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International Monetary Fund
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Statement at the Conclusion of an IMF Staff Mission to Senegal

An International Monetary Fund (IMF) mission headed by Mr. Johannes Mueller visited Senegal during March 24-April 2 to conduct discussions for the third review under the Policy Support Instrument (PSI) and first review under the Exogenous Shocks Facility (ESF). The mission met with His Excellency President Abdoulaye Wade, Minister of Economy and Finance Abdoulaye Diop, Budget Minister Mamadou Sow, Minister of Energy Samuel Sarr, BCEAO National Director Fatimatou Zahra Diop, other senior officials of the government; and representatives of the private sector, commercial banks, and development partners.

Mr. Johannes Mueller, Mission Chief for Senegal, issued the following statement today in Dakar:

“Senegal is beginning to experience the effects of the global economic crisis. Main channels of transmission are declining remittances, commodity prices, external demand, and foreign direct investment. This follows a difficult period since mid-2008 when large government payment delays to the private sector became apparent and noticeably affected economic activity. As a result, notwithstanding a strong performance in agriculture, economic growth fell to 2½ percent in 2008, about half the trend growth rate. It is projected to rise moderately to around 3 percent in 2009, reflecting the recovery of operations by a large phosphate company (ICS) and the ongoing settlement of the government’s unpaid bills. Declining fuel and food prices are projected to lower inflation to about 1 percent in 2009 and limit Senegal’s import bill, thereby helping contain the external current account deficit.

“In this difficult external environment, the government’s efforts to normalize financial relations with the private sector are commendable. The stock of unpaid bills has been sharply reduced over the last few months, which should help shore up economic activity. In the same vein, the authorities made good progress in strengthening their public financial management (PFM) systems to help enhance budget planning, execution, and monitoring and prevent a recurrence of the payment delays. For the period ahead, they intend to pursue additional reforms in this area, as well as to promote private sector activity.

“The authorities reiterated their commitment to pursue a prudent fiscal policy over the medium term so as to preserve Senegal’s sustainable debt levels. Nonetheless, a moderate and temporary rise in the fiscal deficit in 2009 is appropriate to partially compensate for falling tax collections, which to a large extent reflect the impact of the economic crisis. This would allow maintaining spending for infrastructure investment and social spending. Nonetheless, some reductions in nonpriority spending, especially current spending, are unavoidable.

“The discussions on the authorities’ economic program will continue in Washington during the IMF/World Bank Spring Meetings in April. The IMF's Executive Board is tentatively scheduled for early June 2009.”