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December 18, 2008

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

We thank staff for their papers and Mr. Rutayisire for his Buff statement.

We are very disappointed with the misreporting under the programme, and agree with staff it is by no means *de minimis*. We are concerned that the authorities did not follow existing accounting regulations, and continued to issue payment orders for 2007 well after the last stipulated date. It is also regrettable that the authorities had to borrow on non-concessional terms to clear the accumulated arrears. We are inclined to concur with Mr. von Stenglin and Ms. Rieck that the Board is being asked to support staff recommendations on a ‘leap of faith’.

We do, however, note the corrective actions already taken by the authorities and further actions being planned to strengthen public financial management. We would like to believe that these actions will address the *underlying causes* which resulted in the misreporting, and look forward to receiving staff updates with regard to progress on the three actions identified in the Fund TA mission (Box 4).

We welcome the good progress being made under other aspects of the programme, and commend the authorities for the various structural measures including the electricity tariff reforms.

On balance we can reluctantly agree with the staff recommendation on completion of the second review on the basis of the corrective actions already taken and those underway, progress in the rest of the programme, and the likely negative fallout for the Senegalese economy from non-completion. We trust the authorities will receive a clear and unambiguous sense of the Board’s dismay, and the likely implications for future Fund engagement in case of recurrence of similar practices. We would also urge the authorities to minimise recourse to non-concessional borrowing in future, and to maintain prudent debt

management. *This experience suggests that a PRGF engagement would have been more appropriate than PSI, and we would welcome staff comments on this issue.*

We are very aware of the need for additional financing for LICs as a result of the current constellation of global shocks. That ESF access be provided, where requested and where there is a clear evidence of an exogenous shock, was an important part of the recent ESF reforms. We can therefore support Senegal's request for support under the ESF.