FOR
AGENDA

0401

EBD/88/304

October 31, 1988

To: Members of the Executive Board

From: The Secretary

Subject: Senegal - Medium-Term Economic and Financial Policy Framework, 1988/89-1990/91

Attached for consideration by the Executive Directors is the policy framework paper under the enhanced structural adjustment facility for Senegal. This subject, together with the staff report for the 1988 Article IV consultation with Senegal and its request for arrangements under the enhanced structural adjustment facility (EBS/88/222, 10/31/88), 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.

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TRANSLATION

INTERNATIONAL MONETARY FUND

SENEGAL

Enhanced Structural Adjustment Facility

Medium-Term Economic and Financial Policy Framework (1988/89-1990/91) 1/

Prepared by the Senegalese authorities in collaboration with the staffs of the Fund and the World Bank

October 15, 1988

I. Introduction

Faced with severe economic distortions and mounting financial imbalances, Senegal launched in mid-1983 a series of adjustment programs aimed at alleviating the structural bottlenecks to economic growth and re-establishing financial balance. These programs are consistent with the Medium- and Long-Term Program of Economic and Financial Adjustment for 1985-92, which was approved at the Consultative Group meeting for Senegal held in December 1984. They have been supported by successive stand-by arrangements from the Fund and, starting in 1986/87 (July-June), arrangements under the structural adjustment facility (SAF); by two structural adjustment credits from the World Bank; and by other financial assistance from multilateral and bilateral creditors and donors, including debt relief. Substantial progress has been achieved. The economy has been progressively liberalized; agricultural and industrial production incentives strengthened; public investment programming improved; the reform of the public enterprise sector initiated; the overall fiscal deficit of the Government sharply reduced; and the growth of domestic credit brought under control.

The policies pursued have contributed to a resumption in economic growth, a reduction in inflationary pressures, and a strengthening in the external sector position. Following a decline in economic activity in 1983/84-1984/85, attributable mainly to the drought, real GDP rose at an annual average rate of 4.2 percent during 1985/86-1986/87, compared with an annual rate of population growth of some 3 percent. The rate of inflation, as measured by the GDP deflator, declined from an annual average rate of 11.1 percent in 1983/84-1984/85 to 5.0 percent in 1986/87. The external current account deficit, excluding official grants, narrowed from 17.3 percent of GDP in 1983/84 to 11.0 percent of GDP in 1986/87. The improved financial situation, together with the strengthening in external debt management, resulted in a reduction of the ratio of public and publicly guaranteed external debt to GDP from a peak of 91.0 percent in 1984/85 to an estimated 74.2 percent in 1986/87,

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1/ This paper, which has been prepared by the Senegalese authorities in close collaboration with the staffs of the International Monetary Fund and the World Bank, updates and extends the policy framework paper of September 17, 1987, covering the period 1987/88-1989/90.

and a stabilization of the debt service ratio, before debt relief, at about 30 percent of exports of goods, services, and private transfers.

II. Performance Under the 1987/88 Adjustment Program

In spite of the progress achieved, the magnitude of the initial distortions and financial disequilibria was such that Senegal continued to confront major structural and financial problems, reflected in the vulnerability of the economy and the protracted internal and external financial imbalances. The Senegalese Government pursued its adjustment efforts during 1987/88 in the context of an updated medium-term policy framework for 1987/88-1989/90. The framework involved a comprehensive set of economic and financial policies designed to promote private sector economic activity and strengthen public resource management, with a view to achieving a sustainable rate of growth consonant with domestic financial stability and a viable external sector position. Within this medium-term framework, the program for 1987/88 aimed at achieving a growth of real GDP of 4.2 percent; curbing the inflation rate, as measured by the GDP deflator, to 3.8 percent; and reducing the external current account deficit, excluding official grants, to 9.2 percent of GDP. Reflecting a vigorous implementation of the structural and financial policies envisaged, as well as continued favorable weather conditions, these quantitative objectives have been largely realized. Led by the expansion in agricultural output, real GDP growth is estimated to have reached 4.4 percent. The improved supply conditions, together with the tight financial policies, contributed to reducing the rate of inflation to an estimated 2.5 percent. In the external sector, the current account deficit, excluding grants, was reduced to 9.9 percent of GDP, somewhat higher than the program target. This was primarily due to a shortfall in exports of petroleum products and lower-than-envisaged prices for exports from the chemical industry. However, the capital account surplus was lower than projected, due to a higher than envisaged level of private capital outflows. This was mainly due to several nonrecurrent factors, namely the shift in the collection center for Senegal's CFAF banknotes from Paris to Abidjan; speculative tendencies in the first half of the fiscal year; and delays in the repatriation of export proceeds.

Notable progress was made in the implementation of structural measures. In July 1987 the authorities launched the first three-year rolling public investment program for the period 1987/88-1989/90, prepared in consultation with the World Bank. The investment program for 1987/88 was implemented as envisaged, emphasizing high-yield investment projects as well as rehabilitation and maintenance operations. The new agricultural policy, put in place in 1984, was pursued. In this context, the remaining fertilizer subsidies directly financed by donors were reduced by about one third; the marketing of agricultural products was further liberalized; and there was a transfer in production and marketing operations from rural development agencies to producer cooperatives and the private sector. The implementation of the Cereals Plan, which was launched in June 1986 and which aims at achieving self-sufficiency in cereals, also proceeded as envisaged, with emphasis on the liberalization of cereals marketing and the initiation of a test phase for the development of cereal transformation facilities. The implementation of the comprehensive industrial policy reform initiated in 1986, with the objective of improving the competitiveness of the industrial sector and promoting exports, was continued. In this context, the labor code was revised in July 1987, with a view to introducing more flexibility in the labor market. Simultaneously, a new investment code was promulgated, which focused on reducing the bias toward capital-intensive investment and promoting small- and medium-scale industries. The direct operating subsidies to the Senegalese Sugar Company (CSS) were discontinued in November 1987. The remaining quantitative restrictions on imports were lifted in February 1988, while the number of goods subject to price controls was substantially reduced.

Several steps were taken in the context of the reform program for the public enterprise sector. Seven public enterprises and 2 public agencies were liquidated in the second half of 1987. The decision to offer for sale a first group of 10 public enterprises was taken and 11 others were identified for further divestiture. Meanwhile, for the enterprises remaining in the Government's portfolio, contract programs were signed. These formally defined the reciprocal commitments between the enterprises and the Government, providing the basis for enhancing the efficiency of their operations. Furthermore, several financial and management audits were conducted.

To complement the structural policies, the Government continued to implement prudent demand-management policies. To maintain the momentum of fiscal adjustment, rigorous controls were applied on both current and capital outlays, and total expenditure was held below the program target. In addition, a new general tax code was introduced, tax administration strengthened, tax enforcement improved, and the windfall profits accruing from the petroleum and rice sales were mobilized in support of the government budget. Nonetheless, there was a shortfall in revenue resulting essentially from the effects of the slowdown in commercial activity in Dakar in March and April 1988 on the value-added tax, and from delays in the launching of the first tranche of the five-year program of sales of state-owned land. Thus, while the overall fiscal deficit, on a commitment basis and including grants, was brought down to an estimated 1.0 percent of GDP in 1987/88, it exceeded the targeted deficit of 0.3 percent of GDP. Nevertheless, repayments of crop credit and other debts to local banks were made on schedule; domestic payments arrears of the Government and public agencies were reduced as planned; and no new domestic or external payments arrears were incurred. A tight credit policy was pursued. Ordinary credit was held consistent with the program objectives; crop credit, however, expanded more rapidly than envisaged owing to an exceptional harvest and delays in exports of groundnut oil. Preparatory work was undertaken to lay the ground for the reform of the banking system; in this regard, the

Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) consolidated the debit balances of two banks (USB and BCS). In addition, external debt management was further strengthened.

III. The Objectives and Policy Strategy for 1988/89-1990/91

Adjustment and growth have moved hand-in-hand in Senegal. To further this process, the Government is convinced of the need to continue to implement structural and financial policies consistent with the thrust of its adjustment strategy, as outlined in its last two medium-term policy framework papers. The specific elements of Senegal's medium-term strategy are being re-adapted and strengthened, as the recent experience underscores a number of issues that will require particular attention. First, in view of the persisting price distortions in the agricultural sector, as well as the evolution of international prices of the key agricultural commodities, the new agricultural policy and the Cereals Plan will need to be reassessed and fine-tuned. Second, the opening of the industrial sector to outside competition under the new industrial policy has accentuated the importance of addressing the rigidities relating to the labor market, wages, and administrative procedures, as well as the high cost of energy. Third, the continued dependence of the budget on extraordinary revenue, particularly from the windfall profits of the oil and rice sectors, and on foreign financing highlights the vulnerability of public finances. Fourth, public resource management suffers from the high share of the wage bill in government expenditure and the lack of full integration of public investment outlays in the regular budget monitoring and control processes. Fifth, the reform of the public enterprise sector is confronting difficulties, particularly with regard to the streamlining of the financial relations with the Government and the pace of privatization. Sixth, the problems facing the banking system are hindering financial intermediation and constraining the conduct of credit policy, with an adverse impact on economic activity. Seventh, with the reduction in civil service and public enterprises employment, there is an urgent need to promote job creation in the private sector and to assist workers in relocating. To tackle these issues, in consultation with the staffs of the Fund and of the World Bank, the Government has re-adapted and extended its medium-term policy framework to cover the period 1988/89-1990/91.

The updated policy framework involves a reinforcement of the Government's two-pronged medium-term strategy entailing: (a) a reduction in the obstacles to private sector initiative and growth; and (b) the achievement of greater efficiency in public resource management, including a strengthening in government finances. The policies envisaged for 1988/89-1990/91 comprise the implementation of a three-year rolling public investment program, focusing on projects supporting the directly productive sectors; the readjustment of the new agricultural policy, aimed at expanding and diversifying domestic production in conformity with market conditions; the stepping up of industrial policy reform, involving the final stage of the rationalization of effective protection, the abolition of virtually all price controls, and the reduction in labor market rigidities; the streamlining of the energy policy, including a medium-term plan of action to balance the objectives of mobilizing revenue, promoting efficiency and conservation, and enhancing competitiveness; the intensification of the reform of the public enterprise sector, entailing the liquidation, privatization, and rehabilitation of selected enterprises; the further strengthening of the budgetary position, with particular emphasis on reducing the reliance on exceptional resources by shifting to a more stable revenue base, as well as on an improved system of civil service management; the pursuit of a balanced credit policy, aimed at providing adequate resources for economic activity and restraining the growth in aggregate demand; the enhancement of financial intermediation, through the rehabilitation of the banking system; and the continuation of a prudent external debt management policy, with a view to reducing Senegal's debt service burden over the medium term.

Within this broad context, the two interdependent issues of the distortions in prices for a few key commodities and their financial impact are being addressed. Senegal has, for the past several years, regulated three key prices with various objectives in mind. First, the producer price of groundnuts was fixed to promote the groundnut sector; however, as international prices fell, this has involved an increasing level of subsidization. Second, in order to reduce consumption of imported rice and stimulate domestic production of rice and other cereals, the retail price of rice has been held above the international price level, with the difference generating sizable revenue to the budget. Third, notwithstanding the fall in the international price of petroleum, the high prices of domestic petroleum products have been held constant. The Government, as detailed below, has already taken decisive measures by readjusting the producer price for groundnuts and the retail price for rice in preparation for the launching of the 1988/89 adjustment program. It plans to follow up on these measures by developing a specific plan of action by end-March 1989 designed to eliminate the remaining distortions in a phased manner. As the distortions in the price of groundnuts and rice have been virtually eliminated, at current international prices, future action will need to focus on measures aimed at increasing revenue in order to compensate for the impact of a possible readjustment of energy prices. However, the Government will pursue a flexible pricing policy for groundnuts and rice, taking into account the evolution of international prices.

The plan of action will include measures to establish a more stable revenue base and assure an adequate growth in revenue that will bring the ratio of revenue to GDP to at least 18 percent. Furthermore, if a restrained expenditure policy is pursued, involving a reduction in the share of the wage bill and the implementation of further economy measures, the budgetary position, on a commitment basis and including grants, is projected to turn around from a deficit of CFAF 14.4 billion (1.0 percent of GDP) in 1987/88 to a surplus of CFAF 32.0 billion

(1.9 percent of GDP) in 1990/91. This improvement will allow the Government by June 1989 to repay all verified domestic public arrears, thereby releasing resources to the private sector. Net government domestic bank borrowing will diminish over the three-year period, being held essentially to the counterpart of net Fund drawings, while the dependency of the Treasury on foreign financing will be sharply curtailed by 1990/91.

The envisaged policies are designed to contribute over the three-year period to the following basic quantitative objectives: (a) to achieve an average annual increase of 3.8 percent in real GDP, following the economy's strong recovery during the last four years from the drought; (b) to reduce the inflation rate, as measured by the GDP deflator, to 2.3 percent by 1990/91; and (c) to narrow further the external current account deficit, excluding official grants, to 6.5 percent of GDP by 1990/91. Private capital inflows are expected to rise over the three-year period, reflecting the improvement in economic conditions. The balance of payments is projected to record a surplus, before debt relief, of CFAF 4.5 billion in 1988/89 and CFAF 7.9 billion by 1990/91. Taking into account a progressive reduction in the flow of budgetary assistance, the projected net drawings from the Fund, and a programmed improvement in Senegal's position in the operations account, Senegal will be able to service its external debt obligations without recourse to debt relief by 1989/90.

This policy framework is consistent with Senegal's long-range development objectives, which aim at achieving a sustained growth of per capita income and food security. The policies envisaged are designed to exploit Senegal's comparative advantage, based on its relatively skilled labor force, managerial capability, irrigation potential, fishing and mineral resources, physical infrastructure, and favorable geographical location. Accordingly, real economic growth in the agricultural sector is projected to reach 3.0 percent, in the industrial sector 4.0 percent, and in the service sector 3.8 percent during the program period.

As a member of the West African Monetary Union, Senegal maintains an exchange system that is free of restrictions on payments and transfers for current international transactions. The exchange system is common to all members of the Union and, within this context, Senegal's currency is pegged to the French franc at an exchange rate of CFAF 50 = F 1. Taking into account Senegal's exchange arrangements, the policies being pursued aim at achieving a relatively low rate of inflation, which, together with the restrained wage policy envisaged and improvements in productivity, should contribute to the enhancement of Senegal's international competitiveness.

IV. Structural and Macroeconomic Adjustment Policies

Within the broad framework described above, the Government of Senegal will implement a coherent set of structural and macroeconomic policies aimed at consolidating the gains achieved thus far and making further progress toward the attainment of a sustainable rate of economic growth and a viable balance of payments position. Key economic and financial indicators are given in Table 1. A summary and the time frame of the Government's policies for the entire three-year period is given in Table 2. The financing requirements are detailed in Table 3.

1. Public investment programming

The Government has made significant progress in strengthening public investment programming, as reflected in the formulation of the second three-year rolling public investment program (PIP) for 1988/89-1990/91. Compared to the previous PIP, the World Bank staff considers that the current PIP involves further improvements in terms of its consistency with the macroeconomic framework, sectoral coverage, financing profile, and project selection and documentation. The PIP has an investment target of CFAF 477 billion over the three-year period (9.8 percent of GDP), compared with CFAF 379 billion under the previous PIP (7.8 percent of GDP). It focuses on projects supporting directly productive activities. The most important investments will be effected in the transportation sector (22 percent of total programmed outlays) and the agricultural sector (18 percent of total programmed outlays), with particular support from the World Bank. The basic objective in the transportation sector is the rehabilitation and maintenance of the existing infrastructure, particularly in the area of land transport, whereas in the agricultural sector the emphasis is placed on irrigated and rainfed crops. With regard to irrigated crops, priority will be given to rehabilitation projects. For the first year of the program, investment outlays have been set at CFAF 144.0 billion, consistent with Senegal's macroeconomic objectives and financial constraints.

The Government intends to take several actions to further the reforms of public investment programming and budgeting. Under the new planning system, a new six-year plan will be introduced to replace the four-year plan; this will be reviewed every three years. Steps will be taken to enhance the capacity to identify new projects, consistent with sectoral priorities; to decentralize project preparation and appraisal to the technical ministries; to develop a uniform approach to the analysis and selection of new projects; to better estimate the recurrent costs and debt service implications of projects; and to tighten the rules for government guarantees and on-lending arrangements. In addition, the Government plans to fully consolidate the investment outlays financed by foreign grants and loans with the regular budget monitoring and expenditure control processes. This will require improvements in the physical monitoring of projects.

The Government is convinced that the systematic review of public investments should help to facilitate and increase donor support. In this regard, the Consultative Group for Senegal, together with sectoral donors' meetings held within its framework, will continue to serve as the major vehicle for the mobilization and coordination of development assistance to Senegal.

2. Agricultural policy

The Government intends to continue to give high priority to agricultural policy reforms, with a view to expanding and diversifying production. The Government plans to take stock of the gains made so far, and to fine-tune the new agricultural policy to achieve its objectives. A key element of the Government's strategy in this sector involves a reduction in its intervention, through a gradual elimination of price distortions and subsidies and through privatization and decentralization of rural development services. For the 1988/89 crop year, the Government has already taken several actions in this direction. The Government will continue to emphasize the objective of efficient development of domestic cereal production. Producer prices of coarse cereals will be determined by market forces; the indicative floor prices have been discontinued. The role of the Food Security Commission (CSA) has been reduced essentially to the management of food aid. The marketing of coarse cereals is being strengthened through an information system providing weekly cereal price quotations throughout the country. To promote efficiency in domestic cereal production, the retail price of rice was reduced in May 1988, and is now virtually in line with the world market price. On the basis of recent experience with test projects, the Government will make a major effort to enhance production, marketing, and processing of domestic coarse cereals. Furthermore, extension services will be strengthened to increase the productivity of cereal cultivation, while the distribution of improved seeds will contribute to enhancing production.

The Government is reviewing the regulations governing the allocation and use of irrigated land in the Fleuve region, with a view to strengthening property rights and investment incentives and to encouraging the establishment of agro-industries. It will also adopt a new pastoral code to regulate the use of land between farmers and livestock holders. The decentralization of rural development tasks and greater responsibilities for local cooperatives will facilitate a reform of the agricultural credit system, with a view to increasing the access by individual farmers, livestock holders, and local cooperatives to financial intermediation; no subsidies for the cost of credit will be provided.

To encourage the development of groundnut production, the producer price of groundnuts was raised in 1984/85 and 1985/86 to a level that was considered necessary to reverse the erosion of incentives in this key sector of the economy. However, with the unexpected and sharp decline in world market prices of edible oils, and much higher output levels stemming from improved incentives and favorable rainfalls, the deficit on groundnut operations amounted to an estimated 1.6 percent of GDP in 1987/88. Hence, with the view to reducing the deficit on groundnut operations to a more manageable level, the Government has adjusted downward the producer price of groundnuts for the 1988/89 crop season from CFAF 90 per kilogram to CFAF 70 per kilogram. This reduction, together with the recent recovery in world prices for groundnut oil, is expected to reduce significantly the subsidy to the sector; for the 1988/89 crop, the subsidy is estimated at 0.3 percent of GDP. In addition, a technical, financial, and management audit of the groundnut oil processing company (SONACOS) is under way. Based on this, a plan of action will be elaborated by end-1988, aimed at improving the productivity of its operations, reducing its costs, expanding its markets, and increasing the diversification of its products, in particular toward confectionery groundnuts. Pending the completion of the audit, SONACOS will provide the Government with full information on its sales contracts and actual sales prices. The deficit of the sector will be calculated by taking into account the Government's share in SONACOS's real profits at the end of SONACOS's fiscal year.

The Government will attempt to increase exports receipts by actively pursuing agricultural diversification in both the Fleuve region and the groundnut basin, in particular through the improvement in marketing and export facilities for fruits and vegetables. With regard to the livestock sector, the Government will establish, in collaboration with the World Bank, a plan of action by end-1988 that will emphasize improvements in the composition and productivity of the cattle herd. The Government will also undertake a thorough assessment of the prospects of the fishing sector. It will develop a plan of action aimed at reviving industrial fishing, while avoiding the overexploitation of fish resources.

The Government is becoming increasingly preoccupied with the degradation of the environment, in particular with regard to arable land, rangeland, and forests. In addition to the many ongoing projects, the objectives of which are to improve natural resource management, the Government intends to: (i) review all existing relevant legislation and administrative regulations; (ii) review and amend, as necessary, the regulations relating to taxation and cost recovery to enhance natural resource management; (iii) adopt a new pastoral code; (iv) adopt a new forestry code; (v) reorient agricultural extension services; and (vi) implement an appropriate demographic policy.

3. Industrial policy

The Government intends to pursue its comprehensive industrial policy reform designed to improve the competitiveness of the industrial sector and promote exports. A number of important aspects of this reform, notably the rationalization of the system of effective protection, through the elimination of all quantitative restrictions on imports and the reduction and the harmonization of tariffs, have already been implemented. The existing special agreements with certain enterprises on tax and other advantages are also being reconsidered with a view to renegotiating or eliminating the exceptions to the common tax regime. Furthermore, the labor and investment codes have been revised. Despite these measures, the development of the industrial sector is being constrained by inflexibilities in the labor market, high wages and energy prices, and excessive administrative regulations.

The Government plans to assess the effects of these constraints and take decisive action to alleviate them. In particular, the revision of the Labor Code of 1987 will be enhanced by actions based on the recommendations recently adopted by the Government to encourage more direct links between remuneration and productivity and the participation of workers in the capital and profits of enterprises. The social contributions paid by employers will also be reviewed. Furthermore, following the revision of the Investment Code, the procedures to approve new investment applications have been simplified with the introduction of a one-stop window (guichet unique). Additional measures are being considered to encourage the creation of new enterprises, by further simplifying the regulations affecting trade, investment, and the labor market, as well as to implement existing labor legislation more flexibly, with a view to enabling enterprises to optimize the size of their labor force. The Government intends to formally lift all price controls by December 1988, with the exception of those on a few goods and services considered strategic or highly sensitive.

4. Energy policy

The Government's energy policy has three basic objectives, namely to develop local sources of supply, particularly hydroelectric power; to restrain energy consumption, through appropriate pricing and conservation policies; and to promote efficient use of energy, particularly in the industrial sector. Consistent with the medium-term objectives of the Government's energy policy, and the need to mobilize additional resources in support of the government budget, the structure of domestic prices of petroleum products was kept virtually unchanged following the sharp reduction in world oil prices in 1986.

Although efforts to expand local energy sources have not yet yielded any major results, they are expected to bear fruit with the development of the hydroelectric power potential of the Manantali Dam (a regional project involving Mali, Mauritania, and Senegal under the aegis of the Senegal River Development Organization). Efforts are also under way to explore the possibility of developing hydrocarbon resources in Senegal. The energy policy has succeeded in promoting energy conservation; the volume of petroleum imports has declined in recent years. However, as indicated above, the competitiveness of the industrial sector has suffered; to deal with this issue, in July 1986 a reduction was made in the prices of diesel and fuel oils used by the electricity company to support its rehabilitation efforts. In addition, to ensure the competitiveness of certain export-oriented enterprises, particularly the chemical company (ICS) and the phosphate mines (CSPT and SSPT), the Government decided to provide these enterprises, as of July 1987, with cash transfers equivalent to a reduction in the prices of energy products to externally competitive levels.

The Government is conscious of the need to reassess its energy policy, particularly with regard to its impact on the industrial sector. The plan of action referred to in Section III will therefore need to be developed by end-March 1989, in consultation with the Fund and the World Bank. Pending its adoption, the Government will maintain domestic prices of petroleum products at their current levels during 1988/89.

5. Public enterprise reform

The comprehensive reform of the public enterprise sector will be pursued. The strategy focuses on the liquidation or privatization of certain public enterprises, the rehabilitation of others, and the improvement and rationalization of the financial relations between the state and the public enterprises. The latter includes reductions of subsidies, elimination of cross-debts, and improvements in financial monitoring mechanisms. As a reflection of the decision to reduce state involvement in the sector, the Government announced the divestiture of ten public enterprises in October 1987. Progress in achieving divestiture has been slower than expected. To give more impetus to this process, the Government, in collaboration with the World Bank, is reformulating its policy of privatization as well as of private sector investment promotion. Another set of 11 enterprises has been identified for the next round of privatization. Concerning those enterprises remaining in the Government's portfolio, rehabilitation programs will be pursued with the objective of eliminating the support they receive from the Treasury as early as possible. The system of contract programs will be improved; it will take into account the objectives of increased autonomy and accountability and of a phased reduction of subsidies. The amount of subsidies from the Government to public enterprises in the context of contract programs will be set consistent with the budgetary allocations. The Government will conduct annual reviews to ensure that public enterprises comply with their contractual obligations. Financial relations between the Government and public enterprises will be made as transparent as possible; to this end, the process of the settlement of all cross-debts has been initiated in the context of the 1988/89 budget. A fourth structural adjustment credit, to be negotiated with the World Bank, will focus in particular on the pursuit of the reform of the public enterprise sector.

6. Fiscal policy

To reinforce the effects of the structural policies, the program will aim at restraining aggregate demand to a level compatible with available resources. The Government will implement additional tax measures designed to widen the tax base, increase the tax elasticity, and ensure a durable revenue growth, while curbing nonpriority expenditure and reallocating resources in line with development priorities. It is projected that the government budget position, on a commitment basis and including grants, will shift from a deficit of 1.0 percent of GDP in 1987/88 to a surplus of 2.7 percent of GDP in

1991/92. This improvement will enable the Government to liquidate all currently verified domestic arrears by end-June 1989, reduce its recourse to domestic bank borrowing, and discharge by 1989/90 its external debt service obligations without recourse to debt rescheduling. Furthermore, the reliance of the budget on foreign financing, excluding project-related financing, will fall sharply, from an estimated CFAF 107.3 billion in 1987/88 to CFAF 42.8 billion in 1991/92.

The Government will introduce a series of reforms aimed at further expanding the revenue base and improving tax yields, without compromising the requirements of enhancing supply conditions. To widen the tax base, there will be a progressive taxation of the informal sector, principally through a selective extension of the value-added tax to the distribution sector. There will also be a major revision of the various exemptions and other preferential arrangements regarding taxes and customs duties, resulting notably from special agreements. A reform of the taxation of projects financed by external resources is already under implementation. The objective of increasing Senegal's tax yields will be pursued in two ways; a rationalization of the structures and management methods of the tax and customs administration, coupled with a modernization and strengthening of their legal and material means, including an accelerated computerization of domestic taxes and customs procedures; and a continued adaptation of the tax system, with a view to increasing the tax elasticity. In this regard, the ongoing reform of the land property regime, the implementation of the fiscal cadastre in the Dakar area, and the introduction of a generalized income tax system will constitute the basic elements for the achievement of a more elastic tax system. In view of the high dependence of the budget on profits being generated by the oil sector, the Government will aim at reducing this dependence gradually as other sources of revenue are generated. For this purpose, the Government plans to prepare a study, in collaboration with the Fund and World Bank, involving a comprehensive survey of the domestic tax system and administration, on the basis of which a detailed plan of action will be elaborated by March 1989.

A restrained government spending policy will be pursued. The share of the wage bill in total government expenditure will be further reduced through a gradual contraction in the total number of civil servants and a rationalization of administrative structures, coupled with a stricter stance with regard to promotions, merit increases, and fringe benefits. To this end, the Government has embarked on a number of studies aimed at reorganizing the structure of the government agencies involved in the management of the civil service, and developing a computerized data base to permit the Government to set up a training and redeployment program for civil servants. The Government is also reviewing the legal framework affecting the civil service, with a view to facilitating policy formulation regarding the sector and adapting it to the needs for staff redeployment and retirement. This action will be followed by a detailed assessment of the needs by tasks and responsibilities in each ministry. These measures will provide the basis for developing a medium-term strategy to improve the management of the civil service. Adequate appropriations will be made for essential materials, supplies, and maintenance to ensure an effective functioning of the administration, notably the Treasury, tax, and customs departments. Nonpriority current outlays will be curbed in real terms, and subsidies to public enterprises will be progressively phased out. Several measures will be put in place, based on a detailed study prepared by a Fund technical assistance mission, to improve the operations of the treasury special accounts and correspondents. These measures will include improved fiscal discipline in the management of these accounts, the integration of some special accounts in the budgetary process, the elimination of inoperative accounts, and the streamlining of the accounting system. Further measures to strengthen the allocation of available resources among economic sectors will be implemented on the basis of a study on the sectoral and functional distribution of current expenditure to be undertaken with the assistance of the World Bank.

7. Monetary policy and banking reform

A prudent credit policy consistent with the growth, inflation, and balance of payments targets will be pursued. In particular, the growth of domestic liquidity will be kept below that of nominal GDP to curb aggregate demand. However, actions will be taken to ensure the appropriate financing for the cash crop sector and the expansion of private sector activities. As a member of the West African Monetary Union (WAMU), Senegal's interest rate policy is determined by the BCEAO. Within this context, a flexible interest rate policy is being pursued, taking into account economic conditions in the WAMU, developments in international markets, and the need to foster the growth of savings.

The ongoing comprehensive reform of the banking system will be reinforced, and its implementation accelerated in the next two years, in collaboration with the donor community, and in consultation with the Fund and the World Bank. This reform goes beyond the decisions taken in September 1986 by the Executive Board of the BCEAO and the Council of Ministers of the WAMU with regard to the rehabilitation of banks in the Union facing difficulties. The decisions include: (a) the abolition since September 30, 1986 of the penalty rate, and its replacement by the normal discount rate of 8.5 percent on the excess debit balances of banks at the BCEAO; and (b) the establishment of an ad hoc committee in each member country in charge of the adoption and monitoring of the rehabilitation programs of banks. The measures contained in these programs involve loan recovery, strengthening of the banks' own resources, improvements in management, and Government-guaranteed rescheduling of the excess debit balances of those banks concerned with the BCEAO. In conformity with the decisions of the BCEAO, the rescheduling will be made over a maximum period of ten years, with three years' grace, at the preferential discount rate of 6 percent.

The reform program in Senegal involves a two-pronged approach, entailing specific bank-by-bank reforms and general sectoral measures. The specific bank-by-bank reforms could, on the basis of the results of on-going work and consultations currently being held, include the restructuring, the rehabilitation, the merger or the liquidation of some banks. The Government intends to reduce its participation to a minority share (25 percent maximum) in the banks where it currently holds the majority of the shares. The BCEAO has already consolidated the debit balances of two banks (BCS and USB), and other consolidations will follow as the reform program is implemented. Furthermore, the restoration of the banks' liquidity positions will require the repayment of the Government's outstanding liabilities to the banking system. This is expected to be financed mainly through long-term concessional external financial assistance.

On a sectoral basis, the Government will refrain from guaranteeing any banking transactions, other than those directly related to its own activities. It will also promote a sound banking environment by ensuring the autonomy of banking activities. Steps will be taken to reinforce bank supervision, in particular by strengthening the Banking Control Commission and by closer monitoring by the BCEAO. The Government will enforce the effective implementation of the existing regulations and will ensure that the supervisory mission's recommendations to banks be reviewed systematically and be followed up as appropriate. The Government will also review the necessary measures to facilitate loan recovery based on the collateral provided.

8. External debt management

A prudent external debt management policy will continue to be followed by the authorities, with a view to progressively reducing the debt burden. This will be achieved through limiting as much as possible nonconcessional borrowing by the Government and through the substitution of loans by grants, whenever possible. Meanwhile, the computerized debt management system will continue to be extended to cover all foreign debt, domestic borrowing, and grants.

9. Population policy

In view of Senegal's high population growth rate and its social, economic, and environmental implications, the Government has adopted a population policy statement and will shortly complete the preparation of a plan of action for its implementation in collaboration with the World Bank and other donors concerned. The plan of action will aim at formulating policy guidelines, priority actions, and institutional responsibilities, particularly regarding family planning. The recent population census will provide a basis for formulating appropriate demographic policies.

10. Social impact

The structural adjustment program outlined above is expected to lead to an increase in real per capita income over the next three years. Farmers' real income will benefit particularly, as agriculture is expected to be a major source of economic growth. By contrast, urban incomes are likely to increase at a slower pace, as wage increases in the public sector will need to be contained. In addition, the reform of the public enterprise sector and the revision of the labor code, as well as tariff reform and the elimination of quantitative restrictions on imports, could have a negative impact on industrial employment in the transitional period. In the longer term, however, the improved economic environment is expected to foster private sector activity, leading to increased employment opportunities. To minimize the short-term effects, the Government has recently established a foreign-financed Employment Fund that is designed to facilitate the re-entry of laid-off workers into gainful private employment. The Employment Fund is providing support to: (i) workers in the agricultural and industrial sectors who have lost their jobs as a result of restructuring, privatization, or liquidation of enterprises; (ii) civil servants who voluntarily leave the service; (iii) Senegalese emigrants who are resettling in Senegal; and (iv) unemployed new graduates from colleges and universities. The proposed industrial sector rehabilitation project mentioned above will provide financing for training programs, technical assistance to strengthen industrial support institutions, and a line of credit to help industries adjust to the new environment. In addition, real urban incomes have benefited from the recent reduction in the price of key consumer goods such as rice, groundnut oil, and sugar. The World Bank is currently exploring ways in which urban employment could rapidly be expanded.

While the adjustment program focuses primarily on the directly productive sectors, the Government has reinforced its efforts to improve basic services to the population with the assistance of multilateral organizations and nongovernmental institutions. Education and health care, in particular, will continue to receive priority. As part of the multicountry Social Dimensions of Adjustment Project, financed by the United Nations Development Programme and executed by the World Bank, work will shortly start to compile data on income distribution and welfare indicators, to study the socioeconomic impact of adjustment programs, and to identify compensatory programs of action where needed.

V. External Financing Requirements

It is expected that the implementation of the above-mentioned macroeconomic and structural policies will lead to a continued increase in domestic agricultural and industrial output, thereby improving export performance. Meanwhile, the greater availability of locally produced cereals and the promotion of import substitution, together with the pursuit of appropriate demand management policies, are expected to limit the growth of consumer goods imports, while allowing for an increase in imports of capital and intermediate goods. As a result, and in view of current prospects in international commodity prices, the trade deficit is projected to narrow further during the program period. As the service and private transfers accounts are expected to improve somewhat, the current account deficit, excluding official grants, is projected to be reduced from an estimated CFAF 141.5 billion (SDR 362.8 million) in 1987/88 to about CFAF 112.2 billion (SDR 284.6 million) by 1990/91. Taking into account a scheduled external public debt amortization of CFAF 205.4 billion (SDR 521.0 million), total repurchases to the Fund of CFAF 48.8 billion (SDR 123.8 million), as well as a programmed improvement of Senegal's position in the operations account, the total financing requirement is projected to amount to CFAF 691.8 billion (SDR 1.76 billion) during the program period. Committed financing over the three-year period, including resources requested from the Fund, is estimated at CFAF 579.1 billion (SDR 1.47 billion).

Total disbursement of official grants is projected at CFAF 241 billion (SDR 611.2 million) and that of external loans at CFAF 327 billion (SDR 830.0 million) during 1988/89-1990/91. Within this total, disbursements are projected to come from the World Bank, for its sectoral and structural lending operations, and from bilateral creditors and donors such as Canada, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Switzerland, and the United States of America, as well as bilateral and multilateral institutions, including the Abu Dhabi Fund, the African Development Bank, the Commission of European Communities, the European Investment Bank, the Islamic Development Bank, the Saudi Fund for Economic Development, and the United Nations Development Programme. Private capital inflows are projected at CFAF 41 billion (SDR 104.0 million).

Senegal is requesting use of Fund resources under the enhanced structural adjustment facility. For 1988/89, use of Fund resources is projected at CFAF 25.2 billion (SDR 64.0 million), including CFAF 1.7 billion (SDR 4.3 million) of the last purchase under the 1987/88 stand-by arrangement. In 1989/90-1990/91, use of Fund resources is projected at CFAF 33.6 billion (SDR 85.2 million). The Government of Senegal expects the balance of its financing requirements in 1988/89 to be covered through debt relief under the auspices of the Paris Club and from other creditors; part of the necessary debt relief for 1988/89 has already been obtained, in the context of the Paris Club meeting held on November 17, 1987.

Table 1. Senegal: Selected Economic and Financial Indicators, 1984/85-1991/92

	1984/85	1985/86	1986/87	1987/88 Rev. prog.	1987/88 Prel. act.	1988/89 Prog.	1989/90	1990/91	1991/92
							Projections		
				(Annual changes in percent, unless otherwise specified)					
National income and prices									
GDP at constant prices	-0.5	4.2	4.2	4.2	4.4	4.2	3.5	3.6	3.8
GDP deflator	11.4	8.3	5.0	3.8	2.5	2.4	2.3	2.3	2.3
Consumer prices 1/	13.5	9.4	0.4	3.5	-2.6	...	...	...	...
External sector									
Exports, f.o.b.	-2.8	-11.5	-5.8	14.6	10.5	11.8	12.2	13.3	12.6
Imports, f.o.b.	3.9	-7.5	-15.4	5.1	3.7	6.7	6.6	6.7	7.6
Non-oil imports, f.o.b.	2.8	1.4	-8.2	2.4	2.3	8.6	6.6	6.7	7.6
Export volume	-14.1	2.3	2.3	16.9	16.3	9.5	6.8	6.1	6.5
Import volume	-1.7	9.8	2.2	0.3	-5.8	2.2	3.8	2.8	3.1
Terms of trade (deterioration -)	9.1	-6.6	10.3	-6.5	-7.3	3.2	1.4	1.7	0.3
Nominal effective exchange rate (end of period; depreciation -)	4.3	6.3	4.6	...	2.2	...	...	...	...
Real effective exchange rate (end of period; depreciation -)	5.2	7.3	-2.0	...	-1.9	...	...	...	...
Government financial operations									
Revenue	7.7	7.3	14.8	4.5	-1.4	9.5	8.3	9.6	7.5
Total current and capital expenditure	2.5	0.9	6.6	5.4	5.4	1.4	2.6	2.9	2.4
Money and credit									
Domestic credit 2/	4.8	14.2	10.7	-2.2	9.2	-3.0	2.3	3.6	0.8
Credit to the Government (net) 2/	2.1	5.5	0.6	1.9	1.8	1.2	-0.4	-0.2	-3.3
Credit to the economy 2/									
Including crop credit 2/	2.8	8.8	10.1	-4.1	7.4	-4.2	2.7	3.8	4.2
Excluding crop credit 2/	1.3	4.1	0.9	2.3	1.9	3.3	3.0	3.8	4.2
Money and quasi-money (M2)	2.8	2.5	17.4	3.2	1.2	5.2	6.2	5.7	5.4
Velocity (GDP relative to M2) 3/	3.8	4.2	3.9	4.1	4.1	4.2	4.2	4.2	4.2
Interest rate (end of period)									
Minimum rate on time deposits 4/	9.5	9.0	8.0	8.0	8.0	...	...	...	...
Money market rate for overnight deposits	10.3	7.8	8.0	7.5	7.75 5/	...	...	...	...
				(In percent of GDP, unless otherwise specified)					
Overall fiscal surplus or deficit (-) 6/									
Commitment basis	-3.5	-2.3	-1.5	-0.3	-1.0	0.2	0.6	1.9	2.7
Cash basis	-4.6	-3.3	-3.4	-2.9	-3.6	-1.9	0.3	1.6	2.5
Gross domestic investment	14.7	14.2	15.0	14.0	14.9	14.5	14.6	14.9	14.9
Gross domestic savings	2.5	4.2	9.3	9.5	10.2	10.6	11.8	13.2	14.1
External current account deficit (-)									
Excluding official grants	-18.7	-15.6	-11.0	-9.2	-9.9	-9.1	-7.8	-6.5	-5.4
Including official grants	-12.2	-10.0	-5.7	-4.1	-4.7	-4.0	-2.8	-1.7	-0.8
External debt 7/	91.0	80.3	74.2	72.7	74.3	73.9	72.5	69.6	65.6
Debt service ratio (in percent of exports of goods and services, and private transfers) 6/	25.2	29.1	29.6	28.9	30.0	30.4	29.1	26.8	25.2
GDP at current market prices (in billions of CFA francs)	1,083.8	1,223.1	1,338.2	1,460.3	1,432.9	1,527.8	1,617.9	1,714.4	1,820.8
Overall balance of payments surplus or deficit (-) (in millions of SDRs) 8/	-75.6	-28.0	86.3	72.8	-29.5	72.8	36.7	20.1	47.7
Gross official foreign reserves (in weeks of imports)	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 September 5, 1988.
6/ Before debt rescheduling.
7/ Public and publicly guaranteed debt, including Fund credit and central bank liabilities.
8/ After debt rescheduling.

Table 2. Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
1. Investment programming	Optimize allocation of available resources within a macroeconomic and sectoral framework. Place greater emphasis on directly productive and high-priority rehabilitation activities.	Adopt an appropriate public investment program for each year in the context of a three-year "rolling" public investment program.	July 1988, July 1989, and July 1990.
	Evaluate carefully financing requirements and recurrent cost implications of projects.	Strengthen capabilities of Ministry of Planning and Cooperation.	1988/89, 1989/90, and 1990/91.
		Enhance the capacity to identify new projects.	December 1988.
		Introduce the new six-year plan.	July 1989.
		Transfer responsibilities for project identification and preparation to certain technical ministries.	December 1988.
		Adopt uniform approach to project preparation and appraisal.	December 1988.
		Finalize a study on Senegal's long-term development prospects.	December 1989.
	Improve control and monitoring of public investment expenditure.	Consolidate the investment outlays financed by foreign grants and loans with the regular budget monitoring and expenditure control processes.	1989/90.
		Improve the physical monitoring of projects.	1988/89, 1989/90, and 1990/91.
2. Agricultural policy reform	Expand and diversify domestic production, curb government intervention and subsidies, reduce price distortions and income disparities between rural and urban areas.	Fine-tune and pursue the process of reform envisaged in the new agricultural policy.	1988/89, 1989/90, and 1990/91.
a. Cereals policy.	Promote food security, and reduce reliance on rice imports.	Fine-tune and pursue the Cereals Plan.	1988/89, 1989/90, and 1990/91.
		Discontinue the "floor prices" for domestic cereals; producer prices to be determined by market forces.	1988/89, 1989/90, and 1990/91.
		Reduce the role of the Food Security Commission (CSA) mainly to the management of food aid. Market interventions will be financed by the Common Fund and the CSA's revolving stock resources.	1988/89, 1989/90, and 1990/91.
		Enhance production, marketing, and processing of domestic cereals. Maintain the retail price of rice at a level that will continue to provide adequate incentives to producers of local cereals.	1988/89, 1989/90, and 1990/91.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
		Continue the price information system for producers and traders.	1988/89, 1989/90, and 1990/91.
		Introduce special extension campaigns and the National Seeds Plan.	1988/89.
		Eliminate fertilizer subsidies.	June 1989.
b. Groundnut sector.	Sustain an adequate level of production and reduce government intervention.	Implement the reduction in the producer price of groundnuts from CFAF 90 per kg to CFAF 70 per kg to reduce government subsidies.	1988/89.
		Prepare and implement an action plan to reduce the deficit of the groundnut sector on the basis of a technical, financial, and management audit, with a view to:	1988.
		(i) realizing savings in SONACOS's production and marketing costs;	1988/89.
		(ii) enhancing production and marketing of confectionery groundnuts, and reducing the losses under the seed program of SONAGRAINE;	1988/89, 1989/90, and 1990/91.
		(iii) implementing a strategy aimed at promoting and diversifying export markets for groundnuts.	1988/89, 1989/90, and 1990/91.
c. Agricultural credit.	Promote financial intermediation in the rural sector.	Complete study and adopt plan of action regarding the Government's agricultural credit policy, with a view to opening access to financial intermediation to farmers and local cooperatives.	1988/89, 1989/90, and 1990/91.
d. Diversification and export promotion.	Develop cash crops for domestic consumption and export. Stimulate domestic and foreign investment for the development of high-yield crops in the Fleuve region. Recover part of the investment costs.	Review the regulations governing the allocation of irrigated land to foster intensive land use in the Fleuve region.	1988/89.
		Prepare plan of action to promote diversification, including steps to facilitate marketing and exporting of fruits and vegetables.	1988/89.
e. Livestock policy.	Stimulate livestock development.	Implement a livestock development policy and strategy, including improvements in the productivity of the cattle herd.	1988/89, 1989/90, and 1990/91.
		Adopt a new pastoral Code to regulate the use of land between farmers and livestock holders.	1988/89.
f. Fishery policy.	Stimulate fishing sector development.	Finalize a study of fishery prospects in Senegal and develop an action plan for this sector.	1989/90.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
3. Industrial policy reform	Develop the industrial sector by alleviating the existing inflexibilities in the labor market, wages and energy prices, and administrative regulations.	Assess the impact of the measures taken during the first phase of implementation and adopt appropriate actions.	1988/89.
a. Protection system.	Rationalize the system of protection to enhance competitiveness and improve export and revenue performance.	Complete the adjustment of the existing rates and harmonize tariffs so as to achieve a lower and more uniform level of effective protection.	July 1988.
		Continue reduction of the system of reference prices.	1988/89, 1989/90, and 1990/91.
		Follow up on recommendations of studies on special agreements.	1988/89 and 1989/90.
		Prepare plan of action to further increase productivity of the CSS.	July 1989.
b. Simplify regulatory framework.	Eliminate distortions and improve resource allocation.	Lift all remaining price controls except for the minimum producer prices for groundnuts, cotton and paddy, and the retail prices of sugar, rice, wheat flour and bread, cement, tomato concentrate, cooking oil, charcoal, petroleum products, public physicians' fees, and imported pharmaceutical products, as well as electricity, water, and transportation tariffs.	December 1988.
c. Simplify labor laws and other regulations.	Foster labor mobility.	Follow up on recommendations recently adopted to improve productivity.	1988/89.
		Make the application of existing labor code regulations more flexible with a view to allowing firms to optimize the size of their labor force.	1988/89.
	Eliminate administrative constraints on the trade of industrial products.	Further simplify administrative procedures for trade.	1988/89.
		Implement a program of rationalization of the various institutions involved in quality control, export insurance, and export promotion.	1988/89.
4. Energy policy	Develop local sources of supply, restrain energy consumption, and promote efficient use of energy, particularly in the industrial sector.	Develop an action plan to balance the objectives of mobilizing revenue, promoting efficiency and conservation, and enhancing competitiveness, and the promotion of economic growth.	March 1989.
		Maintain structure of energy prices unchanged.	1988/89.
5. Parapublic sector reform	Promote the efficiency of the parapublic sector, reduce its scope through liquidation and privatization, and curb government intervention and subsidies.	Privatize the first group of public enterprises.	1988/89.
		Initiate privatization of the second group of 11 public enterprises.	1988/89.
		Pursue rehabilitation of those public enterprises remaining in the Government's portfolio.	1988/89.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
		Finalize and sign contract programs for four public enterprises, and initiate negotiation of contract programs for other enterprises.	1988/89.
		Develop a system to conduct annual reviews of the contract programs.	1988/89, 1989/90, and 1990/91.
		Reduce direct subsidies from the Government by a further 5 percent.	1988/89.
		Develop a data base to improve monitoring of the economic and financial performance of the parapublic sector.	1988/89.
	Streamline and reform the Government's institutional setting for overseeing public enterprises.	Progressively eliminate a priori controls over public enterprises.	1988/89 and 1989/90.
		Reform the system of administrative supervision over public enterprises.	1988/89.
		Implement action plan to rationalize financial relations between the Government and public enterprises, including the reduction or elimination of operating subsidies to parastatals.	1988/89, 1989/90, and 1990/91.
		Initiate the process for the settlement of all cross-debts.	1988/89.
6. Fiscal policy	Achieve a turnaround in the Government's fiscal operations, on a commitment basis and including grants, from a deficit to a surplus.	Improve revenue performance and pursue a prudent spending policy.	1988/89, 1989/90, and 1990/91.
a. Revenue	Improve revenue performance and reduce reliance on exceptional resources by shifting to a more stable revenue base.	Develop and implement a plan of action on the basis of a study on the domestic tax system and administration in collaboration with the Fund and the World Bank.	1988/89, 1989/90, and 1990/91.
	Increase tax yields.	Take stock of tax arrears, and reinforce the mechanism for their recovery.	1988/89, 1989/90, and 1990/91.
		Implement new customs code.	1988/89, 1989/90, and 1990/91.
		Revise customs tariff.	July 1988.
		Implement the reform of the organizational units of the General Tax Directorate.	1988/89, 1989/90, and 1990/91.
		Finalize and implement a system of fiscal receipts for the service and commerce sectors.	1989/90.
		Introduce a new mechanism for taxing income from real estate.	1988/89.
		Computerize taxation of vehicles.	February 1989.
		Reorganize the customs services, and computerize customs clearance procedures.	1988/89, 1989/90, and 1990/91.

Table 2 (continued). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
		Maximize the surplus of the Price Equalization and Stabilization Fund (CPSP) by importing rice at the lowest international prices and implement a system of computing the reference price of wheat on the basis of the lowest world price.	1988/89, 1989/90, and 1990/91.
		Mobilize the prospective surpluses of the oil sector in support of the budget.	1988/89, 1989/90, and 1990/91.
	Widen tax base.	Develop gradually the taxation of the informal sector and other selective measures.	1988/89, 1989/90, and 1990/91.
		Re-examine the special tax agreements with enterprises.	1988/89, 1989/90, and 1990/91.
		Extend the application of the value-added tax to the commerce and service sectors.	1989/90, and 1990/91.
		Introduce a revised tax on urban property on the basis of a fiscal cadastre.	1989/90, and 1990/91.
		Implement the reform of the taxation of foreign-financed projects.	1988/89, 1989/90, and 1990/91.
b. Expenditure	Maintain tight limits on current government outlays.	Control the wage bill by reducing the number of government employees, while keeping the wage drift to a minimum.	1988/89, 1989/90, and 1990/91.
		Make adequate provisions for materials, supplies, and maintenance of essential services, as well as for the redeployment fund.	1988/89, 1989/90, and 1990/91.
		Reduce budgetary subsidies.	1988/89, 1989/90, and 1990/91.
	Rationalize administrative structures.	Develop a medium-term strategy for improving the management of the civil service.	1988/89.
		Develop a comprehensive data base on the civil service to reorganize and improve monitoring of public employment.	1988/89.
		Finalize the revised legal framework for the civil service.	1988/89.
		Define a training and redeployment program for civil servants.	1988/89 and 1989/90.
c. Fiscal discipline.	Strengthen the allocation of available resources.	Improve the monitoring of the Treasury special accounts and correspondents on the basis of the recommendations made by a Fund technical assistance mission.	1988/89, 1989/90, and 1990/91.
d. Domestic arrears.	Eliminate all currently verified domestic arrears of the Government and public agencies.	Allocate adequate resources to liquidate such arrears.	1988/89.

Table 2 (concluded). Senegal: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1988/89-1990/91

	Objectives and Policies	Strategies and Measures	Timing of Measures 1/
7. Credit policy	Conduct a prudent credit policy consistent with the growth, inflation, and balance of payments targets.	Keep the growth of domestic liquidity below that of nominal GDP to curb aggregate demand.	1988/89, 1989/90, and 1990/91.
	Improve financial position of banking system.	Implement an action plan for the reform of the banking system.	1988/89.
		Restructure, rehabilitate, and/or liquidate the banks facing difficulties.	1988/89, 1989/90, and 1990/91.
		Strengthen supervision of primary banks by the Central Bank (BCEAO), the Ministry of Economy and Finance, and the Banking Control Commission.	1988/89, 1989/90, and 1990/91.
	Mobilize domestic savings and improve resource allocation.	Follow a flexible interest rate policy.	1988/89, 1989/90, and 1990/91.
8. External debt management	Limit external debt service burden to manageable proportions; and re-establish orderly relations with creditors.	Keep new external borrowing on nonconcessional terms to a strict minimum, while intensifying efforts to mobilize resources in the form of grants.	1988/89, 1989/90, and 1990/91.
		Make adequate provisions for the settlement of debt service obligations so as to avoid any external arrears.	1988/89, 1989/90, and 1990/91.
	Strengthen debt management.	Extend computerization system to monitor guaranteed medium- and long-term as well as on-lent external debt.	1988/89, 1989/90, and 1990/91.

1/ Where a single date is indicated, the measure(s) will be in effect no later than that date; where one or several years are noted that action will be taken in each year.

Table 3. Senegal: External Financing Requirements and Resources, 1986/87-1991/92

(In millions of SDRs)

	1986/87	1987/88		1988/89	1989/90	1990/91	1991/92
		Rev. prog	Prel. act.	Prog.	Projections		
Requirements (by use)	649.3	672.0	668.7	650.1	573.5	532.0	501.6
Current account deficit excluding official grants	373.4	342.8	362.8	353.3	318.0	284.6	250.2
Public debt amortization	122.3	147.4	147.4	160.1	176.3	184.7	203.7
Private capital outflows 1/	23.7	59.0	134.4	—	—	—	—
IMF repurchases	44.6	41.0	41.0	45.0	42.1	36.8	34.5
Operations account	76.2	81.8	-16.9	91.7	37.2	26.0	13.3
Reductions in arrears	9.1	—	—	—	—	—	—
Resources (by source)	649.3	672.0	668.7	650.1	573.5	532.0	501.6
Official grants	178.7	189.0	189.2	197.1	205.0	209.1	211.2
Long-term public sector loan disbursements	359.7	366.4	362.8	312.5	287.9	229.6	239.7
Private capital inflows 1/	—	—	—	15.2	38.0	50.7	50.7
Use of IMF resources	43.5	50.0	50.0	64.0	42.6	42.6	—
Debt relief	67.3	66.7	66.7	61.4	—	—	—
Financing	649.3	672.0	668.7	650.1	573.5	532.0	501.6
Committed 2/	649.3	672.0	668.7	612.6	420.5	433.1	393.0
Uncommitted	—	—	—	37.5	153.0	98.9	108.6

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

1/ Including errors and omissions.
2/ Including committed and indicated budgetary assistance, projected private capital inflows, project financing, and requested use of Fund resources.