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December 18, 2008

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

I thank the staff for the well-written papers and Mr. Rutayisire for his helpful buff statement. Program performance under the PSI in Senegal has been mixed. All structural conditionality for the second review has been met. However, the staff notes that significant budgetary slippages have been uncovered, which comprise a large stock of unpaid government bills and extrabudgetary spending. The fiscal reporting deficiencies also gave rise to misreporting, which is unfortunate. Against this background, I welcome the strong corrective actions taken by the authorities as detailed in the staff paper. I am also encouraged that Senegal's medium-term economic outlook remains broadly favorable.

In the fiscal area, the focus is rightly on tightening the policy stance in 2008 and 2009 to help settle all payment delays to the private sector. It is also essential to avoid a repetition of similar slippages in the future, especially in view of the need to encourage private sector development. I also welcome the stress on safeguarding priority spending so as to further alleviate poverty and make progress toward meeting the MDGs.

The fiscal slippages have underscored the need to strengthen Public Financial Management (PFM) systems. In this regard, I am encouraged that a PFM TA mission has identified shortcomings in the application of the budgetary framework and structural conditionality in the fiscal area reflects the recommendations of the mission. It will be important to implement the PFM measures included in the program in a timely manner.

On financial sector reform, the stress is rightly on increasing financial intermediation and access to credit. In this regard, I am encouraged to note in the staff supplement that the authorities have made operational the new microfinance law, which could serve as an effective vehicle for poverty reduction and increasing employment.

As regards the authorities' request for access to the Exogenous Shocks Facility (ESF)

high-access component, I welcome the measures taken by the authorities and agree that ESF access would provide important relief for Senegal's balance of payments.

Finally, the provision of inaccurate information to the Fund by Senegal is unfortunate. Indeed, such misreporting strikes at the heart of the relationship between the Fund and the member country, which must be based on mutual trust and cooperation. Therefore, the first and foremost priority for the authorities is to continue addressing the problems that led to the misreporting and to ensure that there will be no future misreporting to the Fund. To this end, I welcome the corrective actions that should help address the causes that may have resulted in the misreporting. In this regard, I concur with the recommendation of the Managing Director.

With these remarks, I support the proposed decisions and wish the authorities further success.