

SUR/08/1

January 10, 2008

**The Acting Chair's Summing Up  
Burkina Faso—2007 Article IV Consultation,  
First Review Under the Poverty Reduction and Growth Facility, Request for Access  
Augmentation, Requests for Waivers for Nonobservance of Performance Criteria, and  
Request for Modification of Performance Criteria  
Executive Board Meeting 08/1  
January 9, 2008**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Burkinabè authorities for implementing strong policies in 2006 and 2007, in the context of a difficult macroeconomic environment. These policies have contributed to robust economic growth and low inflation.

Directors noted that the fall in international cotton prices, the appreciation of the euro, and rising oil prices pose challenges for sustaining growth and macroeconomic stability going forward. They welcomed the adjustment measures taken by the authorities in response to these challenges, and underscored the importance of maintaining a sound fiscal policy and pressing ahead with structural reforms to improve competitiveness, diversify the economy, and attract private investment. A prudent policy framework is especially important to improve external competitiveness.

Directors encouraged the authorities to reduce the fiscal deficit by increasing the revenue-to-GDP ratio over the medium term. This will be necessary to raise priority spending while reducing the current account deficit and maintaining fiscal and external debt sustainability. In this connection, timely implementation of revenue administration and comprehensive tax policy measures will be crucial. Directors therefore welcomed the focus on revenue-raising reforms in 2008 and encouraged early adoption of the planned tax policy reform. Directors also recommended against contracting new non-concessional borrowing, and stressed that the authorities should seek new assistance in the form of grants wherever possible.

Directors commended the authorities' efforts to strengthen public financial management and governance by improving budget preparation and execution, tightening expenditure controls, and tracking foreign-financed and poverty-reducing expenditure more closely. They welcomed in particular the steps taken to strengthen the government's audit capacity. Directors encouraged the authorities to further enhance transparency and expenditure prioritization, and welcomed their decision to join the Extractive Industries Transparency Initiative.

Directors commended the adoption of the new cotton producer price mechanism, which is a major step toward putting cotton ginning companies on a sustainable footing. They encouraged the authorities to liberalize the cotton sector and reduce the government's role, and to re-activate the automatic mechanism for adjusting domestic petroleum prices. Directors commended the substantial progress achieved in improving the business climate, and encouraged continued attention to improving governance, reducing rigidities in the labor market, and strengthening public institutions and infrastructure. Directors noted that, while the banking system appears to be stable, increasing vulnerabilities point to the need to strengthen the system further. The upcoming FSAP would be a good opportunity to help formulate the necessary reform measures.

The next Article IV consultation with Burkina Faso is expected to be held in accordance with the Executive Board decision on the consultation cycle for members with Fund arrangements.