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SENEGAL

Fifth Review Under the Policy Support Instrument and Request for Program Extension and Modification of Assessment Criteria—Staff Report; Debt Sustainability Analysis; Informational Annex; and Press Release

In the context of the Fifth Review under the Policy Support Instrument and Request for Program Extension and Modification of Assessment Criteria, the following documents have been released and are included in this package:

- **Staff Report** for the Fifth Review under the Policy Support Instrument and Request for Program Extension and Modification of Assessment Criteria, prepared by a staff team of the IMF, following discussions that ended on April 10, 2013, with the officials of Senegal on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 4, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- **Informational Annex** prepared by the IMF.
- **Press Release**

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Senegal*
Memorandum of Economic and Financial Policies by the authorities of Senegal*
Technical Memorandum of Understanding*
*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

SENEGAL

June 4, 2013

FIFTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR PROGRAM EXTENSION AND MODIFICATION OF ASSESSMENT CRITERIA

KEY ISSUES

Context. Popular demand for action on unemployment, the cost of living, and social safety nets remains high and impatience is growing with the perceived lack of progress on these issues. The political atmosphere is tense, with an ongoing investigation on stolen assets involving members of the previous administration and local elections scheduled for early 2014. The military intervention in Mali has led to heightened regional uncertainty and security concerns. Growth picked up in 2012 thanks to a strong post-drought rebound in agriculture and is projected to increase slightly to 4 percent in 2013. Inflation is expected to remain below 2 percent.

Program implementation. All assessment criteria for end-2012 were met. Structural reforms implementation has recorded mixed progress.

Fiscal outlook. The fiscal position is under strain because of exogenous factors (in particular the situation in Mali) and the high direct and indirect cost of energy subsidies. A slightly slower pace of fiscal consolidation is proposed for 2013 (a deficit of 5.3 percent of GDP rather than 4.9) to accommodate the impact of exogenous shocks; it will still require significant efforts from the authorities. A new Eurobond is expected to be issued to close the financing gap and reduce recourse to short-term financing from the regional market. The authorities remain strongly committed to reducing the fiscal deficit below 4 percent of GDP by 2015 to preserve long-term debt sustainability and restore margins for fiscal maneuver.

Electricity sector. The slow pace of reform remains a major source of concern. Direct and indirect support to SENELEC, the power utility, exceeded 2.5 percent of GDP in 2012. The situation is expected to improve in 2013 thanks to a better energy production mix, but the burden on the budget will remain heavy.

Structural reforms. Raising potential growth and boosting job creation depend critically on the accelerated implementation of the government’s reform agenda. Reforming the state is critical to ensuring fiscal sustainability. Energy sector reform is a key component of fostering private sector development and improving the business environment.

Fifth PSI review. Staff recommends completion of the review and supports the requested program extension and modification of assessment criteria.

Approved By
Roger Nord and Peter Allum

A staff team consisting of Mr. Joly (head), Mr. Kireyev, Mr. Mpatswe (all AFR), Mr. Mulas Granados (FAD), Mr. Jewell (SPR), Ms. Fichera (Res. Rep.), and Mr. Ba (Res. Rep. office) conducted the discussions in Dakar March 27–April 10, 2013. Mr. Sembene (OED) participated in the discussions. The team met with President Sall, Prime Minister Mbaye, Minister of Economy and Finance Kane, Minister of Energy and Mines Ndiaye, National Director of the BCEAO Camara, and other senior officials. The team also met with representatives of the private sector, civil society, and donor community.

CONTENTS

BOX

FIGURES

TABLES

APPENDIX

MACROECONOMIC PERFORMANCE AND RISKS

1. **The political environment remains tense**. Popular demand for action on employment, the cost of living and social safety nets is still high, and impatience is growing with the perceived slow progress on key commitments made by the authorities upon taking over last year. Investigation of key members of the previous administration for alleged embezzlement of public funds will likely continue to fuel tensions with the opposition in parliament. In this tense atmosphere and with local elections in early 2014, the determination of the authorities to implement deep reforms will be tested. The situation in northern Mali is a major concern for the authorities, and they have sent troops there. They consider that the risk of a propagation of the insecurity situation to the broader Sahel region, including Senegal, needs to be addressed forcefully.

2. **Economic activity picked up in 2012, and the outlook is positive despite the unfavorable external environment.** The cereal and groundnut production rebounded strongly last year after the 2011 drought and growth is estimated to have reached 3.5 percent. Inflation declined, averaging 1.4 percent in 2012. The external current account deficit recorded a large increase to 10.3 percent of GDP, as imports of food (mainly drought-related), fuel, and capital goods grew much more than expected. This deficit was financed mainly by flows to the public sector–both grants and loans–while private sector outflows slowed somewhat. In 2013 growth is projected to increase slightly to 4 percent while inflation would remain subdued.[1] The external current account deficit would decrease as a share of GDP, owing to an improvement in the terms of trade and as some of the exceptional factors affecting imports in 2012 would not arise again.

MEFP ¶3, 7

3. **Risks to program implementation remain to the downside and have increased**. The main external risks are a possible intensification of the euro area crisis and adverse security developments in Mali and the Sahel, which could affect investor sentiment.[2] On the domestic side, the main risk is insufficient reform momentum because of strong opposition from vested interests and the election calendar. Insufficient reform of the state and energy sector would hamper fiscal consolidation and economic growth.

MEFP ¶8

[1] The downward revision to the 2013 growth projection reflects a number of factors, such as the delayed start by a few quarters of a big mining project and the slower than expected implementation of large infrastructure investments.

[2] In the event of a possible intensification of the euro area crisis, trade, worker remittances, foreign direct investment, and the terms of trade would be the main channels of transmission to Senegal. The share of Europe in Senegal's exports, however, is declining, which limits the impact of adverse developments in Europe on Senegal. Also, contrary to what happened in 2009, remittances have so far held up well. Another channel is aid, which might also be significantly reduced. The financial sector, however, is mostly funded domestically and therefore has only limited direct exposure to Europe.

PROGRAM PERFORMANCE

4. **Program implementation has been satisfactory.** All assessment criteria for end-2012 were met. The fiscal deficit was reduced to 5.9 percent of GDP despite a significant revenue shortfall. The latter reflected difficulties in collecting VAT from public agencies that withhold it from their suppliers. Taxes collected on petroleum products also underperformed, mostly related to financial constraints facing SENELEC, the national power utility. The shortfall in revenue was offset by lower expenditure on goods and services, interest payment, and externally-financed investment. The indicative ceiling on the share of the value of public sector contracts signed by single tender was missed by a relatively small margin in September and December 2012. Structural reform implementation recorded mixed progress. The evaluation guide for public investments was finalized in December 2012 and the new tax code was implemented in January 2013 as expected. Information on government land transactions in 2012 was published with a small delay in March 2013. The survey of bank accounts–a critical step to establishing a single treasury account–was eventually completed but took longer than expected. As a result, the completion of the single treasury account has been delayed to end-September 2013, as a study needs to be conducted to assess the impact of closing accounts on the banking system.

MEFP ¶4-5

Text Table 1. Structural Benchmarks: Fifth PSI Review

Measures	Implementation Date	Status	Macroeconomic Significance
Prepare a project evaluation guide	December 31, 2012	Done	Improve investment planning
Publish information on land transaction of the government (new)	January 31, 2013	Done with delay (March 2013)	Reinforce transparency of public finances
Finalize the single treasury account	February 28, 2013	Progress recorded. Completion expected end-September 2013	Strengthen public financial management

POLICY DISCUSSIONS

5. **The authorities have completed their new poverty reduction strategy.** The National Strategy for Economic and Social Development (NSESD) provides a good diagnostic of issues to be addressed to achieve higher growth and poverty reduction in Senegal and an adequate framework for resources mobilization and expenditures prioritization (see companion Joint Staff Advisory Note).

MEFP ¶6

6. **Discussions focused on the fiscal outlook and the pace of reform implementation.** The authorities underscored the many challenges they face, such as a difficult external environment and

the need to take into account people's high expectations on certain issues such as creating jobs and reducing the cost of living. They also reaffirmed their commitment to the program's main objectives of reducing the fiscal deficit, improving the tax system, strengthening public financial and debt management, and promoting private sector development and good governance. On the fiscal front, they reiterated their firm intention to reduce the deficit below 4 percent of GDP by 2015 to preserve long term debt sustainability and restore margins for fiscal maneuver.

A. Fiscal Policy in 2013

7. The fiscal outlook for 2013 is under strain, reflecting a range of factors. Two exogenous shocks will affect expenditures. The developments in northern Mali will require additional security spending (about 0.3 percent of GDP). Additional capital expenditures (0.1 percent of GDP) will also be needed for the flood prevention program that the authorities designed in the wake of the major floods incurred in the second half of 2012. A major endogenous factor is the energy sector, which is also expected to weigh more than anticipated on the budget because of delays in reforms and in implementing key investments, and in the absence of a tariff adjustment that the authorities wish to avoid in the current political and social context. This could affect significantly SENELEC's capacity to make tax payments, like in 2012. Continued subsidies to the country's sole refining company (Societé Africaine de Raffinage, SAR) and for butane gas will also add to budget expenditure (see Box 1 for more detail). Finally, revenue shortfalls in 2012 affect the revenue base and there are continued pressures on the wage bill from the conversion to permanent staff of contractual employees in the education sector.

Box 1. Budget Support to the Energy Sector

The electricity sector affects the state budget in several ways, including:

- *Tariff compensation to SENELEC* (*explicit subsidies to electricity consumers):* This is a direct and explicit transfer from the budget to compensate SENELEC when it is not allowed to adjust its tariffs. This compensation is determined by a regulatory authority based on a formula, which is being revised. In 2012, the compensation amounted to CFAF 105 billion (1.5 percent of GDP). For 2013, the authorities have decided to cap the budgeted amount at CFAF 80 billion. However, in the absence of a tariff adjustment, this allocation could well fall short of the amount suggested by the formula unless oil prices fall substantially. In addition, the formula currently does not reflect the full extent of SENELEC's losses.
- *Shortfall in tax collection from SENELEC*: Due to financial difficulties, SENELEC has regularly failed to make tax payments in full. In 2012, the amount of tax due but not paid stood at CFAF 38 billion (0.5 percent of GDP), about half of which was cleared through a cross-debt settlement and subsequent recapitalization of SENELEC by the government.
- *Financial support for power rental and investments in capacity*: In 2012, the budget paid the cost of renting mobile power generators which were used to increase supply and avoid blackouts (CFAF 15 billion, or 0.2 percent of GDP). The budget also paid for the rehabilitation or extension of existing power plants (CFAF 23 billion in domestically-financed investment, or 0.3 percent of GDP).
- The total cost to the budget of supporting the electricity sector therefore amounted to CFAF 181 billion in 2012, or 2.5 percent of GDP (not including the on-lending of resources contracted by the government). Despite this massive support, SENELEC's financial situation remained shaky and it accumulated arrears to suppliers.

Box 1. Budget Support to the Energy Sector (Concluded)

Budget support to the energy sector also includes:

- *Domestic petroleum product price stabilization:* During the presidential election campaign last year, the automatic full pass-through of fluctuations in international oil prices to domestic prices was suspended. This was done by reducing taxation (more specifically by adjusting the VAT base), with a negative impact on budget revenue. In the second half of the year, the authorities used the decrease in international prices to restore almost entirely the VAT base. Foregone revenue from price stabilization efforts is estimated at CFAF 24 billion in 2012 (0.3 percent of GDP). Price stabilization was briefly re-introduced in early 2013. Butane gas prices do not reflect international prices, at a cost of about 0.1 percent to the budget.
- *Direct and indirect supports to SAR*: SAR is a private company in which the state still has a 46 percent stake. Support to SAR affects the budget in two ways: an annual direct transfer (through a tax on petroleum products whose proceeds are allocated in part to SAR) and foregone customs duties on refined petroleum products (as crude oil imported by SAR is subject to a lower rate than refined products). Support to refining has cost taxpayers an average CFAF 40 billion over the past few years (0.6 percent of GDP).

8. A slightly slower pace of fiscal adjustment is proposed for 2013. The new fiscal deficit target for 2013 (5.3 percent of GDP, against an initial target of 4.9 percent) would accommodate the impact of exogenous shocks. However, it would still entail a significant reduction of the deficit and require substantial efforts in light of other pressures on the budget, particularly those stemming from the energy sector. The authorities expect the revenue base to be shored up by a number of new measures. These include a new tax on cosmetic products, an increase in the tax on tobacco, the inclusion in the VAT base of certain telecommunication activities, the end of the exemption from VAT of certain activities financed by external resources, and an advanced payment on the income tax made at the importation stage (which should allow bringing more small and medium businesses into the tax net). The authorities estimate that all these measures will generate at least 0.4 percent of GDP in revenue. In addition, the partial elimination of VAT withholding should improve the collection of this tax. On the expenditure side, investment financed on external concessional resources has been revised downward significantly in light of delays in mobilizing the financing; however, such investment is still expected to increase in nominal terms from 2012. Interest payments are also expected to be lower than programmed, thanks in part to lower interest rates. The cabinet approved in May 2013 a supplementary budget for 2013 reflecting these changes.

MEFP ¶10-11

Text Table 2. Senegal: Government Financial Operations, 2012-13
(Percent of GDP)

	2012		2013		
	Prog. EBS/ 12/151	Act.	Prog. EBS/ 12/151	Rev. Prog.	Diff.
Total revenue and grants	23.9	23.3	23.5	23.4	-0.1
Tax revenue	19.7	19.2	19.3	19.1	-0.2
Other revenue	4.2	4.0	4.2	4.3	0.1
Total expenditure and net lending	29.7	29.1	28.4	28.7	0.3
Current expenditure	17.7	17.5	16.6	17.3	0.8
of which: wages and salaries	6.3	6.4	6.1	6.3	0.2
energy subsidies	1.5	1.7	1.0	1.3	0.3
Capital expenditure and net lending	12.0	11.6	11.8	11.4	-0.4
Overall fiscal balance	-5.9	-5.9	-4.9	-5.3	-0.4
Memorandum					
Flood-related expenditure				0.1	
Security-related expenditure				0.3	

9. A new Eurobond will be issued to close the financing gap and improve the overall profile of public debt. At the time of the 4th PSI review, the authorities had indicated their intention to use the $200 million space still available under the program ceiling for nonconcessional borrowing. Further analysis and discussions with market participants, however, suggested that there is a strong case for tapping international markets for a larger amount, and as a result the authorities now plan to issue a new 10-year Eurobond of $500 million. Current market conditions seem indeed favorable, as indicated by the yield on the 2011 Eurobond (below 6 percent). A larger amount would not only allow closing the financing gap, which is higher than the $200 million expected at the time of the 4th PSI review, but also improving the structure of the public debt by reducing recourse to short-term financing on the regional financial market. Such financing is relatively costly, with yields at issuance generally above 5.5 percent, and its short maturity increases rollover risks. Substituting Eurobond financing would allow increasing the average maturity at issuance of market debt issued in 2013 by about 2 years, at about unchanged interest cost.[3] The authorities also expect to be able to raise new external financing with a grant element between 15 and 35 percent to fund road and flood-prevention projects. The companion debt sustainability analysis, updated for these new borrowing assumptions, shows that the deterioration of the external debt outlook would be limited and that Senegal would continue to face a low risk of debt distress under the assumption that fiscal consolidation is pursued as envisaged in the program.

MEFP ¶15

B. Reforming the State

10. Deep reforms to streamline expenditures and improve the efficiency of the state are critical to reducing the fiscal deficit in a lasting way. The twin objectives of the reforms are to strengthen fiscal sustainability, but also to do this in an efficient and growth-friendly manner. A number of studies or audits will become available shortly and will provide a good basis for making well-informed decisions in key areas. For instance, the now completed physical and biometric audit of the public service will help streamline the government payroll and better control it in the future. The audit of public agencies will be used to prepare (by end-July 2013) and implement a plan to rationalize the recourse to agencies, which have proliferated in the 2000s; this should have a positive impact on public governance, transparency, and efficiency. A high-level commission made recently a number of propositions worth considering to reform higher education and allocate better scarce public resources in this area.

MEFP ¶12-14

11. Tax policy and revenue administration reforms will continue. On tax policy, the immediate priority is to ensure satisfactory implementation of the new tax code. Once this is done, the authorities intend to focus on other outstanding issues, such as the taxation of mining, telecommunications, and financial activity. The finalization and submission to parliament of the new customs code has been rescheduled to end-September 2013 to allow

MEFP ¶16-18

[3] The exchange rate risk would however increase if the new bond is denominated in dollars. The authorities intend to follow best practice in the issuance of the Eurobond. They are well advanced in the process of hiring financial and legal advisers and expect to issue the new bond early this fall.

sufficient time for close consultation with the private sector. The modernization of the tax and customs administration is also progressing well; information sharing and coordination between the two departments has increased substantially in the recent period, which bodes well for the broadening of the tax base. E-filing and e-payment of taxes should be available to all taxpayers in the region of Dakar by end-2013 (proposed new benchmark).

12. Efforts to strengthen public financial management (PFM) and public governance are ongoing. Senegal was the first country to complete the transposition of the WAEMU directives on PFM into national law. Full implementation of the transparency code is expected in 2014. This will require an in-depth assessment of the legal impact, working on institutional and reporting arrangements, preparing implementation decrees, and adopting a law on assets disclosure (whose transmission to parliament by end-2013 is a proposed new benchmark).

MEFP ¶19-21

Text Table 3. Structural Benchmarks: Sixth and Seventh PSI Reviews

Measures	Implementation Date	Benchmark for Review	Macroeconomic Significance
Implement e-filing and e-payment for taxes at large enterprises directorate	June 30, 2013	6th	Improve efficiency of public policy and the business climate
Prepare a plan for restructuring agencies and similar entities	July 31, 2013	6th	Strengthen public financial management
Use cost-benefit analysis for projects of over CFAF 10 billion included in the 2014 budget	July 31, 2013	6th	Improve efficiency of government expenditure
Start using the new payroll management software	August 31, 2013	6th	Strengthen public financial management
Transmission to parliament of the new Customs Code	Rescheduled to Sept. 30, 2013	6th	Enhance government revenue and private sector development
Roll out on-line filing and on-line payment of taxes for all tax payers in the Dakar area (new)	January 1, 2014	7th	Improve efficiency of public policy and the business climate
Transmission to parliament of a draft law on assets disclosure (new)	January 1, 2014	7th	Increase transparence of public finances

C. Promoting Growth and Private Sector Development

13. Delays were incurred in the implementation of reforms in the electricity sector. The rehabilitation and extension of some existing power plants have continued but is somewhat behind schedule. The expected coming on stream of these units in 2013 will substantially reduce the recourse to costly rental generators. This should contribute to an improvement in the power sector's financial situation. The operational and financial restructuring of SENELEC has started, but progress has been slower than expected. The performance contract between the government and SENELEC will be signed in early June2013, with a 5-month delay. Following a review conducted last year, the cabinet approved a new reform strategy for the sector in February 2013. The new plan confirmed the need for changing the power generation mix, investments in transportation and distribution networks, and restructuring SENELEC.[4] A number of donors, including the World Bank, the African Development Bank, and the French Development Agency, provide substantial advisory and financial support to the authorities in their efforts to reform the sector. All stakeholders agree that reforming SENELEC, expanding capacity and introducing more cost-effective technologies are critical components of a reform plan.

MEFP ¶22-24

14. Accelerating implementation of energy sector reforms remains critical for growth and fiscal sustainability. Staff urged the authorities to accelerate the implementation of all the components of the power sector reform strategy, including the large medium-term investment projects that are key to durably reducing production costs, electricity subsidies, and the fiscal deficit. The authorities reported that the construction of two coal-fired plants was expected to start soon. Staff reiterated that reform delays increased the risk of power outages and were a major obstacle to reducing the heavy burden borne by the budget to support the sector. The latter has adverse implications for fiscal sustainability and the ability of the authorities to fund high-priority programs. In addition, these explicit or implicit subsidies have been ineffective in putting the electricity sector on a sound financial footing and are poorly targeted. They should be phased out and replaced by more effective and targeted social safety nets, such as the family transfers currently being considered by the authorities. While agreeing that the level and structure of taxation on petroleum products might need to be reconsidered once the fiscal situation improves, staff urged the authorities to revert to full pass-through of international oil price changes to domestic petroleum product prices. The authorities emphasized their intention to prepare a strategy on the future of SAR by end-August 2013. Staff welcomed this intention and urged the authorities to give due consideration to eliminating budget support to refining activities.

15. The authorities intend to accelerate reforms to improve the business environment. In the financial sector, the authorities will update their action plan to improve access to credit for households and small and medium firms, and will seek to improve coordination among the various stakeholders involved in the implementation of the plan. They will

MEFP ¶25-27

[4] To limit the financial implications for the government, the plan assumes intensive recourse to independent power producers (IPPs) for the large new production units (in particular coal-fired plants).

also start implementation of the three-year reform program to improve the business environment recently adopted by the Presidential Council on Investment. This program includes a number of specific measures, which the authorities hope will help improve Senegal's ranking in international surveys on competitiveness and doing business.

D. Program Monitoring

16. The authorities have requested a one-year extension of the PSI-supported program to end-2014. This would allow them to benefit from continued Fund support in the implementation of key aspects of the reform of the State, which is expected to produce their full effect in the next 18 months. Continued Fund engagement will also be useful at a time when the authorities plan to tap again international financial markets and would provide a strong policy framework ahead of the 2014 elections.

17. A number of changes are proposed to program monitoring. The end-June and end-December 2013 fiscal deficit targets would be raised, as explained above. The program's ceiling on nonconcessional borrowing would be raised to $800 million to accommodate the new Eurobond. It is also proposed to raise the ceiling for external borrowing with a grant element between 15 and 35 percent to CFAF 67 billion to facilitate the financing of priority projects. The requested one-year extension of the program requires adding a seventh and a eighth review for program monitoring purposes. Targets and benchmarks for the period beyond the 6th review are proposed in Table 9.

STAFF APPRAISAL

18. Implementation of the program has been satisfactory. All assessment criteria for end-2012 were met. Owing to tight expenditure control, the fiscal deficit target (of 5.9 percent of GDP) was met for the first time in many years, despite a significant revenue shortfall. Structural reforms implementation has recorded mixed progress.

19. Staff supports a slightly slower pace of fiscal adjustment in 2013, while keeping the medium-term target unchanged. The fiscal outlook for 2013 is under strain, reflecting a range of factors, in particular the situation in the energy sector. The revised fiscal deficit target for 2013, at 5.3 percent of GDP, is consistent with a significant further reduction in the deficit while accommodating the impact of exogenous shocks (mostly the security situation in Mali and the Sahel). Reaching this target will require a combination of revenue mobilization efforts and strict expenditure control. Staff welcomes the authorities' renewed commitment to reduce the fiscal deficit to below 4 percent of GDP by 2015, which is necessary to restore fiscal buffers and ensure long-term debt sustainability.

20. The energy sector remains a major source of concern. Direct and indirect support to SENELEC exceeded 2.5 percent of GDP in 2012; these explicit or implicit subsidies are a very heavy burden on the budget that crowds out priority expenditures and makes the reduction of the deficit more challenging. In addition, they are poorly targeted and have been ineffective in putting the electricity sector on a sound financial footing. Staff regrets the delays incurred in tackling the electricity sector reforms, including the reform of SENELEC and the implementation of large medium-term investment projects that are key to durably reducing production costs, electricity subsidies, and the fiscal deficit. Staff urges the authorities to accelerate implementation of all the components of the reform plan, which is critical for growth and fiscal sustainability, and also to revert to full pass-through of international oil price changes to domestic petroleum product prices. Staff welcomes the authorities' intention to prepare a strategy on the future of SAR and urges them to give due consideration to eliminating budget support to refining activities.

21. Staff encourages the authorities to accelerate implementation of deep reforms to streamline expenditures and improve the efficiency of the state. The next few months will provide a good opportunity for increasing the reform momentum, as a number of studies and audits will become available shortly and will provide a good basis for making well-informed decisions in key areas. (e.g., on streamlining the government payroll, restructuring public agencies, and reforming higher education).

22. Staff recommends completion of the fifth PSI review and supports the authorities' request for program extension and modification of assessment criteria.

Table 1. Senegal: Selected Economic and Financial Indicators, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		EBS/ 12/151	Est.	EBS/ 12/151	Proj.			Proj.		
	(Annual percentage change)									
National income and prices										
GDP at constant prices	2.6	3.7	3.5	4.3	4.0	4.6	4.7	4.9	5.1	5.1
Of which: nonagriculture GDP	4.8	2.9	2.6	4.0	3.7	4.3	4.6	4.8	5.0	5.0
GDP deflator	4.3	2.2	1.7	2.4	2.2	2.3	2.4	2.4	2.4	2.3
Consumer prices										
Annual average	3.4	1.5	1.4	1.6	1.5	1.7	1.8	1.8	1.8	1.8
End of period	2.7	1.6	1.1	1.8	1.7	1.7	1.8	1.8	1.8	1.8
External sector										
Exports, f.o.b. (CFA francs)	15.4	4.4	5.8	6.9	5.6	4.2	4.5	6.8	7.2	8.3
Imports, f.o.b. (CFA francs)	19.7	9.5	13.9	4.2	0.4	4.2	4.0	5.9	6.0	7.9
Export volume	10.3	-1.0	2.7	4.4	4.1	4.3	4.7	4.9	5.3	5.5
Import volume	8.9	3.4	9.3	3.2	4.2	4.4	4.5	4.6	4.7	5.3
Terms of trade ("–" = deterioration)	-4.4	-0.4	-1.7	1.7	5.5	-0.2	0.2	0.4	-0.4	0.4
Nominal effective exchange rate	1.4	-2.2	-2.2	…	…	…	…	…	…	…
Real effective exchange rate	1.1	-4.0	-4.0	…	…	…	…	…	…	…
	(Changes in percent of beginning-of-year broad money, unless otherwise indicated)									
Broad money	6.7	6.0	6.8	7.4	6.8					
Net domestic assets	9.0	10.4	8.7	7.4	6.4	…	…	…	…	…
Domestic credit	10.2	9.5	4.9	7.0	6.3	…	…	…	…	…
Credit to the government (net)	-2.0	1.8	-2.0	1.3	-0.8	…	…	…	…	…
Credit to the economy (percentage growth)	18.8	10.6	9.6	7.6	9.6	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)									
Government financial operations										
Revenue	20.2	20.9	20.4	20.8	20.7	20.6	20.8	20.6	20.7	20.9
Grants	2.2	2.9	2.9	2.7	2.7	2.7	2.7	2.7	2.6	2.6
Total expenditure and net lending	29.0	29.7	29.1	28.4	28.7	27.9	27.4	27.0	26.8	26.9
Overall fiscal surplus (+) or deficit (-)										
Payment order basis, excluding grants	-8.9	-8.8	-8.7	-7.6	-8.0	-7.3	-6.6	-6.4	-6.1	-6.0
Payment order basis, including grants	-6.7	-5.9	-5.9	-4.9	-5.3	-4.6	-3.9	-3.7	-3.5	-3.5
Primary fiscal balance	-5.2	-4.3	-4.4	-3.1	-3.8	-3.0	-2.3	-2.0	-1.8	-1.8
Gross domestic investment	29.1	30.3	30.1	30.1	30.3	30.4	30.5	30.6	30.7	30.5
Government	10.5	12.1	11.3	11.8	11.4	11.4	11.3	11.2	11.1	11.1
Nongovernment	18.5	18.2	18.7	18.3	18.9	19.0	19.2	19.4	19.6	19.4
Gross domestic savings	10.8	12.8	9.0	13.5	10.8	11.5	12.0	12.7	13.5	13.6
Government	5.4	7.9	7.0	8.8	7.7	8.5	9.0	9.2	9.4	9.3
Nongovernment	5.4	4.9	2.0	4.7	3.2	3.0	3.0	3.5	4.1	4.3
Gross national savings	21.2	22.7	19.8	23.0	21.0	21.7	22.2	22.5	22.9	23.0
External current account balance										
Including current official transfers	-7.9	-7.6	-10.3	-7.1	-9.3	-8.7	-8.3	-8.1	-7.8	-7.5
Excluding current official transfers	-8.8	-8.4	-11.2	-7.8	-10.0	-9.4	-9.0	-8.8	-8.4	-8.2
Total public debt	40.0	45.0	41.6	46.8	45.4	47.2	48.8	49.0	49.0	49.1
Central government domestic debt	11.3	12.3	11.1	12.2	11.6	12.7	14.0	13.6	13.1	12.7
External public debt	28.8	32.7	30.5	34.6	33.9	34.5	34.8	35.4	35.9	36.4
External public debt service										
Percent of exports	13.2	7.3	7.2	7.6	6.9	6.3	6.9	6.9	6.8	6.7
Percent of government revenue	17.2	8.4	9.3	8.7	8.7	7.8	8.2	8.1	7.9	7.7
Gross domestic product (CFAF billions)	6,818	7,225	7,182	7,718	7,631	8,164	8,756	9,404	10,117	10,876

Sources: Senegalese authorities; and IMF staff estimates and projections.

Table 2. Senegal: Balance of Payments, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		EBS/ 12/151	Est.	EBS/ 12/151	Proj.			Proj.		
	(CFAF billions, unless otherwise indicated)									
Current account	-537	-546	-740	-551	-710	-712	-731	-765	-788	-818
Balance on goods	-1,184	-1,215	-1,449	-1,232	-1,387	-1,446	-1,496	-1,571	-1,646	-1,769
Exports, f.o.b.	1,237	1,199	1,308	1,282	1,382	1,440	1,505	1,607	1,724	1,867
Imports, f.o.b.	-2,421	-2,414	-2,758	-2,514	-2,769	-2,886	-3,002	-3,178	-3,370	-3,636
Services and incomes (net)	-187	-126	-179	-122	-230	-214	-220	-212	-190	-176
Credits	677	663	691	684	735	774	810	839	865	930
Debits	-863	-788	-870	-807	-965	-988	-1,030	-1,051	-1,055	-1,106
Of which: interest on public debt	-62	-56	-52	-64	-67	-71	-63	-78	-83	-89
Unrequited current transfers (net)	833	795	888	803	907	948	985	1,018	1,049	1,127
Private (net)	772	761	826	783	867	904	939	970	1,000	1,075
Public (net)	61	34	62	20	40	44	46	48	49	52
Of which: budgetary grants	37	48	52	39	38	42	45	47	50	53
Capital and financial account	467	409	665	533	704	612	666	793	820	878
Capital account	117	218	196	172	185	183	196	205	215	227
Private capital transfers	7	5	2	5	5	3	2	1	0	0
Project grants	113	164	154	169	169	181	194	204	215	227
Debt cancellation and other transfers	-2	49	40	-1	11	0	0	0	0	0
Financial account	349	191	469	361	519	429	470	588	605	651
Direct investment	137	136	148	88	163	167	170	172	174	187
Portfolio investment (net)	436	119	240	163	301	150	106	139	137	153
Of which: Eurobond issuance	224		0	106	247	0	0	…	…	…
Other investment	-224	-64	81	215	55	111	194	277	294	310
Public sector (net)	8	255	239	293	145	206	214	222	233	245
Of which: disbursements	175	344	323	384	232	277	290	299	313	328
program loans	40	118	118	37	51	60	64	69	74	80
project loans	135	221	205	217	157	198	225	230	239	249
other	0	6	0	24	24	20	0	0	0	0
amortization	-175	-89	-84	-91	-87	-71	-76	-79	-83	-87
Private sector (net)	-228	-320	-160	-78	-90	-95	-20	55	61	65
Errors and omissions	-4	0	3	0	0	0	0	0	0	0
Overall balance	-70	-137	-75	-18	-5	-100	-65	29	32	60
Financing	70	137	75	18	5	100	65	-29	-32	-60
Net foreign assets (BCEAO)	8	0	-49	0	-13	81	46	-47	-51	-78
Net use of IMF resources	-2	3	-3	3	-3	-9	-18	-20	-19	-19
Purchases/disbursements	0	0	0	0	0	0	0	0	0	0
Repurchases/repayments	-2	3	-3	3	-3	-9	-18	-20	-19	-19
Other	10	-3	-47	-3	-10	90	64	-28	-33	-59
Deposit money banks	49	119	101	0	0	0	0	0	0	0
Exceptional financing (debt relief)	13	18	24	18	18	18	19	19	19	18
Residual financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Current account balance										
Including current official transfers (percent of GDP)	-7.9	-7.6	-10.3	-7.1	-9.3	-8.7	-8.3	-8.1	-7.8	-7.5
Excluding current official transfers (percent of GDP)	-8.8	-8.4	-11.2	-7.8	-10.0	-9.4	-9.0	-8.8	-8.4	-8.2
Gross official reserves (imputed reserves, billions of US$)	2.0	1.9	2.1	1.9	2.1	2.0	1.9	1.9	2.0	2.2
(percent of broad money)	36.7	34.7	36.1	32.3	34.2	29.4	26.1	25.5	25.0	25.0
WAEMU gross official reserves (billions of US$)	14.7	13.9	13.9	…	…	…	…	…	…	…
(percent of broad money)	55.0	51.2	51.2	…	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.9	5.2	5.2	…	…	…	…	…	…	…
Gross domestic product	6,818	7,225	7,182	7,718	7,631	8,164	8,756	9,404	10,117	10,876

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

Table 3. Senegal: Government and FSE Financial Operations, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		EBS/ 12/151	Est.	EBS/ 12/151	Adj. proj.			Proj.		
	(Billions of CFA francs, unless otherwise indicated)									
Total revenue and grants	1,526	1,723	1,670	1,813	1,784	1,903	2,055	2,187	2,358	2,548
Revenue	1,376	1,511	1,464	1,605	1,577	1,680	1,817	1,936	2,093	2,269
Tax revenue	1,287	1,421	1,379	1,492	1,459	1,572	1,704	1,852	2,003	2,172
Income tax	346	379	399	382	413	457	500	547	599	654
Taxes on goods and services	729	817	773	835	817	870	944	1,022	1,105	1,189
Taxes on petroleum products	212	225	207	276	229	246	260	283	299	329
Nontax revenue	50	50	44	77	83	73	78	84	90	97
FSE	39	40	41	35	35	35	35	0	0	0
Grants	150	212	206	208	207	222	238	252	265	279
Budgetary	37	48	52	39	38	42	45	47	50	53
Budgeted development projects	113	164	154	169	169	181	194	204	215	227
Total expenditure and net lending [1]	1,980	2,149	2,090	2,190	2,190	2,280	2,399	2,537	2,712	2,924
Current expenditure	1,233	1,282	1,257	1,278	1,321	1,352	1,409	1,483	1,584	1,718
Wages and salaries	428	454	462	467	477	490	515	554	597	643
Interest due	104	122	108	146	122	139	146	164	175	186
Of which: external	62	56	52	64	67	71	63	78	83	89
Other current expenditure	702	706	688	665	722	723	748	765	812	889
Transfers and subsidies	335	328	355	291	335	327	340	344	370	398
Of which: SAR and butane subsidy	15	4	13	0	16	0	0	0	0	0
Of which: SENELEC/energy	124	99	105	80	80	75	40	0	0	0
Of which: Food subsidies	0	8	4	0	4	0	0	0	0	0
Goods and services	356	366	321	363	376	383	396	409	429	479
HIPC and MDRI current spending	11	12	12	12	12	12	12	12	13	12
Capital expenditure	718	875	814	912	869	928	990	1,053	1,127	1,206
Domestically and nonconcessionally financed	475	504	492	515	532	544	585	635	690	749
HIPC and MDRI-financed	46	48	0	47	47	49	51	52	54	54
Non-HIPC/MDRI financed	429	456	492	468	485	495	534	583	636	694
Externally (concessionally) financed	244	370	322	397	337	385	405	418	437	457
Net lending	28	-8	19	0	0	0	0	0	0	0
Of which: On-lending	36	12	37	13	13	14	15	16	17	18
Selected public sector entities balance	0	0	0	0	0	0	0	0	0	0
Primary fiscal balance	-356	-307	-317	-236	-288	-242	-202	-189	-182	-193
Overall fiscal balance (excluding grants)	-605	-637	-626	-585	-613	-600	-582	-601	-619	-655
Overall fiscal balance (including grants)	-455	-425	-420	-377	-406	-377	-343	-350	-353	-376
Financing	455	425	420	377	406	377	343	350	353	376
External financing	422	362	473	328	432	321	306	344	354	379
Drawings	175	339	323	254	208	257	290	299	313	328
Program loans	40	118	118	37	51	60	64	69	74	80
Project loans	135	221	205	217	157	198	225	230	239	249
Nonconcessional loans	224	6	0	130	271	0	0	47	51	54
Eurobond issuance	224	0	0	106	247	0	0	0	0	0
Deposit	0	44	0	0	0	0	0	0	0	0
Other non-concessional borrowing	0	6	0	24	24	20	0	0	0	0
Amortization due	-175	-89	-84	-91	-87	-71	-76	-79	-83	-87
T-bills and bonds issued in WAEMU (net)	184	89	211	17	22	117	74	58	55	65
Debt relief and HIPC Initiative assistance	13	18	24	18	18	18	19	19	19	18
Domestic financing	12	90	-50	48	-3	56	38	6	-1	-4
Banking system	12	50	-195	38	-14	56	38	6	-1	-4
Of which: T-bills and bonds (net)	64	38	-47	52	6	81	68	38	26	22
Nonbank financing	0	40	145	10	10	0	0	0	0	0
Settlement of payment delays	21	-26	-3	0	-23	0	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Budgetary float (program definition)	50	50	50	50	50	50	50	50	50	50
New issues of government securities	417	518	518	538	395	…	…	…	…	…
Priority expenditure (percent of total expenditure) [2]	35	35	35	35	35	…	…	…	…	…
Gross domestic product	6,818	7,225	7,182	7,718	7,631	8,164	8,756	9,404	10,117	10,876

Sources: Senegalese authorities; and IMF staff estimates and projections.

[1] Excludes project-related wages and salaries included in capital spending, the salaries of autonomous agencies and health and education contractual workers included in transfers and subsidies.

[2] Expenditure on health, education, environment, the judiciary, social safety nets, sanitation, and rural water supply.

Table 4. Senegal: Government and FSE Financial Operations, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		EBS/ 12/151	Est.	EBS/ 12/151	Adj. proj.			Proj.		
				(Percent of GDP)						
Total revenue and grants	22.4	23.9	23.3	23.5	23.4	23.3	23.5	23.3	23.3	23.4
Revenue	20.2	20.9	20.4	20.8	20.7	20.6	20.8	20.6	20.7	20.9
Tax revenue	18.9	19.7	19.2	19.3	19.1	19.3	19.5	19.7	19.8	20.0
Income tax	5.1	5.2	5.6	4.9	5.4	5.6	5.7	5.8	5.9	6.0
Taxes on goods and services	10.7	11.3	10.8	10.8	10.7	10.7	10.8	10.9	10.9	10.9
Taxes on petroleum products	3.1	3.1	2.9	3.6	3.0	3.0	3.0	3.0	3.0	3.0
Nontax revenue	0.7	0.7	0.6	1.0	1.1	0.9	0.9	0.9	0.9	0.9
FSE	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.0	0.0	0.0
Grants	2.2	2.9	2.9	2.7	2.7	2.7	2.7	2.7	2.6	2.6
Total expenditure and net lending	29.0	29.7	29.1	28.4	28.7	27.9	27.4	27.0	26.8	26.9
Current expenditure	18.1	17.7	17.5	16.6	17.3	16.6	16.1	15.8	15.7	15.8
Wages and salaries	6.3	6.3	6.4	6.1	6.3	6.0	5.9	5.9	5.9	5.9
Interest payments	1.5	1.7	1.5	1.9	1.6	1.7	1.7	1.7	1.7	1.7
Other current expenditure	10.3	9.8	9.6	8.6	9.5	8.9	8.5	8.1	8.0	8.2
Transfers and subsidies	4.9	4.5	4.9	3.8	4.4	4.0	3.9	3.7	3.7	3.7
Of which: energy and food subsidies	2.0	1.5	1.7	1.0	1.3	0.9	0.5	0.0	0.0	0.0
Goods and services	5.2	5.1	4.5	4.7	4.9	4.7	4.5	4.3	4.2	4.4
HIPC and MDRI current spending	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Capital expenditure	10.5	12.1	11.3	11.8	11.4	11.4	11.3	11.2	11.1	11.1
Domestically and nonconcessionally financed	7.0	7.0	6.9	6.7	7.0	6.7	6.7	6.8	6.8	6.9
Externally (concessionally) financed	3.6	5.1	4.5	5.1	4.4	4.7	4.6	4.4	4.3	4.2
Net lending	0.4	-0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Selected public sector entities balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary fiscal balance	-5.2	-4.3	-4.4	-3.1	-3.8	-3.0	-2.3	-2.0	-1.8	-1.8
Overall fiscal balance										
Payment order basis, excluding grants	-8.9	-8.8	-8.7	-7.6	-8.0	-7.3	-6.6	-6.4	-6.1	-6.0
Payment order basis, including grants	-6.7	-5.9	-5.9	-4.9	-5.3	-4.6	-3.9	-3.7	-3.5	-3.5
Financing	6.7	5.9	5.9	4.9	5.3	4.6	3.9	3.7	3.5	3.5
External financing	6.2	5.0	6.6	4.3	5.7	3.9	3.5	3.7	3.5	3.5
Domestic financing	0.2	1.2	-0.7	0.6	0.0	0.7	0.4	0.1	0.0	0.0
Settlement of payment delays	0.3	-0.4	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:				(Percent of GDP, unless otherwise indicated)						
Priority expenditure	9.0	10.4	10.2	10.4	10.2	...	...	...	...	...
Wages and salaries (percent of revenue)	31.1	30.0	31.5	29.1	30.2	29.1	28.4	28.6	28.5	28.3

Sources: Senegalese authorities; and IMF staff estimates and projections.

Table 5. Senegal: Monetary Survey, 2010–13

	2010	2011	2012		2013
			EBS/ 12/151	Est.	Proj.
	(CFAF billions)				
Net foreign assets	988	931	812	879	892
BCEAO	735	726	726	776	788
Commercial banks	253	204	85	104	104
Net domestic assets	1,552	1,781	2,062	2,016	2,200
Net domestic credit	1,847	2,106	2,364	2,240	2,424
Net credit to the government	200	150	200	97	74
Central bank	202	103	105	-38	-52
Commercial banks	0	46	93	130	119
Other institutions	-2	2	2	5	7
Credit to the economy	1,647	1,956	2,164	2,144	2,350
Other items (net)	-295	-326	-302	-224	-224
Broad money	2,540	2,711	2,874	2,896	3,092
Currency outside banks	561	588	580	585	583
Total deposits	1,979	2,123	2,293	2,310	2,509
Demand deposits	988	1,061	1,145	1,192	1,252
Time deposits	991	1,063	1,149	1,118	1,257
	(Change in percentage of beginning-of-period broad money stock)				
Net foreign assets	5.8	-2.3	-4.4	-1.9	0.4
BCEAO	0.4	-0.3	0.0	1.8	0.4
Commercial banks	5.4	-1.9	-4.4	-3.7	0.0
Net domestic assets	8.3	9.0	10.4	8.7	6.4
Net credit to the government	4.0	-2.0	1.8	-2.0	-0.8
Credit to the economy	7.0	12.2	7.7	6.9	7.1
Other items (net)	-2.6	-1.2	0.9	3.7	0.0
Broad money	14.1	6.7	6.0	6.8	6.8
Memorandum items:	(Units indicated)				
Velocity (GDP/broad money; end of period)	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percentage growth)	5.6	7.1	6.0	5.3	6.3
Credit to the economy (percentage growth)	10.4	18.8	10.6	9.6	9.6
Credit to the economy/GDP (percent)	25.9	28.7	30.0	29.8	30.8
Variation of net credit to the government (yoy; CFAF billions)	88.5	-49.7	49.7	-53.7	74.5
Central bank refinance rate (eop; percent)	4.25	4.25	4.00	4.00	…

Sources: Senegalese authorities; and IMF staff estimates and projections.

Table 6. Financial Soundness Indicators for the Banking Sector, 2006-12

	2006	2007	2008	2009	2010	2011	2012
	(Percent, unless otherwise indicated)						
Capital adequacy							
Capital to risk-weighted assets	12.9	13.5	13.8	16.3	18.0	16.0	16.7
Regulatory capital to risk-weighted assets	13.1	13.6	13.9	16.5	18.2	15.9	16.3
Capital to total assets	8.3	8.3	9.1	9.3	10.0	9.8	…
Asset composition and quality							
Total loans to total assets	63.8	58.8	62.8	59.5	57.5	60.6	61.4
Concentration: loans to 5 largest borrowers to capital	103.7	88.5	100.9	71.7	70.6	69.8	66.4
Sectoral distribution of loans							
Industrial	28.9	25.1	19.5	27.5	26.4	22.2	23.8
Retail and wholesale trade	18.9	14.4	18.5	24.5	23.8	19.2	19.7
Services, transportation and communication	30.0	29.6	31.1	34.1	41.9	34.0	41.0
Gross NPLs to total loans	16.8	18.6	17.4	18.7	20.2	16.2	18.4
Of which: without ICS	…	12.7	14.2	15.8	15.8	13.2	15.1
Provisions to NPLs	52.0	53.8	51.5	53.1	54.9	54.0	56.1
Of which: without ICS	…	74.6	65.7	64.7	65.3	68.3	63.0
NPLs net of provisions to total loans	8.8	8.6	9.3	9.7	9.1	8.1	8.2
Of which: without ICS	…	3.6	5.4	6.2	6.1	4.6	6.3
NPLs net of provisions to capital	67.9	60.7	63.9	62.3	52.3	50.4	51.4
Of which: without ICS	…	23.8	35.3	38.4	41.5	35.7	38.8
Earnings and profitability							
Average cost of borrowed funds	2.2	2.3	2.8	3.4	2.2	2.0	2.1
Average interest rate on loans [1]	11.3	11.6	13.9	15.4	8.1	8.4	8.6
Average interest margin [2]	9.2	9.3	11.1	12.0	5.9	6.4	6.6
After-tax return on average assets	1.6	1.6	1.4	1.3	1.6	2.2	1.7
After-tax return on average equity	14.6	15.3	13.0	16.0	15.4	22.6	17.4
Noninterest expenses/net banking income	49.4	50.7	51.3	60.3	56.7	56.0	62.2
Salaries and wages/net banking income	21.7	22.2	21.1	23.0	24.8	23.8	26.2
Liquidity							
Liquid assets to total assets	…	…	…	31.7	39.8	36.1	37.0
Liquid assets to total deposits	…	…	…	49.8	52.4	76.7	52.3
Total deposits to total liabilities	75.8	73.6	70.3	74.9	76.0	62.8	70.7

Source: BCEAO

[1] Break in the series in 2010 due to a methodological change.

[2] Excluding the tax on banking operations.

Table 7. Quantitative Assessment Criteria and Indicative Targets for 2011–12

(CFAF billions, unless otherwise specified)

	December 31, 2011			March 31, 2012			June 30, 2012				September 30, 2012			December 31, 2012			
	Prog.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Prel.	Status
Assessment criteria [1]																	
Floor on the overall fiscal balance [2] [3]	-427	-455	not met	*-102*	*-70*	met	-213	-181	-102	met	*-319*	*-145*	met	-425	-420	-420	met
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	500	300	met	500	300	met	500	…	300	met	500	300	met	500	…	300	met
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	met	0	0	met	0	…	0	met	0	0	met	0	…	0	met
Ceiling on government external payment arrears (stock) [4]	0	0	met	*0*	*0*	met	0	…	0	met	*0*	*0*	met	0	…	0	met
Ceiling on the amount of the budgetary float	50	50	met	*50*	*49*	met	50	…	40	met	*50*	*51*	not met	50	…	48	met
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	44	0	met	44	0	met	44	…	0	met	44	0	met	44	…	0	met
Indicative targets																	
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	*20*	*16*	met	*20*	*14*	met	*20*	…	*11*	met	*20*	*24*	not met	*20*	…	*24*	not met
Floor on social expenditure (percent of total spending)	*35*	*37*	met	…	…	…	*35*	…	*35*	met	…	…	…	*35*	…	*41*	met
Maximum upward adjustment of the overall deficit ceiling due to																	
Shortfall in program grants relative to program projections	15	…	…	15	…	…	15	…	-6	…	15	…	…	15	…	-4	…
Shortfall in concessional loans relative to program projections	50	…	…	50	…	…	50	…	-11	…	50	…	…	50	…	-5	…
Shortfall in energy sector and autoroute investment relative to program projections	50	…	…	50	…	…	50	…	-27	…	…	…	…	…	…	…	…
Memorandum items:																	
Program grants	37	37	…	9	…	…	19	…	13	…	28	…	…	48	…	52	…
Concessional loans	210	175	…	52	…	…	105	…	94	…	157	…	…	328	…	323	…
Investment in the energy sector and the autoroute [5]	66	66	…	*44*	…	…	60	…	*33*	…	*122*	…	…	120	…	…	…

[1] Indicative targets for March and September 2012, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.

[2] Cumulative since the beginning of the year.

[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.

[4] Monitored on a continuous basis.

[5] Investment in the autoroute plus investment under the plan Takkal financed from internal and external concessional resources.

Table 8. Quantitative Assessment Criteria and Indicative Targets for 2012–13

	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(CFAF billions, unless otherwise specified)				
	Prog.	Prog.	Prog.	Prog.	Prog.
Assessment criteria [1]					
Floor on the overall fiscal balance [2] [3]	-425	*-101*	-203	*-304*	-406
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	500	500	800	800	800
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	0	0	0
Ceiling on government external payment arrears (stock) [4]	0	*0*	0	*0*	0
Ceiling on the amount of the budgetary float	50	*50*	50	*50*	50
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	44	44	67	67	67
Indicative targets					
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	20	*20*	*20*	*20*	*20*
Floor on social expenditures (percent of total spending)	35	…	*35*	…	*35*
Maximum upward adjustment of the overall deficit ceiling owing to					
Shortfall in program grants relative to program projections	15	15	15	15	15
Excess in concessional loans relative to program projections	50	50	50	50	50
Memorandum items:					
Program grants	48	10	19	29	38
Concessional loans	328	52	104	156	208

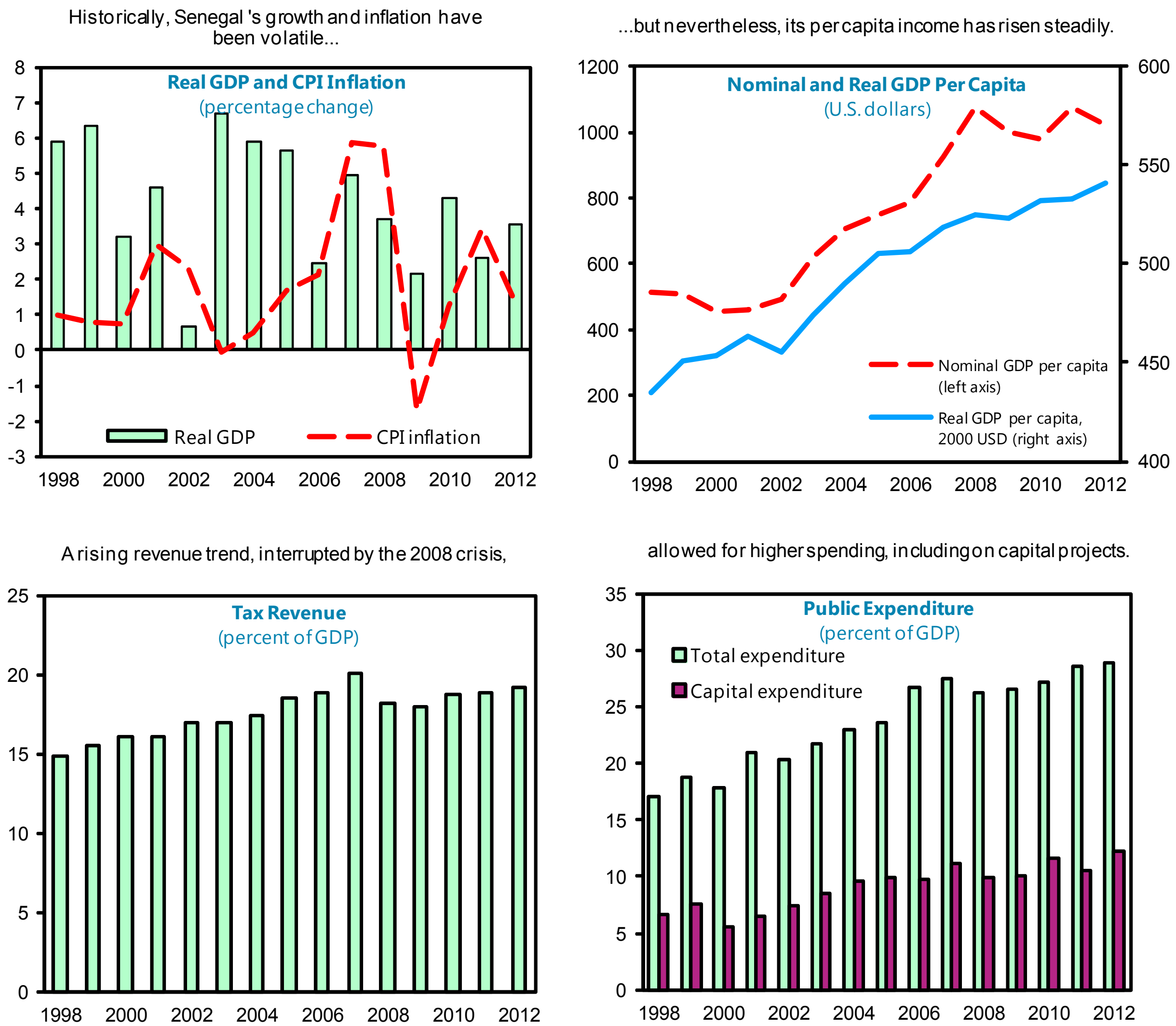
[1] Indicative targets for March and September, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.
[2] Cumulative since the beginning of the year.
[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.
[4] Monitored on a continuous basis.

Table 9. Quantitative Assessment Criteria and Indicative Targets for 2013–14

	(CFAF billions, unless otherwise specified)				
	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	Prog.	Prog.	Prog.	Proj.	Proj.
Assessment criteria [1]					
Floor on the overall fiscal balance [2] [3]	-406	*-94*	-189	*-283*	-377
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	800	800	800	800	800
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	0	0	0
Ceiling on government external payment arrears (stock) [4]	0	*0*	0	*0*	0
Ceiling on the amount of the budgetary float	50	*50*	50	*50*	50
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	67	67	67	67	67
Indicative targets					
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	20	*20*	*20*	*20*	*20*
Floor on social expenditures (percent of total spending)	35	…	*35*	…	*35*
Maximum upward adjustment of the overall deficit ceiling owing to					
Shortfall in program grants relative to program projections	15	15	15	15	15
Excess in concessional loans relative to program projections	50	50	50	50	50
Memorandum items:					
Program grants	38	10	21	31	42
Concessional loans	208	64	129	193	257

[1] Indicative targets for March and September, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.
[2] Cumulative since the beginning of the year.
[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.
[4] Monitored on a continuous basis.

Figure 1. Senegal: Historical Perspective, 1998–2012



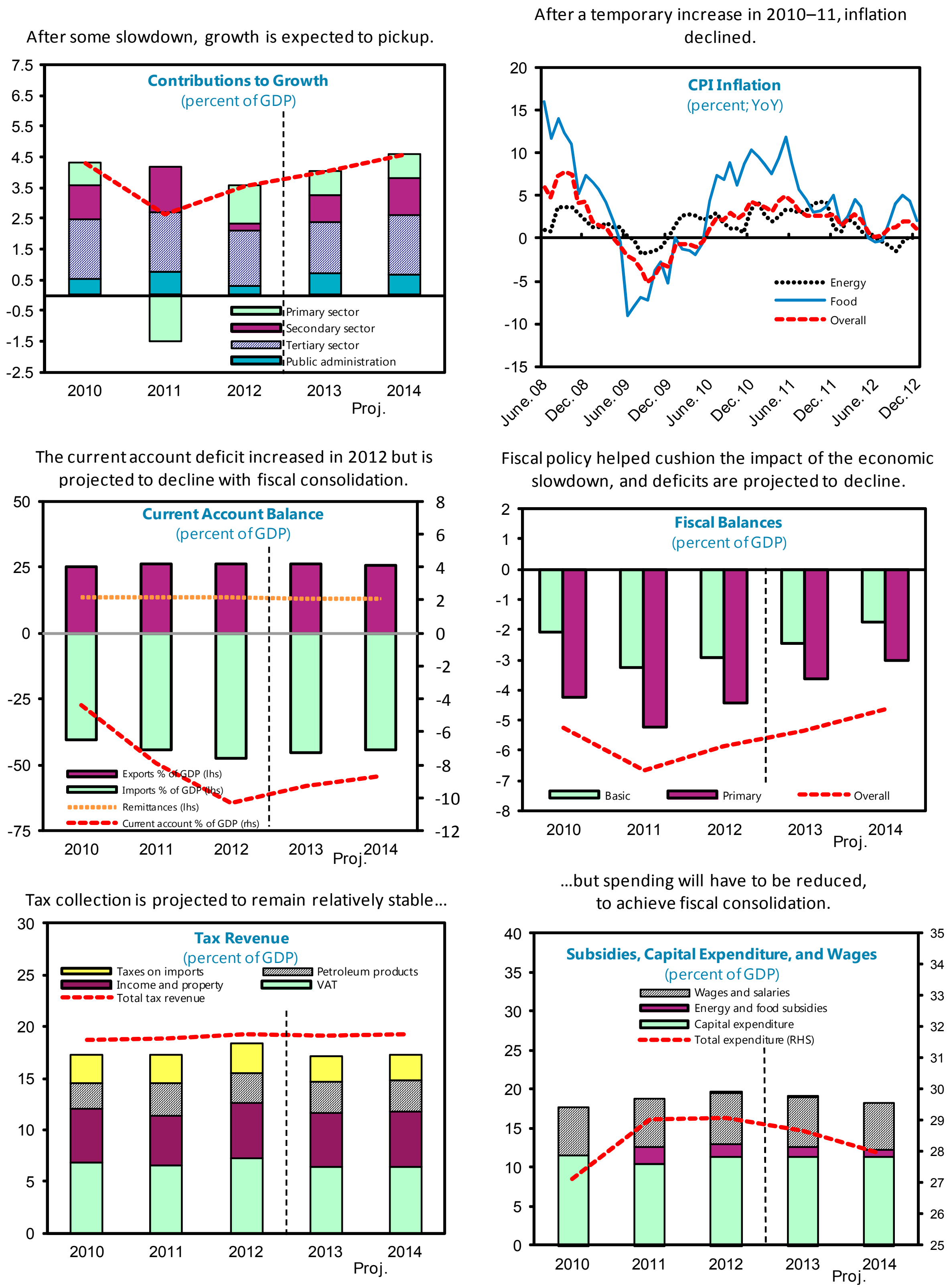
Sources: Senegalese authorities; World Bank; and IMF staff calculations and estimates.

Progress has been made toward the Millennium Development Goals.

Millenium Development Goal	1990	1995	2000	2005	2011
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	66	54	44	34	30
Literacy rate, youth female (% of females ages 15-24)	28	..	41	45	56
Adjusted net enrollment rate, primary (% of primary school age children)	46	52	60	76	79
Ratio of female to male primary enrollment (%)	73	76	87	97	107
Mortality rate, infant (per 1,000 live births)	69	71	67	57	47
Mortality rate, under-5 (per 1,000 live births)	136	142	130	97	65
Births attended by skilled health staff (% of total)	..	47	58	52	65
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.2	0.4	0.6	0.7
Improved water source (% of population with access)	61	63	66	68	72

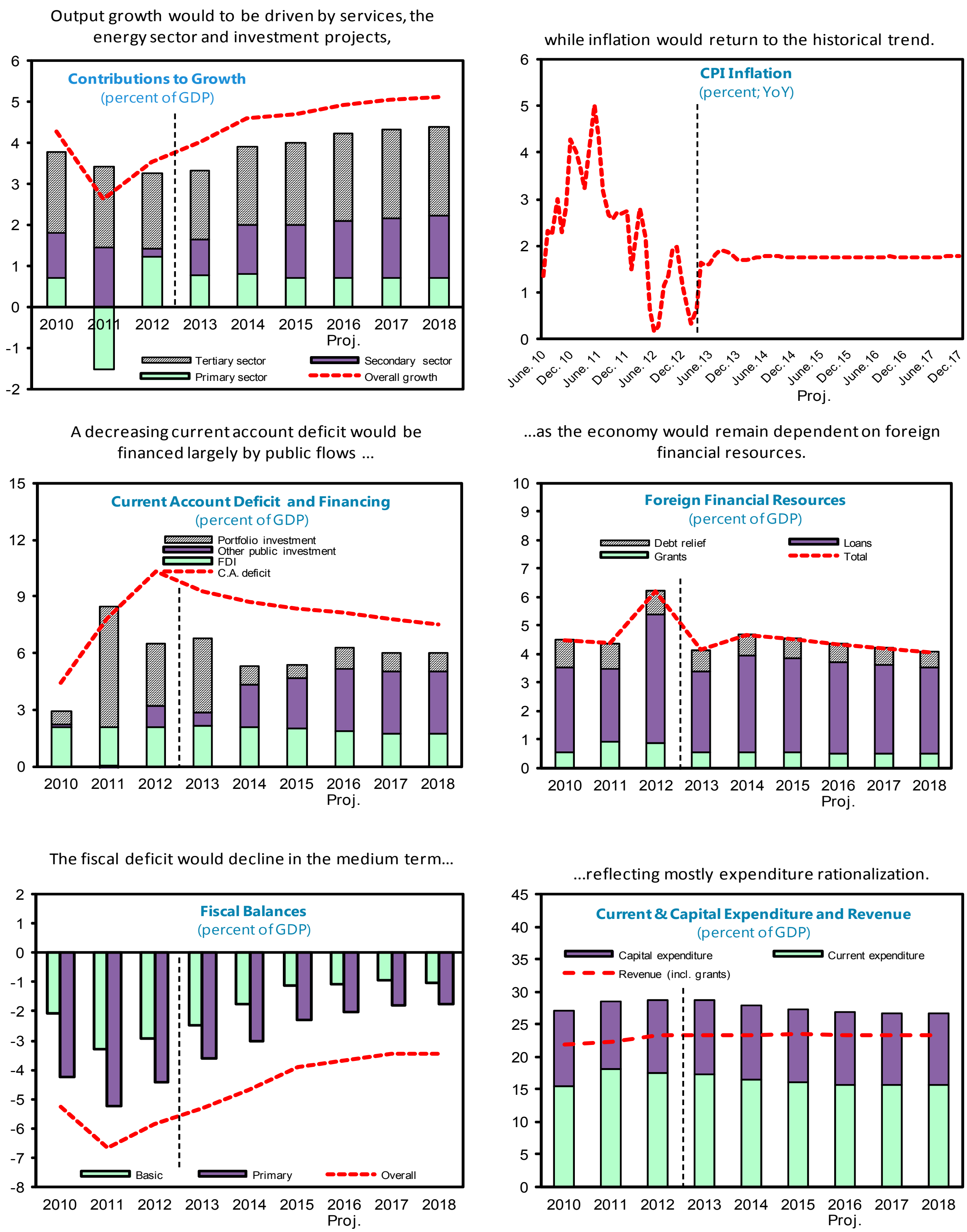
Source: Millennium Development Goals Database, World Bank, 2013.

Figure 2. Senegal: Recent Developments and Short-Term Projections, 2010–2014



Sources: BCEAO; Senegalese authorities; and IMF staff estimates.

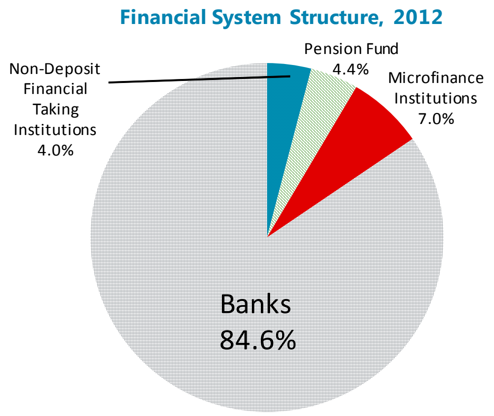
Figure 3. Senegal: Medium-Term Outlook, 2010–2018



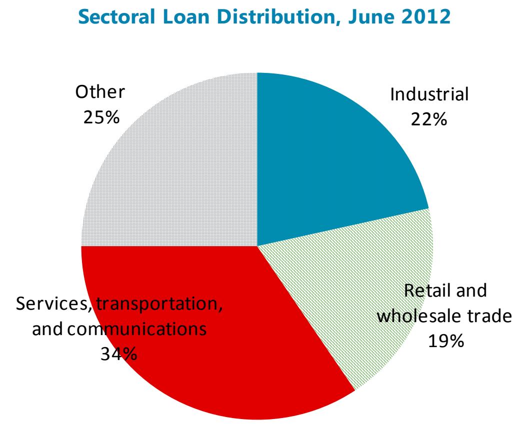
Sources: BCEAO; Senegalese authorities; and IMF staff estimates.

Figure 4. Financial Sector Developments

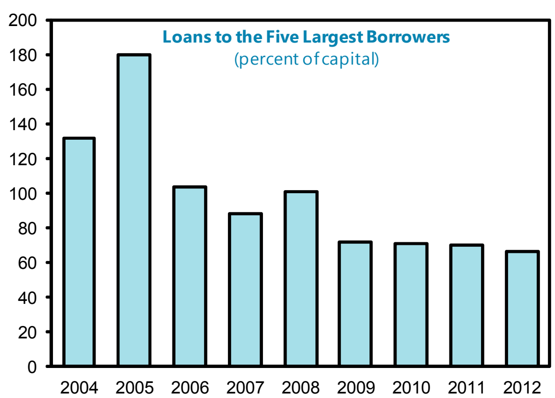
Senegal's financial system is largely bank-based...



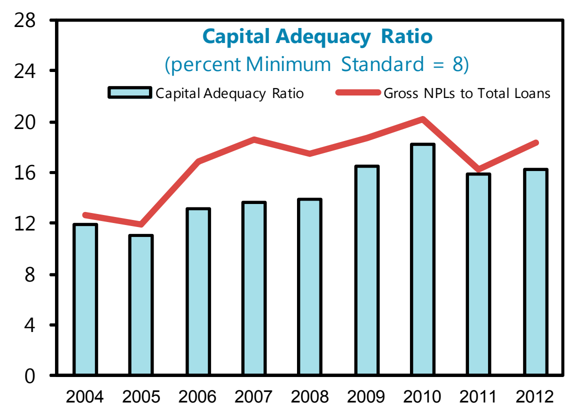
and lending benefits mainly the services sector.



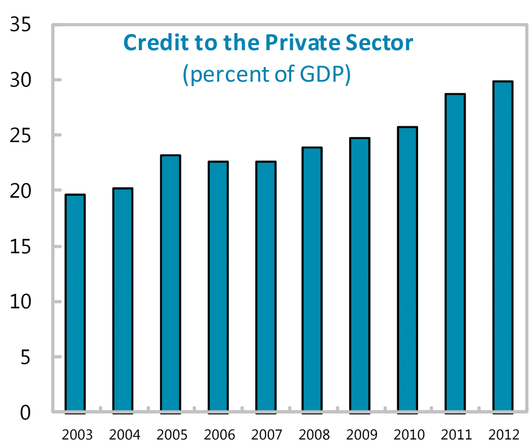
... but the loans portfolio remains highly concentrated.



The banking sector is on average well capitalized, but NPLS are high.



Financial deepening has taken place in recent years.



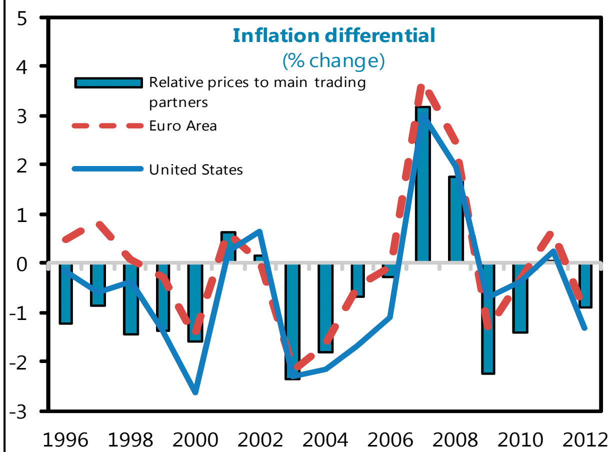
Access to Credit

	Senegal	Mauritius	Morocco
Rank (out of 183)	129	53	104
Strength of legal rights index (0–10)	6	6	3
Depth of credit information index (0–6)	1	5	5
Public registry coverage (pecent of adults)	4.6	56.3	0
Private bureau coverage (percent of adults)	0	0	17.2

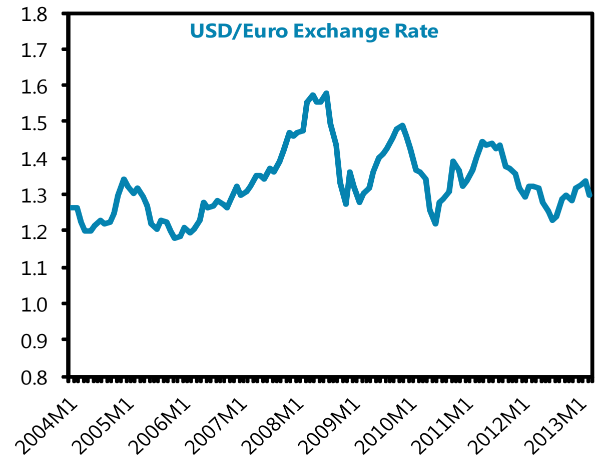
Sources: BCEAO; Senegalese authorities; IMF staff estimates; and Doing Business 2013: Smarter Regulations for Small and Medium–Size Enterprises.

Figure 5. Senegal: Exchange Rate and Competitiveness

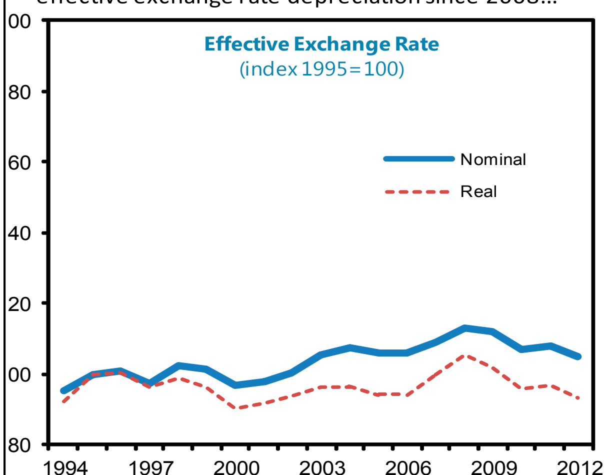
While Senegal's inflation remained on average close to trading partners…



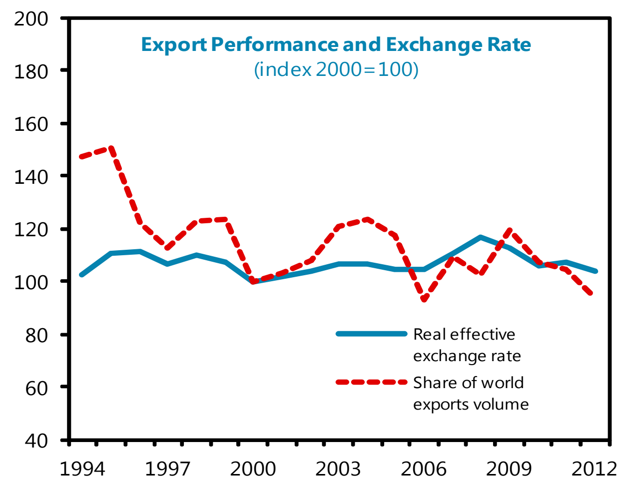
… the depreciation of the euro since 2008…



… has contributed to a moderate nominal and real effective exchange rate depreciation since 2008…



… which so far has little improved export performance.



Raising competitiveness requires improvements in institutions and infrastructure,…

Global Competitiveness Index

	2011/2012	2012/2013
Overall ranking	111	117
Institutions	78	90
o/w Transparency of gov. policy makng	103	84
o/w Diversion of public funds	107	122
Infrastructure	122	124
o/w Quality of electricity supply	133	134
o/w Quality of roads	93	97
o/w Quality of railroad infrastructure	94	105
Health and primary education	119	125
o/w Primary enrollment	131	129
Labor market efficiency	99	80
Financial market development	106	84
o/w Ease of access to loans	100	117
Number of countries	139	144

… as well as in the business climate.

Doing Business Indicators

	2011	2012	2013
Overall ranking	152	154	166
out of	183	183	185
Starting a business	101	93	102
Dealing with construction permits	117	125	133
Registering property	167	171	173
Getting credit	152	126	129
Protecting investors	167	166	169
Paying taxes	170	174	178
Trading across borders	67	65	67
Enforcing contracts	148	145	148
Closing a business	79	…	…

Sources: IMF staff calculations and estimates; World Economic Forum; and World Bank.

Appendix I. Letter of Intent

Dakar, Senegal
June 3, 2013

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C., 20431
USA

Madame Managing Director,

1. The government of Senegal requests completion of the fifth review and an extension to end-2014 of support under the Policy Support Instrument (PSI) of its macroeconomic program. The details of this program were set forth in the initial Memorandum of Economic and Financial Policies (MEFP) of November 10, 2010, and in the MEFPs pertaining to subsequent program reviews. The attached MEFP takes stock of program performance at end-December 2012, defines the macroeconomic objectives for the rest of 2013 and for 2014, and updates the structural reforms monitored under the program.

2. Program implementation remains satisfactory. All quantitative assessment criteria and indicative targets were met, with the sole exception of the ceiling on public procurements signed by single tender, which was missed by a small margin due to emergency expenditures. For the first time in recent years, the fiscal deficit target was met (at 5.9 percent of GDP). Implementation of structural reforms also recorded significant progress.

3. Reducing the fiscal deficit to levels consistent with debt sustainability remains a policy priority for the government. However, the fiscal outlook for 2013 is under strain due to a range of factors. These include the security situation in Mali and the Sahel and additional expenditure needs for a flood prevention program we designed in the wake of the major floods incurred in the second half of 2012. We therefore propose that the fiscal deficit target for 2013 be revised slightly upward to 5.3 percent of GDP, to accommodate the effects of these two exogenous factors. The new deficit target will still require substantial efforts to mobilize revenue and control spending, which we are committed to achieving. The Government reiterates its commitment to reducing the deficit below 4 percent of GDP by 2015.

4. In light of this change, the government requests modification of the end-June 2013 assessment criterion on the overall fiscal deficit. It is also proposed that the ceiling on nonconcessional borrowing be revised upward by US$300 million to allow for issuance of an international bond on favorable terms, and that the ceiling on semi-concessional borrowing (financing having a grant element in the range of 15-35 percent) be raised to CFAF 67 billion to

facilitate the financing of important investment projects. We also propose that the structural benchmark on the submission to Parliament of a new Customs Code be rescheduled to end-September 2013 to allow for further consultations with the private sector.

5. The government believes that the policies and measures set forth in the attached MEFP are appropriate to achieve the objectives of the PSI-supported program. Given its commitment to macroeconomic stability and debt sustainability, the government will promptly take any additional measures needed to achieve the objectives of the program. The government will consult with the IMF—at its own initiative or whenever the Managing Director of the IMF requests such a consultation—before the adoption of any such measures and in advance of revisions to the policies contained in the attached MEFP, in accordance with the Fund's policies on such consultation.. Moreover, the government will provide the IMF with such information as the IMF may request in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program.

6. The government authorizes the IMF to publish this letter, the attached MEFP, and the Staff Report relating to the current review.

Sincerely yours,

/s/

Amadou Kane
Minister of Economy and Finance

Attachments: - Memorandum of Economic and Financial Policies (MEFP)
- Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies
Dakar, June 3, 2013

Introduction

1. **The government intends to press ahead with the policies it adopted when it took office.** The Senegalese people wish to have better governance, more jobs, more efficient basic services, and a lower cost of living. Accordingly, in order to meet the expectations of the general public, the government has undertaken to reform the State; conduct a prudent policy with respect to public finance and debt in order to safeguard macroeconomic stability; enhance revenue with a view to generating more fiscal space for financing priority spending; further strengthen public financial management and governance; and promote private sector development through structural reforms, with a view to achieving strong, sustainable, and inclusive growth.

2. **This MEFP updates the program supported by the Policy Support Instrument (PSI) over the period 2011-13.**[1] The MEFP includes three sections. The first section covers recent economic developments and the results of program implementation. The second section focuses on the macroeconomic outlook for 2013 and the medium term, as well as on macroeconomic policy and structural reforms. The last section is devoted to the changes desired in program monitoring.

Recent economic developments and program implementation

3. **Recent macroeconomic developments have been broadly in line with the projections made in the Autumn of 2012, although the external current deficit has deteriorated more sharply than anticipated.** Economic activity grew by 3.5 percent in 2012 against 2.1 percent in 2011, reflecting a favorable performance in agriculture (17.4 percent). Consumer prices recorded a moderate increase of 1.4 percent in 2012 compared to a 3.4 percent increase the preceding year. Conversely, foreign trade was characterized by a deterioration in the current account; the current account deficit moved from 7.9 percent of GDP in 2011 to 10.3 percent of GDP in 2012, inter alia on account of the upturn in oil imports and foodstuffs. The overall balance of payments has also registered a deficit. Credit to the economy grew by 9.6 percent while the money supply increased by 6.8 percent.

4. **Program implementation has remained satisfactory.** All quantitative assessment criteria and indicative targets for the program at end-2012 were observed, except for the indicative target on directly negotiated government contracts reflecting emergency procurement associated with

[1] The content of this program was set out in the initial MEFP of November 10, 2010, as well as in the MEFP of May 19, 2011, of December 2, 2011, of June 22, 2012, and of November 22, 2012.

floods and the agriculture sector. The budget deficit target was met in spite of sizable revenue losses (deficit of 5.9 percent of GDP). These losses were primarily attributable to the non-transfer to the treasury of the VAT withheld by public agencies and entities, and to the difficulties experienced by SENELEC, which has been unable to pay all its taxes and duties. On the expenditure side, the wage bill recorded a slight slippage, largely as a result of greater-than-anticipated tenure for education contractuals and the associated costs. Conversely, savings were recorded with respect to interest on public debt and current expenditure, and the rate of implementation of certain capital expenditures—in particular, externally funded expenditures—slowed down.

5. Implementation of the structural reforms has also made significant headway:

(i) the general tax code has been reformed in a transparent fashion using a participatory approach;

(ii) a public investment assessment guide was completed at end-2012 and user training has begun;

(ii) information on transactions pertaining to the State's private property began to be published in March 2013;

(iii) the rollout of the Single Treasury Account (STA) has made good progress although it remains incomplete (see below);

Macroeconomic policy and structural reforms for 2013 and the medium-term

6. Senegal's national economic and social development strategy (SNDES) envisages an emerging economy ensuring sustainable development, whose beneficial effects are widely shared. The SNDES is expected to provide the solutions needed to ensure that the Senegalese economy can be put back on a more vigorous and sustainable growth track. The aim will be to implement reforms designed to trigger further productivity gains as a prerequisite for development, thereby laying the groundwork for a new model of economic growth. The SNDES focuses on three pillars: (i) growth, productivity, and wealth creation; (ii) human capital, social protection, and sustainable development; and (iii) governance, institutions, peace, and security.

A. Macroeconomic Context for 2013

7. In spite of a challenging international environment, GDP growth is expected to record a slight upturn to 4 percent in 2013. This uptick should be supported by the dynamic performance of the agriculture subsector, the coming to fruition of projects financed by the Millennium Challenge Account (MCA), improvement in electricity supply and the return of growth to Mali. Inflation should stay well below the WAEMU convergence criterion of 3 percent. The current account deficit as a percentage of GDP is expected to improve.

8. Risks have increased since the last review. The crisis in the eurozone remains the primary downside risk for the Senegalese economy. The channels whereby weak growth in Europe spreads to the national economy are exports, FDI, aid, transfers of funds, and tourism. The risk that insecurity could spread from Mali may also call for more sizable security expenditures and may affect how risk in the region is perceived by investors. Domestically, the main risks have to do with fiscal consolidation and delays in implementation of energy sector reforms.

9. The progress made and new challenges involved in implementing the main program measures are presented in the remainder of this section and are grouped in accordance with the four main objectives of the program.

B. Pursue prudent Public Finance and Debt Policies to Safeguard Macroeconomic Stability

10. A significant reduction in the budget deficit in 2013 and in the medium term remains a priority objective. In order to preserve debt sustainability and restore fiscal space for the future, it is imperative to reduce the public debt by raising government revenues, through fairer and more efficient taxation, while streamlining government expenditure. In 2013, the reduction of the deficit will be smaller than anticipated, on account of the fiscal impact of two exogenous shocks. The security situation in Mali and in the Sahel requires us to increase Senegal's security expenditures this year. Furthermore, major flooding in the second half of 2012 necessitated urgent capital expenditures which had anticipated at the time of the 4th program review. In the aggregate, these additional expenditures amount to approximately CFAF 30 billion (including CFAF 20 billion for security expenses) and lead to an upward revision of the budget deficit target for 2013 to 5.3 percent of GDP. However, we remain committed to our goal of reducing the deficit to less than 4 percent of GDP by 2015.

11. Concerted efforts will be made to reverse the erosion of budget revenue observed in 2012. Comprehensive reform of the General Tax Code will help mobilize additional revenue, including through abolition of the VAT exemption in favor of externally funded operations in the form of subsidies or nonreimbursable grants, VAT taxation of the traffic balance of telecommunications operators, introduction of a tax on cosmetics, an increase in the tobacco tax rate as well as the application of an advance payment on the industrial and commercial profits tax levied on imports of a number of products. Phasing out withholding will help overcome the constraints affecting the management of the VAT and will facilitate VAT collection. Revenues generated by mining activities have also been revised downward. Cooperation between the General Directorate of Customs (DGD) and the General Directorate of Taxes and Government Property (DGID) is continuing through to the efforts of a joint control brigade, the signing of a memorandum on information exchanges and the more widespread use of the single identifier for economic agents (national registration number for enterprises and associations or NINEA); these measures should also help enhance revenue collection.

12. Efforts to curb current expenditure are continuing. In the education sector, action to curb expenditure on the wages of contractuals has been a priority. New software allows for real-time monitoring of trends in staffing levels and their distribution by education district. Furthermore, the survey of teaching personnel has allowed for more efficient deployment in response to needs. To improve management of the civil service and the payroll, the physical and biometric audit of civil service personnel has been carried out and its results will be published shortly. Disputed cases are carefully reviewed. We are undertaking to complete this process before July and to impose appropriate penalties forthwith (including such layoffs as may prove necessary). In order to have a comprehensive database that allows for meaningful budget programming of permanent expenditures (water, electricity, telephone), we have set up a module for the computerized management of such expenses. This tool will now be used to work with and validate data from invoices.

13. Expenditure targeting in certain priority sectors is continuing. Criteria for allocating subsidies to public health establishments are now based on more objective considerations; rationalization of the directorates of the health ministry is also under way. Budget allocations in favor of the agriculture sector have focused on replenishing seed capital and equipment in the rural community. With respect to advanced education, audits of scholarships and the financial equilibrium of universities are in progress; the conclusions should help rationalize the resources earmarked for this sector. A study evaluating government agencies is underway and will make it possible to propose restructuring measures as well as a model performance contract to be signed between the government and the remaining agencies.

14. The urgent need for greater efficiency applies especially to expenditures in favor of the most disadvantaged members of society, in light of the government's finite resources We repeat our firm intention to phase out subsidies for energy prices (electricity and petroleum products). Last year, direct or indirect support for energy prices cost Senegalese taxpayers over CFAF 160 billion (CFAF 105 billion in tariff compensation for Senelec, nonpayment of taxes and duties by SENELEC in the amount of CFAF 37 billion, and CFAF 24 billion in foregone tax revenue to stabilize prices at the pump). However, these subsidies failed to ensure financial sustainability for SENELEC. This is an unjustifiable burden in the sense that just a fraction of these subsidies goes to benefit the most disadvantaged members of society. We plan to reduce these subsidies and to replace them with better targeted and more efficient social protection arrangements, such as the Family Security Allowance (Bourse de Sécurité Familiale), which will benefit 50,000 vulnerable families in 2013 and will be expanded in the years to come.

15. In line with the debt management strategy prepared in 2012, we intend to continue our efforts to lengthen the maturity of market public debt. This strategy has shown encouraging results, with medium-term and long-term instruments accounting for a more substantial share of domestic/regional debt. This trend will be strengthened and consolidated. The current situation on international markets seems conducive to issuing a new international bond on terms far more favorable than in 2011, provided that this bond is on a sufficient scale to be included in international indices. A new bond in the amount of US$500 million and bearing a maturity of 10 years would make it possible for us to complete the financing of the 2013 budget at a rate close to the domestic financing rate, while also reducing reliance on short-term borrowing on the regional market. Such an operation would make it possible to lengthen significantly the average maturity of market debt and thereby to reduce refinancing risk and interest rate risks. We intend to follow best practices when issuing this new bond. An increase in the envelope for semi-concessional lending (financing having a grant element of between 15 percent and 35 percent) from CFAF 44 to 67 billion would make it possible to provide partial financing for road infrastructure projects, such as the Samba Dia-Joal- Djiffère road, or projects linked to flood prevention.

C. Raise Revenue to Create More Fiscal Space for Financing Priority Spending

16. The new tax code which took effect in January 2013 represents a major step forward, but it is not the last word in tax reform. This year, efforts have focused on establishing the new code, with training for personnel entrusted with applying the new provisions and responsible for communicating with users. Over time, however, there are plans to make further efforts to complete the modernization and reform of the tax laws. In particular, we are referring to the rationalization of stamp duties, comprehensive taxation of the financial sector (banks and insurance) and telecommunications, the imposition of taxes on e-commerce, and environmental taxation. For all of these issues, research must be conducted in the course of 2014, in order to ensure that appropriate solutions can be proposed and implemented as of early 2015.

17. Modernization of the tax administration is continuing. Following the adoption of the new general tax code, it is important to ensure that the code is properly implemented in order to ensure that the efforts to improve the overall performance of the Senegalese tax system can truly come to fruition. Accordingly, the structural reorganization that began with the creation of the medium-sized enterprises tax center will be completed by end-June 2013, with the establishment of a large enterprises directorate as well as of the interregional operational directorates in Dakar and in a number of other major municipalities. Furthermore, appropriate reforms in the area of human resources—such as the recruitment necessary to eliminate the current shortages—will be implemented.

18. The General Customs Directorate (DGD) is continuing efforts to implement the modernization program defined in the 2011-2013 Strategic Plan. For 2013, targets focus essentially on boosting the DGD’s contribution to government budget resources through optimal mobilization and collection of customs revenues; continuation of the privileged partners program through the granting of personalized and simplified customs clearance procedures for eligible firms; extending the scope of the comprehensive GAINDE program to include border offices after the main Dakar offices; integration of special modules (*modules-métiers*) in GAINDE, with a view to pursuing further efforts to continue the computerization of administrative and customs procedures which took effect on March 11, 2013. The completion and submission to Parliament of the draft reform of the customs code have been rescheduled until September 30, 2013, in order to allow for wider-ranging consultations with the private sector. The midterm evaluation of the strategic plan showed that the planned actions had recorded a rate of execution of 51 percent. The final evaluation, scheduled for early 2014, will make it possible to review the reforms undertaken and to identify the way forward.

D. Strengthen Public Financial Management and Governance

19. Efforts to improve public financial management are continuing. Quarterly budget execution reports, specified by the new organic law on budget laws, will be produced for the year 2013, transmitted periodically to the national Assembly, and published on the dedicated website at the Ministry of finance. The first report is now available. The new WAEMU directives on government finance have been fully transposed into domestic positive law. They will be implemented progressively in with test stages to consolidate the results achieved. An implementation plan will be prepared by end-July 2013 and will be shared with Fund staff. With particular reference to the Transparency Code, work to identify its impact on the existing legal framework will be completed in 2013 with a view to ensuring its effective implementation as of early 2014, following adoption of a law on the disclosure of assets. The draft budget execution law for 2011 was prepared and submitted to the Audit Court in early July 2012. However, the provisional report was not transmitted to the government until end-February 2013. Responses to the comments contained in the provisional report have been transmitted to the Audit Court in preparation for the hearings. The draft budget execution law for 2012 is currently being prepared and will be transmitted to the Audit Court by no later than end-June 2013. Supplemental appropriation orders (*décrets d'avances*) will be used in exceptional cases only, in accordance with current regulations. Such decrees will be transmitted to the Finance Commission of the National Assembly upon their signature, in pursuance of the provisions of the 2011 Organic Law on budget laws.

20. Efforts to improve land governance are continuing, in particular through the Urban Property Management Support Project (PAGEF). The purpose of PAGEF is to ensure the availability, reliability, and accessibility of real estate information while rationalizing and ensuring the transparency of the land management framework. These challenges will be addressed through the automation of land and government property procedures. The government's properties will be fully inventoried by end-2014. The inventory of laws on real estate, the establishment of a manual of procedures, and the development of a conceptual model for IT data will be completed by no later than mid-2014, while the automation of procedures will be completed by end-2015.

21. The establishment of the Single Treasury Account (STA) has made progress but is not yet complete. The survey of bank accounts opened by the central government and central government agencies has been carried out. In this context, 3,305 accounts were identified, about half of which will be integrated into the STA framework. The elimination or reduction of bank accounts should now be undertaken. It will nonetheless be preceded by a study pertaining to the impact of such measures on the banking system, which shall be completed by end-June 2013. In the immediate future, the chosen approach will be to maintain for each autonomous structure—except in thoroughly justified exceptional cases—one single bank account financed from deposit accounts at the Treasury on the basis of a duly justified estimate of needs. This account will include agencies' own resources. For accounts that will be retained once the rationalization process is complete, an agreement will be entered into with the banks concerned which inter alia will specify the operating conditions, in particular reporting and sweeping modalities. This process will be completed by end-September 2013. The restructuring of the legal framework for the opening, functioning, and closure of the Treasury deposit accounts of agencies, public entities and related public entities is in progress.

E. Private Sector Development

Energy sector

22. The government adopted a new energy production plan in February 2013. The 2013-2017 plan for developing production facilities is based on an energy policy mix combining coal, natural gas, hydroelectricity, and renewable energies. In addition to the rehabilitation of SENELEC's production facilities, which are in progress, this plan makes provision for the following additional capacities: the Félou hydroelectric power station of 15 MW in 2013, an IPP in the amount of150 MW (liquefied natural gas) in April 2014, the IPP Tobéne (Taiba Ndiaye) of 70 MW in 2014, a coal-fired IPP (Sendou) of 125 MW in April 2015; an import of 80 MW from the natural gas powered plant in Mauritania in October 2015; a coal-fired IPP with Kepco of 250 MW between 2016 and 2017, and renewable energy projects. A standing interministerial committee for monitoring energy projects has been instituted. The coming on stream of these new units will be accompanied, at current oil prices, by the phase-out of the electricity subsidy and will lead over time to lower costs for the user.

23. Implementation of the plan for the operational and financial restructuring of SENELEC, adopted in November 2012, is in progress. The goals that have been set should allow for rehabilitation of the financial situation; restoration of equilibrium between supply and demand, in addition to optimization of management through the combining of the efforts made by the State (consolidating under share capital the balance of cross-claims accruing to the State and accounting for investments made by the State as a capital subsidy) as well as of the savings anticipated by SENELEC (optimization of the various power plants, reduction of network losses, reduction of operating outlays, efforts to combat fraud, improvement of billing and shorter payment processing times). In addition to the execution of the rehabilitation plan by the SENELEC board of directors, the performance contract between the State and SENELEC will be signed in early June 2013 and independently audited.

24. Other reforms are under way or under consideration in the hydrocarbons sector. The Société Africaine de Raffinage (SAR) receives direct or indirect support from the State of about CFAF 40 billion per year. Various options may be considered in order to address this problem; a strategy will be finalized by end-August 2013. Revision of the petroleum code and standard contracts for research and sharing of hydrocarbon production are continuing. The aim is to improve the framework of laws and regulations governing the exploration and production of oil and gas as well as to establish regulations applicable to petroleum operations, while enhancing the attractiveness of the sector (albeit without having recourse to new tax exemptions). The process, which began in February 2013, will be completed in 2013.

Financial sector

25. The updating of the action plan deriving from the recommendations of the national dialogue on credit in 2010 will be completed at end-June 2013. A number of flagship measures in the existing plan have already been implemented, in particular, the preparation of the law on leasing, the taking into account of tax reforms in the new general tax code (Islamic financial products and venture capital), the launching of the body monitoring the quality of financial services, the carrying out of the study on the analysis of the stable portion of demand deposits and special accounts which led to the reduction of the transformation ratio from 75 percent to 50 percent, and the establishment of a formal framework for dialogue. Notwithstanding these efforts, an execution rate of just 31 percent was recorded for the measures under the plan for which a deadline had been set. In order to expedite the implementation of 33 actions (out of a total of 65) not yet implemented, an update of the action plan has begun. The updating is being conducted on a participatory basis with the stakeholders concerned and with a focus on identifying implementation problems.

26. To facilitate access by SMEs to financial services, three instruments are under development. The National Economic Development Bank (BNDE) is expected to be a universal bank, with a minority public stake specifically dedicated to SME financing. The Sovereign Strategic Investment Fund (FONSIS), wholly held by the State and State agencies, would be required invest in projects that are strategic, vital, profitable, and job-creating, support SMEs through a secondary fund, and manage certain government holdings. The purpose of the Priority Investment Guarantee Fund (FONGIP) would be essentially to contribute guarantees for loans granted by financial institutions for projects, including from economic interest associations of women or young people, making investments in priority sectors defined by the government.

Other factors involved in improving the business climate, governance, and competitiveness

27. The emergence of the private sector as an engine of growth requires establishing a business climate conducive to domestic and foreign private investment. For this purpose, the Presidential Investment Council at end-2012 adopted a new three-year (2013-2015) program for improving the business climate and competitiveness, focusing on four strategic pillars: automation of investment-related administrative procedures; strengthening of the competitiveness of the factors of production; assistance to the concerned departments and communication on reforms; promotion of investment with a substantial social impact. This program encompasses 56 priority measures, including approximately 20 urgent measures to be carried out during 2013 with a view to improving Senegal's performance in the forthcoming international rankings. The main measures for 2013 are: implementation of the automatic construction permit procedure (to reduce processing times which are currently 210 days); full automation of the procedure for registering a new business; adoption of the law on the status of small entrepreneurs; revision of the Code of Civil Procedure to ensure expeditious treatment of economic disputes and improved protection for investors; computerization of the clerk of court service. A National Commission on Land Reform has been established to equip Senegal with effective land laws and an efficient land management system.

Program implementation

28. We are requesting a one-year extension of the PSI in order to continue benefiting from Fund assistance in implementing reforms critical to attaining the program objectives. A seventh and an eighth review should therefore be added in 2014 to monitor program implementation.

29. In light of the preceding sections, a number of changes in the program design are in order. End-2013 targets are proposed for the quantitative assessment criteria, including a target of 5.3 percent of GDP for the budget deficit. The ceiling on nonconcessional borrowing would be revised upward by US$300 million to allow for issuance of an international bond on favorable terms. The ceiling on semi-concessional borrowing (financing having a grant element in the range of 15-35 percent) would be raised from CFAF 44 billion to CFAF 67 billion. Indicative targets are proposed for 2014, in addition to new structural benchmarks.

Table 1. Quantitative Assessment Criteria and Indicative Targets for 2011–12

(CFAF billions, unless otherwise specified)

	December 31, 2011			March 31, 2012			June 30, 2012				September 30, 2012			December 31, 2012			
	Prog.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Prel.	Status
Assessment criteria [1]																	
Floor on the overall fiscal balance [2] [3]	-427	-455	not met	*-102*	*-70*	met	-213	-181	-102	met	*-319*	*-145*	met	-425	-420	-420	met
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	500	300	met	500	300	met	500	…	300	met	500	300	met	500	…	300	met
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	met	0	0	met	0	…	0	met	0	0	met	0	…	0	met
Ceiling on government external payment arrears (stock) [4]	0	0	met	*0*	*0*	met	0	…	0	met	*0*	*0*	met	0	…	0	met
Ceiling on the amount of the budgetary float	50	50	met	*50*	*49*	met	50	…	40	met	*50*	*51*	not met	50	…	48	met
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	44	0	met	44	0	met	44	…	0	met	44	0	met	44	…	0	met
Indicative targets																	
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	*20*	*16*	met	*20*	*14*	met	*20*	…	*11*	met	*20*	*24*	not met	*20*	…	*24*	not met
Floor on social expenditure (percent of total spending)	*35*	*37*	met	…	…	…	*35*	…	*35*	met	…	…	…	*35*	…	*41*	met
Maximum upward adjustment of the overall deficit ceiling due to																	
Shortfall in program grants relative to program projections	15	…	…	15	…	…	15	…	-6	…	15	…	…	15	…	-4	…
Shortfall in concessional loans relative to program projections	50	…	…	50	…	…	50	…	-11	…	50	…	…	50	…	-5	…
Shortfall in energy sector and autoroute investment relative to program projections	50	…	…	50	…	…	50	…	-27	…	…	…	…	…	…	…	…
Memorandum items:																	
Program grants	37	37	…	9	…	…	19	…	13	…	28	…	…	48	…	52	…
Concessional loans	210	175	…	52	…	…	105	…	94	…	157	…	…	328	…	323	…
Investment in the energy sector and the autoroute [5]	66	66	…	*44*	…	…	60	…	*33*	…	*122*	…	…	120	…	…	…

[1] Indicative targets for March and September 2012, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.

[2] Cumulative since the beginning of the year.

[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.

[4] Monitored on a continuous basis.

[5] Investment in the autoroute plus investment under the plan Takkal financed from internal and external concessional resources.

Table 2. Quantitative Assessment Criteria and Indicative Targets for 2012–13

	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(CFAF billions, unless otherwise specified)				
	Prog.	Prog.	Prog.	Prog.	Prog.
Assessment criteria [1]					
Floor on the overall fiscal balance [2] [3]	-425	*-101*	-203	*-304*	-406
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	500	500	800	800	800
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	0	0	0
Ceiling on government external payment arrears (stock) [4]	0	*0*	0	*0*	0
Ceiling on the amount of the budgetary float	50	*50*	50	*50*	50
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	44	44	67	67	67
Indicative targets					
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	20	*20*	*20*	*20*	*20*
Floor on social expenditures (percent of total spending)	35	…	*35*	…	*35*
Maximum upward adjustment of the overall deficit ceiling owing to					
Shortfall in program grants relative to program projections	15	15	15	15	15
Excess in concessional loans relative to program projections	50	50	50	50	50
Memorandum items:					
Program grants	48	10	19	29	38
Concessional loans	328	52	104	156	208

[1] Indicative targets for March and September, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.

[2] Cumulative since the beginning of the year.

[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.

[4] Monitored on a continuous basis.

Table 3. Quantitative Assessment Criteria and Indicative Targets for 2013–14

	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(CFAF billions, unless otherwise specified)				
	Prog.	Prog.	Prog.	Proj.	Proj.
Assessment criteria [1]					
Floor on the overall fiscal balance [2] [3]	-406	*-94*	-189	*-283*	-377
Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the government (in US$ millions) [4]	800	800	800	800	800
Ceiling on spending undertaken outside normal and simplified procedures [4]	0	0	0	0	0
Ceiling on government external payment arrears (stock) [4]	0	*0*	0	*0*	0
Ceiling on the amount of the budgetary float	50	*50*	50	*50*	50
Ceiling on nonconcessional debt with a minimum grant element of 15 percent [4]	67	67	67	67	67
Indicative targets					
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	20	*20*	*20*	*20*	*20*
Floor on social expenditures (percent of total spending)	35	…	*35*	…	*35*
Maximum upward adjustment of the overall deficit ceiling owing to					
Shortfall in program grants relative to program projections	15	15	15	15	15
Excess in concessional loans relative to program projections	50	50	50	50	50
Memorandum items:					
Program grants	38	10	21	31	42
Concessional loans	208	64	129	193	257

[1] Indicative targets for March and September, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions. Indicative targets shown in italics.
[2] Cumulative since the beginning of the year.
[3] The ceiling on the overall fiscal deficit will to be adjusted in line with the TMU definition.
[4] Monitored on a continuous basis.

Table 4: Structural Benchmarks

Measures	MEFP §	Implementation date	Benchmark for review	Macroeconomic importance	Status
INCREASE TAX REVENUE, IMPROVE THE QUALITY OF EXPENDITURE AND DEBT MANAGEMENT					
Prepare an investment evaluation guide	24 (prev. MEFP)	December 31, 2012	5th	Improve quality of government expenditure	Met
Submit new Customs Code to Parliament	18	Rescheduled to September 30, 2013	6th	Increase the government resources and encourage private sector development	Ongoing
CONSOLIDATE PROGRESS IN PUBLIC FINANCIAL MANAGEMENT					
Publish information on transactions pertaining the State's private property	5	January 31, 2013	5th	Strengthen fiscal transparency	Met, with a delay (March 2013)
Finalize the Treasury Single Account	21	February 28, 2013	5th	Strengthen fiscal transparency	Not met, but progress made
Produce a plan to restructure all agencies and comparable entities	22 (prev. MEFP)	July 31, 2013	6th	Strengthen public financial management	Ongoing
Roll out the new payroll management software	12	August 31, 2013	6th	Strengthen public financial management	Ongoing
Use cost-benefit assessment for investment projects exceeding CFAF 10 billion to be included in the budget for 2014	24 (prev. MEFP)	July 31, 2013	6th	Improve efficiency of government expenditure	Ongoing
Submit to the Assembly a draft law on disclosure of assets	19	January 1, 2014	7th	Strengthen fiscal transparency	New
PROMOTE PRIVATE SECTOR DEVELOPMENT BY IMPROVING THE BUSINESS CLIMATE, ENHANCING GOVERNANCE, AND ACHIEVING GREATER EFFICIENCY IN THE ENERGY SECTOR					
Roll out on-line filing and on-line payment of taxes for large enterprises	17	June 30, 2013	6th	Enhance efficiency of government and improve the business climate	Ongoing
Roll out on-line filing and on-line payment of taxes for all tax payers in the Dakar area	17	January 1, 2014	7th	Enhance efficiency of government and improve the business climate	New

Attachment II: Technical Memorandum of Understanding

Dakar, June 3, 2013

1. This technical memorandum of understanding (TMU) defines the quantitative assessment criteria, indicative targets, and structural benchmarks on the basis of which the implementation of the Fund-supported program under the Policy Support Instrument (PSI) will be monitored in 2011–2014. The TMU also establishes the terms and time frame for transmitting the data that will enable Fund staff to monitor program implementation.

Program Conditionality

2. The quantitative assessment criteria for end-June 2013 and end-December 2013, the quantitative targets for end-September 2013 and for 2014, are shown in Tables 1 and 2 of the MEFP, respectively. The prior actions and structural benchmarks established under the program are presented in Table 3.

Definitions, Adjusters, and Data Reporting

A. The Government

3. Unless otherwise indicated, "government" means the central administration of the Republic of Senegal and does not include any local administration, the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).

B. Overall Fiscal Balance (Program Definition)

Definition

4. The overall fiscal balance including grants (program definition) is the difference between the government's total revenue (revenue and grants) and total expenditure and net lending. The operations of the Energy Sector Support Fund (FSE) are integrated in the government flow-of-funds table (TOFE). The revenues exclude privatization receipts and sales of mobile phone licenses or of any other state-owned assets. Government expenditure is defined on the basis of payment orders accepted by the Treasury (dépenses ordonnancées prises en charge par le Trésor) and expenditures executed with external resources. This assessment criterion is set as a floor on the overall fiscal balance including grants as of the beginning of the year.

Example

5. The floor on the overall fiscal balance including grants (program definition) as of December 31, 2012, is minus CFAF 425.4 billion. It is calculated as the difference between total government revenue (CFAF 1,723.2 billion) and total expenditure and net lending (CFAF 2,148.7 billion).

Adjustment

6. The overall fiscal balance including grants is adjusted downward by the amount that budget grants fall short of program projections up to a maximum of CFAF 15 billion at current exchange rates (see MEFP Tables 1and 2).

7. The overall fiscal balance including grants is adjusted downward/upward by the amount that concessional loans exceed/fall short of their programmed amount, up to a maximum of CFAF 50 billion at current exchange rates (see MEFP, Tables 1 and 2). For the purposes of this assessment criterion, concessional loans denominated in CFAF and in foreign currency are taken into account.

Reporting requirements

8. During the program period, the authorities will report provisional data on the overall fiscal balance (program definition) and its components monthly to Fund staff with a lag of no more than 30 days. Data on revenues and expenditure that are included in the calculation of the overall fiscal balance, and on expenditure financed with HIPC- and MDRI- related resources, will be drawn from preliminary Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but not later than two months after the reporting of the provisional data.

C. Social Expenditure

Definition

9. Social spending is defined as spending on health, education, the environment, the judicial system, social safety nets, sanitation, and rural water supply. This criterion is set as a floor in percent relative to total spending (including the FSE) excluding capital expenditure related to the extension of the autoroute and the investment projects of the power sector reform plan.

Reporting requirements

10. The authorities will report semiannual data to Fund staff within two months following the end of each period.

D. Budgetary Float

Definition

11. The budgetary float (instances de paiement) is defined as the outstanding stock of government expenditure for which bills have been received and validated but not yet paid by the Treasury (the difference between dépenses liquidées and dépenses payées). The assessment criterion is set as a ceiling on the budgetary float, monitored at the end of the quarter.

Reporting requirements

12. The authorities will transmit to Fund staff on a weekly basis (i.e., at the end of each week), and at the end of each month, a table from the expenditure tracking system (SIGFIP) showing all committed expenditures (dépenses engagées), all certified expenditures that have not yet been cleared for payment (dépenses liquidées non encore ordonnancées), all payment orders (dépenses ordonnancées), all payment orders accepted by the Treasury (dépenses prises en charge par le Trésor), and all payments made by the Treasury (dépenses payées). The SIGFIP table will exclude delegations for regions and embassies. The SIGFIP table will also list any payments that do not have a cash impact on the Treasury accounts.

E. Spending Undertaken Outside Simplified and Normal Procedures

13. This assessment criterion is applied on a continuous basis to any procedure other than the normal and simplified procedures to execute spending. It excludes only spending undertaken on the basis of a supplemental appropriation order (décret d'avance) in cases of absolute urgency and need in the national interest, in application of Article 12 of the Organic Budget Law. Such spending requires the signatures of the President of the Republic and Prime Minister.

14. The authorities will report any such procedure, together with the SIGFIP table defined in paragraph 12, to Fund staff on a monthly basis with a maximum delay of 30 days.

F. Government External Payments Arrears

Definition

15. External payments arrears are defined as the sum of payments owed and not paid on the external debt contracted or guaranteed by the government. The definition of external debt given in paragraph 18 is applicable here. The assessment criterion on external payments arrears will be monitored on a continuous basis.

Reporting requirements

16. The authorities will promptly report any accumulation of external payments arrears to Fund staff.

G. Contracting or Guaranteeing of New Nonconcessional External Debt by the Government

17. Definition of debt. For the purposes of the relevant assessment criteria, the definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)).

a) The term "debt" will be understood to mean a direct, i.e., non-contingent, liability created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a given repayment schedule; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

   i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
   ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
   iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

b) Under the definition of debt above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

18. **Debt guarantees**. For the purposes of the relevant assessment criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

19. **Debt concessionality**. For the purposes of the relevant assessment criteria, a debt is considered concessional if it includes a grant element of at least 35 percent;[1] the grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[2] The discount rates used for this purpose are the currency-specific commercial interest reference rates (CIRRs), published by OECD[3] For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more) are added to the ten-year and six-month CIRR averages.

20. **External debt.** For the purposes of the relevant assessment criteria, external debt is defined as debt borrowed or serviced in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.

21. **Debt-related assessment criteria.** The relevant assessment criteria apply to the contracting and guaranteeing of new nonconcessional external debt by the government, local governments, SENELEC, the Energy Sector Support Fund (FSE), and any other public or government-owned entity. The criteria apply to debt and commitments contracted or guaranteed for which value has not yet been received. The criteria also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. The assessment criteria are measured on a cumulative basis from the time of approval of the PSI by the Executive Board. ACs will be monitored on a continuous basis. No adjuster will be applied to these criteria.

22. **Special provisions**:

a) The assessment criteria do not apply to: (i) debt rescheduling transactions of debt existing at the time of the approval of the PSI; (ii) debt contracted by the airport project company (AIBD) to finance construction of the new Dakar Airport; and (iii) short-term external debt (maturity of less than one year) contracted by SENELEC to finance the purchase of petroleum products.

b) A total ceiling of US$800 million applies over the period 2011–14 for nonconcessional external debt financing to be used for investment projects, including in

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[1] The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

[2] The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[3] For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

road infrastructure, the energy sector, and urban water and sanitation, and to reduce the recourse to regional market financing. Following the issuance of a Eurobond in May 2011, with an exchange offer for the outstanding 2009 Eurobond, the remaining ceiling for non-concessional borrowing for 2013–14 is US$500 million.

c) A separate ceiling equivalent to CFAF 67 billion in 2011–14 applies for untied nonconcessional external debt financing with a grant element of at least 15 percent. Projects financed in this way would be expected to meet the same economic and social profitability criteria as other capital spending. The government will inform Fund staff in a timely manner before contracting any debt of this type and will provide sufficient information ahead of time to verify the degree of concessionality. It will also provide a brief summary of the projects to be financed and their profitability, including an evaluation by the lender or the government. The government will report the use of funds and project implementation in subsequent MEFPs.

Reporting requirements

23. The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

H. Public Sector Contracts Signed by Single Tender

Definition

24. Public sector contracts are administrative contracts, drawn up and entered into by the government or any entity subject to the procurement code, for the procurement of supplies, delivery of services, or execution of work. Public sector contracts are considered "single-tender" contracts when the contracting agent signs the contract with the chosen contractor without competitive tender. The quarterly indicative target will apply to total public sector contracts entered into by the government or any entity subject to the procurement code. The ceiling on contracts executed by single tender will exclude fuel purchases by SENELEC for electricity production. This exclusion reflects new regulation, which requires SENELEC to buy fuel directly from SAR based on the existing price structure.

Reporting requirements

25. The government will report quarterly to Fund staff, with a lag of no more than one month from the end of the observation period, the total value of public sector contracts and the total value of all single-tender public sector contracts.

Additional Information for Program Monitoring

26. The authorities will transmit the following to Fund staff, in electronic format if possible, with the maximum time lags indicated:

(a) 3 days after adoption: any decision, circular, edict, supplemental appropriation order, ordinance, or law having economic or financial implications for the current program. This includes in particular all acts that change budget allocations included in the budget law being executed (for instance: supplemental appropriation orders (*décrets d'avance*), cancellation of budget appropriations (*arrêtés d'annulation de crédit budgétaires*) and orders or decisions creating supplemental budget appropriations (*décrets ou arrêtés d'ouverture de crédit budgétaire supplémentaire*).

(b) With a maximum lag of 30 days, preliminary data on:

Tax receipts and tax and customs assessments by categories, accompanied by the corresponding revenue on a monthly basis;

The monthly amount of expenditures committed, certified, and for which payment orders have been issued;

The monthly situation of checks issued by agencies from their deposit accounts at the Treasury but not paid to beneficiaries, with the dates of issuance of the checks.

The quarterly report of the Debt and Investments Directorate (DDI) on the execution of investment programs;

The monthly preliminary government financial operations table (TOFE) based on the Treasury accounts;

The provisional monthly balance of the Treasury accounts; and

Reconciliation tables between the SIGFIP table and the consolidated Treasury accounts, between the consolidated Treasury accounts and the TOFE for "budgetary revenues," between the consolidated Treasury accounts and the TOFE for "total expenditure and net lending," and between the TOFE and the net government position (NGP), on a quarterly basis.

(c) Final data will be provided as soon as the final balances of the Treasury accounts are available, but not later than one month after the reporting of provisional data.

27. During the program period, the authorities will transmit to Fund staff provisional data on current nonwage noninterest expenditures and domestically financed capital expenditures executed through cash advances on a monthly basis with a lag of no more than 30 days. The data will be

drawn from preliminary consolidated Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but no more than one month after the reporting of provisional data.

28. The central bank will transmit to Fund staff:

The monthly balance sheet of the central bank, with a maximum lag of one month;

The consolidated monthly balance sheet of banks with a maximum lag of two months;

The monetary survey, on a monthly basis, with a maximum lag of two months;

The lending and deposit interest rates of commercial banks, on a monthly basis; and

Prudential supervision and financial soundness indicators for bank financial institutions, as reported in the Table entitled *Situation des Etablissements de Crédit vis-à-vis du Dispositif Prudentiel* (Survey of Credit Institution Compliance with the Prudential Framework), on a quarterly basis, within a maximum delay of two months.

29. The government will update on a monthly basis on the website established for this purpose the following information:

a) Preliminary TOFE and transition tables with the delay of 2 months.

b) SIGFIP execution table, the table for the central government and a summary table including regions, with the delay of 2 weeks

c) The amount of the airport tax collected, deposited in the escrow account, and used for the repayment of the loan financing the construction of the new airport, with the delay of 1 month.

d) Full information on: (i) the operations of Energy Sector Support Fund (FSE); (ii) investment projects in the power sector; (iii) planning and execution of these projects; (iv) details of financing and updated costs; and (v) the balance of the escrow account with the resources of the Eurobond issued in 2011 (within 3 weeks).

SENEGAL

FIFTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR PROGRAM EXTENSION AND MODIFICATION OF ASSESSMENT CRITERIA—DEBT SUSTAINABILITY ANALYSIS

June 4, 2013

Approved By
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Prepared by the staffs of the International Monetary Fund and the International Development Association

Senegal continues to face a low risk of debt distress, although the external outlook has worsened somewhat since the previous assessment. A slightly larger fiscal deficit in 2013, expected to be financed in part by a new $500 million Eurobond, should lead to a marginal deterioration in external public debt ratios, while at the same time reducing financing risks and lengthening the average maturity of overall debt. To maintain the low risk rating, Senegal will need to sustain its fiscal consolidation efforts in the medium term, approach nonconcessional borrowing with caution, and continue to improve debt management capacity.[1]

[1] The DSA presented in this document is based on the Debt Sustainability Framework (DSF) for low-income countries (LICs). See "Debt Sustainability in Low-Income Countries—Proposal for an Operational Framework and Policy Implications" and "Debt Sustainability in Low-Income Countries—Further Considerations on an Operational Framework and Policy Implications."

UNDERLYING ASSUMPTIONS

1. **This debt sustainability analysis (DSA) updates the joint IMF-World Bank DSA produced in November 2012 for the Fourth Review under the Policy Support Instrument (PSI).**[2] The last DSA found that, although the risk of debt distress was low, vulnerabilities had increased since Senegal benefited from comprehensive debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), as evidenced by a steady increase in public debt ratios. Key changes to macroeconomic assumptions since the last DSA area as follows:

- Real GDP growth is expected to be marginally lower over the medium term, while long-term growth projections are essentially unchanged.
- The 2013 and 2014 fiscal deficits have been revised upward, reflecting a slightly slower pace of fiscal consolidation to accommodate the impact of exogenous shocks. Projected fiscal deficits beyond 2014 are essentially unchanged.
- Medium- and long-term current account deficit projections have been revised upward following much higher-than-expected imports in 2011 and 2012.

Evolution of selected macroeconomic indicators

	2011	2012	2013	2014	2015	Long term 1/
Real GDP growth						
Current DSA	2.6	3.5	4.0	4.6	4.7	5.3
Previous DSA	2.6	3.7	4.3	4.8	5.0	5.2
Overall fiscal deficit (percent of GDP)						
Current DSA	6.7	5.9	5.3	4.6	3.9	2.8
Previous DSA	6.7	5.9	4.9	4.3	3.9	2.7
Current account deficit (percent of GDP)						
Current DSA	7.9	10.3	9.3	8.7	8.3	7.6
Previous DSA	6.1	7.6	7.1	6.7	6.3	5.3

1/ Defined as the last 15 years of the projection period. For the current DSA, the long term covers the years 2019-2033; for the previous DSA, it covers 2018-2032.

[2] See "Staff Report for the 2012 Article IV Consultation, Fourth Review Under the Policy Support Instrument, and Request for Modification of an Assessment Criterion—Debt Sustainability Analysis" for a more complete discussion of the macroeconomic assumptions in the DSA.

- The government is expected to issue a new 10-year, $500 million Eurobond this year at an interest rate of about 6 percent, in line with current yields on the 2011 Eurobond.[3] The previous DSA had assumed a $200 million Eurobond in 2013 on the same terms as the 2011 Eurobond (10-year maturity, 8.75 percent interest rate).

- The assumption in the last DSA that Senegal will borrow 0.5 percent of GDP per year on nonconcessional terms starting in 2014 has been shifted to 2016, reflecting the anticipated frontloading of nonconcessional borrowing in 2013.

- Over the period 2013-2014, Senegal is expected to borrow CFAF 67 billion (about $136 million) in external debt with a grant element of between 15 and 35 percent, upwardly revised from CFAF 44 billion and consistent with the new ceiling in the program.

2. Another key change compared to the last DSA is the presentation of remittances-based debt indicators in the base case. According to new guidance issued in March 2013, 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.[4] Over the period 2010-2012, remittances in Senegal equaled, on average, 52 percent of exports of goods and services and 13 percent of GDP. Gross remittances inflows continued to show resilience in the face of the crisis in Europe, growing 6.1 percent in 2012 in local currency terms.

EXTERNAL DSA

3. Public and publicly guaranteed (PPG) external debt ratios remain comfortably below indicative thresholds in the baseline scenario, but stress tests lead to breaches of two thresholds (Figure 1a and Table 1a). The PV of debt to the sum of GDP and remittances breaches the threshold under a stress test simulating a one-time 30-percent depreciation of the exchange rate. The breach lasts for 13 years but is relatively small (less than 2 percentage points at its peak).[5] The same threshold is breached under a scenario where borrowing terms are less favorable than under the baseline scenario, but the breach is even smaller and of shorter duration. The debt service-to-revenue threshold is breached by a small margin in 2021 under the one-time 30-percent depreciation shock. The spikes in debt service in 2021 and 2023 reflect the repayment of the 10-year Eurobonds issued in 2011 and 2013.

4. The slightly worse outlook for PPG external debt compared to the last DSA can be attributed in part to the expected 2013 Eurobond issuance. The authorities' intention to issue a $500 million Eurobond this year, rather than a $200 million bond as assumed in the last DSA, is motivated

[3] The authorities plan to obtain technical assistance from IDA to help them prepare for raising financing from international capital markets.

[4] Both ratios should be measured on a backward-looking, three-year average basis.

[5] As noted in the previous DSA, the exchange rate shock is arguably overstated in the case of Senegal in light of the peg to the euro, which is guaranteed by the French Treasury, and the relatively large percentage of Senegal's public external debt stock denominated in euro and SDR (which is partially linked to the euro).

by their desire to have an issue large enough to be included in international bond indexes, which allows for higher liquidity and therefore a lower interest rate, and by their objective of lengthening the average maturity of public debt. Substituting resources from a 10-year Eurobond for short-term financing in local currency from the WAEMU market would significantly lengthen the average maturity at issuance of new financing without significantly affecting the interest cost.[6] This switching from domestic to external debt, combined with a slightly slower pace of fiscal consolidation and downwardly revised GDP growth projections, is projected to lead to a marginal deterioration in PPG external debt ratios compared to the last DSA.

PUBLIC DSA

5. Indicators of overall public debt (external plus domestic) and debt service do not point to significant vulnerabilities related to the level of domestic debt (Figure 2 and Table 2a). In the baseline scenario, the PV of total public debt to GDP and the PV of total public debt to revenue are expected to decline gradually over time. The PV of public debt to GDP peaks at 44 percent, well below the benchmark level of 56 percent associated with heightened public debt vulnerabilities for medium performers.[7] Stress tests, however, indicate that the path of public debt would reach unsustainable levels 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, starting with the level projected in 2013, the PV of public debt to GDP grows rapidly, breaching the 56 percent benchmark level in 2023. The benchmark level is also breached in the historical scenario (holding real GDP growth and the primary deficit constant at their historical levels). These stress tests highlight the importance of reducing fiscal deficits and raising potential output growth.

6. The limited development of the WAEMU financial market poses financing risks. The short average maturity of domestic debt (slightly over one year) continues to be a source of vulnerability, as it exposes the government to significant rollover and interest rate risks in an unreliably liquid regional market. In that regard, the 2013 Eurobond issuance—which is expected to carry an interest rate similar to what Senegal is paying on one-year Treasury bills—should help reduce financing risks in 2013 and beyond, albeit at the expense of increasing exchange rate risk.

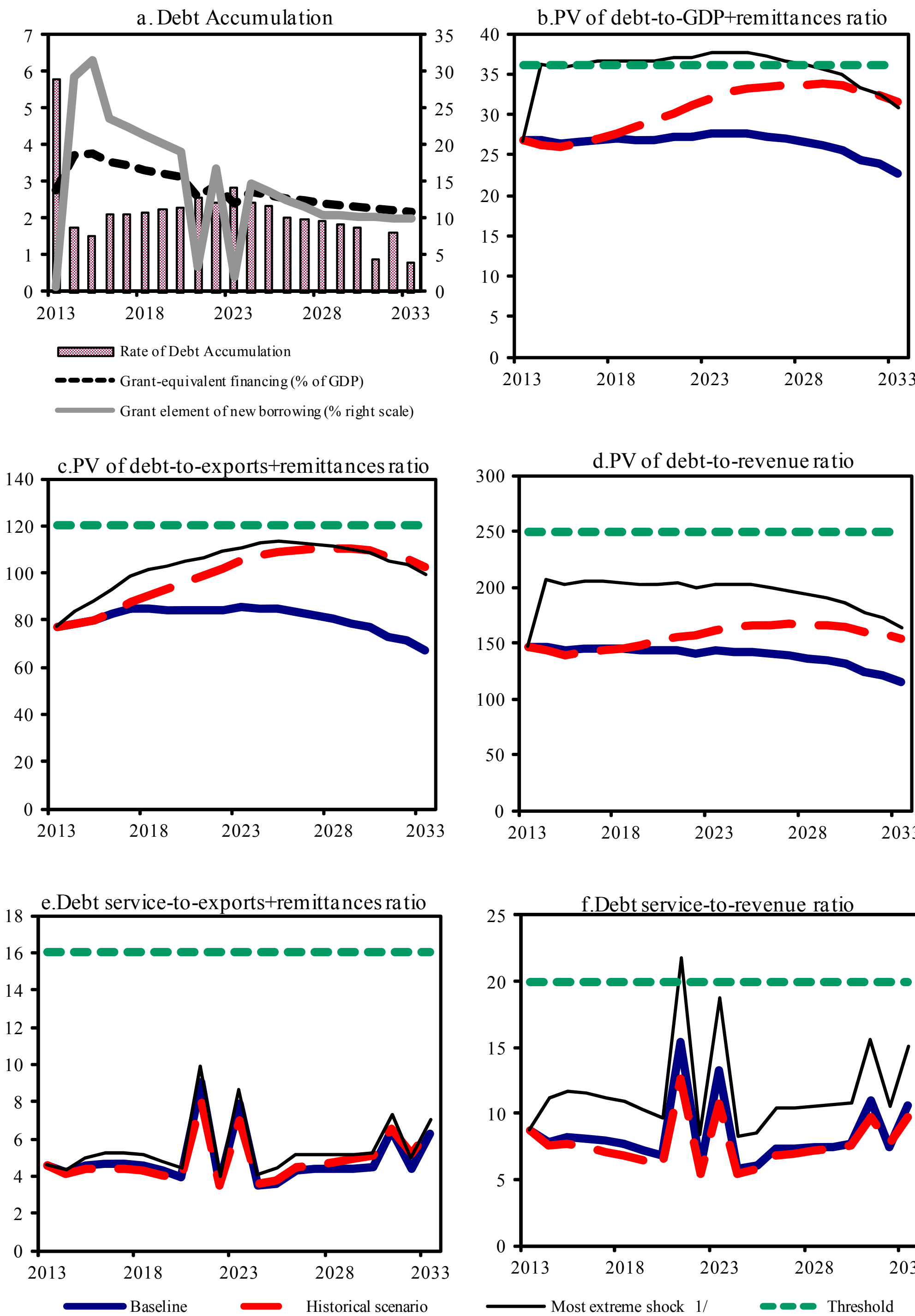
[6] The authorities were initially planning to issue CFAF 538 billion on the regional market in 2013, with an average maturity at issuance of about 1.5 years. With the 10-year Eurobond expected to substitute for CFAF 145 billion and the remaining CFAF 393 billion issued on the market expected to have an average maturity at issuance of about 2 years, the average maturity of the whole CFAF 538 billion would increase by about 2 years. The current yields on short-term local currency debt and the 2011 Eurobond are comparable, at about 5.5 percent. Issuing in US dollars, however, increases the exchange rate risk.

[7] See Revisiting the Debt Sustainability Framework for Low-Income Countries for a discussion of public debt benchmarks. Senegal's three-year average CPIA score is 3.71, which places the country at the upper end of the medium policy performance category. Senegal's CPIA score has increased every year since 2008.

CONCLUSION

7. In staff's view, Senegal continues to face a low risk of debt distress, despite a marginal deterioration in the outlook for PPG external debt. Although stress tests result in two breaches of thresholds in the external DSA, the overall picture is more balanced. The 2013 Eurobond, while pushing up PPG external debt ratios, should help reduce vulnerabilities associated with short-term domestic debt, consistent with the authorities' medium-term debt strategy. To maintain debt sustainability and avoid a downgrade to moderate risk, it will be critical to reduce fiscal deficits from levels seen in recent years. While Senegal is expected to gradually shift to nonconcessional external borrowing as it moves toward emerging market status, it should approach such borrowing with caution given current debt levels and the sensitivity of debt indicators to less favorable borrowing terms. Further improvements in debt management capacity can also help consolidate the low risk rating. Indeed, if recent trends in Senegal's CPIA score continue, Senegal stands to be upgraded to the strong performer category next year and will face higher indicative thresholds for PPG external debt.

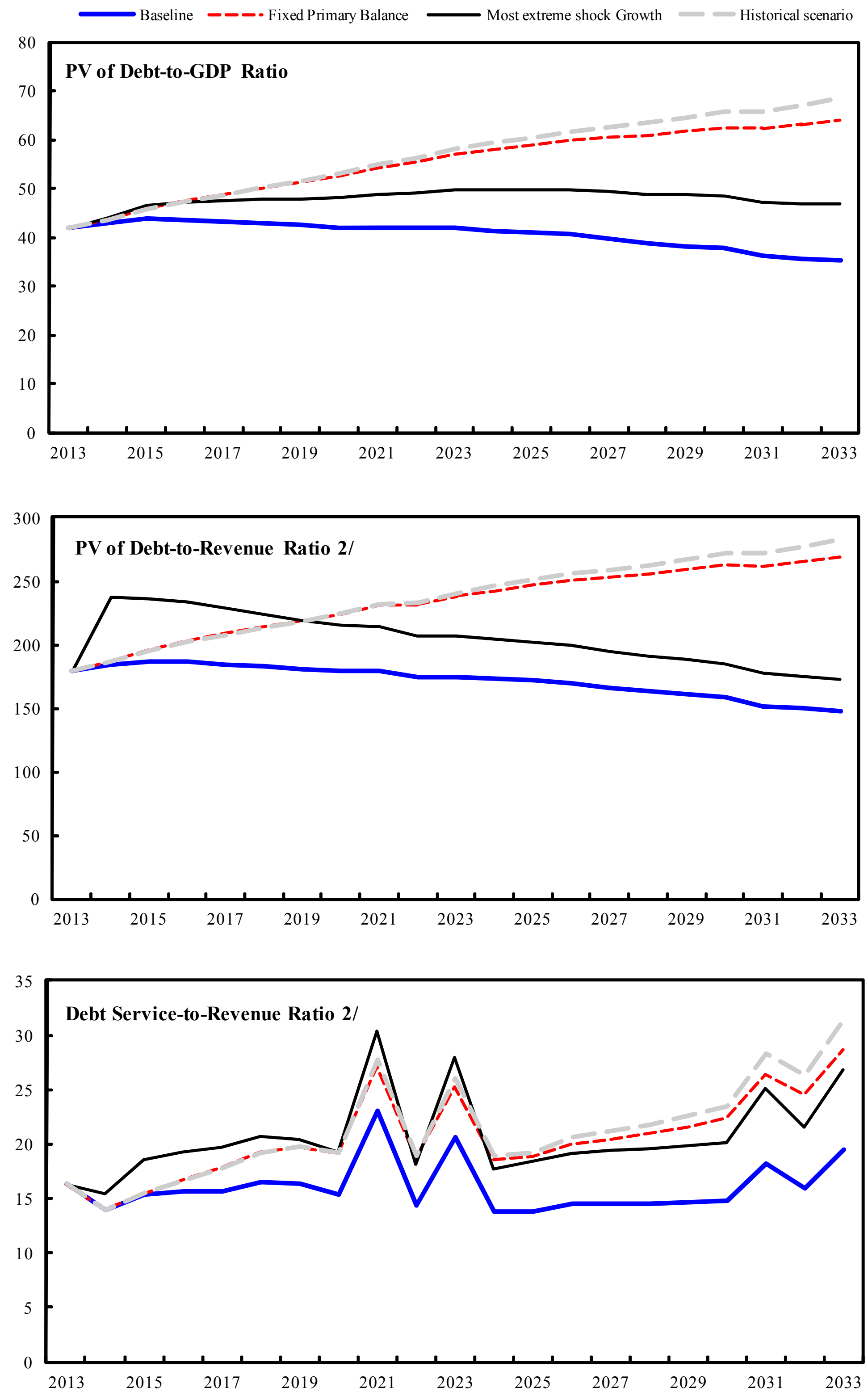
Figure 1a. Senegal: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios (with Remittances), 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms 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 Debt Under Alternative Scenarios, 2013-2032 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2013-2033 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average	0 Standard Deviation	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) 1/	**53.4**	**53.8**	**57.6**			**60.5**	**61.6**	**61.9**	**62.5**	**62.6**	**62.6**		**61.5**	**53.5**	
o/w public and publicly guaranteed (PPG)	27.5	28.8	30.5			33.9	34.5	34.8	35.4	35.9	36.4		36.5	29.0	
Change in external debt	2.7	0.4	3.7			2.9	1.1	0.3	0.6	0.1	0.0		-0.2	-1.7	
Identified net debt-creating flows	2.0	0.0	9.7			5.0	4.1	3.7	3.4	3.1	2.8		2.8	3.1	
Non-interest current account deficit	**3.9**	**7.1**	**9.7**	**8.2**	**2.9**	**8.6**	**8.0**	**7.6**	**7.4**	**7.0**	**6.8**		**6.9**	**7.2**	7.0
Deficit in balance of goods and services	15.5	18.2	21.1			19.5	18.9	18.5	17.8	17.2	16.9		17.0	17.2	
Exports	25.0	26.2	26.2			26.1	25.4	24.8	24.3	23.9	24.1		24.8	26.2	
Imports	40.5	44.4	47.3			45.5	44.3	43.2	42.2	41.1	41.0		41.8	43.4	
Net current transfers (negative = inflow)	-12.1	-12.2	-12.4	-10.4	2.2	-11.9	-11.6	-11.3	-10.8	-10.4	-10.4		-10.3	-10.2	-10.3
o/w official	-0.5	-0.9	-0.9			-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		-0.4	-0.3	
Other current account flows (negative = net inflow)	0.5	1.1	1.0			1.0	0.7	0.4	0.4	0.2	0.2		0.2	0.2	
Net FDI (negative = inflow)	**-2.1**	**-2.0**	**-2.1**	**-1.7**	**0.7**	**-2.1**	**-2.0**	**-1.9**	**-1.8**	**-1.7**	**-1.7**		**-1.7**	**-1.7**	-1.7
Endogenous debt dynamics 2/	**0.1**	**-5.0**	**2.1**			**-1.4**	**-1.9**	**-2.0**	**-2.1**	**-2.2**	**-2.3**		**-2.3**	**-2.4**	
Contribution from nominal interest rate	0.5	0.8	0.7			0.7	0.7	0.7	0.7	0.7	0.7		0.7	0.5	
Contribution from real GDP growth	-2.2	-1.2	-2.0			-2.1	-2.6	-2.7	-2.9	-3.0	-3.0		-3.0	-2.9	
Contribution from price and exchange rate changes	1.8	-4.6	3.4			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**0.7**	**0.4**	**-6.0**			**-2.1**	**-3.0**	**-3.4**	**-2.8**	**-3.1**	**-2.8**		**-3.0**	**-4.7**	
o/w exceptional financing	1.6	-0.9	-1.7			-0.2	-0.2	-0.2	-0.2	-0.2	-0.2		-0.1	0.0	
PV of external debt 4/	...	...	53.7			56.9	57.2	56.8	56.9	56.6	56.3		55.7	49.8	
In percent of exports	...	...	204.8			218.3	225.1	229.6	233.9	236.5	233.8		225.1	190.3	
PV of PPG external debt	**...**	**...**	**26.6**			**30.3**	**30.1**	**29.7**	**29.9**	**29.9**	**30.1**		**30.8**	**25.3**	
In percent of exports	**...**	**...**	**101.6**			**116.2**	**118.6**	**120.1**	**122.7**	**125.2**	**124.8**		**124.2**	**96.5**	
In percent of government revenues	**...**	**...**	**130.6**			**146.5**	**146.5**	**143.3**	**145.0**	**144.7**	**144.1**		**142.6**	**115.2**	
Debt service-to-exports ratio (in percent)	**19.1**	**17.0**	**10.6**			**10.0**	**9.5**	**9.1**	**8.3**	**7.8**	**7.7**		**11.8**	**8.6**	
PPG debt service-to-exports ratio (in percent)	**5.7**	**13.2**	**7.2**			**6.9**	**6.3**	**6.9**	**6.9**	**6.8**	**6.7**		**11.5**	**8.9**	
PPG debt service-to-revenue ratio (in percent)	**7.4**	**17.2**	**9.3**			**8.7**	**7.8**	**8.2**	**8.1**	**7.9**	**7.7**		**13.2**	**10.6**	
Total gross financing need (Billions of U.S. dollars)	0.9	1.4	1.5			1.4	1.4	1.4	1.4	1.4	1.5		2.5	5.1	
Non-interest current account deficit that stabilizes debt ratio	1.2	6.7	5.9			5.7	6.9	7.3	6.8	7.0	6.7		7.1	8.8	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.3	2.6	3.5	4.2	1.6	4.0	4.6	4.7	4.9	5.1	5.1	4.7	5.2	5.6	5.3
GDP deflator in US dollar terms (change in percent)	-3.5	9.4	-6.0	6.1	9.5	5.6	1.5	1.7	1.6	1.7	1.5	2.3	2.3	2.5	2.4
Effective interest rate (percent) 5/	0.9	1.7	1.2	0.9	0.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.0	1.1
Growth of exports of G&S (US dollar terms, in percent)	3.1	17.7	-2.7	9.8	11.6	9.2	3.5	3.7	4.8	5.0	7.4	5.6	8.3	8.7	8.4
Growth of imports of G&S (US dollar terms, in percent)	-1.4	23.2	3.6	13.7	17.8	5.7	3.4	3.9	4.0	4.1	6.4	4.6	8.2	8.7	8.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	0.6	29.2	31.6	23.7	22.5	21.4	21.5	2.0	9.9	11.6
Government revenues (excluding grants, in percent of GDP)	19.4	20.2	20.4			20.7	20.6	20.8	20.6	20.7	20.9		21.6	21.9	21.6
Aid flows (in Billions of US dollars) 6/	0.7	0.6	0.7			0.7	0.7	0.8	0.9	0.9	0.9		0.9	1.3	
o/w Grants	0.3	0.3	0.4			0.4	0.4	0.5	0.5	0.5	0.5		0.7	1.3	
o/w Concessional loans	0.4	0.2	0.3			0.2	0.3	0.4	0.4	0.3	0.3		0.2	0.0	
Grant-equivalent financing (in percent of GDP) 7/	...	...	...			2.8	3.7	3.8	3.5	3.4	3.3		2.4	2.1	2.6
Grant-equivalent financing (in percent of external financing) 7/	...	...	...			30.7	60.7	62.5	55.8	55.2	54.5		34.3	48.2	47.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	12.9	14.5	14.1			15.5	16.4	17.5	18.6	19.9	21.2		30.7	66.0	
Nominal dollar GDP growth	0.6	12.3	-2.6			9.8	6.1	6.5	6.6	6.8	6.7	7.1	7.7	8.3	7.8
PV of PPG external debt (in Billions of US dollars)			3.8			4.7	4.9	5.2	5.5	5.9	6.4		9.4	16.7	
(PVt-PVt-1)/GDPt-1 (in percent)						5.8	1.7	1.5	2.1	2.1	2.1	2.6	2.8	0.8	2.0
Gross workers' remittances (Billions of US dollars)	1.8	1.9	1.9			2.0	2.1	2.2	2.2	2.2	2.4		3.5	7.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	23.5			26.7	26.7	26.5	26.7	26.9	27.0		27.6	22.7	
PV of PPG external debt (in percent of exports + remittances)	...	...	67.1			77.1	78.8	80.2	82.6	85.0	84.9		85.3	67.4	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	4.8			4.6	4.2	4.6	4.6	4.6	4.6		7.9	6.2	

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

7/ 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 1b.Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt (with Remittances), 2013-2033
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to-GDP+remittances ratio								
Baseline	27	27	26	27	27	27	**28**	23
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	27	26	26	26	27	28	**32**	32
A2. New public sector loans on less favorable terms in 2013-2033 2	27	28	29	30	31	32	**36**	34
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	27	27	27	28	28	28	**29**	23
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	27	28	29	30	30	30	**30**	23
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	27	28	29	29	29	29	**30**	25
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	27	31	34	33	33	33	**32**	24
B5. Combination of B1-B4 using one-half standard deviation shocks	27	30	32	32	32	32	**32**	24
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	27	36	36	36	37	37	**38**	31
PV of debt-to-exports+remittances ratio								
Baseline	77	79	80	83	85	85	**85**	67
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	77	78	80	84	88	91	**105**	103
A2. New public sector loans on less favorable terms in 2013-2033 2	77	84	88	93	99	101	**111**	100
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	77	79	80	82	85	85	**85**	67
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	77	85	96	98	101	100	**99**	74
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	77	79	80	82	85	85	**85**	67
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	77	99	110	102	104	104	**100**	71
B5. Combination of B1-B4 using one-half standard deviation shocks	77	92	99	94	97	96	**94**	69
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	77	79	80	82	85	85	**85**	67
PV of debt-to-revenue ratio								
Baseline	146	146	143	145	145	144	**143**	115
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	146	143	139	142	143	145	**161**	153
A2. New public sector loans on less favorable terms in 2013-2033 2	146	156	157	163	168	172	**185**	170
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	146	149	148	150	150	149	**148**	120
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	146	152	159	161	160	158	**154**	118
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	146	153	158	160	159	159	**157**	127
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	146	166	179	180	178	176	**167**	121
B5. Combination of B1-B4 using one-half standard deviation shocks	146	161	172	173	172	170	**164**	123
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	146	207	203	205	205	204	**202**	164

Table 1b.Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt (with Remittances), 2013-2033 (concluded)
(In percent)

Debt service-to-exports+remittances ratio								
Baseline	5	4	5	5	5	5	**8**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	5	4	4	4	4	4	**7**	7
A2. New public sector loans on less favorable terms in 2013-2033 2	5	4	4	5	5	5	**5**	6
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	5	4	5	5	5	5	**8**	6
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	5	4	5	5	5	5	**9**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	5	4	5	5	5	5	**8**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	5	5	5	5	5	5	**8**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	5	5	5	5	5	5	**8**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	5	4	5	5	5	5	**8**	6
Debt service-to-revenue ratio								
Baseline	9	8	8	8	8	8	**13**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	9	8	8	7	7	7	**11**	10
A2. New public sector loans on less favorable terms in 2013-2033 2	9	8	8	8	8	8	**8**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	9	8	9	8	8	8	**14**	11
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	9	8	8	9	8	8	**13**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	9	8	9	9	9	9	**15**	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	9	8	9	9	9	8	**14**	12
B5. Combination of B1-B4 using one-half standard deviation shocks	9	8	9	9	9	8	**14**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	9	11	12	12	11	11	**19**	15
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	10	10	10	10	10	10	**10**	10

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 an 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 2a.Senegal: Public Sector Debt Sustainability Framework, Baseline Scenario, 2013-2033
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	35.7	40.0	41.6			45.4	47.2	48.8	49.0	49.0	49.1		47.6	38.9	
o/w foreign-currency denominated	27.5	28.8	30.5			33.9	34.5	34.8	35.4	35.9	36.4		36.5	28.3	
Change in public sector debt	1.5	4.3	1.6			3.8	1.8	1.6	0.3	0.0	0.1		-0.4	-0.7	
Identified debt-creating flows	5.7	4.3	2.9			2.8	1.9	1.0	0.6	0.3	0.3		-0.4	-0.6	
Primary deficit	4.2	5.2	4.4	3.5	1.5	3.8	3.0	2.2	2.0	1.8	1.8	2.4	1.6	0.9	1.3
Revenue and grants	22.0	22.4	23.3			23.4	23.3	23.5	23.3	23.3	23.4		23.9	23.8	
of which: grants	2.5	2.2	2.9			2.7	2.7	2.7	2.7	2.6	2.6		2.3	1.9	
Primary (noninterest) expenditure	26.2	27.5	27.6			27.2	26.3	25.7	25.3	25.1	25.2		25.5	24.7	
Automatic debt dynamics	1.8	-0.7	-0.6			-1.0	-1.1	-1.2	-1.4	-1.5	-1.5		-2.0	-1.6	
Contribution from interest rate/growth differential	-0.9	-0.8	-0.5			-0.9	-1.3	-1.5	-1.7	-1.8	-1.7		-2.0	-1.6	
of which: contribution from average real interest rate	0.5	0.1	0.8			0.7	0.7	0.7	0.6	0.6	0.6		0.4	0.6	
of which: contribution from real GDP growth	-1.4	-0.9	-1.4			-1.6	-2.0	-2.1	-2.3	-2.4	-2.4		-2.4	-2.1	
Contribution from real exchange rate depreciation	2.7	0.1	0.0			-0.1	0.2	0.2	0.2	0.2	0.2		...	...	
Other identified debt-creating flows	-0.3	-0.2	-0.9			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	-0.6			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)	-0.3	-0.2	-0.3			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	-4.2	0.1	-1.3			1.0	-0.1	0.6	-0.3	-0.3	-0.2		-0.1	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	37.7			41.8	42.9	43.7	43.4	43.1	42.8		41.8	35.2	
o/w foreign-currency denominated	...	...	26.6			30.3	30.1	29.7	29.9	29.9	30.1		30.8	24.6	
o/w external	...	...	26.6			30.3	30.1	29.7	29.9	29.9	30.1		30.8	25.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	8.2	12.3	12.1			11.6	8.2	9.1	9.3	9.0	9.0		9.2	7.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	162.3			178.9	183.9	186.2	186.8	184.7	182.6		174.9	147.7	
PV of public sector debt-to-revenue ratio (in percent)	…	…	185.1			202.4	208.3	210.6	211.1	208.1	205.1		193.7	160.5	
o/w external 3/	…	…	130.6			146.5	146.5	143.3	145.0	144.7	144.1		142.6	115.2	
Debt service-to-revenue and grants ratio (in percent) 4/	9.8	19.9	15.7			16.3	14.0	15.4	15.6	15.7	16.6		20.7	19.4	
Debt service-to-revenue ratio (in percent) 4/	11.1	22.1	17.9			18.5	15.8	17.4	17.7	17.7	18.6		22.9	21.1	
Primary deficit that stabilizes the debt-to-GDP ratio	2.7	0.8	2.8			0.0	1.2	0.6	1.8	1.8	1.7		2.0	1.6	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.3	2.6	3.5	4.2	1.6	4.0	4.6	4.7	4.9	5.1	5.1	4.7	5.2	5.6	5.3
Average nominal interest rate on forex debt (in percent)	2.1	3.7	2.6	2.4	0.6	2.8	2.6	2.5	2.4	2.4	2.3	2.5	2.1	1.9	2.1
Average real interest rate on domestic debt (in percent)	3.7	3.6	5.4	2.6	3.4	4.6	5.3	5.4	4.5	4.7	4.9	4.9	4.6	8.2	5.0
Real exchange rate depreciation (in percent, + indicates depreciation)	10.4	0.3	-0.1	-2.1	9.9	-0.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.3	4.3	1.7	2.6	2.6	2.2	2.3	2.4	2.4	2.4	2.3	2.3	2.3	2.5	2.4
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	0.6	29.2	31.6	23.7	22.5	21.4	21.5	2.0	9.9	...

Sources: Country authorities; and staff estimates and projections.
1/ The public sector refers to the central government.
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 2b.Senegal: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	42	43	44	43	43	43	42	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	42	44	46	47	49	50	58	68
A2. Primary balance is unchanged from 2013	42	44	46	47	49	50	57	64
A3. Permanently lower GDP growth 1/	42	43	44	44	44	44	46	48
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	42	44	47	47	47	48	50	47
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	42	45	48	48	47	47	45	37
B3. Combination of B1-B2 using one half standard deviation shocks	42	45	48	48	48	48	48	43
B4. One-time 30 percent real depreciation in 2014	42	55	55	54	53	52	49	41
B5. 10 percent of GDP increase in other debt-creating flows in 2014	42	52	53	52	51	51	48	39
PV of Debt-to-Revenue Ratio 2/								
Baseline	179	184	186	187	185	183	175	148
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	179	187	195	202	208	213	241	282
A2. Primary balance is unchanged from 2013	179	187	196	203	209	214	238	269
A3. Permanently lower GDP growth 1/	179	185	188	190	189	189	193	202
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	179	189	197	201	202	203	207	196
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	179	192	206	206	203	200	188	156
B3. Combination of B1-B2 using one half standard deviation shocks	179	191	203	205	205	204	201	181
B4. One-time 30 percent real depreciation in 2014	179	238	236	234	228	224	207	173
B5. 10 percent of GDP increase in other debt-creating flows in 2014	179	224	224	224	220	216	201	163
Debt Service-to-Revenue Ratio 2/								
Baseline	16	14	15	16	16	17	21	19
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	16	14	16	17	18	19	26	31
A2. Primary balance is unchanged from 2013	16	14	15	17	18	19	25	29
A3. Permanently lower GDP growth 1/	16	14	15	16	16	17	22	24
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	16	14	16	17	17	18	23	23
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	16	14	16	18	19	18	21	20
B3. Combination of B1-B2 using one half standard deviation shocks	16	14	16	18	18	18	22	22
B4. One-time 30 percent real depreciation in 2014	16	15	19	19	20	21	28	27
B5. 10 percent of GDP increase in other debt-creating flows in 2014	16	14	17	26	17	20	22	21

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.

INTERNATIONAL MONETARY FUND

SENEGAL

June 4, 2013

FIFTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR PROGRAM EXTENSION AND MODIFICATION OF ASSESSMENT CRITERIA—INFORMATIONAL ANNEX

Prepared By

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

CONTENTS

RELATIONS WITH THE FUND

(As of March 31, 2013)

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	98.85
Reserve Tranche Position	1.88	1.16

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	154.80	100.00
Holdings	130.17	84.09

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ESF Arrangements	121.35	75.00
ECF Arrangements	9.70	6.00

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 1/

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

		Forthcoming			
	2013	**2014**	**2015**	**2016**	**2017**
Principal	1.73	11.56	24.15	25.66	24.27
Charges/Interest	0.02	0.02	0.30	0.24	0.17
Total	1.75	11.58	24.45	25.89	24.44

1/ 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 (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. Such committee was established after the completion of the assessment following the Institutional Reform of the WAMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued. An update assessment was initiated in February 2013.

Exchange System:

Senegal is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, is free of restrictions on the making of payments and transfers for current international transactions. 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 of Member Countries" (Country Report No. 12/59 of March 12, 2012).

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 International Monetary Fund 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. 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 (2008–12):

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

Year	Area	Focus
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	Central government accounting Financial regime of autonomous agencies

B. Headquarters

Department	Date	Form	Purpose
Fiscal Affairs	Jan. 2010	FAD Expert	Review of the expenditure chain
	Feb. 2010	Staff/AFRITAC	Public financial management
	July 2010	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
	Dec. 2010	Staff	Public financial management and accounting (state, PEs, agencies)
	May 2011	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

Department	Date	Form	Purpose
	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
	March 2012	FAD Experts	PIT and Taxation of the Banking and Telecoms Sectors
	July 2012	FAD Experts	Budget Execution, Fiscal Reporting, and Cash Management
	January 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
	March 2013	FAD Experts	Wage Bill Budgeting and Execution Capital expenditure forecasting
	March 2013	FAD experts	Mining and tax exemptions VAT documents and exemptions
Monetary and Capital Markets	Sept. 2010	Staff	Needs assessment
	Jan.-Feb. 2011	Staff/World Bank	Medium-Term Debt Strategy (MDTS)
Statistics	Nov. 2008	Staff	SDDS assessment
	April 2009	Staff	Government finance statistics
	Aug. 2011	Staff	National accounts
	Nov. 2011	Staff	Monetary and financial statistics
Legal	Jan-Feb 2012	Staff	Tax law

Resident Representative

Stationed in Dakar since July 24, 1984; the position has been held by Ms. Valeria Fichera since September 2009.

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 Fourth Follow-Up Report was discussed at GIABA's May 2012 Plenary. It acknowledged the progress achieved and encouraged Senegal to continue making improvements. At the same time, it was agreed that Senegal will submit its Fifth Follow-Up Report to the May 2013 Plenary.

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	Investment project appraisal manual, evaluation of agencies, budget management information systems, internal and external audit, debt management	
	Development policy operation	Governance, education and health reform, energy sector	November 2013 (Board)
	Energy sector dialogue	Senelec performance, investment planning, finances	Ongoing
	Mining sector TA	EITI and regulatory framework	April 2013
	Social protection policy notes	Overview of programs, responses to shocks, targetting	June 2013
	Poverty and gender policy notes	Trends, profile, gender, regional, employment, social sectors	June 2013 (preliminary) October 2013 (final)
	Statistics for Results project	Labor market, services, construction data and capacity-building	June 2013 (approval)
	Debt management TA	Advice on external borrowing	June 2013
	Policy notes for the Consultative Group	Short policy notes on the full range of Bank activities	July 2013
IMF	**IMF-supported program**		
	Fifth PSI Review mission (March 2013)		July 2013 (Board)
	Sixth PSI Review mission (September 2013)		December 2013 (Board)
	Technical Assistance		
	Revenue administration	Six short-term expert visits	FY 2013

	PFM	A resident advisor at the Treasury	Until Sept. 2013
	Statistics	Data Work: SRFs Data Development	May 2013
B. Requests for work program inputs			
Fund request to Bank	Analysis on poverty and inclusive growth	Analytical reports on the 2011 household survey	September 2013
Bank request to Fund	Analysis on mining tax and customs reform	TA reports	June 2013
C. Agreement on joint products and missions			
Joint products	JSAN	National Strategy for Economic and Social Development (NSESD)	June 2013 (Board)
	Joint DSA update	5th PSI Review	May 2013
	Consultative Group	Donor and private sector conference to attract financing for NSESD	October/November 2013

Senegal: Table of Common Indicators Required for Surveillance

(As of May 2013)

	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]	12/2012	03/2013	M	M	M		
Reserve/Base Money	12/2012	03/2013	M	M	M		
Broad Money	12/2012	03/2013	M	M	M	LO, LO, O, O	LO, O, O, LO
Central Bank Balance Sheet	12/2012	03/2013	M	M	M		
Consolidated Balance Sheet of the Banking System	12/2012	03/2013	M	M	M		
Interest Rates[2]	12/2012	03/2013	M	M	M		
Consumer Price Index	03/2013	05/2013	M	M	M	O, LO, O, O	LO, O, O, NA
speeRevenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA					
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	12/2012	03/2013	M	M	M	O, LNO, LO, O	LO, LO, O, LO
Stocks of Central Government and Central Government-Guaranteed Debt[5/11]	2012	03/2013					
External Current Account Balance [10/11]	2012	03/2013	A	A	A		
Exports and Imports of Goods and Services [10/11]	2012	03/2013	A	A	A	O, O, O, O	O, O, O, O
GDP/GNP [10/11]	2012	03/2013	A	I	A	LO, LO, LO, LNO	LNO, LNO, LNO, LNO
Gross External Debt [11]	2012	03/2013	A	I	A		
International Investment Position [6/]	2012	03/2013	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.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fifth PSI Review for Senegal

The Executive Board of the International Monetary Fund (IMF) completed today the fifth review of Senegal's economic performance under the program supported by the Policy Support Instrument (PSI). The Board's decision was taken on a lapse of time basis.[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).

Senegal's economic activity picked up in 2012 and the outlook is positive. Growth is estimated to have reached 3.5 percent, driven by a strong post-drought rebound in agriculture, and is projected to increase to 4 percent in 2013. Inflation declined to 1.4 percent and is expected to remain subdued.

Program implementation has been satisfactory. All assessment criteria for end-2012 were met. Despite a significant revenue shortfall, the fiscal deficit target of 5.9 percent of GDP was met, owing to tight expenditure control. The indicative ceiling on the share of the value of public sector contracts signed by single tender was missed by a relatively small margin in September and December 2012. Structural reforms implementation has recorded mixed progress. The evaluation guide for public investments was finalized and the new tax code was implemented in January 2013 as expected. Information on government land transactions in 2012 was published with a small delay. The survey of bank accounts–a critical step to establishing a single treasury account–was eventually completed but took longer than expected.

[1] The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

The fiscal position is under strain because of exogenous factors (in particular the situation in Mali) and the high cost of energy subsidies. A slightly slower pace of fiscal consolidation is therefore envisaged for 2013 (a deficit of 5.3 percent of GDP rather than 4.9) to accommodate the impact of exogenous shocks. A new Eurobond is expected to be issued to close the financing gap and reduce recourse to short-term financing from the regional market. Looking further ahead, it is important to maintain the objective of reducing the fiscal deficit below 4 percent of GDP by 2015 to preserve long-term debt sustainability and restore margins for fiscal maneuver.

Raising potential growth and boosting job creation depend critically on the accelerated implementation of the government's reform agenda. Reforming the state is critical to ensuring fiscal sustainability. Energy sector reform is a key component of fostering private sector development and improving the business environment. Direct and indirect support to SENELEC exceeded 2.5 percent of GDP in 2012. These poorly targeted subsidies are a very heavy burden on the budget, crowd out priority expenditures, and have been ineffective in putting the electricity sector on a sound financial footing. The situation is expected to improve in 2013 thanks to a better energy production mix, but the burden on the budget will remain heavy. Accelerating implementation of electricity sector reforms, including the reform of SENELEC, and the implementation of investment projects that are key to durably reducing production costs, electricity subsidies, and the fiscal deficit, is therefore critical.