INTERNATIONAL MONETARY FUND

SENEGAL

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND EIGHTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT—DEBT SUSTAINABILITY ANALYSIS

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Senegal remains at a low risk of debt distress. Under the baseline scenario, which is consistent with higher program ceilings for non-concessional and semi-concessional borrowing, all the debt burden indicators remain below their policy-dependent indicative thresholds, and debt ratios in present value terms are lower than in the previous debt sustainability analysis (DSA). Policy-dependent thresholds were increased as Senegal was reclassified to 'strong' performer based on higher average CPIA score in 2011-2013.[1] *The probability approach also shows a more favorable outlook. The stress tests result in two spikes in debt service to revenue ratio, corresponding to the repayment of two Eurobonds, which lead to a small and temporary breach of the threshold. The DSA, however, suggests that there is not much space for higher fiscal deficits, if the low risk rating is to be preserved. It also indicates a need for caution in the recourse to non-concessional borrowing.*[2]

[1] Senegal's CPIA score was 3.825 in 2013, and on average 3.81 over 2011–13. Under the debt sustainability framework rules, this corresponds to a "strong" performance.

[2] The DSA presented in this document is based on the LIC DSF Guidance Note (2013).

BORROWING PLAN AND UNDERLYING ASSUMPTIONS

1. **The authorities have continued to strengthen their capacity to manage debt and assess project loans**. Senegal recently recorded improvement in its sub-score on debt management under the Country Policy and Institutional Assessment (CPIA). A new public debt directorate has been created, combining units that previously managed domestic debt and external debt separately. In addition, Senegal's first medium-term debt strategy was completed in the fall of 2012. The strategy essentially aims at reducing rollover risks by extending the maturity of debt issued on the regional market—which has a very short average maturity—as well as at giving priority to concessional financing to keep borrowing costs low. An updated medium-term second debt management strategy is being finalized along the same lines. Progress is underway to improve project appraisal and selection, in particular by developing capacity to conduct cost-benefit analysis. In light of these favorable developments, Senegal was upgraded to the "strong capacity" category during the 2013 assessment of macroeconomic and public financial management capacity (see Classification of Low-Income Countries for the Purpose of Debt Limits in Fund-Supported Programs).

Table 1. Total External Debt, Central Government
(Percent of Total, as of end of year)

	(Percent of Total, as of end of year)					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Total	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral creditors	61.2	65.1	66.4	60.2	62.1	63.7
IDA/IBRD	35.6	29.7	29.2	32.2	30.2	29.6
AfDB/AfDF	7.6	8.3	9.0	10.5	9.8	11.0
IMF	2.6	6.8	10.8	0.0	6.1	7.4
OFID/BADEA/IsDB	8.6	11.9	10.1	10.2	8.4	8.0
EIB	0.9	1.0	1.0	0.9	0.8	0.8
Others	5.9	7.4	6.4	6.4	6.9	6.8
Bilateral creditors	38.7	29.3	27.8	26.3	26.5	26.2
OECD countries	11.2	10.2	9.7	7.7	10.4	10.1
Arab countries	21.2	14.1	10.3	8.1	6.9	6.1
Others	6.3	5.0	7.8	8.4	9.1	8.8
Commercial creditors	0.1	5.6	5.8	13.5	11.4	10.1
Memorandum Item						
Nominal GDP (CFAF billions)	5994	6050	6395	6775	7165	7308

Sources: Senegalese authorities and IMF staff estimates.

2. Senegal has also now been reclassified as a strong performer in the CPIA index. This reclassification has led to an increase of indicative thresholds for each debt burden indicators, which has improved Senegal's debt outlook. The present value of the external debt-to-GDP ratio has been raised to 50 percent from 40 percent in the previous DSA (without remittances), while the ratios for external debt-to-exports and for external debt-to- revenue are 200 and 300 respectively, up from 150 and 250 in the previous DSA. The ratio for PPG external debt service in relation to exports is now 25 percent and 22 percent in relation to revenue compared to 20 percent thresholds for both indicators in the previous DSA (Table 2).

Table 2. PPG External Debt Thresholds

Quality of Policies and Institutions (CPIA)	PV of PPG External Debt in percent of			PPG External Debt Service in percent of	
	GDP	Exports	Revenue	Exports	Revenue
Weak	30	100	200	15	18
Medium	40	150	250	20	20
Strong	50	200	300	25	22

Source: IMF

3. This DSA is consistent with the macroeconomic framework outlined in the staff report. As in the April 2014 DSA, the baseline scenario assumes the implementation of sound macroeconomic and structural policies, leading to an increase in economic growth and a narrowing of fiscal deficits over the long term. Other notable features include:

- **Real GDP growth** is expected to increase to above 5 percent only in 2016 and to accelerate and 7.3 percent on average in 2020-34, from a high base of 7 percent in the medium-term, compared to 6.2 percent medium-term growth in the previous DSA. This assumes efficiency gains from reform implementation under the authorities Plan Senegal Emergent (PSE),[3] which would kick start total factor productivity (TFP) growth. Successful PSE reforms are expected to lift growth to 7 percent in the medium term driven by FDI generated exports.

- **Fiscal deficit.** The overall fiscal deficit projections are somewhat higher in the medium term, but in the long term they are in line with the authorities' commitment to meet the key WAEMU convergence criterion on the fiscal deficit (see paragraph 10 below)

- **Current account deficit**: The current account deficit is projected to narrow gradually from 10.3 percent of GDP in 2014 to just above 7.4 percent in 2019 and further down in the long term. This would be driven by projected fiscal consolidation and stronger dynamism in exports (mining in particular). Remittances are projected to remain significant as a share of GDP.

[3] The Senegalese authorities' new development strategy,

- **Inflation:** it is expected to remain moderate, on average less than 1.4 percent in the medium term.

Table 3. Evolution of Selected Macroeconomic Indicators

	2012	2013	2014	2015	Long term 1/
Real GDP growth					
Current DSA	3.4	3.5	4.5	4.6	7.3
Previous DSA	3.5	3.5	4.9	5.0	5.4
Overall fiscal deficit (percent of GDP)					
Current DSA	5.9	5.5	5.2	4.7	2.6
Previous DSA	5.9	5.5	5.1	3.9	2.6
Current account deficit (percent of GDP)					
Current DSA	10.8	10.9	10.3	8.8	7.5
Previous DSA	10.8	10.4	10.0	8.9	7.6

1/ Defined as the last 15 years of the projection period. For the current DSA update, the long term covers the years 2020-2034 (same as the full DSA in June 2014).

- **Financing:** The financing assumptions under this DSA are broadly similar to those under the most recent DSA (July 2014). As noted in the previous DSA, the authorities are increasingly relying on external nonconcessional or semi-concessional borrowing to finance infrastructure projects, and this trend is expected to continue. At the time of the previous DSA, the authorities had postponed a planned Eurobond issuance from 2013 to 2014 following a sharp tightening of financial conditions on international markets in the course of 2013. The authorities have since issued the US$500 million Eurobond in July 2014. Conditions have been relatively favorable in international markets in the past few months, and the authorities got a rate of 6.25 percent compared to the 6 percent yield on the 2011 Eurobond. This interest rate is higher than expected at the time of the previous DSA, partly owing to market concerns about the slow pace of reform. However, part of the proceeds would be used to repay the euro tranche of the syndicated loan contracted in 2013, which has a shorter maturity and higher rate (6.5 percent). The projections assume a repayment of the 2011 and 2014 bonds at maturity, as well as a moderate annual amount of non-concessional borrowing in the medium and long term. The authorities intend to continue relying on semi-concessional project financing (i.e. with a grant element above 15 percent) for infrastructure. As a result, the average grant element of new external borrowing is projected to decrease from about 20 percent to just above 10 percent over the projection period, as Senegal gradually moves away from concessional borrowing toward non-concessional borrowing.

- **Discount rate:** A discount rate of 5 percent has been used for this DSA.
- **Alternative Scenarios.** In addition to the baseline, scenario, the DSA considers alternative scenarios using the authorities' PSE projections (with higher debt accumulation in the early years.The probability approach is also applied.

EXTERNAL DSA

4. The use of remittances in the base case is justified for Senegal, since remittances are both stable and high as a percentage of GDP and exports.[4] Since 2000, remittances have grown every year with the exception of 2009, when they fell 6 percent. Over the period 2010–2013, remittances in Senegal averaged 52 percent of exports of goods and services and 13 percent of GDP. They have become an important and reliable source of foreign exchange in Senegal, a pattern that is expected to continue.[5]

5. Under the baseline scenario (Figure 1), and taking remittances into account, debt burden indicators remain well below their thresholds The external PPG debt ratios remain below their respective thresholds even under the most extreme stress tests, with one exception. Two spikes in debt service reflect the assumption of the repayment of the Eurobonds at maturity, and lead to one breach under the most extreme stress test (a 30 percent depreciation of the currency). Given that the largest breach falls within a 10-percent band of the threshold, the probability approach was also applied.

6. Alternatively, a more rapid scaling up of spending would imply larger fiscal deficits, higher debt accumulation, and some deterioration in debt burden indicators[6]. Although the indicators remain below their policy-dependent thresholds, the PV of debt to GDP ratio and the PV of debt to exports ratio come closer to the thresholds (Figure 2), despite higher assumed growth than in the baseline. This suggests that, in a scenario where the spending is scaled up quickly, but expected growth dividends do not materialize, Senegal could be at risk of losing its "low risk" rating. It also indicates a need for caution in the recourse to non-concessional borrowing.

7. The probability of debt distress also appears to be low (Figure 3). Under the probability approach, which focuses on the evolution of the probability of debt distress over time based on a country's individual CPIA score and average GDP growth rate, all the indicators for Senegal remain below the thresholds in all scenarios, supporting the case for a low risk of debt distress.

[4] In line with the Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries, remittances must be presented as the base case in the DSA if they are both greater than 10 percent of GDP and greater than 20 percent of exports of goods and services.

[5] Both ratios are measured on a backward-looking, three-year average basis.

[6] This scenario assumes that higher capital spending boosts the fiscal deficit by about 0.7 percentage point of GDP in 2015-19, growth is assumed to increase by 1 percentage point over the same period.

PUBLIC DSA

8. **Under the PSI baseline scenario, indicators of overall public debt (external plus domestic) do not show significant vulnerabilities.** The PV of total public debt to GDP and the PV of total public debt to revenue gradually decrease over the projection period. The PV of public debt to GDP remains well below the benchmark level of 74 percent associated with public debt vulnerabilities for strong performers. Similar to the thresholds for PPG external debt, the benchmarks for total public debt vary depending on a country's CPIA score and designate levels above which the risk of public debt distress is heightened. The benchmarks are in PV terms. Benchmarks for total public debt differ from thresholds for PPG external debt in that they serve as reference points for triggering a deeper discussion of public domestic debt. Thresholds for PPG external play a fundamental role in the determination of the external risk rating. The public debt benchmark for Senegal is higher than in the previous DSA of June 2014, owing to Senegal's CPIA reclassification as a strong performer. The authorities' effort to increase maturities (from slightly over one year at the time of the previous DSA) should reduce exposure to rollover and interest rate risks in the context of financing from the regional market.

9. **The public debt outlook would be much less favorable in the absence of fiscal consolidation (Table 2b).** In a scenario that assumes an unchanged primary deficit (as a percent of GDP) over the entire projection period, the PV of public debt to GDP grows but does not breach the 74 percent benchmark level. The benchmark level is breached in the "historical" scenario (holding real GDP growth and the primary deficit constant at their historical levels). While overall the risks remain low, these stress tests highlight the importance of continuing the fiscal effort and raising growth.

CONCLUSION

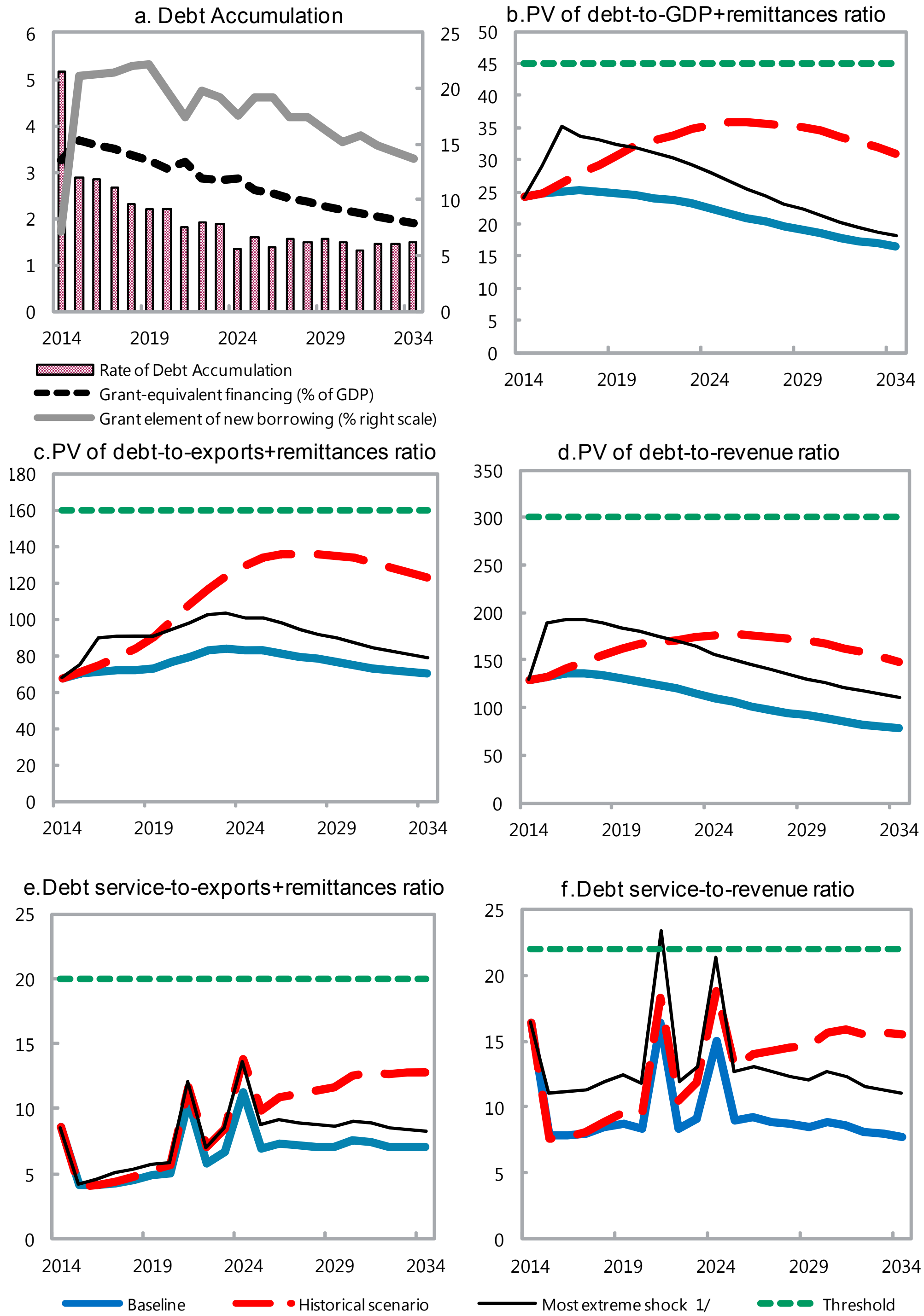
10. **In staff's view, Senegal continues to face a low risk of debt distress.** This assessment, however, hinges critically on a continued reduction of the fiscal deficit and prudence in the shift towards less concessional financing. Fiscal reforms should continue and additional fiscal space for PSE-related and social spending should be secured through efforts to increase revenue—particularly collecting tax arrears, freezing public consumption in real terms, and improving the composition of spending. The authorities also need to focus spending on productive areas, working closely with development partners to strengthen project design, preparation and execution while ensuring the overall quality and efficiency of public investment.

11. **A cautious approach to non-concessional borrowing will similarly be essential for safeguarding debt sustainability.** Preserving debt sustainability under the PSE as originally envisaged would depend on achieving a high growth dividend and implementing a comprehensive and ambitious reform of the state (to make room for investment and improve the efficiency of spending).

12. **The conclusion also hinges on achieving projected growth, although there are some downside risks.** The authorities are strongly committed to achieving **s**uccessful PSE reforms. These could lift growth to 7 percent in the medium term, driven by FDI generated exports. The PSE offers an achievable development strategy, including the right mix of private investment to be crowded in by public investment

in both human capital and infrastructure. However, unlocking private investment, including FDI, requires speeding up reforms to the business climate and improving public sector governance. Frontloading public investment without implementing the necessary structural reforms may jeopardize fiscal targets and debt sustainability while failing to raise growth from its sub-par trend. The main risks relate mainly to weak or slow implementation of the reforms, revenue shortfalls that would not allow sufficient mobilization of resources in support of the plan, failure to curb unproductive public consumption, and delays in raising expenditure efficiency, in particular of domestically financed capital expenditure.

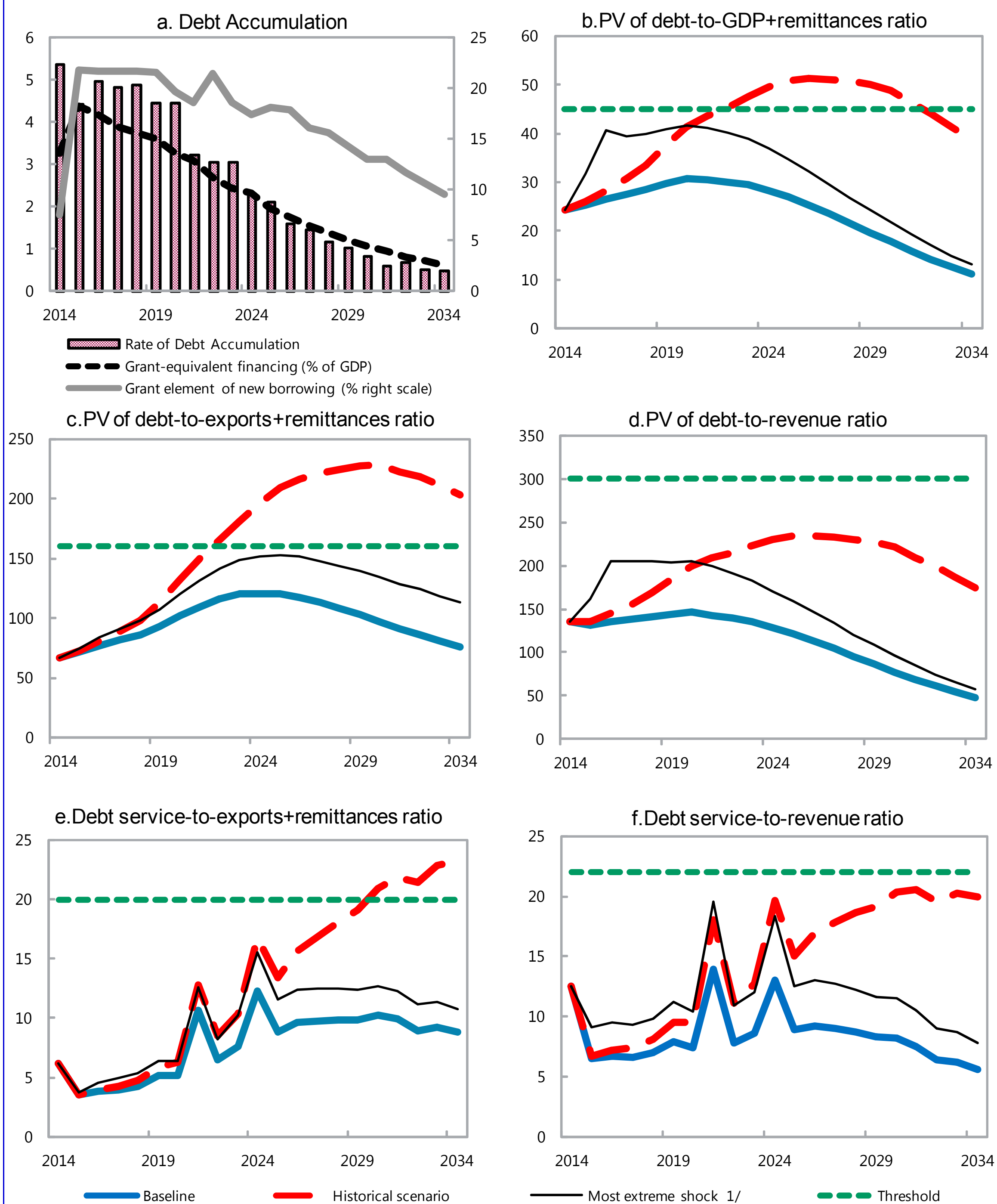
Figure 1. Senegal: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios 2014-2034 (Baseline with Remittances)



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

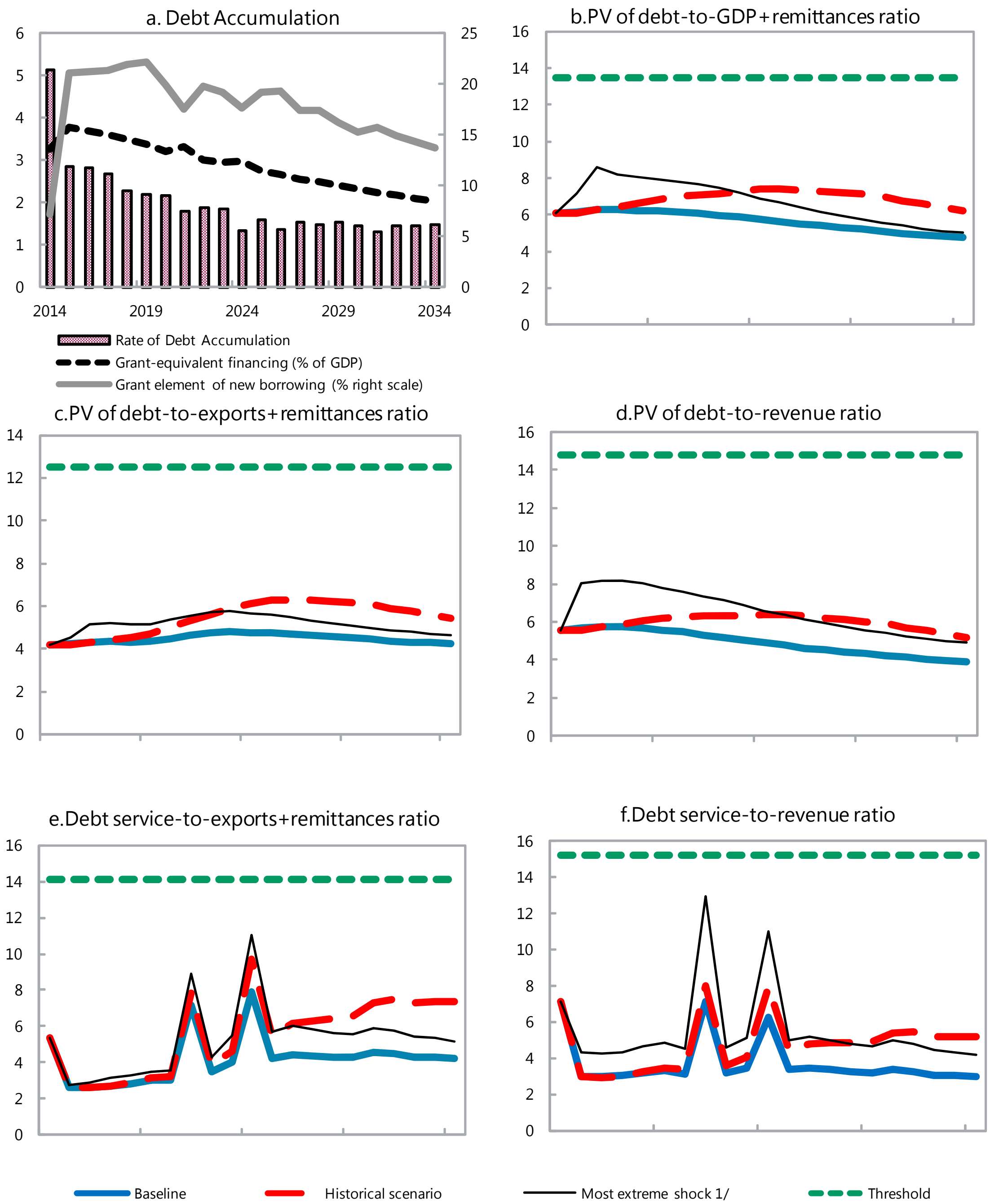
Figure 2. Senegal: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios (with higher capital spending), 2014-2034



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Combination shock; in c. to a Terms shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 3. Senegal: Probability of Debt Distress of Public and Publicly Guaranteed External Debt Under Alternative Scenarios 2014-2034



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Table 1. Senegal: External Debt Sustainability Framework, Baseline Scenario, 2011-2034

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**54.5**	**62.7**	**70.1**			**73.1**	**76.7**	**77.9**	**78.2**	**76.7**	**75.4**		**65.1**	**60.8**	
of which: public and publicly guaranteed (PPG)	29.4	31.0	32.7			35.0	35.8	36.4	36.5	36.0	35.3		30.1	21.2	
Change in external debt	3.8	8.1	7.4			3.0	3.6	1.2	0.3	-1.4	-1.3		-3.0	-0.2	
Identified net debt-creating flows	0.8	10.1	5.9			5.4	3.6	2.5	1.9	1.0	0.3		0.4	0.9	
Non-interest current account deficit	**6.9**	**9.9**	**10.0**	**8.3**	**2.9**	**9.3**	**7.8**	**7.2**	**7.0**	**6.6**	**6.4**		**6.3**	**6.7**	6.7
Deficit in balance of goods and services	18.3	21.3	21.2			20.5	19.6	19.1	19.0	18.5	18.1		14.0	12.9	
Exports	26.4	28.3	27.9			27.1	26.5	26.6	26.2	26.0	25.5		20.6	18.5	
Imports	44.7	49.5	49.1			47.6	46.1	45.7	45.2	44.5	43.6		34.6	31.4	
Net current transfers (negative = inflow)	-12.3	-12.5	-12.4	-10.9	2.1	-12.3	-12.8	-12.9	-12.8	-12.7	-12.4		-8.3	-6.5	-7.9
of which: official	-0.9	-1.0	-0.6			-0.8	-0.9	-0.9	-1.0	-1.0	-1.0		-0.8	-0.7	
Other current account flows (negative = net inflow)	0.9	1.2	1.3			1.1	1.0	0.9	0.8	0.8	0.7		0.5	0.3	
Net FDI (negative = inflow)	**-2.0**	**-2.0**	**-1.8**	**-1.8**	**0.6**	**-1.9**	**-2.0**	**-2.1**	**-2.1**	**-2.2**	**-2.3**		**-2.3**	**-2.3**	-2.3
Endogenous debt dynamics 2/	**-4.1**	**2.2**	**-2.3**			**-2.0**	**-2.2**	**-2.6**	**-3.0**	**-3.4**	**-3.9**		**-3.6**	**-3.5**	
Contribution from nominal interest rate	1.0	0.9	0.9			1.0	1.0	1.0	1.0	1.0	1.0		0.8	0.7	
Contribution from real GDP growth	-0.8	-1.9	-2.1			-3.0	-3.2	-3.6	-4.0	-4.4	-4.9		-4.5	-4.2	
Contribution from price and exchange rate changes	-4.3	3.2	-1.1			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**3.0**	**-2.0**	**1.5**			**-2.4**	**0.1**	**-1.3**	**-1.6**	**-2.4**	**-1.6**		**-3.4**	**-1.1**	
of which: exceptional financing	-0.9	-1.4	-0.1			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	60.5			65.5	69.0	70.1	70.4	69.1	68.1		59.2	57.2	
In percent of exports	...	...	216.5			241.5	260.1	263.9	269.1	266.2	267.3		287.8	308.9	
PV of PPG external debt	**...**	**...**	**23.1**			**27.4**	**28.1**	**28.6**	**28.7**	**28.4**	**28.0**		**24.3**	**17.6**	
In percent of exports	**...**	**...**	**82.8**			**101.0**	**105.9**	**107.6**	**109.8**	**109.3**	**110.0**		**117.8**	**95.2**	
In percent of government revenues	**...**	**...**	**114.8**			**129.7**	**132.2**	**135.5**	**135.5**	**133.2**	**129.9**		**110.2**	**77.6**	
Debt service-to-exports ratio (in percent)	**17.8**	**9.7**	**10.3**			**18.4**	**7.9**	**8.2**	**8.0**	**8.6**	**8.1**		**16.3**	**8.2**	
PPG debt service-to-exports ratio (in percent)	**13.2**	**7.0**	**6.6**			**12.8**	**6.3**	**6.2**	**6.4**	**6.9**	**7.4**		**16.1**	**9.6**	
PPG debt service-to-revenue ratio (in percent)	**17.2**	**9.6**	**9.2**			**16.4**	**7.8**	**7.8**	**8.0**	**8.4**	**8.8**		**15.0**	**7.8**	
Total gross financing need (Billions of U.S. dollars)	1.4	1.5	1.6			2.0	1.3	1.3	1.4	1.4	1.5		2.8	6.2	
Non-interest current account deficit that stabilizes debt ratio	3.1	1.8	2.6			6.3	4.2	6.0	6.7	8.0	7.8		9.3	6.9	
Key macroeconomic assumptions															
Real GDP growth (in percent)	1.7	3.4	3.5	3.8	1.4	4.5	4.6	5.1	5.6	6.2	7.0	5.5	7.2	7.6	7.3
GDP deflator in US dollar terms (change in percent)	9.3	-5.5	1.8	4.3	8.0	2.7	1.4	2.8	3.1	3.0	2.3	2.6	2.7	3.1	2.8
Effective interest rate (percent) 5/	2.2	1.6	1.5	1.8	0.4	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Growth of exports of G&S (US dollar terms, in percent)	17.7	4.7	4.1	9.0	10.6	4.2	3.8	8.2	7.2	8.4	7.5	6.6	9.1	9.9	8.1
Growth of imports of G&S (US dollar terms, in percent)	23.2	8.2	4.4	11.9	17.2	4.1	2.8	7.1	7.6	7.5	7.3	6.1	6.5	9.9	8.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	7.1	21.1	21.2	21.4	22.0	22.1	19.2	17.6	13.6	17.1
Government revenues (excluding grants, in percent of GDP)	20.3	20.4	20.1			21.1	21.2	21.1	21.2	21.3	21.6		22.0	22.7	22.2
Aid flows (in Billions of US dollars) 7/	0.7	1.0	0.8			0.5	0.5	0.6	0.6	0.6	0.7		0.9	1.9	
of which: Grants	0.3	0.4	0.4			0.5	0.5	0.5	0.5	0.6	0.6		0.8	1.6	
of which: Concessional loans	0.4	0.6	0.4			0.0	0.1	0.1	0.1	0.1	0.1		0.1	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.2	3.7	3.6	3.5	3.4	3.3		2.9	1.9	2.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			38.2	52.7	53.4	53.8	55.6	56.0		45.9	45.2	49.7
Memorandum items:															
Nominal GDP (Billions of US dollars)	14.4	14.0	14.8			15.9	16.9	18.2	19.8	21.7	23.7		38.0	103.9	
Nominal dollar GDP growth	11.1	-2.3	5.4			7.3	6.1	8.0	8.9	9.3	9.5	8.2	10.1	11.0	10.3
PV of PPG external debt (in Billions of US dollars)			3.5			4.3	4.7	5.2	5.7	6.2	6.6		9.2	18.3	
(PVt-PVt-1)/GDPt-1 (in percent)						5.1	2.9	2.8	2.7	2.3	2.2	3.0	1.3	1.5	1.6
Gross workers' remittances (Billions of US dollars)	1.9	1.9	2.0			2.1	2.3	2.5	2.7	2.9	3.1		3.3	7.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.3			24.1	24.7	25.1	25.3	25.0	24.7		22.3	16.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	55.5			67.6	69.7	70.8	72.1	71.9	72.4		83.0	69.9	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.4			8.6	4.1	4.1	4.2	4.5	4.9		11.3	7.0	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2. Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt 2014-2034

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	27	28	29	29	28	28	**24**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	27	28	30	32	33	35	**39**	34
A2. New public sector loans on less favorable terms in 2014-2034 2	27	29	30	31	31	31	**30**	26
Authorities' PSE framework	26	31	33	36	38	41	**33**	22
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	27	29	30	30	30	29	**25**	18
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	27	29	33	33	32	32	**27**	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	27	30	32	32	32	31	**27**	20
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	27	32	37	37	36	35	**29**	18
B5. Combination of B1-B4 using one-half standard deviation shocks	27	32	39	39	38	37	**31**	19
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	27	40	41	41	40	40	**34**	25
PV of debt-to-exports ratio								
Baseline	101	106	108	110	109	110	**118**	95
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	101	106	112	121	127	137	**188**	182
A2. New public sector loans on less favorable terms in 2014-2034 2	101	109	114	118	120	123	**145**	138
Authorities' PSE framework	95	115	124	135	143	151	**137**	82
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	101	106	108	110	110	110	**118**	95
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	101	117	144	146	144	144	**150**	112
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	101	106	108	110	110	110	**118**	95
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	101	121	139	140	138	138	**140**	98
B5. Combination of B1-B4 using one-half standard deviation shocks	101	118	143	145	143	143	**145**	102
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	101	106	108	110	110	110	**118**	95
PV of debt-to-revenue ratio								
Baseline	130	132	135	136	133	130	**110**	78
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	130	133	141	149	155	161	**176**	149
A2. New public sector loans on less favorable terms in 2014-2034 2	130	136	143	146	146	145	**136**	113
Authorities' PSE framework	134	156	166	177	189	203	**164**	107
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	130	135	143	143	140	136	**116**	81
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	130	138	156	155	152	147	**121**	79
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	130	139	153	153	150	146	**124**	87
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	130	152	174	173	169	163	**131**	80
B5. Combination of B1-B4 using one-half standard deviation shocks	130	151	185	183	179	173	**139**	86
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	130	188	193	193	190	184	**157**	110

Table 2. Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt 2014-2034 (concluded)

Debt service-to-exports ratio

Baseline	13	6	6	6	7	7	**16**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	13	6	6	7	7	8	**20**	19
A2. New public sector loans on less favorable terms in 2014-2034 2/	13	6	6	6	6	7	**11**	12
Authorities' PSE framework	9	7	8	8	9	9	**10**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	13	6	6	6	7	7	**16**	10
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	13	7	7	8	9	9	**20**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	13	6	6	6	7	7	**16**	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	13	6	7	8	8	8	**19**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	13	6	7	8	8	9	**20**	11
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	13	6	6	6	7	7	**16**	10

Debt service-to-revenue ratio

Baseline	16	8	8	8	8	9	**15**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	16	8	8	8	9	10	**19**	16
A2. New public sector loans on less favorable terms in 2014-2034 2/	16	8	7	7	8	8	**10**	10
Authorities' PSE framework	12	9	11	11	11	12	**13**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	16	8	8	8	9	9	**16**	8
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	16	8	8	9	9	9	**16**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	16	8	9	9	9	10	**17**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	16	8	9	9	10	10	**18**	8
B5. Combination of B1-B4 using one-half standard deviation shocks	16	8	9	10	10	11	**19**	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	16	11	11	11	12	12	**21**	11
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	16	16	16	16	16	16	**16**	16

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assumingan offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3. Senegal: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011-2034

	Actual					Estimate	Projections								
	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	40.7	43.4	47.1			49.7	51.0	51.7	52.0	51.8	50.8		41.9	24.9	
of which: foreign-currency denominated	29.4	31.0	32.7			35.0	35.8	36.4	36.5	36.0	35.3		30.1	21.2	
Change in public sector debt	5.2	2.7	3.7			2.6	1.3	0.7	0.3	-0.2	-1.0		-2.0	-1.3	
Identified debt-creating flows	4.9	3.2	3.3			3.6	1.2	0.5	-0.1	-0.6	-1.4		-2.1	-1.3	
Primary deficit	5.2	4.4	3.9	3.9	1.1	3.5	2.9	2.5	2.2	2.0	1.2	2.4	0.5	0.3	0.5
Revenue and grants	22.5	23.3	22.7			24.0	24.0	23.8	23.9	23.9	24.1		24.2	24.2	
of which: grants	2.2	2.9	2.6			2.8	2.8	2.7	2.7	2.6	2.5		2.1	1.5	
Primary (noninterest) expenditure	27.7	27.7	26.6			27.5	26.9	26.3	26.1	25.9	25.3		24.6	24.6	
Automatic debt dynamics	-0.3	-0.6	-0.6			0.1	-1.7	-2.0	-2.3	-2.6	-2.6		-2.6	-1.7	
Contribution from interest rate/growth differential	-0.4	-0.7	0.7			-0.7	-1.4	-1.8	-2.0	-2.4	-2.7		-2.6	-1.7	
of which: contribution from average real interest rate	0.2	0.6	2.2			1.3	0.8	0.7	0.7	0.7	0.7		0.4	0.2	
of which: contribution from real GDP growth	-0.6	-1.3	-1.5			-2.0	-2.2	-2.5	-2.7	-3.0	-3.4		-3.0	-1.9	
Contribution from real exchange rate depreciation	0.1	0.1	-1.3			0.8	-0.2	-0.2	-0.3	-0.2	0.1		...	...	
Other identified debt-creating flows	0.0	-0.6	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	-0.6	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	0.3	-0.5	0.4			-1.0	0.1	0.3	0.4	0.4	0.4		0.1	0.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	37.5			42.1	43.3	44.0	44.3	44.2	43.5		36.1	21.3	
of which: foreign-currency denominated	...	...	23.1			27.4	28.1	28.6	28.7	28.4	28.0		24.3	17.6	
of which: external	...	...	23.1			27.4	28.1	28.6	28.7	28.4	28.0		24.3	17.6	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	12.3	12.2	12.2			15.7	13.4	13.1	12.3	12.6	10.2		9.0	4.1	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	165.3			175.9	180.1	184.5	185.4	184.9	180.5		149.6	88.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	186.4			199.6	203.7	208.3	208.8	207.5	201.6		164.1	93.9	
of which: external 3/	...	...	114.8			129.7	132.2	135.5	135.5	133.2	129.9		110.2	77.6	
Debt service-to-revenue and grants ratio (in percent) 4/	19.9	16.4	17.0			24.2	28.1	33.2	31.3	34.6	28.2		29.7	13.4	
Debt service-to-revenue ratio (in percent) 4/	22.1	18.7	19.2			27.5	31.7	37.5	35.3	38.9	31.6		32.6	14.3	
Primary deficit that stabilizes the debt-to-GDP ratio	0.0	1.7	0.2			0.9	1.5	1.8	2.0	2.2	2.3		2.5	1.6	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	1.7	3.4	3.5	3.8	1.4	4.5	4.6	5.1	5.6	6.2	7.0	5.5	7.2	7.6	7.3
Average nominal interest rate on forex debt (in percent)	3.7	2.5	2.5	2.4	0.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	3.5	3.0
Average real interest rate on domestic debt (in percent)	3.7	4.8	8.1	3.2	3.7	4.8	4.2	3.3	3.4	3.2	3.3	3.7	2.9	2.6	2.7
Real exchange rate depreciation (in percent, + indicates depreciatior	0.3	0.5	-4.3	-0.8	8.5	2.5	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.2	2.3	-1.4	2.4	2.8	0.7	2.3	2.3	2.3	2.3	2.3	2.0	2.7	3.1	2.8
Growth of real primary spending (deflated by GDP deflator, in percer	7.9	3.2	-0.4	1.1	2.6	7.9	2.4	2.8	4.8	5.1	4.8	4.6	6.6	7.6	7.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	7.1	21.1	21.2	21.4	22.0	22.1	19.2	17.6	13.6	...

Sources: Country authorities; and staff estimates and projections.
1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4. Senegal: Sensitivity Analysis for Key Indicators of Public Debt, 2014-2034

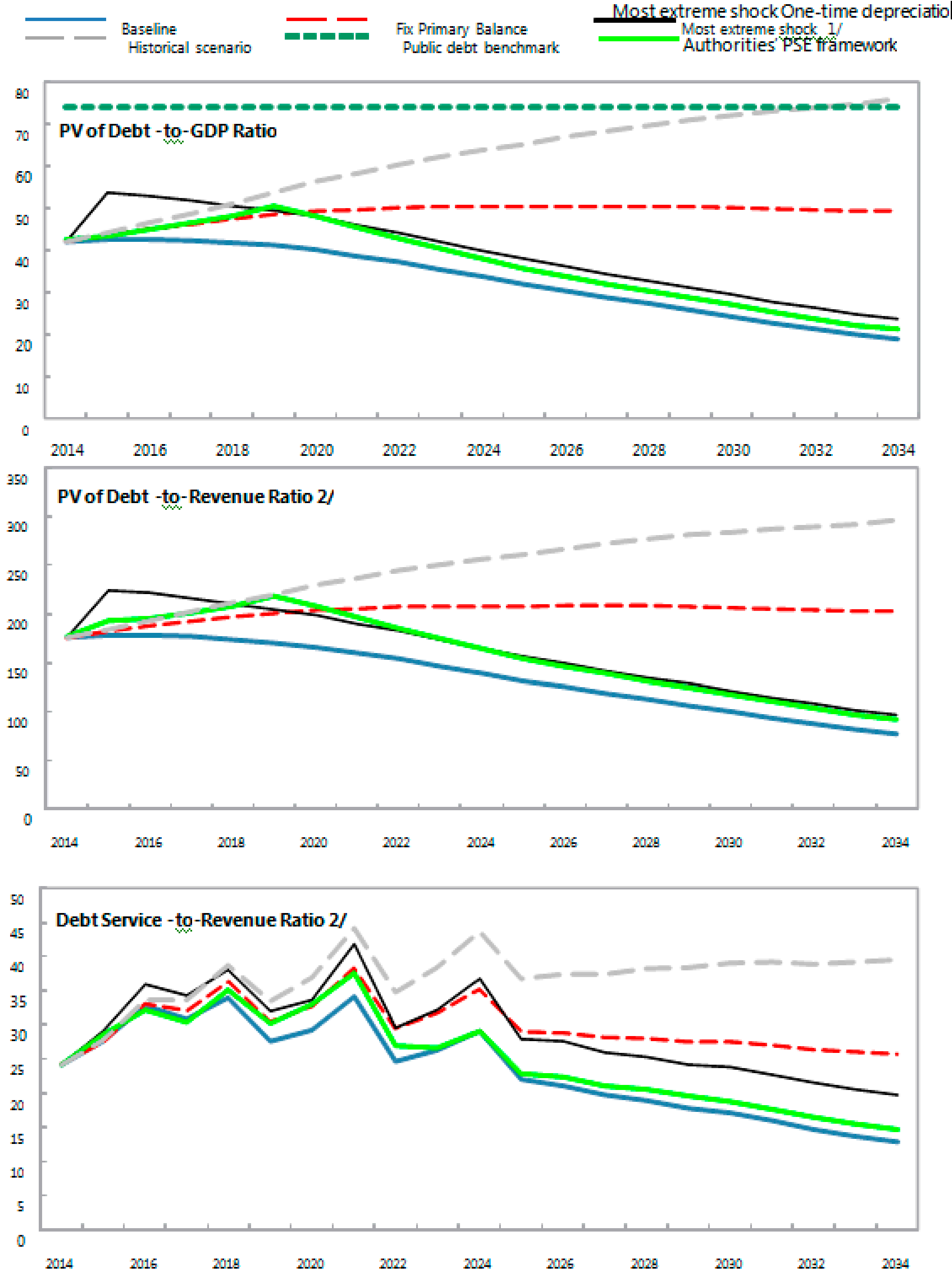
	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	42	43	44	44	44	43	36	21
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	42	45	47	49	52	55	65	77
A2. Primary balance is unchanged from 2014	42	44	45	47	48	49	51	50
A3. Permanently lower GDP growth 1/	42	43	44	45	45	45	40	31
Authorities' PSE framework	43	44	45	47	48	51	38	21
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	42	45	47	49	49	49	45	33
B2. Primary balance is at historical average minus one standard deviations in 2015-201	42	45	48	48	48	47	39	23
B3. Combination of B1-B2 using one half standard deviation shocks	42	45	48	49	50	49	44	31
B4. One-time 30 percent real depreciation in 2015	42	54	54	54	53	52	42	26
B5. 10 percent of GDP increase in other debt-creating flows in 2015	42	52	52	52	52	51	42	24
PV of Debt-to-Revenue Ratio 2/								
Baseline	176	180	184	185	185	180	150	88
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	176	185	196	206	215	224	261	304
A2. Primary balance is unchanged from 2014	176	183	191	196	201	204	212	207
A3. Permanently lower GDP growth 1/	176	181	186	188	189	186	164	128
Authorities' PSE framework	178	193	196	201	208	218	163	89
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	176	185	198	203	205	204	185	138
B2. Primary balance is at historical average minus one standard deviations in 2015-201	176	188	201	201	200	195	160	93
B3. Combination of B1-B2 using one half standard deviation shocks	176	188	203	206	207	204	180	126
B4. One-time 30 percent real depreciation in 2015	176	226	228	225	222	215	175	108
B5. 10 percent of GDP increase in other debt-creating flows in 2015	176	217	220	219	217	210	172	100
Debt Service-to-Revenue Ratio 2/								
Baseline	24	28	33	31	35	28	30	13
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	24	28	34	34	38	33	44	39
A2. Primary balance is unchanged from 2014	24	28	33	32	36	30	35	26
A3. Permanently lower GDP growth 1/	24	28	33	32	35	29	31	18
Authorities' PSE framework	24	29	32	30	35	30	29	14
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20	24	29	35	33	37	31	34	19
B2. Primary balance is at historical average minus one standard deviations in 2015-201	24	28	34	34	38	29	31	14
B3. Combination of B1-B2 using one half standard deviation shocks	24	28	34	34	38	31	33	18
B4. One-time 30 percent real depreciation in 2015	24	30	36	35	39	33	38	20
B5. 10 percent of GDP increase in other debt-creating flows in 2015	24	28	35	42	37	32	32	15

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Figure 4. Senegal: Indicators of Public Debt Under Alternative Scenarios, 2014-2034



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

SENEGAL

December 2, 2014

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION AND EIGHTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT—INFORMATIONAL ANNEX

Prepared By

The Staff of the International Monetary Fund in Consultation with the World Bank.

CONTENTS

RELATIONS WITH THE FUND

(As of November 1, 2014)

Membership Status: Joined: August 31, 1962; Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	161.80	100.00
Fund holdings of currency (Exchange Rate)	159.93	98.84
Reserve Tranche Position	1.88	1.16

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	154.80	100.00
Holdings	130.14	84.07

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ESF Arrangements	118.92	73.50
ECF Arrangements	4.51	2.78

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ESF	Dec 19, 2008	Jun 10, 2010	121.35	121.35
ECF 1/	Apr 28, 2003	Apr 27, 2006	24.27	24.27
ECF 1/	Apr 20, 1998	Apr 19, 2002	107.01	96.47

1/ Formerly PRGF.

Projected Payments to Fund 2/

(SDR Million; based on existing use of resources and present holdings of SDRs):

		Forthcoming			
	2014	**2015**	**2016**	**2017**	**2018**
Principal	5.66	24.15	25.66	24.27	24.27
Charges/Interest	0.00	0.29	0.22	0.16	0.10
Total	5.67	24.44	25.88	24.43	24.37

2/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Jun 2000

Assistance committed	
by all creditors (US$ Million) 1/	488.30
Of which: IMF assistance (US$ million)	42.30
(SDR equivalent in millions)	33.80
Completion point date	Apr 2004
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	33.80
Interim assistance	14.31
Completion point balance	19.49
Additional disbursement of interest income 2/	4.60
Total disbursements	38.40

1/ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

2/ Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)1/	100.32
Financed by: MDRI Trust	94.76
Remaining HIPC resources	5.56

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	100.32	100.32

1/ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAEMU). The latest assessment of the BCEAO was completed on December 13, 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAEMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.

Exchange System:

Senegal, a member of the West African Economic and Monetary Union (WAEMU), accepted the obligations under Article VIII, Sections 2(a), 3 and 4 of the Fund's Articles of Agreement, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The WAEMU's exchange regime is a conventional peg to the euro.

The union's common currency, the CFA franc, had been pegged to the French franc at the rate of CFAF 1 = F 0.02. Effective January 12, 1994, the CFA franc was devalued and the new parity set at CFAF 1 = F 0.01. Effective December 31, 1998, the parity was switched to the euro at a rate of CFAF 655.96 = €1.

The authorities confirmed that Senegal had not imposed measures that could give rise to exchange restrictions subject to Fund jurisdiction. They will inform the Fund, if any such measure is introduced.

Aspects of the exchange system were also discussed in the report "WAEMU: Common Policies for Member Countries" (Country Report No. 14/84).

Article IV Consultations:

The latest Article IV consultation was completed by the Executive Board on December 10, 2012 (Country Report No. 12/337). In concluding the 2012 Article IV consultation, Executive Directors commended Senegal's satisfactory program implementation despite the challenging internal and external environments. They stressed that although a moderate pickup in growth is expected in the near term, the economy remains exposed to substantial risks.

Directors welcomed the authorities' continued commitment to their program to ensure macroeconomic stability, strengthen the economy's resilience to shocks, foster higher and sustainable growth, and reduce poverty. Directors noted that, while Senegal still faces a low risk of debt distress, high fiscal deficits and rising debt ratios need to be addressed. They welcomed the authorities' commitment to keep the deficit under 6 percent in 2012 and their determination to reduce the deficit further in the medium term to levels that are consistent with fiscal and debt sustainability. Directors also highlighted the importance of stronger debt management. They welcomed the recently finalized medium-term debt strategy, and encouraged the authorities to rely primarily on concessional financing.

Directors underscored the need to improve public financial management and government spending efficiency and transparency. They commended ongoing efforts to reduce the cost of running government, streamline public agencies, and rationalize expenditure in key sectors.

Directors stressed that phasing out the costly and poorly targeted energy price subsidies while strengthening social safety nets is a priority. Sustained progress in all these areas will be necessary to meet the country's fiscal objectives and make room for critical social and development needs.

Directors noted that the financial sector is generally robust. However, the rising level of NPLs and concentration of lending need to be closely monitored. To move Senegal to a path of higher, sustainable, and inclusive growth, Directors stressed the need to address infrastructure gaps, remove inefficiencies in government operations, and improve the business climate. They welcomed the tax and customs reforms that are underway and called for timely implementation of the new energy investments and restructuring of SENELEC, the national power utility. Directors also encouraged the authorities to deepen and strengthen the financial system to support their growth strategy.

Financial Sector Assessment Program (FSAP) and Report on the Observance of Standards and Codes (ROSC) Participation:

A joint team of the World Bank and the IMF conducted a mission under the FSAP program in 2000 and 2001. The Financial System Stability Assessment (FSSA) was issued in 2001 (IMF Country Report No. 01/189). An FSAP update was undertaken in 2004, focusing on development issues (in particular nationwide supply of basic financial services and access of SMEs to credit, in line with the priorities defined in the PRSP (IMF Country Report No. 05/126). A regional FSAP for the WAEMU was undertaken in 2007 and the FSSA was issued in May 2008 (SM/08/139). A ROSC on the data module was published in 2002. An FAD mission conducted a ROSC on the fiscal transparency module in 2005.

Technical Assistance (2008–14):

A. AFRITAC West

Year	Area	Focus
2008	Debt management and financial markets National accounts Microfinance	DSA workshop Institutional sector and quarterly national accounts Supervision and organization
2009	National accounts Tax administration Debt management Microfinance Macroeconomic and financial statistics	Quarterly national accounts (QNA) Status of the reform and scope for further TA Strengthening public debt management Strengthening microfinance supervision Enhancing production and dissemination of public finances statistics
2010	Debt management National accounts Customs administration Tax administration Customs administration	Strengthening public debt management Quarterly national accounts (QNA) Risk analysis and audit Tax administration modernization Follow-up mission
2011	National accounts Customs administration Public expenditure management Debt management Tax administration	Quarterly national accounts (QNA) Risk analysis and audit Strengthening of PFM information systems Strengthening public debt management Establishment of medium-sized enterprise tax center
2012	Tax administration National accounts Customs administration Public expenditure management	Identification and registration of tax payers Quarterly national accounts (QNA) Risk analysis and audit Public accounting system
2013	Public expenditure management Public debt analysis Public debt management	Central government accounting Financial regime of autonomous agencies DSA workshop Help the authorities produce a national borrowing policy document.
2014	Tax administration Public financial management	Identification and registration of tax payers
	Customs administration	Risk analysis and audit
	Bank Supervision and Regulations	BCEAO mission on Basel II & III Implementation
	Public Debt	Public Debt Management, Government securities policy issuance

B. Headquarters

Department	Date	Form	Purpose
Fiscal Affairs	Jan. 2010	FAD Expert	Review of the expenditure chain
	Feb. 2010	Staff/AFRITAC	Public financial management
	Jul-10	FAD Expert	PFM (Treasury Single Account and cash forecasts)
	Oct. 2010	Staff/Expert/AFRITAC	Revenue administration
	Nov. 2010	Staff/Expert	Review of tax policy and tax expenditures
Fiscal Affairs	Dec. 2010	Staff	Public financial management and accounting (state, PEs, agencies)
	May-11	FAD Expert	Public financial management
	Sept. 2011	Staff /Expert	Revenue administration
	Nov. 2011	FAD expert	Decentralization of budget authority
	Dec. 2011	FAD expert	Consolidation of accounts
	Jan. 2012	FAD Experts	VAT Credit Reimbursement System, Tax Exemptions and Reform Process
	May & Sept. 2012, and Feb. 2013	FAD Staff/Experts	TPA multi-Module Missions on tax reform and revenue administration
	Mar. 2012	FAD Experts	PIT and Taxation of the Banking and Telecoms Sectors
	Jul. 2012	FAD Experts	Budget Execution, Fiscal Reporting, and Cash Management
	Jan. 2013	FAD Expert	Strengthening Cash Management and Treasury Single Account
	Feb. 2013	FAD Expert	Decentralization of budget authority
	Feb. 2013	FAD Expert	VAT Credit Reimbursement System, Tax Exemptions and Reform Process
	Mar. 2013	FAD Experts	Wage Bill Budgeting and Execution Capital expenditure forecasting
	Mar. 2013	FAD experts	Mining and tax exemptions VAT documents and exemptions
	Apr. 2013	FAD experts	Customs diagnostics and administration
	Jun. 2013	FAD experts	External grants budgeting
	Jul. 2013	FAD experts	Government accounting, cash management

Fiscal Affairs	Aug. 2013	FAD experts	Tax policy administration
	Sept. 2013	FAD Staff/Experts	Tax policy administration
	Oct. 2013	FAD experts	Public financial management
	Nov. 2013	FAD experts	Customs administration
	Dec. 2013	FAD experts	Government accounting, cash management
	Feb. 2014	FAD experts	Implementing WAEMU directives
	Feb. 2014	FAD experts	Expenditure rationalization
	Mar. 2014	FAD experts	Tax administration
	Mar. 2014	FAD experts	Public financial management
	Apr. 2014	FAD experts	Tax administration, develop IT system to improve tax administration
	Apr. 2014	FAD experts	Tax administration, tax arrears management
	Apr. 2014	FAD experts	Module 1 Regional Workshop (WAEMU Regional Workshop)
Monetary and Capital Markets	Sept. 2010	Staff	Needs assessment
	Jan.-Feb. 2011	Staff/World Bank	Medium-Term Debt Strategy (MDTS)
	Jan. 2013	Staff	Regional bank supervision
	Apr. 2013	Staff	Public debt
	Nov. 2013	Staff	Public debt management
	Nov. 2013	Staff	Bank restructuring
	Jan. 2014	Staff	Bank Supervision
	Feb. 2014	Staff	BCEAO mission on Basel II implementation
	Apr. 2014	Staff	Government securities policy issuance
Statistics	Nov. 2008	Staff	SDDS assessment
	Apr. 2009	Staff	Government finance statistics
	Jun. 2013	Staff	Government finance statistics
Legal	Jan-Feb 2012	LEG Staff/Expert	Tax law (general, VAT)
	Jan-Feb 2012	LEG Expert	VAT
	May-12	LEG Staff/Expert	Tax law (general, tax procedures)
	Jun-12	LEG Expert	Tax procedures
	Sept. 2013	LEG Expert	Tax policy administration

C. Resident Representative

Stationed in Dakar since July 24, 1984; the position has been held by Mr. Boileau Loko since September 2013.

D. Anti Money Laundering / Combating the Financing of Terrorism

The onsite visit for Senegal's AML/CFT evaluation took place in July/August 2007 in the context of ECOWAS's Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA). The report was adopted in early May 2008 by the GIABA Plenary held in Accra, Ghana. The report highlighted several areas of weaknesses in the AML/CFT system, confirmed by a score of 12 non-compliant and 16 partially compliant ratings out of the 40+9 FATF AML/CFT recommendations. In May 2009 Senegal joined the Egmont Group of Financial Intelligence Units (FIUs). The FIU publishes on its website statistics on suspicious transaction reports received, the number of cases transmitted to the judiciary, and the number of convictions. Senegal's sixth follow-up report was discussed at GIABA's May 2014 Plenary. It acknowledged the progress achieved, including the efforts to revise the AML/CFT legal framework in line with the 2012 FATF standard, and encouraged Senegal to continue making improvements. At the same time, it was agreed that Senegal would submit its seventh follow-up report to the GIABA Plenary in May 2015.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION WORLD BANK AND IMF COLLABORATION

Title	Products	Topic	Expected delivery date
A. Mutual information on relevant work programs			
World Bank			
	Public finance management technical assistance project	Budget management information systems, internal and external audit, debt management, agency and SOE supervision	On-going with additional financing approved in July 2014
	Development policy operation	Reforms in governance, education, health, agriculture subsidies, energy, and investment climate	December 2014 (Board)
	Energy sector dialogue	Financial and operational management of Senelec, investment planning	Ongoing
	Mining sector TA	EITI and regulatory framework	Ongoing
	Higher education project	Includes performance contracts for universities and scholarship reforms	Ongoing
	Social protection project	Support to cash transfer program	Approved, April 2014
	Health project	Support to universal health coverage	Signed, April 2014
	Poverty and gender policy notes	Trends, profile, gender, regional, employment, social sectors	On-going
	Statistics for Results project	Labor market, services, construction data and capacity-building	Approved, May 2014
	Monitoring and evaluation	Establishment of a monitoring and evaluation system for the PSE	On-going

<table>
<tr><td rowspan="26">IMF</td><td colspan="4">IMF-supported program</td></tr>
<tr><td colspan="3">Eighth PSI Review and Article IV Consultations</td><td>December 15, 2014 (Board)</td></tr>
<tr><td colspan="3">Brainstorming session on possible Fund support for the PSE</td><td>December 4.5, 2014
Washington</td></tr>
<tr><td colspan="4">Technical assistance</td></tr>
<tr><td>AFR</td><td>AFW : Regional workshop in SEN on NA</td><td>8/31/2014</td><td>9/3/2014</td></tr>
<tr><td>FAD</td><td>Program budgeting - subject to approval</td><td>9/1/2014</td><td>9/14/2014</td></tr>
<tr><td>STA</td><td>AFW: Government Finance Statistics</td><td>9/1/2014</td><td>9/5/2014</td></tr>
<tr><td>STA</td><td>AFW: National Accounts</td><td>10/6/2014</td><td>10/17/2014</td></tr>
<tr><td>FAD</td><td>Follow-up mission in tax administration</td><td>10/6/2014</td><td>10/19/2014</td></tr>
<tr><td>FAD</td><td>Fiscal reporting and budget execution</td><td>10/20/2014</td><td>11/4/2014</td></tr>
<tr><td>FAD</td><td>AFW: Customs Administration</td><td>10/27/2014</td><td>11/7/2014</td></tr>
<tr><td>MCM</td><td>AFW: Public Debt Management</td><td>11/3/2014</td><td>11/14/2014</td></tr>
<tr><td>FAD</td><td>Cash management</td><td>11/10/2014</td><td>11/23/2014</td></tr>
<tr><td>FAD</td><td>AFW: Public Financial Management</td><td>11/10/2014</td><td>11/21/2014</td></tr>
<tr><td>FAD</td><td>AFW : Tax Administration</td><td>11/17/2014</td><td>11/28/2014</td></tr>
<tr><td>FAD</td><td>PFM Advisor (pending approval from EC)</td><td>12/1/2014</td><td>11/30/2015</td></tr>
<tr><td>FAD</td><td>AFW: Customs administration</td><td>12/1/2014</td><td>12/12/2014</td></tr>
<tr><td>STA</td><td>AFW: Government Finance Statistics</td><td>12/1/2014</td><td>12/11/2014</td></tr>
<tr><td>FAD</td><td>Budget process</td><td>12/1/2014</td><td>12/14/2014</td></tr>
<tr><td>FAD</td><td>AFW: Public Financial Mgt TA mission to Senegal</td><td>12/8/2014</td><td>12/19/2014</td></tr>
<tr><td>FAD</td><td>Installation of LTX (pending approval of EC)</td><td>12/12/2014</td><td>12/14/2014</td></tr>
<tr><td>FAD</td><td>AFW: PFM TA</td><td>1/12/2015</td><td>1/23/2015</td></tr>
<tr><td>FAD</td><td>Fiscal reporting (pending approval of EC project)</td><td>1/12/2015</td><td>1/25/2015</td></tr>
<tr><td>FAD</td><td>Cash management</td><td>2/1/2015</td><td>2/14/2015</td></tr>
<tr><td>FAD</td><td>Budget process (pending approval of EC project)</td><td>3/2/2015</td><td>3/15/2015</td></tr>
<tr><td colspan="5">B. Requests for work program inputs</td></tr>
<tr><td rowspan="3">Fund request to Bank</td><td colspan="2">Update on the implementation of prior actions for budget support</td><td>Note</td><td>December 2014</td></tr>
<tr><td colspan="2">WB programs in the social sector and education</td><td>Information sharing</td><td>Continuous</td></tr>
<tr><td colspan="2">Energy sector reforms</td><td>Information sharing, estimation of</td><td>Continuous</td></tr>
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		the tariff gap, expertise of the investment plan	
Bank request to Fund	Set of macro tables	Updates on macro developments	Continuous
C. Agreement on joint products and missions			
Joint products	Debt sustainability analysis	Debt management	2014

STATISTICAL ISSUES

Senegal – Statistical Issues Appendix As of October 2014
I. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance and program monitoring. There are weaknesses in data on national accounts, production, and social indicators. The authorities are committed to improving the quality and availability of economic, financial, and social indicators, partially relying on technical assistance from the Fund and other international organizations and donors.
National accounts: The compilation of the national accounts generally follows the *System of National Accounts, 1993*. Despite staff's professionalism, the lack of adequate financial resources has constrained efforts to collect and process data. Data sources are deficient in some areas, particularly the informal sector. Because of financial constraints, surveys of business and households are not conducted regularly. However, efforts continue to be made to improve data collection procedures, strengthen the coordination among statistical agencies, and reduce delays in data dissemination. The Regional Technical Assistance Center for West Africa (West AFRITAC) has been assisting Senegal with the improvement of their real sector statistics, in particular annual and quarterly national accounts (QNA). Senegal started releasing the QNA in 2012 and integrated economic accounts (IEA) in 2014.
Government finance statistics (GFS): GFS are compiled by the Ministry of Economy and Finance from customs, tax, and treasury directorate sources, and quarterly disseminated as government financial operations tables (TOFE) in the ministry's publications. Following Fund's TA, TOFE presentations were improved and aligned with the extended WAEMU TOFE. Remaining step is to implement the recent WAEMU fiscal directives. A regional advisor in GFS has been conducting technical assistance missions aimed at improving the consistency of fiscal reporting and migrating to the methodologies of the *Government Finance Statistics Manual 2001*. The regional advisor also supported efforts to resume reporting of annual and higher frequency data for publication in *International Financial Statistics (IFS)* and electronic dissemination of the *GFS Yearbook*.
Monetary and financial statistics: Preliminary monetary data are compiled by the national agency of the Central Bank of West African States (BCEAO) and officially released (including to the IMF) by BCEAO headquarters. The authorities report monetary data to STA on a regular basis, with a lag of about three months. There has been an improvement in the timeliness of reporting interest rate and main depository corporation data (central bank and commercial). An area-wide page for the WAEMU zone was introduced in the January 2003 issue of *IFS*. As part of the continuing efforts to help the authorities implement the statistical methodology recommended in the *Monetary and Financial Statistics Manual*, a STA TA mission visited Dakar in 2011 to assist the BCEAO National agency in the migration of MFS to the standardized report form (SRF) framework. The mission was undertaken as a

pilot within the context of a multi-annual project for improving the relevance and timeliness of MFS compiled by the BCEAO.
External sector statistics: Balance of payments statistics are compiled by the Senegalese national agency of the BCEAO. With STA support, several steps have been taken to address certain shortcomings, including: (i) implementation of the *Balance of Payments Manual, fifth edition*; (ii) modification and simplification of related surveys for companies and banks; (iii) improvement in the computerization of procedures; and (iv) significant strengthening of training. Nevertheless, further steps could be taken to enhance the quality and coverage of the balance of payments statistics. Although definitive balance of payments statistics can now be provided with a delay of less than one year, there are significant delays in reporting the data to STA.
II. Data Standards and Quality
The country has begun the process of regional harmonization of statistical methodologies within the framework of the WAEMU. It participates in the General Data Dissemination System (GDDS), and its metadata were posted on the Fund's Dissemination Standards Bulletin Board in 2001. In 2006, the authorities expressed their commitment to work toward subscription to the Special Data Dissemination Standard (SDDS) and appointed a national SDDS coordinator. The 2008 SDDS assessment mission evaluated dissemination practices against SDDS requirements for coverage, periodicity and timeliness and, in cooperation with the authorities, developed an action plan to address identified gaps. A Data ROSC was published on the IMF website in 2002.

Senegal: Table of Common Indicators Required for Surveillance
(As of November 2014)

	Latest observation	Date received	Frequency of data[7]	Frequency of reporting[7]	Frequency of publication[7]	Memo Items: Data Quality – Methodological soundness[8]	Memo Items: Data Quality Accuracy and reliability[9]
Exchange Rates	Current	Current	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	07/2014	08/2014	M	M	M		
Reserve/Base Money	07/2014	08/2014	M	M	M		
Broad Money	07/2014	08/2014	M	M	M	LO, LO, O, O	LO, O, O, LO
Central Bank Balance Sheet	07/2014	08/2014	M	M	M		
Consolidated Balance Sheet of the Banking System	07/2014	08/2014	M	M	M		
Interest Rates[2]	07/2014	08/2014	M	M	M		
Consumer Price Index	08/2014	09/2014	M	M	M	O, LO, O, O	LO, O, O, NA
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA					
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	06/2014	09/2014	Q	Q	Q	O, LNO, LO, O	LO, LO, O, LO
Stocks of Central Government and Central Government-Guaranteed Debt[5/11]	2013	10/2014					
External Current Account Balance [10/11]	06/2014	09/2014	A	A	A	O, O, O, O	O, O, O, O
Exports and Imports of Goods and Services [10/11]	06/2014	09/2014	A	A	A		
GDP/GNP [10/11]	2013	09/2014	A	I	A	LO, LO, LO, LNO	LNO, LNO, LNO, LNO
Gross External Debt [11]	2013	04/2014	A	I	A		
International Investment Position [6/]	2013	04/2014	A	A	A		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank,, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).
[8] Reflects the assessment provided in the data ROSC published in 2002 and based on the findings of the mission that took place in 2001 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), not observed (NO), or not available (NA).
[9] Same as footnote 8, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, and revision studies.
[10] Estimate.
[11] Reported to staff during mission.

Press Release No.14/578
FOR IMMEDIATE RELEASE
December 15, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Eight PSI Review for Senegal and Concludes 2014 Article IV Consultation

The Executive Board of the International Monetary Fund (IMF) today completed the eighth review of Senegal's economic performance under the program supported by the Policy Support Instrument (PSI) and also concluded the 2014 Article IV consultation[1].

The PSI was approved by the Executive Board on December 3, 2010 (see Press Release No. 10/469). The IMF's framework for PSIs is designed for low-income countries that may not need, or want, IMF financial assistance, but still seek IMF advice, monitoring and endorsement of their policies. PSIs are voluntary and demand driven (see Public Information Notice No. 05/145). In completing the review, the Board approved a waiver for nonobservance of the assessment criterion on non-concessional borrowing.

Following the Board discussion, Mr. Min Zhu, Deputy Managing Director and Acting Chair, made the following statement:

"The authorities should be commended for successfully maintaining macroeconomic stability, advancing with fiscal consolidation and completing the PSI. However, slow implementation of structural reforms has resulted in below par and sluggish growth. This has hampered poverty reduction. In 2014, exogenous shocks, including the spillovers from the Ebola epidemic, have also weighed down growth.

"To exit the trap of low growth and high poverty, the government has developed an ambitious program "Plan Sénégal Emergent" (PSE). The PSE presents a unique opportunity to unlock a broad-based and inclusive growth that will make Senegal an emerging economy. The goal of a 7 to 8 percent annual growth is feasible in the medium term but would require a

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

broadening, deepening and acceleration of structural reforms. Public consumption should be constrained to create fiscal space for implementation of PSE-related social spending and projects. Substantial improvements are required in the regulatory framework and governance, as well as in the quality and efficiency of public investment.

"The 2015 budget targets a further reduction in the deficit to 4.7 percent of GDP, less ambitious than the 4.0 percent of GDP projected earlier. However, the authorities are taking action to improve the quality of public spending by holding back appropriations for new public investment projects until feasibility studies are ready. This may mean that in practice the deficit is closer to the initial projections. Ebola-related shocks could add 0.3 percent of GDP to the deficit in 2015. The authorities remain committed to bringing the fiscal deficit in line with the WAEMU target of 3 percent of GDP in the medium term."

The Executive Board also completed the 2014 Article IV Consultation with Senegal.

Senegal's macroeconomic situation is stable. Inflation remains low. The fiscal outlook has improved owing to stronger revenue performance and expenditure control measures and overall deficit is expected to fall to 5.2 percent of GDP in 2014 from 5.5 percent of GDP in 2013. The current account deficit is expected to decline but would stay at about 10 percent of GDP because of depressed exports.

Slow implementation of structural reforms and exogenous shocks continued to weigh down growth. While progress has been made, particularly in the area of governance and business climate, some delays have accrued in the introduction of the single treasury account, expenditure rationalization, investment expenditure execution, and energy sector reforms, with distortive energy subsidies weighing heavily on the budget. For 2014, growth is expected to reach 4.5 percent (from 3.5 percent in 2013), 0.4 percentage points below earlier estimates, reflecting an expected softening in the tourism sector because of the Ebola epidemic compounded by the late start of the rainy season.

The outlook for the Senegalese economy is positive. The authorities' new development strategy, Plan Sénégal Emergent (PSE), presents a unique opportunity to unlock a broad-based and inclusive growth that will make Senegal an emerging economy. Risks are mainly domestic and regional, and relate to continued slow implementation of structural reforms, including in the energy sector, and the impact of the regional Ebola epidemic. External risks include possible increases in the cost of public borrowing, global effects of the unwinding of unconventional monetary policies, and potential spillovers from a protracted period of slower growth in partner countries and falling oil prices, which may affect fiscal revenue.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that satisfactory program implementation has helped Senegal preserve macroeconomic stability. However, due to internal and external factors, the economy has continued to underperform and unemployment and poverty remain high. The large current account deficit and increasing exposure of the external position to shifting market sentiment pose additional risks to the outlook. Directors stressed that prudent policies and ambitious structural reforms are critical to boosting growth and reducing poverty. In this regard, they welcomed the authorities' new development strategy as outlined in "Plan Sénégal Emergent" (PSE) and looked forward to its steadfast and timely implementation.

Directors emphasized that accelerating the pace of structural reforms will be key to achieving the PSE objectives. They agreed that reform efforts should be aimed at improving governance and the business climate in order to promote private sector development and to attract foreign direct investment. Priority should also be given to making delivery of public services more efficient, improving the impact of public spending through PFM reforms, containing public consumption to generate the fiscal space for investment in human capital and public infrastructure, and strengthening social safety nets. A comprehensive restructuring of the energy sector and increasing export competitiveness will also be important. Directors welcomed the authorities' plans to engage with a few comparator countries to develop an active peer learning effort to roll out the required reforms.

Directors encouraged the authorities to anchor fiscal policy on long-term debt sustainability within a medium-term budget framework and reach the WAEMU convergence criteria on the fiscal deficit of 3 percent of GDP by 2019. They noted that attaining this goal will require further strengthening of tax and expenditure policy measures. While supporting the PSE priorities, Directors emphasized that all related investment should be consistent with the authorities' earlier fiscal consolidation plans and Senegal's absorptive capacity. In addition, decisions to contract nonconcessional financing should be carefully weighed.

Directors welcomed the initiative to improve the quality of public investment by establishing a precautionary reserve envelope from which funding would only be released for projects with proper feasibility studies. Directors encouraged the authorities to extend this in the 2016 budget.

Directors stressed that continued efforts will be needed to improve public financial management, budget institutions, and economic governance. They underscored that reforms

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

should focus on key areas such as macro-fiscal policy design, development of a medium-term expenditure framework and improved fiscal discipline in budget execution.

Directors highlighted the importance of addressing financial sector vulnerabilities, especially the quality of bank assets. They encouraged continued vigilance of the high level of non-performing loans in close cooperation with the BCEAO and WAEMU Banking Commission. Directors supported the strategy to improve access to financial services.

Statement by Ngueto Tiraina Yambaye, Executive Director for Senegal and Daouda Sembene, Senior Advisor to the Executive Director December 15, 2014

Senegal's current economic program supported by the Policy Support Instrument (PSI) was adopted in December 2010, with the aim of increasing growth and reducing vulnerabilities and poverty. Reflecting their commitment to the program, the country authorities have since put an increasing focus on implementing sustainable fiscal policy, enhancing fiscal governance and transparency, and promoting private sector development within a well-functioning financial sector.

Four years later, significant progress has been made towards key program objectives, notably strengthening macroeconomic stability, enhancing revenue mobilization, improving public financial management. However, implementation of structural reforms helped to secure only modest improvements in the business climate until recently, while failing to curtail the acute fiscal risks emanating from the energy sector. In addition, there is still scope for improving the efficiency of public expenditure. As a result, growth acceleration and significant poverty reduction have remained elusive in recent years, as illustrated in the comprehensive staff report and informative Selected Issues paper.

Introducing a New Policy Framework

To raise living standards and make inroads into poverty, the authorities acknowledge the importance of maintaining a strong reform momentum and tapping new drivers of growth, while consolidating existing ones. In this context, the Plan Senegal Emergent (PSE), the country's new growth strategy, was validated earlier this year to realize the government's vision for making Senegal an emerging economy by 2035. This new policy framework has since occupied center stage in the country' policy and reform agenda and is expected to remain so over the medium term. The PSE features a number of transformative investment projects and critical reform actions that are expected to facilitate a durable growth takeoff, starting from 2015.

Exercising fiscal prudence

The authorities are fully aware of the potential risks to fiscal and debt sustainability that could be triggered by a sustained buildup of debt to finance unproductive public investment. To mitigate such risks, they have signaled their strong resolve to anchor the implementation of the PSE on a concomitant reduction of the fiscal deficit. Fiscal consolidation efforts were successful in keeping the deficit on a downward trend in recent years. In 2014, prudent fiscal management has contributed to the lower-than-projected deficit achieved in the first half of 2014. For 2015, the fiscal deficit is expected to be kept half a percentage point of GDP below its 2014 level.

In light of the authorities' strong commitment to fiscal sustainability, the gradual pace of fiscal consolidation is expected to be sustained amid the implementation of the PSE—albeit at a pace slower than initially anticipated under the PSI. Deficit reduction is expected to be achieved through adherence to a number of critical reform measures. First, tax measures introduced as part of this year's supplementary budget will support fiscal consolidation through their revenue-enhancing effect; so will the ongoing steps taken to modernize tax administration and review tax policy for a number of specific sectors, including the telecommunication and financial sectors, the environment, mining industry, and e-commerce.

Moreover, improved fiscal positions will result from the authorities' efforts to contain public consumption, improve the efficiency of public investment, reallocate non-priority infrastructure spending, and pursue the agency reform strategy. In this endeavor, it is also the authorities' intention to consolidate on recent progress made in public financial management under the PSI, notably by implementing regional guidelines in this area.

While being appropriately adamant on the scaling up of public investment, the authorities agreed with the staff on the need to exercise caution by introducing a Precautionary Reserve Envelope (PRE). This will entail unfreezing budgetary allocations for some PSE-related investment projects only once their feasibility studies are finalized.

Finally, it is noteworthy that the achievement of fiscal objectives will be served by the ongoing reorganization of the Ministry of Economy, Finance, and Planning, based on a set of recommendations made by an international development consulting firm. Upon its completion, this reorganization is expected to help improve the work of the ministry, with positive spillovers on the quality of fiscal policy and administration.

Sustaining good program performance

Overall, program implementation has continued to proceed satisfactorily. On the structural front, reform efforts helped to secure progress toward improving the quality of public expenditure and fiscal transparency, leading to the observance of all structural benchmarks set forth in the program. More specifically, a number of documents were submitted to the Parliament along with the 2015 draft budget law, including cost-benefit analyses of the 5 largest investment projects, estimates of energy subsidies, the complete list of agencies and funds, an update on the implementation of the agency reform strategy. In parallel, performance contracts were signed with the five largest agencies and no new agency was set up in recent months.

Moreover, all end-June 2014 quantitative assessment criteria were met. However, the continuous criterion on the level of nonconcessional borrowing was breached since September. This unexpected outcome arose following the issuance of a $500 million Eurobond in international bond markets and the determination that the grant element of a loan contracted with a creditor fell short of the minimum threshold to be considered as semi-concessional, as initially anticipated. Notwithstanding this breach, the country remains assessed at a low risk of debt distress. The authorities reiterated their continued attachment to prudent debt management. Nonconcessional borrowing decisions have largely obeyed so far to a deliberate refinancing strategy aimed at lengthening the maturities of public debt and lowering debt service payments. It is also expected that prudent fiscal policy will help to maintain the level of public debt below 52 percent of GDP.

In light of the above, we would appreciate Directors' support for the completion of the eighth review under the PSI and staff's proposal for a waiver of nonobservance of the assessment criterion on non-concessional borrowing.

Improving the growth outlook

The staff report provides a useful account of the risks to the PSE scenario, including spillovers risks stemming from a growth slowdown in advanced and emerging economies, oil price developments, and global bond markets as well as domestic and regional risks arising from the Ebola outbreak and potential delays in fiscal and energy sector reforms. The authorities' continued adherence to prudent fiscal management should help reduce these vulnerabilities along with successful implementation of the PSE and the comprehensive restructuring plan for the energy sector.

In addition, the authorities will continue to work closely with development partners, with a view to helping to contain the epidemic in neighboring countries, preventing new cases within the country, and coping with adverse spillovers. Preventive measures taken by the health ministry have contributed to keeping Senegal Ebola-free, except for one imported case that was successfully treated in a local hospital last September. Yet, the Senegalese economy has been affected, albeit slightly, by the adverse spillovers of the outbreak of the epidemic in neighboring countries, notably with fears of the disease spread led to reduced business opportunities in the hotel industry.

That said the authorities remain more optimistic than staff about growth prospects, as their projections take into account the effective implementation of the PSE as well as the potential use of the Precautionary Reserve Envelope. It is their expectation that the significant budgetary allocations for PSE-related projects and the improved quality of investment spending embodied in the recently approved 2015 budget will contribute to raising growth above 5 percent from next year on. Given the strong domestic ownership of the PSE, a more rapid pace of reform implementation is anticipated, which bodes well for growth acceleration. In this context, a number of commendable steps have already been taken to reform the business environment and university scholarships, as indicated in the staff report. As a result, Senegal features in the Doing Business's latest list of the world's top 10 business reformers. Still, the authorities are fully aware that ample scope exists for further improving the country's business environment and will continue to take necessary steps to that effect.

Learning from the experience of comparator countries

In line with staff advice, the authorities have already identified a few comparator countries and begun engaging with them with a view to reflecting on the reform and policy initiatives underpinning their success. As part of this peer learning initiative which is proceeding in close collaboration with Fund staff, a team of Senegalese officials is scheduled to meet in the Fund's premises with their counterparts from these countries, as the Board meets up to conclude this eighth and final PSI review. We would like to convey to staff the authorities' appreciation of the excellent quality of the policy dialogue as well as their valuable contribution to their productive peer learning experience. Our authorities are hopeful that Management and staff will continue to support this initiative in order to assist them in their efforts to make headway toward economic emergence.

More generally, the authorities continue to place a high premium on the Fund's policy advice in support of their policy and reform agenda under the PSE. They have expressed their strong interest in maintaining a close relationship with the Fund in whatever forms that will best serve their ambition to put the Senegalese economy on the shortest path to emergence in line with the PSE. They look forward to addressing these issues with Management and staff in the context of their upcoming policy dialogue.