EXECUTIVE BOARD MEETING

EBS/20/163
Supplement 1

October 30, 2020

To:	Members of the Executive Board
From:	The Secretary
Subject:	**Burkina Faso—Fourth and Fifth Reviews Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance of Performance Criterion and Rephasing of Access—Debt Sustainability Analysis**

Board Action:	Executive Directors' **consideration** (Formal)
Prepared by:	The staffs of the Fund and the International Development Association
Tentative Board Date:	**Friday, November 13, 2020**
Publication:	Yes*
Questions:	Mr. Ahokpossi, AFR (ext. 39573) Mr. Mpatswe, AFR (ext. 39513) Mr. Simione, AFR (ext. 34878) Mr. Varghese, SPR (ext. 37846)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Islamic Development Bank, Organisation for Economic Cooperation and Development, West African Economic and Monetary Union, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

BURKINA FASO

October 29, 2020

FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION AND REPHASING OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

Approved by
Catriona Purfield (IMF) and Marcello Estevão (IDA)

Prepared jointly by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Substantial space to absorb shocks
Application of judgement	No

Burkina Faso remains at moderate risk of external debt distress. *The rating is unchanged from the April 2020 Debt Sustainability Analysis (DSA). The macroframework underlying this DSA accounts for Burkina Faso's recent GDP rebasing and incorporates the impact of the Covid-19 pandemic and the deteriorating security situation. The current debt-carrying capacity is consistent with a classification of 'medium'.[1] The risk of overall and external debt distress in Burkina Faso remains moderate, with substantial space to absorb shocks. All external debt indicators remain below the relevant indicative thresholds under the baseline scenario. Under a standard stress test of a shock to exports, two of the thresholds for PPG external debt—debt service-to-exports and debt service-to-revenue ratios—are breached. Overall public debt breaches the relevant benchmark under one scenario. Burkina Faso would need to: (i) maintain a sound macro-fiscal framework in the midst of the pandemic shock; (ii) implement structural reforms to diversify its export base; (iii) exercise control over government guarantees and contingent liabilities; and (iv) limit non-concessional borrowing and strengthen the implementation of its medium-term debt strategy to contain its debt service and gross financing needs in order to prevent a deterioration of its debt sustainability outlook.*

[1] Burkina Faso's Composite Indicator is 3.01 based on the October 2019 WEO and the 2019 CPIA, corresponding to the medium debt-carrying capacity.

BACKGROUND ON DEBT

1. **Public debt levels have increased in the last few years following large fiscal deficits and a shift towards more expensive domestic borrowing (Text Table 1).** The nominal stock of public debt as of end-2019 stood at 42.7 percent of GDP up by 5 percentage points of GDP compared to the previous year. The increase in 2019 was driven by (i) an elevated budget deficit due to higher than planned VAT reimbursement and (ii) weaker than expected external disbursements. The composition of debt has continued to shift towards domestic debt, financed by the WAEMU regional market. External debt comprised 55.6 percent of the total debt stock at end-2019, down from 77.1 percent at end-2014.

Text Table 1. Burkina Faso: Public Debt Stock, 2014-19
(percent of GDP)

	2014	2015	2016	2017	2018	2019
Public Debt	26.6	31.4	33.3	33.5	37.7	42.7
External Debt	20.5	23.2	23.7	21.1	21.5	23.7
share (in percent to total debt)	*77.1*	*73.9*	*71.1*	*62.8*	*57.0*	*55.6*
Domestic Debt	6.1	8.2	9.6	12.4	16.2	19.0
share (in percent to total debt)	*22.9*	*26.1*	*28.9*	*37.2*	*43.0*	*44.4*
Memorandum items:						
Overall fiscal balance	-1.6	-1.9	-3.0	-6.8	-4.2	-3.2
GDP growth (in percent)	4.3	3.9	6.0	6.2	6.8	5.7

Sources: Burkinabe authorities; and IMF staff estimates.

Text Table 2. Burkina Faso: Coverage of Public Sector Debt [1/]

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

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

Text Table 3. Burkina Faso: Combined Contingent Liability Shock

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

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

2. The country's coverage of public debt currently includes external and domestic obligations of the central government yet excludes guarantees and non-guaranteed SOE debt (Text Table 2). The authorities are taking steps to extend the coverage of debt to include guarantees to the public and private sectors for this current vintage. According to information provided by the authorities, the two main state-owned enterprises that are majority owned by the public sector do not borrow externally.[2] An audit of SOE debt too is underway, and under the World Bank's Sustainable Development Finance Policy, an annual debt report and two quarterly debt bulletins aim to broaden the coverage of debt statistics to include domestic debt and contingent liabilities. Any additional information will be reflected in the upcoming DSA. Domestic debt of these state-owned enterprises, however, is not covered in the baseline DSA, but the standard SOEs' 2 percent share of GDP is included in the contingent liability stress test (see Text Table 3 and ¶8). Domestic debt is defined as debt denominated in the regional currency, the FCAF. The choice of coverage is based on currency, rather than residency, due to the difficulty of monitoring the residency of creditors for debt traded in the regional market. Once the debt audit is finalized and the coverage and quality of the debt ensured, the data will be included in the DSA.

BACKGROUND ON MACRO FORECASTS

3. Text Table 4 summarizes the main differences in macroeconomic assumptions between the previous DSA (April 2020) and the current DSA.[3] Compared with the previous DSA, real GDP growth decelerated further, notably with a sharp contraction in 2020 owing to the external and domestic effects of the COVID-19 outbreak. The intensification of the security crisis also contributes to lower growth. Burkina Faso's overall fiscal balance breaches the WAEMU convergence criterion for the period 2019-2023 but reverts back thereafter. This DSA includes for 2020 IMF disbursements (ECF/RCF), IMF debt relief (CCRT),[4] G20 DSSI and additional external support (other donors), while the remaining financing gap is sought to be filled on the WAEMU's regional market. The authorities have also requested the debt service suspension from official bilateral creditors and intend to adhere to the required commitments. While the current account has been revised sizably upwards to account for artisanal gold exports from 2019 onwards, the improvement in 2020 and 2021 is attributable to the increase in gold prices and decline in the oil bill. Gold price forecasts are sizably larger than the previous DSA in light of recent global developments. Gold exports maintain an upward path amid continued robust expansion in the domestic gold sector. The price of Burkina Faso's other main commodity export, cotton, is largely stable relative to the previous DSA.

---

[2] The two public enterprises are SONABHY, the state-owned oil-importing company, and SONABEL, the national electricity company.

[3] IMF Country Report No. 20/130 of April 2020.

[4] CCRT includes both the first 6 months of debt relief and potential debt relief provided for the next 18 months. The last 18 months of debt service relief is expected subject to availability of CCRT resources.

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

		2019 est.	2020	2021	2025	2028
Gold (USD/ounce)	Current DSA	1,392	1,788	1,966	2,050	2,050
	Apr-2020 DSA	1,392	1,500	1,499	1,571	1,571
Cotton Prices (cts/lb)	Current DSA	78	70	72	71	71
	Apr-2020 DSA	78	70	71	70	70
Exports of goods (% of GDP)	Current DSA	24.3	25.8	24.8	20.4	17.7
	Apr-2020 DSA	24.3	22.8	22.2	19.6	17.0
Real GDP Growth (y/y)	Current DSA	5.7	-2.8	4.1	5.6	5.6
	Apr-2020 DSA	5.7	2.0	5.8	5.6	5.6
Current Account (% of GDP)	Current DSA	-4.8	-3.5	-3.5	-5.2	-6.0
	Apr-2020 DSA	-4.4	-4.3	-4.5	-5.3	-6.2
Overall Fiscal Balance (% of GDP)	Current DSA	-3.2	-5.3	-5.5	-3.0	-3.0
	Apr-2020 DSA	-2.7	-5.0	-3.5	-3.0	-3.0

Sources: IMF staff estimates and World Economic Outlook projections.

4. **This DSA update is consistent with the macroeconomic framework underlying the Staff Report prepared for the fourth and fifth reviews of the three-year ECF program (Box 1).** The macro framework estimates growth to contract by 2.8 percent in 2020 and recover to 5.6 percent over the medium term. The macro framework projects a relaxation of the deficit target until 2023 above the 3 percent threshold consistent with Burkina Faso's WAEMU membership commitment. The authorities continue to provide provisions for the subsidies to the national oil company and are limiting cash adjustments, hence containing the off-budget debt creating flows.

Box 1. Macroeconomic Revisions and Assumptions Underlying this DSA Vintage

Gold prices have been revised upwards throughout the projection period. WEO gold price projections have been raised since the previous DSA for 2020 onward, driven by global price developments in response to the economic impact of the pandemic. WEO cotton price projections have remained more or less stable since the previous DSA for 2020 onwards. Gold production growth is expected to drop moderately over the medium term, as a challenging security situation is weighing on exploration operations of mining companies. In November 2019, an attack on a road leading to a SEMAFO Boungou mine led to the suspension of production for 3 months which has also added contemporaneous pressure on total gold production. The coming on stream of new industrial gold mines represent a buffer, but continued escalation of security tensions could further hamper exploration, limit prospective mining, and depress export receipts. The COVID-19 outbreak could compound this challenging situation as an outbreak in mines could lead to suspension of production.

Real GDP in 2020 is estimated to contract by 2.8 percent, sizably lower than the previous DSA projections. The growth projection for 2020 reflects the impact of COVID-19 shock and associated policy measures. The impact of the pandemic is projected to be widespread, with hotels, restaurants, commerce and transportation among the most hit sectors. Policies are envisaged to cushion the shock under the authorities' economic recovery plan, which includes a partial guarantee fund for companies in hard-hit sectors. While growth is projected to rebound partially in 2021 to 4.1 percent, considerable downside risks remain due to a potential second wave of infections, further intensification of security challenges, and commodity price vulnerabilities. From 2022 onwards, real GDP growth is projected to stabilize at 5.6 percent.

The overall fiscal deficit for 2020 has further worsened to 5.3 percent compared to the previous DSA. The widening deficit reflects the effort by the authorities to deal with the COVID-19 pandemic and the security crisis weighing on economic activity and public finances. The higher fiscal deficit in 2020 is financed in part by the Fund's disbursements from the ECF and RCF and debt relief under the CCRT. The rest is assumed to be financed by an increased mobilization of external support including the World Bank, the African Development Bank, and the European Union, as well as on the WAEMU's regional market leading to an increase in domestic financing and interest payments. Fiscal deficit is expected to be 5.5 percent of GDP for 2021, further improving to 4.8 and 4.0 percent in 2022 and 2023 respectively, and stabilizing at 3.0 percent going forward assuming the government undertakes efforts to meet the WAEMU convergence criteria. Over the medium-term, defense and security spending will continue to place a heavy burden on the budget. This warrants a more gradual return of the fiscal deficit to the regional convergence criteria of 3 percent of GDP in 2024.

Domestic debt is assumed to continue to increase throughout the forecast horizon, reflecting the authorities' financing needs over the medium-term. In 2020, domestic financing is expected to increase by 2.2 percentage points of GDP to 21.2 percent of GDP. In the medium term, the composition of domestic financing is assumed to be similar to that in 2019 with 45 percent in T-bills with an average interest rate of 5.4 percent, 30 percent in 3 to 5-year bonds with an average interest rate of around 6.5 percent, and 25 percent in 8-year bonds with an average interest rate of 7.6 percent. Beyond the medium-term, the authorities are assumed to mobilize greater amounts from longer-term instruments as the regional financial market develops. The remainder of the deficit is assumed to be financed via external debt, but on gradually less generous terms to reflect additional non-concessional financing and conservative assumptions about the availability of concessional financing in future years. The non-concessional external financing is assumed to increase from 1 percent in 2019 to one half of the total external financing in 2040. Fiscal consolidation over the medium term is expected to be achieved through: i) increased revenue mobilization underpinned by reforms to broaden the tax base and to reinforce the effectiveness of tax collecting agency (DGI) and customs administration (DGD); ii) better control of expenditures with reforms to bring the wage bill growth to a sustainable path and reduce energy subsidies.

The current account deficit is estimated to have reached 4.8 percent of GDP in 2019 but it is then projected to drop to 3.5 percent of GDP in 2020 and 2021 driven by the external price conditions, primarily gold and oil. Upside and downside risks to the current account include volatility in key exports (e.g. gold, cotton) and imports (e.g. oil, fuel, machinery), increased imbalances in the trade of services, and a further deterioration of the security environment in the Sahel region. Current account is projected to worsen going forward with an average of 5.1 percent for the projection period through 2030.

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

a. Figure 3 shows that the contributions of past external debt creating factors remain relatively unchanged for the projection period. However, the contribution of prices and exchange rate is projected to decrease debt going forward and the magnitudes are projected to shrink in the future. Unexpected changes in external debt are near the median of the distribution across low-income countries. Total public debt projections improve compared with Burkina Faso's historical experience, mostly due to a projected fiscal adjustment of about 3 percent of GDP beginning from 2024 to accommodate the covid shock response, as opposed to the unusually large fiscal deficits in the previous 5 years, especially in 2016 and 2017. Unexpected changes in public debt are near the upper quartile of the distribution across low-income countries.

b. Figure 4 shows the country's planned fiscal adjustment for the next 3 years average at 0 percent of GDP. This reflects the relaxation of deficit target during 2020-2023 to help the country better respond to the pandemic outbreak and escalating security threat. The DSA takes this into account while assuming a gradual return to the fiscal deficit convergence criterion of 3 percent of GDP, with the country back in full compliance starting in 2024.

c. Finally, Figure 4 also shows the contribution from government capital to real GDP growth is projected in line with the historical magnitude, while the contribution from other factors is expected to decline.

6. This DSA assumes an increase of non-concessional financing over the forecast horizon. The authorities' debt strategy favors exhausting all options for concessional financing before exploring more expensive non-concessional options, including commercial ones. Nevertheless, since financing needs exceed the amount of expected available concessional financing, this DSA assumes that non-concessional borrowing will expand to an average of around 20 percent of total external borrowing over time starting from 2020 and through the DSA horizon. Consistent with this assumption, the grant element of new borrowing is assumed to decrease gradually over the forecast horizon.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

A. Country Classification

7. Burkina Faso's current debt-carrying capacity is consistent with a classification of 'medium' (Text Table 5). The country's Composite Indicator (CI) index, calculated based on the October 2019 WEO and the 2019 CPIA score, is 3.01, that is below the threshold of 3.05 for "strong," hence the 'medium' classification. Moreover, the classification based on the previous vintage had been also 'medium'. The relevant indicative thresholds for this 'medium' category are: 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. These thresholds are applicable to public and publicly guaranteed external debt. The benchmark for the PV of total public debt for medium debt carrying capacity is 55 percent of GDP.

B. Determination of Scenario Stress Tests

8. Given the limited coverage of the country's public debt, a stress test for a combined contingent liability shock of 8.5 percent of GDP was conducted (Text Table 3). A 1.5 percent of GDP shock is included as a contingent liability to account for the guarantees to the private sector. In the absence of SOE debt, a standard SOE debt of 2 percent of GDP is included as additional contingent liability to reflect potential guaranteed and unguaranteed external and domestic debt of public companies (e.g. SONABHY, SONABEL, SOFITEX). No shock is used to account for PPPs, as the stock is still less than 1 percent of GDP. For the financial sector, the default value of 5 percent of GDP is retained, representing the average cost to the government of a financial crisis.

9. A tailored stress test for commodity price shocks was also conducted given that commodities constitute around 80 percent of total exports in Burkina Faso. This shock is applied to all countries where commodities constitute more than 50 percent of total exports of goods and services over the previous three-year period. The scenario captures the impact of a sudden one standard deviation decline in the export prices of gold, grains, and cotton in 2020, corresponding to a decline in prices by 16 percent, 11 percent, and 15 percent, respectively, and incorporates macroeconomic interactions on the real GDP growth, inflation and primary balance.

Text Table 5. Burkina Faso: Debt Carrying Capacity and Relevant Indicative Thresholds

Country	Burkina Faso
Country Code	748

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium	Medium	Strong
	3.006	3.03	3.05

Note: The current vintage is based on the WEO October 2019, the previous vintage is based on WEO April 2019 and the classification based on two previous vintages is based on the WEO October 2018. All classifications also use the available CPIA at the time of the vintage.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.586	1.38	46%
Real growth rate (in percent)	2.719	5.727	0.16	5%
Import coverage of reserves (in percent)	4.052	38.402	1.56	52%
Import coverage of reserves^2 (in percent)	-3.990	14.747	-0.59	-20%
Remittances (in percent)	2.022	1.460	0.03	1%
World economic growth (in percent)	13.520	3.499	0.47	16%
CI Score			3.01	100%
CI rating			Medium	

Applicable thresholds

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

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

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

DEBT SUSTAINABILITY

A. External Debt Sustainability Analysis

10. Under the baseline scenario, all external public and publicly-guaranteed (PPG) debt indicators remain below the policy-relevant thresholds for the next ten years (Table 1 and Figure 1). Having a 40 percent threshold, the present value (PV) of external debt-to-GDP ratio is expected to remain around 18 percent over the projection horizon. The ratio increases from 18.7 percent in 2020 to 19.4 in 2030, albeit after a reduction in initial years, reflecting the external and domestic impact of the COVID-19 outbreak and policy responses to mitigate.[5] The PV of debt-to-exports ratio is expected to grow steadily from 66.2 percent in 2020 to 100.4 percent in 2030 yet remains below the 180 percent threshold. Neither of the debt service indicators causes any breach of their respective thresholds under the baseline scenario. The PV of debt service-to-exports ratio remains at around 5 percent for most of the next 10 years, increasing from 3.6 percent in 2020 reaching 6.9 percent in 2030; while the debt service-to-revenue ratio (excluding grants) increases from 5.6 percent in 2020 to reach 6.4 percent in 2030.

11. The standardized stress tests show that an export shock has the largest negative impact on the debt trajectory, triggering breaches to two of the external PPG debt indicators (Table 3). The PV of debt-to-exports ratio is significantly impacted by the export shock driven mostly by a high historical volatility in receipts in US dollar terms. The indicator reaches 212.4 percent in 2022 (against 66.0 percent under the baseline), and it remains above the threshold of 180 percent for the remainder of the projection period. The test highlights the need for a sustained effort to improve the economy's potential in exporting goods and services by addressing the security situation, through policy reforms in the mining sector, and diversification efforts. Similarly, the PV of debt service-to-exports ratio breaches its threshold of 15 percent by reaching 19.5 percent in 2028 and remaining above for the remainder of the period. Other shocks, including to real GDP growth, the primary balance, a one-time 30 percent depreciation of CFAF and the tailored tests (for contingent liabilities and commodity prices) do not lead to any breach of the debt thresholds (Table 3).

B. Public Sector Debt Sustainability Analysis

12. The baseline scenario projects a marginal downward trend of PPG public debt following a peak of 48.1 percent of GDP projected for end 2022 (Table 2 and Figure 2). An increase in public debt is projected in 2020 and 2021—to finance the pandemic response—with both domestic and external debt projected to rise. Over the longer-term, the planned fiscal adjustment allows the debt ratio to be under control.

13. Under the baseline scenario, the PV of public debt-to-GDP ratio does not breach the 55 percent benchmark. The ratio remains around 40 percent over the projection horizon reflecting

[5] External debt dynamics are highly driven by non-identified debt-creating flows (as illustrated by residuals in Table 1). These residuals are persistent and consistent with historical dynamics, and they are largely due to the definition of external debt on the currency-basis, in misalignment to the current account which is conducted on the residency-basis.

the temporary impact of COVID-19 shock, long-term effects of fiscal consolidation in line with WAEMU commitments, and the limit imposed to off-budget debt creating operations. The PV of debt-to-revenue and grants ratio is expected to peak in 2023 at 194.7 percent and then gradually decrease to 168.9 percent by 2030. The PV of debt service-to-revenue and grants ratio escalates rapidly from 37.3 percent in 2020 to 50.9 percent by 2022, given the short maturity of domestic financing. The latter raises concerns over the medium to long term about liquidity risks to the service of total public debt, especially as domestic debt is driven up by cash flow management issues.

14. The standardized sensitivity analysis shows that the most extreme shock leading to the highest debt figures in the projection period is a shock to exports, which breaches the public debt benchmark (Figure 2, Table 4). The PV of debt-to-GDP ratio would peak at 56 percent of GDP, under the stress test of a shock to exports—the most extreme shock, crossing the benchmark of 55 percent. Although the breach occurs in the near future, the deviations are minimal. The exports shock is also the most extreme shock affecting the PV of debt-to-revenue ratio. The tailored test for the combined contingent liability shock also causes a deterioration in debt sustainability, featuring as the most extreme shock affecting the debt service-to-revenue ratio.

RISKS AND VULNERABILITIES

15. A meaningful response to the COVID-19 fallout entails heightened fiscal risks. In the light of the COVID-19 outbreak, and the ongoing security crisis, the fiscal framework for 2020 projects a deficit of 5.3 percent of GDP, and it remains above the WAEMU fiscal deficit convergence criteria of 3.0 percent of GDP until 2023. Nevertheless, the baseline scenario assumes that Burkina Faso achieves the planned fiscal consolidation by 2024, stabilizing thereafter at 3.0 percent of GDP (see Policy Note). Although pre-COVID-19 this target seemed achievable, it now looks more challenging and could well not materialize. In addition, exports and overall GDP may develop less favorably than projected under the baseline in view of the vulnerability of primary exports (namely gold and cotton) and imports (oil) to price shocks, to a second wave of COVID-19 infections that would trigger another severe lockdown, and a further deterioration in security conditions as highlighted in Box 1.

16. Burkina Faso would benefit from a more diversified export base of goods and services. For all external debt indicators, the most extreme shock is an export shock. This highlights the importance of diversifying exports of goods, which currently consist mainly of gold and, to a much lesser extent, of agricultural products. Moreover, this underlies the importance of strengthening the services export sector to address the imbalances in the trade of services. Burkina Faso has also a high risk of debt shocks arising from (present and future) contingent liabilities associated with various off-budget activities, including debt of state-owned enterprises, fuel subsidies, pre-financing of public investment projects and other potential PPPs. The materialization of these fiscal costs could lead to a deviation from the baseline path.

CONCLUSION

17. According to staff's assessment, Burkina Faso's risk of external debt distress remains moderate. The baseline scenario shows no breach of debt distress thresholds for any of the debt and debt service indicators. However, under a standard stress test of a shock to exports aimed at illustrating the potential impact of external risks, two thresholds of external PPG debt – debt service-to-exports and debt service-to-revenue ratios – sustainability are breached. Consequently, Burkina Faso's risk of external debt distress is assessed to be 'moderate'. The granularity in the risk rating (Figure 5) suggests that there is substantial space to absorb shocks without risk of downgrading to a 'high' risk of debt distress.

18. The DSA suggests that the overall risk of public debt distress remains moderate. The risk of overall debt distress remains moderate because the benchmark for the PV of public debt-to-GDP ratio is breached for three years under the exports shock scenario and also because the risk of external debt distress is moderate. To avoid a deterioration of the debt distress rating, several risks and vulnerabilities need to be addressed, particularly: (i) the fiscal response to COVID-19 and pressures to deviate from the agreed medium-term fiscal consolidation; (ii) a non-diversified export base and a weak services exporting sector; (iii) fiscal costs arising from contingent liabilities accounting associated with various off-budget activities, including SOE debts and potential future PPP arrangements; (iv) rollover risk related to domestic financing; and (v) limit non-concessional borrowing and strengthen the implementation of the MTDS.

AUTHORITIES' VIEW

19. The authorities concurred with the results of the current DSA. They agreed that fiscal response to COVID-19 remains the most important concern in the short run. In view of the increasing debt service of domestic debt, the authorities are considering expanding their external financing while giving priority to concessional financing.[6] Semi-concessional financing sources with conditions that would be more favorable than the conditions on the domestic market are also being actively considered. The authorities reiterated their commitment to maintain prudent overall debt levels with a view to rebalancing debt composition and maintaining the assessed risk of debt distress at a 'moderate' rating.

[6] Concessional loans are defined as loans with a grant element above 35 percent. Semi-concessional loans refers to loans that have a material positive grant element but that is lower than 35 percent.

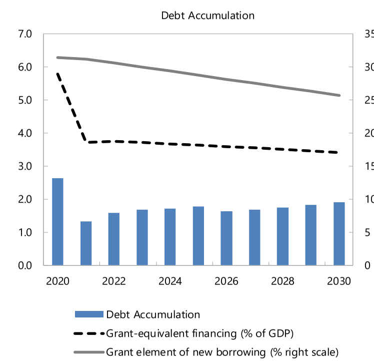
Table 1. Burkina Faso: External Debt Sustainability Framework, Baseline Scenario, 2017–2040

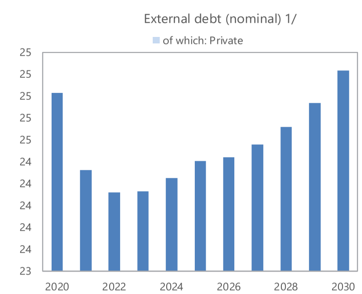
(In percent of GDP, unless otherwise indicated)

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
of which: public and publicly guaranteed (PPG)	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
Change in external debt	-2.6	0.4	2.3	1.3	-0.7	-0.2	0.0	0.1	0.2	0.3	0.4		
Identified net debt-creating flows	2.7	2.7	6.6	4.5	3.6	3.4	4.2	4.4	4.5	5.6	6.7	5.4	4.6
Non-interest current account deficit	4.8	3.9	4.4	3.4	3.2	3.6	4.4	4.7	4.9	6.0	7.3	4.7	4.7
Deficit in balance of goods and services	5.0	4.0	5.1	4.4	3.6	4.2	5.0	5.5	5.9	7.4	9.0	6.6	5.7
Exports	27.6	27.8	27.6	28.3	27.7	26.5	25.2	24.4	23.6	19.4	13.4		
Imports	32.7	31.9	32.6	32.7	31.3	30.7	30.2	29.9	29.5	26.8	22.4		
Net current transfers (negative = inflow)	-2.8	-2.9	-2.9	-3.6	-2.7	-2.7	-2.6	-2.6	-2.7	-2.4	-1.7	-3.6	-2.7
of which: official	-0.9	-1.0	-1.0	-2.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8		
Other current account flows (negative = net inflow)	2.6	2.8	2.3	2.7	2.3	2.1	2.0	1.8	1.6	0.9	0.0	1.7	1.7
Net FDI (negative = inflow)	-0.1	1.2	1.2	0.3	0.9	0.6	0.7	0.6	0.5	0.4	0.2	1.5	0.5
Endogenous debt dynamics 2/	-2.1	-2.5	1.0	0.8	-0.6	-0.9	-0.9	-0.9	-0.9	-0.8	-0.8		
Contribution from nominal interest rate	0.2	0.2	0.3	0.1	0.3	0.3	0.3	0.4	0.4	0.5	0.7		
Contribution from real GDP growth	-1.3	-1.3	-1.3	0.7	-0.9	-1.2	-1.2	-1.2	-1.3	-1.3	-1.5		
Contribution from price and exchange rate changes	-0.9	-1.4	1.9	...	...	...	...	...	...	...	...		
Residual 3/	-5.3	-2.3	-4.4	-3.2	-4.3	-3.6	-4.2	-4.3	-4.3	-5.3	-6.3	-5.1	-4.5
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	16.4	18.7	17.5	17.5	17.7	17.9	18.2	19.4	23.8		
PV of PPG external debt-to-exports ratio	...	...	59.4	66.2	63.2	66.0	70.1	73.5	77.2	100.4	177.9		
PPG debt service-to-exports ratio	3.5	3.5	4.3	3.6	4.3	4.1	4.2	4.5	4.6	6.9	13.5		
PPG debt service-to-revenue ratio	5.7	5.7	6.3	5.6	6.4	5.7	5.5	5.6	5.5	6.4	7.7		
Gross external financing need (Billion of U.S. dollars)	0.8	1.0	1.1	0.8	1.0	1.1	1.3	1.5	1.6	2.9	7.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.2	6.8	5.7	-2.8	4.1	5.6	5.6	5.6	5.6	5.6	5.6	6.0	4.7
GDP deflator in US dollar terms (change in percent)	4.1	7.1	-8.1	4.4	10.0	3.3	2.8	2.5	2.4	2.3	2.3	-0.4	3.4
Effective interest rate (percent) 4/	0.9	1.0	1.5	0.5	1.5	1.4	1.5	1.6	1.6	2.1	2.6	1.0	1.6
Growth of exports of G&S (US dollar terms, in percent)	19.7	15.2	-3.9	4.2	12.2	4.4	3.1	4.7	4.7	3.9	4.3	17.8	4.8
Growth of imports of G&S (US dollar terms, in percent)	13.8	11.7	-0.5	1.5	9.8	7.1	6.8	6.8	6.8	6.0	6.1	11.3	6.2
Grant element of new public sector borrowing (in percent)	...	...	...	31.4	31.2	30.6	30.0	29.3	28.7	25.7	19.6	...	28.7
Government revenues (excluding grants, in percent of GDP)	16.9	17.0	18.9	18.0	18.5	19.0	19.2	19.5	19.8	21.0	23.4	15.9	19.7
Aid flows (in Billion of US dollars) 5/	124.8	131.4	156.3	0.9	0.7	0.7	0.8	0.8	0.9	1.2	2.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.8	3.7	3.8	3.7	3.7	3.6	3.4	2.9	...	3.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	67.4	70.7	68.1	67.1	66.2	65.2	60.4	49.7	...	65.1
Nominal GDP (Billion of US dollars)	14	16	16	16	18	20	22	23	25	37	81		
Nominal dollar GDP growth	10.5	14.4	-2.8	1.5	14.6	9.1	8.5	8.2	8.1	8.0	8.0	5.7	8.2
Memorandum items:													
PV of external debt 7/	...	...	16.4	18.7	17.5	17.5	17.7	17.9	18.2	19.4	23.8		
In percent of exports	...	...	59.4	66.2	63.2	66.0	70.1	73.5	77.2	100.4	177.9		
Total external debt service-to-exports ratio	3.5	3.5	4.3	3.6	4.3	4.1	4.2	4.5	4.6	6.9	13.5		
PV of PPG external debt (in Billion of US dollars)			2.6	3.0	3.2	3.5	3.8	4.2	4.6	7.3	19.2		
(PVt-PVt-1)/GDPt-1 (in percent)				2.6	1.3	1.6	1.7	1.7	1.8	1.9	2.3		
Non-interest current account deficit that stabilizes debt ratio	7.4	3.5	2.2	2.1	3.9	3.8	4.4	4.6	4.7	5.7	6.9		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

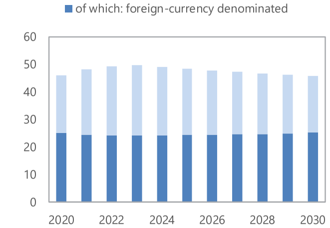
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

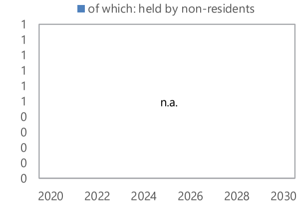
Table 2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–2040
(In percent of GDP, unless otherwise indicated)

Table 2. Burkina Faso: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-2040
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	33.5	37.7	42.7	46.1	48.2	49.3	49.6	49.0	48.3	45.8	42.8	30.8	47.6
of which: external debt	21.1	21.5	23.7	25.0	24.3	24.1	24.1	24.2	24.4	25.2	29.1	21.7	24.6
Change in public sector debt	0.2	4.2	5.0	3.4	2.2	1.1	0.3	-0.7	-0.6	-0.4	-0.2		
Identified debt-creating flows	1.6	1.5	2.6	5.7	2.8	1.3	0.5	-0.6	-0.6	0.1	0.4	1.6	0.8
Primary deficit	6.0	3.3	2.2	4.1	3.9	3.1	2.1	1.1	1.1	1.2	1.4	2.7	1.9
Revenue and grants	19.2	19.4	20.4	22.5	21.5	22.0	22.2	22.4	22.7	23.7	25.6	19.3	22.7
of which: grants	2.4	2.4	1.5	4.5	3.0	3.0	2.9	2.9	2.8	2.6	2.2		
Primary (noninterest) expenditure	25.3	22.7	22.6	26.6	25.4	25.1	24.3	23.5	23.8	24.8	26.9	21.9	24.6
Automatic debt dynamics	-4.4	-1.4	0.7	1.6	-1.0	-1.8	-1.7	-1.7	-1.7	-1.1	-0.9		
Contribution from interest rate/growth differential	-1.9	-2.2	-0.8	1.6	-1.0	-1.8	-1.7	-1.7	-1.7	-1.1	-0.9		
of which: contribution from average real interest rate	0.0	-0.1	1.2	0.4	0.8	0.8	0.9	1.0	0.9	1.4	1.3		
of which: contribution from real GDP growth	-1.9	-2.1	-2.0	1.2	-1.8	-2.5	-2.6	-2.6	-2.6	-2.5	-2.3		
Contribution from real exchange rate depreciation	-2.4	0.8	1.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.4	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
Privatization receipts (negative)	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	-0.1	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other) 7/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-1.4	2.7	2.4	-2.3	-0.6	-0.2	-0.1	-0.1	-0.1	-0.5	-0.6	0.2	-0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	35.4	38.8	41.3	42.7	43.2	42.6	42.1	40.0	37.6		
PV of public debt-to-revenue and grants ratio	...	...	173.7	172.5	192.0	193.9	194.7	190.2	185.6	168.9	147.0		
Debt service-to-revenue and grants ratio 3/	22.6	27.8	31.6	37.3	45.0	50.9	51.8	53.1	50.3	41.4	25.7		
Gross financing need 4/	10.3	8.3	8.4	12.4	13.4	14.3	13.6	13.0	12.5	11.0	8.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.2	6.8	5.7	-2.8	4.1	5.6	5.6	5.6	5.6	5.6	5.6	6.0	4.7
Average nominal interest rate on external debt (in percent)	0.9	1.0	1.5	0.5	1.4	1.4	1.5	1.6	1.6	2.1	2.6	1.0	1.6
Average real interest rate on domestic debt (in percent)	2.1	1.9	8.0	3.0	4.9	4.0	4.3	4.3	4.3	4.5	4.6	3.8	4.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-11.0	4.0	7.4	...	...	...	...	...	...	...	...	3.3	...
Inflation rate (GDP deflator, in percent)	2.0	2.4	-3.0	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	1.5	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	29.1	-4.2	5.3	14.5	-0.7	4.4	2.2	2.1	6.9	6.5	6.4	7.4	5.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	5.8	-0.9	-2.8	0.7	1.7	2.0	1.8	1.8	1.7	1.6	1.6	0.7	1.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

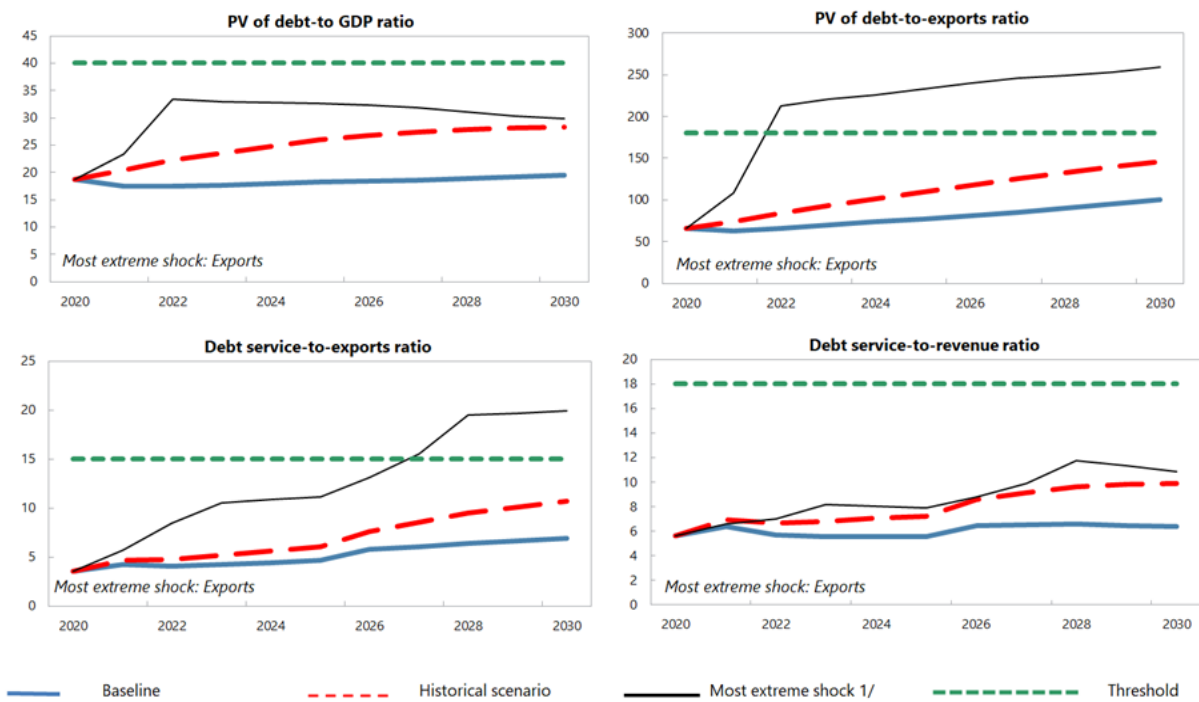
Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank . Definition of external debt is Currency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.
7/ CCRT debt relief is included in the primary deficit and does not show up in"debt relief (HIPC and other)".

Figure 1. Burkina Faso: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–2030



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

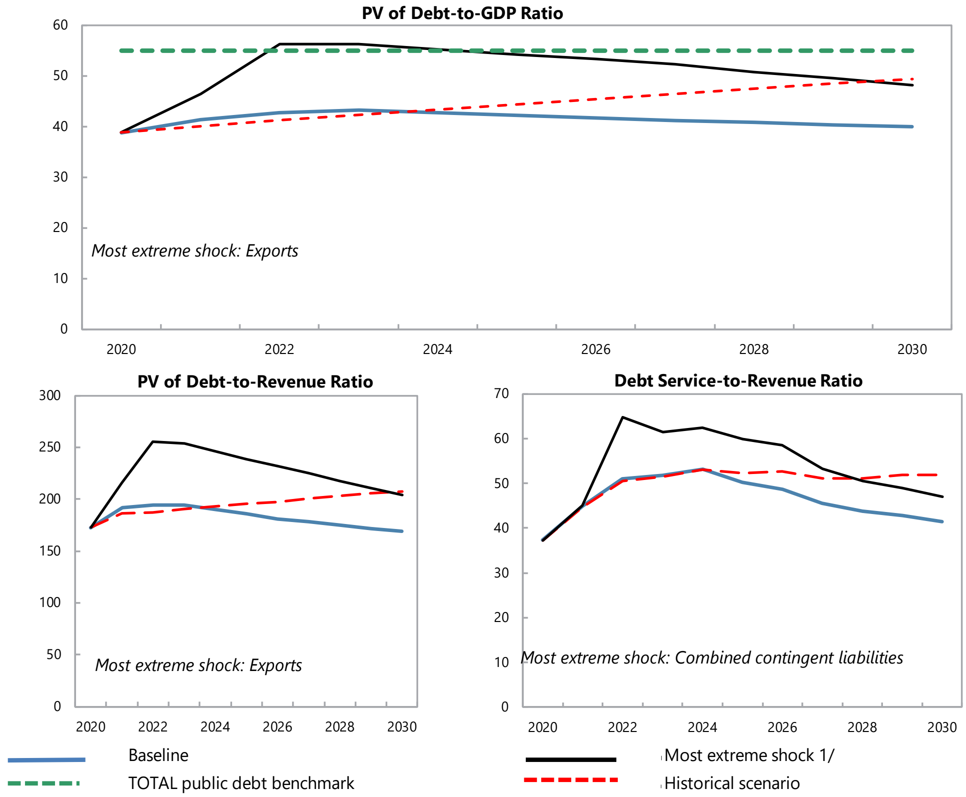
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Burkina Faso: Indicators of Public Debt under Alternative Scenarios, 2020–2030



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	23%	23%
Domestic medium and long-term	44%	44%
Domestic short-term	33%	33%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burkina Faso: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

(In percent)

		Projections 1/									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	19	18	18	18	18	18	18	19	19	19	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	19	20	22	24	25	26	27	27	28	28	28
B. Bound Tests											
B1. Real GDP growth	19	18	18	18	19	19	19	19	20	20	20
B2. Primary balance	19	18	18	18	19	19	19	20	20	20	20
B3. Exports	19	23	33	33	33	33	32	32	31	30	30
B4. Other flows 3/	19	19	21	21	21	21	21	21	21	21	22
B5. Depreciation	19	22	19	19	20	20	20	21	21	22	22
B6. Combination of B1-B5	19	23	23	23	23	23	23	23	23	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	19	19	19	20	20	21	21	22	22	22	23
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	19	19	20	20	20	20	20	20	20	20	20
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	66	63	66	70	73	77	81	85	90	95	100
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	66	74	84	94	102	110	118	125	132	139	146
B. Bound Tests											
B1. Real GDP growth	66	63	66	70	73	77	81	85	90	95	100
B2. Primary balance	66	64	68	73	77	81	85	90	95	100	106
B3. Exports	66	108	**212**	**221**	**226**	**233**	**240**	**246**	**249**	**254**	**259**
B4. Other flows 3/	66	69	79	84	87	91	95	98	102	107	111
B5. Depreciation	66	63	57	61	65	68	72	76	81	87	93
B6. Combination of B1-B5	66	87	79	110	114	119	124	129	134	139	146
C. Tailored Tests											
C1. Combined contingent liabilities	66	68	73	79	83	88	93	99	104	110	117
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	66	69	76	80	83	86	89	92	96	100	104
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	4	4	4	4	4	5	6	6	6	7	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	4	5	5	5	6	6	8	9	9	10	11
B. Bound Tests											
B1. Real GDP growth	4	4	4	4	4	5	6	6	6	7	7
B2. Primary balance	4	4	4	4	5	5	6	6	7	7	7
B3. Exports	4	6	8	11	11	11	13	**16**	**19**	**20**	**20**
B4. Other flows 3/	4	4	4	5	5	5	6	7	8	8	8
B5. Depreciation	4	4	4	4	4	4	6	6	6	6	6
B6. Combination of B1-B5	4	5	6	6	6	7	8	9	10	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	4	4	5	5	6	6	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	4	4	5	5	5	6	7	7	7	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	6	6	6	6	6	6	6	7	7	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	6	7	7	7	7	7	9	9	10	10	10
B. Bound Tests											
B1. Real GDP growth	6	7	6	6	6	6	7	7	7	7	7
B2. Primary balance	6	6	6	6	6	6	7	7	7	7	7
B3. Exports	6	7	7	8	8	8	9	10	12	11	11
B4. Other flows 3/	6	6	6	6	6	6	7	7	8	8	7
B5. Depreciation	6	8	7	6	6	6	8	8	7	7	7
B6. Combination of B1-B5	6	7	7	7	7	7	7	8	8	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	6	6	6	6	7	7	7	7	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	6	7	6	6	6	6	7	7	7	7	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

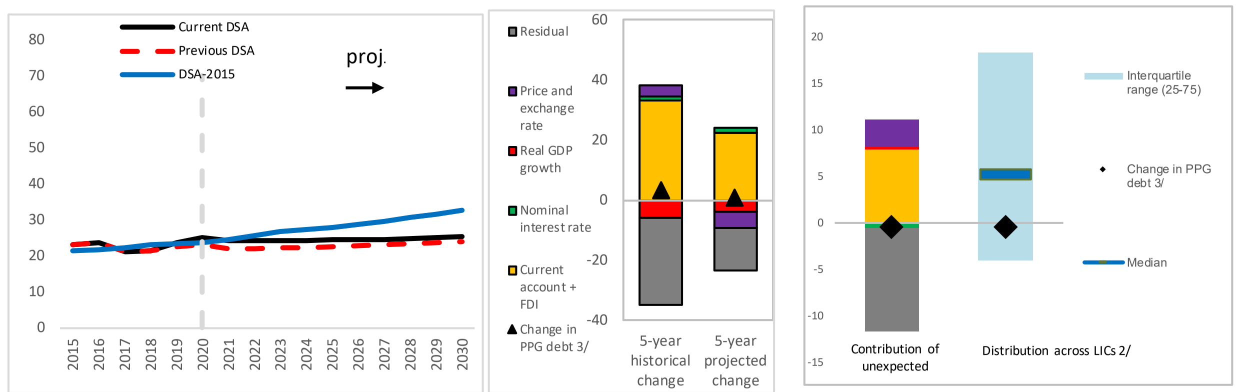
Table 4. Burkina Faso: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030
(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	39	41	43	43	43	42	42	41	41	40	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	39	40	41	42	43	44	45	46	47	48	49
B. Bound Tests											
B1. Real GDP growth	39	42	45	47	47	47	47	47	47	48	48
B2. Primary balance	39	43	45	46	45	45	44	43	43	42	42
B3. Exports	39	46	**56**	**56**	**55**	54	53	52	51	49	48
B4. Other flows 3/	39	43	46	47	46	45	45	44	43	43	42
B5. Depreciation	39	44	43	42	40	39	37	35	33	32	30
B6. Combination of B1-B5	39	41	42	42	41	40	40	40	39	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	39	49	50	51	50	49	48	48	47	46	46
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	39	43	46	49	50	50	51	51	51	51	51
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	172	192	194	195	190	186	181	178	175	172	169
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	172	186	188	191	193	195	198	200	203	205	208
B. Bound Tests											
B1. Real GDP growth	172	197	205	209	208	206	204	203	202	201	201
B2. Primary balance	172	198	206	206	201	196	191	188	184	181	177
B3. Exports	172	215	255	253	246	239	232	225	218	210	204
B4. Other flows 3/	172	200	210	210	205	200	195	190	186	182	178
B5. Depreciation	172	207	199	193	182	172	162	153	145	137	130
B6. Combination of B1-B5	172	190	193	190	184	179	174	172	169	165	162
C. Tailored Tests											
C1. Combined contingent liabilities	172	229	229	228	222	216	210	206	201	197	193
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	172	209	220	230	229	227	223	219	217	216	215
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	37	45	51	52	53	50	49	46	44	43	41
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	37	45	50	51	53	52	53	51	51	52	52
B. Bound Tests											
B1. Real GDP growth	37	46	53	55	57	55	55	52	51	51	50
B2. Primary balance	37	45	53	56	56	53	52	49	46	45	44
B3. Exports	37	45	52	54	55	52	50	48	48	46	45
B4. Other flows 3/	37	45	51	52	54	51	49	46	45	44	42
B5. Depreciation	37	43	49	48	50	48	47	43	42	41	39
B6. Combination of B1-B5	37	44	50	52	52	49	48	45	44	42	41
C. Tailored Tests											
C1. Combined contingent liabilities	37	45	65	61	62	60	59	53	51	49	47
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	48	55	58	61	60	59	56	55	54	53
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

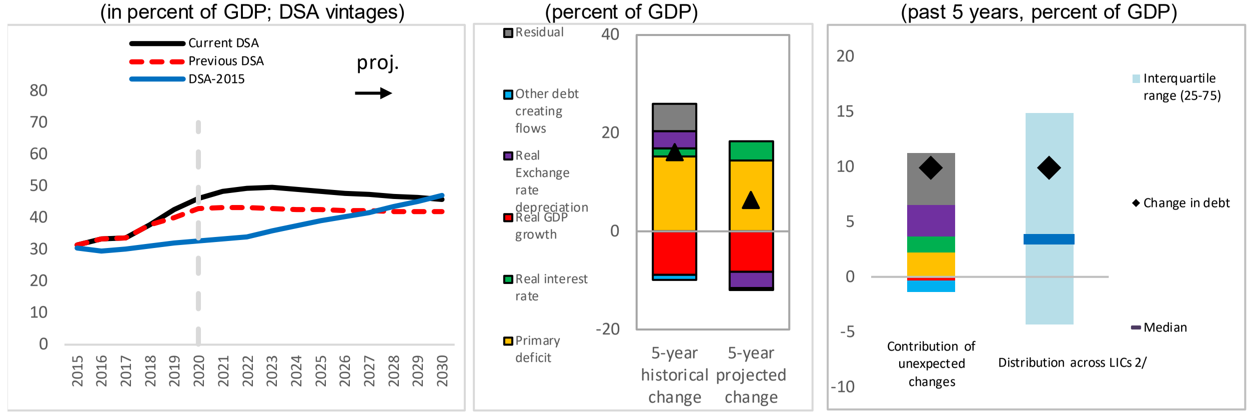
Figure 3. Burkina Faso: Drivers of Debt Dynamics - Baseline Scenario

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



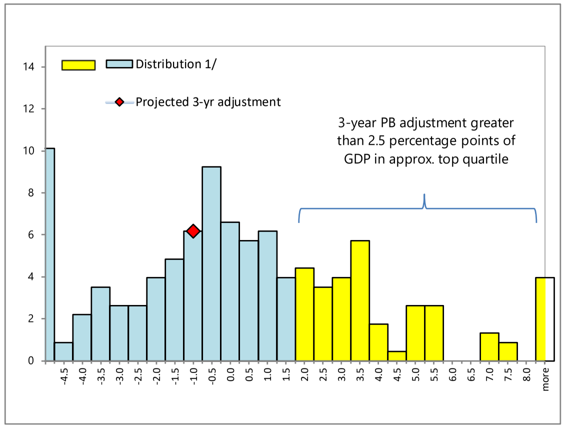
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

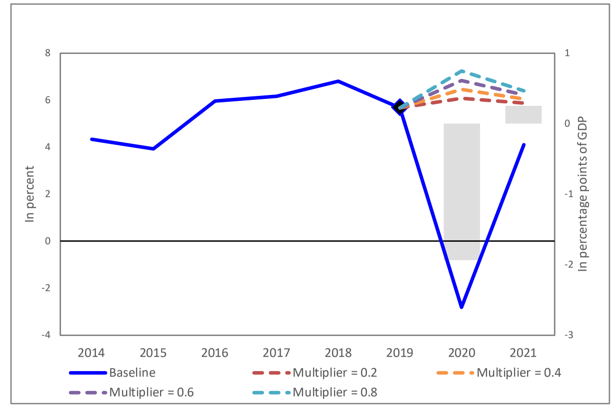
Figure 4. Burkina Faso: Realism Tools

3-Year Adjustment in Primary Balance (Percentage points of GDP)



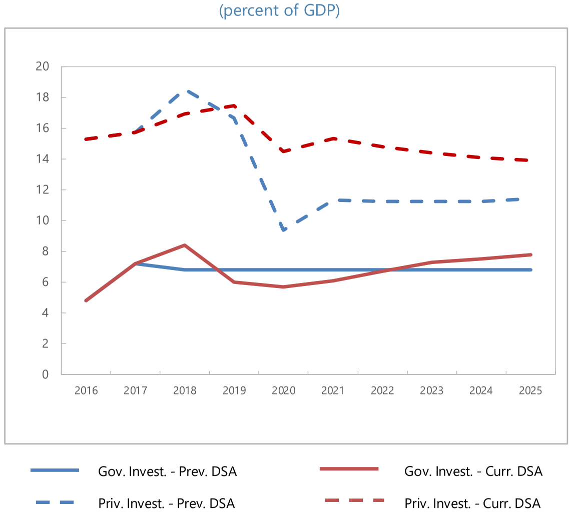
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

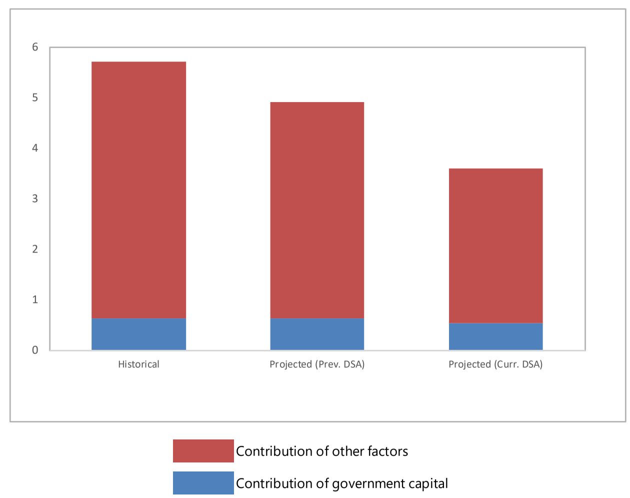
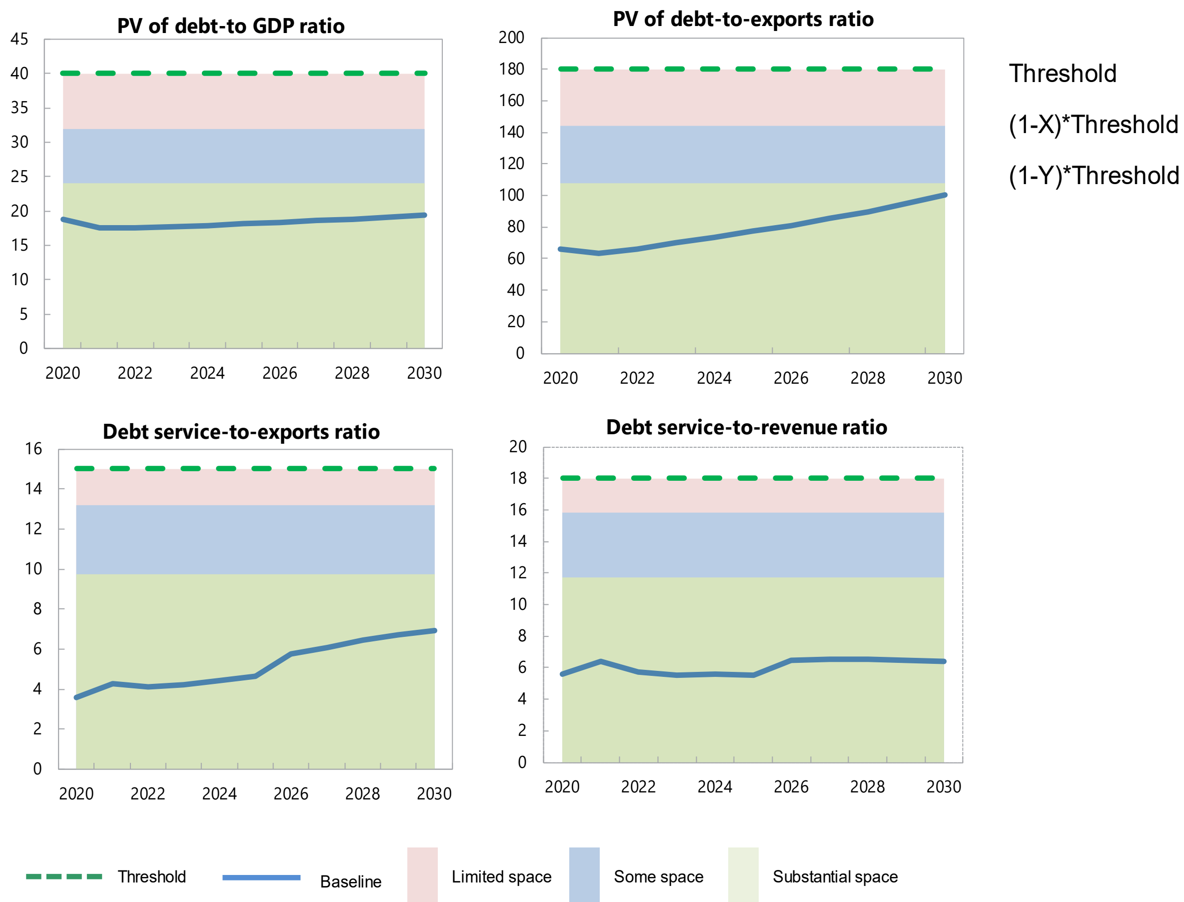


Figure 5. Burkina Faso: Qualification of the Moderate Category, 2020–2030 [1/]



Sources: Country authorities; and staff estimates and projections.

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