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December 18, 2008

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

1. We thank staff for the comprehensive papers and Mr. Rutayisire for the informative buff statement.
2. We regret that the budgetary slippages which gave rise to the misreporting, would not only adversely impact the economic outlook but also policy credibility and affect donor confidence, especially during the current global economic downturn which will most likely trim the flow of foreign assistance and FDI.
3. On balance, however, given the difficult global and domestic situation facing the country and the authorities' commitment to remedial action, we support the request for waiver and modification of assessment criteria, and the completion of the Second PSI review. As the food and fuel price shock could strain the country's external position significantly, we also support the authorities' request for access to ESF financing.
4. *Staff has a medium-term forecast of around 5-6% for Senegal, is that still likely given that global growth is likely to be downgraded? We welcome staff's comments on its optimism regarding the sustainability of FDI flow to finance the current account deficit under the current global downturn. Furthermore, could staff comment on the exchange rate competitiveness of Senegal, within the framework of the West African Economic and Monetary Union (WAEMU)?*
5. On policy response, a quick resolution to the budgetary slippages and strict adherence to the fiscal target is critical to restore donor and investor confidence. In the medium term, as Senegal imports all of its fuel and most basic staples, the untargeted subsidies has to be reviewed with a view to improve their effectiveness and reduce the strain on the budget. A more targeted scheme, for instance, would be more conducive for fiscal sustainability. We strongly support the focus of the program on structural fiscal reforms, as recently recommended by the PFM TA mission. Maintaining domestic as well as external stability are the basis for sustainable growth and poverty reduction. We encourage the authorities to commit to implement far-reaching reforms to restore the integrity of the budget framework,

strengthen governance and transparency to prevent further slippages.

6. In addition, we urge the authorities to continue its structural reforms to develop the financial sector and improve the business environment as these would lay the foundations for a more sustainable, broad-based growth in the medium-term.

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