government deposits in postal service checking accounts (CCP). Treasury debt to the banking system includes central bank funding (including statutory advances, consolidated advances, IMF financing, and refinancing of secured obligations), government securities held by the central bank, commercial bank funding (including government securities held by commercial banks), and securitized deposits of the national postal savings fund (CNE/CCP). Net bank credit to the government is calculated by the Central Bank of West African States (BCEAO), whose figures are deemed valid for program purposes. The stock of Treasury bills and bonds and net government external financing is calculated by the Ministry of Economy and Finance. The cash basis adjustment is defined as the sum of: (i) all unpaid expenditure commitments and (ii) the change in pending bills.

18. The foregoing items are calculated based on the government budget execution report presented each month in the government financial operations table prepared by the Ministry of Economy and Finance.

Adjustment

19. The overall deficit including grants will be adjusted upward in the amount by which grants fall short of the programmed amount, up to a maximum of CFAF 25 billion. It will not be adjusted if grants are higher than programmed. The shortfall will be calculated in reference to the projections in Table 2 below.

20. The overall deficit including grants will also be adjusted upward in the amount by which concessional loans exceed the programmed amount, up to a maximum of CFAF 15 billion. The surplus will be calculated in reference to the projections in Table 2 below.

Table 2: External Assistance (cumulative, CFAF billions)

	End-June 2013	End-September 2013	End-December 2013
Grants (program and projects)	124.7	219.4	330.6
Loans	51.1	82.1	124.2

Reporting deadlines

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

B. Total Government Revenue

Definition

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

Reporting deadlines

23. The Ministry of Finance and Budget will forward details on total revenue to the IMF within six weeks after the end of each month.

C. Poverty-Reducing Social Expenditures Definition

24. Poverty-reducing social expenditures are defined as the expenditures of sectors sponsoring the priority programs identified in the Accelerated Growth and Sustainable Development Strategy (SCADD) to accelerate the achievement of poverty reduction objectives. The expenditures cover all spending categories for the following ministries: Basic Education; Health; Social Action and National Solidarity; Promotion of Women; Civil Service, Labor and Social Security (only the labor and social security components); Youth, Professional Training and Employment; Agriculture and Water; Animal Resources; and Environment and Sustainable

Development. They also cover rural roads and Heavily Indebted Poor Countries (HIPC) initiative (Category 5) for infrastructures, and HIPC expenditures only for Communication; Mines, Quarries, and Energy; Justice and the Ministry of Economy and Finance. These expenditures are monitored directly through the budget, and the indicative threshold for the program will be 90 percent of the amount established by the budget authority.

Reporting deadlines

25. The government will forward monthly data on poverty-reducing social expenditures within six weeks after the end of each month. It will also submit the poverty-reducing expenditure execution report each quarter.

D. Non-accumulation of Domestic Payment Arrears

Definition

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

Reporting deadlines

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

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Public Finance

28. The government will forward the following data to IMF staff in MS Excel format:

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

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

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

- Quarterly data on the stock of external debt, external debt service, external debt contracted, and external debt repayment, to be sent within six weeks after the end of each quarter.

- Monthly data in table format on the monitoring of social poverty-reducing expenditures, to be submitted at the same intervals provided above for the TOFE.

- Monthly data on petroleum product prices, consumption, and taxes, including:

(i) the price structure for the month concerned;
(ii) detailed calculation of the price structure, from the f.o.b.-MED price to the retail price;
(iii) volumes purchased and distributed for consumption by the petroleum distributor (SONABHY); with a distinction made between retail and industry sales; and
(iv) a breakdown of tax revenue from petroleum products—customs duties, tax on petroleum products (TPP), and value-added tax (VAT)—and subsidies paid; to be provided within four weeks after the end of each month.

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

B. Monetary Sector

29. Within six weeks after the end of each month, the government will forward:

- the consolidated balance sheet of monetary institutions;

- the monetary survey, within six weeks after the end of the month for provisional data, and within ten weeks after the end of each month for final data;

- the lending and borrowing interest rates;

- the standard bank supervision indicators for banks and nonbank financial institutions.

C. Balance of Payments

30. The government will transmit the following to IMF staff:

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

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

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

D. Real Sector

31. The government will transmit the following to IMF staff:

- Disaggregated monthly consumer price indices, monthly within two weeks after the end of each month;
- Provisional national accounts; and;
- Any revision of the national accounts.

E. Structural Reforms and Other Data

32. The government will transmit the following to IMF staff:

- Any study or official report on Burkina Faso's economy, within two weeks after publication thereof; and.
- Any decision, order, law, decree, ordinance, or circular having economic or financial implications, on the date published, or no later than the date of entry into force.