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EBS/89/218
Correction 1

CONFIDENTIAL

November 21, 1989

To: Members of the Executive Board

From: The Secretary

Subject: Senegal - Staff Report for the 1989 Article IV Consultation
and Request for the Second Annual Arrangement Under the
Enhanced Structural Adjustment Facility

The following corrections have been made in the EBS/89/218
(11/15/89):

Page 45, para. No. 1 (a), line 1: for "SDR 21.27 million"
read "SDR 21.275 million"

(b), line 1: for "SDR 21.27 million"
read "SDR 21.275 million"

A corrected page is attached.

Att: (1)

Senegal - Enhanced Structural Adjustment Facility:
Second Annual Arrangement

Attached hereto is a letter with an annexed memorandum on economic and financial policies dated November 1, 1989 from the Minister of Economy and Finance of Senegal, requesting from the International Monetary Fund the second annual arrangement under the enhanced structural adjustment facility and setting forth the objectives and policies of the program to be supported by the second annual arrangement.

To support these objectives and policies, the Fund grants the requested arrangement in accordance with the following provisions, and subject to the regulations for the administration of the enhanced structural adjustment facility and the instrument to establish the enhanced structural adjustment facility trust:

1. Under the second annual arrangement:

(a) the first loan, in an amount equivalent to SDR 21.275 million, will be available on December -- at the request of Senegal; and

(b) the second loan, in an amount equivalent to SDR 21.275 million, will be available in March 1990 at the request of Senegal subject to paragraph 2 below.

2. Senegal will not request disbursement of the second loan specified in paragraph 1(b) above:

(a) if the Managing Director finds that at the end of December 1989:

- (i) the limit on net domestic assets of the banking system, or
- (ii) the limit on net bank credit to the Government, or
- (iii) the target for the reduction of existing domestic payments arrears, or
- (iv) the nonaccumulation of external payments arrears, or
- (v) the target for minimum government tax revenue, or
- (vi) the cumulative limits on the contracting or guaranteeing by the Government of new nonconcessional external debt as referred to in paragraph 35 of the memorandum attached to the letter and specified in the table annexed thereto was not observed; or

- (b) if the Managing Director finds that at the end of December 1989:
- (i) the renegotiation of the protocol governing the financial relations between the SONACOS and the Government has not been completed, or
 - (ii) a plan of action for the acceleration of the public enterprise reform program, as referred to in paragraph 36 of the memorandum attached to the letter and specified in the table annexed thereto, has not been completed, or
- (c) if Senegal has
- (i) imposed or intensified restrictions on payments and transfers for current international transactions, or
 - (ii) introduced or modified multiple currency practices, or
 - (iii) concluded bilateral payments agreements which are inconsistent with Article VIII, or
 - (iv) imposed or intensified import restrictions for balance of payments reasons; or
- (d) until the Fund has determined that the midterm review of Senegal's program referred to in paragraph 35 of the memorandum attached to the letter has been completed.

If the Managing Director finds that any of the performance clauses that have been established in or under this paragraph 2 have not been met, the second loan specified in paragraph 1(b) above may be made available only after consultation has taken place between the Fund and Senegal and understandings have been reached regarding the circumstances in which Senegal may request that second loan.

3. Before approving the third annual arrangement, the Fund will appraise the progress of Senegal in implementing the policies and reaching the objectives of the program supported by the second annual arrangement, taking into account primarily:

- (a) the indicators described in paragraphs 35 and 36 of the memorandum attached to the letter and in the table annexed thereto;
- (b) imposition or intensification of restrictions on payments and transfers for current international transactions;
- (c) introduction or modification of multiple currency practices;