Public Disclosure Authorized
Public Disclosure Authorized
Public Disclosure Authorized
Public Disclosure Authorized
PUBLIC DISCLOSURE AUTHORIZED

ECONOMIC UPDATE

APRIL 2024

BURKINA FASO

Special chapter

Maintaining Reform Momentum on Social Assistance

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

© 2024 International Bank for
Reconstruction and Development
/ The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy, completeness, or currency of the data included in this work and does not assume responsibility for any errors, omissions, or discrepancies in the information, or liability with respect to the use of or failure to use the information, methods, processes, or conclusions set forth. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be construed or considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Publication design and layout by Studio Nane.

Cover photo credit: Luca Prestia/Istock

TABLE OF CONTENTS

TABLE OF BOXES, FIGURES, TABLES

ABBREVIATIONS AND ACRONYMS

AES	*Alliance des États du Sahel* (Alliance of Sahel States)
ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
BCEAO	*Banque Centrale des États de l'Afrique de l'Ouest* (Central Bank of West African States)
CFAF	*Franc de la communauté financière en Afrique* (Franc of the Financial Community of Africa)
CNPS	*Conseil National pour la Protection Sociale* (National Council for Social Protection)
DSA	Debt sustainability analysis
ECOWAS	Economic Community of West African States
EHCVM	*Enquête Harmonisée sur les Conditions de Vie des Ménages* (Harmonized Survey on Household Living Conditions)
G5	Group of Five (G5 Sahel countries)
GDP	Gross Domestic Product
IDP	Internally displaced persons
IMF	International Monetary Fund
NGO	Non-governmental organization
PAGSI	*Projet d'Appui à la Gestion du Stock d'Intervention* (Support Project for the Management of Intervention Stocks)
PAMPV	*Programme d'appui à l'autonomisation des ménages pauvres et vulnérables* (Program to support the empowerment of poor and vulnerable households)
PRSPV	*Plan de Réponse et de Soutien aux Populations Vulnérables à l'insécurité alimentaire et à la malnutrition* (Response and Support Plan for Populations Vulnerable to Food Insecurity and Malnutrition)
RSU	Registre Social Unique (Unique social registry)
SE-CNSA	*Secrétariat Exécutif du Conseil National de Sécurité Alimentaire* (Executive Secretariat of the National Council for Food Security)
SOE	State-owned enterprise
SONAGESS	*Société Nationale de Gestion des Stocks de Sécurité Alimentaire* (National Company for the Management of Food Security Stocks)
SSN	Social safety net
t	Metric tons
UNICEF	United Nations International Children's Emergency Fund
VAT	Value added tax
WAEMU	West African Economic and Monetary Union
WAPP	West African Power Pool
WB	World Bank
y/y	year-on-year

ACKNOWLEDGMENTS

The Burkina Faso Economic Update is a World Bank report series produced once a year that assesses recent economic and social developments and prospects in Burkina Faso. The Economic Update also provides an in-depth examination of a selected policy issue, outlining its current challenges and potential going forward. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Burkina Faso's evolving economy.

The report was prepared by a World Bank team led by Daniel Pajank (Senior Economist). The team included: Yue Man Lee, Jules Porte, Elizabeth Foster, Yannik Strittmatter, and Michael Evers. The special focus topic on social assistance was written by Frieda Vandeninden, Julian Koschorke, and Geoffrey Baeumlin , under the overall supervision of Christian Bodewig (Practice Manager for Social Protection and Jobs). The team is grateful to the peer reviewers: Emilija Timmis, Alex Sienaert, Aly Sanoh, Emil Tesliuc, and Ubah Thomas Ubah, and to Christophe Rockmore and Fulbert Tchana Tchana for their guidance and comments.

The team thanks Micky Ananth, Maude Jean-Baptiste, Theresa Bampoe and Catherine Compaoré for their administrative support. External and media relations are managed by Lionel Yaro.

The report was prepared under the overall supervision of Clara De Sousa (Country Director for Burkina Faso, Chad, Mali and Niger), Hamoud Abdel Wedoud Kamil (Country Manager for Burkina Faso) and Hans Anand Beck (Practice Manager for Macroeconomics, Trade, and Investment).

For information about the World Bank and its activities in Burkina Faso, please visit: https://www.worldbank.org/en/country/burkinafaso.

EXECUTIVE SUMMARY

This 2024 Economic Update for Burkina Faso contains two chapters. The first chapter presents the economic and poverty developments observed in the country in 2023 as well as the outlook from 2024 to 2026.[1] The second chapter provides a deep dive on social assistance and recommendations on how to increase the overall social assistance system's efficiency.

Economic and poverty developments and outlook

The security crisis continues to impact growth and political stability. Following two coups d'état in 2022, recorded security-related deaths doubled to 8,494 in 2023. Insecurity has disrupted industrial mining for gold, which accounts for 77 percent of exports, 16 percent of GDP, and 22 percent of government revenues. In September 2023, Burkina Faso, Mali, and Niger formed the "Alliance of Sahel States" (AES)—a security and military pact with political and economic aims. On January 28, 2024, in a joint communiqué, the three countries announced their immediate withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. The three countries remain members of WAEMU.

Despite the challenges, the economy is estimated to have still grown by 3.2 percent in 2023,[2] up from 1.8 percent in 2022. The services sector, accounting for 48 percent of GDP, remained the main growth driver fueled by an expansion of the public sector. Primary sector growth was hindered by security challenges that restricted access to rural areas. Secondary sector growth was kept positive only by manufacturing and construction, while gold production dropped further. On the demand side, the economy was consumption-driven, with private consumption contributing two-thirds to GDP growth, bolstered by low inflation, including stable food prices. Favorable terms of trade with an increase in gold prices coupled with a decrease in energy prices helped narrow the current account deficit to 4.9 percent of GDP.

[1] *This report contains data and analysis through March 2024.*

[2] *For the latest data update, see Joint IMF-World Bank DSA.*

After increasing between 2018/19 and 2021/22, poverty is expected to be stable thanks to low inflation, but the humanitarian situation remains critical. Inflation surged to a record high of 14.1 percent in 2022, but fell to 0.7 percent in 2023 as local product prices declined, particularly for cereals, flour, and fresh vegetables. Poverty increased 1.8 percentage points between 2018/19 and 2021/22, reaching 43.2 percent in 2021/22, and is estimated to have remained roughly constant since. The humanitarian situation remains very critical, with around 2 million internally displaced persons, in addition to an estimated 2.3 million facing severe food insecurity as of December 2023. To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility.

The country started fiscal consolidation in 2023 with the deficit falling to 6.4 percent of GDP, while public debt is estimated to have crossed the 60 percent of GDP mark.[3] The 2023 deficit was 1.2 percent lower than 2022 if a one-time inclusion of all accumulated securitized debt in 2022 is excluded. The consolidation was expenditure-driven, through a scaling back of capital investment and subsidies, while military and humanitarian spending pressures remained high. As bilateral donor grants declined, efforts were made to sustain domestic revenue mobilization. The share of regional financing has continued to increase, and yields have risen beyond 9 percent for the 3-year treasury bonds, making such financing very expensive, and highlighting the importance of strengthening domestic revenue mobilization.

The outlook hinges on the security situation. If the security situation does not deteriorate further, growth could slowly pick up and average 4 percent (1.5 percent per capita) over 2024-26, driven by recovering mining and agricultural production and service sector growth. This includes the expected slightly negative growth impacts of an orderly ECOWAS withdrawal: higher trade costs (new tarifs) and lower trade with non-WAEMU ECOWAS states, higher investors' risk premia, and increased regional financing costs.

Poverty is expected to remain relatively unchanged over the medium term. While inflation has come down dramatically and is expected to remain below 3 percent over the medium-term, growth, particularly in agriculture, is expected to be too weak for substantial poverty reduction.

Provided the Government remains on its committed fiscal consolidation path, the deficit is expected to decline towards the WAEMU ceiling of 3 percent of GDP by 2027. A high wage bill and limited space for growth-enhancing investment remain key weaknesses of the fiscal accounts. Driven by elevated fiscal deficits and high interest rates, public debt as a share of GDP is forecast to rise at least until 2025. With higher GDP growth and a lower fiscal deficit, public debt could embark on a downward trend thereafter.

The outlook remains subject to uncertainty around regional dynamics and downside risks stemming from insecurity, political instability, climatic shocks, and terms of trade shocks. An ECOWAS withdrawal that has gaps in agreements leading to larger disruptions to transport, transit and free movement of goods, services, capital and labor and spillovers onto WAEMU trade would see larger negative impacts of the exit. Realizing new trade opportunities would mitigate impacts. Further economic policy uncertainty could lead to higher regional financing costs. A financing squeeze could lead to cuts in public expenditure, affecting growth-enhancing investments, as security expenditure pressures mount. Table E.2 provides an overview of some policy options that are available to improve the macro-fiscal outlook, and also to improve social assistance, which is a key instrument to tackle poverty in a more direct way.

[3] *For the latest data update, see Joint IMF-World Bank DSA.*

Maintaining Reform Momentum on Social Assistance

Government spending on social assistance represents around 2.6 percent of GDP and would theoretically be sufficient to almost halve the poverty gap.[4] In Burkina Faso, overall social protection expenditure, composed of non-contributory social assistance, social insurance, and labor market programs, stood at 4 percent of GDP in 2020, with around 2.6 percent of GDP or around 284 billion CFAF (~US$500 million) dedicated to social assistance. Social assistance expenditure has risen over the last 15 years, from 0.3 percent of GDP in 2005 and exceeds the average of the sub-Saharan countries. If interventions were perfectly targeted to the poor, social assistance spending could theoretically almost halve the poverty gap, which is estimated at around 6 percent of GDP in 2021.

However, the impact of this high level of expenditure is hampered by the system's inefficiency, including its fragmentation. Burkina Faso's social assistance system—both public and non-governmental—is highly fragmented. There are more than 200 interventions, 116 of which are externally funded (representing only 8 percent of total social assistance spending). Program fragmentation is amplified by institutional fragmentation with more than 50 implementing agencies involved. Table E.1 provides a snapshot of social assistance delivery modalities, which shows a large variance in spending, coverage, and progressivity. The spending mix is dominated by food and in-kind transfers (38.4 percent of spending) and health fee-waivers and food subsidies (30.8 percent), while interventions providing monetary transfers make up less than 10 percent of spending.

Overall social assistance does not primarily benefit the poor with more than half of beneficiaries of all interventions being non-poor. More than 56 percent of all social assistance interventions are outside of the bottom four deciles of the income distribution. Of the main types of social assistance interventions, only programs that include monetary transfers and food and in-kind transfers benefit primarily the poorest, i.e., those among the bottom four deciles. This contrasts with fee waiver and food subsidy interventions, interventions that include public works and provide scholarships, as well as school feeding programs, which mostly benefit the non-poor.

TABLE E.1 Social assistance interventions in Burkina Faso in 2020-2023

	Food and in-kind transfer	Fees waivers and subsidies	Public works, scholarship and other	Programs that include monetary transfers	School feeding
Total spending (% of GDP)	1.0	0.8	0.3	0.3	0.2
Share of social assistance spending (% of total spending)	38.4	30.8	12.1	9.5	9.3
Coverage (% of total population)	4.8	48.2	1.0	2.7	17.9
Progressivity (% of beneficiaries in the two bottom quintiles)	58.2	43.9	20.3	72.4	46.2

Note: Spending is calculated based on administrative data, whereas coverage and progressivity derive from household data, which does not include all programs included in administrative data, rendering the mapping between categories approximative.

In 2023, the government gradually suspended interventions that included monetary transfers, despite them being the most progressive social assistance spending in Burkina Faso. Beginning in the Sahel, Est, and Centre Nord regions in late 2022 and early 2023, monetary transfers were gradually suspended as one of the social assistance intervention modalities throughout the country. The suspension appears to have been motivated by

[4] The poverty gap is the total amount of money required to eliminate poverty, that is, to bring the consumption level of every poor household up to the poverty line.

the fragmented and often incoherent implementation of programs that provide cash to their beneficiaries by the numerous implementing actors, persistent arguments about this intervention modality, such as its supposed adverse impacts on labor market participation rates, and the fear that monetary transfers could be used to finance illegal activities.

Reforms are ongoing and they can be accelerated and expanded to better addressing the core limitations of the prevailing social assistance system. Reforms are required to improve the ability of programs to reach the poorest and most vulnerable, reduce the fragmentation of the system, and improve the traceability and governance of social assistance interventions. At the heart of these reforms are the deployment of the social registry, of the national flagship social assistance program: Economic Empowerment Support Program for Poor and Vulnerable Households (Programme d'appui à l'autonomisation des ménages pauvres et vulnérables, PAMPV), as well as the national payment platform for government to person payments.

TABLE E.2 Policy options to strengthen macro-fiscal sustainability and improve social assistance

Policy Objectives	Policy Options
	Feasible to implement in the short term (1 year)
Enhance the efficiency of revenue mobilization[a]	• Tax policy reforms (with estimated gains): Reform personal income tax regime (2-6% of GDP), enhance the quality of the excise tax policy (0.9% of GDP), curb tax expenditures (1-2% of GDP), reduce the VAT policy gap (0.3-1% of GDP).
Mitigate the economic impacts of ECOWAS withdrawal and prevent spillovers onto WAEMU trade	• Maintain or negotiate new bilateral or regional agreements to ensure: (i) transport and transit rights to coastal ports; (ii) visa-free travel and right to work in the ECOWAS region; and (iii) complementarity between ECOWAS and WAEMU trade provisions, including rules and certificates of origin. • Avoid adopting tariff and non-tariff measures that would significantly increase trade costs with non-WAEMU ECOWAS states after leaving the ECOWAS free trade area. • Maintain clear and consistent public communication on WAEMU membership.
Improve poverty-targeting	• Deploy the social registry in additional regions of the country.
Improve efficiency of social assistance spending	• Operationalize the Economic Empowerment Support Program for Poor and Vulnerable Households (PAMPV). • Conduct a study on the poverty impact of food subsidies in comparison to other forms of assistance (especially in contexts where food markets are functioning). • Use the social registry (where available) for targeting of currently untargeted programs, including for food subsidies.
	Important to implement in the medium term (2 to 5 years)[b]
Enhance the efficiency of revenue mobilization[a]	• Continue property tax reforms (tax policy reform). • Gradually reduce the VAT compliance gap. • Establish a dedicated debt management unit and re-engineer the tax audit process to enhance debt management (tax administration reforms).
Improve efficiency of public expenditures[a]	• Rein in the public wage bill through compensation measures and reduced hiring. • Eliminate distortionary subsidies.
Improve poverty-targeting	• Deploy the social registry in all regions of the country (where the security situation permits). • Render use of social registry mandatory for all poverty-targeted programs. • Roll out a unique identifier for the entire population.
Improve efficiency of social assistance spending	• Gradually increase spending for and coverage of the PAMPV in areas where the social registry is deployed. • Operationalize a government-to-person payments platform adapted to the needs of the social assistance system, incl. traceability of payments.

Notes:
[a] See World Bank Group (2023a). Public Expenditure and Revenue Review for Burkina Faso: Fiscal Reforms for Resilience. World Bank. https://doi.org/10.1596/38468.
[b] For a set of medium to long term policy options see Pajank, D., K. Abalo, and J. Porte (2023). Country Economic Memorandum for Burkina Faso: Making Growth More Efficient, Sustainable, and Inclusive. Washington, DC: World Bank Group.

ECONOMIC AND POVERTY DEVELOPMENTS AND OUTLOOK

1

Burkina Faso's development context is dominated by the security crisis as well as domestic and regional political instability.

Burkina Faso's economy has witnessed major structural changes over the past decade. The primary sector, particularly agriculture, has declined sharply to now account for less than 20 percent of GDP, while still providing most employment in the country. Meanwhile, the gold mining sector has experienced rapid growth, representing 77 percent of exports, 16 percent of GDP, and 22 percent of government revenues in 2023 (Figure 1.1c). The services sector also plays a significant role in the economy, constituting almost half of GDP. Services job creation and output formation are primarily driven by the public administration and retail sectors.

Despite its transformation, the economy remains highly vulnerable to external and domestic shocks. The two successive coups d'état that occurred in January and September/October 2022 in the wake of a deteriorating security situation, have impacted the economy by increasing uncertainty and reducing financial support from the international community. Additionally, private investment, including foreign direct investment, and private consumption have been adversely impacted. The predominantly rain-fed agriculture and livestock sectors are highly vulnerable to climate shocks and natural disasters such as droughts, floods, and pest infestations.[5] These factors, along with the regionwide impact of the Russian invasion of Ukraine that raised prices of food, fuel, and fertilizers, are largely responsible for the high level of inflation in 2022 that strongly impacted the most vulnerable, including the 2 million internally displaced persons (IDP).

[5] *World Bank Group. 2022. Sahel Country Climate and Development Report (CCDR).*

The security crisis continues to impact growth and political stability and has led to a re-configuration of regional alliances. In 2023, about 8,500 security-related deaths were recorded, twice the figure of 2022 (see Figure 1.1.b). Insecurity has disrupted industrial mining, while unregulated and unformalized mining activities have fueled fragility as they provide a funding source for violent extremist organizations. In September 2023, Burkina Faso, Mali, and Niger formed the "Alliance of Sahel States" (AES)—a security and military pact with political and economic aims. In November 2023, Niger and Burkina Faso announced their withdrawal from the G5 Sahel, after Mali had already left in May 2022.[6] On January 28, 2024, in a joint communiqué, the three countries announced their immediate withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. These developments have increased political and policy uncertainty. The three countries remain members of WAEMU.

To address these challenges and achieve the goals of the Transition, Burkina Faso has identified priority actions around four pillars. These include (i) fighting terrorism and restoring territorial integrity, (ii) responding to the humanitarian crisis, (iii) rebuilding the State and improving governance, and (iv) working towards national reconciliation and social cohesion. Implementing these actions, while difficult, will be crucial for the country to return to a sustainable development path in the medium term.

1.1 Recent Economic and Poverty Developments

GDP growth rebounded slightly in 2023 after a sluggish economic performance in 2022.

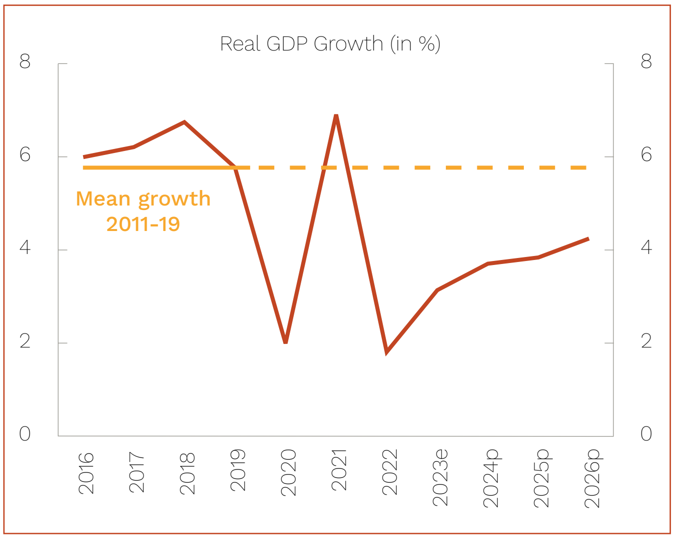
The economy grew modestly in 2023, upheld by the services sector, while the mining sector was hampered by the security crisis. After particularly weak growth of 1.8 percent in 2022, the economy saw a modest growth of 3.2 percent in 2023 (Figure 1.1a). Primary sector growth was 2.3 percent and below trend, hindered by security challenges that restricted access to rural areas, despite relatively favorable climate conditions, notably sufficient rainfall. After a sharp contraction in secondary sector growth in 2022, marked by a decline in public investment, the sector picked up to grow at 0.3 percent in 2023, kept positive by manufacturing and construction. The deterioration of the security situation affected the already beleaguered mining sector and gold production dropped further, despite high international gold prices (Figure 1.1d). The services sector, accounting for 48 percent of GDP, remained the main growth driver. Fueled by an expansion of the public sector, it expanded by 5.2 percent in 2023 (Figure 1.2a).

In the absence of investment dynamism, consumption remained the key driver of the Burkinabè economy in 2023. Private consumption grew by 3.1 percent in 2023 and contributed almost two-thirds to overall GDP growth. Household consumption was mainly driven by the lull in price increases, especially food inflation, and a decent harvest. Security expenditures and the wage bill drove public consumption growth of 4.5 percent. Investment stagnated, with a decline in public investment of -2.3 percent, following the sharp rise in 2022. Private investment growth remained sluggish at 1.7 percent, with high uncertainty surrounding investments in the insecurity-plagued mining sector (Figure 1.2b).

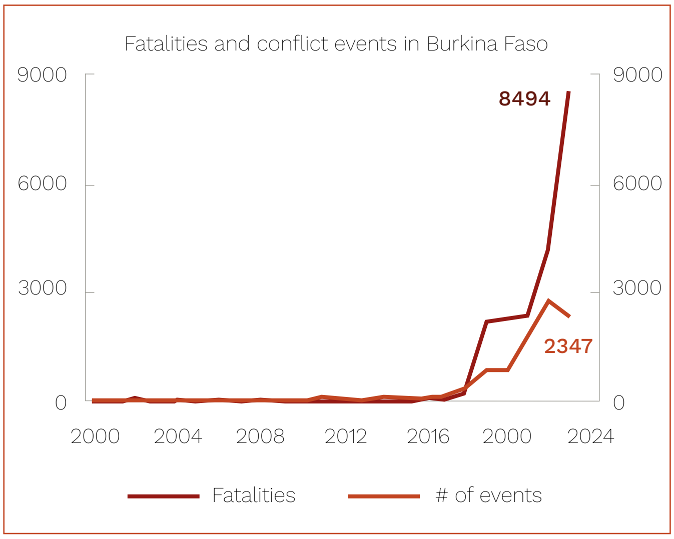
[6] In December 2023, Chad and Mauritania declared to dissolve the alliance.

FIGURE 1.1 Growth, Insecurity, and Gold Sector

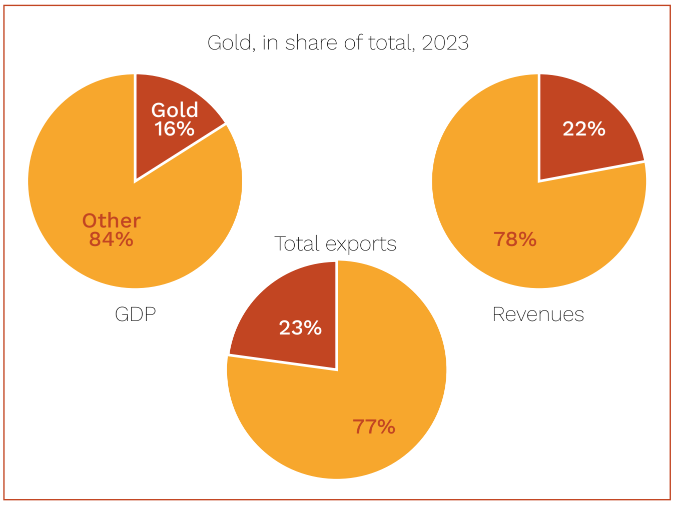
(a) GDP growth is not projected to return to pre-pandemic levels over the forecast period



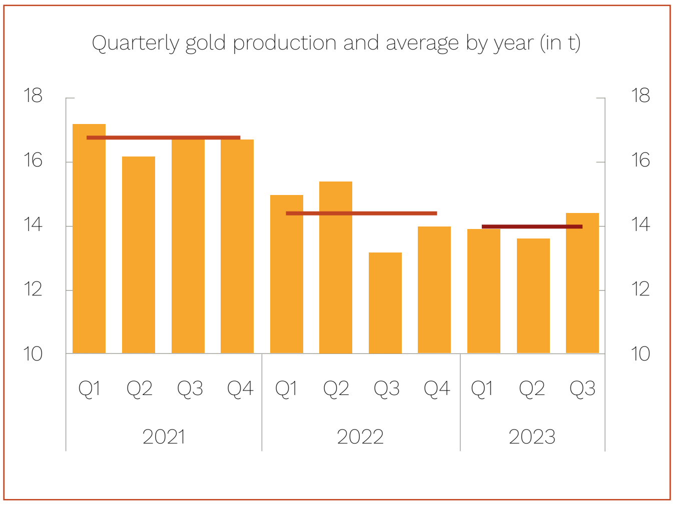
(b) The security situation has further escalated in 2023



(c) Gold is key to Burkina Faso's economy...



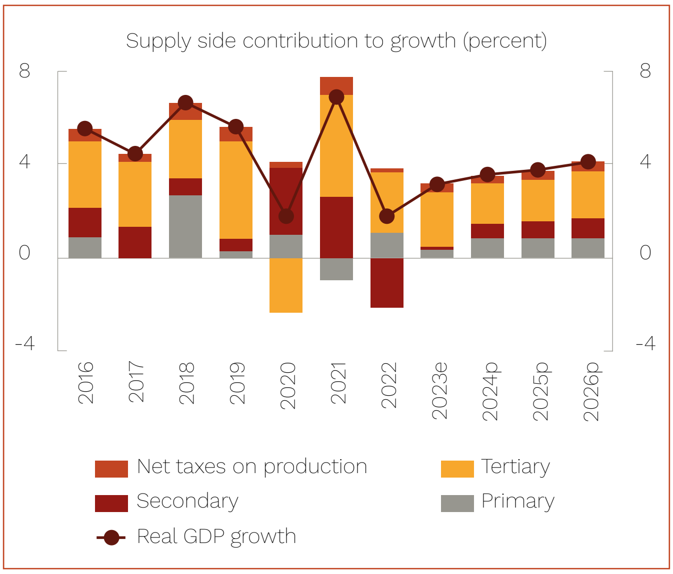
(d) ...but its production has been declining since 2021



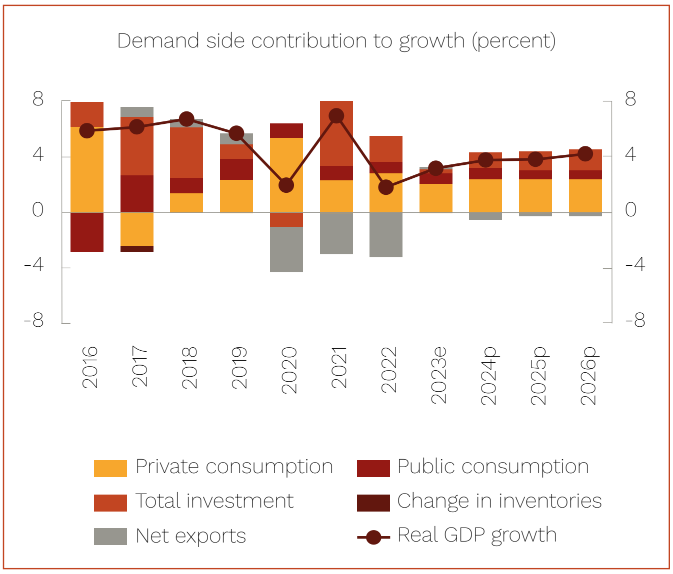
Source: Government of Burkina Faso, WB and IMF staff estimates. ACLED

FIGURE 1.2 Contributions to Growth

(a) GDP growth is mainly driven by the services sector



(b) Consumption remains a steady growth contributor



Source: Government of Burkina Faso, WB staff estimates

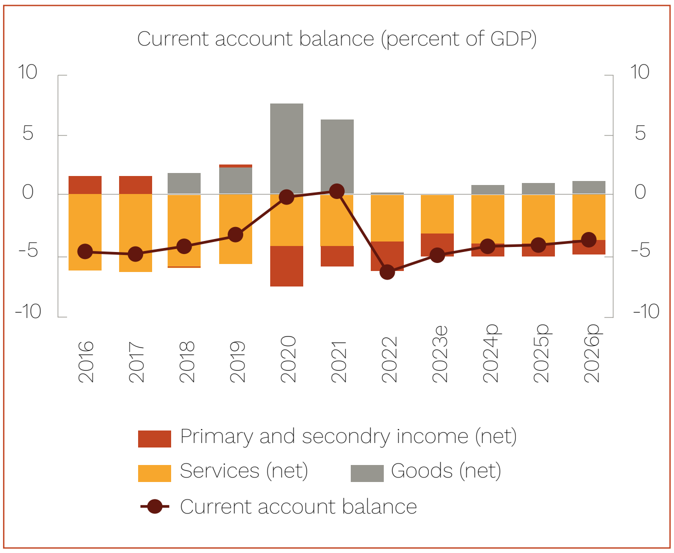
Source: Government of Burkina Faso, WB staff estimates

Fiscal and current account deficits narrowed in 2023 but remained elevated.

More favorable terms of trade helped narrow the current account deficit in 2023. In terms of volume, export growth of -2.1 percent that was supported by the mining sector, and a 1.9 percent contraction in imports, notably of machinery and transport equipment, supported the narrowing of the current account. Furthermore, the increase in gold prices coupled with a decrease in oil prices resulted in a higher decrease in the value of imports than in the value of exports. Overall, these volume and price effects led to a decreasing current account deficit between 2022 and 2023, from 6.2 to 4.9 percent of GDP (Figure 1.3a and Figure 1.3b). Without access to external financial markets, capital and financial account flows mainly comprise funding from donors and official creditors, bond issuances on the WAEMU regional market, and foreign direct investment.

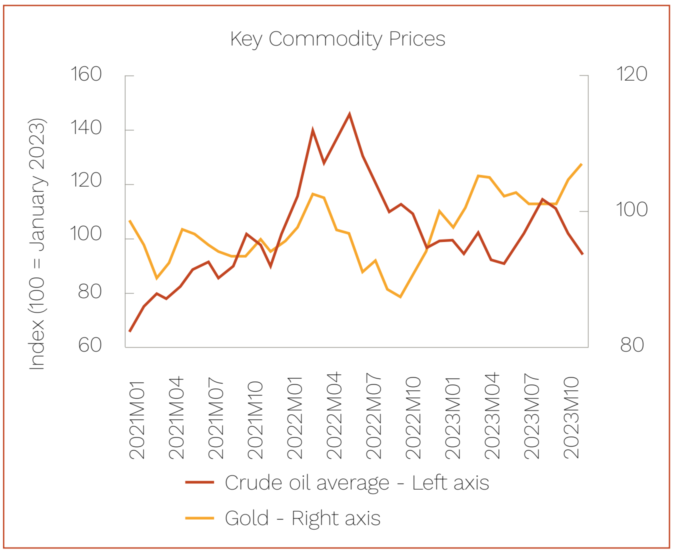
FIGURE 1.3 External Account and Prices

(a) Gold export recovery will support a decrease in the current account deficit



Source: Government of Burkina Faso, WB staff estimates

(b) Burkina Faso benefited from improved terms of trade

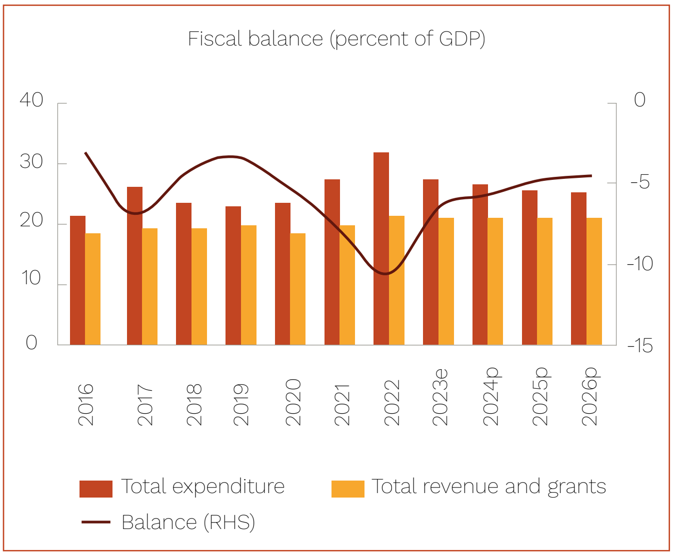


Source: World Bank Commodity prices data

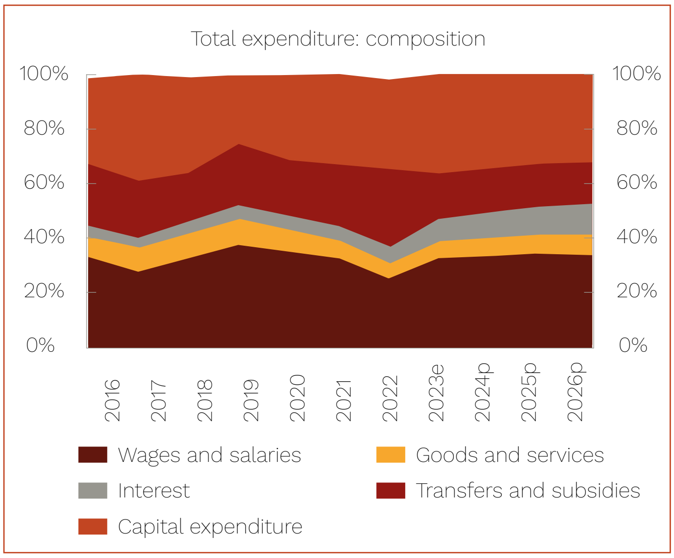
The country started fiscal consolidation in 2023 with the deficit falling to 6.4 percent of GDP—1.2 percent lower than 2022 (excluding a one-time inclusion of all accumulated securitized debt in 2022) (Figure 1.4a). The consolidation was expenditure-driven, through a scale back of capital investment and subsidies as international oil prices declined. However, military and humanitarian spending pressures remained high (Figure 1.4b and Figure 1.4c). Efforts were undertaken to keep domestic revenue mobilization robust, with total public revenues declining only by 0.2 percentage points as a share of GDP, as bilateral donor grants declined (Figure 1.4d).

FIGURE 1.4 Public Finances

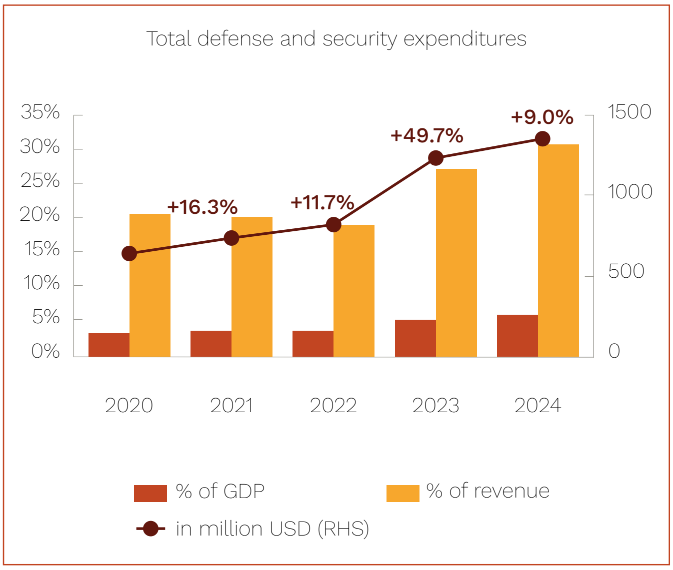
(a) The fiscal deficit remained high in 2023



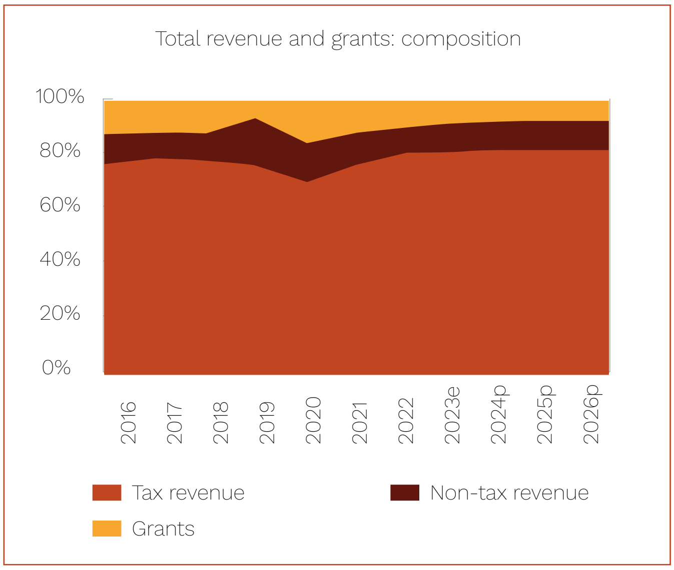
(b) Interest payments represent an increasing share of total expenditures



(c) Defense and security spending represent an increasing share of revenues and GDP



(d) Grants share is decreasing due to lower international support



Source: Government of Burkina Faso, WB staff estimates

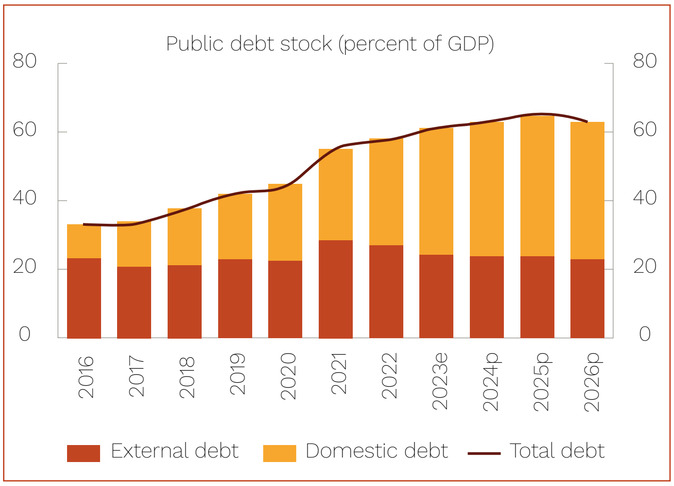
Given persistently high fiscal deficits, public debt crossed the 60 percent of GDP mark in 2023.[7] Public debt climbed from 58.1 to 61.4 percent of GDP between 2022 and 2023 (Figure 1.5a). Despite strong improvements in debt transparency, external concessional financing has decreased. As a result, domestic debt increased and accounted for around 55 percent of the public debt stock in 2023; a year in which Burkina Faso saw average bond yields exceed 8 percent on the WAEMU regional market (Figure 1.5, Figure 1.4b). As a result, and although external debt service has remained broadly unchanged, total debt service as a share of GDP has increased sharply from 2.9 to 5.9 percent between 2018 and 2022, and interest payments rose from about 1 percent of GDP in 2017 to 2.2 percent in 2023.

[7] *For the latest data update, see Joint IMF-World Bank DSA.*

The risks to debt sustainability are rising with fiscal pressures. The country is facing large financing needs to respond to the security, humanitarian, and food crises, and to meet longer-term development challenges, such as climate change adaptation. Consecutive high fiscal deficits make addressing these needs increasingly challenging. The most recent Debt Sustainability Analysis (DSA) conducted by the World Bank and IMF in September 2023 confirmed the moderate risk of both external and overall public debt distress, unchanged from the previous DSA in July 2023, with "some, but limited" space to absorb shocks on external debt. The share of expensive regional financing has been increasing; in February 2024, Burkina Faso's average yields on the regional bond market were 8 percent for 6-month T-bills and 9.6 percent for 3-year T-bonds.

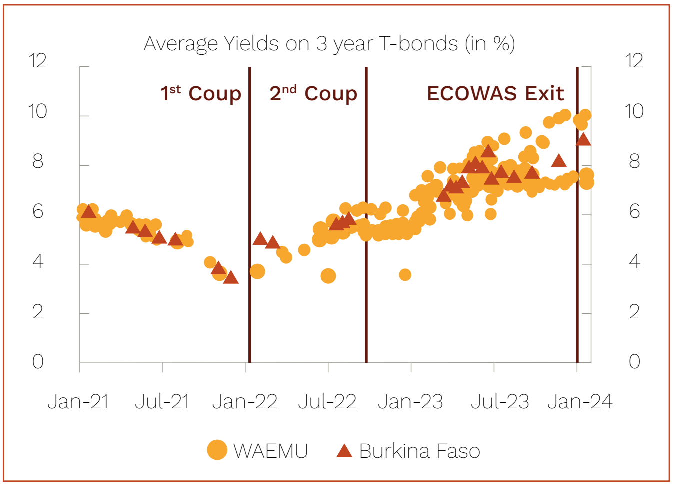
FIGURE 1.5 Public Debt and Financing Costs

(a) Debt to GDP ratio is expected to peak in 2025



Source: Government of Burkina Faso, WB staff estimates

(b) Financing costs are rising on the WAEMU regional bond market



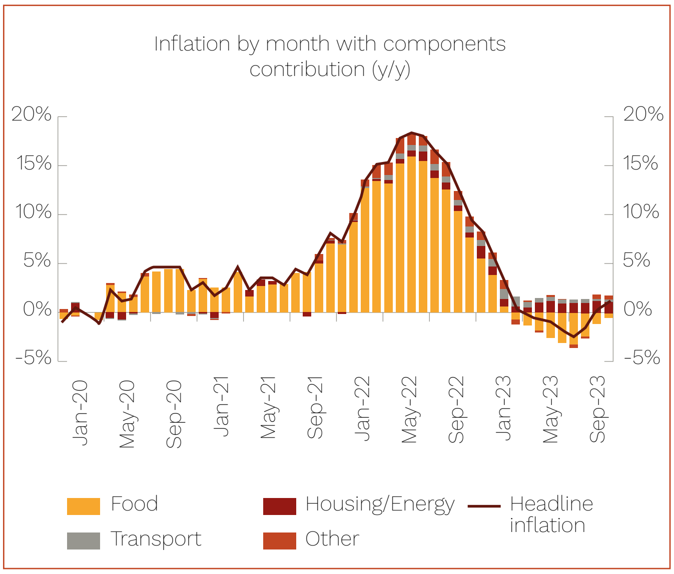
Source: UMOA titres, WB staff estimates

A significant drop in inflation with continued monetary tightening.

In 2023, annual inflation averaged 0.7 percent, a sharp drop from the 14.1 percent in the previous year (Figure 1.6a). Following a successful agricultural season, headline year-on-year inflation trended down in the first half of 2023 and turned negative from May to October 2023. Prices for local products have fallen, particularly for cereals, flour, fresh vegetables, and firewood from bush trees, thus mitigating the rise in prices for imported products. To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region was 3.7 percent in 2023 remaining above the 1-3 percent target range. Foreign exchange reserves have been on a downward trend, estimated at 3.5 months of import cover at end-2023, down from 4.3 months at end-2022.

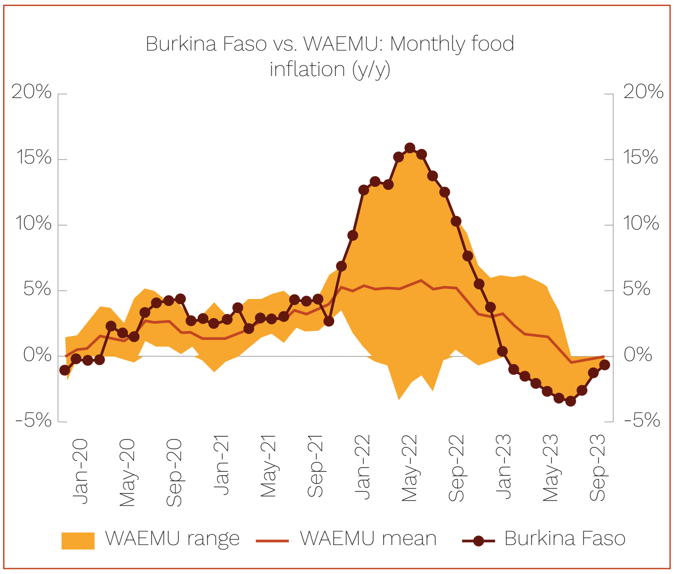
FIGURE 1.6 Inflation

(a) Inflation cooled down in 2023 driven by a fall in food prices



Source: Government of Burkina Faso, WB staff estimates

(b) Food inflation fell from the highest to the lowest levels in the region

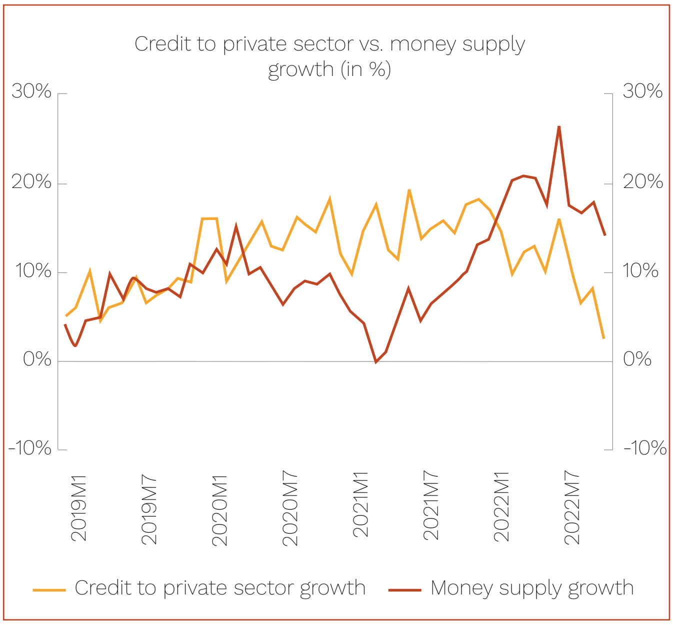


Source: Government of Burkina Faso, WB and IMF staff estimates

The financial sector in Burkina Faso is dominated by the banking sector which remains sound. As of June 2023, Burkinabe banks held 14.8 percent of risk-weighted assets as equity capital, above the regulatory threshold (11.5 percent) and the regional average (13.2 percent). The quality of the portfolio has improved with a high level of provisions. Growth in domestic credit to the private sector increased from 29.4 to 31.2 percent between 2021 to 2022 (Figure 1.7a). However, loan exposure to the top five borrowers reached 95 percent. While the proportion of liquid assets in total bank assets has grown, Burkinabe banks' exposure to sovereign securities remains a concentration risk within the banking system. The microfinance sector does not pose a major risk to financial stability, but, with about 1.8 million customers as of June 2023, vulnerabilities and weaknesses could undermine confidence in financial institutions more generally.

FIGURE 1.7 Credit to Private Sector

(a) Credit to private sector slowed down amid overall subdued GDP growth



Source: Government of Burkina Faso, WB and IMF staff estimates

Poverty increased between 2018/19 and 2021/22 due to insecurity and high inflation and the humanitarian situation is critical.

Poverty as measured by the national poverty rate increased to 43.2 percent in 2021/22 with a dramatic increase in Burkina Faso's Sahel region, and a concentration of poor people in the North. Nationally, the poverty rate increased 1.8 percentage points since 2018/19. Poverty rates in the Sahel region (which accounts for over 40 percent of recorded casualties in 2022) increased dramatically from 44.2 to 76.1 percent, becoming by far the poorest region (Figure 1.8a and Figure 1.8c). Data on food security indicate a crisis in this region that began in 2022 and has only worsened since with the region currently in a crisis or emergency food security situation. Given low population in Sahel, the largest poor population is found in the more populous regions just south, which have also seen increasing insecurity: Boucle du Mouhoun, Nord, Centre-Nord and Est (Figure 1.8b).

Poverty rates have increased more in urban areas, especially Ouagadougou, but poverty remains an overwhelmingly rural phenomenon. Poverty increased 4.3 percentage points in Ouagadougou (from 2.9 to 7.2 percent) compared to a 2.1 percentage points increase in other urban areas (22.4 to 24.5 percent) and 1.6 percentage points in rural areas (51.1 to 52.7 percent). The increase in poverty in urban areas was most likely driven by high inflation, especially food price inflation. For the poor in Ouagadougou and other urban areas, food purchases account for 43 and 36 percent, respectively, of total consumption, while this is only 29 percent for the poor in rural areas who rely on their own production as well. Despite this, poverty remains much higher in rural areas where almost 90 percent of the poor live.[8]

Overall, an additional 1.1 million Burkinabè fell into poverty between 2018/19 and 2021/22, although inequality decreased slightly. The level of consumption has seen the greatest decline among the highest income households in urban areas (Figure 1.8e), resulting in decreased inequality; the Gini index fell from 38.6 to 36.1. The only group of households to see their consumption increase are the wealthiest households in rural areas. With much lower inflation in 2023, the poverty rate is expected to have stabilized since 2022.

The humanitarian situation in Burkina Faso remains critical, with over 2 million people internally displaced by March 2023, increasing from 1.7 million in September 2022. The presence of internally displaced persons (IDPs) causes additional strain on host communities, both in terms of food supplies and critical infrastructure, like water. Furthermore, 4 million people have been affected by the closure of 416 health centers and over 800,000 children have been impacted by the closure of 5,330 schools.[9]

Burkina Faso faces drastic food insecurity, with approximately 2.3 million people in the crisis or emergency phase (Figure 1.8d).[10] While cereal availability has improved thanks to new harvests, the level of supply remains below that of 2022, with significant supply deficits observed in conflict-affected areas. Insecurity along roads has disrupted access to markets for producers and consumers alike. Indeed, the flow of foodstuffs from production areas in the west to deficit regions in north is dependent on military convoys, which often face long delays. In areas under blockade, such as the town of Djibo, supply times can vary from 3 to 5 months. The situation is particularly dire in the Centre-Nord, Nord and Sahel regions where over 60 percent of households are not able to cover their food needs from their own production. Food access is expected to deteriorate in the lean season of 2024 in areas affected by insecurity and with a strong presence of IDPs, with the total number of food insecure expected to rise to 2.7 million.

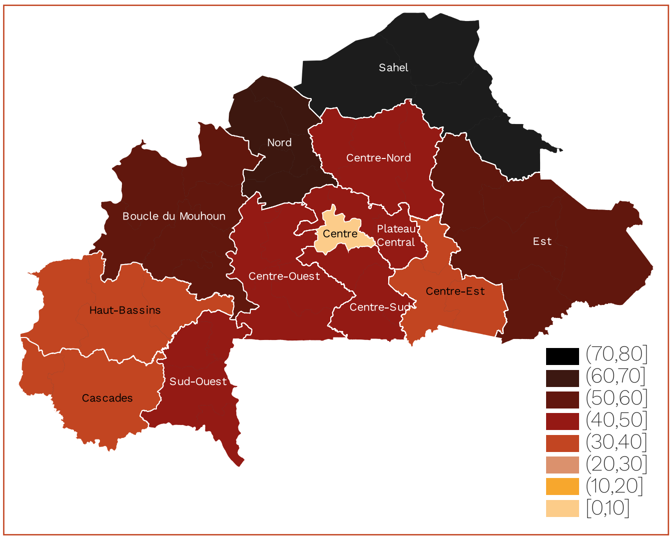
[8] See World Bank Group (forthcoming). Poverty and Equity Update for Burkina Faso.

[9] Source: European Commission: Emergency Response Coordination Centre: https://erccportal.jrc.ec.europa.eu/API/ERCC/Maps/DownloadPublicMap?fileN=MainFile&forceDownload=False&contentItemID=4817

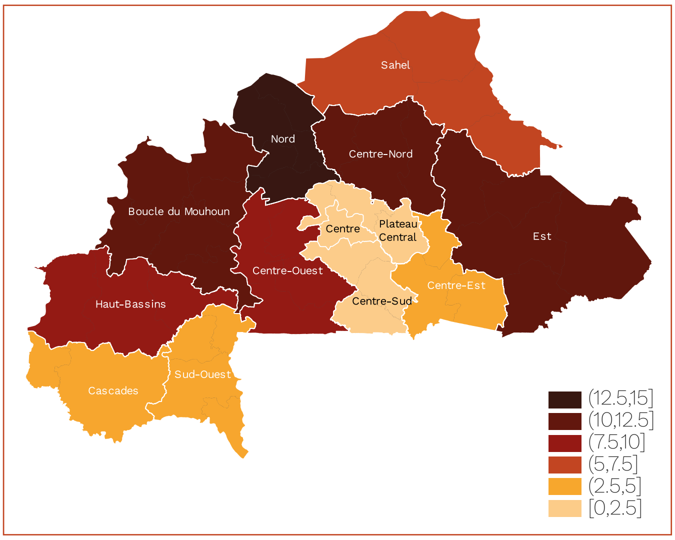
[10] The IPC's Acute Food Insecurity scale is organized into five severity phases (Phase 1: Minimal/ None; Phase 2: Stressed; Phase 3: Crisis; Phase 4: Emergency; and Phase 5: Catastrophe/ Famine). Those considered as facing severe food insecurity are those classified under Phase 3 or worse. Under Phase 3 (Crisis), households either: (i) Have food consumption gaps that are reflected by high or above-usual acute malnutrition; or (ii) Are marginally able to meet minimum food needs but only by depleting essential livelihood assets or through crisis-coping strategies. Under Phase 4 (Emergency), households either: (i) Have large food consumption gaps which are reflected in very high acute malnutrition and excess mortality; or (ii) Are able to mitigate large food consumption gaps but only by employing emergency livelihood strategies and asset liquidation. Under Phase 5 (Famine), households have an extreme lack of food and/or other basic needs even after full employment of coping strategies. Starvation, death, destitution and extremely critical acute malnutrition levels are evident. (For Famine Classification, an area needs to have extreme critical levels of acute malnutrition and mortality.)

FIGURE 1.8 Poverty and Humanitarian Situation

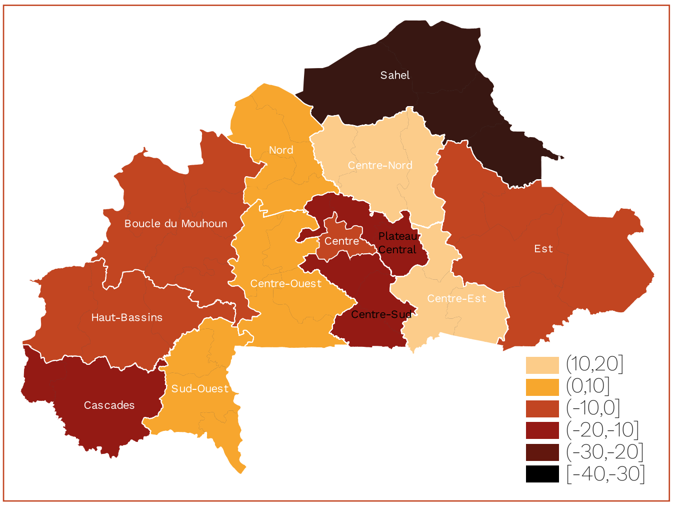
(a) Poverty is highest in the Sahel region of Burkina Faso and lowest in the Centre region



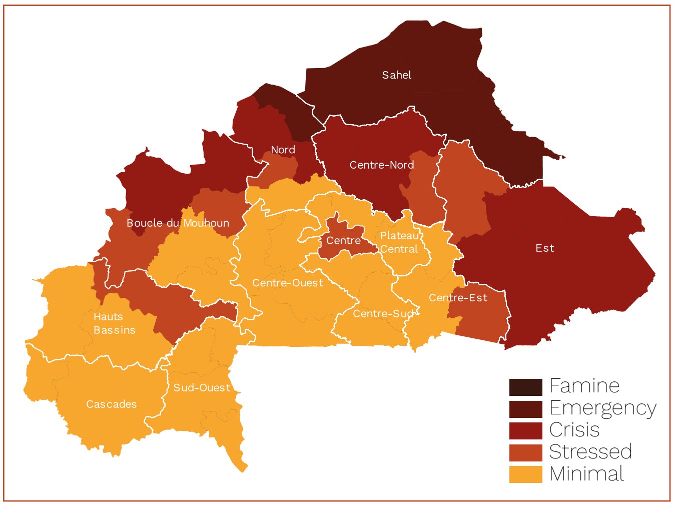
(b) The greatest number of poor are found in a band from Boucle du Mouhoun to Est



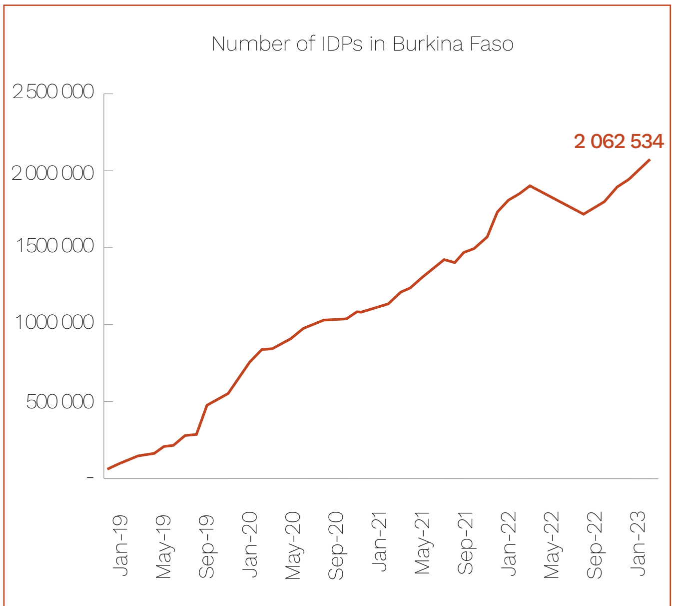
(c) Poverty increased most in the Sahel region of Burkina Faso



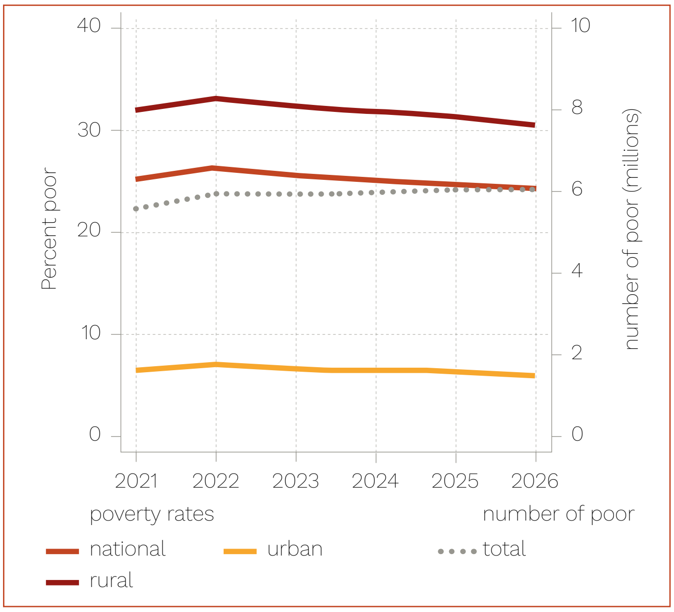
(d) Food insecurity in February to May 2024 is projected to affect mainly the North and East



(e) The IDP population in the country has exceeded two million, reaching new heights



(f) The poverty rate is projected to decrease slightly, but the number of poor to increase



Source: Government of Burkina Faso, UNHCR, WB staff estimates; FEWS NET (a), (b) and (c). Poverty rates at national line, actual survey data from EHCVM1 (2018/19) and EHCVM2 (2021/22) (f) Nowcasts and forecasts of poverty at the international poverty line ($2.15 USD per person per day 2017 PPP)

1.2 Economic and Poverty Outlook

As long as the risks weighing on the Burkinabè economy are materializing, growth is unlikely to return to the pre-Covid-19 level.

The outlook is closely tied to the prevailing security conditions. Assuming that the security situation does not further deteriorate or improve, growth could slowly pick up and average 4 percent (1.5 percent per capita) over 2024-26 (Figure 1.1a). This projection is informed by the patterns observed in 2023, where the performance of key sectors such as mining and agriculture were strongly influenced by the level of security at mining locations and the accessibility of rural regions. This projection includes the expected slightly negative growth impacts of an orderly ECOWAS withdrawal, which assumes that trade and transit agreements are put in place and free movement of goods, services, and people are maintained, thereby limiting impacts to higher trade costs (new tariffs) and lower trade with non-WAEMU ECOWAS countries, higher investors' risk premia, and increased regional financing costs (Box 1.1).

Growth is forecasted to be broad-based and gradually increase to 4.2 percent (1.7 percent per capita) by 2026, still well below the 2011-2019 average of 5.7 percent. The services sector is forecasted to contribute about 2 percentage points to annual GDP growth, as it absorbs more labor across both low-skilled private services and the public sector. A rapid fiscal consolidation could, however, dampen growth in public administration services. The secondary sector is projected to contribute less than 1 percentage point (Figure 1.2a). The rebound of the mining sector could continue as observed in the third quarter of 2023, with gold production at 14.4 tons, only 14 percent below the quarterly average of 16.8 tons in the peak year 2021 (Figure 1.1d). However, there could be a drag on manufacturing from higher imported input costs due to exiting the ECOWAS free trade zone. Dominated by subsistence farming to meet the demands of a constantly growing population (by 2.5 percent annually), agricultural output will continue to depend on rainfall and the climate.[11]

A combination of robust private consumption and more dynamic investment are expected to be the primary demand-side drivers of the economy over 2024-26 as the public sector scales back. Private consumption is forecasted to contribute an average of 2.3 percentage points to GDP growth over the period, bolstered by demographic growth, easing inflation, and a return to average crop yields. Meanwhile, private investment could gain some momentum, with an expected average annual contribution of 1.5 percentage points (Figure 1.2b). This is likely to be fueled by government reforms in energy and mining, as well as improvements in the business environment, which could offset higher investors' risk premia from the ECOWAS withdrawal. On the other hand, public sector support for the economy is projected to diminish if the government remains committed to fiscal consolidation. Public consumption is therefore likely to increase at a more moderated rate. Public investment may also face limitations due to a decrease in bilateral donor support and rising regional financing costs.

Despite a projected increase in export growth, thanks to a recovery in the mining sector, trade is anticipated to contribute negatively to GDP growth. This is largely due to the country's continued dependence on imports of consumer and intermediate goods, even if the current account deficit is projected to gradually narrow to about 3.7 percent by 2026 as export conditions improve amid continued high gold prices and imports benefit from a decrease in international oil prices.

[11] *For more information on growth scenarios, see Pajank, D., K. Abalo, and J. Porte (2023). Country Economic Memorandum for Burkina Faso: Making Growth More Efficient, Sustainable, and Inclusive. Washington, DC: World Bank Group.*

With a commitment to fiscal consolidation and growth-enhancing investment, public debt would remain sustainable, absent major shocks.

While the government is committed to a gradual fiscal consolidation towards the WAEMU target of 3 percent of GDP, the deficit is projected to remain above the target over the medium term. The fiscal balance is projected at 5.6 percent of GDP for 2024 and is expected to narrow to 4.7 percent in 2025 and further to 4.4 percent in 2026 (Figure 1.4a). The trajectory of fiscal consolidation is achievable, even with heightened expenditure pressures necessitated by the security, humanitarian, and food crises, if Burkina Faso can further strengthen domestic resource mobilization (Figure 1.4d). The strategy for rebalancing public finances includes reducing the public wage bill as a proportion of tax revenue, curtailing transfers to state-owned enterprises (SOEs), and enhancing domestic tax collection efforts, which includes a reduction in tax exemptions for the mining and other sectors.[12]

The public debt-to-GDP ratio is projected to stabilize and remain sustainable. The debt-to-GDP ratio is projected to peak at 65.4 percent of GDP by the end of 2025, before a slight decline to 63.2 percent in 2026 (Figure 1.5a). External and public debt will remain sustainable. While financing the deficit will continue to be expensive, increased access to concessional funding, including climate finance, may alleviate some of the financial pressure. However, there are key vulnerabilities that could impact debt sustainability, including urgent humanitarian and food security expenditures, substantial security-related outlays, heightened refinancing risks due to reduced donor support, growing dependence on regional bond markets, and an export profile that is not only undiversified but also highly susceptible to external price fluctuations.

[12] *For more information on the fiscal analysis, refer to World Bank Group (2023a). Public Expenditure and Revenue Review for Burkina Faso: Fiscal Reforms for Resilience. World Bank. https://doi.org/10.1596/38468.*

Inflation is expected to remain low, assuming an orderly ECOWAS withdrawal with minimal spillover onto WAEMU trade.

Inflation is projected to remain within the BCEAO target range of 1-3 percent during 2024-2026. Following a period of volatility, headline inflation is expected to average 2.5 percent over the forecast horizon. This forecast assumes higher import costs from trade with non-WAEMU ECOWAS states (which is limited) with minimal spillover on imports from WAEMU member states. Despite the return to stability, price levels, particularly for essential goods, are likely to remain elevated relative to the pre-2022 period, posing a persistent challenge for the most economically vulnerable populations (see Chapter 2).

Poverty is expected to remain stable, with downside risks.

Poverty is expected to remain unchanged in the medium term. Inflation is expected to remain under 3 percent which will remove a major stress for households. Real per capita growth in agriculture, which accounts for 71 percent of the income of poor households, is expected to be under 2 percentage points, not enough for substantial poverty reduction. Using modeled estimates of extreme poverty at the international line ($2.15 per person per day), poverty is forecast to decrease from 25.6 percent in 2023 to 24.2 percent by 2026, with rural poverty declining a bit more and continuing to slightly narrow the urban/rural gap. This decrease in poverty rates is not enough to offset population growth, and the number of extreme poor is expected to increase from 6.0 million in 2023 to 6.1 million in 2026.

Insecurity, additional price shocks and adverse climate conditions could all undermine the expected decrease in poverty. Households in rural markets remain very vulnerable to climate shocks and to loss of access to markets. Households in urban areas are vulnerable to food price shocks, which can be driven by international or local events and markets. The success of the government in restoring security, allowing some IDPs to return and resume productive activities and restoring the function of transport and markets within the country will be critical. These years of turmoil will have a long-lasting effect on poverty reduction efforts due to destruction of assets, interruption of education (due to Covid-19, insecurity related school closures and population displacement) and potentially long-term redistribution of the population within the country.

With the ECOWAS exit announcement, risks have become further tilted to the downside and government actions are important to strengthen the outlook.

The outlook remains subject to uncertainty around regional dynamics and downside risks stemming from insecurity, political instability, climatic shocks, and terms of trade shocks. An ECOWAS withdrawal that has gaps in agreements leading to larger disruptions to transport, transit and free movement of goods, services, capital and labor and spillovers onto WAEMU trade would see larger negative impacts of the exit. Realizing new trade opportunities would mitigate impacts (Box 1.1). Further economic policy uncertainty could lead to higher regional financing costs and the BCEAO may need to continue monetary tightening in 2024 to bring inflation under control. A financing squeeze could lead to cuts in public expenditure, affecting growth-enhancing investments, as security expenditure pressures mount.

Policy options are available to strengthen Burkina Faso's macro-fiscal sustainability and thus enhance the country's economic and poverty outlook (Table E.2). For example, in the short term tax policy and tax administration reforms can be implemented to enhance the efficiency of revenue mobilization. It will also be important to take actions to mitigate negative impacts of the ECOWAS withdrawal and minimize spillovers onto WAEMU trade. Over the medium term, high spending items such as the public wage bill and subsidies could be tackled to improve expenditure policy performance. There are additional reforms available to make economic growth more efficient, sustainable, and inclusive.[13]

[13] See Pajank, D., K. Abalo, and J. Porte (2023). Country Economic Memorandum for Burkina Faso: Making Growth More Efficient, Sustainable, and Inclusive. Washington, DC: World Bank Group.

BOX 1.1 PRELIMINARY ANALYSES OF THE POTENTIAL IMPACTS OF THE ECOWAS WITHDRAWAL

This box looks at the existing regional linkages, lays out the key potential transmission channels and expected economic impacts of the withdrawal and highlights further risks, as well as opportunities. These are preliminary analyses based on scenarios and assumptions, which would need to be updated as the situation evolves, e.g., as bilateral trade agreements are negotiated, and external tariffs are set.

Burkina Faso, Mali and Niger have been members of the Economic Community of West African States (ECOWAS)[14] since 1975 and also the West African Economic and Monetary Union (WAEMU) since 1994. ECOWAS has an ambitious regional economic integration agenda promoting free movement of people, goods, capital and services. Key instruments include the ECOWAS passport, a free trade area (FTA) with a common external tariff (CET), transport and transit regime, and regional integration projects such as the West African Power Pool (WAPP). WAEMU shares a complementary economic integration agenda (it also has a FTA with a CET aligned with ECOWAS). In addition, WAEMU member states are in a monetary union with a regional central bank (BCEAO) and a common monetary policy and currency. The WAEMU bond market is a key source of financing for member states, including Mali and Burkina Faso.

On January 28, 2024, in a joint communiqué, the three countries announced their immediate withdrawal from ECOWAS. According to the revised ECOWAS Treaty, a notification period of one year is required to leave ECOWAS. At the ECOWAS Heads of State summit held on February 24, 2024, ECOWAS lifted all sanctions on Niger and called for unity and the three countries to reconsider their decision.[15] The three countries remain members of WAEMU.

Existing socio-economic linkages between the three countries and the rest of ECOWAS (Figure 1.9 – 12):

The potential benefits of being part of a larger economic community are significant for the three smaller and landlocked countries: Burkina Faso, Mali and Niger are among the lower-income member states of ECOWAS, accounting for around 8 percent of GDP but 17 percent of the population. For the three countries, the key socio-economic linkages are imports from ECOWAS, land transit corridors and 3 million diaspora residing in the region:

- **The level of formal intra-ECOWAS trade is lower than that of other regional economic zones**—only 8 percent of total trade is intra-regional compared to 18 percent for the East African Community and 20 percent for the Southern African Development Community. Less than 5 percent of Burkina Faso, Mali and Niger's formal exports[16] go to ECOWAS as exports are dominated by gold (70-95 percent of total exports by value) and other extractives to countries outside of ECOWAS (Figure 1.9).

- **However, more than one-third (37 percent) of the three countries' imports of goods come from ECOWAS**[17]—in particular, food products and fuels from Cote d'Ivoire, Senegal, and Nigeria. Of that, Mali and Burkina mostly import from other WAEMU countries, whereas Niger also imports significantly from Nigeria (Figure 1.9).

- **In addition, a large share of domestic electricity demand has been met through regional imports:** Burkina Faso imports electricity from Ghana, Mali from Cote d'Ivoire, and Niger from Nigeria, providing power at lower cost than domestic power production. However, this regional energy trade has been disrupted since 2023, contributing to electricity shortages and deepening financial deficits in the sector (Figure 1.10).[18]

- **Beyond direct trade, land transit corridors in the ECOWAS region are key for the three landlocked countries** to connect to other countries in the region and to the region's coastal ports (Dakar, Abidjan, Lome, Cotonou, Tema) for imports from the rest of the world (ROW) (Figure 1.11).[19]

- **People flows are substantial and bring in important remittances:** Burkina Faso, Mali and Niger citizens with the ECOWAS single passport travel visa free and have the right to reside and work in the region. Approximately 3 million diaspora members (Burkina Faso: 1.6 million, Mali: 900,000, Niger: 400,000) reside in ECOWAS (mostly in WAEMU, i.e., Cote d'Ivoire, but also in Nigeria), sending large remittances that support external balances and household incomes (Figure 1.12). The three countries are implicated in 21 percent of intra-ECOWAS remittances exchange (equivalent to around US$3.5 billion).

[14] ECOWAS membership in January 2024: 15 countries, with 8 also in WAEMU (Benin, Burkina Faso, Guinea-Bissau, Côte d'Ivoire, Mali, Niger, Senegal and Togo) and 7 non-WAEMU (Cabo Verde, The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone)
[15] ECOWAS (2024). Extraordinary Summit of the Ecowas Authority of Heads of State and Government on the Political, Peace and Security Situation in the Region. https://www.ecowas.int/wp-content/uploads/2024/02/EXT-ORD-SUMMIT-FINAL-COMMUNIQUE-EN-GLISH-_240225_160529.pdf
[16] Informal exports are not captured in the data, including for example Niger's agricultural and livestock exports to Nigeria.
[17] Imports could reflect service trade integration where goods from outside ECOWAS are imported by the coastal countries, often by wholesalers, who then re-export them to the three countries.
[18] Exports of electricity from Cote d'Ivoire to Mali have declined from ~120 MW to ~10MW currently due to large payment arrears, contributing to the current energy crisis. Prior to the ECOWAS sanctions, 70 percent of Niger's electricity demand was met by imports from Nigeria; Niger ramped up domestic thermal production (more expensive) in response to the sanctions.
[19] Mali is primarily dependent on Dakar, Senegal, then Abidjan, CIV. Niger uses primarily Cotonou, Benin. Burkina Faso uses Lome, Togo, Abidjan, CIV and Tema, Ghana.

Key Potential Channels of Transmission, ECOWAS Withdrawal Scenarios and Expected Impacts

Given the socioeconomic linkages, the key potential transmission channels for the three countries from leaving ECOWAS are disruptions to trade, transit and people flows and higher investors' risk premia.

■ **Trade Flows (Imports):** Higher import costs (due to new tariffs and non-trade barriers (NTBs)) would lower imports (foods and fuels) from non-WAEMU ECOWAS countries after leaving the ECOWAS FTA. In theory, trade with WAEMU countries should not be affected by leaving the ECOWAS FTA if the WAEMU FTA continues to function well.

■ **Transit Flows:** Disruptions to land transit corridors would reduce trade with other WAEMU countries and the rest of the world.

■ **Spillovers onto regional energy trade:** Not directly linked to ECOWAS membership,[20] but could be impacted by broader regional dynamics. Reductions in electricity imports would likely increase the cost of power in the short term.

■ **People Flows:** Disruptions to the free movement of its citizens within the ECOWAS region.

■ **Increased economic policy uncertainty could lead to higher investors' risk premia and, in turn, higher costs of WAEMU regional financing.** Bond yields for Burkina were among the highest in WAEMU prior to the ECOWAS withdrawal announcement (1-year T-bills at 8.71 percent and 3-year bonds at 9.08 percent). Bond yields in Feb and March 2024 increased significantly; they have since moderated but remain elevated.

The importance of the transmission channels and the expected impacts on the economy will depend on the manner of the ECOWAS exit and if there are spillovers onto WAEMU trade and onto regional energy trade. Given the many uncertainties, two stylized scenarios have been defined to analyze the potential impacts on the three countries. In both scenarios, the three countries remain in WAEMU and there are minimal disruptions to the free movement of people given the desire to avoid large social disruptions.

SCENARIO 1: An orderly ECOWAS exit with negotiated agreements that minimizes spillovers onto WAEMU. This scenario would limit the impacts to the exit of the ECOWAS FTA with higher trade costs and lower trade with non-WAEMU ECOWAS member states. Transport and transit instruments are renegotiated/or included in new bilateral agreements. Trade with other WAEMU countries is conducted according to the WAEMU FTA. Regional energy imports remain at their current levels—i.e., lower than pre-2023 levels—as the three countries look to enhance energy independence, leading to electricity costs remaining high in the short term. Agreements are in place to preserve the visa-free travel and right to reside and work for its citizens throughout the ECOWAS region. The uncertainty over the exit and the impacts leads to increased investors' risk premia and higher WAEMU regional financing costs.

Overall, we would expect annual GDP growth for 2024-2026 to be slightly lower as a result of the ECOWAS withdrawal (compared to a counterfactual scenario of no ECOWAS exit). The expected demand-side impacts would be slightly lower volumes of imports from non-WAEMU ECOWAS countries, and slightly lower levels of private and public investments due to increased risks and higher costs of WAEMU regional financing. Inflation would be slightly higher due to higher import costs. In terms of the supply-side, agriculture and extractives sectors would not be materially affected by disruptions in regional supply chains, with mining (gold, uranium) and oil exports going outside ECOWAS by air and the Benin pipeline. In contrast, manufacturing and service sectors would be more impacted by higher costs of imported inputs and power, and lower trade volumes.

SCENARIO 2: An ECOWAS exit with gaps in agreements that lead to substantial spillovers onto WAEMU. In this scenario, there would be higher tariffs and NTBs on imports from non-WAEMU ECOWAS countries compared to Scenario 1, which could boost custom revenues in the short-term but would lower import volumes significantly. Transport and transit instruments are not fully renegotiated/or included in new bilateral agreements so that there are gaps disrupting trade flows with WAEMU countries and the rest of the world. There could also be trade frictions within the WAEMU FTA, e.g., there is complexity in using the WAEMU instead of the ECOWAS certificate of origin. Energy independence is even more strongly emphasized, leading to lower regional energy imports than current levels and higher costs of electricity in the short term. There are larger increases in investors' risk premia and regional financing costs compared to Scenario 1. However, agreements are in place to preserve the visa-free travel and right to reside and work for its citizens throughout the ECOWAS region.

Overall, we would expect negative impacts on annual GDP growth for 2024-2026 to be larger than in Scenario 1, but still moderate. The expected demand-side impacts would be larger than Scenario 1 in terms of the reduction in imports (from WAEMU as well as non-WAEMU ECOWAS countries), the reduction in levels of private and public investments, and the inflationary impacts of imports.

[20] While WAPP is an ECOWAS institution, regional energy trade is governed by bilateral power purchase agreements and transmission service agreements between the trading countries.

Niger could see larger impacts than Burkina Faso and Mali due to its stronger trade linkages with non-WAEMU ECOWAS (Nigeria) and macro-fiscal vulnerabilities from 7 months of economic and financial sanctions.

That the overall expected impacts under these two scenarios are only slightly to moderately negative reflect the economic structure of the three countries: the importance of agriculture (mainly non-tradeable domestic food production) and extractives sectors, and large informal trade flows across the region, which are likely to be less affected from leaving the ECOWAS FTA.

Further Risks and Opportunities

The expected socioeconomic impacts would be much more significant if the ECOWAS exit disrupted the free movement of people, impacting the millions in the diaspora and their remittance flows. The ECOWAS communiqué of February 24, 2024, highlights this risk: "The withdrawal will automatically affect the immigration status of the citizens as they may be required to obtain visa to travel around the region. Citizens may no longer be able to reside or set up businesses under ECOWAS arrangements and may be subject to diverse national laws. The three countries will cease to use ECOWAS passports, ECOWAS Biometric National Identity Card and the region-wide 'ECOWAS Brown Card' vehicle insurance."

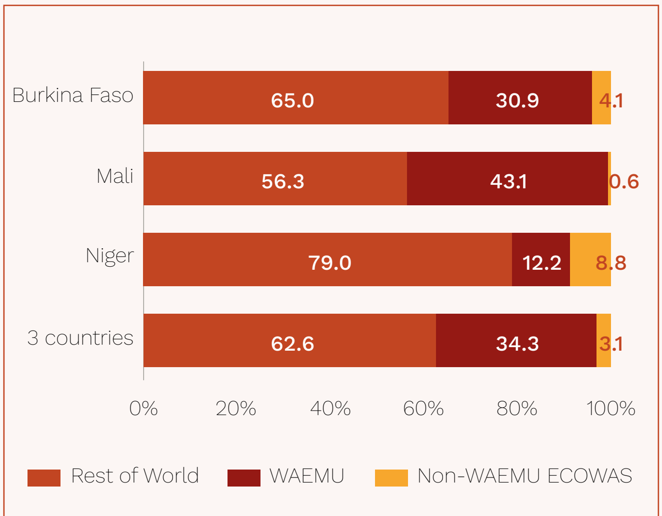
The three countries remain in WAEMU; however, the decision to exit from ECOWAS created some uncertainty. Market analysts see a WAEMU exit as a low probability risk,[21] but one which would have substantially more severe impacts on growth, inflation, external and fiscal balances, given the stronger trade linkages with other WAEMU countries and because the monetary union provides an anchor for macroeconomic stability (through the CFA franc peg to the Euro, buffer of pooled external reserves, and common macroeconomic stabilization rules).[22]

Therefore, if there are heightened perceived risks of a WAEMU exit, this could further increase the countries' risk premia and regional financing costs even if they remain in WAEMU. This would be challenging at a time of high gross financing needs.

Finally, there could be important medium-to-longer term impacts for the three countries in terms of 'missed development opportunities' in energy, food systems, and security, digital, and pandemic preparedness, if the countries' participation in regional integration programs, as well as in trade facilitation efforts, is disrupted.

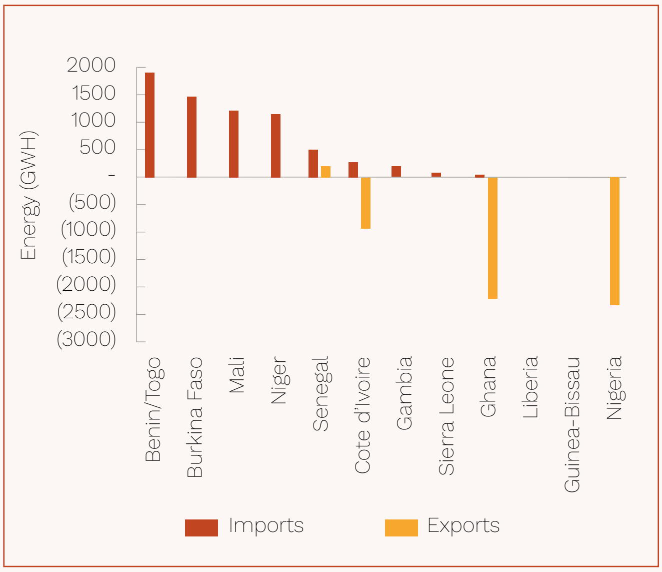
However, there are also new trade opportunities, e.g., intensifying existing or establishing new bilateral trading relations, including with countries outside ECOWAS—already ~2/3 of imports are from outside ECOWAS—though these could take time to be fully realized as new trade agreements need to be negotiated and new trade/transit routes need to be established.

FIGURE 1.9 Share of total recorded imports from ROW, WAEMU, non-WAEMU ECOWAS



Note: All figures are averages for the period 2018-22. Trade is in goods, excludes electricity imports.
Source: UNCOMTRADE, 2024, using mirror trade statistics, WB staff analysis

FIGURE 1.10 Total electricity imported and exported in ECOWAS WAPP grid, 2022

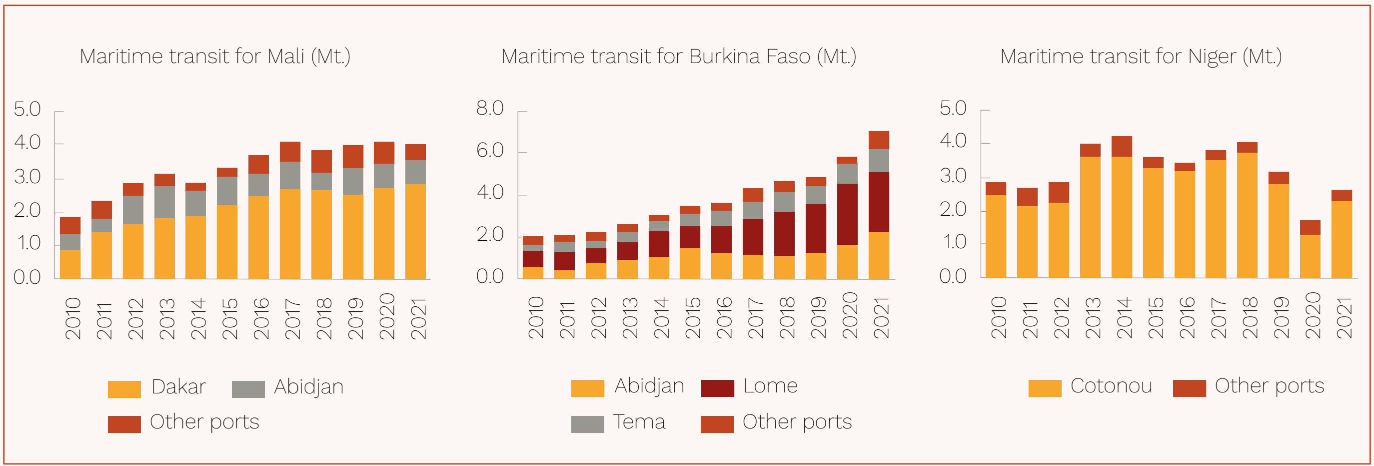


Source: ECOWAS-WAPP, 2024

[21] *S&P Global Ratings (2024). What The Departure of Burkina Faso, Mali, and Niger from ECOWAS Would Mean for WAEMU. https://www.spglobal.com/ratings/en/research/articles/240226-what-the-departure-of-burkina-faso-mali-and-niger-from-ecowas-would-mean-for-waemu-13004298*
[22] *The potential impacts are difficult to assess, though we can note Mali's previous exit from the CFAF monetary union in 1962, which saw a devaluation of its new currency, macroeconomic imbalances, and a long period of low growth. Mali rejoined WAMU in 1984.*

FIGURE 1.11

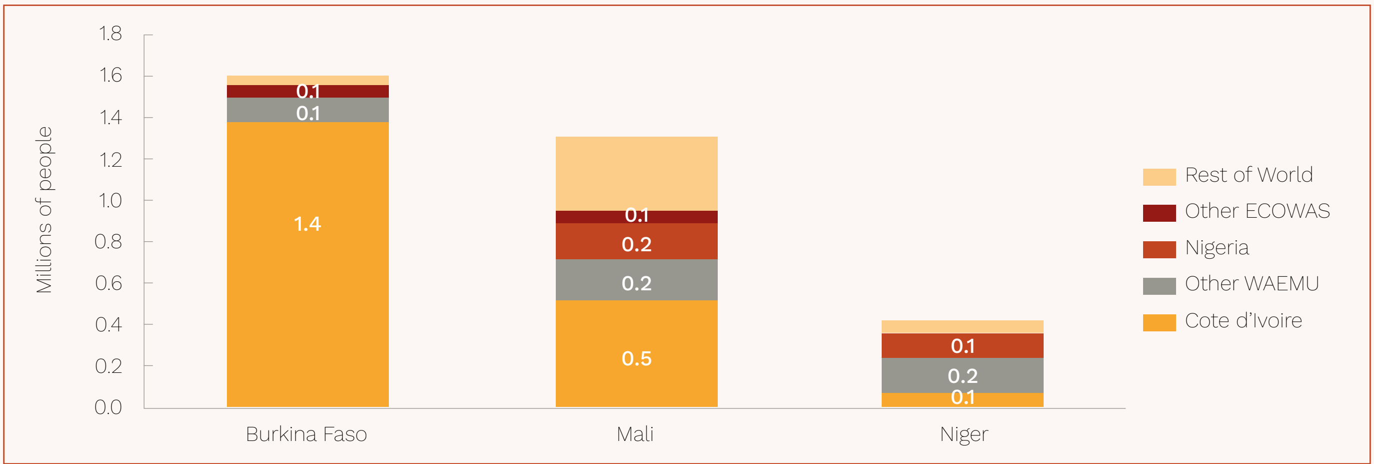
Transit Flows: Maritime transit by regional port



Source: Port Authorities

FIGURE 1.12

People Flows: Number of Burkina Faso, Mali, and Niger diaspora by host country



Source: https://www.migrationdataportal.org/regional-data-overview/western-Africa, WB staff analysis

MAINTAINING REFORM MOMENTUM ON SOCIAL ASSISTANCE

2

2.1 Recent trends of social assistance in Burkina Faso

With increasing poverty and vulnerability rates, low levels of human capital, and high levels of displacement, households in Burkina Faso more than ever require protection from the various shocks they are facing. Over the past years, households have been exposed to overlapping crises, including mass displacement resulting from fragility, climate-related shocks, food price inflation, and increasing food insecurity. Social assistance, designed to help individuals and households cope with chronic poverty, destitution, and vulnerability,[23] is a critical part of a government response to support households in Burkina Faso, particularly when they combine interventions in such a way as to coherently tackle the various constraints that households face towards exiting poverty and vulnerability, and achieving economic empowerment.

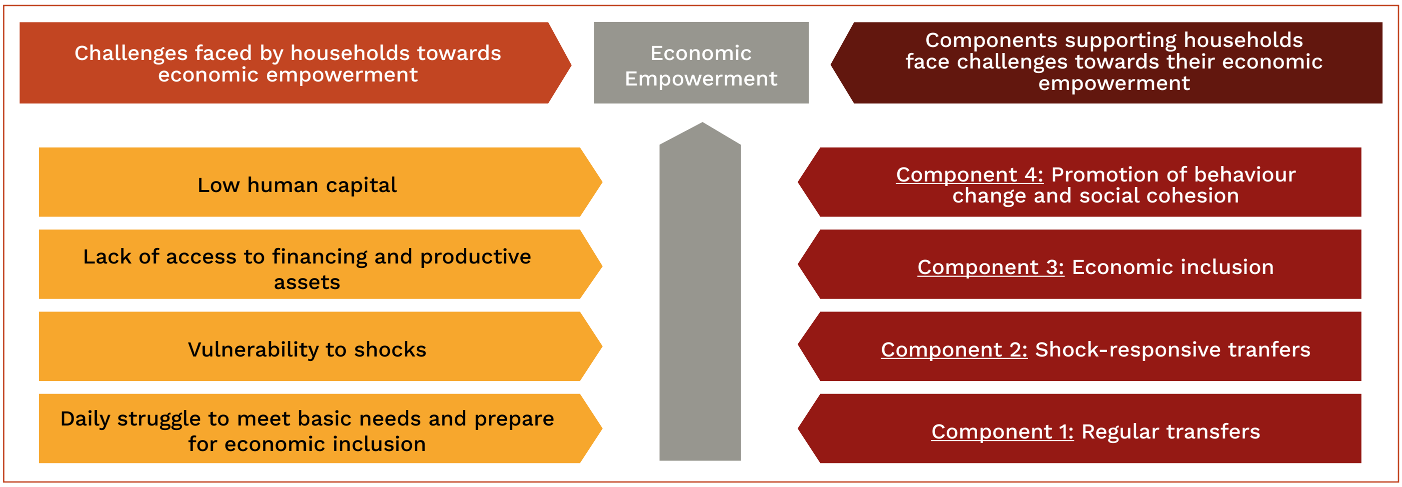
[23] *Social assistance is understood to have the objective of reducing poverty and inequality and includes social pensions, food and in-kind transfers, school feeding programs, public works, fee waivers and targeted subsidies, other interventions such as social services and programs that include monetary transfers. See World Bank Group (2018). The State of Social Safety Nets 2018. Washington, DC: World Bank. http://hdl.handle.net/10986/29115.*

The Burkinabe social assistance system has made important progress in strengthening the key building blocks needed to help the poorest and most vulnerable households respond to the numerous challenges they are facing.

Over the past years, Burkina Faso has been putting in place the elements of an efficient social assistance system, including through the elaboration of a national flagship program. The program, called the Economic Empowerment Support Program for Poor and Vulnerable Households (*Programme d'appui à l'autonomisation des ménages pauvres et vulnérables, PAMPV*), has the objective of covering the 20 percent poorest by 2033. Building on experience generated over the past years and drawing on best international practice, it is designed as an integrated package of interventions to enable the long-term economic empowerment of its beneficiaries: (i) regular support to enable households to smooth consumption and free productive capacity; (ii) shock-responsive support to strengthen households' ability to weather shocks; (iii) economic inclusion measures[24] to strengthen households' ability to generate revenues sustainably in the long-term; and (iv) measures to build human capital and social cohesion, such as trainings and awareness raising activities (see Figure 2.1 for the PAMPV's conceptual framework).

In addition to providing modular support to address multiple constraints, this government flagship program provides a mechanism for rationalization and convergence in the sector. The program offers an overarching framework for social assistance interventions, for both donor and government funding, including by enabling partners to finance the program directly or to align their interventions with the program, when they are unable to do so. The program furthermore contributes to reducing fragmentation, increasing coverage of social safety nets, and strengthening government leadership in the face of the multitude of actors in the sector.

FIGURE 2.1 The Economic Empowerment Support Program for Poor and Vulnerable Households



Source: Ministère de la Solidarité, de l'Action humanitaire, de la Réconciliation Nationale, du Genre et de la Famille (2023).

In addition to the PAMPV, the social registry represents the government system's second building block. The social registry is a critical instrument for the more effective and transparent identification of the poor and vulnerable as potential beneficiaries of social assistance interventions, including the PAMPV. The social registry (*Registre Social Unique – RSU*) was deployed in rural areas of two pilot regions and as of February 2024 covers 143,907 poor and vulnerable households (around 27 percent of households in the two regions)[25]. Its progressive deployment in additional regions planned over the coming years is designed to cover roughly 1.7 million households in Burkina Faso – covering all households both in extreme poverty and in less severe poverty. In addition to improving beneficiary selection by each program at a reduced cost, having a shared instrument across the sector holds the potential to improve coordination and reduce duplication.

[24] *The term "economic inclusion" is often used interchangeably with the terms "productive inclusion" and "graduation".*

[25] *Data collection in urban areas of the two regions on-going as of the drafting of this report. Overall, the RSU will cover nearly all poor households in the two regions. Data on households from 2019 census. Poverty headcount ratio from Enquête Harmonisée sur les Conditions de Vie des Ménages 2021 – EHCVM.*

On-going reforms will help enhance the efficiency of high levels of social assistance spending and thereby strengthen the system's ability to reduce poverty and vulnerability.[26]

Spending on social assistance represents around 2.6 percent of GDP and would theoretically be sufficient to close almost half of the poverty gap. Overall social protection expenditure in Burkina Faso stood at 4 percent of GDP in 2020,[27] with around 2.6 percent of GDP or around 284 billion CFAF (~US$500 million) dedicated to social assistance, 0.72 percent to social insurance, 0.51 percent to energy subsidies, and 0.14 percent to labor market policies. The majority of social assistance spending (around 1.5 percent of GDP) comes from domestic sources. Social assistance expenditure in Burkina Faso rose significantly over the last 15 years, from 0.3 percent of GDP in 2005 to 1 percent of GDP in 2010 and to 2.3 percent of GDP in 2015 (Figure 2.2a).[28] It exceeds the average of the sub-Saharan countries (Figure 2.2b). If interventions were perfectly targeted to the poor, social assistance spending could theoretically almost halve the poverty gap,[29] which is estimated at around 6 percent of GDP in 2021.[30]

[26] A brief note on methodology: the classification of social protection spending follows that applied by the World Bank's Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database (https://www.worldbank.org/en/data/datatopics/aspire). In line with the methodology applied by ASPIRE, the performance of SSN programs is measured using the following indicators: "spending" indicating the respective program's budget (as provided by administrative data); "coverage" indicating the percentage of the population or a given population group that benefits from a given SSN program (based on the latest available household survey); and "beneficiary/benefit incidence" indicating which segment of the population receives the program benefits (based on household survey). As social safety nets programs are by definition intended to help individuals and households cope with chronic poverty, destitution, and vulnerability and therefore target the poor and vulnerable, "beneficiary/benefit incidence" can be interpreted as targeting accuracy. Data on benefit levels are not available for all programs in the survey data and therefore the programs' impact on poverty and inequality do not feature in the analysis. Reliable information on the impact on poverty and inequality as other outcomes (health, education, savings behavior, labor supply etc.) would require rigorous impact evaluations and cannot be obtained from administrative and household data alone.

[27] 2020 presents the latest year for which spending data and information on the overall composition of the social protection program mix is available. Unless otherwise indicated, the tendencies discussed here have not materially changed since then.

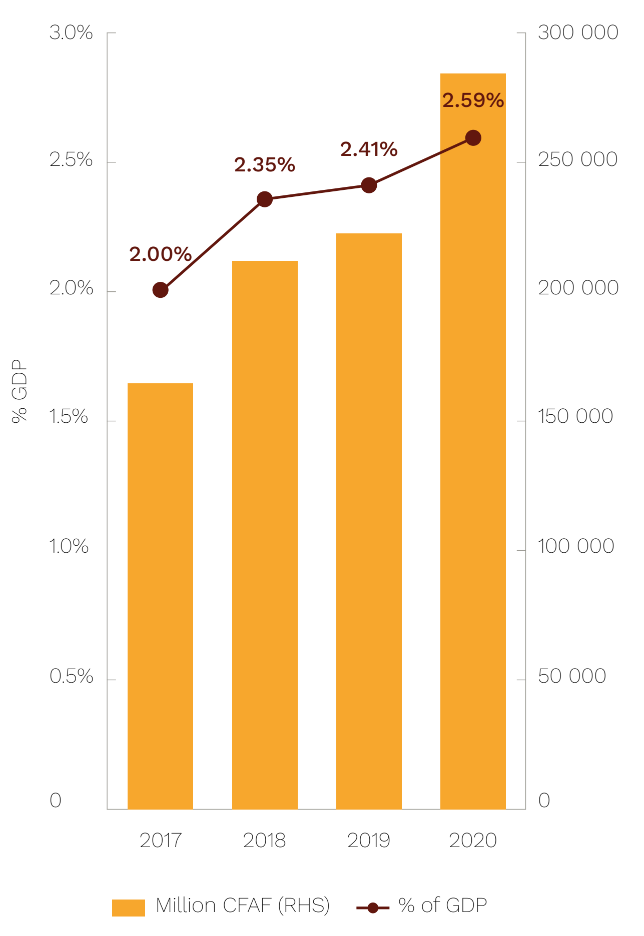
[28] The sharp rise was due to both an expansion of programs and improved expenditure reporting mechanisms—notably with the publication of the annual reports of the National Council for Social Protection (Conseil National pour la Protection Sociale, CNPS), which track social protection interventions in the country.

[29] The impact of such hypothetical perfectly targeted expenditure on poverty would depend on design choices and could help the poor cross the poverty line or reduce their distance to it.

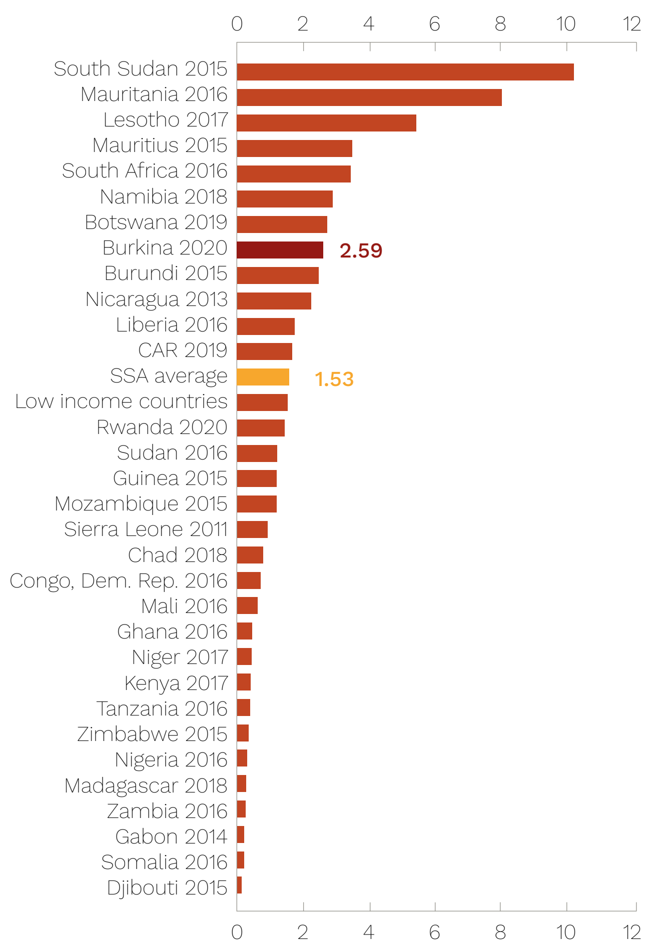
[30] Expressed as the weighted sum of the difference between household consumption and the national poverty line across all households. Based on the national poverty line of 247,764.79 CFAF per capita per year, equivalent to 44 percent of poor.

FIGURE 2.2 Social assistance expenditure trends and benchmarking

(a) Social assistance spending rose from 2 percent of GDP in 2017 to 2.6 percent in 2020



(b) Burkina Faso's social assistance spending (percent of GDP) exceeds the regional average



Source: Pre-2016 spending: Vandeninden, F., Grun, R. E.; Semlali, A. (2019).; 2017 and later: Conseil National pour la Protection Sociale (2015); World Bank Group (2023b).

However, the impact of this high level of expenditure is hampered by the system's inefficiency, including its fragmentation. Burkina Faso's social assistance system – both public and non-governmental – is highly fragmented, with numerous small interventions implemented by a plethora of actors. In 2020, the annual report of the National Council on Social Protection (*Conseil National pour la Protection Sociale, CNPS*) collected information on more than 200 interventions.[31] Of these, 116 are externally funded, contributing significantly to a lack of coherence (especially as they represent only 8 percent of social assistance spending). The 20 largest interventions account for 78 percent of total social assistance spending while many small interventions account for the remaining 22 percent (see Table 2.1 for the list of the 20 largest programs and their categorization). There are more than 50 interventions providing food and in-kind transfers, alone. Interventions providing monetary transfers are implemented and financed by around a dozen actors.[32] Fragmentation also shows in the number of institutions involved in the sector, which boasts more than 50 implementing agencies, including several Ministries,[33] NGOs and multilateral and bi-lateral partners.

[31] Burkina Faso provides highly granular data for social assistance interventions, more so than is available from other countries. While this renders comparison somewhat challenging, Burkina Faso appears to be an outlier in the number of interventions in the sector. Available data suggests that most countries in the region have about 20 social assistance programs on average (ASPIRE Database)

[32] E.g., the ministry in charge of solidarity, the German, French, Dutch, Swiss, Finnish and Swedish cooperations, the World Bank, UNICEF, the European Union, and NGOs like Oxfam, Save the Children, SOS Sahel, Plan international, Association monde rural, Kerk in Actie.
[33] Including the ministry in charge of agriculture, the ministry in charge of education, the ministry in charge of higher education, the ministry in charge of solidarity, the ministry in charge of youth, and the ministry in charge of health.

The high levels of fragmentation create high administrative costs for the overall system, render coherence difficult, increase the risk of overlap and duplication, and create frustrations among beneficiaries. For instance, during the 2022 lean season response implementing entities provided 18 different amounts, sometimes in the same geographical areas, even though the national response plan for food security and malnutrition (*Plan de Réponse et de Soutien aux Populations Vulnérables à l'insécurité alimentaire et à la malnutrition – PRSPV*) had provided for a unique transfer amount.

TABLE 2.1 **The 20 largest social assistance interventions, 2020**

Intervention #	Social assistance intervention	Category (as per ASPIRE)	Funding source
1	Food distribution (vulnerable households)	Food and in-kind transfers	*Mixed*
2	School feeding in primary schools	School feeding	*Mixed*
3	Food distribution (victims of crisis)	Food and in-kind transfers	*Mixed*
4	Agricultural inputs	Food and in-kind transfers	*Government*
5	Cash transfer program (lean season response)	Monetary transfers	*Mixed*
6	Health fee waiver for HIV patients	Fee waivers and subsidies	*Mixed*
7	Health fee waiver for children under 5	Fee waivers and subsidies	*Government*
8	Scholarships for research	Other social assistance	*Government*
9	Cash transfer program (*Projet Filets Sociaux*)[34]	Monetary transfers	*External*
10	Health fee waiver for delivery	Fee waivers and subsidies	*Government*
11	Higher education scholarships	Other social assistance	*Government*
12	Distribution of school materials	Food and in-kind transfers	*Government*
13	Health fee waivers for pregnancy	Fee waivers and subsidies	*Government*
14	Food subsidies (*prix subventionné*)	Fee waivers and subsidies	*Government*
15	Subventions for university canteens	Fee waivers and subsidies	*Government*
16	Health fee waiver for antenatal and post-natal care	Fee waivers and subsidies	*Government*
17	School feeding in secondary schools	School feeding	*Government*
18	Labor-intensive public works (youth and women)	Public works, workfare and direct job creation	*Government*
19	Nutrition program for under 5	Food and in-kind transfers	*Government*
20	Health fee waiver family planning	Fee waivers and subsidies	*Government*

Note: In 2020, a large fee-waiver program for COVID-infected patients was also in place. It has been terminated and is not reflected here given its temporary nature. It is however included in the total spending.

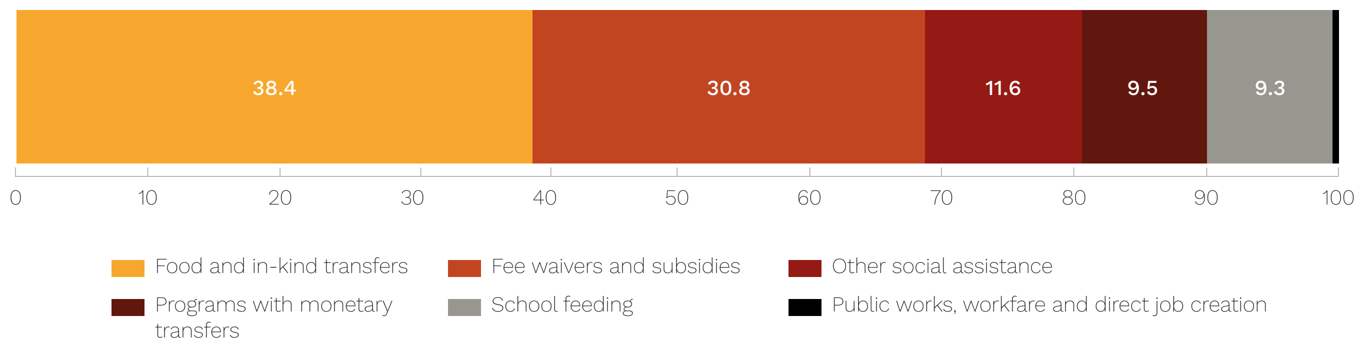
Food and in-kind transfer interventions represent the largest share of social assistance spending, followed by fee waivers and subsidies, while monetary transfers remain low.

The spending mix is dominated by food and in-kind transfer interventions followed by spending on fee waivers and subsidies. The largest share of social assistance spending is dedicated to food and in-kind transfer interventions (38.4 percent), with fee waivers and subsidies representing another 30.8 percent of overall social assistance spending. Other social assistance interventions, comprising primarily of scholarship programs for students and researchers, and school feeding programs represent 11.6 and 9.3 percent, respectively. Interventions providing monetary transfers make up less than 10 percent of social assistance spending. In 2023, spending on programs providing monetary transfers corresponded to about 0.32 percent of GDP[35] remaining significantly below the regional average of 0.85 percent.

[34] While the Projet Filets Sociaux implements monetary transfers, these are embedded in a package of interventions, which together are best described as a productive safety nets program, a nuance that is lost in the ASPIRE classification methodology.
[35] Estimate based on 2020 spending level for all programs providing monetary transfers, which was 0.25 percent of GDP, increased by the rise in expenditure for the Projet Filets Sociaux from 2020 (0.09 percent of GDP) to 2022 (0.16 percent), hence 0.7 p.p. increase.

FIGURE 2.3 Intervention modalities of social assistance spending

More than half social assistance expenditure is dedicated to fee waivers and subsidy interventions as well as interventions providing food and in-kind transfers



Source: WB staff based on CNPS annual report 2021.

Fee waivers and subsidies as well as food and in-kind transfers represent the largest form of support in terms of coverage. Survey data (*Enquête Harmonisée sur les Conditions de Vie des Ménages 2021, EHCVM*)[36] presented in Figure 2.4 shows that health fee waivers for children under 5, distribution of school materials and health fee waivers for pregnant women have the largest coverage (48.2, 26.5 and 22.3 percent, respectively), followed by school feeding (17.9 percent). Among interventions primarily targeting the poor and vulnerable, food and in-kind transfer interventions have the highest coverage reaching more than 5 percent of the population (4.8 percent through food distribution and 1.5 percent via food supplements for malnourished children).[37] Untargeted food subsidies (as part of the fee waiver and subsidy intervention category) reach 3.8 percent of the population. Interventions providing monetary transfers cover 2.7 percent of the population, less than half the regional average of 6 percent.[38]

Except for spending on interventions providing monetary transfers and food distribution, most social assistance spending in Burkina Faso does not effectively reach the poorest.

A significant share of social assistance spending in Burkina Faso benefits the non-poor. Overall, more than half of beneficiaries of all interventions are non-poor (56.5 percent)[39] with overall social assistance spending evenly distributed across the income distribution (share of beneficiaries varying from 11 to 9 percent in each decile, Figure 2.5. Some of the largest social assistance interventions, such as those for higher education students (intervention #11 in Table 2.1) and health fee waivers, benefit groups that are relatively well-off (more than half belong to the top two deciles). Food subsidy interventions (#14) also reach the non-poor more than to the poor, with households in the 6th, 8th, and 9th income deciles benefitting disproportionately.

[36] *SSNs program with less than 1 percent coverage were not included in the distributional (i.e., Cash for work, Support for COVID19, Distribution of agricultural inputs, mutual fund of workers, Subsidies & support for elderly & vulnerable people).*

[37] *Note that households' ability to benefit from multiple interventions in parallel means that a simple aggregation of coverage percentages is not possible.*

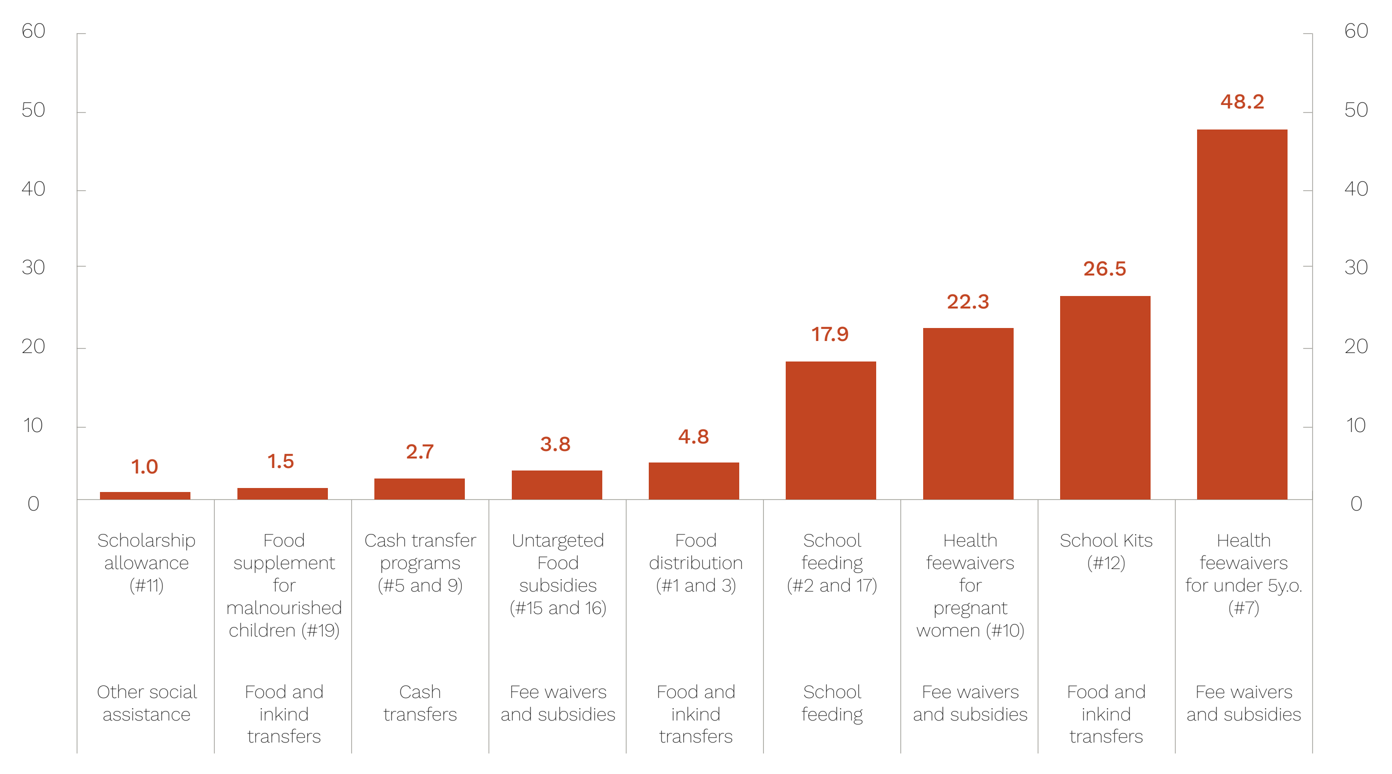
[38] *Beegle, K., Coudouel, A., & Monsalve, E. (2018). Realizing the Full Potential of Social Safety Nets in Africa. Forum pour le développement de l'Afrique. Washington, DC : Banque mondiale. http://hdl.handle.net/10986/29 789.*

[39] *For this purpose, poor households are considered as those in the fourth bottom quintile, which is relatively close to the percentage of poor according to the national poverty line (43.2 percent according to the latest EHCVM data).*

FIGURE 2.4

Coverage of key social assistance interventions, 2021

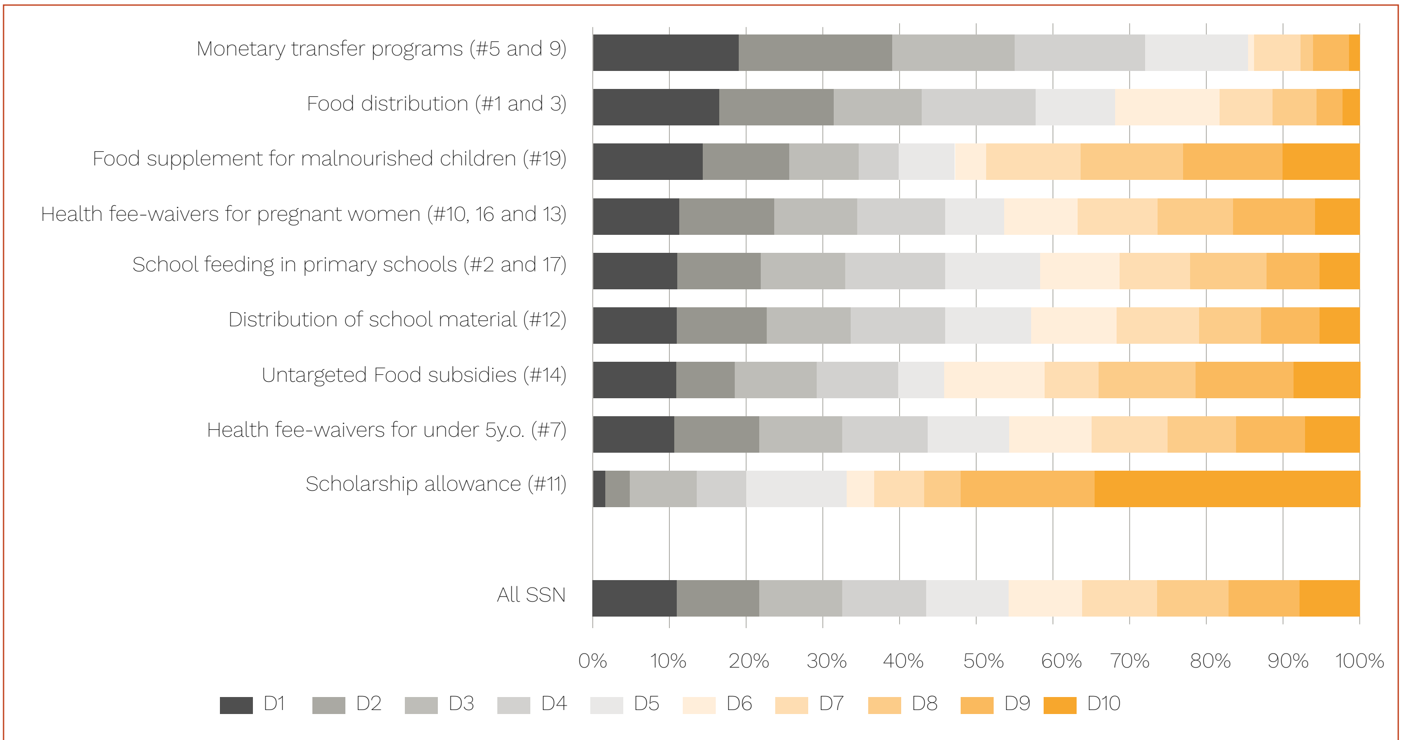
Expressed as percentage of the overall population (# of social assistance interventions from Table 2, attributed to respective program categories)



Source: WB staff based on Institut National de la Statistique et de la Démographie (2023).
Note: Coverage refers to direct and indirect beneficiaries among the overall population. Note that numbers refer to Table 2.1. The Figure does not include those not covered in the data (6, 8, 15, and 20) or those for which there are fewer than 60 beneficiary households in the sample (interventions 4 and 18).

FIGURE 2.5

Distribution of beneficiaries in by decile, 2021



Source: Staff calculations based on Institut National de la Statistique et de la Démographie (2023).;
Note: Program numbers refer to Table 2.1. The Figure does not include those not covered in the data (6, 8, 15, and 20) or those for which there are fewer than 60 beneficiary households in the sample (progams 4 and 18).

Interventions providing monetary transfers perform best in terms of poverty targeting. 39 percent of all beneficiaries of interventions that include monetary transfers in their design are among the extreme poor (first two deciles) and more than 76 percent of all beneficiaries are poor, i.e. among the bottom four deciles (Figure 2.5).[40] This is largely due to the attention paid to the identification of beneficiaries. The lean season response, as part of the PRSPV (intervention #5), relies on the results of the Cadre Harmonisé food and nutrition situation analysis for the spatial distribution of its intervention. This is complemented by household-level targeting carried out by the individual implementing entity. *The Projet Filets Sociaux* (intervention #9), the second largest monetary transfer program, relies on the spatial distribution of chronic poverty for geographic targeting and subsequently household-level targeting based on proxy means testing, some categorical targeting (to identify households with pregnant women, young children, or the elderly), and community-based validation.

Food distribution programs in Burkina Faso target those immediately suffering from a shock and present a progressive incidence. The government's crisis response structures target households affected by crises. The lean season response is based on the PRSPV, which prioritizes geographic areas identified in the Cadre Harmonisé. Household and individual targeting is subsequently carried out by implementing partners. As a result, 58.1 percent of beneficiaries of food distribution programs are among the poor, even if almost 400,000 non-poor individuals also benefit from food distribution.

Food subsidies are among the least efficiently targeted social assistance spending categories in Burkina Faso

Spending on food subsidies mostly benefits the non-poor. Due to the regressive nature of food subsidies and given their coverage (3.8 percent) the number of non-poor also benefiting from the program is estimated at almost half a million individuals.[41] While this is also true of scholarship programs and health fee waivers for children under the age of 5, these programs do not primarily explicitly target the poor, while food subsidies are justified on the basis of a focus on the poor and vulnerable.

The geographic distribution of subsidized food beneficiaries is largely uncorrelated with poverty. Comparing administrative data on the number of beneficiaries and program expenditure at the provincial level with data on poverty points to a low or even negative correlation between subsidies and poverty (Figure 2.6a and Figure 2.5b). The province of Kadiogo, which includes the capital Ouagadougou,[42] received almost one quarter of the 2022 spending on food subsidies but represented only 2.4 percent of all poor in 2019 (poverty incidence of 6.4 percent, Figure 2.5c and Figure 2.5d). Some regions account for less than 5 percent of overall spending, such as the Sahel (2.58 percent), Boucle du Mouhoun (4.02 percent), Centre-Est (4.38 percent) and Est (5.05 percent), while their poverty rates exceed the national average (45.7, 45.9, 49 and 47.3 percent, respectively).

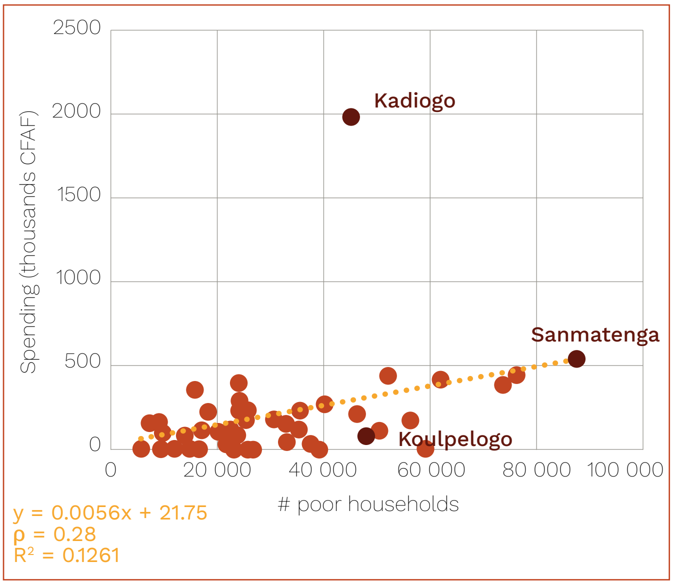
[40] Note that the poverty headcount ratio slightly exceeds 40 percent. Using the bottom four deciles serves as an approximation.

[41] Estimated using Institut National de la Statistique et de la Démographie (2023). Burkina Faso – Enquête Harmonisée sur le Conditions de Vie des Ménages 2021.

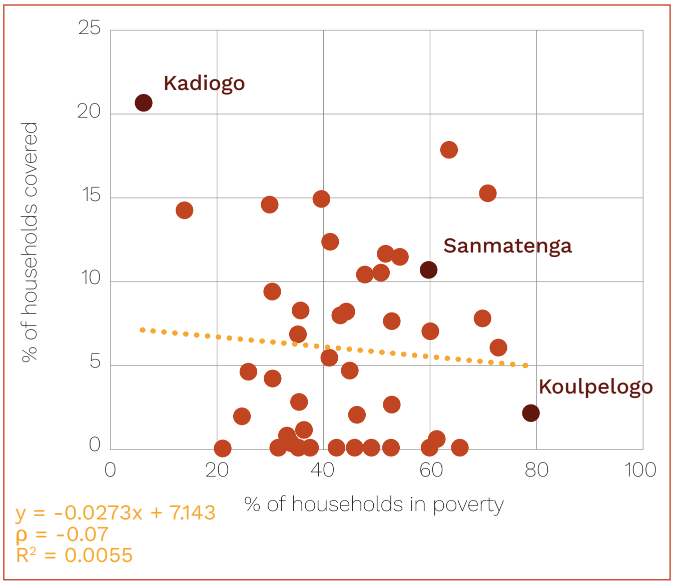
[42] Removing Kadigio province to compute correlation coefficient only slightly improve the correlation, but it remains low with 0.08 (coverage and poverty rates), 0.07 (spending and poverty rates) and 0.5 (spending and number of poor).

FIGURE 2.6 Food subsidies beneficiary numbers, spending and poverty, 2022

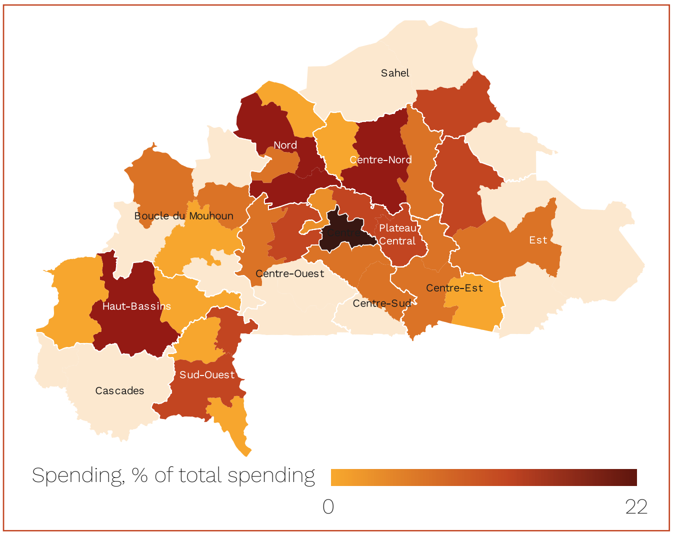
(a) There is a low correlation between spending on food subsidies and the number of poor households in any given province



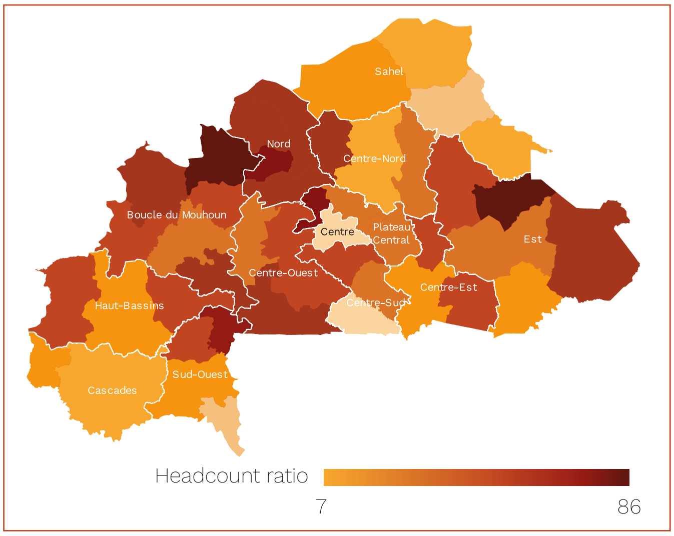
(b) For the coverage of food subsidies and provinces' poverty rates, the correlation is negative



(c) 22 percent of the spending of food subsidies goes toward the Center region, and in particular the Kadigio province...



(d) ...although less than 10 percent of the population is poor in this province



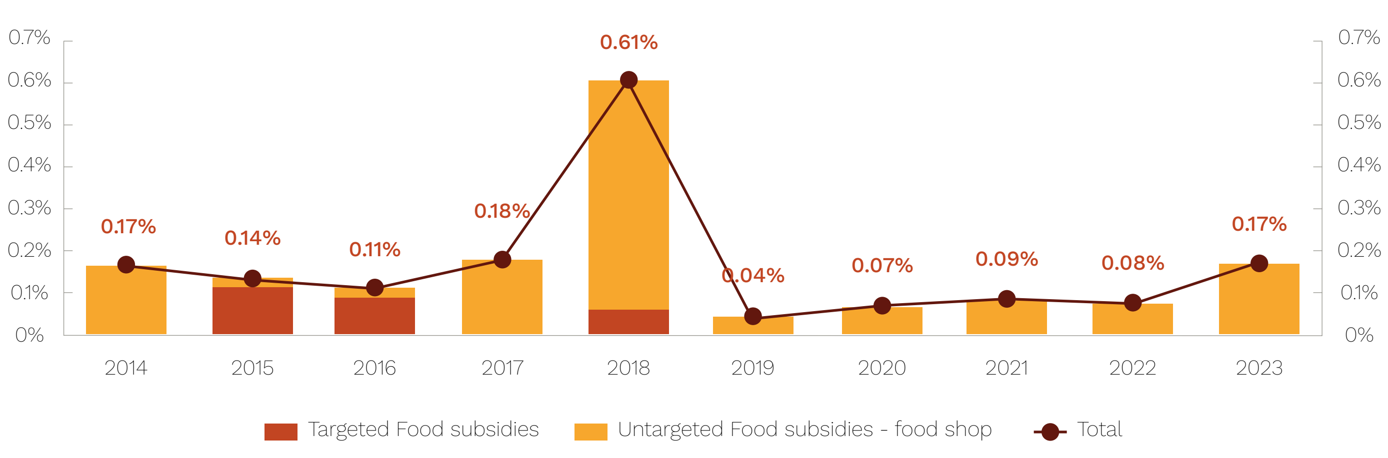
Source: WB staff based PRSPV annual report 2021 and EHCVM 2021 (Ministère de l'Agriculture, des Ressources animales et halieutiques, 2020; Institut National de la Statistique et de la Démographie, 2023).

Recent developments risk rendering social assistance spending in Burkina Faso even more regressive

Despite its regressive nature, spending on food subsidy programs appears to be increasing. After significant fluctuations, total spending on food subsidies has increased in recent years with planned spending reaching 0.17 percent of GDP in 2023 (Figure 2.7). By October 2023, the government had already sold larger quantities of subsidized food than in all of 2022.[43] The resurgence of food subsidies is also observed in the increase in the number of beneficiary households, from around 480,000 in 2018 to 631,000 in 2021.[44]

[43] Data collected from SONAGESS. November 2023.
[44] Ministère de l'Agriculture, des Ressources animales et halieutiques (2020). Plan de réponse et de soutien aux populations vulnérables (PRSPV).

FIGURE 2.7 Spending on food subsidies (percent of GDP), 2014-2023



Source: Own calculation based on CNPS and PRSPV annual reports, 2023 is planned data (Conseil National pour la Protection Sociale, 2015; Ministère de l'Agriculture, des Ressources animales et halieutiques, 2020).

Since 2019, food subsidies are not targeted to the poor. Poverty-targeted subsidies were discontinued from 2019 in favor of untargeted subsidies (see Box 2.1 for the difference between poverty-targeted and untargeted food subsidies). Since 2022, targeted subsidies are no longer mentioned as planned activities in the PRSPV. The fluctuation in spending on untargeted subsidies is mainly driven by the investment and operating costs (opening of new shops), with 140 shops opening in 2014 and an additional 110 shops in 2018 (partly explaining the spike in expenditure in 2018). Underlining its focus on untargeted food subsidies, the government has recently created a national project for the management of untargeted food subsidies (*Projet d'Appui à la Gestion du Stock d'Intervention 2022-2026 - PAGSI*).[45]

BOX 2.1 FOOD SUBSIDY PROGRAMS IN BURKINA FASO

Poverty-targeted and untargeted food subsidies co-existed in Burkina Faso until 2019. A poverty-targeted food subsidies program was introduced in the early 2000's by the Ministry of Agriculture following the food crisis. The untargeted subsidy program was initiated in a context of political tension and social discontent in 2014. They were both implemented by the National Society for the Management of Food Stocks (*Société nationale de gestion des stocks de sécurité - SONAGESS*).

The poverty-targeted food subsidy program had the objective to increase food security of vulnerable and poor households during the lean season. The program used a combination of geographical and community targeting, first identifying communes that were the more at risk of food insecurity (using the Household Economic Approach[46] and the Cadre Harmonisé). The selected communes were provided a given number of bags of cereals that were sold at a subsidized price. The poverty-targeted food subsidy (also called vente de céréales à prix social) was implemented in rural areas, and specific regions, such as the Sahel and North.

Untargeted food subsidies were initiated in urban areas, aiming to buffer food inflation and reduce social tensions. The introduction of the untargeted subsidies (also called vente de céréales à prix subventionné) was part of a response to the political tensions that preceded the popular uprising in 2014.[47] It was decided to open food shops (called Boutique Témoins) to sell cereal products at a subsidized price. The measure was initially

[45] Arrêté conjoint no. 2022-002/MARAH/MEFP portant création, classification, administration, gestion et fonctionnement du projet d'appui à la gestion du stock d'intervention (PAGSI)
[46] This approach targets households according to their risk of facing malnutrition and their ability to face shocks. The HEA methods entail a yearly tracking of indicators such as crop production, rainfall prediction, as well as information on household characteristics and coping strategies (Vandeninden et al., 2019).
[47] Celestino, C. P., Garrido, E. S., & Sanchez, I. S. (2015). Protection Sociale et Sécurité Alimentaire au Burkina Faso : Les Boutiques Témoins. Oxfam. https://www-cdn.oxfam.org/s3fs-public/file_attachments/rr-food-security-burkina-faso-boutiques-temoin-070415-fr.pdf.

supposed to be temporary, but as the food shops gained popularity, subsequent governments failed to terminate the program. The program was mainly initiated in urban areas, with only 20 shops in rural areas out of the 174 ones nationally and 45 in Ouagadougou and 14 in Bobo-Dioulasso.[48] Unlike poverty-targeted food subsidies, which were only implemented during the 3-month lean season, the food shops operate all year long. Poverty-targeted food subsidies were discontinued in 2019 in favor of the untargeted subsidy modality.

Source: Key informant interviews, Secretariat Executif du Conseil National de Securite Alimentaire (SE-CNSA) 2013, SE-CNSA 2015, OXFAM 2015, Vandeninden et al. 2019.

Despite being the most progressive social assistance spending in Burkina Faso, the government gradually suspended interventions that included monetary transfers in 2023. Beginning in individual regions in late 2022 and early 2023, the government gradually suspended transfers in cash as an intervention modality throughout the country. The suspension appears to have been motivated by the fragmented and often incoherent implementation of programs which provide cash to their beneficiaries by the numerous implementing actors (see above), persistent arguments about this intervention modality, such as its supposed adverse impacts on labor market participation rates,[49] and the fear that monetary transfers could be used to finance terrorism/illegal activities.

2.2 Towards a more efficient social assistance system

Addressing the core limitations of the prevailing system calls for accelerating and expanding on-going reforms. These reforms are required to (1) improve the ability of programs to reach the poorest and most vulnerable, (2) reduce the fragmentation of the system, and (3) improve the traceability and governance of social assistance interventions. At the heart of these reforms are the deployment of the social registry, of the national flagship social assistance program, as well as the national payment platform for government to person payments.

The further deployment and use of the social registry is a critical effort to improve the targeting of the country's social assistance system at limited administrative costs. The social registry currently being deployed is providing a tool to programs and implementing entities to better target their interventions, and to do so at relatively low cost. Programs which are not currently targeting their beneficiaries in line with poverty or vulnerability can start doing so. This would improve their efficiency and impacts. Food subsidies would be a prime candidate. This could also be useful to other programs outside of social assistance, including potential reforms to the pricing of energy or programs aimed at supporting agricultural productivity among the poor. Programs that currently invest important amounts in their own poverty or vulnerability-targeting processes (such as some of the food and in-kind programs) can use the social registry and therefore save resources that can be converted into additional support for poor and vulnerable households.

[48] *Celestino, C. P., Garrido, E. S., & Sanchez, I. S. (2015). Protection Sociale et Sécurité Alimentaire au Burkina Faso : Les Boutiques Témoins. Oxfam. https://www-cdn.oxfam.org/s3fs-public/file_attachments/rr-food-security-burkina-faso-boutiques-temoin-070415-fr.pdf.*
[49] *See for example https://www.fao.org/3/i6460e/i6460e.pdf for evidence on these common misconceptions. For evidence on the impact of monetary transfers in Burkina Faso see for example Akresh et al. (2013), Akresh et al. (2016), Akresh et al. (forthcoming), and Bossuroy et al. (2024).*

Operationalizing the PAMPV as a national flagship program will reduce the system's fragmentation and contribute to fiscal sustainability. By providing harmonized modalities for various safety net interventions currently implemented in the country and gradually enabling the channeling of funding through a government-led program instead of smaller projects often implemented outside of government systems, the PAMPV will increase coordination and reduce fragmentation under government leadership. Alignment around the program with defined modalities, common targeting and implementation capacity will furthermore reduce administrative costs and disjointed spending, contributing to an overall more efficient use of resources. As the program enables interventions to align with the program's modalities even when implemented outside of the government's systems, the program furthermore serves to strengthen coordination between humanitarian interventions and longer-term social assistance.

On-going reforms also provide the mechanisms to reduce potential duplications and promote traceability and government of transfers to households. The deployment of a common social registry, which can be used by all on the basis of a unique identifier (currently under implementation), is a critical instrument to minimize duplication and reduce the risk of "double-dipping". The alignment of programs along the national PAMPV will also help limit the duplication of programs in some areas and/or heterogenous interventions which can create confusion and inequity. Similarly, the unique identifier and government-wide payments platform for government-to-person payments would increase traceability of payments. All these reforms should contribute to enhancing the efficiency of current spending.

ANNEX 3

TABLE 3.1 Selected economic and fiscal indicators

	2021	2022	2023	2024	2025	2026
			Estimate	Projections		
Annual percentage change, unless otherwise indicated						
National Accounts						
GDP at constant prices	6.9	1.8	3.2	3.7	3.8	4.2
Private consumption	3.4	4.3	3.1	3.4	3.5	3.6
Public consumption	6.6	5.2	4.5	5.4	3.9	3.8
Investment	34.8	6.4	0.7	4.0	4.4	5.4
Exports of goods and services	6.5	-2.8	-2.1	3.0	3.1	3.4
Imports of goods and services	15.5	8.2	-1.9	3.8	3.2	3.3
Sectoral contribution to growth						
Agriculture (ppts)	-0.9	1.1	0.5	0.9	0.9	0.9
Industry (ppts)	2.7	-2.1	0.1	0.6	0.8	0.9
Services (ppts)	4.4	2.6	2.4	1.7	1.8	2.0
Inflation						
GDP deflator	2.0	6.1	2.1	3.0	2.2	2.5
Consumer prices (average)	3.9	14.1	0.7	2.8	2.5	2.2
External sector						
Exports fob	16.4	-10.6	2.1	8.9	7.8	8.0
Imports fob	22.1	9.6	0.4	8.6	6.9	6.6
Terms of trade	-10.4	-7.1	2.0	1.1	1.0	1.3
Percent of GDP, unless otherwise indicated						
Current account balance	0.4	-6.2	-4.9	-4.2	-4.1	-3.7
Foreign direct investment	0.5	0.3	0.3	0.4	0.5	0.4
Fiscal accounts						
Overall fiscal balance (incl. grants)	-7.5	-10.6	-6.4	-5.6	-4.7	-4.4
Primary balance	-6.0	-8.5	-4.3	-3.0	-1.9	-1.5
Total revenues and grants	20.2	21.6	21.3	21.3	21.2	21.2
Tax revenues	15.3	17.3	17.1	17.4	17.3	17.3
Taxes on goods and services	6.4	7.9	7.5	7.5	7.4	7.4
Direct Taxes	3.4	4.4	3.7	3.9	3.9	3.9
Taxes on international trade	5.5	5.1	5.9	6.0	6.0	5.9
Non-tax revenues	2.4	2.0	2.2	2.2	2.2	2.2
Grants	2.5	2.2	1.9	1.7	1.7	1.7
Total expenditures	27.7	32.2	27.7	26.8	25.8	25.6
Current expenditures	18.3	21.7	17.3	17.3	17.4	17.4
Wages and compensation	8.6	8.6	8.7	8.7	8.7	8.7
Goods and services	1.8	1.8	1.8	1.8	1.8	1.8
Interest payments	1.5	2.1	2.2	2.6	2.7	2.9
Current transfers	6.4	9.3	4.7	4.2	4.1	4.1
Capital expenditures	9.7	10.8	10.0	9.3	8.4	8.1
Debt						
Public debt (external and domestic)	55.4	58.1	61.4	63.3	65.4	63.2
External government debt	28.8	27.4	24.7	24.3	24.2	23.5
Memorandum items						
GDP per capita (change in %)	4.1	-0.8	0.6	1.1	1.3	1.7
Gross reserves (US$ millions, EOP)						
In months of next year's imports	5.6	4.9	4.5	4.6	4.5	4.5
Nominal GDP (CFAF, billions)	11.153	12.046	12.694	13.562	14.393	15.376
Nominal GDP (US$, billions)	19.2	19.5	21.1	22.7	24.1	25.8

REFERENCES

4

Akresh, R., De Walque, D., & Kazianga, H. (2013). Cash transfers and child schooling: evidence from a randomized evaluation of the role of conditionality. Policy Research working paper; no. WPS 6340, Washington, D.C.: World Bank.

Akresh, R., De Walque, D., & Kazianga, H. (2016). Evidence from a randomized evaluation of the household welfare impacts of conditional and unconditional cash transfers given to mothers or father. Policy Research working paper, no. 7730.

Akresh, R., De Walque, D., & Kazianga, H. (2024). Évaluation de l'impact du filet de sécurité et du développement de la petite enfance au Burkina Faso. Forthcoming.

Beegle, K., Coudouel, A., & Monsalve, E. (2018). Realizing the Full Potential of Social Safety Nets in Africa. Forum pour le développement de l'Afrique. Washington, DC: Banque mondiale. http://hdl.handle.net/10986/29 789.

Bossuroy, T., Karlan, D., Kazianga, H., Pariente, W., Premand, P., Udry, C., Vaillant, J., Wright, K. (2024). Impact des mesures d'inclusion productive – Du programme Burkin Naong Sa Ya au Burkina Faso (2019-2020). World Bank Group. https://documents1.worldbank.org/curated/en/099836302282427372/pdf/IDU115bad4921bdf414c131a54a1683d2d194245.pdf.

Celestino, C. P., Garrido, E. S., & Sanchez, I. S. (2015). Protection Sociale et Sécurité Alimentaire au Burkina Faso: Les Boutiques Témoins. Oxfam. https://www-cdn.oxfam.org/s3fs-public/file_attachments/rr-food-security-burkina-faso-boutiques-temoin-070415-fr.pdf.

Conseil National pour la Protection Sociale (CNPS) (2015). Rapports Annuels 2015 -2021.

ECOWAS (2024). Extraordinary Summit of the Ecowas Authority of Heads of State and Government on the Political, Peace and Security Situation in the Region. https://www.ecowas.int/wp-content/uploads/2024/02/EXT-ORD-SUMMIT-FINAL-COMMUNIQUE-ENGLISH-_240225_160529.pdf.

Institut National de la Statistique et de la Démographie (2023). Burkina Faso – Enquête Harmonisée sur le Conditions de Vie des Ménages 2021.

Ministère de l'Agriculture, des Ressources animales et halieutiques (2020). Plan de réponse et de soutien aux populations vulnérables (PRSPV).

Ministère de la Solidarité, de l'Action humanitaire, de la Réconciliation Nationale, du Genre et de la Famille (2023). Programme national d'appui à l'autonomisation des ménages pauvres et vulnérables (PAMPV). Project Document.

Pajank, D., K. Abalo, and J. Porte (2023). Country Economic Memorandum for Burkina Faso: Making Growth More Efficient, Sustainable, and Inclusive. Washington, DC: World Bank Group.

Secrétariat exécutif du Conseil national de sécurité alimentaire (SE-CNSA) (2013). Plan opérationnel de résilience et de soutien aux populations vulnérables 2013. Mars. Ouagadougou, Burkina Faso.

Secrétariat exécutif du Conseil national de sécurité alimentaire (SE-CNSA) (2015). Plan de soutien aux populations vulnérables à l'insecurite alimentaire et nutritionnelle. Avril. Ouagadougou, Burkina Faso.

S&P Global Ratings (2024). What The Departure of Burkina Faso, Mali, and Niger from ECOWAS Would Mean for WAEMU. https://www.spglobal.com/ratings/en/research/articles/240226-what-the-departure-of-burkina-faso-mali-and-niger-from-ecowas-would-mean-for-waemu-13004298.

Vandeninden, F., Grun, R. E.; Semlali, A. (2019). The way forward for social safety nets in Burkina Faso (Vol. 2): Main Report (English). Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/822521567052802222/Main-Report.

World Bank Group (2018). The State of Social Safety Nets 2018. Washington, DC: World Bank. http://hdl.handle.net/10986/29115.

World Bank Group (2022). Sahel Country Climate and Development Report. CCDR Series. © Washington, DC: World Bank. http://hdl.handle.net/10986/37620 License: CC BY 3.0 IGO.

World Bank Group (2023a). Public Expenditure and Revenue Review for Burkina Faso: Fiscal Reforms for Resilience. World Bank. https://doi.org/10.1596/38468.

World Bank Group (2023b). ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity. https://www.worldbank.org/en/data/datatopics/aspire.

World Bank Group (forthcoming). Poverty and Equity Update for Burkina Faso.

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

Macroeconomics, Trade, and Investment Global Practice
West and Central Africa Region
The World Bank Group