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December 18, 2008

**Statement by Mr. Guzmán and Mr. Jiménez on Senegal
(Preliminary)
Executive Board Meeting 08/112
December 19, 2008**

We thank staff for an insightful report and Mr. Rutayisire for his candid Buff statement. As stated in the report, Senegal has been recently affected by both domestic and exogenous factors. We are concerned by the policy slippages (government payment delays) and their impact in the real economy, which imply a mixed program performance under the Policy Support Instrument (PSI). We are comforted by the authorities' commitment to eliminate payment delays, modify budget execution practices, cut budget spending and take other fiscal measures, but would like to point out to the fact that these measures should indeed be implemented promptly.

The action plan being put into operation to eliminate unpaid government bills and extra budgetary spending is appropriate. In particular, the elimination of costly and non-targeted subsidies for food and energy products is a welcome measure, even more so because it reaches one of the main roots of the problem.

Senegal is likely to experience further external pressures –given the current global environment- and therefore prudent fiscal policy, aimed at preserving debt sustainability, is essential. We believe that access to the Exogenous Shock Facility (ESF) will be instrumental in this regard and in view of past oil and food price shocks. In this respect, we welcome the additional information on the balance-of-payments shock in 2008 provided in the Buff by the staff representative. The information provided for 2009 also helps to clarify that the shock is of a temporary nature and thus the ESF seems the appropriate response. *We would appreciate further comments by staff on how vulnerable is Senegal to future shocks and which other structural measures may be implemented to reduce such vulnerability.*

Apart from fiscal discipline, it is necessary to advance in the improvement of fiscal governance and the business environment, in line with the four pillars of the authorities' plan. On structural reforms, we concur with the objectives included in the staff report. It is

necessary to improve budget transparency and avoid further episodes of misreporting, which seriously damage the authorities' credibility.

Finally, we concur with the plans to sell several government assets. Part of the proceeds of currently planned sales should indeed be reserved for the prompt settling of all budgetary slippages.

With these remarks, we wish authorities every success in their endeavors.