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February 15, 1989

To: Members of the Executive Board

From: The Secretary

Subject: Senegal - Staff Report for the Midterm Review Under the
First Annual Arrangement Under the Enhanced Structural
Adjustment Facility

Attached for consideration by the Executive Directors is the staff report for the midterm review under the first annual arrangement under the enhanced structural adjustment facility for Senegal. A draft decision appears on page 18.

This subject will be brought to the agenda for discussion on a date to be announced.

Mr. Nsouli (ext. 6937) or Mr. Brou (ext. 6936) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

SENEGAL

Midterm Review Under the First Annual Arrangement
Under the Enhanced Structural Adjustment Facility

Prepared by the African Department

(In consultation with the Exchange and Trade Relations,
Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by Mamoudou Touré and J.T. Boorman

February 15, 1989

	<u>Contents</u>	<u>Page</u>
I.	Introduction	1
II.	Performance Under the 1988/89 Program	2
	1. Background	2
	2. Objectives for 1988/89	4
	3. Policy implementation	6
	a. The regulatory environment	6
	b. The groundnut sector	10
	c. Financial intermediation	11
	d. Fiscal policy	13
III.	Staff Appraisal	15
IV.	Proposed Decision	18
<u>Text Tables</u>		
1.	Selected Economic and Financial Indicators, 1983/84-1988/89	3
2.	Summary of the Adjustment Program for 1988/89	7
3.	Performance Criteria and Financial and Structural Benchmarks Under the First Annual Arrangement Under the Enhanced Structural Adjustment Facility	8

<u>Contents</u>		<u>Page</u>
Appendix I:	Statistical Tables	
I.	Fund Position During Period of ESAF Arrangement	19
II.	Government Financial Operations, 1984/85-1988/89	20
III.	Monetary Survey, June 1985-June 1989	21
IV.	Balance of Payments, in CFA francs, 1984/85-1988/89	22
V.	Balance of Payments, in SDRs, 1984/85-1988/89	23
VI.	External Public Debt Service, 1984/85-1988/89	24
Appendix II:	Letter of Intent	25
Appendix III:	Relations with the Fund	34
Appendix IV:	Relations with the World Bank Group	39
Appendix V:	Selected Social and Demographic Indicators	41
 <u>Charts</u>		
1.	Nominal and Real Effective Exchange Rates, 1980-1988	10a
2.	Comparison of Money Market Interest Rates on French Francs and CFA Francs, 1980-1988	12a

I. Introduction

In the attached letter to the Managing Director, dated January 31, 1989, concerning the midterm review under the first annual arrangement under the enhanced structural adjustment facility (ESAF) for Senegal, the Minister of Economy and Finance of Senegal reviews the progress made in the implementation of the 1988/89 adjustment program, and sets out the policies and measures to be pursued during the remainder of the program period. ^{1/} Based on preliminary indications, the program for 1988/89 (July/June) appears to be broadly on track. The structural benchmark and the structural performance criterion at end-December 1988 have been observed. The quantitative performance criteria at end-December 1988 are also expected to have been respected.

The three-year arrangement under the ESAF, in an amount equivalent to SDR 144.67 million (170 percent of quota), was approved on November 21, 1988, in support of the Government's adjustment program for fiscal years 1988/89-1990/91. The amount available to Senegal under the first annual arrangement is equivalent to SDR 59.57 million (70 percent of quota). Senegal received the first of two equal disbursements, each equivalent to SDR 29.78 million (35 percent of quota), under the first annual arrangement following Board approval; the second disbursement is subject to the observance of the performance criteria for end-December 1988 and the completion of the midterm review. As of end-December 1988, Senegal's outstanding credit from the Fund amounted to SDR 231.56 million, equivalent to 272.11 percent of quota (Appendix I, Table I).

The Fund and the World Bank staffs have continued their close cooperation on Senegal. The Bank staff and the Senegalese authorities are at an advanced stage of discussions on a fourth structural

^{1/} The discussions on the midterm review under the first annual arrangement under the ESAF were held in Dakar during the period December 1-14, 1988. The Senegalese representatives included Mr. Jean Collin, Minister of State and General Secretary of the Presidency; Mr. Serigne Lamine Diop, Minister of Economy and Finance; Mr. Abdul Cissokho, Minister of Rural Development; Mr. Famara Sagna, Minister of Industrial Development and Handicrafts; Mr. Djibril Sakho, National Director of the Central Bank of West African States (BCEAO); and other senior officials concerned with economic and financial matters. The mission was also received by His Excellency Mr. Abdou Diouf, President of the Republic of Senegal. The staff representatives were Mr. Nsouli (head-AFR), Mr. Brou (AFR), Ms. Doizé (AFR), Mr. Ordoobadi (AFR), Mr. Yucelik (FAD), and Miss Earll (secretary-AFR). Mr. Ugolini, the Fund's resident representative in Dakar, took part in the discussions. The mission collaborated closely with the World Bank's resident mission in Dakar. Mr. Santos, Alternate Executive Director for Senegal in the Fund, attended the policy discussions.

adjustment loan (SAL IV); in this context, a Bank appraisal mission is scheduled to visit Dakar in March/April 1989.

II. Performance Under the 1988/89 Program

1. Background

Since mid-1983, the Senegalese authorities have effectively implemented structural and demand management policies in the context of Fund-supported adjustment programs. These policies have contributed to a revitalization of the economy, the dampening of inflationary pressures, and the strengthening of the external sector position (Table 1). Thus, Senegal witnessed during 1983/84-1987/88 the positive effects of a growth-oriented adjustment strategy. Nonetheless, the authorities recognized that further progress toward the achievement of a sustainable rate of economic growth and a viable balance of payments position was hindered by several remaining structural obstacles. These obstacles pertained particularly to the price distortions and low degree of diversification in the agricultural sector; the rigidities in the labor market and the price structure affecting the inputs of the industrial sector; the inefficiency of public enterprise operations; the remaining weaknesses in public investment programming, implementation, and monitoring; the relative inelasticity of the tax system, the narrow tax base, and the high dependence of revenue on exceptional profits generated by the oil sector; the lopsided structure of expenditure, with the wage bill accounting for a major share of current expenditure; and the financial intermediation constraints imposed by the liquidity problems confronting the banking system.

To alleviate these structural constraints, the Government formulated a medium-term strategy outlined in its updated policy framework paper (EBD/88/304). The strategy aims at achieving during 1988/89-1990/91 an average annual rate of growth of real GDP of 3.8 percent; reducing the rate of inflation, as measured by the GDP deflator, to 2.3 percent; and narrowing the external current account deficit, excluding official grants, to 6.5 percent of GDP by 1990/91, a level consonant with a viable external sector position. 1/

The medium-term balance of payments projections described in EBS/88/222 were reviewed, in light of recent developments in the Senegalese economy and the current forecast of international prices provided in the World Economic Outlook (WEO), and were deemed to remain valid. Accordingly, Senegal can still reach balance of payments viability at the end of this decade, provided it continues to implement its medium-term adjustment strategy effectively and readapts it in light of changing circumstances. As such, Senegal will be in a position to

1/ A more detailed description is given in EBS/88/222.

Table 1. Senegal: Selected Economic and Financial Indicators, 1983/84-1988/89

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	
						Prog.	Rev. prog.
(Annual changes in percent, unless otherwise specified)							
National income and prices							
GDP at constant prices	-1.1	-0.5	4.2	4.2	4.4	4.2	4.2
GDP deflator	10.8	11.4	8.3	5.0	2.5	2.4	2.4
Consumer prices <u>1/</u>	14.0	13.5	9.4	0.4	-2.6	...	...
External sector							
Exports, f.o.b.	26.3	-2.8	-11.5	-5.8	10.5	11.8	11.8
Imports, f.o.b.	10.3	3.9	-7.5	-15.4	3.7	6.7	6.4
Non-oil imports, f.o.b.	8.6	2.8	1.4	-8.2	2.5	8.6	9.9
Export volume	10.5	-14.1	2.3	2.3	14.1	9.5	12.8
Import volume	-1.6	-1.7	9.8	2.2	-5.8	2.2	1.3
Terms of trade (deterioration -)	11.0	9.1	-6.6	10.3	-7.6	3.2	1.7
Nominal effective exchange rate (end of period; depreciation -)	1.6	4.3	6.3	4.6	2.2	...	...
Real effective exchange rate (end of period; depreciation -)	7.7	5.2	7.3	-2.0	-9.0	...	...
Government financial operations							
Revenue	7.8	7.7	7.3	14.8	0.2	9.5	8.5
Total expenditure and net lending	-3.1	3.2	4.6	7.4	0.8	6.3	4.4
Of which: total current and capital expenditure	8.9	2.5	0.9	6.6	5.8	1.4	1.1
Money and credit							
Domestic credit <u>2/</u>	8.3	4.8	14.2	10.7	9.2	-3.0	-3.0
Credit to the Government (net) <u>2/</u>	11.4	2.1	5.5	0.6	1.8	1.2	1.2
Credit to the economy <u>2/</u>							
Including crop credit <u>2/</u>	-3.1	2.8	8.8	10.1	7.4	-4.2	-4.2
Excluding crop credit <u>2/</u>	8.3	1.3	4.1	0.9	1.9	3.3	3.3
Money and quasi-money (M2) <u>3/</u>	3.7	2.8	2.5	17.4	1.2	5.2	5.2
Velocity (GDP relative to M2) <u>3/</u>	3.5	3.8	4.2	3.9	4.1	4.2	4.2
Interest rates (end of period)							
Minimum rate on time deposits <u>4/</u>	9.5	9.5	9.0	8.0	8.0	...	9.0
Money market rate for overnight deposits	12.0	10.3	7.8	8.0	7.5	...	9.0 <u>5/</u>
(In percent of GDP, unless otherwise specified)							
Overall fiscal surplus or deficit (-) <u>6/</u>							
Commitment basis	-4.6	-3.5	-2.3	-1.5	-1.2	0.2	0.2
Cash basis	-6.9	-4.6	-3.3	-3.4	-3.8	-1.9	-1.9
Gross domestic investment	15.4	14.7	14.2	15.0	14.9	14.5	14.5
Gross domestic savings	5.2	2.5	4.2	9.3	10.2	10.6	10.6
External current account deficit (-)							
Excluding official grants	-17.3	-18.7	-15.6	-11.0	-9.9	-9.1	-9.1
Including official grants	-10.2	-12.2	-10.0	-5.7	-4.7	-4.0	-4.0
External debt <u>7/</u>	80.0	91.0	80.3	74.2	74.3	73.9	73.9
Debt service ratio (in percent of exports of goods and services, and private transfers) <u>6/</u>	19.6	25.2	29.1	29.6	30.0	30.4	30.6
GDP at current market prices							
(in billions of CFA francs)	977.5	1,083.8	1,223.1	1,338.2	1,432.9	1,527.8	1,527.8
Overall balance of payments surplus or deficit (-) (in millions of SDRs) <u>8/</u>							
Gross official foreign reserves (in weeks of imports)	-29.5	-75.6	-28.0	86.3	-29.5	72.8	71.7
	0.5	0.7	0.2	0.4	0.4	...	...

Sources: Data provided by the Senegalese authorities; and estimates and projections of the Fund and World Bank staffs.

1/ Index of consumer prices in Dakar for the average Senegalese household.

2/ Annual percentage change over beginning-of-period money stock.

3/ GDP relative to end-June broad money stock.

4/ Minimum rate on time deposits in excess of one year and in amounts of more than CFAF 2 million; the actual rates generally follow closely the money market quotations.

5/ Since January 23, 1989.

6/ Before debt rescheduling.

7/ Public and publicly guaranteed debt, including Fund credit and central bank liabilities.

8/ After debt rescheduling.

service its external debt obligations in an orderly manner, without further recourse to debt relief. Senegal's debt service ratio, before debt relief, is projected to decline from 30.6 percent in 1988/89 to 25.2 percent in 1991/92. The debt service ratio to the Fund is also projected to be reduced from 5.4 percent in 1988/89 to 2.9 percent in 1991/92. If all disbursements under the ESAF arrangement and all scheduled repurchases are made, total outstanding Fund credit would amount to 288.9 percent of quota by end-1990/91. This will be reduced by 71 percent of quota during 1991/92-1992/93. Senegal has serviced its obligations to the Fund in a timely manner to date and, in view of the projected improvement in its external sector position, is expected to continue to do so.

Although some of the assumptions underlying the original baseline medium-term scenario have been modified, affecting the composition of exports and imports marginally, the projections for total export receipts and import payments remain unchanged. On the export side, receipts from groundnut products have been revised downward. While the export volumes of groundnut oil are expected to remain in line with the original projections, the export price is projected to increase by 9.7 percent in 1988/89, compared with an increase of 18.6 percent in the previous scenario. Thereafter, the export price of groundnut oil is now projected to grow by an annual average rate of 4.0 percent, instead of 2.3 percent in the original scenario. By contrast, export volumes of phosphate and cotton are now projected to increase by average annual rates of 7.0 percent and 17.3 percent, respectively, in the period 1988/89-1990/91, compared with 6.0 percent and 9.4 percent in the original scenario. The higher volumes reflect higher capacity utilization in the two phosphate firms and improved cotton yields. On the import side, the volume and price of rice imports are now projected to increase by average annual rates of 16.0 percent and 3.3 percent, respectively, during 1988/89-1990/91, rather than 19.8 percent and 7.0 percent in the original scenario. Nonetheless, the rice import bill will be somewhat higher than originally envisaged because of an upward revision in the rice import bill in 1987/88. This will be offset by lower import payments for petroleum products. The import volume and unit price of petroleum products are expected to increase by 0.6 percent and 0.7 percent, respectively, as against original projections of 1.7 and 1.8 percent.

2. Objectives for 1988/89

Based on developments in the first half of the year, the quantitative objectives of the program for 1988/89 are expected to be realized. The favorable weather conditions in the first half of 1988/89, the liberalization of marketing arrangements, and the other agricultural reforms are contributing to a continued expansion in agricultural output. Real GDP is, therefore, estimated to grow by 4.2 percent, as originally envisaged. The liberalization of the economy and the pursuit of restrained financial policies are contributing to a reduction in inflationary pressures; the rate of inflation, as measured

by the GDP deflator, is estimated to be reduced to the program target of 2.4 percent. In the external sector, it is estimated that the current account deficit, including grants, will be contained at CFAF 61.6 billion (4.0 percent of GDP), as originally envisaged. However, the surplus on the capital account has been revised downward, owing primarily to an unexpected shortfall in external budgetary financial assistance. This has been totally offset by higher-than-envisaged debt relief from the Paris Club on concessional terms. Thus, notwithstanding a change in composition, total external financing, including debt relief, would remain consistent with that originally envisaged under the program.

As explained above, although the overall external sector prospects have not changed, some minor modifications in the underlying assumptions have resulted in revisions in the composition of exports and imports in 1988/89. On the export side, the unexpectedly better growing conditions in other oilseed-producing countries have led to a downward revision in the export price of groundnut oil. Export earnings from groundnut products are thus projected at CFAF 45.0 billion in 1988/89, some CFAF 2.7 billion (0.2 percent of GDP) below the original program projection. This is expected to be fully compensated by a better-than-envisaged performance of other exports. In particular, the volume of phosphate, cotton, and chemical products exports are projected to be 7.2 percent, 37.0 percent, and 3.7 percent higher, respectively, than initially projected, while the export price of chemical products is expected to be 3.7 percent higher than initially envisaged. On the import side, the food import bill has been revised upward by CFAF 4.5 billion (0.3 percent of GDP), reflecting mainly a higher-than-anticipated volume and unit value for rice imports in 1988/89. This is expected to be fully offset by a lower-than-envisaged import bill for petroleum products, owing to lower world market prices and a lower import volume. As developments in the service and transfers accounts are expected to remain virtually unchanged, it is estimated that the reduction in the external current account deficit will be consistent with the original program (Appendix I, Table IV).

The net surplus on the public capital account has been revised downward to CFAF 40.1 billion in 1988/89, compared with an initial program projection of CFAF 60.1 billion, because of the aforementioned shortfall in foreign financial assistance. As a result of the tight financial policies being pursued and the recent upward adjustment in domestic interest rates, the outflows of private capital that occurred in 1987/88 are projected to be reversed in 1988/89. Accordingly, the overall balance of payments, before debt relief, is projected to record a deficit of CFAF 15.5 billion in 1988/89, instead of the originally envisaged surplus of CFAF 4.5 billion. Nonetheless, given the recent debt relief obtained, the overall balance of payments after debt rescheduling is projected to register a surplus of CFAF 28.7 billion (SDR 71.6 million), in line with the original program target.

3. Policy implementation

The progress in the implementation of the wide-ranging policy measures during the first half of 1988/89 has been satisfactory, as shown in Table 2. In the context of the ESAF arrangement, the structural performance criterion at end-December 1988, relating to the completion of a plan of action for the gradual reduction of the deficit of the groundnut oil processing company (SONACOS), has been respected. Furthermore, the structural benchmark relating to the elimination of all price controls, with the exception of those on certain strategic or essential products, has also been observed. Based on preliminary indicators, the authorities also expect the quantitative performance criteria for end-December 1988 to have been observed. In these circumstances, it is proposed, in the draft decision set out in section IV below, that the indicative quantitative benchmarks for the second half of 1988/89 be retained as definitive benchmarks (Table 3). 1/

While the review discussions covered all the aspects of the 1988/89 program, the focus was on four major areas, namely the improvement in the regulatory environment, the streamlining of the operations of the groundnut sector, the comprehensive reform program for the banking system, and the fiscal position.

a. The regulatory environment

The Government is vigorously pursuing a reform of the regulatory environment through the progressive removal of distortions and administrative bottlenecks. The final phase of the rationalization of the system of effective protection, which included changes in the tariff structure and the virtual elimination of reference prices for customs valuation, 2/ was implemented in July 1988. In December 1988, the Government also removed all remaining price controls, except those on goods deemed strategic or essential. 3/ In the context of the new labor code, the Government took steps to reduce labor market rigidities that affect labor costs and productivity. The Government has discontinued the requirement that employers hire workers through the Government Employment Agency (service de la main d'oeuvre); permitted employers to lower salaries in the case of downward adjustments in grade and responsibility; liberalized the regulations governing fixed-term employment; revised the system of employer contributions to social

1/ The amounts of external budgetary assistance relating to the applicable adjustments have been revised, as shown in Table 3.

2/ Except those for specific products for which underinvoicing and dumping practices remain common.

3/ These comprise the minimum producer prices for groundnuts, cotton, and paddy, and the retail prices for sugar, rice, tomatoes and tomato concentrate, cooking oil, wheat flour, bread, charcoal, petroleum products, cement, public medical fees, and pharmaceutical products, as well as the tariffs for electricity, water, and transportation.

Table 2. Senegal: Summary of the Adjustment Program for 1988/89

<u>Objectives</u>	<u>Status</u>
1. Real growth: 4.2 percent;	Maintained
2. Inflation (GDP deflator): 2.4 percent;	Maintained
3. External current account deficit, excluding official grants: 9.1 percent of GDP.	Maintained
<u>Policies</u>	
<u>A. Agricultural policy</u>	
1. Liberalize producer prices for coarse cereals (October 1988);	Implemented
2. Limit the role of the Food Security Commission (October 1988);	Implemented
3. Reduce the producer price of groundnuts (October 1988);	Implemented
4. Complete a plan of action for the reform of SONACOS (December 1988).	Implemented
<u>B. Industrial policy</u>	
1. Complete the rationalization of the system of effective protection (July 1988);	Implemented
2. Reduce scope of reference prices for customs valuation (July 1988);	Implemented
3. Implement recommendations aimed at improving labor productivity and apply the revised labor code (1988/89);	In progress
4. Eliminate price controls, with the exception of those on certain strategic or essential products (December 1988);	Implemented
5. Complete a plan of action to adjust energy prices and to take compensatory revenue measures (March 1989).	In progress
<u>C. Public investment</u>	
1. Implement the first year of the second three-year rolling public investment program (1988/89-1990/91).	In progress
<u>D. Public enterprise sector</u>	
1. Finalize the privatization of ten enterprises (June 1989);	In progress
2. Sign four additional performance contracts (June 1989);	In progress
3. Reduce budgetary subsidies to public enterprises by a further 5 percent (1988/89);	In progress
4. Settle CFAF 1.0 billion of public sector cross-debts (1988/89).	In progress
<u>E. Fiscal policy</u>	
Achieve a fiscal surplus, on a commitment basis and including grants, of 0.2 percent of GDP.	Maintained
1. Revenue target: CFAF 270.8 billion (9.5 percent over 1987/88 estimate);	Revised to CFAF 272.8 billion (8.5 percent over 1987/88 outcome)
a. Computerize the customs and tax departments' activities (1988/89);	In progress
b. Apply the new tax regime to foreign-financed projects (1988/89);	In progress
c. Accelerate the sale of government-owned land (1988/89);	In progress
d. Collect tax arrears (1988/89);	In progress
e. Transfer the surplus from the oil sector to the budget (1988/89);	In progress
f. Complete the last stage of the global income tax reform (June 1989).	In progress
2. Total expenditure target: CFAF 299.5 billion (6.3 percent over 1987/88 estimate);	Revised to CFAF 301.0 billion (4.4 percent over 1987/88 outcome)
a. Limit the increase in the total wage bill to 2.2 percent (1988/89);	Maintained
b. Reduce civil service personnel by 600 (1988/89);	Maintained
c. Freeze transportation, housing, and hospitalization allowances at their 1987/88 levels (1988/89);	Maintained
d. Reduce expenditures on transfers and subsidies to CFAF 26.5 billion (1988/89);	Maintained
e. Strengthen fiscal discipline in the special and correspondent accounts of the Treasury (1988/89);	In progress
f. Increase allocations for materials and supplies to essential services (1988/89).	In progress
<u>F. Monetary policy</u>	
1. Limit the growth of domestic liquidity to 5.2 percent;	Maintained
2. Limit the growth of credit to the private sector, excluding crop credit, to 3.3 percent;	Maintained
3. Limit the increase of net bank credit to 1.2 percent;	Maintained
4. Reimburse fully outstanding 1986/87 crop credit;	Implemented
5. Follow a flexible interest rate policy;	Base rates increased in December 1988
6. Formulate a comprehensive banking system reform program (December 1988);	Formulated
7. Rehabilitate the BIAO-S and the USB, and prepare similar programs for other banks (1988/89).	In progress
<u>G. External debt</u>	
1. Limit new nonconcessional loans (1988/89);	Maintained
2. Incur no external payments arrears (1988/89).	Maintained

Sources: EBS/88/222; and Appendix II (Letter of Intent, January 31, 1989).

Table 3. Senegal: Performance Criteria and Financial and Structural Benchmarks Under the First Annual Arrangement Under the Enhanced Structural Adjustment Facility

	Stock at end-June 1988	Changes from July 1, 1988 to end-				
		1988	1989			
		Dec. Perf. crit.	March Prog.	Rev. prog.	June Prog.	Rev. prog.
I. Financial benchmarks						
(In billions of CFA francs)						
Net domestic assets of the banking system <u>1/ 2/ 3/</u>	582.2	-31.8	8.2	8.2	-10.2	-10.2
Credit to the Government (net) <u>1/ 2/</u>	149.9	6.7	14.7	14.7	4.3	4.3
Payments arrears of Government and public agencies						
1. Domestic	8.5	-2.5 <u>4/</u>	-5.0 <u>4/</u>	-5.0 <u>4/</u>	-8.5 <u>4/</u>	-8.5 <u>4/</u>
2. External	--	--	--	--	--	--
Repayment of 1986/87 crop credit	1.5	-1.5	-1.5	1.5	-1.5	-1.5
Repayment of ONCAD debt	76.6	-4.3 <u>4/</u>	-6.4 <u>4/</u>	-6.4 <u>4/</u>	-8.6 <u>4/</u>	-8.6 <u>4/</u>
(In millions of SDRs)						
New external borrowing on noncon- cessional terms by the Government or with government guarantee <u>5/</u>						
1. Short-term (less than 1 year)		--	--	--	--	--
2. 1-5 years' maturity		--	--	--	--	--
3. 1-12 years' maturity		24.0	24.0	24.0	24.0	24.0
II. Structural measures						
1. Benchmarks						
						<u>Status</u>
a. Elimination of price controls, with the exception of those on certain strategic or essential products (end-December 1988).						Implemented
b. Completion of a plan of action to reduce energy prices and to take compensatory revenue measures (end-March 1989).						In progress
c. Adoption of a three-year public investment program for 1989/90-1991/92 (end-June 1989).						Under preparation
2. Performance criterion						
Completion of a plan of action for the gradual reduction of the deficit of the groundnut sector, including streamlining the operations of the groundnut oil processing company (SONACOS) (end-December 1988).						Completed

Sources: ERS/88/222; and Appendix II (Letter of Intent, January 31, 1989).

1/ The original program assumed that Senegal would receive a cumulative amount of external budgetary assistance (excluding grants) beginning July 1, 1988 of CFAF 35.0 billion through December 31, 1988. In view of the downward revision in the projected external financial assistance, the revised program assumes that the cumulative amount of external financial assistance (excluding grants) received beginning July 1, 1988 will amount to CFAF 31.5 billion through March 31, 1989, and to CFAF 33.2 billion through June 30, 1989. In the event that the external budgetary assistance (excluding grants) exceeds the above amounts, the changes will be reduced pro tanto, net of any budgetary assistance used to accelerate: (a) the reduction in payments arrears of the Government and public agencies; and (b) the repayment of ONCAD debt.

2/ The program does not envisage the receipt by Senegal of any extrabudgetary external financial assistance during the period July 1, 1988-June 30, 1989 that would have the effect of improving the net position of the Government vis-à-vis the banking system. Should such assistance be received, however, the changes will be reduced pro tanto, net of any expenditure tied to such assistance.

3/ The program envisages a reduction in crop credit of CFAF 45.8 billion during the period July 1-December 31, 1988; a reduction of CFAF 15.8 billion during the period July 1, 1988-March 31, 1989; and a reduction of CFAF 25.8 billion during the period July 1, 1988-June 30, 1989. In the event that the variation in crop credit is lower or higher than these amounts, the variation in net domestic assets will be adjusted downward or upward pro tanto. In addition, the variation in net domestic assets will be adjusted by the amount of the 1987/88 crop credit reclassified in December 1988.

4/ In the event of a shortfall in the cumulative projected budgetary assistance, the changes will be adjusted accordingly to compensate for the shortfall.

5/ The exchange rate applicable to these borrowings will be the rate of the SDR vis-à-vis the contract currency on June 30, 1988, as reported in International Financial Statistics. For debts directly contracted by the Government, the loan will count toward the ceiling on the date of the signing. For debts guaranteed by the Government, the full amount of the loan will count toward the ceiling on the date of full or first partial guarantee, whichever is earlier. For the purposes of this ceiling, the length of the loan is deemed to be from the date of signing or the date that the loan enters into effect (whichever is later) until the last scheduled amortization payment. Loans on concessional terms as defined by the OECD Development Assistance Committee are excluded from these ceilings.

security; and introduced schemes aimed at facilitating the participation of workers in the capital and profits of enterprises. A phased approach to introducing further flexibility in the labor market is currently being considered. In view of the effects of the high energy prices on the competitiveness of the industrial sector, the Government is formulating, in consultation with the staffs of the Fund and the World Bank, a plan of action for reducing energy prices and taking compensatory revenue measures. In February 1989, a joint Fund-Bank mission visited Dakar to study the impact of a reform of energy pricing on both industrial sector competitiveness and budgetary revenue, and to assist in the elaboration of a three-year plan of action. The formulation of the plan is expected to be completed by end-March 1989.

The industrial sector is also expected to benefit from the intensification of the reform of the public enterprise sector. To accelerate the process of privatization, the Government plans to hire internationally recognized firms to sell the 21 public enterprises already identified for divestiture. It has been decided to liquidate those enterprises that cannot be privatized by end-December 1990. The Government is working closely with the World Bank staff to define a plan of action, in the context of the Bank's fourth structural adjustment loan to Senegal, to achieve over the next five years a total government withdrawal from all nonstrategic enterprises. To improve the efficiency of those enterprises remaining in the public domain, the Government is expanding the number of those operating under performance contracts; negotiations are at an advanced stage with 4 enterprises that are expected to sign performance contracts by end-June 1989, which would bring the total to 13. The Government's subsidies to public sector enterprises have been reduced by a further 5 percent in the context of the 1988/89 budget.

Senegal continues to maintain an exchange system that is free from restrictions on payments and transfers for current international transactions. As a member of the West African Monetary Union (WAMU), Senegal shares with the other members of the Union a common currency, the CFA franc, which is issued by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). Because the CFA franc is pegged to the French franc at the fixed rate of CFAF 50 = F 1, variations in the nominal effective exchange rate reflect movements in the French franc against the currencies of Senegal's trading partners outside the franc area. The movements in the nominal and real effective exchange rate indices are shown in Chart 1. In the calendar year ending December 1988, Senegal's currency appreciated by 0.4 percent in nominal terms, but in real terms it depreciated by 6.6 percent. The authorities noted that, based on this indicator, Senegal's competitiveness had recently improved. They added that the design of their adjustment programs had taken into account Senegal's exchange arrangement. Senegal's efforts to liberalize the regulatory environment, coupled with a restrained incomes policy, would contribute to a further reduction in real input costs and increased efficiency, thereby further enhancing competitiveness. In addition, the prudent fiscal and credit policies were geared to, and had

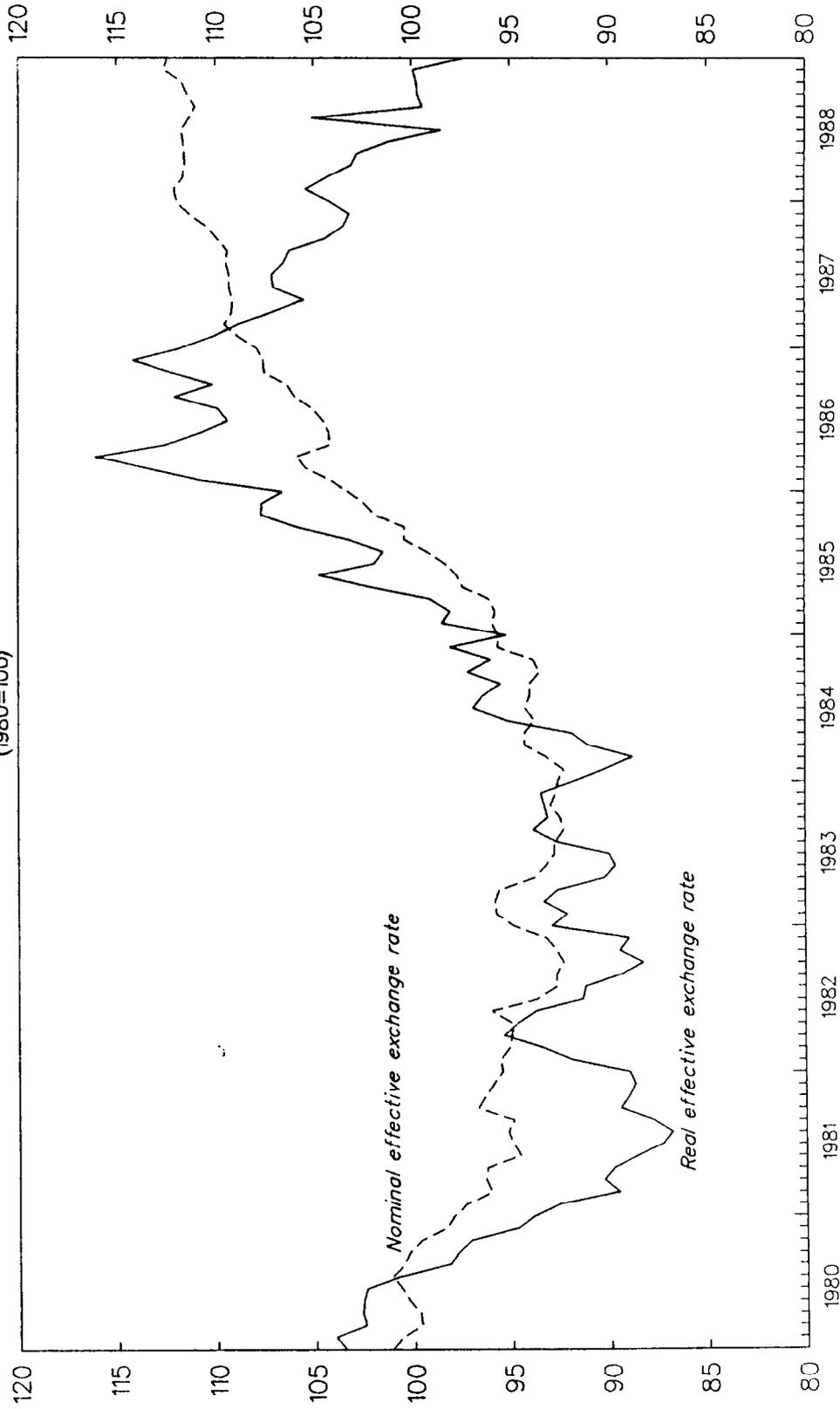
succeeded in, keeping the inflation rate in Senegal below those of its trading partners. The authorities were of the view that the confidence generated by the stability and the convertibility of the CFA franc outweighed any potential benefits of utilizing the exchange rate as an additional policy instrument.

b. The groundnut sector

A key element of the Government's agricultural policy is to re-establish financial balance in the groundnut sector, through a reduction of subsidies to groundnut producers as well as the streamlining of the operations of the semipublicly owned groundnut oil processing company, SONACOS. In this context, a major measure, of considerable political sensitivity, was the lowering of the producer price of groundnuts from CFAF 90 per kilogram to CFAF 70 per kilogram for the 1988/89 crop season. It is estimated that, as a result, the subsidy to the sector will be reduced from 1.7 percent of GDP for the 1987/88 crop to 0.3 percent of GDP for the 1988/89 crop. Consistent with the financial objectives of the program, SONACOS will cover any losses of the sector beyond those envisaged in the 1988/89 program.

To reinforce the effects of the price adjustment over the coming years, the Government completed a plan of action in December 1988, in consultation with the Fund and World Bank staffs, as well as a number of bilateral donors, encompassing a comprehensive set of structural measures. The measures aim at reducing the cost of operations and regularizing the financial relations between SONACOS and the Government. To reduce the cost of operations, the groundnut seed security stock will be limited to 25,000 tons for the 1988/89 crop season and the applicable prices will be adjusted gradually to achieve a financial balance in SONACOS' seed operations starting with the 1990/91 crop season. SONACOS will effect a reduction of collection points from about 1,700 to 750, a contraction in staff, and improvements in transportation. Furthermore, SONACOS' purchases of confectionery groundnuts will be limited to 3,000 tons during the 1988/89 crop season. A mixed enterprise, with minority public sector participation, will be established to market confectionery groundnuts. No government subsidies will be provided to the confectionery groundnut subsector. To improve the financial relations of SONACOS with the Government, the protocol governing SONACOS' financial relations with the Government will be renegotiated. The new protocol will base SONACOS' gross financial results on its actual operating costs and on its receipts, with a detailed financial statement identifying the allocations for depreciation, reserves, and dividends. Instead of the present system that involves direct Government repayment of crop credit in an amount corresponding to the losses of the sector, SONACOS will repay fully, starting with the 1988/89 crop season, all the crop credit for groundnut operations. For the 1988/89 crop season, the losses of the groundnut sector to be financed by the Government in 1989/90 will be limited to a maximum of CFAF 5.0 billion (0.3 percent of GDP), subject to the verification of SONACOS' accounts by an independent auditor. The role

CHART 1
SENEGAL
NOMINAL AND REAL EFFECTIVE EXCHANGE RATES,
1980-88
(1980=100)



Source: IMF, Information Notice System.



of the Groundnut Guarantee Fund will also be revised to focus on monitoring the performance of the sector. Work is under way to complete, by end-June 1989, the third phase of the groundnut sector study, which is expected to propose additional cost reduction measures that will enter into effect with the 1989/90 crop season.

c. Financial intermediation

Monetary policy has been designed consistent with the program objectives for growth, inflation, and the balance of payments, and so as to reinforce the structural policies. The emphasis is on the provision of credit to the economy, to support in particular the growth of the industrial and agricultural sectors; on the pursuit of a more flexible interest rate policy, both to improve the allocation of credit and the mobilization of savings; and on the reform of the banking system, to enhance the process of financial intermediation.

Although no monetary data for end-December 1988 are as yet available, the authorities explained that available indications suggested that the evolution of credit was broadly in line with that programmed. Net credit to the Government through end-December 1988 was estimated to have grown by 1.9 percent of beginning money stock, as envisaged under the program (Appendix I, Table III). The outstanding crop credit of CFAF 1.5 billion from the 1986/87 crop year had been fully repaid by end-December 1988, as programmed. However, the level of crop credit is estimated to be higher than envisaged in the first half of 1988/89. The authorities indicated that the performance criteria, which provide for appropriate adjustments for crop credit, are expected to have been met at end-December 1988. Based on developments in the first half of the year, the original program objectives for domestic credit and domestic liquidity for 1988/89 have been retained. The growth in ordinary credit is programmed to be limited to 3.3 percent of beginning money stock, while crop credit is projected to decline by 7.5 percent of beginning money stock, as the exceptionally high crop credit outstanding at end-June 1988 unwinds. The growth in net credit to the Government will be limited to 1.2 percent of beginning money stock. As a result, domestic credit is projected to be reduced by 3.0 percent of beginning money stock and the growth of domestic liquidity to be held to 5.2 percent.

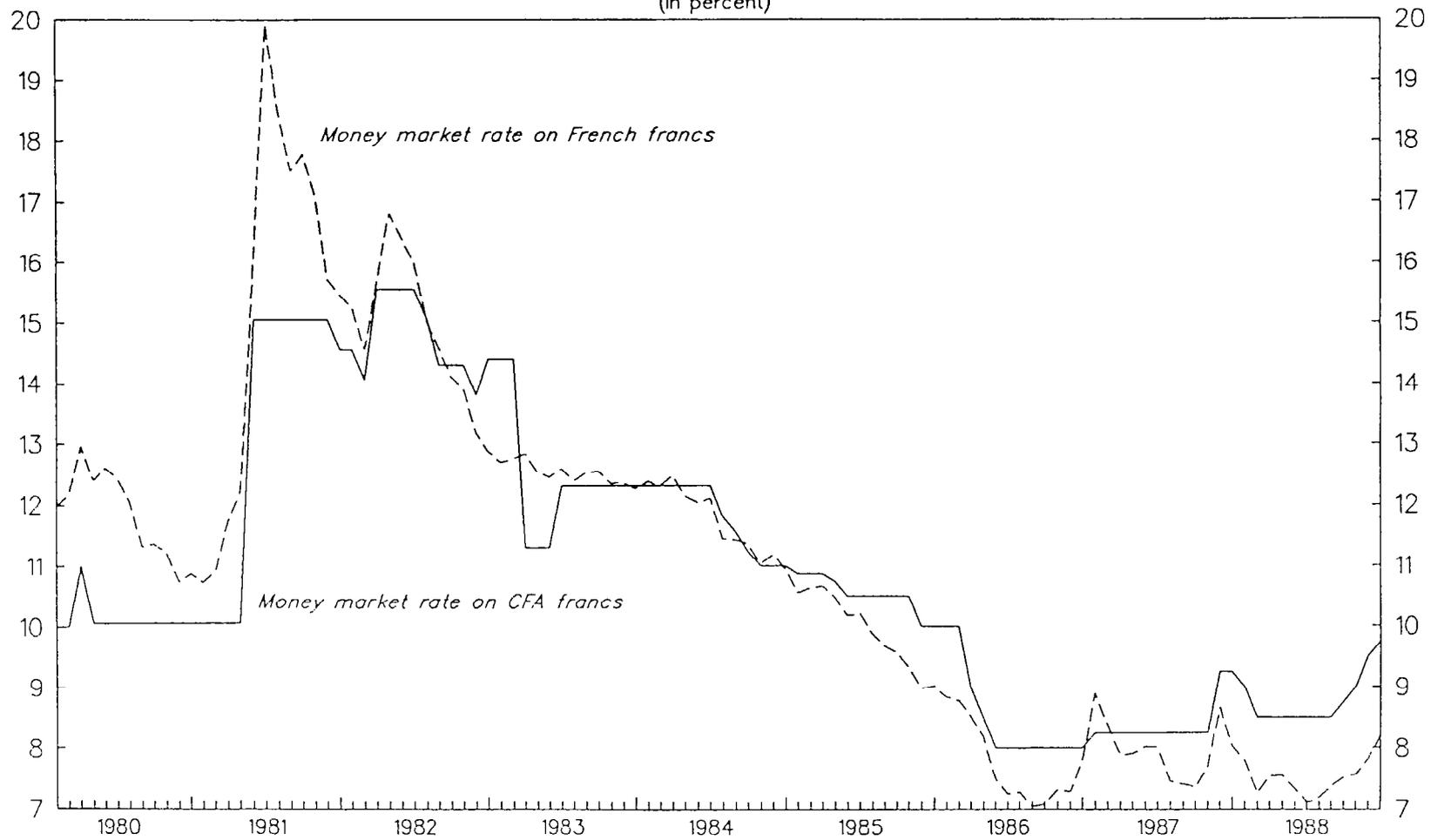
With regard to interest rate policy, which is determined in the broader context of the WAMU, effective December 23, 1988 the BCEAO raised its normal discount rate and its preferential discount rate from 8.5 to 9.5 percent and from 6.0 to 7.5 percent per year, respectively, thereby reducing the spread between both rates. The rates on loans were revised upward pro tanto, and the rates on time and savings deposits were raised by between 0.5 and 1.0 percentage point. The rates on deposits above a certain amount are freely determined by banks, on the basis of the maturity of the deposits, subject to preset minima. Reflecting the rise in interest rates abroad, particularly on the French money market, the rates on the WAMU money market were adjusted upward.

Accordingly, the rates on overnight deposit and advances were raised in five steps from 7.50 percent and 8.50 percent, respectively, at end-June 1988 to 9.00 and 9.75 percent, respectively, on January 23, 1989. As a result of these increases, the difference between the rate on overnight advances on the money market in the BCEAO and the rate for day-to-day loans against private bills on the French money market widened from 0.4 percentage point in April 1988 to about 1.0 percentage point at the end of the year (Chart 2). In view of the low rate of inflation in Senegal, the interest rate structure remains substantially positive in real terms.

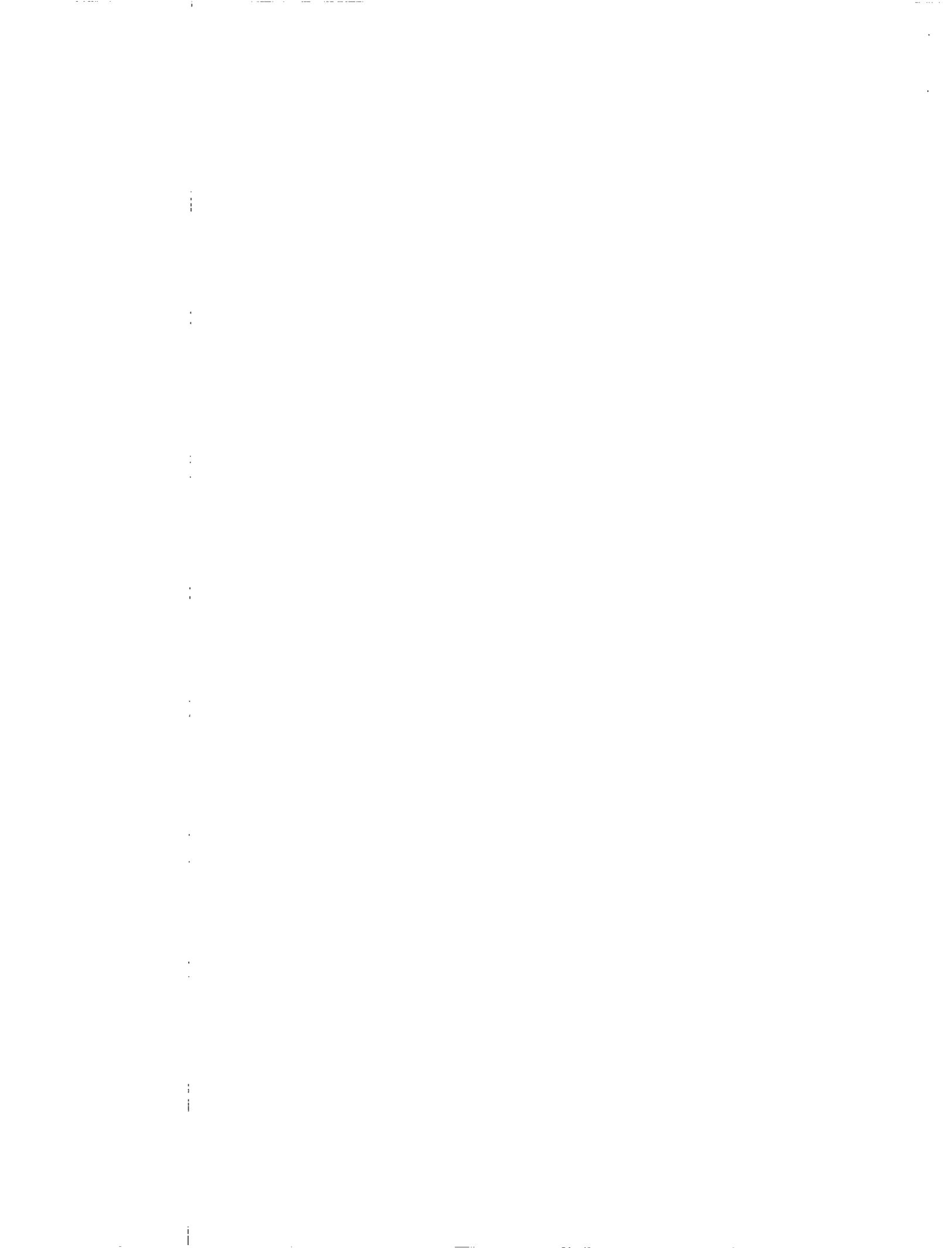
The authorities have been actively developing a long-term strategy to strengthen the financial position of the banking system, which is facing serious liquidity problems that stem mainly from sizable nonperforming loans and management difficulties. These liquidity problems have adversely affected Treasury operations and private sector activity. The Government has prepared a plan of action for the reform of the banking system, which has been submitted to the BCEAO as well as to the World Bank and other donors. This plan of action, which is being currently reviewed by all interested parties with a view to reaching understandings by March 1989, encompasses measures to close, merge, rehabilitate, and restructure various banks, as well as to further consolidate and refinance the nonperforming loans of the banking system. It is expected that the finalized plan of action will be presented to the March 1989 meeting of the Council of Ministers of the WAMU. The plan of action takes into account the work of a World Bank mission, in which the Fund staff participated, in the second half of December 1988. The mission updated its estimates of the balance sheets of the banks covered in the reform program, identified the nonperforming loans, and developed alternative scenarios for the purpose of determining the cost of the restructuring program under various assumptions. The total amount of nonperforming loans outstanding at end-September 1988 is estimated at about CFAF 194 billion (32.4 percent of domestic credit). To prevent a further deterioration in the loan portfolios of banks in difficulty, the BCEAO took the decision in January 1989 to freeze the credit activities of the affected banks. In addition, a comprehensive list of defaulting debtors will be established and compared with a list of depositors, in order to recover the maximum of nonperforming loans through compensation. To facilitate the process of banking sector reform, the terms of consolidation by the BCEAO were modified in September 1988; the new terms provide for a maturity period of 15 years, with a grace period of 5 years at an interest rate of 4.5 percent.

Pending the finalization of the plan of action and the securing of the requisite financing, several steps have already been taken or are currently under way. Based on an agreement signed in July 1988 between Senegal and the BIAO group, which is the majority shareholder in BIAO-S (Banque Internationale pour l'Afrique de l'Ouest-Sénégal), the BIAO-S has dismissed half of its staff, closed all its branches, and discontinued approximately 12,000 small accounts. The capital of BIAO-S

CHART 2
 SENEGAL
 COMPARISON OF MONEY MARKET INTEREST RATES¹
 ON FRENCH FRANCS AND CFA FRANCS, 1980-88
 (In percent)



Source: IMF, *International Financial Statistics*.
¹ Monthly average for French franc; end of month for CFA franc.



has been raised, while the Government's share has been reduced from 35 percent to 25 percent. With regard to USB (Union Sénégalaise de Banque), an agreement is under negotiation between Senegal and Crédit Lyonnais. It envisages the transfer of a part of the assets and the corresponding liabilities of USB to a new bank, in which the Government will not hold more than 10 percent of the shares. The remaining assets and liabilities of USB will be included in the financing plan of the reform of the banking system. Concerning the BSK (Banque Sénégalo-Koweïtienne), the Senegalese authorities reported that the Kuwaiti partner has decided to provide resources to improve the liquidity of the bank, while the group of Senegalese partners has undertaken to reimburse fully its loans from the BSK. Regarding ASSURBANK, which is owned by a group of private and public insurance companies, an analysis of its financial position is currently under way to provide a basis for determining by June 1989 whether to restructure or liquidate the bank. To speed the reform of the specialized banks--namely, the BNDS (Banque Nationale de Développement du Sénégal), SOFISEDIT, and SONAGA/SONABANQUE--the Government appointed a coordinator in December 1988 to handle their administrative and financial restructuring. The coordinator will be responsible for merging these banks into one institution, defining the scope of its operations, selling 75 percent of its shares to potential private partners, and negotiating the consolidation of part of the bank's assets with the BCEAO.

d. Fiscal policy

All the revenue and expenditure measures in the 1988/89 program have been implemented as envisaged. Nonetheless, the Treasury encountered problems during the first half of 1988/89, owing to delays in the receipt of external financial assistance. The delayed external financial assistance from the first half of the year is expected to be received in the second half of 1988/89. ^{1/} A minor shortfall in revenue in the first half of the year is estimated to have been offset by a tightening in expenditure commitments, which generated savings estimated at CFAF 9.0 billion (0.6 percent of GDP). Since the Government has reinforced revenue collection and maintained a tight expenditure policy, the fiscal target for 1988/89 is expected to be achieved, with the overall fiscal position, on a commitment basis and including grants, recording a surplus of 0.2 percent of GDP in 1988/89 (Appendix I, Table II). After allowing for the programmed reimbursement of domestic payment arrears, as well as for the repayment of crop credit, the overall cash deficit is estimated at 1.9 percent of GDP in 1988/89. This is to be financed by existing commitments of net foreign budgetary assistance, including CFAF 38.8 billion of debt relief. The further

^{1/} The total external financial assistance, excluding debt relief, has been revised downward due to an expected shortfall in the last quarter of the year. In view of the higher-than-envisaged debt relief secured, the external financial assistance, including debt relief, remains at the level originally projected.

repayment of the debt owed to banks by the liquidated agricultural marketing agency (ONCAD) will be partly covered by net government borrowing from the domestic banking system.

Total revenue and grants are estimated to increase by 12.3 percent in 1988/89, marginally exceeding the original program projection, owing to a higher-than-projected level of oil revenue. The Government has introduced all the revenue measures envisaged in the memorandum on economic and financial policies for 1988/89. The new tax regime applicable to foreign-financed projects has been put into effect; an inventory of all taxpayers liable for tax and customs duty arrears has been completed to recover amounts due to the Treasury; the Customs Department has been computerized to accelerate the assessment and collection of customs duties; and the sale of government-owned land is being carried out with increased efficiency. As revenue collection is estimated to have been marginally lower than programmed in the first half of the year, additional steps are being taken to ensure the achievement of the program target and to improve medium-term revenue performance. These include an acceleration in the recovery of tax arrears, through the reorganization and computerization of tax collection units; the levying of lump-sum advance payments on small- and medium-sized individual enterprises to be credited against their final income tax liability; the introduction of a special value-added tax rate of 26 percent on a group of nonessential goods as a temporary measure pending its extension to the retail trade; the imposition of an advance payment on all individual enterprises for their business license fees, which will be earmarked to local authorities, thereby reducing their need for treasury financing. In addition, a bill to replace the current schedular income tax with a global income tax will be finalized in the first semester of 1989, in consultation with the Fund staff, with the aim of improving both tax yield and equity. The bill will subsequently be submitted to Parliament for approval.

The growth of total expenditure and net lending is programmed at 4.4 percent, compared with 3.9 percent in the original program. This higher growth is exclusively due to a larger estimated deficit for the accounts of the Treasury's correspondents, reflecting the difficulties of the Caisse de Péréquation et de Stabilisation des Prix (CPSP) in collecting its arrears. The CPSP is stepping up its efforts to recover its outstanding arrears, and, in accordance with the objectives set out in the memorandum on economic and financial policies for 1988/89, is renegotiating its agreement with the flour millers. Both current and capital expenditure will be maintained within the original program estimates. The wage bill is being closely monitored. The Government has not and will not grant any general salary increase, and has reinforced control over indemnities and other allowances. The size of the civil service will be reduced by 600 to 66,500 by end-June 1989 through voluntary departures, retirements, and a restrained recruitment policy. Transfers to public enterprises have been curtailed. Budgetary savings will also be achieved by strict control of the use of electricity, water, gas, and telecommunications.

Debt relief continues to be an important source of financing for the budget and the balance of payments. On December 15, 1988, the Paris Club met to consider Senegal's request for rescheduling part of its external debt service obligations, but this consideration was not completed until January 24, 1989. Because of the delay in concluding the agreement, technically external payments arrears to Paris Club participants were accumulated between November 1 and December 31, 1988. These were eliminated on January 24, 1989, when the Agreed Minute was signed. The delay had no effect on the program. The official creditors participating in the Paris Club agreed to reschedule 100 percent of principal and interest payments falling due during the period November 1, 1988 to December 31, 1989, on debt contracted before January 1983. In addition, and for the first time, 100 percent of the debt service on previously rescheduled debt falling due in the period November 1, 1988 to June 30, 1989 was rescheduled. Senegal also benefited from the concessional rescheduling. The additional debt relief thus obtained from the Paris Club is estimated at CFAF 32.0 billion (SDR 80.0 million) for 1988/89 and CFAF 10.5 billion (SDR 26.2 million) for 1989/90. Moreover, as a result of the debt cancellation and the reduction in the applicable interest rate, Senegal is expected to realize savings of about CFAF 0.4 billion (SDR 1.0 million) in lower interest payments during 1988/89, compared with traditional rescheduling terms. The Senegalese authorities are also seeking debt relief on comparable terms from other creditors. Assuming that all the bilateral agreements are concluded on schedule, total debt relief for 1988/89 is estimated at CFAF 44.2 billion (SDR 110.4 million). This will reduce Senegal's debt service obligations in 1988/89 from 30.6 percent of exports of goods, services, and private transfers, before rescheduling, to 20.3 percent after rescheduling (Appendix I, Table VI). The authorities are continuing to follow a cautious external debt management policy. The Government has not and will not contract nor guarantee any nonconcessional external loans with an initial maturity from 1 through 12 years beyond a limit of SDR 24 million; within this limit, there will be no loans with a maturity from 1 through 5 years. There will be no short-term external borrowing of less than one year contracted or guaranteed by the Government during the program period, except for normal import-related credits. Furthermore, no external payments arrears will be incurred during the program period.

III. Staff Appraisal

Senegal has carried out successfully since mid-1983 a series of adjustment programs that have led to the promotion of economic growth, a reduction in inflationary pressures, and the strengthening of the external sector position. In 1988/89, the authorities have so far implemented all the measures envisaged under their current adjustment program, although the Treasury encountered problems mainly owing to delays in the receipt of external financial assistance in the first half of the year. Based on available indicators, the

program remains broadly on track. The progress in reducing the structural bottlenecks confronting the Senegalese economy, as well as in re-establishing financial balance, has highlighted the need to accord particular attention in the coming years to four key areas, namely, the liberalization of the regulatory environment, the streamlining of groundnut sector operations, the reform of the banking system, and the reinforcement of the fiscal position.

With regard to the regulatory environment, the Senegalese Government has already considerably liberalized the economy. The scope of price controls has been significantly reduced, and the system of effective protection has been rationalized. In addition, the administrative procedures for establishing new firms have been simplified. Nonetheless, to promote industrial development, there is a need to reduce the rigidities in the labor market, as well as to reassess Senegal's energy pricing policy. With regard to the labor market, the Government will need to accord firms greater flexibility in adapting the size of their labor force to changing circumstances. The process of wage determination will also have to be reviewed to ensure that it follows market conditions more closely. The authorities are to be commended for the initial steps taken in 1988/89 in this direction. With regard to energy pricing, in 1989/90 the authorities will have to start implementing a plan of action that will attempt to balance the objectives of enhancing the competitiveness of Senegal's industry, promoting energy conservation, and mobilizing budgetary revenue. The preparatory work being undertaken, with technical assistance from the Fund and the World Bank, should provide an important basis for effecting a phased adjustment in energy prices, while introducing alternative revenue measures. In addition, the ongoing divestiture of a number of public enterprises will increase the scope for private sector participation in economic activity. It is therefore particularly important to speed up the privatization process, as well as the liquidation of those enterprises that are not deemed to be viable. Overall, the change in the regulatory environment will have an important impact on the diversification and growth of the Senegalese economy. This would reinforce the effects of the public investment program, which places particular emphasis on the directly productive sectors.

In the groundnut sector, the politically sensitive decision by the authorities to reduce significantly the producer price for groundnuts, to take account of the evolving conditions in international markets, is expected to contribute to a virtual elimination of the deficit of the sector starting with the 1988/89 crop. The recently adopted plan of action for the groundnut sector is critical to improving the profitability of the sector and rationalizing the financial relations between the Government and the groundnut oil processing company. This plan of action should be considered as an initial step in a series of reforms. Further medium-term cost reduction measures will need to be identified. To this end, the third phase of the groundnut sector study, which is scheduled to be ready by end-June 1989, will provide a basis for further recommendations. In addition, a mechanism is needed for

automatically adjusting producer prices in light of evolving world market conditions.

The liquidity problems confronting the banking system have reached a critical point. The authorities' proposed plan of action encompasses courageous measures to rehabilitate certain banks, restructure others, and resolve the problems arising from the nonperforming loans. This, however, will require considerable external financial assistance. The concessional terms adopted for the consolidation of certain nonperforming loans by the BCEAO are essential to reducing the burden of the reform on public finances. It will be important to strengthen the mechanisms for bank supervision, in order to avoid a recurrence of the problems currently facing the banking system. In this context, the recent increase in the interest rate structure should contribute to improving financial intermediation, while reducing the tendency toward private capital outflows.

With regard to the budget, the authorities are to be commended for the progress made over the last few years in strengthening the fiscal position. It will be important to continue this process over the medium term and to ensure that the improvements achieved are durable. On the revenue side, measures to change the structure and widen the tax base need to be put in place. In particular, the heavy reliance of revenue on windfall profits from the oil sector will have to be reduced and the tax base expanded to cover the informal sector. In addition, the envisaged change from a schedular to a global income tax should enhance the elasticity of the tax system and improve the distribution of the tax burden. On the expenditure side, the Government has pursued an austere policy for a number of years. However, the structure of expenditure remains lopsided, with the wage bill accounting for about half of current expenditure. It will be essential to reassess the Government's employment policy and to revise the wage structure, with a view to reducing the relative proportion of the wage bill while retaining the most highly qualified civil servants. The Government will also need to provide adequate allocations for basic services, while curtailing nonessential expenditure. To improve financial monitoring, public investment outlays should be fully integrated into the regular budgetary and expenditure control processes.

In sum, the economic and financial policies pursued by the Senegalese authorities have succeeded in bringing about adjustment with growth. Major challenges in alleviating the remaining bottlenecks and strengthening the financial position still lie ahead. The authorities' demonstrated strong political commitment to adjustment, even in the face of considerable opposition by interest groups, augurs well for the achievement of a sustainable rate of economic growth consonant with a viable external sector position. Although the medium-term adjustment strategy envisages a sharp reduction in Senegal's dependence on external financial assistance, the success of the Government's adjustment efforts will depend critically not only on sufficient commitments to meet the financing requirements, but also on timely disbursements.

IV. Proposed Decision

The following decision is proposed for adoption by the Executive Board:

Review Under First Annual Arrangement Under ESAF

1. The Fund determines that the review contemplated in paragraph 2(c) of the first annual arrangement under the enhanced structural adjustment facility for Senegal (EBS/88/222, Sup. 1, 11/23/88) has been completed.

2. The letter of the Minister of Economy and Finance of Senegal dated January 31, 1989 shall be attached to the ESAF arrangements for Senegal (EBS/88/222, Sup. 1, 11/23/88) and the letter of the Minister of Economy and Finance of Senegal dated October 15, 1988 together with the memorandum of economic and financial policies attached thereto shall be read as supplemented and modified by the letter dated January 31, 1989.

3. Accordingly, the indicators referred to in paragraph 3(a) of the first annual arrangement under the ESAF for Senegal shall include the benchmarks for March and June 1989 set out in the table annexed to the letter of the Minister of Economy and Finance of Senegal dated January 31, 1989.

Table T. Senegal: Fund Position During Period of ESAF Arrangement 1/

Outstanding at Dec. 31, 1988	1989				1990				1991			
	Jan.- March	April- June	July- Sept.	Oct.- Dec.	Jan.- March	April- June	July- Sept.	Oct.- Dec.	Jan.- March	April- June	July- Sept.	
(In millions of SDRs)												
Transactions under tranche policies (net)	=	-8.75	-12.98	-7.45	-14.21	-6.02	-14.38	-5.56	-13.75	-5.63	-11.85	-5.72
Purchases	=	=	=	=	=	=	=	=	=	=	=	=
Ordinary resources	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Borrowed resources	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Repurchases	=	-8.75	-12.98	-7.45	-14.21	-6.02	-14.38	-5.56	-13.75	-5.63	-11.85	-5.72
Ordinary resources	(-)	(-6.36)	(-8.40)	(-3.98)	(-4.27)	(-4.71)	(-3.89)	(-3.17)	(-3.08)	(-2.65)	(-3.24)	(-3.78)
Borrowed resources	(-)	(-2.39)	(-4.58)	(-3.47)	(-9.94)	(-1.31)	(-10.49)	(-2.39)	(-10.67)	(-2.98)	(-8.61)	(-1.94)
Transactions under special facilities (net)	=	=	=	=	=	=	=	=	=	=	=	=
Loans under:												
Structural adjustment facility	=	=	=	=	=	=	=	=	=	=	=	=
Enhanced structural adjustment facility	=	=	29.79	=	21.27	=	21.27	=	21.27	=	21.27	=
Total Fund credit outstanding (end of period) 2/	231.56	222.81	239.62	232.17	239.24	233.22	240.11	234.55	242.06	236.43	245.86	240.14
Tranche policies	159.23	150.48	137.50	130.05	115.84	109.82	95.44	89.88	76.13	70.50	58.65	52.93
Special facilities	=	=	=	=	=	=	=	=	=	=	=	=
Structural adjustment facility	42.55	42.55	42.55	42.55	42.55	42.55	42.55	42.55	42.55	42.55	42.55	42.55
Enhanced structural adjustment facility 2/	29.79	29.79	59.58	59.58	80.85	80.85	102.12	102.12	123.38	123.38	144.66	144.66
(In percent of quota)												
Total Fund credit outstanding (end of period) 2/	272.11	261.83	281.57	272.83	281.12	274.05	282.15	275.61	284.45	277.84	288.91	282.20
Tranche policies	187.11	176.83	161.57	152.82	136.12	129.04	112.15	105.61	89.45	82.84	68.91	62.20
Special facilities	=	=	=	=	=	=	=	=	=	=	=	=
Structural adjustment facility	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Enhanced structural adjustment facility 2/	35.00	35.00	70.00	70.00	95.00	95.00	120.00	120.00	145.00	145.00	170.00	170.00
Memorandum item:												
Trust Fund loans outstanding (end of period)												
In millions of SDRs	4.96	3.70	3.06	1.80	1.16	0.71	0.29	0.13	0.13	=	=	=
In percent of quota	5.83	4.35	3.60	2.12	1.36	0.83	0.34	0.15	0.15	=	=	=

Source: IMF, Treasurer's Department.

1/ Rounded to the second decimal place.

2/ Includes ESAF Trust Loans.

Table II. Senegal: Government Financial Operations, 1984/85-1988/89 1/

	1984/85	1985/86	1986/87	1987/88	1988/89	
					Program	Rev. prog.
(In billions of CFA francs)						
Total revenue and grants	216.1	237.9	266.1	271.4	302.7	304.7
Revenue	201.9	218.7	231.0	241.4	270.8	272.8
Tax revenue	190.1	185.1	196.0	205.5	224.4	224.4
Nontax revenue	13.8	33.6	35.0	45.9	46.4	48.4
Grants	12.2	19.2	15.1	20.0	31.9	31.9
Of which: capital	(5.0)	(8.0)	(9.0)	(10.8)	(12.0)	(12.0)
Total expenditure and net lending	254.2	266.0	285.8	288.2	299.5	301.0
Current expenditure	217.1	220.3	232.7	244.7	245.5	245.5
Wages and salaries	106.6	111.8	119.8	122.3	125.0	125.0
Interest due 2/	44.4	41.0	39.6	46.1	44.5	44.5
Of which: external	(43.8)	(40.3)	(39.3)	(43.6)	(41.5)	(40.2)
Materials and maintenance	33.5	40.2	43.2	46.5	48.5	48.5
Transfers and subsidies 3/	32.3	25.7	28.6	29.0	26.5	26.5
Other	0.3	1.6	1.5	0.8	1.0	1.0
Capital expenditure	34.7	33.8	38.1	41.7	44.0	44.0
Budgetary	9.7	5.8	8.1	11.7	14.0	14.0
Extrabudgetary	25.0	28.0	30.0	30.0	30.0	30.0
Treasury special accounts (net) 4/	-4.1	-12.9	-14.8	-9.5	-7.0	-7.0
Treasury correspondents (net) 4/	1.7	1.0	-0.2	7.7	-3.0	-4.5
Overall fiscal surplus or deficit (-) (commitment basis)	-38.1	-28.1	-19.7	-16.8	3.2	3.7
Adjustment to cash basis	-11.6	-12.6	-26.3	-37.1	-31.5	-31.5
Payment arrears of the Government and public agencies (reduction -)	-7.6	-9.6	-14.0	-14.0	-8.5	-8.5
Crop credit (repayment -)	-4.0	-3.0	-12.3	-23.1	-23.0	-23.0
Overall fiscal surplus or deficit (-) (cash basis)	-69.7	-40.7	-46.0	-53.9	-28.3	-27.8
Financing	49.7	40.7	46.0	53.9	28.3	27.8
External	38.0	28.0	52.0	51.9	21.2	32.1
Drawings	40.9	36.7	76.8	79.9	71.2	51.2
Treasury	20.9	16.7	55.8	60.7	53.2	33.2
Project loans	20.0	20.0	21.0	19.2	18.0	18.0
Amortization due 2/	-31.2	-29.6	-43.9	-45.9	-57.4	-57.9
External debt rescheduling	28.3	20.9	19.1	17.9	7.4	38.8
Domestic	11.7	12.7	-6.0	2.0	-4.3	-4.3
Banking system 5/	17.9	19.6	1.8	6.0	4.3	4.3
Repayment of ONCAD debt to banks	-10.0	-8.0	-12.0	-8.6	-8.6	-8.6
Nonbank borrowing	2.0	0.8	2.2	1.0	--	--
Other 6/	1.8	0.3	2.0	3.6	--	--
Additional rescheduling requested	--	--	--	--	11.4	--
Memorandum items:						
Payment arrears of the Government and public agencies outstanding (end of the period)	46.1	36.5	22.5	8.5	--	--
Domestic	37.5	36.1	22.5	8.5	--	--
External	8.6	0.4	--	--	--	--
Nominal GDP	1,083.8	1,223.1	1,338.2	1,432.9	1,527.8	1,527.8
(In percent of GDP)						
Total revenue and grants	19.9	19.5	19.9	18.9	19.8	19.9
Revenue	(18.8)	(17.9)	(18.8)	(17.5)	(17.7)	(17.9)
Of which: tax revenue	(17.5)	(15.1)	(14.6)	(14.3)	(14.7)	(14.7)
Total expenditure and net lending	23.5	21.7	21.4	20.1	19.6	19.7
Of which: current expenditure	(20.0)	(18.0)	(17.4)	(17.1)	(16.1)	(16.1)
capital expenditure	(3.2)	(2.8)	(2.9)	(2.9)	(2.9)	(2.9)
Overall fiscal surplus or deficit (-) (commitment basis)	-3.5	-2.3	-1.5	-1.2	0.2	0.2
Overall fiscal surplus or deficit (-) (cash basis)	-4.6	-3.3	-3.4	-3.8	-1.9	-1.9

Sources: Data provided by the Senegalese authorities; and Fund staff estimates and projections.

1/ Budget year ending June 30.

2/ In accordance with established procedures, the external debt service figures in this table include all debt directly contracted by the Government, but only 10 percent of the government-guaranteed debt.

3/ Includes outlays for scholarships.

4/ Deficits are added to expenditure, while surpluses are deducted.

5/ Includes the counterparts of Fund purchases and repurchases, as well as those of loans under the structural adjustment facility. For some years, the figures differ from the variation shown in the monetary survey because they exclude the amounts of unprogrammed external resources deposited at the BCEAO in the fiscal year involved.

6/ Including errors and omissions.

Table III. Senegal: Monetary Survey, June 1985-June 1989

(In billions of CFA francs; end of period)

	1985	1986	1987	1988				1989	
	June		June Act.	Mar. Actual	June	Sept. Est.	Dec. Prog.	Mar. Program	June
Net foreign assets	-229.5	-243.8	-207.5	-217.2	-236.0	-255.0	...	...	-207.9
Central bank	-215.7	-219.8	-185.0	-182.6	-196.5	-205.3	...	...	-167.8
Commercial banks	-13.8	-24.0	-22.5	-34.6	-39.5	-49.7	...	...	-40.1
Domestic credit	503.5	544.0	575.3	602.2	606.7	599.0	574.9	614.9	596.5
Credit to the Government (net)	126.6	142.1	143.9	145.6	149.9	155.1	156.6 ^{1/}	164.6	154.2
Credit to the economy	376.9	401.9	431.4	456.6	456.8	443.9	418.3	450.3	442.3
Ordinary credit	360.3	371.9	374.5	380.2	380.9	378.3	388.3	390.3	392.3
Of which: ONCAD	(67.7)	(67.7)	(66.7)	(66.4)	(...)	(65.8)	(...)	(...)	(...)
reclassified ^{2/}	(16.6)	(30.0)	(2.2)	(2.4)	(2.4)	(2.4)	(...)	(...)	(...)
Crop credit	—	3.5	56.9	76.4	75.9	65.6	30.0	60.0	50.0
Money and quasi-money	284.3	291.4	342.2	366.9	346.2	332.1	360.1	408.6	364.1
Currency in circulation	64.8	75.2	108.9	117.1	97.7	85.5	...	...	...
Demand deposits	113.0	112.8	121.5	126.8	122.0	120.4	...	...	...
Time deposits	106.5	103.4	111.8	123.0	126.5	126.2	...	...	...
Other items (net)	-10.3	8.8	25.6	18.1	24.5	11.9	24.5	24.5	24.5
Of which: ONCAD	(22.0)	(19.3)	(13.6)	(12.5)	(10.8)	(11.9)	(...)	(...)	(...)
<u>Memorandum items:</u>									
Domestic assets (net)	513.8	535.2	549.7	584.1	582.2	587.1	550.4 ^{1/}	590.4	572.0
Doubtful and litigious claims	20.7	25.1	17.2	16.1	17.8	17.9	...	...	...

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

^{1/} Performance criteria.^{2/} Crop credit reclassified under ordinary credit.

Table IV. Senegal: Balance of Payments, 1984/85-1988/89

	1984/85	1985/86	1986/87	1987/88	1988/89	
				Est.	Prog.	Rev. prog.
(In billions of CFA francs, unless otherwise indicated)						
Trade balance	-120.1	-120.9	-81.6	-70.7	-64.0	-64.0
Exports, f.o.b.	245.1	216.8	204.1	225.6	252.3	252.3
Of which: groundnut products	(42.5)	(15.6)	(19.0)	(33.2)	(47.7)	(45.0)
Imports, f.o.b.	-365.2	-337.7	-285.7	-296.3	-316.3	-316.3
Of which: petroleum products	(-94.4)	(-63.1)	(-33.6)	(-38.1)	(-35.9)	(-32.5)
Services (net)	-75.6	-70.1	-66.8	-72.0	-76.8	-76.8
Of which: interest due on public debt	(-50.8)	(-49.8)	(-45.9)	(-47.7)	(-50.6)	(-50.6)
Unrequited transfers	63.0	68.8	71.5	75.0	79.2	79.2
Of which: gross official grants	(69.6)	(69.2)	(70.6)	(73.8)	(77.7)	(77.7)
Current account (deficit -)	-132.7	-122.2	-76.9	-67.7	-61.6	-61.6
Capital account	88.4	68.2	96.2	31.0	66.1	46.1
Public sector	54.5	43.2	93.8	84.0	60.1	40.1
Drawings	93.2	84.6	142.1	141.5	123.2	103.2
Amortization	-38.7	-41.4	-48.3	-57.5	-63.1	-63.1
Private sector	33.9	25.0	2.4	-53.0	6.0	6.0
Errors and omissions	-25.7	12.2	-11.8	—	—	—
Overall balance (deficit -)	-70.0	-41.8	7.5	-36.7	4.5	-15.5
Debt rescheduling	34.7	29.9	26.6	26.0	9.3 ^{1/}	44.2
Financing	35.3	11.9	-34.1	10.7	-28.7	-28.7
IMF, net	2.2	-3.5	-0.4	4.1	7.4	7.5
Purchases ^{2/}	16.2	17.8	17.2	19.8	25.2	25.2
Repurchases	-13.9	-21.3	-17.6	-15.7	-17.7	-17.7
Operations account and other	24.5	20.4	-30.1	6.6	-36.1	-36.2
Payments arrears (reduction -)	8.6	-5.0	-3.6	—	—	—
Requested debt rescheduling	—	—	—	—	14.9 ^{3/}	—
<u>Memorandum items:</u>						
Current account (in percent of GDP)						
Excluding gross official grants	-18.7	-15.6	-11.0	-9.9	-9.1	-9.1
Including gross official grants	-12.2	-10.0	-5.7	-4.7	-4.0	-4.0
Exchange rate (CFAF/SDR)	467.09	424.36	395.0	390.00	394.23	400.43

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

^{1/} On debt service through October 1988.

^{2/} Includes disbursements under the SAF and the ESAF.

^{3/} On the basis of a cutoff date of January 1, 1983, and excluding debt service on already-rescheduled debt.

Table V. Senegal: Balance of Payments, 1984/85-1988/89

	1984/85	1985/86	1986/87	1987/88	1988/89	
				Est.	Prog.	Rev. prog.
(In millions of SDRs, unless otherwise indicated)						
Trade balance	-257.2	-284.9	-206.6	-181.2	-162.3	-159.9
Exports, f.o.b.	524.7	510.8	516.7	578.5	640.0	630.1
Of which: groundnut products	(90.9)	(36.8)	(48.1)	(78.4)	(120.9)	(112.4)
Imports, f.o.b.	-781.9	-795.7	-723.3	-759.7	-802.3	-790.0
Of which: petroleum products	(-202.1)	(-148.6)	(-85.0)	(-97.7)	(-91.1)	(-82.5)
Services (net)	-161.9	-165.2	-169.1	-184.6	-194.9	-191.8
Of which: Interest due on public debt	(-108.8)	(-117.3)	(-116.2)	(-122.3)	(-128.4)	(-127.9)
Unrequited transfers	134.9	162.1	181.0	192.3	200.9	197.8
Of which: gross official grants	(149.0)	(163.1)	(178.7)	(189.2)	(197.1)	(194.1)
Current account (deficit -)	-284.2	-287.9	-194.7	-173.5	-156.3	-153.9
Capital account	189.2	160.7	243.5	106.2	167.6	115.1
Public sector	116.6	101.8	237.4	215.4	152.4	100.1
Disbursements	199.5	199.3	359.7	362.8	312.5	257.7
Amortization	-82.9	-97.5	-122.3	-147.4	-160.1	-157.6
Private sector	72.6	58.9	6.1	-109.2	15.2	15.0
Errors and omissions	-55.0	28.8	-29.8	-28.9	0.0	0.0
Overall balance (deficit -)	-150.0	-98.5	19.0	-96.2	11.3	-38.8
Debt rescheduling	74.3	70.5	67.3	66.7	23.6 <u>1/</u>	110.4
Financing	75.7	28.0	-86.3	29.5	-72.7	-71.6
IMF, net	4.8	-8.3	-1.1	9.0	18.8	18.8
Purchases <u>2/</u>	34.6	42.0	43.5	50.0	63.9	63.9
Repurchases	-29.8	-50.3	-44.6	-41.0	-45.0	-45.0
Operations account and other	52.5	48.1	-76.1	20.5	-91.5	-90.4
Payments arrears (reduction -)	18.4	-11.8	-9.1	0.0	0.0	0.0
Requested debt rescheduling	0.0	0.0	0.0	0.0	37.8 <u>3/</u>	0.0
<u>Memorandum items:</u>						
Current account (in percent of GDP)						
Excluding gross official grants	-12.2	-10.0	-5.7	-4.7	-4.0	-4.0
Including gross official grants	-18.6	-15.6	-11.0	-9.9	-9.1	-9.1
Exchange rate (CFAF/SDR)	467.09	424.36	395.00	390.00	394.23	400.43

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1/ On debt service through October 1988.

2/ Includes disbursements under the SAF and the ESAF.

3/ On the basis of a cutoff date of January 1, 1983, and excluding debt service on already rescheduled debt.

Table VI. Senegal: External Public Debt Service, 1984/85-1988/89 ^{1/}

(In millions of SDRs, unless otherwise specified)

	1984/85	1985/86	1986/87	1987/88 Est.	1988/89	
					Prog.	Rev. Prog.
Principal	112.7	147.8	166.9	188.4	205.1	202.6
Medium- and long-term	82.9	97.5	122.3	147.4	160.1	157.6
IMF repurchases	29.8	50.3	44.6	41.0	45.0	45.0
Interest	108.8	117.3	116.2	122.3	128.4	127.9
Medium- and long-term	88.0	97.1	100.2	107.5	114.9	114.3
IMF charges	20.8	20.2	16.0	14.8	13.5	13.5
Total debt service before rescheduling	<u>221.4</u>	<u>265.2</u>	<u>283.1</u>	<u>310.7</u>	<u>333.5</u>	<u>330.5</u>
Debt rescheduling	<u>74.3</u>	<u>70.5</u>	<u>67.3</u>	<u>66.7</u>	<u>23.6</u> ^{2/}	<u>110.4</u>
Total debt service after rescheduling	<u>147.1</u>	<u>194.7</u>	<u>215.7</u>	<u>244.1</u>	<u>309.9</u>	<u>220.1</u>
<u>Memorandum items:</u>						
Exports of goods and services, and private transfers	877.8	912.6	956.7	1,034.6	1,096.3	1,081.7
Debt service ratio (in percent)						
Before debt rescheduling	25.2	29.1	29.6	30.0	30.4	30.6
Principal	(12.8)	(16.2)	(17.4)	(18.2)	(18.7)	(18.7)
Interest	(12.4)	(12.9)	(12.2)	(11.8)	(11.7)	(11.8)
After debt rescheduling	16.8	21.3	22.6	23.6	28.3	20.3
IMF debt service ratio (in percent)	5.8	7.7	6.3	5.4	5.3	5.4

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

^{1/} Excludes debt service obligations of the multinational companies, Air Afrique and Agence pour la Sécurité de la Navigation Aérienne.^{2/} Refers to the amount of debt service rescheduled in November 1987 and falling due in the period July 1-October 30, 1988.

Dakar, January 31, 1989

Dear Mr. Camdessus,

1. In accordance with the first annual arrangement for Senegal under the enhanced structural adjustment facility, approved on November 21, 1988, we have recently held discussions with a Fund staff mission regarding the midterm review of Senegal's adjustment program for the fiscal year 1988/89 (July/June). The discussions focused on the progress made in the implementation of the program during the first half of the fiscal year and on the policies and prospects for the remainder of the year. In this context, understandings with the Fund staff mission were reached on definitive quantitative benchmarks for end-March and end-June 1989, including on ceilings for the cumulative changes in the net domestic assets of the banking system and in net bank credit to the Government through end-March and end-June 1989. The performance criteria and benchmarks under the program, including the definitive benchmarks proposed for the second half of the fiscal year, are shown in the annexed table. Based on the progress achieved thus far, the indications are that the program remains broadly on track. The quantitative performance criteria for end-December 1988 are expected to have been met. The structural performance criterion at end-December 1988, relating to the completion of a plan of action for the gradual reduction of the deficit of the groundnut sector, including the streamlining of the operations of the groundnut oil processing company (SONACOS), has been respected. In addition, the structural benchmark relating to the elimination of all price controls, with the exception of those on certain strategic or essential products, has been observed. The Government of Senegal remains committed to the policies described in the letter of intent of October 15, 1988, as supplemented by this letter.

2. The quantitative objectives of the program are expected to be realized. Real GDP is estimated to grow by 4.2 percent, as envisaged in the program. The favorable weather conditions, the liberalization of marketing arrangements, and the other agricultural reforms are contributing to the continued expansion in agricultural output. The rate of inflation, as measured by the GDP deflator, is estimated to be reduced to the program target of 2.4 percent, reflecting the liberalization of the economy and the restrained financial policies being pursued. In the external sector, the prospects for exports and imports remain in line with the original projections. Thus, the current account deficit, including grants, is estimated to be contained at CFAF 61.6 billion (4.0 percent of GDP). However, the surplus on the capital account has been revised downward, primarily due to expected delays in the receipt of budgetary external financial assistance. This is estimated to be totally offset by higher-than-envisaged debt relief obtained under the auspices of the Paris Club on January 24, 1989. Thus, notwithstanding a change in composition, total external financing, including debt relief, remains consistent with that originally envisaged under the program.

3. With regard to the groundnut sector, the Government's decision to lower the producer price of groundnuts from CFAF 90 per kilogram to CFAF 70 per kilogram for the 1988/89 crop season is estimated, on the basis of the latest data and projections for groundnut oil world market prices, to reduce the sector's deficit from 1.7 percent of GDP for the 1987/88 crop to 0.3 percent for the 1988/89 crop. To ensure the attainment of the financial objectives of the 1988/89 program, SONACOS will cover, by end-June 1989, any losses of the sector beyond the CFAF 21.5 billion envisaged in the 1988/89 program. In accordance with the program's structural performance criterion, the Government completed in December 1988 a plan of action for the further reduction of the deficit of the groundnut sector, including the streamlining of the operations of SONACOS. This plan of action involves several elements. First, the groundnut seed security stock will be limited to 25,000 tons for the 1988/89 crop season and the applicable prices will be adjusted to obtain a financial balance in SONACOS' seed operations starting with the 1990/91 crop season. Second, the costs of groundnut procurement will be reduced by about CFAF 3,300 per ton starting with the 1988/89 crop, through the reduction of collection points to 750, a contraction in staff, and increased efficiency in transportation. Third, SONACOS will limit its purchases of confectionery groundnuts to 3,000 tons for the 1988/89 crop season. Fourth, a mixed enterprise, with minority participation by the public sector, will be established to market confectionery groundnuts. The Government will provide no subsidies for the confectionery groundnut subsector. Fifth, the Government will renegotiate the protocol governing its financial relations with SONACOS; in the future, SONACOS' gross financial results will be based on its actual operating costs and on its receipts, calculated on the basis of the actual selling prices and quantities. A breakdown will be provided showing the allocations for depreciation, reserves, and dividends. The statutes and the role of the Groundnut Guarantee Fund will be reviewed and reoriented to improve the monitoring of the performance of the groundnut sector. Sixth, starting with the 1988/89 crop, SONACOS will repay fully the crop credit for groundnut operations. For the 1988/89 crop, the possible losses of the groundnut sector covered by the Government will not exceed CFAF 5.0 billion (0.3 percent of GDP), and will be paid only after verification of SONACOS' accounts by an independent auditor. The Government is committed to achieving financial balance in the groundnut sector over the medium term, and will continue to consult closely with the Fund, the World Bank, and other donors to ensure that this objective is met. For this purpose, the third phase of the groundnut sector study, which is to be completed by end-June 1989, will propose additional cost reduction measures, including the discontinuation of SONACOS' operations which are not directly related to groundnut processing. SONACOS will provide complete access to its financial accounts to the Government and other concerned parties, including the consultancy team (SOFRECO) currently undertaking a study of SONACOS' operations.

4. The Government has intensified its efforts to reform the public enterprise sector, including in particular the privatization process.

An information campaign to attract private investors has already been launched. To accelerate the process, the Government has decided to hire by end-June 1989 internationally recognized firms to sell the enterprises already identified for privatization. Those enterprises that have not been privatized by end-December 1990 will be liquidated. Moreover, the Government, in consultation with the World Bank, will pursue parallel measures with the aim of achieving a total withdrawal from all remaining nonstrategic enterprises of an industrial or commercial nature over a period of three to five years. For this purpose, a plan of action will be formulated in the context of the World Bank's fourth structural adjustment loan to Senegal, which is currently under preparation. With regard to the enterprises remaining in the public domain, the Government is expanding the number of public enterprises operating under performance contracts, the purpose of which is to delineate clearly the respective responsibilities of the management of the enterprises and of the Government, and to clarify the financial relations between the two contracting parties. To date, nine enterprises have concluded performance contracts with the Government; performance contracts for an additional four enterprises are currently under negotiation. The negotiations are at an advanced stage and are expected to be completed in the course of 1988/89. The Government, in accordance with the schedule elaborated with the World Bank to reduce budgetary subsidies to the public enterprise sector, has reduced these subsidies by a further 5 percent in the 1988/89 budget. Progress has also been made in establishing a procedure for the settlement of public sector cross-debts and in improving the data base on the public enterprise sector. The 1988/89 budget includes CFAF 1.0 billion for the purpose of settling these cross-debts.

5. In the area of industrial policy, the Government has continued to implement its strategy aimed at strengthening the industrial sector through the progressive removal of distortions and administrative bottlenecks. First, the Government implemented on July 1, 1988 the final phase of the rationalization of the system of effective protection and eliminated reference prices for customs valuation, except those for specific products for which underinvoicing and dumping practices remain common. Second, to provide the basis for renegotiating the special agreements that grant tax advantages to certain enterprises beyond those envisaged under the Investment Code, studies on the cement, sugar, and petroleum industries have been completed. Third, the Government has pursued measures aimed at improving the link between remuneration and productivity; revising employer contributions to social security; and promoting the participation of workers in the capital and profits of enterprises. In particular, the Government has removed the obligation of employers to hire workers through the Government Employment Agency (Service de la main d'oeuvre); permitted employers to lower salaries in the case of downward adjustments in grade and responsibility; and liberalized the regulations governing fixed-term employment. A phased approach to introducing further flexibility in the labor market is currently being considered. Fourth, in the area of price reform, the Government removed in December 1988 all remaining price controls, except

those on the strategic or essential goods and services detailed in the Memorandum on Economic and Financial Policies attached to the letter of intent of October 15, 1988. Fifth, with regard to energy pricing, the Government remains committed to the formulation, in consultation with the Fund and the World Bank, of a plan of action on energy prices and compensatory revenue measures by end-March 1989. A joint Fund-Bank mission to prepare a study that would provide the basis for the plan of action is scheduled to visit Dakar in February 1989.

6. The momentum for fiscal adjustment is being maintained through a combination of revenue-raising and expenditure-containing measures. On the basis of preliminary results for the first semester and the policies and prospects for the remainder of the year, the fiscal target for 1988/89 is estimated to be achieved. The overall fiscal position, on a commitment basis and including grants, is therefore expected to turn around and record a surplus of 0.2 percent of GDP in 1988/89 as programmed, compared with an overall fiscal deficit of 1.2 percent of GDP in 1987/88. In absolute terms, the overall fiscal surplus, on a commitment basis and including grants, is estimated to be marginally (CFAF 0.5 billion) above the program target, reaching CFAF 3.7 billion. The reduction in payment arrears of the Government and public agencies, as well as crop credit repayments by the Government, will remain, for the year as a whole, in line with the original targets, resulting, thus, in an overall cash deficit estimated at CFAF 27.8 billion. In relation to GDP, the cash deficit will be reduced from 3.8 percent in 1987/88 to 1.8 percent in 1988/89. This deficit is estimated to be entirely covered by external financial assistance, including debt relief. The disbursements of external financial assistance in the first half of the year have lagged behind schedule. For the year as a whole, while disbursements are now envisaged to be lower than originally programmed, these are estimated to be offset by higher-than-programmed debt relief. The repayment of ONCAD debt will be covered partly by net government borrowing from the domestic banking system, which will be limited to CFAF 4.3 billion.

7. Total revenue and grants are estimated to reach CFAF 304.7 billion, almost 1 percent higher than the original program target. This is exclusively due to an improvement in revenue from the oil sector. Thus, to achieve the revenue target in 1988/89, it is essential to mobilize all the surplus from the oil sector in support of the budget. The Government has introduced and is implementing the revenue measures envisaged in the Memorandum on Economic and Financial Policies for 1988/89. Nevertheless, revenue has been somewhat below expectations in the first half of the year. The Government has, therefore, decided to reinforce its revenue efforts to ensure the achievement of the program target. Accordingly, it is introducing a number of measures to strengthen tax administration. In particular, tax collection activities are being reorganized and computerized to establish a better coordination with tax assessments and speed up the collection of arrears. A number of tax measures are also being envisaged. Although these will have only a marginal effect on revenue in 1988/89, they are

designed to establish a more solid tax base for future years. First, a lump-sum advance payment scheme will be introduced on business and professional incomes of small- and medium-size individual enterprises (acompte forfaitaire sur les bénéficiaires commerciaux et noncommerciaux) to be credited against the final income tax liability assessed for such taxpayers. Advance payment amounts will be established on the basis of business license fees due by such individual taxpayers. This measure, which will be applied on 1989 incomes, is estimated to yield CFAF 1.0 billion on a yearly basis. Second, a special value-added tax rate of 26 percent on a group of nonessential goods will be introduced as a temporary measure pending its extension into the retail stage. This measure is projected to yield CFAF 2.5 billion on a yearly basis. Third, the Government intends to extend to all individual enterprises the advance payment scheme for business license fees, which are earmarked for local authorities. This extension can yield annually an estimated CFAF 1.0 billion in additional revenue, thereby reducing the reliance of the local authorities on treasury resources. Fourth, the last stage of the global income tax reform will be completed, in consultation with the Fund staff, during the first semester of 1989, and will be submitted to the Parliament for approval.

8. Both current and capital expenditures will be contained within the program targets of CFAF 245.5 billion and CFAF 44.0 billion, respectively. The Government is monitoring closely the wage bill to contain it at CFAF 125.0 billion. No general salary increase will be granted; indemnities and other allowances are being strictly controlled; and the Government is encouraging voluntary departures and pursuing a restrained recruitment policy so as to reduce the size of the civil service to 66,500 by end-June 1989. Expenditure-saving measures are being implemented, particularly regarding the use of electricity, water, gas, and telecommunications. Transfers have been curtailed, reflecting primarily the programmed reduction in transfers to public enterprises. The net deficit on the special accounts is estimated to remain in line with the program projection, while the Treasury correspondents' net deficit is estimated to be marginally higher due to difficulties in collecting arrears owed to the Price Equalization and Stabilization Fund (CPSP). However, this is being offset by the upward revision in the revenue projection. Nonetheless, the CPSP is stepping up its efforts to recover the outstanding arrears through the appropriate legal channels. To increase the profits accruing to the CPSP, the Government is renegotiating its agreement with the flour millers, in accordance with the objectives set out in the Memorandum on Economic and Financial Policies for 1988/89.

9. The Government is pursuing a tight monetary policy, consistent with the objectives of the program. The growth of domestic liquidity is projected at 5.2 percent during 1988/89, below the estimated growth in nominal GDP, in order to reduce excess monetary balances. Total domestic credit will be reduced by 3.0 percent of beginning money stock. The repayment of outstanding crop credit, which had been exceptionally high at end-June 1988, will account for a drop in crop

credit of 7.5 percent of beginning money stock. This will offset the programmed growth of ordinary credit of 3.3 percent of beginning money stock, with the result that credit to the economy will decline by 4.2 percent of beginning money stock. The improved budgetary situation will also enable the Government to limit its recourse to domestic bank borrowing; thus, net bank credit to the Government is programmed to grow by 1.2 percent of beginning money stock. The ceilings under the indicative benchmarks for end-March and end-June 1989 have not been modified, and have been established as definitive benchmarks.

10. The Government of Senegal attaches considerable importance to the role that interest rate policy plays in mobilizing domestic savings, allocating scarce financial resources, enhancing financial intermeditation, and attracting private capital. These factors are taken into account in the management of interest rate policy in the broader context of the West African Monetary Union (WAMU). In December 1988, the normal and the preferential discount rates were raised from 8.5 to 9.5 percent and from 6.0 to 7.5 percent per year, respectively. The rates on loans were revised upward pro tanto. The rates on savings and time deposits were raised between 0.5 and 1.0 percentage points; the rates on deposits above a certain amount are set at the discretion of banks on the basis of the maturity of deposits, subject to preset minima. The structure of interest rates in the WAMU is currently under study, with a view to simplifying it and introducing a higher degree of flexibility.

11. The Government has prepared a detailed plan of action to reform the banking system. This plan encompasses measures to rehabilitate certain banks, restructure others, and consolidate or refinance the nonperforming loans of the system. Regarding commercial banks, several steps are under way. An agreement was signed in July 1988 between Senegal and the BIAO group, which is the majority shareholder in BIAO-S (Banque Internationale pour l'Afrique de l'Ouest-Sénégal). To optimize its structure and reduce its operating costs, the BIAO-S has dismissed half of its staff, closed all its agencies, and discontinued approximately 12,000 small accounts. The BIAO group and the private Senegalese shareholders have provided resources to increase the capital of BIAO-S by CFAF 1.1 billion. The Government's share was reduced from 35 percent to 25 percent, and further significant reductions are expected. The agreement between BIAO and Senegal provides that the Government may allocate to BIAO-S resources up to a maximum of 35 percent of its portfolio of illiquid loans that are considered nonrecoverable. This is expected to be covered by part of a concessional loan provided by foreign donors for the restructuring of the banking system. With regard to the USB (Union Sénégalaise de Banque), an agreement is under negotiation between Senegal and Crédit Lyonnais. It envisages the turning over of a part of the assets against the corresponding liabilities of the USB to a new bank, in which the Government will not hold more than 10 percent of the shares. A detailed financial plan for the remaining assets and liabilities of the USB will be elaborated in close collaboration with the Central Bank of West African States (BCEAO), and the concerned donors by end-March 1989. Regarding the BSK (Banque Sénégal-Koweitienne),

the Kuwaiti partner has decided to provide resources to improve the liquidity and the solvency of the bank. In addition, the group of Senegalese partners has undertaken to fully reimburse its loans from the BSK. Regarding ASSURBANK, which is owned by a group of private and public insurance companies, an analysis of its financial position is currently under way to provide a basis for determining by June 1989 whether to restructure or liquidate the bank. Concerning the specialized banks of the public sector, namely the BNDS (Banque Nationale de Développement du Sénégal), SOFISEDIT, and SONAGA/SONABANQUE, the Government appointed in December 1988 a coordinator to handle their administrative and financial restructuring. The coordinator will be responsible for merging these banks into one institution and defining the scope of its operations. The share of the public sector in the capital of the bank will be limited to 25 percent. The coordinator will negotiate the sale of shares to potential private partners and the consolidation of part of the bank's assets with the BCEAO. The Government will work closely with the BCEAO to strengthen the mechanisms for bank supervision and introduce reforms to enhance the efficiency of the banking system. To facilitate the process of banking sector reform, the terms of consolidation by the BCEAO were liberalized in September 1988; the new terms provide for a maturity period of 15 years, with a grace period of 5 years at an interest rate of 4.5 percent.

12. The policies being pursued are expected to contribute to a reduction in the external current account deficit, excluding official grants, to 9.1 percent of GDP in 1988/89, in line with the original program target. The effect of a downward revision in the export price of groundnut oil is estimated to be offset mainly by higher export receipts from the chemical and phosphate industries as well as the cotton sector. On the import side, the impact of lower-than-envisaged oil import volume and prices is estimated to be offset by a higher-than-projected import volume and prices of rice. Thus, the trade balance is expected to be in line with the original program projections. As the services and transfers accounts are also expected to remain basically unchanged, the current account deficit, including grants, is estimated at 4.0 percent of GDP, as originally envisaged. The capital account surplus, however, is estimated to be lower than originally projected. While scheduled amortization payments remain in line with the original projections, there are indications that budgetary financial assistance will be lower than originally projected. Accordingly, the projections of net public capital inflows have been revised downward. The evolution of private capital flows is being closely monitored. The tight monetary policy being pursued and the recent increases in domestic interest rates are expected to reverse the flows in 1988/89. Thus, due to lower net capital inflows, the balance of payments deficit before debt relief is estimated at CFAF 15.5 billion, compared with an original projection of a surplus of CFAF 4.5 billion.

13. To offset the unforeseen shortfall in net external public capital flows, the Government sought and obtained debt rescheduling from the creditors of the Paris Club on January 24, 1989 on terms considerably more favorable than originally envisaged. The debt relief obtained by Senegal on concessional terms, covers debt service falling due in the period November 1, 1988 through December 31, 1989 on debt contracted before January 1983. It also covered, for the first time, debt service falling due in the period November 1, 1988 through June 1989 as a result of the previous six consolidation agreements. The debt relief resulting from this consolidation is estimated to amount to CFAF 32.0 billion (SDR 80.0 million) during fiscal year 1988/89 and CFAF 10.5 billion (SDR 26.2 million) during 1989/90. The Government is also seeking debt relief on comparable terms from other official creditors, and expects to reach agreement with them in the near future. Taking into account these factors, the balance of payments, after debt relief, is projected to reach an overall surplus of CFAF 28.8 billion (SDR 71.9 million) in 1988/89, as originally programmed.

14. As indicated in the letter of October 15, 1988, the Government will continue to follow a prudent external debt management policy and will not contract or guarantee any new nonconcessional external loans beyond the limits established in the annexed table, except for normal import-related credits. During the program period, there will be no accumulation of external payments arrears, as specified in the annexed table.

Sincerely yours,

Serigne Lamine Diop
Minister of Economy and Finance

Attachment

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Senegal: Performance Criteria and Financial and Structural
Benchmarks Under the First Annual Arrangement Under the
Enhanced Structural Adjustment Facility

	Stock at end-June 1988	Change from July 1, 1988 to End-		
		1988	1989	
		Dec. Perf. crit.	March	June
I. Financial benchmarks				
		(In billions of CFA francs)		
Net domestic assets of the banking system <u>1/ 2/ 3/</u>	582.2	-31.8	8.2	-10.2
Credit to the Government (net) <u>1/ 2/</u>	149.9	6.7	14.7	4.3
Payments arrears of Government and public agencies				
1. Domestic	8.5	-2.5 <u>4/</u>	-5.0 <u>4/</u>	-8.5 <u>4/</u>
2. External	--	--	--	--
Repayment of 1986/87 crop credit	1.5	-1.5	-1.5	-1.5
Repayment of ONCAD debt	76.6	-4.3 <u>4/</u>	-6.4 <u>4/</u>	-8.6 <u>4/</u>
New external borrowing on noncon- cessional terms by the Government or with government guarantee <u>5/</u>		(In millions of SDRs)		
1. Short-term (less than 1 year)		--	--	--
2. 1-5 years' maturity		--	--	--
3. 1-12 years' maturity		24.0	24.0	24.0
II. Structural measures				
1. Benchmarks		Date		
(a) Elimination of price controls, with the exception of those on certain strategic or essential products.		End-December 1988		
(b) Completion of a plan of action to reduce energy prices and to take compensatory revenue measures.		End-March 1989		
(c) Adoption of a three-year public investment program for 1989/90-1991/92.		End-June 1989		
2. Performance criterion				
(a) Completion of a plan of action for the gradual reduction of the deficit of the groundnut sector, including streamlining the operations of the groundnut oil processing company (SONACOS).		End-December 1988		

1/ The original program assumed that Senegal will receive a cumulative amount of external budgetary assistance (excluding grants) beginning July 1, 1988 of CFAF 35.0 billion through December 31, 1988. In view of the downward revision in the projected external financial assistance, the revised program assumes that the cumulative amount of external financial assistance (excluding grants) received beginning July 1, 1988 will amount to CFAF 31.5 billion through March 31, 1989, and to CFAF 33.2 billion through June 30, 1989. In the event that the external budgetary assistance (excluding grants) exceeds the above amounts, the changes will be reduced pro tanto, net of any budgetary assistance used to accelerate: (a) the reduction in payments arrears of the Government and public agencies; and (b) the repayment of ONCAD debt.

2/ The program does not envisage the receipt by Senegal of any extrabudgetary external financial assistance during the period July 1, 1988-June 30, 1989 that would have the effect of improving the net position of the Government vis-à-vis the banking system. Should such assistance be received, however, the changes will be reduced pro tanto, net of any expenditure tied to such assistance.

3/ The program envisages a reduction in crop credit of CFAF 45.8 billion during the period July 1-December 31, 1988; a reduction of CFAF 15.8 billion during the period July 1, 1988-March 31, 1989; and a reduction of CFAF 25.8 billion during the period July 1, 1988-June 30, 1989. In the event that the variation in crop credit is lower or higher than these amounts, the variation in net domestic assets will be adjusted downward or upward pro tanto. In addition, the variation in net domestic assets will be adjusted by the amount of the 1987/88 crop credit that would be reclassified in December 1988.

4/ In the event of a shortfall in the cumulative projected budgetary assistance, the changes will be adjusted accordingly to compensate for the shortfall.

5/ The exchange rate applicable to these borrowings will be the rate of the SDR vis-à-vis the contract currency on June 30, 1988, as reported in International Financial Statistics. For debts directly contracted by the Government, the loan will count toward the ceiling on the date of the signing. For debts guaranteed by the Government, the full amount of the loan will count toward the ceiling on the date of full or first partial guarantee, whichever is earlier. For the purposes of this ceiling, the length of the loan is deemed to be from the date of signing or the date that the loan enters into effect (whichever is later) until the last scheduled amortization payment. Loans on concessional terms as defined by the OECD Development Assistance Committee are excluded from these ceilings.

Senegal - Relations with the Fund
(As of January 31, 1989)

I. Membership status

- a. Date of membership August 31, 1962
- b. Status Article XIV

A. Financial Relations

II. General Department

	<u>Millions of SDRs</u>	<u>Percent of Quota</u>
a. <u>General Resources Account</u>		
(i) Quota:	85.10	100.00
(ii) Total Fund holdings of Senegal's currency:	241.63	283.94
(iii) Use of Fund credit:	157.52	185.10
Credit tranches	55.25	64.92
EAR	91.15	107.11
SFF	4.30	5.05
EFF	6.82	8.01
(iv) Reserve tranche position	0.99	1.16
b. <u>Special Disbursement Account</u>		
(i) Structural Adjustment Facility	42.55	50.00
(ii) Enhanced Structural Adjustment Facility	29.79	35.00

Senegal - Relations with the Fund (continued)
(As of January 31, 1989)

III. Previous stand-by and extended arrangements

- a. One-year stand-by arrangement, approved on March 30, 1979, in an amount equivalent to SDR 10.5 million (25 percent of the existing quota); the full amount was purchased.
- b. An extended arrangement, approved on August 8, 1980, in an amount equivalent to SDR 184.8 million (440 percent of the existing quota); only SDR 41.1 million was utilized, and the arrangement was canceled on September 10, 1981 and replaced by a one-year stand-by arrangement.
- c. One-year stand-by arrangement, approved on September 11, 1981, in an amount equivalent to SDR 63.0 million (100 percent of the existing quota); the full amount was purchased.
- d. One-year stand-by arrangement, approved on November 24, 1982, in an amount equivalent to SDR 47.25 million (75 percent of the existing quota); only SDR 5.9 million was utilized upon Fund approval, and the stand-by arrangement was canceled on September 18, 1983 and replaced by another one-year stand-by arrangement.
- e. One-year stand-by arrangement, approved on September 19, 1983, in an amount equivalent to SDR 63.0 million (100 percent of the existing quota); the full amount was purchased.
- f. An 18-month stand-by arrangement, approved on January 16, 1985, in an amount equivalent to SDR 76.6 million (90 percent of quota, or 60 percent of quota on an annual basis); the full amount was purchased.
- g. One-year stand-by arrangement, approved on November 10, 1986, in an amount equivalent to SDR 34.0 million (40 percent of quota), together with a three-year arrangement under the structural adjustment facility (SAF) in an amount equivalent to SDR 54.04 million (63.5 percent of quota) and the first annual arrangement thereunder for SDR 17.02 million (20 percent of quota); the full amount under the stand-by arrangement was purchased, and the first loan under the SAF equivalent to SDR 17.02 million was disbursed.
- h. One-year stand-by arrangement, approved October 26, 1987 for an amount equivalent to SDR 21.275 million (25 percent of quota), together with the second annual arrangement under the SAF for an amount equivalent to SDR 25.53 million (30 percent of quota); the loan under the SAF and the full amount of the stand-by arrangement have been disbursed.
- i. A three-year ESAF arrangement, approved November 21, 1988 for an amount equivalent to SDR 144.67 million (170 percent of quota), together with the first annual arrangement thereunder for an amount equivalent to SDR 59.57 million (70 percent of quota); a disbursement equivalent to SDR 29.79 million (35 percent of quota) has been effected.

Senegal - Relations with the Fund (continued)
(As of January 31, 1989)

B. Nonfinancial Relations

VII. Exchange rate arrangements

Senegal's currency, the CFA franc, is pegged to the French franc, which is the intervention currency, at the rate of CFAF 1 = F 0.02. The exchange rate at end-December 1988 was CFAF 407.68 = SDR 1.

VIII. Last Article IV consultation and arrangement under the enhanced structural adjustment facility (ESAF)

(a) 1988 Consultation

The 1988 Article IV consultation was concluded on November 21, 1988.

(b) ESAF Arrangement

The discussions on the arrangement under the enhanced structural adjustment facility were held in Dakar during the period December 1-14, 1988. The staff report (EBS/88/222) was discussed by the Executive Board on November 21, 1988, and the following decision was adopted:

1. The Government of Senegal has requested a three-year structural adjustment arrangement under the enhanced structural adjustment facility, and the first annual arrangement thereunder.
2. The Fund notes the updated policy framework paper for Senegal set forth in EBD/88/304.
3. The Fund approves the arrangements set forth in EBS/88/222.

IX. Technical assistance

a. Central Banking Department

An external debt expert was assigned as a consultant to the Ministry of Economy and Finance during the period January 1984-December 1985.

Senegal - Relations with the Fund (concluded)
(As of January 31, 1989)

b. Fiscal Affairs Department

A consultant from the fiscal panel assisted a unit in the Ministry of Economy and Finance during the period October 1981-January 1982 in taking stock of government payments arrears.

A team of two Fund staff members and a member of the fiscal panel provided technical assistance in the customs and internal revenue fields during a period of three weeks in May 1985. Follow-up technical assistance was provided by a Fund staff member and a member of the fiscal panel for two weeks in October-November 1985 and one week in February 1986.

A Fund staff member participated in May 1986 in a World Bank mission to assist the authorities with a revision of the customs tariffs, and with a simplification and rationalization of the tariffs structure and nomenclature.

A member of the fiscal panel was assigned as Tax Advisor to the Ministry of Economy and Finance for an initial period of six months effective June 1986. His term has been extended by one year to November 1989.

A team of one Fund staff member and a member of the fiscal panel provided technical assistance in the area of budgeting and Treasury accounting for a period of three weeks in March 1988.

c. Bureau of Statistics

Technical assistance was provided in the area of government finance statistics in September-October 1982 and again in May 1984, in the area of balance of payments statistics in February 1984, as well as in the area of monetary statistics in May 1985.

X. Fund resident representative

Stationed in Dakar since July 24, 1984.

Senegal - Relations with the World Bank Group
(As of November 30, 1988)

Commentary on lending operations

1. The World Bank's assistance strategy in Senegal is designed to support a far-reaching medium- and long-term structural adjustment program. The main objectives of this strategy are to assist the Government in (a) addressing the central issues of economic management by promoting institutional reforms in the public enterprise sector, investment programming and budgeting process, and by improving the efficiency of the civil service and reducing its costs; (b) developing and diversifying the productive base by implementing appropriate private sector incentive policies, reducing input costs and in general improving the investment climate, and (c) improving the effectiveness of external assistance by acting as a focal point for increased aid coordination among the donors.

2. As of November 30, 1988, the World Bank Group had approved 86 operations in Senegal for a total of US\$903.7 million, consisting of 55 IDA credits (including 3 special fund credits) and 20 Bank loans, together with two SFA and 9 IFC operations. Physical execution of most projects is progressing reasonably well. The attached table contains the latest disbursement status of World Bank and IFC operations in Senegal.

3. Past projects strongly supported modernization and expansion of the country's infrastructure, particularly its transport systems (highways, rails, port, and airports). However, in view of the financial difficulties in supporting new investments, emphasis has shifted to better utilization and maintenance of existing facilities, and on helping the Government resolve some of the key issues related to long-term development prospects. Ongoing or planned operations for agricultural research, irrigation, education development, and financial sector reforms relate to both of these concerns.

4. Over the next three-year period (FY89-91), the Bank's lending program, all of which would be on IDA terms, is expected to amount to about US\$207 million, essentially for policy-based lending (SAL IV and SECALs). About US\$160 million was committed in FY87, including the third structural adjustment credit (SAL III) of US\$93 million, which was approved in May 1987, and US\$130 million in FY88. The policy-based operations, financed partly out of the Special African Facility, aimed at increasing the efficiency of public sector management and restoring public sector savings through an acceleration of the public enterprise sector reform, extending the reform of production and private investment incentives in agriculture and industry, and rehabilitating the financial sector and improving financial intermediation. While the specific targets of the program had been met and the third and last tranche of SAL III was disbursed in mid-1988, the desired supply response has been lagging. An intensification and deepening of the adjustment process is clearly indicated.

Senegal - Relations with the World Bank Group (concluded)

<u>Lending operations</u>	<u>(As of November 30, 1988; in millions of U.S. dollars)</u>				<u>Grand total</u>
	<u>IBRD and IDA 1/</u>		<u>IFC loans and 1/ investment participations</u>		
	<u>Total commitments</u>	<u>Of which: undisbursed</u>	<u>Total commitments</u>	<u>Of which: undisbursed</u>	
Eighteen loans and 30 credits fully disbursed	450.98	(—)	—	(—)	450.98
Structural adjustment and technical assistance	81.15	(24.90)	—	(—)	81.15
Agriculture, livestock, and forestry	89.50	(51.93)	3.20	(—)	92.70
Energy, industry, and tourism	84.80	(56.54)	45.39	(3.1)	130.19
Transport and telecommunications	46.15	(22.67)	—	(—)	46.15
Urban development, education, and health	<u>102.50</u>	<u>(69.06)</u>	<u>—</u>	<u>(—)</u>	<u>102.50</u>
Total	855.08	(225.10)	48.59	(3.1)	903.67
Less: repaid or sold					93.69
Total committed					809.98
Held by IBRD					82.41
IDA					708.40
IFC					19.17

Memorandum items:

<u>Annual IBRD/IDA operations 2/</u>	<u>Commitments</u>	<u>Disbursements</u>	<u>Repayments</u>
1976	36.3	16.7	0.3
1977	19.6	20.7	0.6
1978	37.3	16.3	1.8
1979	31.5	27.2	2.6
1980	57.6	30.0	2.1
1981	93.9	69.4	2.4
1982	18.8	25.8	3.1
1983	59.1	31.8	5.6
1984	34.2	29.0	5.9
1985	24.2	33.7	6.0
1986	72.4	77.7	9.9
1987	163.6	84.3	11.6
1988 (June)	129.6	138.8	8.8

Source: World Bank Group.

1/ Less cancellations.

2/ End of period.

Senegal - Selected Social and Demographic Indicators

<u>Area</u>		<u>Gross Domestic Product</u>		
Total	196,200 sq. km.	Per capita(1987)	SDR 537	
Agricultural	55.7 percent of total			
<u>Population (1987)</u>		<u>Population density (1980-87)</u>		
6.8 million		57.0 per sq. km. of agricultural land		
Rate of growth (1980-86) 2.9 percent per annum				
<u>Population characteristics (1980-87)</u>		<u>Health (1980-87)</u>		
Crude birth rate (per thousand)	46.0	Population per physician (in thousands)	13.1	
Crude death rate (per thousand)	19.0	Population per hospital bed (in thousands)	0.9	
Life expectancy at birth (years)	47.0	Infant mortality rate (per thousand)	137	
Urban population (percent of total)	36.0			
<u>Access to safe water (1980-87)</u>				
In percent of population				
	Total	43.0		
	Urban	63.0		
	Rural	27.0		
<u>Nutrition (1980-87)</u>		<u>Education (1980-87)</u>		
Per capita supply of				
	Calories (per day)	2,418	Enrollment rates (in percent)	
	Proteins (grams per day)	60	Primary	55
			Secondary	13
			Pupil-teacher ratio	
			Primary	44
			Secondary	23

Source: World Bank.

