BURKINA FASO

Table 1	**2020**
Population, million	20.9
GDP, current US$ billion	16.0
GDP per capita, current US$	765.7
International poverty rate ($1.9)[a]	43.8
Lower middle-income poverty rate ($3.2)[a]	76.7
Upper middle-income poverty rate ($5.5)[a]	92.3
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	94.5
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011PPPs.
(b) WDI for school enrollment (2019); life expectancy (2018).

Favorable terms-of-trade and good crop production kept the economy growing in 2020, despite the negative COVID-19 shock and persistent security crisis. However, about 450,000 people joined the extreme poor in 2020. With low oil and high gold prices, real GDP is projected to rise by 3.1 percent in 2021 and the extreme poverty incidence rate is projected to decrease only from 2022 onwards. Improvements in the efficiency of social safety nets and public service delivery are critical to resume poverty reduction.

Key conditions and challenges

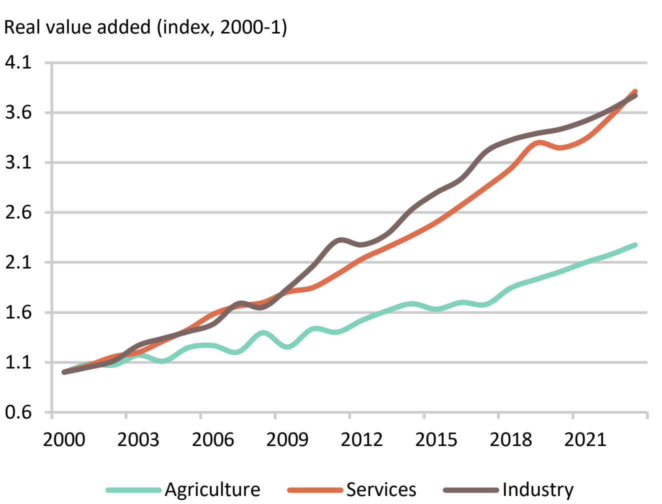
The primary sector employs 80 percent of the adult population, mostly in subsistence agriculture, and contributes a quarter of the country's GDP. Due to a lack of irrigation capacity, agriculture has been highly exposed to the vagaries of weather and climate change. Cotton, once the largest export commodity, remains the major cash crop. The secondary sector contributes a similar share to the economy, almost 75 percent of which is generated by a booming mining industry. Gold now accounts for about 85 percent of export proceeds, placing Burkina Faso among Africa's top five gold exporters. The mining sector has, however, limited linkages to the local economy and generates few jobs. Services account for about half of GDP, with retail, transportation, and the public sector generating most jobs and value added. Public service delivery has been facing an increasingly difficult context with growing violence and conflict, as evidenced by an unprecedented humanitarian crisis.

COVID-19 has had two major effects. Externally, it has supported the BOP through high gold and low oil prices—fuel imports accounted for 20 percent of the 2019 import bill. Domestically, however, it has aggravated the impact of the ongoing security, humanitarian, and social crises. The fiscal accounts are strained by (i) rising spending on military personnel and equipment in response to the deteriorating security situation; (ii) additional social assistance to the over 600 thousand new internally displaced; and (iii) a high and rising wage bill due to strong union pressure in a tense social context. Additional spending is often financed through the issuance of relatively expensive (domestic) debt with increasing debt service payments. Also, low investment in the non-gold sector along with stagnating labor and land productivity, limited access to credit, and the high cost of doing business are constraining potential growth.

Recent developments

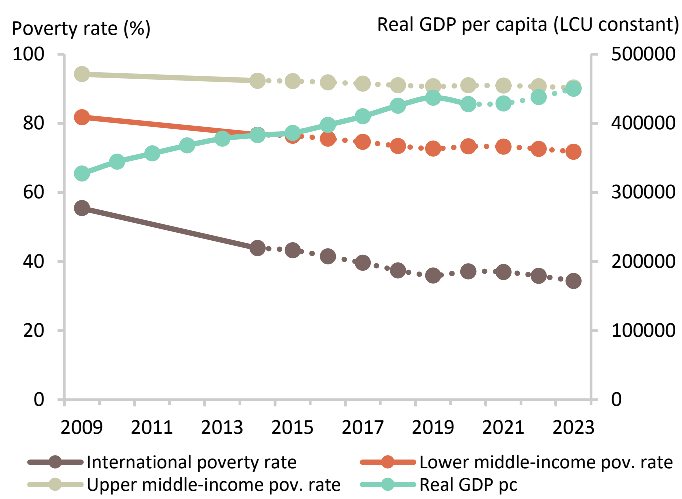
In the first half of 2020, real GDP growth collapsed by 5 percent (y/y) on account of the early COVID-19 containment measures. Exceptionally benign terms of trade and the implementation of the Emergency Response Plan (ERP) helped the economy to rebound by 8 percent in the third quarter (y/y). With booming gold exports, the current account deficit (CAD) decreased to 2.6 percent of GDP from 4.8 percent in 2019. The fiscal deficit, as a share of GDP, increased to 5.6 percent in 2020 from 3.2 percent in 2019, largely due to COVID-19 mitigation measures. Domestic revenue collection (excluding grants at 4.4 percent of GDP) is estimated at 18 percent of GDP, down by 1.5 percentage points compared to 2019, mainly due to temporary tax deferrals or cancellations included in the ERP while tax

FIGURE 1 Burkina Faso / Sectoral real value added



Source: World Bank.

FIGURE 2 Burkina Faso / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

administration measures helped prevent a larger decrease.

Burkina Faso's monetary and exchange rate policies are managed by the BCEAO, which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached an estimated 5.5 months of imports in 2020 (vs 5.9 months in 2019) supported by donor inflows and reduced imports during the pandemic. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the US Dollar. Since March 2020, the BCEAO has supported the regional economy through a policy rate cut and refinancing operations of 3-month COVID-19 bonds.

Simulations suggest that the COVID-19 crisis increased the extreme poverty rate by about a percentage point, to 37.1 percent in 2020, resulting in an additional 450,000 extreme poor and reversing two years of poverty reduction. A direct consequence of the shock is an increase in food insecurity: 28 percent of households can no longer meet their dietary needs and the phenomenon is more pronounced in rural areas (33.5% vs 16.8% in urban areas). Social protection has been limited and not always well targeted. Only 8.8% of households declared receiving COVID-19-related assistance.

Outlook

Amid continued uncertainty, the economy is projected to grow by 3.1 percent in 2021, marginally above the population growth rate. Growth is expected to be driven by a gradual recovery in services (1.2 percentage points contribution) as retail, restaurants, hotels, and transportation services recover. Strong gold production will support the mining sector (0.6 percentage point contribution). Encouraging rainfalls recorded toward the end of 2020 might also translate into a continuation of strong agricultural performance. The CAD is projected to increase by 0.6 percent of GDP in 2021 due to mining profits repatriations and slowing FDIs and portfolio investments. With security, humanitarian, and social challenges persisting throughout the year, the fiscal deficit is projected to remain elevated, at 5.2 percent of GDP, and public debt to rise to 53.1 percent of GDP. The effects of the COVID-19 shock on poverty will persist with the headcount ratio remaining at 37 percent – adding 190,000 new extreme poor – and returning to pre-COVID-19 levels around end-2022.

This growth and poverty outlook is sensitive to risks. On the downside, social unrest, insecurity, or political upheaval could destabilize an already fragile situation. Further, given the high dependence on agriculture and its low level of resilience to natural hazards, the country is highly exposed to natural disasters, including low rainfall, floods, and locust invasions. Finally, in case of a rapid recovery of the world economy, terms of trade could shift quickly to the disadvantage of Burkina Faso's exporters and importers. On the upside, 2021 could bring good weather conditions and an above-average harvest; an effective start of the COVID-19 vaccination campaign by mid-2021 could help prevent another lockdown; and more efficient social safety nets and public service delivery would help enhance the pace of poverty reduction.

TABLE 2 **Burkina Faso** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.8	5.7	0.6	3.1	5.0	5.7
Private Consumption	1.5	7.2	0.9	4.2	6.5	6.3
Government Consumption	8.1	19.6	8.0	1.3	1.4	2.1
Gross Fixed Capital Investment	18.0	-6.4	-7.2	2.9	6.4	10.2
Exports, Goods and Services	6.0	-2.3	0.2	3.2	4.9	5.2
Imports, Goods and Services	3.5	-1.6	-1.0	4.5	7.2	7.9
Real GDP growth, at constant factor prices	6.5	5.7	0.6	3.1	5.0	5.7
Agriculture	9.9	4.6	4.1	4.6	3.7	4.5
Industry	3.6	1.9	1.3	2.4	3.2	3.9
Services	6.6	8.2	-1.4	2.8	6.6	7.2
Inflation (Consumer Price Index)	2.0	-3.2	3.2	2.1	2.4	2.5
Current Account Balance (% of GDP)	-4.1	-4.8	-2.6	-3.2	-3.7	-4.0
Net Foreign Direct Investment (% of GDP)	1.2	1.3	1.1	0.9	0.7	0.7
Fiscal Balance (% of GDP)	-4.2	-3.2	-5.6	-5.2	-4.6	-3.2
Debt (% of GDP)	37.7	42.7	47.6	53.1	55.4	56.3
Primary Balance (% of GDP)	-3.2	-1.9	-4.3	-3.6	-2.6	-1.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	37.4	36.0	37.1	37.0	35.8	34.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	73.5	72.7	73.3	73.2	72.6	71.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.0	90.7	91.0	90.9	90.7	90.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2009-ECVM and 2014-EMC. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021 to 2023.

(b) Projection using annualized elasticity (2009-2014) with pass-through = 1based on GDP per capita in constant LCU.