FOR AGENDA

EBS/83/182

CONFIDENTIAL

August 24, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Senegal - Staff Report for the 1983 Article IV Consultation and Request for Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Senegal and its request for a stand-by arrangement equivalent to SDR 63 million. A draft decision appears on page 29.

This subject has been tentatively scheduled for discussion on Monday, September 19, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Goreux (ext. 73801) or Mr. McLoughlin (ext. 76481).

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

SENEGAL

Staff Report for the 1983 Article IV Consultation and Request for Stand-By Arrangement

Prepared by the Staff Representatives for the 1983 Consultation with Senegal

Approved by J.B. Zulu and S. Kanesa-Thasan

August 23, 1983

I. Introduction

The 1983 Article IV consultation discussions and negotiations on a financial program with Senegal were held in Dakar during the periods April 11-23, June 4-19, and July 4-9, 1983. 1/ Senegal continues to avail itself of the transitional arrangements of Article XIV.

In the attached letter (Appendix II), dated August 11, 1983, the Government of Senegal requests a stand-by arrangement, in support of a stabilization program covering the fiscal year 1983/84 (July/June), in an amount equivalent to SDR 63.0 million, representing 100 percent of quota. Of this amount, SDR 24.7 million would be from the Fund's ordinary resources and SDR 38.3 million from borrowed resources. As of July 31, 1983 the Fund's holdings of Senegalese CFA francs 1/ amounted to SDR 223.6 million, or 355.0 percent of quota; of this total, holdings of Senegalese currency under the CFF amounted to SDR 47.2 million, or 75.0 percent of quota. If the full amount of the proposed stand-by arrangement is purchased, the Fund's holdings of Senegal's currency would amount to SDR 300.9 million (or 351.9 percent of the proposed new quota of SDR 85.5 million) and, excluding CFF, to SDR 258.9 million (or

1/ The Senegalese representatives included Mr. Jean Collin, Minister of State, Secretary General of the Presidency of the Republic, Mr. Mamoudou Touré, Minister of Economy and Finance, and senior officials of ministries and agencies concerned with economic and financial matters. The staff representatives were Messrs. L.M. Goreux (head-AFR), T.P. McLoughlin (AFR), P.J. Duran (AFR), A. Tazi (FAD), P.C. Ugolini (AFR), C.R.C. Saint-Etienne (EP-ETR), Miss Y. Georges (secretary-AFR), Mrs. I.H. Klotz (secretary-AFR), and Miss M.A. Paris (secretary-AFR).

302.8 percent of the proposed new quota). Repurchases during the period October 1983-June 1984 are scheduled to amount to SDR 5.5 million. A waiver of the limitation in Article V, Section 3 (b)(iii) of the Articles of Agreement will be required.

According to the phasing of the proposed stand-by arrangement (Table 1), SDR 31.5 million would be available in 1983, of which SDR 15.75 million would be available after Executive Board approval of the arrangement and SDR 15.75 million not earlier than December 15, 1983, upon satisfaction of the performance criteria for September 1983. The remaining purchases, each of SDR 15.75 million would be available in mid-March and mid-June 1984, upon completion of the mid-term review and satisfaction of the performance criteria for December 1983 and March 1984.

The last Article IV consultation discussions with Senegal were held in Dakar during the period February 17-March 5, 1980. The staff report (SM/80/104) was considered by the Executive Board on June 9, 1980. Senegal's relations with the Fund and the World Bank Group are summarized in Appendices III and IV.

II. Recent Economic Developments

In the five years ended 1982 real gross domestic product (GDP) grew at an average annual rate of 2.0 percent, compared with a rate of population increase of 2.6 percent. During this period domestic demand consistently exceeded GDP by an average of 14 percent. Consumption outlays alone amounted to some 97 percent of GDP, about 80 percent of which represented private consumption. Investment constituted about 15 percent of GDP; the capital output ratio, which exhibited pronounced fluctuations, averaged around 5. The resource gap, which increased consistently in absolute and relative terms between 1978 and 1981, declined somewhat in 1982, averaging around 15 percent of GDP over the period as a whole.

The high level of domestic demand gave rise to large internal and external financial imbalances (Table 2). As a result of the worsening financial situation and heavy external debt service obligations falling due, it was necessary for Senegal to seek rescheduling from the members of the Paris and London Clubs in respect of payments falling due in

1/ The currency of Senegal, the CFA franc, is pegged to the French franc at the rate of CFAF 1 = F 0.02. As of July 29, 1983 the rate in terms of the SDR was CFAF 420.0 = SDR 1.00.

Table 1. Senegal: Schedule of Purchases and Repurchases, January 1982-June 1984

	1982				1983				1984	
	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June
	(In millions of SDRs)									
Purchases	--	15.8	31.5	5.9	--	--	15.7 1/	15.7 2/	15.7 3/	15.7 4/
Stand-by arrangement	--	15.8	31.5	5.9	--	--	15.7	15.7	15.7	15.7
Ordinary resources	(--)	(7.2)	(14.3)	(4.5)	(--)	(--)	(7.1)	(7.1)	(7.1)	(3.2)
Borrowed resources	(--)	(8.6)	(17.2)	(1.4)	(--)	(--)	(8.6)	(8.6)	(8.6)	(12.5)
Repurchases	5.1	3.2	3.2	2.6	2.6	2.6	2.6	2.6	1.0	1.9
Oil facility	1.6	0.6	0.6	--	--	--	--	--	--	--
CFF	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	--	--
Other	0.9	--	--	--	--	--	--	--	1.0	1.9
Net purchases	-5.1	12.6	28.3	3.3	-2.6	-2.6	13.1	13.1	14.7	13.9
Total Fund holdings 5/	184.7	197.3	225.6	228.9	226.2	223.6	236.7	272.3 6/	287.0 6/	300.9 6/
	(In per cent of quota)									
Total Fund holdings 5/	293.4	313.2	358.1	363.3	359.1	354.9	375.7	318.5 6/	335.7 6/	351.9 6/
Holdings excluding purchases under CFF and OF and distribution of gold 5/	195.6	220.6	270.6	280.0	279.9	279.9	304.9	269.4 6/	286.5 6/	302.8 6/

Sources: Data provided by IMF Treasurer's Department; and Appendix I.

1/ An initial purchase of SDR 15.75 million will be made after Board approval.

2/ Purchase to be made upon observance of the September 1983 performance criteria.

3/ Purchase to be made upon observance of the December 1983 performance criteria and completion of the mid-term review.

4/ Purchase to be made upon observance of the March 1984 performance criteria.

5/ End of period.

6/ Assuming an increase in quota from SDR 63.0 million to SDR 85.5 million.

Table 2. Senegal: Selected Economic and Financial Indicators, 1981-84

	1981 Actual	1982 Est.	1983 Proj.	1984 Proj.	1981/82 Est.	1982/83 Program	1982/83 Est.	1983/84 Proj.
	(Annual percent changes, unless otherwise specified)							
National income and prices								
GDP at constant prices	0.3	8.6	3.0	3.0	4.4	7.4	5.7	3.0
GDP deflator	7.0	10.0	9.9	7.6	8.7	8.5	9.8	8.7
External sector								
Exports, f.o.b. (in SDRs)	-2.7	20.4	3.5	12.1	14.7	...	1.0	12.6
Imports, f.o.b. (in SDRs)	2.1	--	-4.4	--	1.7	...	-2.8	-3.6
Non-oil imports, c.i.f. (in SDRs)	-3.9	-0.3	2.5	-0.1	...	...	...	...
Export volume	-14.1	43.7	19.9	4.7	...	...	...	...
Import volume	-2.6	1.3	-2.7	-5.2	...	...	...	...
Terms of trade (deterioration -)	8.1	-15.2	-11.9	1.2	...	...	...	...
Nominal effective exchange rate (end of period) (depreciation -)	-7.7	-6.6	...	...	-5.3	...	-5.7	...
Government budget								
Revenue, excluding grants	...	...	...	...	21.0	17.9	15.5	13.0
Total expenditures (current and capital)	...	...	...	...	2.4	9.8	18.1	7.0
Money and credit								
Domestic credit	26.6	20.5	12.1	...	22.8	18.5	16.3	12.8
Government (net)	127.4	115.2	25.3	...	134.8	29.8	28.6	45.7
Private sector	20.0	8.8	8.8	...	11.5	15.7	13.6	4.8
Money and quasi-money	21.9	21.0	3.6	...	31.5	15.0	9.4	6.8
Velocity (GDP relative to M) 1/	4.6	4.6	4.6	...	4.6	4.6	4.6	4.6
Interest rate (end of period) 2/	8.5	10.5	9.5 3/	...	10.5	10.5	9.5 3/	...
	(In percent of GDP)							
Central government savings	...	...	...	...	-4.0	-1.8	-5.8	-1.6
Central government budget deficit (-)								
Commitments	...	...	...	...	-7.0	-6.4	-9.0	-4.8
Disbursements	...	...	...	...	-9.8	-7.9	-6.9	-7.3
Gross domestic investment	18.8	17.1	17.7	17.7	...	...	...	...
Gross domestic savings	--	3.0	3.5	4.7	...	...	...	...
External current account deficit	18.3	12.4	12.6	10.4	13.1	12.4	14.4	11.0
External debt (inclusive of use of Fund credit)	55.7	61.7	68.4	73.6	...	...	...	...
Debt service ratio (in percent of exports of goods and services) 4/	19.3	13.4	17.8	18.5	...	...	...	...
Interest payments (in percent of exports of goods and services) 4/	9.8	7.4	12.8	13.5	...	...	...	...
	(In millions of SDRs, unless otherwise specified)							
Gross domestic product (in billions of current CFA francs)	689.4	823.6	932.1	1,033.3	756.5	805.0	877.8	982.7
Overall balance of payments deficit (-)	-139.5	-103.6	-119.7	-117.2	-96.1	-101.8	-101.2	-95.9
Gross official reserves (weeks of imports)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
External payments arrears	12.9	--	--	--	--	--	--	--

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ GDP relative to average of June and December money stocks.
2/ Minimum rate on time deposits in excess of 1 year and in amounts of more than CFAF 2 million.
3/ Since April 5, 1983.
4/ After debt rescheduling.

1981/82 and 1982/83. Despite the relief thus obtained, the external payments position has remained under great pressure, and between 1979 and 1982 net foreign liabilities increased by about CFAF 100 billion.

In an effort to tackle the serious problems faced by the Senegalese economy in recent years, the authorities have adopted financial programs that were supported by use of Fund resources in the upper credit tranches since 1980. The first of these was an extended Fund facility approved on August 8, 1980 (EBS/80/170). This arrangement 1/ was canceled at the request of the Senegalese authorities on September 11, 1981 and replaced by a one-year stand-by arrangement covering the fiscal year 1981/82. Under this program 2/ the deteriorating economic situation was reversed through a combination of good weather, sizable external assistance, and strong adjustment measures. A number of important actions were taken, including structural improvements in the agricultural sector, tax and price increases designed to slow the growth of consumption, and administrative and accounting reforms in the public sector. As a result, all performance criteria were met, and the fiscal deficit to GDP ratio, on a commitment basis, was reduced to 7 percent in 1981/82.

To consolidate the gains achieved in 1981/82, the authorities adopted a new financial program for 1982/83, which was supported by a stand-by arrangement from the Fund. 3/ This program sought to reduce further the fiscal and the current account deficit/GDP ratios. To achieve its objectives, the program provided for a number of structural and administrative reforms, tax and price measures, cautious credit and monetary policies, and rescheduling of the external debt. Although weather conditions remained favorable in 1982/83 and a bumper groundnut crop was harvested, the program was not successful. While this can be explained partly by adverse developments in groundnut oil prices, which reached their lowest level in more than a decade, it also reflected a failure to implement the policies contained in the program in a timely and complete manner and the fact that some of the program elements were based on forecasts that proved to be too optimistic (Table 3). It became clear at an early stage that the program was off track; certain performance criteria for September and December 1982 were not observed, and discussions between the authorities and the staff failed to produce understandings on additional policy measures that could have enabled the original program

1/ Performance under the extended Fund facility is discussed in EBS/81/184.

2/ Performance under the arrangement is discussed in EBS/82/51 and EBS/82/198.

3/ Senegal's request for the stand-by arrangement is discussed in EBS/82/198.

Table 3. Senegal: Performance Under the 1982/83 Financial Program

	1982			
	September		December	
	Ceiling	Actual	Ceiling	Actual
	(In billions of CFA francs)			
1. Quantitative performance criteria				
a. Domestic credit	420.8	429.2	459.2	455.4
b. Claims on Government (net)	88.3	94.5	93.7	96.8
c. Reduction in arrears of the Government and public enterprises (increase -)	3.0	3.0	6.0	-0.7
	(In millions of SDRs)			
d. New external loans contracted or guaranteed by the Government				
1. 1-12 years maturity	20.0	3.7	20.0	5.9
2. 1-5 years maturity	2.0	--	2.0	0.3

2. Measures to be taken:	Performance
a. The growth of public employment was to be limited to 1.4 percent.	This was not done and actual employment increased by 5 per cent.
b. Reorganization of the groundnut sector was to be undertaken with a view to providing incentives to reduce the costs of marketing of groundnuts by the oil producers.	This was only partially done.
c. A new scheme was to be introduced to encourage farmers to retain their seeds.	This was not done.
d. The average price of fertilizer was to be increased to CFAF 50/kg, and the distribution was to be undertaken in accordance with the contract plan between the Government and the fertilizer companies.	This was done.
e. The project evaluation unit in the Ministry of the Plan was to be strengthened.	This was done.
f. The convention between the Government and the sugar company (CSS) was to be revised.	Discussions were initiated but have not yet been concluded; when reached, agreement will be retroactive to January 1983.
g. The rates of taxation on alcoholic beverages and cola were to be raised by 30 percent and 58 percent, respectively, in November 1982.	These measures were taken only in June 1983.
h. The rate of import duty was to be increased by 5 percentage points in November 1982.	This measure was taken only in May 1983.
i. The security stock of rice was to be limited to 50,000 tons.	No security stock was constituted.
j. The price of milk sugar was to be raised by 50 percent on November 1, 1982.	This was done.
k. The export subsidy on selected products was to be raised from 10 to 15 percent and the coverage of the scheme was to be extended.	This was done in February 1983.
l. The staff of the agency responsible for distributing groundnut seeds was to be reduced substantially.	This was done.
m. External debt obligations were to be renegotiated.	This was done.

3. Measures not envisaged in the program

a. Prices of certain petroleum products were raised in April 1983 to avoid a deficit on the National Energy Fund.
b. The importation of crude and refined petroleum was rationalized, resulting in significant cost reductions.
c. The cost of rice imports was lowered by reducing the importer's margin.

Source: Data provided by the Senegalese authorities.

targets to be achieved. In the circumstances, the mid-term review was not completed, and Senegal made only one purchase, equivalent to SDR 5.9 million, on Board approval, under the arrangement. The Government of Senegal has requested the cancellation of this stand-by arrangement, effective September 19, 1983.

III. Report on the Discussions

The authorities emphasized that they have remained during the last three years in close consultation with the Fund in an attempt to solve their economic and financial difficulties. Unfortunately, only the 1981/82 program had been fully successful. The EFF arrangement had to be cancelled because the conditions were completely modified by the occurrence of an exceptionally severe drought. The 1982/83 program had failed because of the very sharp fall in the world prices of groundnut oil and of the problems inevitably associated with an election year. Fully conscious of the seriousness of the financial situation, the authorities had now decided to implement strict austerity policies in the context of the proposed program for 1983/84. These policies were reviewed with the authorities in relation to both past developments and future prospects.

1. Past developments

a. Production and investment

The authorities explained that efforts have been intensified to expand domestic production of foodstuffs and that the results obtained so far were encouraging for most crops. They noted, however, that domestic cereal production could not compete easily with broken rice imported from Thailand, which now accounts for nearly 10 percent of Senegal's total imports.

The authorities also noted also that progress had been made in shifting emphasis from infrastructural and social projects to directly productive investments, which resulted in a lowering of the capital-output ratio. They recognized that further progress was needed in the selection and execution of projects, but noted that this was not easy to achieve when the bulk of the investment program was financed from abroad.

b. Public finance

The authorities recognized that the rising public finance deficit was Senegal's major problem. In 1982/83 the deficit on a commitment basis increased by CFAF 26 billion and reached 9 percent of GDP. This increase was partly due to an exceptional fall in the world price of groundnut products, but it also reflected structural problems, notably the growth in the size of the civil service, which has recently averaged 6 percent a year. The authorities recognized that such a growth was unsustainable, but noted that recruitment stemmed essentially from the absorption of graduates from the public service training schools and that a large reduction in recruitment required a restructuring of the entire training and educational system. They were, nevertheless, committed to take immediate action by sharply curtailing entries into public service training schools.

The large deficit of the Stabilization Fund (CPSP) 1/ had been a severe drain on public finance during the last two years. Although this had largely resulted from the fall in the world price of groundnut products, the authorities recognized that the deficit could be reduced by price adjustments and improved management. For this reason, they had undertaken a comprehensive audit of the CPSP and of the agencies associated with it. The findings of the audit had been thoroughly analyzed and a number of corrective measures had already been implemented. The authorities recognized, however, that little progress had been made in a number of areas--such as the distribution of seeds and fertilizers--, but noted that drastic changes could be counterproductive if account was not taken of the social context and if the reasons for the changes could not be explained convincingly to the parties concerned.

The overall tax burden averaged 18 percent of GDP in recent years, and the authorities feel that an increase in the level of taxation could be counterproductive. They consider that attention should be devoted at this stage to improving tax administration, reducing fraud and collecting tax arrears. Recent efforts to collect overdue tax obligations have been rewarding.

Although wages in the public service increased by only 15 percent since January 1980, prices of basic consumer goods have been raised several times with a view to eliminating consumer subsidies. Taking into account the recent increase in August 1983, prices have been raised since January 1981 by 25 percent for bread, 42 percent for wheat flour, 45 percent for sugar, 63 percent for rice, 70 percent for groundnut oil, and 72 percent for gasoline. The authorities noted that the consumer price of rice was raised by 24 percent in August 1983, although rice was not subsidized before. This had been done partly to provide additional revenue to the Treasury but, mainly, to improve the competitive position of domestically produced cereals versus imported rice.

1/ Caisse de Péréquation et de Stabilisation des Prix.

In spite of the recent price increase of petroleum products, the financial position of the oil refinery (SAR) remained difficult. Because of delays incurred in adjusting refinery prices to increases in the CFA value of imported oil, the refinery had accumulated a large short-term debt which resulted in heavy financial charges. The authorities indicated that, in future, the necessary price adjustments will be made to reduce the short-term debt and restore financial equilibrium by the end of 1984.

The financial position of several public enterprises--notably SAED, SENELEC, SODEVA, SOMIVA, and SONES--remains very weak. Audits conducted in these enterprises have indicated that financial difficulties often reflect poor management, excessive staffing, inappropriate tariff structures, and deficiencies in collecting receivables. The authorities are conscious of these problems and are taking measures to restore financial viability.

c. Money, credit and external sector

The authorities recognize that the liquidity problems of the domestic banking system--in particular of the BNDS 1/--are due to government payments arrears which, in turn, result from excessive public finance deficits. An agreement was reached in 1982 on the rescheduling of ONCAD debt and efforts will be made to meet by June 1984 all government repayment obligations regarding both the ONCAD debt and crop credits extended for the 1981/82 and 1982/83 crop years.

Because of the fixed parity between the CFA franc and the French franc, variations in Senegal's nominal effective exchange rate reflect variations in the exchange rate between the French franc and the currencies of Senegal's trading partners not belonging to the franc area. Accordingly, Senegal's nominal effective exchange rate appreciated by about 10 percent during the 1970s, but depreciated by about 20 percent from September 1980 to June 1983 (Chart 1). In the mid-1970s, when expansionary policies were followed, inflation was substantially higher in Senegal than in its trading partners, and Senegal's real effective exchange rate appreciated by 21 percent from 1972 to 1977. This weakened Senegal's competitive position in the second half of the 1970s. Because policies have been more restrictive in Senegal during the last three years, and because the French franc has depreciated significantly, Senegal's real effective exchange rate has now fallen back to its level of the early 1970s. The authorities consider that the exchange rate is now appropriate and that monetary and credit arrangements are operating satisfactorily in the context of the UMOA.

1/ Banque Nationale de Développement du Sénégal.

The authorities noted that the large deficits of the external current account in recent years have been mainly due to the deterioration in Senegal's terms of trade and to the increase in real interest rates charged on their external liabilities. They, however, recognized that the situation has been aggravated by a too rapid growth of imported consumer goods.

In order to improve the balance of payments situation, efforts have been made to diversify the export sector. In this context, a number of new industrial ventures have been established, the most important of which is the Industries Chimiques du Sénégal (ICS), which is expected to commence operations in October 1984. To promote nontraditional exports, a subsidy scheme for certain products was introduced in August 1980. The number of products covered by the scheme was expanded in February 1983, and the rate of subsidy was raised from 10 percent to 15 percent. Subsidies are also paid on petroleum products used in the fisheries sector, which is a major source of export receipts.

2. Medium-term perspective

The authorities consider that a viable financial situation can be restored in the medium term, provided adjustment efforts are pursued during several consecutive years and Senegal's efforts are supported by appropriate external assistance, including successive debt rescheduling. This was discussed with reference to the medium-term scenario illustrated in Tables 4 and 5.

a. Government financial operations

Government revenue would increase by slightly more than 8 percent a year, which corresponds to the growth of nominal GDP, while current expenditure growth could be limited to 7 percent a year provided recent policies of restraining recruitment in the public service were pursued (Table 4). The combined deficit of the special accounts and correspondents, which is to be sharply curtailed in 1983/84, could be progressively eliminated. Under these conditions, even with an increase in capital expenditures of almost 10 percent a year, the overall deficit on a commitment basis could be reduced from 9 percent of GDP in 1982/83 to 3.5 percent in 1987/88.

b. Balance of payments

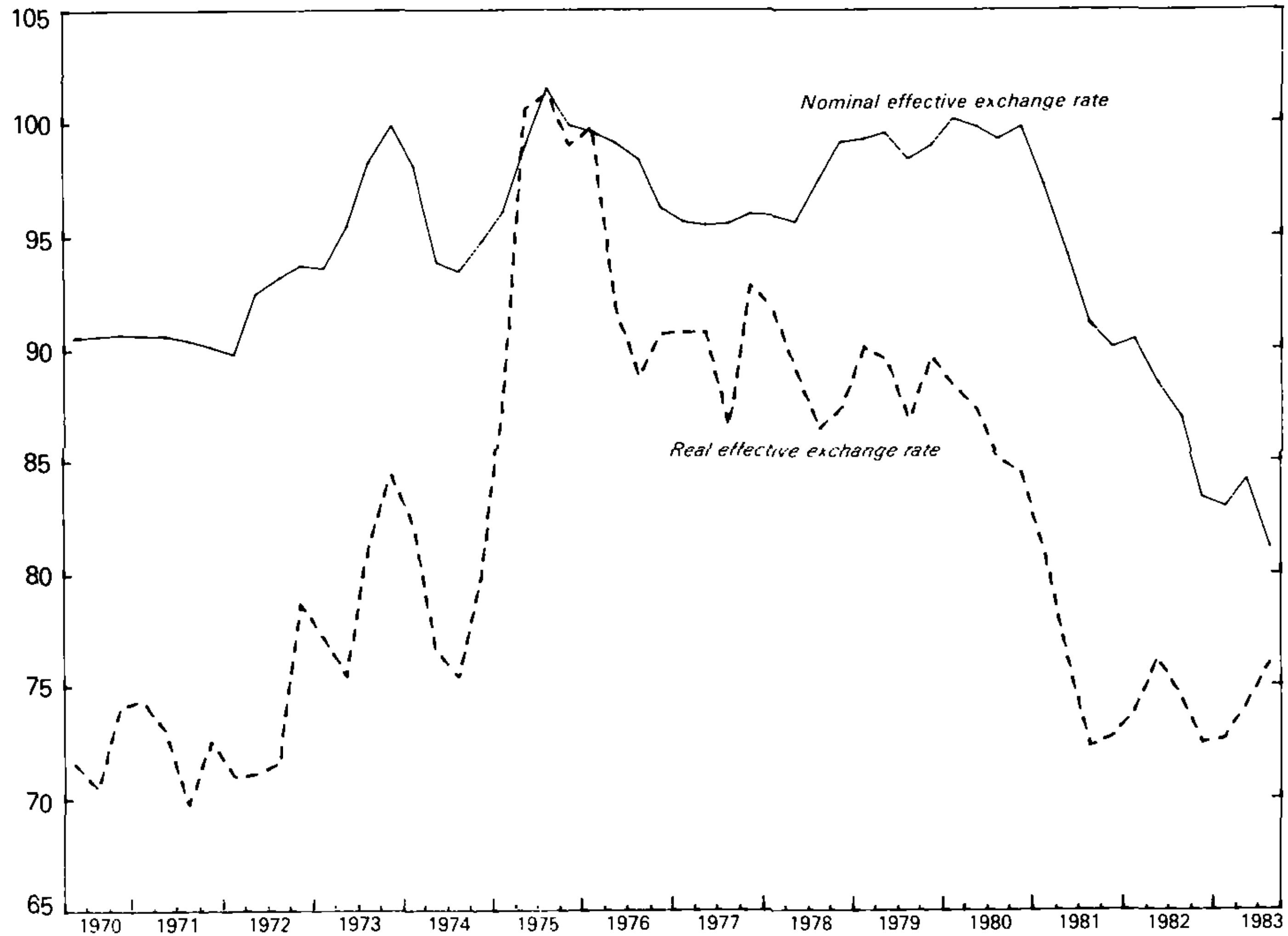
Similarly, the deficit of the external current account before rescheduling could be reduced by almost two thirds, from 15.6 percent in 1982/83 to 5.6 percent in 1987/88 (Table 5). The reduction would

CHART 1

SENEGAL

NOMINAL AND REAL EFFECTIVE EXCHANGE RATE, 1970-JUNE 83[1]

(1975 = 100)



Source: IMF, *International Financial Statistics*.

[1] Based on the following average import weights (in per cent): France (46), U.S. (24), U.K. (7), Thailand (6), Germany (5), Italy (4), Ivory Coast (4), Netherlands, (4).

Table 4. Senegal: Government Financial Operations, Medium-Term Scenario, 1982/83-1987/88

(In billions of CFA francs)

	1982/83 Estimate	1983/84 Program	1984/85 Projection	1985/86	1986/87	1987/88
1. Total revenue and grants	188.3	209.4	223.3	241.4	260.9	281.9
Revenue	(175.5)	(198.3)	(211.3)	(228.4)	(246.9)	(266.9)
Grants	(12.8)	(11.1)	(12.0)	(13.0)	(14.0)	(15.0)
2. Current expenditure	189.8	203.1	219.3	232.9	249.1	267.1
Wages and salaries	(92.8)	(100.0)	(108.0)	(114.5)	(123.6)	(133.4)
Interest on public debt 1/	(29.7)	(33.1)	(37.3)	(39.4)	(40.5)	(42.3)
Materials, supplies, and transfers	(67.3)	(70.0)	(74.0)	(79.0)	(85.0)	(91.4)
3. Special accounts other than the CAA 2/ (net)	-12.3	-7.0	-6.0	-5.0	-4.0	-3.0
4. Correspondents (net)	-26.1	-4.5	-1.0	2.0	3.0	4.0
5. Capital expenditure	39.6	42.4	46.5	52.0	57.0	62.0
6. Overall deficit (commitment basis)	-79.5	-47.6	-49.5	-46.5	-46.2	-46.2
7. Reduction in arrears	18.6	-23.8	-15.0	-13.0	-10.0	-5.0
8. Overall deficit (cash basis)	-60.9	-71.4	-64.5	-59.5	-56.2	-51.2
Memorandum item:						
Overall deficit/GDP in percent 3/	9.0	4.8	4.7	4.1	3.8	3.5

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.
1/ Interest payments before rescheduling, debt relief being treated as a financing item.
2/ Debt Amortization Fund.
3/ Commitment basis.

Table 5. Senegal: Balance of Payments, Medium-Term Scenario, 1982/83-1987/88

	1982/83 Estimate	1983/84 Program	1984/85 Projections	1985/86 Projections	1986/87 Projections	1987/88 Projections
	(In millions of SDRs)					
Trade balance	-327.5	-246.1	-224.3	-202.0	-176.0	-144.2
Exports, f.o.b.	430.6	485.0	543.2	603.0	669.0	743.0
Imports, f.o.b.	-758.1	-731.1	-767.5	-805.0	-845.0	-887.2
Services (net)	-150.0	-159.5	-166.3	-172.7	-176.1	-180.0
Of which: interest on external public debt	(-100.1)	(-114.1)	(-125.3)	(-133.7)	(-139.1)	(-145.3)
Unrequited transfers (net)	120.7	120.9	125.0	130.5	137.0	146.0
Current account deficit (before rescheduling)	-356.8	-284.7	-265.6	-244.2	-215.1	-178.2
Capital account	139.8	111.6	110.1	98.9	102.1	105.0
Of which: new drawings on investment financing	(145.7)	(143.0)	(158.0)	(177.0)	(194.0)	(205.0)
amortization on external debt	(-92.4)	(-72.8)	(-82.0)	(-87.4)	(-94.7)	(-101.9)
Overall balance (before rescheduling)	-189.7 1/	-173.1	-155.5	-145.3	-113.0	-73.2
Current account (after rescheduling)	-329.8	-261.4	-241.3	-217.5	-186.0	-149.1
Overall balance (after rescheduling)	-101.2 1/	-95.9	-80.3	-72.5	-39.0	2.0
Memorandum items:						
Net savings due to debt reschedulings	88.5	77.2 2/	75.2 2/	72.8 2/	74.0 2/	75.2 2/
	(In percent)					
Current account deficit/GDP (before rescheduling)	15.6	11.9	10.5	8.9	7.2	5.6
Current account deficit/GDP (after rescheduling)	14.4	11.0	9.5	7.9	6.2	4.7

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ Including errors and omissions of SDR 27.3 million.
2/ These projections assume reschedulings in each year of debt service obligations (not previously rescheduled) to members of the Paris and London Clubs according to standard terms.

result from the decline in the trade deficit, since the small gain projected in unrequited transfers would be more than offset by the loss in the service account. The sharp fall in the trade deficit would result from a faster growth for exports (11 percent a year) than for imports (4 percent a year). The export projections take into account the impact of new investment projects coming on stream in the next few years, in particular the "Industries Chimiques du Sénégal" (ICS). The value of imports is projected to increase more slowly than nominal GDP on account of deliberate policies to promote domestic food production and curb the growth of aggregate consumer demand.

If net capital inflows were to decline by one fourth during the period, as assumed in Table 5, the current account deficit could be financed by rescheduling the external debt and increasing Senegal's external liabilities on monetary account. Rescheduling its debt with members of the Paris and London Clubs would save Senegal about SDR 75 million a year, equivalent to 3 percent of GDP (Table 6).

The authorities stressed that the Senegalese economy was suffering from structural problems which could only be corrected in the medium term. During the adjustment period, it would have been desirable to finance the current account deficit by grants or long-term loans on very concessional terms. While the capital inflow projections in Table 5 are probably conservative, Senegal may well have to rely on sources of financing which are not conceived to deal with Senegal's structural adjustment problems. In the meantime, the authorities intended to follow a very cautious borrowing policy, and they had already taken steps to strengthen the selection of investment projects.

IV. The 1983/84 Program

The proposed program for 1983/84 has been designed in the context of the medium-term objectives illustrated in the above scenario. It was formulated in June 1983 on the basis of a set of assumptions regarding exogenous factors, such as weather conditions, world prices of Senegal's main exports, and exchange rates. It now appears that the size of the groundnut crop will be smaller than had been assumed because of insufficient rainfalls in July, but that the world prices of groundnut products will substantially exceed the levels which had been assumed. While the full impact of these developments cannot yet be fully assessed, it does not seem that they will greatly affect the balance of payments situation. They are, however, likely to reduce substantially the deficit of the CPSP, which could provide some useful safety margin in the fiscal program.

The program seeks to reduce the fiscal deficit/GDP ratio by more than 4 percentage points to 4.8 percent (Chart 2). The external current account/GDP ratio would be reduced by 3 percentage points to 11 percent.

Table 6. Senegal: External Public Debt Service, 1982/83-1987/88

(In millions of SDRs)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
	Est.	Projection				
Principal	42.0	27.1	61.1	90.3	92.8	104.8
Medium- and long-term 1/	30.9	18.9	31.1	41.3	49.8	55.8
IMF repurchases 2/	11.1	8.2	30.0	49.0	43.0	49.0
Interest	73.1	90.8	101.0	107.0	110.0	116.2
Medium- and long-term 1/	36.7	43.9	46.6	45.4	46.7	47.9
IMF charges	12.8	16.4	22.1	24.3	25.0	27.0
Other	23.6	30.5	32.3	37.3	38.3	41.3
Total (after rescheduling)	115.1	117.9	162.1	197.3	202.8	221.0
Total (before rescheduling)	203.6	195.1	237.3	270.1	276.8	296.2
Exports of goods and services	648.3	711.2	778.6	855.4	936.0	1,025.0
Ratios (in percent)						
Debt service/Exports of goods and services (after rescheduling)	17.8	16.6	20.8	23.1	21.7	21.6
Debt service/Exports of goods and services (before rescheduling)	31.4	27.4	30.5	31.6	29.6	28.9
Memorandum items:						
New drawings on investment financing (in millions of SDRs) 3/	145.7	143.0	158.0	177.0	194.0	205.0
CFAF/SDR	384.4	412.0	412.0	412.0	412.0	412.0

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

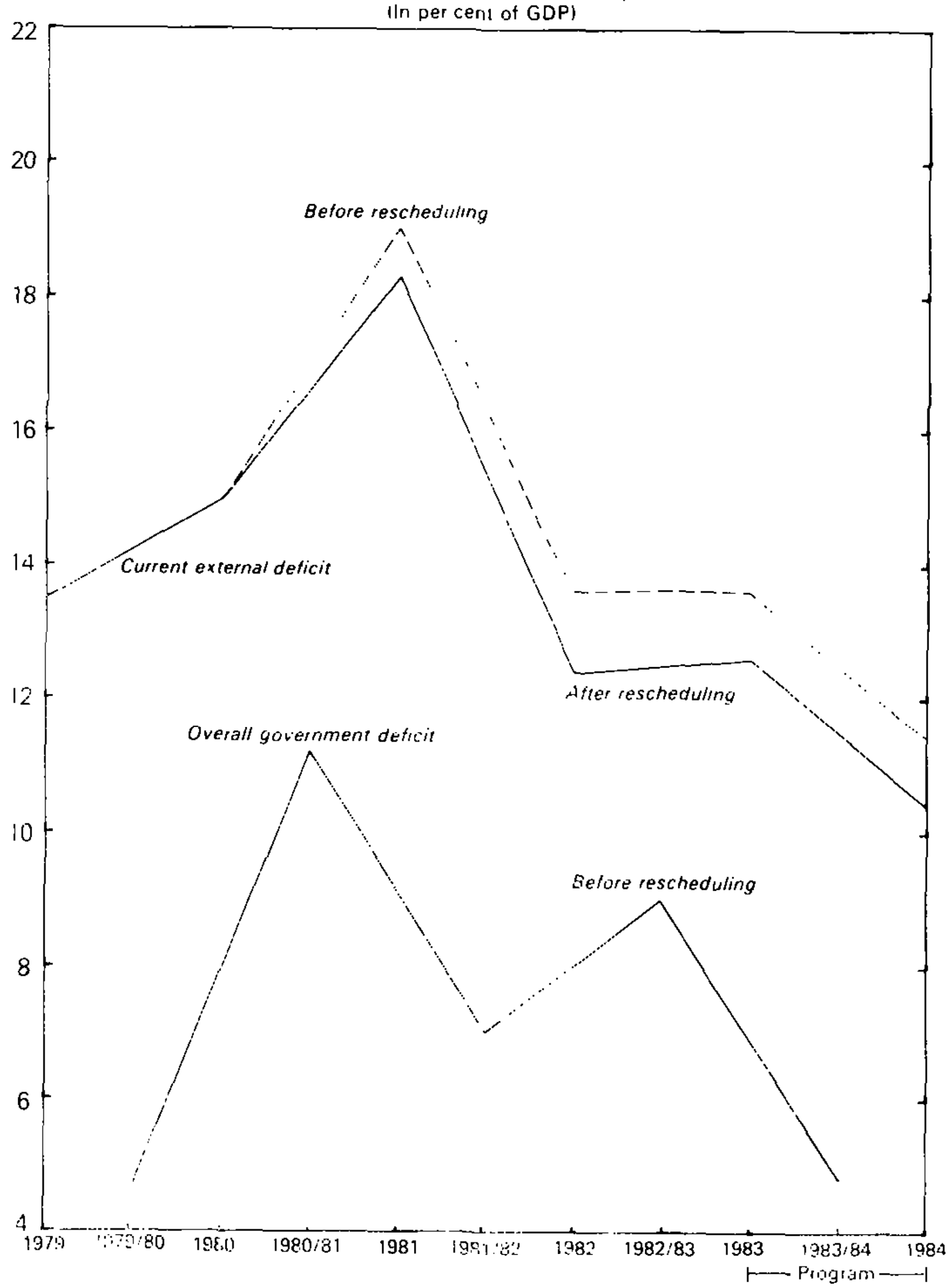
1/ The projections assume reschedulings in each year of debt service obligations, which have not been previously rescheduled, to members of the Paris and London Clubs according to standard terms.
2/ Assuming Fund purchases of SDR 63 million in both 1983/84 and 1984/85 and SDR 43 million in 1985/86.
3/ Borrowing on concessional terms.

CHART 2

SENEGAL

CURRENT EXTERNAL AND GOVERNMENT DEFICITS, 1979-84

(In per cent of GDP)



Data provided by the Senegalese authorities and ... and projections.

To achieve these targets, a number of significant price measures have been taken. These measures, which will have a large impact on consumers, will be complemented by strict control over the growth of budgetary outlays, prudent credit policies, and cautious external debt policies. The authorities have already requested the debt service due in 1983/84 to be rescheduled. It is expected that the Paris Club will consider this request before end-November and it has been assumed in the program that the terms of rescheduling would be the same as in the two preceding years. The 1983/84 program is summarized in Table 7, while the principal measures are presented in Table 8.

1. Structural changes

The growth of employment in the public service is to be limited to 2.5 percent. This will be achieved by strictly enforcing existing procedures for filling vacancies in the civil service. All new appointments will require the prior approval of the Secretary General of the Presidency in addition to that of the appropriate ministries. Entries into the public service training schools in 1984 will be limited to levels compatible with a growth in civil service numbers of 1.3 percent in 1984/85.

The ongoing reform of the groundnut sector will be completed, which should lead to a substantial decline in losses. Moreover, the loss on seed distribution will be eliminated by increasing the levy on producers. A further increase in the levy will also be made to eliminate the deficit on fertilizers.

A study of the financial problems of the principal public enterprises is to be conducted before end-December 1983. The results of the study will serve as a basis for corrective action during the second half of the program period.

2. Price measures

To improve the overall budgetary situation, consumer prices for a wide range of products are being increased. The items affected are rice, sugar, domestic and imported cooking oil, and petroleum products. In the case of petroleum products, additional adjustments are envisaged before the completion of the mid-term review with the Fund to improve the financial situation of the SAR.

a. Rice

Effective August 19, 1983, the consumer price of rice was increased by 24 percent to CFAF 130/kg. Thus, since February 1982, the consumer price of rice has been increased by 63 percent. As rice consumption

Table 7. Senegal: Selected Indicators for 1982/83 and the 1983/84 Financial Program

	1982/83	1983/84
	(In percent)	
Real GDP growth	5.7	3.0
GDP deflator (increase)	9.8	8.7
	(In percent of GDP)	
Balance of payments 1/		
Current account deficit	14.4	11.0
Overall deficit	4.4	4.0
Government financial operations		
Overall deficit	9.0	4.8
Domestic bank financing	2.3	4.2
Debt service ratio 1/	17.8	16.6

Sources: Data provided by the Senegalese authorities; and staff estimates.

1/ After debt rescheduling.

Table 8. Senegal: Principal Fiscal Measures in the 1983/84 Program

Measure	Date of application	Impact in 1983/84	Impact in full year
		(In billions of CFA francs)	
Rice			
Increase in consumer price from CFAF 105/kg to CFAF 130/kg	August 19, 1983	7.8	9.0 1/
Sugar			
Increase in consumer price by an average of CFAF 50/kg	August 19, 1983	3.5	4.0 2/
Renegotiation of the agreement with the sugar company (CSS)	To be completed by June 30, 1984		
Cooking oil			
Increase in consumer price of groundnut oil from CFAF 339/liter to CFAF 400/liter	August 19, 1983	0.3	0.3 3/
Increase in consumer price of imported vegetable oil from CFAF 245/liter to CFAF 300/liter	August 19, 1983	3.0	3.5 4/
Fertilizers			
Levy of CFAF 5/kg to be imposed on groundnut producers	August 19, 1983	2.5	2.5
Seeds			
Levy on groundnut producers to be increased by CFAF 5/kg	August 19, 1983	4.0	4.0
Petroleum products			
Increase in consumer prices of 8 percent, on average	August 19, 1983	3.1	3.7 5/
Current expenditure			
Savings on wages and salaries	Already in effect	3.0	3.0
Savings on materials and supplies	Already in effect	2.0	2.0
Investment expenditure			
Cutback in projects	Already in effect	5.0	5.0
Total		35.2	38.0

Sources: Data provided by the Senegalese authorities; and staff estimates.

1/ Based on a consumption level of 360,000 tons.
2/ Based on a consumption level of 80,000 tons.
3/ Based on a consumption level of 5,000 tons.
4/ Based on a consumption level of 65,000 tons.
5/ In addition, the SAR's revenue would rise by CFAF 3.7 billion.

amounts to 360,000 tons annually, the effect of this most recent measure in a full year would be CFAF 9.0 billion; for fiscal year 1983/84 the impact will be CFAF 7.8 billion. The increase in the price of rice will have a number of positive effects in addition to improving the financial position of the Stabilization Fund. First, the growth in rice imports should be moderated; second, clandestine exports should be reduced; and third, domestic production of cereals such as millet will be encouraged.

b. Sugar

The consumer price of sugar was increased by an average of CFAF 50/kg effective August 19, 1983. This measure should yield CFAF 4.0 billion in a full year, as consumption amounts to 80,000 tons; during 1983/84 the yield should be CFAF 3.5 billion.

c. Cooking oil

Effective August 19, 1983, the consumer prices for groundnut oil and imported vegetable oil were increased by 18 and 22 percent, respectively. The combined effect of these measures in a full year is CFAF 3.8 billion, and in 1983/84 the impact is estimated at CFAF 3.3 billion.

3. Public finance

The program seeks to limit the overall public finance deficit to CFAF 47.6 billion (on a commitment basis), implying a reduction of 4.2 percentage points in the fiscal deficit/GDP ratio to 4.8 per cent, prior to debt rescheduling. The measures taken in the program should lower the fiscal deficit in 1983/84 by CFAF 35.2 billion compared with the initial projection for 1983/84 (Table 8). Budgetary revenue (excluding grants) is projected to rise by 13.0 per cent to CFAF 198.3 billion, implying a buoyancy of around unity (Table 9).

No new tax measures are envisaged in the program, as rates are considered to be already rather high; intensified efforts will, however, be made to collect tax liabilities, including arrears. The growth in current expenditure (other than interest on the public debt) will be contained to 6 percent through strict control on recruitment and great restraint in outlays on materials and supplies.

Thus, current expenditure 1/, which will amount to CFAF 170.0 billion, will actually decline in real terms. In 1983/84 the deficit on special accounts (other than the CAA) will be contained to CFAF 7.0 billion, a major improvement from 1982/83. The deficit of the Treasury correspondents, principally the CPSP, will be drastically reduced in 1983/84 to CFAF 4.5 billion, from CFAF 26.1 billion in 1982/83, mainly

1/ Excludes interest on public debt.

Table 9. Senegal: Government Financial Operations, 1979/80-1983/84

	1979/80	1980/81	1981/82	1982/83 Program	1982/83 Actual Prov.	1983/84 Program
	(In billions of CFA francs)					
1. Total revenue and grants	143.8	132.3	157.7	187.9	188.3	209.4
Revenue	(139.2)	(125.5)	(151.9)	(173.5)	(175.5)	(198.3)
Grants	(4.6)	(6.8)	(5.8)	(14.4)	(12.8)	(11.1)
Of which: capital	(4.6)	(6.8)	(5.8)	(14.4)	(11.0)	(11.1)
2. Current expenditure	144.9	151.3	165.4	74.8	189.8	203.1
Wages and salaries	(68.5)	(78.3)	(83.3)	(89.6)	(92.8)	(100.0)
Interest on public debt	(12.9)	(11.7)	(18.3)	(23.8)	(29.7)	(33.1)
External	12.0	11.0	17.0	(...)	27.8	31.5
Domestic	0.9	0.7	1.3	(...)	1.9	1.6
Supplies, transfers, and other	(63.5)	(61.3)	(63.8)	(61.4)	(67.3)	(70.0)
3. Special accounts other than CAA (net)	1.4	--	5.0	-4.6	-12.3	-7.0
4. Correspondents (net)	1.2	-17.3	-21.6	-9.5	-26.1	-4.5
Of which:						
CPSP, SONAR, and SAED	(--)	(-13.4)	(-11.2)	(-9.5)	(-21.8)	(-7.5)
Other	(1.2)	(-3.9)	(-10.4)	(--)	(-4.3)	(3.0)
5. Balance of current operations (1-2+3+4) 1/	-3.1	-43.1	-30.1	-15.4	-50.9	-16.2
6. Capital expenditure	30.4	38.4	28.9	55.7	39.6	42.4
Budget	(13.2)	(21.3) 2/	(4.3)	(16.3)	(8.0)	(10.0)
Other	(17.2)	(17.1)	(24.6)	(39.4)	(31.6)	(32.4)
7. Total expenditure and net lending (2-3-4+6)	172.7	207.0	210.9	244.6	276.8	257.0
8. Overall deficit (commitments)	-28.9	-74.7	-53.2	-56.7	-79.5	-47.6
9. Changes in payments arrears (reduction -)	7.5	16.5	-20.7	-12.6	18.6	-23.8
Central Government	(7.5)	(2.9)	(-11.1)	(-12.6)	(3.5)	(--)
CPSP and SONAR	(--)	(13.6)	(-9.6)	(--)	(15.1)	(-23.8) 3/
10. Overall deficit (disbursements (8+9))	-21.4	-58.2	-73.9	-69.3	-60.9	-71.4
11. Financing requirement	21.4	58.2	73.9	69.3	60.9	71.4
External financing (net)	17.0	35.3	32.4	50.1	41.4	44.1
Drawings	(35.2)	(51.1)	(37.1)	(51.6)	(42.4)	(43.1)
Treasury	(22.6)	(40.8)	(18.3)	(25.6)	(21.8)	(21.8)
Other	(12.6)	(10.3)	(18.8)	(26.0)	(20.6)	(21.3)
Refinancing of external debt	(--)	(--)	(25.2)	(22.4)	(26.3)	(26.4)
Amortization	(-18.2)	(-15.8)	(-29.9)	(-23.9)	(-27.3)	(-24.8)
Domestic financing (net)	4.4	22.9	41.5	19.2	19.5	26.7
Banking system	(6.9)	(18.9)	(38.7)	(24.2)	(20.1)	(41.3)
Repayment of ONCAD debt to banks	(--)	(--)	(--)	(-7.0)	(-2.0)	(-16.6)
Long-term domestic borrowing	(1.0)	(1.8)	(3.0)	(2.0)	(2.0)	(2.0)
Other	(-3.5)	(2.2)	(-0.2)	(--)	(-0.6)	(--)
	(In percent of GDP)					
Memorandum items:						
Balance of current operations	--	6.5	4.0	1.8	5.8	1.6
Overall deficit (commitments)	4.7	11.2	7.0	6.5	9.0	4.8
Overall deficit (disbursements)	3.5	8.7	9.8	7.9	6.9	7.3

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ Excluding capital grants.

2/ Including CFAF 8.8 billion for settlement of Fifth Plan operations.

3/ Reduction in outstanding arrears of CPSP.

because of the improvement in the financial position of the CPSP discussed below. Capital outlays in the program will be contained to CFAF 42.4 billion, an increase of 7 percent over the 1982/83 level; this is being achieved through delaying or postponing indefinitely work on certain projects, for instance, the University of St. Louis. Thus, the overall deficit will be limited to CFAF 47.6 billion (on a commitment basis), but, as an amount of CFAF 23.8 billion of arrears will be liquidated, the Treasury's financing requirements will reach CFAF 71.4 billion. About 62 percent of this amount will take the form of external financing, including debt relief, and the remainder will come from the domestic banking system; the latter will include the counterpart of purchases under the requested stand-by arrangement in an amount equivalent to approximately CFAF 26 billion.

4. Equalization and Stabilization Fund (CPSP)

The reduction in the deficit of the Treasury correspondents will be mostly in respect of the Equalization and Stabilization Fund (CPSP) whose deficit will decline sharply (Table 10). The receipts of the CPSP will rise from CFAF 2.9 billion to CFAF 8.0 billion. This will reflect mainly the impact of the decision to raise the consumer prices of domestic and imported cooking oil, which will yield additional receipts of CFAF 3.8 billion. On the expenditure side, substantial savings are being realized, with total outlays being reduced from CFAF 18.8 billion to CFAF 13.8 billion. About 60 percent of these savings result mostly from a smaller loss on groundnut oil sales attributable to a firming of world prices, and the remainder reflects essentially the gains resulting from the increase in the consumer price of sugar. Thus, in 1983/84 the overall deficit of the CPSP is expected to be cut by around 64 percent to CFAF 5.8 billion.

5. Money and credit

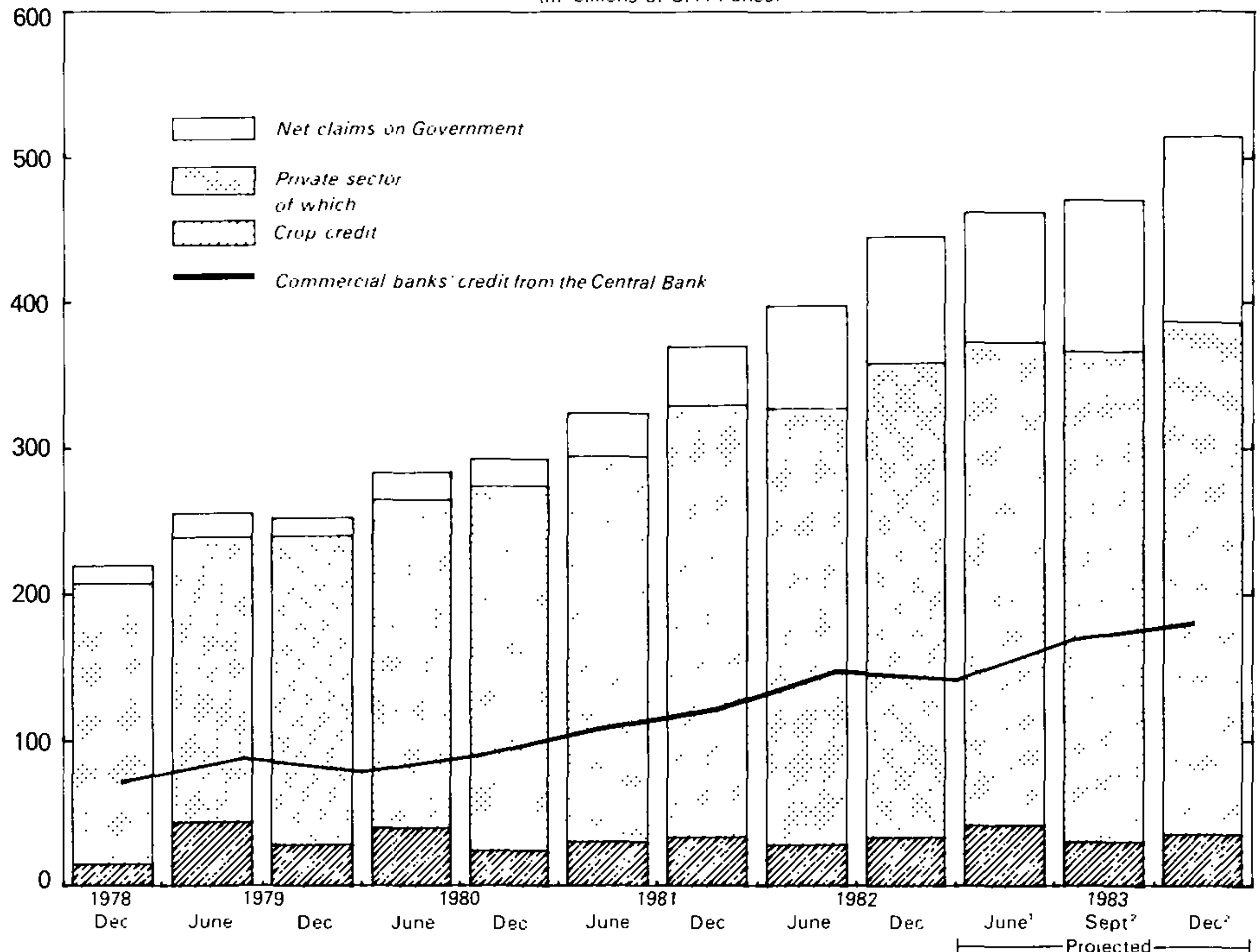
As the money supply in recent years has probably grown more rapidly than warranted, the program will seek to limit the overall expansion over the period July 1983-June 1984 to around 7 percent (Table 11). Given the balance of payments target of limiting the deterioration in the net foreign asset position to CFAF 41.5 billion, this will require a rather restrictive credit policy. Consequently, for the year 1983 as a whole, domestic credit is programmed to rise by only 13 percent to CFAF 501 billion (Chart 3). This represents roughly a halving of the rate recorded, on average, in 1981-82 and, given the credit expansion that has already taken place so far this year, will imply a very limited expansion in private sector credit for the remainder of 1983. While no technical difficulties are foreseen in containing credit expansion

CHART 3

SENEGAL

COMPOSITION OF TOTAL DOMESTIC CREDIT, 1978-1983[1]

(In billions of CFA francs)



Sources: Data provided by the Senegalese authorities and staff estimates and projections.

[1] Estimated

[2] Program

Table 10. Senegal: Operations of the CPSP, 1982/83-1983/84

(In billions of CFA francs)

	1982/83 Est.	1983/84 Program
Receipts		
Export crops	0.3	0.6
Cotton	(0.3)	(0.6)
Consumption goods	2.3	7.1
Rice	(2.0)	(2.6)
Flour	(0.3)	(0.3)
Groundnut and vegetable oil	(--)	(4.2)
Taxes and levies	0.3	0.3
Total receipts	2.9	8.0
Expenditure		
Administrative and capital	1.0	1.3
Agricultural program	0.9	0.7
Export crops	13.9	10.9
Groundnuts 1/	(13.6)	(10.6)
Cotton	(0.3)	(0.3)
Consumption goods	3.0	0.9
Sugar	(2.8)	(0.8)
Wheat and millet flour	(0.1)	(0.1)
Groundnut and vegetable oil	(0.1)	(--)
Total expenditure	18.8	13.8
Loss	-15.9	-5.8

Sources: *Data provided by the Senegalese authorities; and staff* estimates.

1/ Including financial charges.

Table 11. Senegal: Monetary Survey, 1979-June 1984

	1979	1980	1981	1982 June	1982 Dec.	1983 Mar. Prov.	1983 June Est.	1983 Sept. Program	1983 Dec. Program	1984 Mar. Projected	1984 June Projected	1983 June	1983 Dec.	1984 June
												Annual change as percent of beginning money stock		
	(In billions of CFA francs)											(In percent)		
Net foreign assets	-56.9	-77.0	-121.6	-133.2	-159.3	-169.9	-181.1	-191.1	-201.1	-211.8	-222.6			
Central bank	-32.5	-55.2	-98.2	-120.7	-139.6	-148.2	-159.6	-169.4	-179.4	-189.1	-199.1			
Commercial banks	-24.4	-21.8	-23.4	-12.5	-19.7	-21.7	-21.5	-21.7	-21.7	-22.7	-23.5			
Domestic credit	252.2	292.5	370.3	398.5	446.2	465.1	463.4	472.3 1/	501.4 1/	522.7	522.7	27.3	21.0	22.8
Claims on Government (net)	12.0	17.9	40.7	70.2	87.6	86.7	90.3	106.2 1/	115.1 1/	123.6	131.6	8.4	10.5	15.9
Claims on private sector	240.2	274.6	329.6	328.3	358.6	378.4	373.1	366.1	386.3	399.1	391.1	18.8	10.6	6.9
Of which: crop credit	(28.4)	(23.4)	(33.3)	(28.3)	(33.3)	(55.6)	(42.5)	(30.5)	(35.0)	(55.0)	(40.0)			
Money and quasi-money	161.1	177.9	216.9	238.1	262.4	273.4	260.5	259.4	278.5	289.1	278.3	9.4	6.1	6.8
Other items (net)	34.2	37.6	31.8	27.2	24.5	21.8	21.8	21.8	21.8	21.8	21.8			

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ Performance criteria.

within this limit, considerable vigilance will be required to ensure that the limited amount of credit available is allocated to the priority sectors. For this reason, credit demands will receive careful scrutiny.

The margin for credit expansion between June and December 1983 is estimated at CFAF 38 billion. It is expected that CFAF 24.8 billion of this amount will be required by the Government. Ceilings for 1984 will be set during the mid-term review scheduled for December 1983.

6. External sector

The adjustment measures in the program are expected to have a marked effect on imports, which are projected to decline in terms of SDRs 1/ by 4 percent to SDR 740 million in 1983 (Table 12). Moreover, no increase in imports is forecast for 1984 in terms of SDRs, 2/ as it is expected that the effect of the price measures in the program will be such that the decline in consumer imports will offset the growth in other categories. Meanwhile, exports are expected to rise by 3 percent in 1983 to SDR 458 million and to expand by 12 percent to SDR 513 million in 1984. Thus, between 1982 and 1984 the trade deficit should decline by SDR 104 million to SDR 228 million. The current account deficit, however, will improve by only SDR 20 million, as there will be a major deterioration on the services account, the bulk of which will be attributable to higher interest obligations (Charts 4 and 5). 3/ Despite continued debt relief, capital inflows, which will decline somewhat in 1983, are programmed to be sharply lower in 1984, reflecting a more cautious approach to external borrowing (Table 13). Consequently, the overall balance of payments deficit in 1983 and 1984 will average around SDR 118 million and will require substantial recourse to Fund resources and the operations account. During the fiscal year 1983/84 the current account deficit/GDP ratio is programmed to be reduced by 3 percentage points to 11 percent and the overall deficit/GDP ratio by more than one percentage point to 4 percent.

7. Performance criteria and mid-term review

Quantitative performance criteria relating to domestic credit and claims on Government (net) have been established for September and December 1983; criteria for December 1983 have also been established for

1/ In terms of CFA francs, imports in 1983 are programmed to rise by 6 percent.

2/ In terms of CFA francs, imports in 1984 are programmed to rise by 3 percent.

3/ Debt rescheduling is estimated to have a limited impact on interest payments (Table 5).

Table 12. Senegal: Balance of Payments, 1980-84 and 1982/83-1983/84

(In millions of SDRs)

	1980	1981	1982	1983 1/	1984 1/	1982/83	1983/84 1/
	Preliminary			Projections		Estimated	Program
A. Trade balance	-381.5	-407.3	-332.1	-282.6	-227.7	-327.5	-246.1
Exports, f.o.b.	377.4	367.3	442.4	457.7	512.9	430.6	485.0
Of which: groundnuts	(72.4)	(28.7)	(122.1)	(133.2)	(143.7)	(110.0)	(141.3)
Imports, f.o.b.	-758.9	-774.6	-774.5	-740.3	-740.6	-758.1	-731.1
B. Services (net)	-99.6	-116.1	-67.0	-131.6	-160.0	-123.0	-136.2
Of which: interest on external debt	(-49.8)	(-56.8)	(-51.8)	(-87.1)	(-113.6)	(-73.1)	(-90.8)
C. Unrequited transfers (net)	131.6	130.1	117.7	121.9	126.0	120.7	120.9
Private sector	29.0	26.5	26.7	27.7	29.6	27.3	27.9
Public sector	102.6	103.6	91.0	94.2	96.4	93.4	93.0
D. Current account (A+B+C)	-349.5	-393.3	-281.4	-292.3	-261.7	-329.8	-261.4
E. Capital account	229.5	240.7	174.5	172.6	144.5	201.3	165.5
Public capital	165.5	172.3	132.0	120.2	93.4	135.0	115.7
Of which: amortization on external debt	(-102.5)	(-90.5)	(-88.2)	(-81.8)	(-74.0)	(-92.4)	(-72.8)
Private capital	65.8	59.3	49.6	42.4	43.8	42.9	42.5
Deposit money banks	-1.8	9.1	-7.1	10.0	7.3	23.4	7.3
F. SDR allocation	4.4	4.3	--	--	--	--	--
G. Errors and omissions	25.4	8.8	3.3	--	--	27.3	--
H. Overall balance (D+E+F+G)	-90.2	-139.5	-103.6	-119.7	-117.2	-101.2	-95.9
I. Financing	90.2	139.5	103.6	119.7	117.2	101.2	95.9
Central Bank	82.6	134.2	114.1	119.7	117.2	101.2	95.9
IMF	(36.9)	(51.4)	(39.8)	(21.0)	(59.8)	(26.3)	(54.8)
Exceptional financing	(--)	(--)	(88.2)	(--)	(--)	(--)	(--)
Other	(45.7)	(82.8)	(-13.9)	(98.7)	(57.4)	(74.9)	(41.1)
Arrears	7.6	5.3	-10.5	--	--	--	--

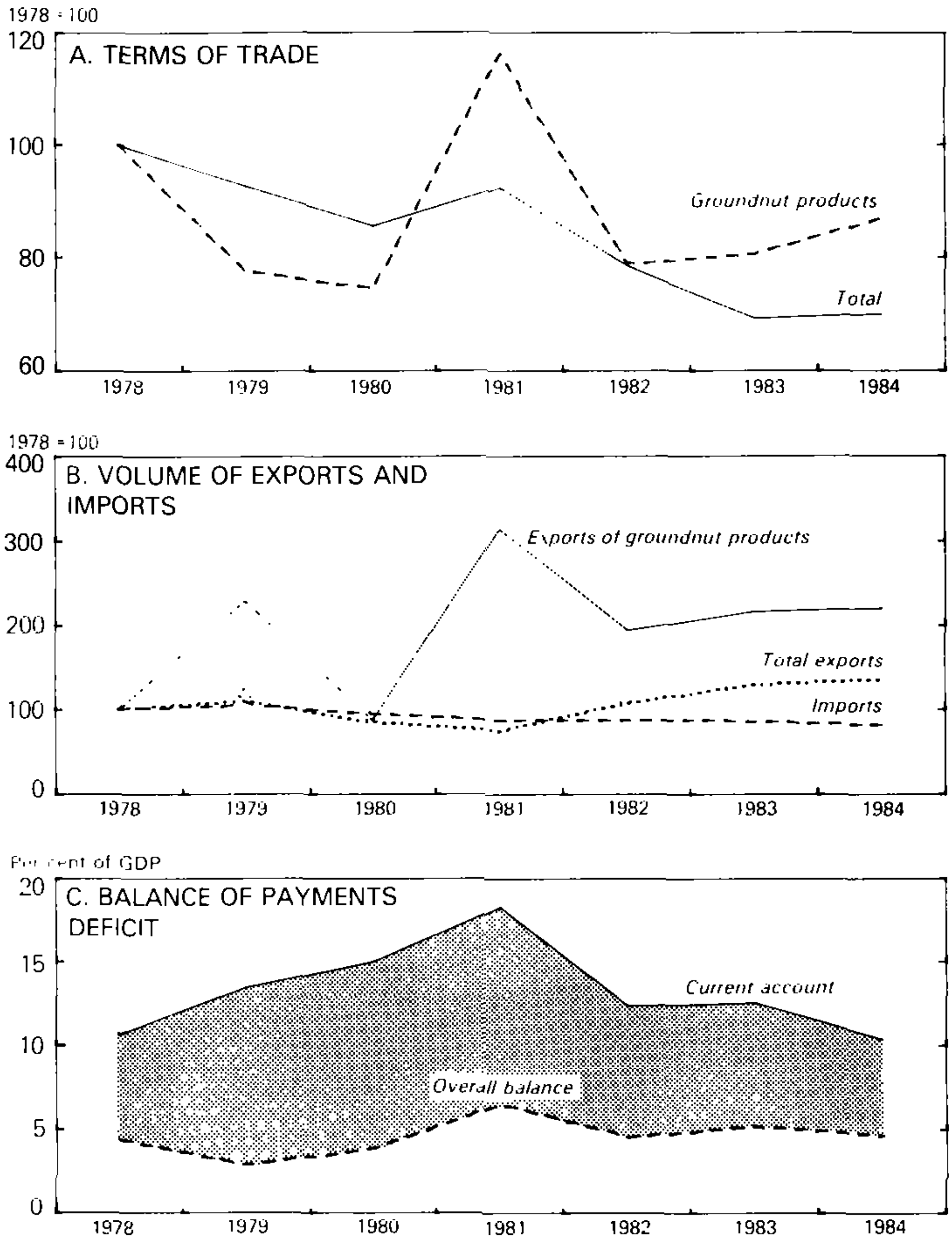
Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ Assuming reschedulings with Paris and London Clubs for fiscal year 1983/84.

CHART 4

SENEGAL

EXTERNAL SECTOR, 1978-84[1]



Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

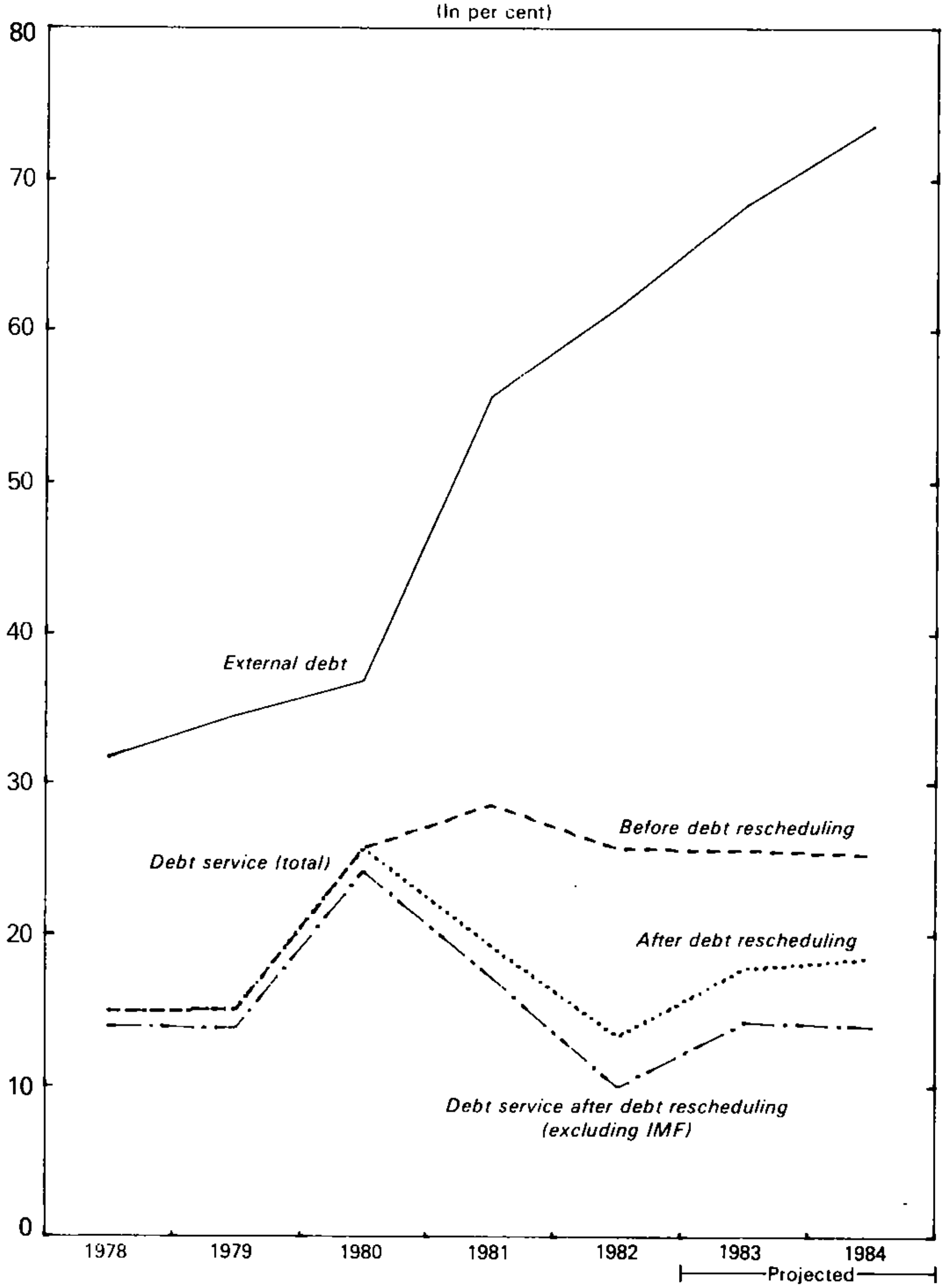
[1] Program projections for 1983-84.

CHART 5

SENEGAL

EXTERNAL DEBT AND DEBT SERVICE, 1978-84[1]

(In per cent)



Sources. Data provided by the Senegalese authorities; and staff estimates and projections.

[1] External debt as percentage of GDP, debt service as percentage of exports of goods and services.

Table 13. Senegal: External Public Debt, 1981-84 1/

(In millions of SDRs)

	1981	1982	1983	1984
Outstanding disbursed (end of period)	1,214	1,401	1,593	1,845
Medium- and long-term debt	908	1,004	1,079	1,210
Short-term debt, Central Bank	306	397	514	635
Interest	56.8	51.8	87.1	101.4
Medium- and long-term debt	36.8	23.5	45.4	50.0
Short-term debt, Central Bank 2/	20.0	28.3	41.7	51.4
Of which: IMF	(5.2)	(10.3)	(13.6)	(19.2)
Amortization	55.4	41.2	34.5	36.8
Medium- and long-term debt 3/	49.0	27.9	24.0	22.3
Repurchases from the Fund	6.4	13.3	10.5	14.5

Sources: Ministry of Economy and Finance; BCEAO; External Debt System of the World Bank; and staff estimates and projections.

1/ Assuming reschedulings for fiscal years 1983/84 and 1984/85.
2/ Charges on use of Fund resources, interest on borrowing from the operations account, and other short-term liabilities
3/ Including repayment of advance on Stabex of US$15.1 million in 1981 and US$10.4 million in 1982.

domestic arrears of the Government and public enterprises, reclassified crop credit, and foreign borrowing (Table 14). The performance criteria have been based on assumed levels of external financial assistance, including debt relief. As indicated in the footnotes to the table, certain asymmetrical automatic adjustments to the performance criteria are stipulated should external financial assistance deviate from the targeted level. The standard performance criterion relating to the exchange and trade system is also included.

During the mid-term review, performance criteria will be set for end-March 1984 and indicative ceilings for end-June 1984. Repayment schedules for crop credit granted for 1983/84 will also be established for the oil mills and the CPSP; repayment schedules by the CPSP will be treated as performance criteria. In addition, the December review will focus on the following issues:

a. Public sector employment: Progress made in limiting the growth of the civil service to 2.5 percent in 1983/84 will be examined. At the same time, the steps being taken to restrict entries into the public service training schools in 1984 will be studied to ensure that the target of limiting the growth of the civil service to 1.3 percent in 1984/85 can be achieved.

b. Public enterprises: The results of the study on the operations of the public enterprises will be reviewed, and understandings will be reached on measures to initiate the rehabilitation of the sector.

c. Financial situation of the refinery: The effect of the increases in petroleum prices in August 1983 on the financial position of the refinery will be analyzed, and understandings will be reached on additional measures that may be required to eliminate the accumulated deficit by end-1984.

d. A system will be established to replace the direct payment of rent on behalf of those entitled to be housed at government expense by rental allowances. Moreover, the existing legal requirements relating to housing allowances will be strictly enforced.

e. A study will be made of how revenue from property taxes can be increased substantially in 1984.

f. Proposals will be made to improve the efficiency of the groundnut sector and to increase the production of cereals in the medium term, in the light of studies being undertaken with foreign technical assistance.

Table 14. Senegal: Quantitative Performance Criteria for September and December 1983

	1983	
	September	December
	(In billions of CFA francs)	
Domestic credit	472.3 1/2/	501.4 1/2/
Claims on Government (net)	106.2 2/	115.1 2/
Arrears of the Government and public enterprises	...	55.7
Reclassified crop credit	...	7.8 3/
	(In millions of SDRs)	
New external borrowing by the Government or with government guarantee		
1-12 years	20.0	20.0
Of which: 1-5 years	(2.0)	(2.0)

Source: Annexed memorandum.

1/ In the event that external budgetary assistance falls below CFAF 6 billion during the period July 1-September 30, 1983 and CFAF 9 billion during the period July 1-December 31, 1983, the ceiling could be adjusted upward by the amount of the shortfall, subject to a maximum increase of CFAF 3 billion. Should external budgetary assistance exceed the above amounts, the ceilings would be adjusted downard, pro tanto. The additional assistance would be used for the following purposes: (1) to repay crop credit reclassified in December 1982, (2) to reimburse crop credit opened for 1982/83, (3) to accelerate payments overdue on ONCAD debt, and (4) to settle quarterly installments on ONCAD debt for 1982/83.

2/ The program does not envisage the receipt of any exceptional external financial assistance during the period July 1-December 31, 1983 that would have the effect of improving the net position of the Government vis-à-vis the banking system. Should such assistance be received, however, the ceilings and subceilings would be reduced pro tanto, net of any tied expenditure undertaken with such assistance.

3/ In the event that external budgetary assistance falls below CFAF 9 billion during the period July 1-December 31, 1983, the amount of reclassified crop credit cold be adjusted upward, pro tanto, subject to a maximum adjustment of CFAF 3 billion.

V. Staff Appraisal

For a number of years, Senegal's economic and financial situation has been deteriorating, but recently the imbalances have reached such proportions that strong adjustment measures cannot be delayed any longer. In the absence of immediate corrective action, coupled with significant external assistance including debt rescheduling, Senegal would be unable to meet a substantial portion of its domestic and external obligations during this fiscal year. Moreover, even if strong adjustment policies were pursued for several years, the economic and financial situation would be likely to improve only slowly.

The authorities are conscious of the seriousness of the situation and the steps taken in the context of the 1983/84 program demonstrate their commitment to restore Senegal's financial viability. The program provides for a reduction in the public finance deficit to 5 percent of GDP in 1983/84 from 9 percent in the preceding year. It requires strong expenditure controls and a sharp curtailment in the growth of public employment and government subsidies. The price measures taken in the case of rice, sugar, cooking oils, and petroleum products will have a very positive effect on public finance, both immediately and in the years ahead. Clearly, they will imply considerable hardship for consumers, but in the present circumstances substantial sacrifices are required. Ongoing efforts to come to grips with the problems of the public enterprise sector are timely and should yield lasting results. The tight demand management policies being pursued in the context of the program will ease pressures on the balance of payments. Nevertheless, the external position remains fragile and substantial foreign assistance will be required, including debt relief from the members of the Paris and London Clubs.

The staff recognizes that Senegal is facing a very serious debt problem and that debt rescheduling through the Paris and the London Clubs can provide only temporary relief. The likelihood of sustained balance of payments deficits, even after successive debt rescheduling arrangements, reveals the seriousness of Senegal's external position.

On balance, the staff considers that the far-reaching measures included in the proposed program are an adequate response to solve the problems presently facing Senegal, and that the program--if vigorously implemented--should pave the way for progressively restoring financial viability. The staff also considers that the progress made by Senegal should be closely monitored and that Article IV consultations with Senegal should be held in the future on the standard 12-month cycle. Accordingly, the following draft decisions are proposed for adoption by the Executive Board:

(i) 1983 Consultation

1. The Fund takes this decision in concluding the 1983 Article XIV consultation with Senegal, in the light of the 1983 Article IV consultation with Senegal conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Senegal continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions.

(ii) Stand-By Arrangement

1. The Government of Senegal has requested a stand-by arrangement in an amount equivalent to SDR 63 million for a period of 12 months from September 19, 1983 through September 18, 1984.

2. The Fund approves the stand-by arrangement attached to EBS/83/182, and waives the limitation in Article V, Section 3 (b) (iii).

3. The Fund notes the cancellation as of September 19, 1983 of the stand-by arrangement approved by the Fund for Senegal on November 24, 1982 (EBS/82/198, Supplement 1).

Senegal - Stand-By Arrangement

Attached hereto is a letter, with annexed memorandum, dated August 11, 1983 from the Minister of Economy and Finance of Senegal requesting a stand-by arrangement and setting forth the objectives, policies, and measures that the authorities of Senegal intend to pursue for the period of this stand-by arrangement.

To support these objectives, policies, and measures, the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For the period from September 19, 1983 to September 18, 1984 Senegal will have the right to make purchases from the Fund in an amount equivalent to SDR 63.0 million, subject to paragraphs 2, 3, 4, and 5, without further review by the Fund.

2. a. Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of:

SDR 15.75 million until December 15, 1983;
SDR 31.50 million until March 15, 1984; and
SDR 47.25 million until June 15, 1984.

b. None of these limits shall apply to a purchase under this stand-by arrangement that would not increase the Fund holdings of Senegal's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 percent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1 to 1.2 until total purchases under this arrangement reach the equivalent of SDR 54,298,758, and then each purchase shall be made with borrowed resources, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Senegal will not make purchases under this stand-by arrangement, other than the initial purchase of the equivalent of SDR 15.75 million, that it may request not later than within 15 days of the effective date of this arrangement, that would increase the Fund's holdings of Senegal's currency in the credit tranches beyond 25 per cent of quota or increase the Fund's holdings of that currency resulting from purchases of supplementary financing or borrowed resources beyond 12.5 percent of quota:

a. during any period in which the data at the end of the preceding period indicate that:

(i) the limit on total domestic credit of the banking system described in paragraph 7 of the annexed memorandum; or

(ii) the limit on net bank credit to the Government described in paragraph 7 of the annexed memorandum; or

(iii) the limit on contracting of government and government-guaranteed external debt described in paragraph 7 of the annexed memorandum; or

(iv) the limit on arrears of the Government and public enterprises described in paragraph 7 of the annexed memorandum; or

(v) the limit on reclassified crop credit described in paragraph 7 of the annexed memorandum is not observed;

or

b. after March 14, 1984, until suitable performance clauses have been established in consultation with the Fund pursuant to the review contemplated in paragraph 8 of the annexed memorandum, or after such clauses have been established, while they are not being observed; or

c. if Senegal:

(i) imposes restrictions on payments and transfers for current international transactions, or

(ii) introduces multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes or intensifies import restrictions for balance of payments reasons.

When Senegal is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Senegal and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Senegal's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Senegal. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Senegal and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Senegal, the Fund agrees to provide them at the time of the purchase.

7. The value date of a purchase under this stand-by arrangement involving borrowed resources will be normally either the 15th day or the last day of the month, or the next business day if the selected day is not a business day. Senegal will consult the Fund on the timing of purchases involving borrowed resources.

8. Senegal shall pay a charge for this arrangement in accordance with the decisions of the Fund.

9. a. Senegal shall repurchase the amount of its currency that results from a purchase under this arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchase as Senegal's balance of payments and reserve position improves.

b. Any reductions in Senegal's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

c. The value date of a repurchase in respect of a purchase financed with borrowed resources under this stand-by arrangement will be normally either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that repurchase will be completed no later than seven years from the date of purchase.

10. During the period of the stand-by arrangement, Senegal shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to Senegal or of representatives of Senegal to the Fund. Senegal shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Senegal in achieving the objectives and policies set forth in the attached letter and annexed memorandum.

11. Senegal will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria under paragraph 7 of the annexed memorandum have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of this stand-by arrangement and while Senegal has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Senegal's balance of payments policies.

Washington, August 11, 1983

Dear Mr. de Larosière:

The Senegalese authorities had adopted a financial program for fiscal year 1982/83 supported by a stand-by arrangement with the International Monetary Fund in the amount of SDR 47.25 million. Senegal was able to draw only the first tranche of SDR 5.9 million under this arrangement because certain performance criteria could not be met. This was due in part to developments over which Senegal had no control. World prices for groundnut oil declined far more than anticipated, to their lowest level in over a decade. This, combined with a continuous depreciation of the CFA franc, aggravated the public finance situation and the balance of payments.

Conscious of the seriousness of the financial situation, the authorities have decided to implement a program of budgetary austerity which will impose harsh sacrifices on the people of Senegal. The application of these austerity measures will reduce the budget deficit by CFAF 35 billion in 1983/84, or by about 4 per cent of GDP. These steps are part of a medium-term adjustment program involving strict controls over the size of the civil service, improvements in the financial condition of public agencies, and significant measures for raising agricultural productivity, in particular in the groundnut sector.

In support of this program, the Senegalese authorities would like to make use of International Monetary Fund resources in the framework of a one-year stand-by arrangement in the amount of SDR 63.0 million, the equivalent of 100 percent of quota. In this connection, the Senegalese authorities wish to cancel the existing stand-by arrangement upon the approval of the new arrangement.

The Senegalese authorities believe that the combination of measures described in the attached memorandum will make it possible to achieve the objectives set for fiscal year 1983/84. They will periodically review the situation with the Managing Director of the International Monetary Fund and will provide the Fund with the information needed to monitor the results obtained under the program. In any event, the Senegalese authorities will consult with the International Monetary Fund by mid-March 1984 to establish performance criteria for March and June 1984, as indicated in paragraph 8 of the attached memorandum. In accordance with the International Monetary Fund's policy on consultation, the Senegalese authorities will consult with the Fund during the period of the stand-by arrangement on any additional measures that might prove to be necessary.

Very truly yours,

/s/

Mamoudou Touré
Minister of Economy and Finance

Encl:

Mr. J. de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Memorandum on Certain Aspects of the Economic and Financial Policies of the Senegalese Government for Fiscal Year 1983/84

The financial difficulties afflicting Senegal today have been seriously aggravated by the decline in world prices for groundnut oil, the rise in real interest rates, and the appreciation of the U.S. dollar. These economic developments have underlined the structural weakness of the Government's finances, particularly the excessively rapid growth of current spending, on wages and subsidies above all. The authorities have therefore decided to attack the causes of the structural public finance deficit. Although this problem can be resolved only in the medium term, the authorities will initiate vigorous adjustment measures with the start of fiscal year 1983/84. These measures will be designed primarily to reduce the growth of the civil service, the deficit of the Price Equalization and Stabilization Fund (CPSP), and subsidies to public enterprises. The budget deficit in terms of payment authorizations should be reduced to about 5 percent of GDP in fiscal year 1983/84--4 points below the 1982/83 level. The current account deficit of the balance of payments should be reduced to 11 percent of GDP, or 3 points below the level of the previous year. The equilibrium of the program is based on normal rainfall.

The cash flow position will nevertheless remain strained during fiscal year 1983/84. It will require a rescheduling of debt service with the members of the Paris and London Clubs and at least CFAF 34 billion in budgetary assistance from abroad.

The major components of the financial recovery program are described below:

1. Budgetary operations

In 1983/84 the deficit of the Government's financial operations in terms of payment authorizations will be limited to CFAF 48 billion. Revenue will increase 13.0 percent while current expenditure, especially with respect to the wage bill, will increase only 7.0 percent.

To limit the growth of the civil service, the authorities will take the following measures: (i) A census will be taken of civil service and public enterprise employees as of June 30, 1983. A retirement and recruitment timetable will be established for each ministry and public enterprise so that the staff size for December 31, 1983 and June 30, 1984 can be projected. A similar census will be taken at civil service training schools. (ii) No recruitment or announcement of competitive examinations may take place without the authorization of the Minister of State, Secretary-General of the Office of the President, who will make sure that the size of the civil service does not increase by more than 2.5 percent during fiscal year 1983/84. Admissions to civil service training schools will be reduced so that growth in numbers does not exceed 1.3 percent in 1984/85.

2. CPSP, SONAR, SAED

A series of measures will be taken to reduce the combined deficit of the CPSP, SONAR, and SAED by about CFAF 19 billion in 1983/84. They are the following:

a. Rice: The retail price of rice will rise from CFAF 105 per kg to CFAF 130 per kg on August 19, 1983. Since the volume of rice sales is 360,000 tons, the CPSP's receipts will increase by CFAF 9 billion, enabling it for the first time to pay the customs duties on rice, estimated at CFAF 4.9 billion. This increase in the price of imported rice will reduce the CPSP's overall deficit and stimulate cereal production in Senegal.

b. Sugar: The selling price of sugar will be raised an average of CFAF 50 per kg on August 19, 1983, boosting CPSP's income for a full year by CFAF 4.0 billion. The revision of the agreement between the Senegalese Government and the Compagnie Sucrière du Sénégal will bring the CPSP an additional CFAF 1 billion in revenue.

c. Oils: The selling price of imported oil will rise from CFAF 245 per liter to CFAF 300 per liter on August 19, 1983, and the price of groundnut oil will increase from CFAF 339 per liter to CFAF 400 per liter on the same date. The combined positive effect of these price increases will net the CPSP an additional CFAF 3.8 billion.

d. SAED: The subsidy to SAED will be limited to CFAF 1.7 billion in 1983/84.

e. Fertilizer: Savings in an amount of CFAF 2.5 billion will be realized by the withholding of CFAF 5 per kg of marketed groundnuts.

f. Groundnut sector: In the crop year 1983/84 SONACOS and SEIB will be the employers of the weighers and, as such, will be responsible for any losses between the weighing of the groundnuts sold by the producer and the weighing at the mill. The contract between the oil producers and the CPSP will be concluded no later than September 5. A method for reducing the cost of seed storage and distribution will be established by the same date. The amount of seed distributed to producers in 1984 will amount to 120,000 tons and will be proportional to the amount of groundnuts marketed by them in the 1983/84 crop year, and an additional CFAF 5 per kg will be withheld, thus eliminating the CFAF 4 billion loss on the distribution of seed.

3. Petroleum products

The selling prices of petroleum products will be increased an average of 8 percent on August 19, 1983. The increase, which will vary with the product, will yield an additional CFAF 3.7 billion for the SAR and an equal amount for the National Energy Fund. A study will be made prior to the December review to determine what additional measures are needed to absorb the SAR's cumulative deficit by the end of 1984.

4. Investment

The closing figure of the Fifth Plan settlement account was CFAF 11 billion, of which CFAF 5 billion was paid on June 30, 1983 while the CFAF 6 billion balance was added to the list of government arrears. In addition to the CFAF 5 billion contribution to the Treasury's special accounts, the budget limits capital spending to CFAF 10 billion. This ceiling may be raised when the December review is held if savings are achieved under other chapters.

In cooperation with the CCCE and the World Bank, the Ministry of Planning will draw up a flow-of-funds table for investments, based on physical monitoring of the progress of work and specifying the means of financing. For each project, the table will show the amount of payments arrears as of the end of the previous fiscal year, the value of the work to be done during the current fiscal year, and the means of financing. The table will be updated twice a year.

5. Public enterprises

A study of public enterprises will be conducted in cooperation with the World Bank with a view to halting the steady deterioration of their financial condition. The conclusions of the study, which will cover SAED, SENELEC, SODEVA, SOMIVA, and SONES, will be submitted to the IMF staff during the December review.

6. External sector

The measures taken under the program are designed to limit nominal import growth to less than 5 percent in 1983/84. This, together with an increase of about 20 percent in exports, should reduce the current account deficit to 11 percent of GDP--an improvement of more than 3 points over 1982/83. The authorities have informed creditors of their intention to request a rescheduling of Senegal's debt service payments due in fiscal year 1983/84.

7. Performance criteria

a. New external borrowing

New government and government-guaranteed borrowing with maturities of at least one year but less than 12 years will be limited to SDR 20 million during the second half of 1983. Of this amount, borrowings with maturities of one to five years (inclusive) will be limited to SDR 2 million. These limits will not include borrowings by the multinational companies Air Afrique and Asecna, or new borrowings for refinancing existing debts in the context of debt rescheduling with the members of the London and Paris Clubs. The exchange rate applicable to these borrowings will be the SDR rate vis-à-vis the contract currency at June 30, 1983.

b. Domestic credit

The ceiling set for domestic lending by banks as of September 30, 1983 is CFAF 472.3 billion, and the subceiling on the banking system's net claims on Government as of that date is CFAF 106.2 billion. For December 31, 1983, these limits are CFAF 501.4 billion and CFAF 115.1 billion, respectively. If external budgetary assistance exceeds CFAF 6.0 billion between July 1 and September 30, 1983 and CFAF 9.0 billion between July 1 and December 31, 1983, the excess will be used (1) to repay the crop loans reclassified as ordinary loans in December 1982; (2) to repay the crop loans made for crop year 1982/83; (3) to complete the repayment of the arrears on ONCAD's debt due by the end of July 1983; and (4) to make the quarterly repayments due on ONCAD's debt for fiscal year 1983/84. Hence, the domestic credit ceilings would be reduced proportionately, while the subceilings would remain unchanged. If external budgetary assistance is less than the amounts mentioned above, the domestic credit ceiling will be increased by the amount of the shortfall, up to CFAF 3 billion.

No other exceptional external financing having the effect of reducing net claims on Government pro tanto when the funds are collected by the Treasury has been anticipated for the last six months of 1983. If such financing is received, the ceilings and subceilings on credit will be reduced by that amount, net of actual spending against these funds, as of September 30 and December 31, 1983.

c. Reclassified crop loans

The amount of crop loans reclassified as ordinary loans as of the end of December 1983 for crop years 1981/82 and 1982/83 will not exceed CFAF 7.8 billion after payment of financial charges (agios). If the amount of budgetary assistance received by the end of December is less than CFAF 9 billion, the reclassified loans could exceed CFAF 7.8 billion by an amount equal to the difference between the anticipated and the actual assistance, up to CFAF 3 billion.

d. Payments arrears of the Government and public agencies

The payments arrears of the Government and public agencies will not increase between June 30 and December 31, 1983.

e. Exchange and trade system

During the period of the stand-by arrangement, Senegal does not intend to impose restrictions on payments and transfers for current international transactions, introduce multiple currency practices, conclude bilateral payments agreements with Fund members, or impose or intensify restrictions on imports for balance of payments reasons.

8. December review

The performance criteria identified in paragraphs 7(a), (b), (c), and (d) above will be established for March 31 and June 30, 1984 at the time of the December review, which will also consider the following matters:

a. Civil service manpower: On the basis of a manpower census as of June 30, 1983 and of recruitment and retirement data for the second half of 1983, measures will be drawn up to limit the growth of staff to under 2.5 percent in 1983/84. In addition, admissions to civil service training schools in calendar year 1984 will be programmed in such a way as to limit the growth in civil service manpower to 1.3 per cent in fiscal year 1984/85.

b. Agricultural policies: On the basis of a comprehensive review of agricultural policies and rural development agencies, to be conducted during the second half of 1983 in cooperation with the World Bank and the Caisse Centrale, the authorities will present proposals for increasing the efficiency of the groundnut sector (notably, through improving the distribution of seeds and fertilizers and the marketing of groundnuts), and for raising domestic cereal production in the medium term.

c. Repayment of 1983/84 crop loans: A schedule for repayments by SONACOS, SEIB, and the CPSP will be drawn up for each quarter of calendar year 1984. Adherence to this schedule by the CPSP will be considered a performance criterion during the first half of 1984.

d. Financial reform of public agencies: A financial reform program will be drawn up in cooperation with the World Bank.

e. SAR: Petroleum product prices will be adjusted to market prices so as to wipe out SAR's financial deficit by the end of 1984.

f. Government leases: The authorities will develop a package of measures for replacing direct rental payments to those entitled to housing by lump-sum allowances and for strict application of the laws and regulations concerning housing allowances, thus yielding significant savings.

g. Real estate tax: A study will be undertaken to identify ways and means of increasing substantially the yield of the real estate tax beginning in 1984.

Fund Relations with Senegal 1/

Date of membership:	August 31, 1962
Quota:	SDR 63 million (proposed quota under the Eighth General Review of Quotas is SDR 85.5 million)
Exchange system:	Senegal's currency, the CFA franc, is pegged to the French franc, which is the intervention currency, at the rate of CFAF 1 = F 0.02
Fund holdings of Senegal's currency:	354.96 percent of quota, of which 75.00 percent was under CFF purchases, 32.56 percent under the EFF, 85.90 percent under the SFF, and 2.15 percent under the EAR.
SDR position:	Holdings amounted to SDR 1.85 million, or 7.6 percent of net cumulative allocation of SDR 44.46 million.
Gold distribution (four distributions):	Acquired 29,024.482 troy ounces of fine gold.
Direct distribution of profits from gold sales (July 1, 1976-July 31, 1980):	US $5.39 million
Subsidy Account payments:	SDR 2.40 million
Trust Fund Assistance:	Received loans of SDR 33.23 million in the first and second periods.
Last Article IV consultation:	Discussions were held in Dakar February 17-March 5, 1980, and the staff report (SM/80/104) was discussed by the Executive Board on June 9, 1980.

1/ As of July 31, 1983.

World Bank Relations with Senegal 1/

Lending operations 2/ (In millions of U.S. dollars)

	IBRD and IDA		IFC Loans and Equity Participations		Grand Total
	Total Commitments	Of which: undisbursed	Total Commitments	Of which: undisbursed	
Ten loans and 18 credits 3/ fully disbursed	156.8	(--)	--	(--)	156.8
Structural adjustment 3/ and technical assistance	40.2	(22.6)	--	(--)	40.2
(includes recently canceled SAL loan portion)	(30.0)	(16.7)	--	(--)	30.0
Agriculture, livestock, and forestry	61.2	(36.5)	0.8	(--)	62.0
Power, industry, and tourism	39.4	(28.5)	31.7	(25.3)	71.1
Transport and telecommunications	81.3	(44.2)	--	(--)	81.3
Urban development, education, and health	37.2	(27.8)	0.5	(--)	37.7
Total	416.1	(159.6)	33.0	(25.3)	449.1
Less repaid or sold					17.1
Total outstanding					432.0
Held by IBRD					139.3
IDA					259.7
IFC					33.0

Source: World Bank.

1/ As of June 30, 1983.

2/ Less cancellations.

3/ Ln. 1931 - SE; Cr. 1084 - SE; Structural Adjustment Loan and Development Credit: US$30 million Loan and SDR 22.9 million; IDA credit (US$26.81 million) was fully disbursed. US$13.35 million of Bank loan portion was also disbursed to the Senegalese Government in support of a medium-term economic stabilization and rehabilitation program. US$16.65 million of Bank loan portion, however, was canceled as of closing date, June 30, 1983.

SENEGAL: Basic Data

Area, population, and GDP per capita

Area	196,000 square kilometers
Population: Total (1981)	5.81 million
Growth rate (1981)	2.6 percent
GDP per capita (1981)	SDR 371

	1979 Est.	1980 Est.	1981 Est.	1982 Est.	1983 Program	1984 Program
Gross domestic product (in current prices)						
Total (in billions of CFA francs)	581.9	642.8	689.4	823.6	932.1	1,033.3
	(In percent of GDP)					
Primary sector	25.9	21.4	20.1	23.1	23.2	22.4
Of which: agriculture	(15.2)	(10.5)	(9.3)	(12.4)	(12.5)	(11.6)
Secondary sector	23.0	19.6	20.5	20.5	21.1	20.8
Of which: industry	(13.4)	(11.5)	(13.3)	(11.9)	(11.7)	(13.8)
Tertiary sector	51.1	59.0	59.4	56.4	55.7	56.8
Consumption	95.8	98.6	100.1	97.0	96.5	95.3
Investment	14.2	16.9	18.8	17.1	17.7	17.7
Resource gap	-14.5	-15.8	-20.7	-14.3	-13.4	-9.3
Gross domestic savings	4.2	1.4	-0.1	3.0	3.5	4.7
	(Annual change in percent)					
Real GDP	9.6	-1.2	0.3	8.6	3.0	3.0
Nominal GDP	17.6	10.5	7.2	19.5	13.2	10.9
Prices						
Implicit GDP deflator	7.3	11.8	7.0	10.0	9.9	7.6
Consumer price index	9.5	8.7	5.9	17.3	...	...
Export prices (CFA francs)	3.1	14.4	32.1	-5.2	-4.5	9.9
Import prices (CFA francs)	11.4	23.8	22.2	11.9	8.5	8.6
Terms of trade	-7.4	-7.6	8.1	-15.2	-11.9	1.2

SENEGAL: Basic Data (continued)

		1979/80	1980/81	1981/82	1982/83 Prov.	1983/84 Program
		(In billions of CFA francs)				
Government finance						
Revenue		139.2	125.5	151.9	175.5	198.3
Grants		4.6	6.8	5.8	12.8	11.1
Expenditure and net lending		172.7	207.0	210.9	267.8	257.0
Of which: current expenditure		(144.9)	(151.3)	(165.4)	(189.9)	(203.1)
Overall surplus/deficit (-)						
Commitments		-28.9	-74.7	-53.2	-79.5	-47.6
Disbursements		-21.4	-58.2	-73.9	-60.9	-71.4
Payments arrears (decrease -)		7.5	16.5	-20.7	18.6	-23.8
Foreign financing (net)		17.0	35.3	32.4	41.4	39.7
Domestic financing (net)		4.4	22.9	41.5	19.5	31.7
Of which: banking system		(6.9)	(18.9)	(40.3)	(20.1)	(46.3)
		(In percent of GDP)				
Revenue		22.7	18.8	20.0	20.0	20.2
Current expenditure		23.7	22.7	21.9	21.6	20.7
Total expenditure and net lending		28.2	31.1	27.9	30.5	26.2
Overall surplus/deficit (-)						
Commitments		4.7	11.2	7.0	9.0	4.8
Disbursements		3.5	8.7	9.8	6.9	7.3
	1978	**1979**	**1980**	**1981**	**1982**	**1983 Prog.**
	(In billions of CFA francs; end of period)					
Money and credit						
Net foreign assets	-31.0	-56.9	-77.0	-121.6	-159.3	-201.1
Domestic credit	219.0	252.2	292.5	370.3	446.2	501.4
Government (net)	11.8	12.0	17.9	40.7	87.6	115.1
Private sector	207.2	240.2	274.6	329.6	358.6	386.3
Broad money	158.8	161.1	177.9	216.9	262.4	278.5
		(Annual change in percent)				
Domestic credit		15.1	16.0	26.6	20.5	12.4
Of which: private sector		15.9	14.3	20.0	8.8	7.7
Broad money		1.4	10.4	21.9	21.0	6.1

SENEGAL: Basic Data (concluded)

	1979	1980	1981	1982 Prov.	1983 Program	1984 Program
	(In millions of SDRs)					
Balance of payments						
Exports, f.o.b.	485.4	377.4	367.3	442.4	457.7	512.9
Of which: groundnuts	(151.7)	(72.4)	(28.7)	(122.1)	(133.2)	(143.7)
Imports, f.o.b.	-790.7	-758.9	-774.6	-774.5	-740.3	-740.6
Trade balance	-305.3	-381.5	-407.3	-332.1	-282.6	-227.7
Services (net)	-61.1	-99.6	-116.1	-67.0	-131.6	-160.0
Unrequited transfers (net)	81.5	131.6	130.1	117.7	121.9	126.0
Current account balance	-284.9	-349.5	-393.3	-281.4	-292.3	-261.7
Capital account	251.1	229.5	240.7	174.5	172.6	144.5
Errors and omissions	-32.1	25.4	8.8	3.3	--	--
Allocation of SDRs	4.4	4.4	4.3	--	--	--
Overall surplus/deficit (-)	-61.5	-90.2	-139.5	-103.6	-119.7	-117.2
Payments arrears (decrease -)	--	7.6	5.3	-10.5	--	--
	(In percent of GDP)					
Exports, f.o.b.	22.9	16.1	17.1	19.5	19.7	20.5
Imports, f.o.b.	-37.3	-32.5	-36.0	-34.1	-31.8	-29.5
Current account deficit	-13.5	-15.0	-18.3	-12.4	-12.6	-10.4
	(In millions of SDRs; end of period)					
Gross official international reserves	15.5	7.4	17.9	21.5	...	...
External public debt						
Disbursed and outstanding (end of period)	716.0	877.0	1,214.0	1,401.0	1,593.0	1,845.0
Interest due	34.5	49.7	56.8	51.8	87.1	101.4
Amortization due	78.4	108.9	55.4	41.2	34.5	36.8
Debt rescheduling (net savings)	--	--	54.3	85.9	59.9	50.8
Arrears (cumulative, end of period)	--	7.6	12.9	--	--	--
Debt service due after rescheduling (in percent of exports of goods and services)	15.1	25.7	19.3	13.4	17.8	18.5
	(CFA francs per SDR)					
Exchange rates						
End of period	264.8	288.0	334.5	370.9	412.0	412.0
Period average	274.8	275.0	320.4	362.8	400.9	412.0