FOR AGENDA

EBS/86/44

CONFIDENTIAL

February 27, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Senegal - Staff Report for the 1985 Article IV Consultation and Third Review Under Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1985 Article IV consultation with Senegal and the third review under its stand-by arrangement. Draft decisions appear on pages 34 and 35.

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

Mr. Calamitsis (ext. 6966) or Mr. Ugolini (ext. 6934) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

SENEGAL

Staff Report for the 1985 Article IV Consultation and Third Review Under Stand-By Arrangement

Prepared by the African Department
and the Exchange and Trade Relations Department

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

Approved by A.D. Ouattara and Eduard Brau

February 26, 1986

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I. Introduction

The 1985 Article IV consultation discussions with Senegal were held in Dakar during the period December 11-21, 1985. At the same time, discussions were carried out regarding the third and final review under the 18-month stand-by arrangement for Senegal in an amount equivalent to SDR 76.6 million (60 percent of quota on an annual basis), which was approved on January 16, 1985, in support of the Government's adjustment program for the fiscal years 1984/85-1985/86 (July/June). The Senegalese representatives included Mr. Touré, Minister of Economy and Finance, Mr. Diop, then Minister of Rural Development, Mr. Sène, National Director of the Central Bank of West African States (BCEAO), and other senior officials concerned with economic and financial matters. Members of the staff mission also met with Mr. Collin, Minister of State, Secretary General of the Presidency of the Republic. The staff representatives were Mr. Calamitsis (head-AFR), Mr. Yucelik (FAD), Mr. Begashaw (ETR), Mr. Ugolini (AFR), and Mr. Brou (AFR), with Mrs. John (OMD) as secretary. Mr. Franco, the Fund's resident representative in Dakar, took part in the discussions.

Senegal is on the standard 12-month consultation cycle; the last Article IV consultation was concluded on January 16, 1985. Senegal continues to avail itself of the transitional arrangements of Article XIV.

The first and second reviews under the current stand-by arrangement were completed on March 18, 1985 and September 9, 1985, respectively. In the attached letter to the Managing Director dated February 4, 1986, concerning the third review, the Minister of Economy and Finance sums up the progress made so far in the implementation of the adjustment program, describes the additional measures taken to ensure the attainment of its basic objectives for 1985/86, and proposes the appropriate performance criteria for the remaining period of the program (Appendix I).

Senegal has so far made five purchases under the stand-by arrangement totaling SDR 55.6 million. Of the remaining two purchases, each for SDR 10.5 million, the next one may be effected after March 14, 1986, subject to observance of the performance criteria for end-December 1985 and completion of the third review of the program. As of January 31, 1986 the Fund's holdings of Senegal's currency, the CFA franc, subject to repurchase were equivalent to 255.6 percent of quota; excluding holdings resulting from purchases under the compensatory financing facility, they amounted to 237.1 percent of quota. If the balance available under the stand-by arrangement (SDR 21.0 million) is purchased, and after taking into account scheduled repurchases, by June 30, 1986 the Fund's holdings of Senegal's currency subject to repurchase would amount to the equivalent of 250.1 percent of quota, or 244.0 percent of quota apart from holdings under the compensatory financing facility (Table 1).

The Fund staff has maintained close collaboration with the World Bank staff, both at headquarters and in the field, on the various aspects of Senegal's adjustment efforts and external financing requirements.

Table 1. Senegal: Fund Position During Period of Stand-By Arrangement

	Outstanding at December 31, 1984	1985 Jan.-March	1985 April-June	1985 July-Sept.	1985 Oct.-Dec.	1986 Jan.-March	1986 April-June
		(In millions of SDRs)					
Transactions under tranche policies (net) 1/	--	19.13	7.70	6.13	2.71	1.89	1.97
Purchases	--	22.60 2/	12.00	10.50	10.50	10.50	10.50
Ordinary resources	(--)	(11.30)	(6.00)	(5.25)	(3.63)	(--)	(--)
Enlarged access resources	(--)	(11.30)	(6.00)	(5.25)	(6.87)	(10.50)	(10.50)
Repurchases	--	-3.47	-4.30	-4.37	-7.79	-8.61	-8.53
Ordinary resources	(--)	(-1.70)	(-1.80)	(-2.59)	(-4.68)	(-4.96)	(-5.25)
Enlarged access resources	(--)	(-1.77)	(-2.50)	(-1.78)	(-3.11)	(-3.65)	(-3.28)
Transactions under special facilities (net) 3/	--	-5.25	-5.25	-5.25	-5.25	-5.25	-5.25
Purchases	--	--	--	--	--	--	--
Repurchases	--	-5.25	-5.25	-5.25	-5.25	-5.25	-5.25
Total Fund credit outstanding (end of period)	204.84	218.72	221.17	222.05	219.51	216.15	212.87
Tranche policies 1/	168.09	187.22	194.92	201.05	203.76	205.65	207.62
Special facilities 3/	36.75	31.50	26.25	21.00	15.75	10.50	5.25
		(In percent of quota)					
Total Fund credit outstanding (end of period)	240.70	257.02	259.89	260.93	257.94	254.00	250.14
Tranche policies 1/	197.52	220.00	229.04	236.25	239.43	241.66	243.97
Special facilities 3/	43.18	37.02	30.85	24.68	18.51	12.34	6.17

Source: IMF, Treasurer's Department.

1/ Ordinary and enlarged access resources.
2/ Consisting of two purchases: an initial purchase of SDR 10.6 million which was made on January 31, 1985; and a second purchase of SDR 12.0 million which was made on March 29, 1985.
3/ Compensatory financing facility.

In this regard, it is to be noted that Senegal's policies and measures under the current stand-by arrangement have been integrated into a structural adjustment program, in support of which the World Bank approved on February 4, 1986 a financing package of about SDR 64.1 million, 1/ the first tranche of which is expected to be available in March-April 1986. Summary statements on Senegal's relations with the Fund and the World Bank Group are provided in Appendix II and Appendix III, respectively; statistical issues are discussed in Appendix IV; and basic economic and financial data are presented in Appendix V.

II. Background to the Discussions

After several years of substantial deterioration, in the late 1970s and early 1980s Senegal's structural and financial problems assumed alarming proportions. On the whole, the economy registered little growth, domestic imbalances grew markedly, and the external payments position came under great pressure. As in the case of many low-income countries in Africa, Senegal's problems were attributable in part to exogenous factors, especially recurring drought, the sharp rise in oil import prices, and declining terms of trade. However, they were also due in large measure to the inappropriate production, investment, and pricing policies pursued over a long period; these policies led to an overextension of the public sector and a concomitant weakening of agricultural and industrial production incentives. In addition, fiscal and credit policies were generally expansionary, and tended to foster consumption rather than productive investment.

As a result, in the five fiscal years ended in June 1983 domestic demand consistently exceeded supply, with the external resource gap amounting on average to some 15 percent of the gross domestic product (GDP) at current prices. To finance the high level of domestic demand, stemming largely from excessive consumption, the public sector had substantial recourse to external borrowing; but such borrowing overtaxed the country's debt servicing capacity, requiring in recent years a number of debt reschedulings. Over the same five-year period the disbursed medium- and long-term public and publicly-guaranteed external debt rose almost threefold, reaching some SDR 1.3 billion at end-June 1983, equivalent to 57 percent of the estimated GDP for 1982/83. Even so, Senegal incurred sizable overall balance of payments deficits, which entailed a sharp increase in the net foreign liabilities of the central bank (BCEAO) to SDR 0.4 billion at end-June 1983. On the fiscal side, the growing imbalances could not be fully financed, leading to a major accumulation of arrears. As of the end of June 1983 verified domestic arrears of the Government and public

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1/ Consisting of an IDA credit of SDR 18.3 million (US$20 million equivalent), a Special African Facility credit of SDR 40.3 million (US$44 million equivalent), and a Special Joint Financing non-reimbursable contribution of about SDR 5.5 million (about US$6 million equivalent) from Switzerland (to be administered by IDA).

agencies totaled CFAF 55.7 billion, or about 6 percent of GDP. Moreover, with the liquidation of a large rural development agency (ONCAD), beginning in August 1983 the Government had to assume the servicing of this agency's debts to local banks valued at CFAF 94.0 billion (excluding late interest and other charges), or more than 10 percent of GDP.

In an effort to deal with the country's serious structural and financial problems, since 1980 the Senegalese authorities have adopted a series of adjustment programs which have been supported by use of Fund resources, as well as by other external assistance, including debt relief from official creditors and commercial banks. Initially, the results achieved were unsatisfactory, not only because of the adverse impact of recurrent drought but also due to weaknesses in policy implementation. It may be recalled that the medium-term program of economic and financial adjustment undertaken in 1980, in support of which the Fund approved an extended arrangement, went off track soon after its inception, 1/ and was subsequently replaced by annual programs. Under the 1981/82 program, a significant adjustment was made; but the improvement proved only temporary, and the situation deteriorated again in the following year. By contrast, beginning with the 1983/84 program, a major turnaround was realized and steady progress was made, as the authorities intensified their adjustment efforts.

III. Recent Economic Developments and Performance Under the Adjustment Program in 1984/85

Since mid-1983 Senegal has made substantial progress toward economic and financial adjustment. The economy has been progressively liberalized, agricultural production incentives have been strengthened, the overall fiscal deficit has been reduced sharply, public enterprise reform has been initiated, domestic credit expansion has been brought under control, and the external payments position has been improved. However, economic growth has been slow, owing largely to the adverse impact of drought and continuing structural problems in several sectors.

In 1984/85, the first year of the current adjustment program, the Senegalese authorities pursued a combination of appropriate supply-side and demand management policies, with a view to achieving a satisfactory economic growth consonant with a sustainable internal and external financial position over the medium term. Consistent with the Government's medium-term policy framework, a basic objective of the program was to further reduce the external current account deficit (including public transfers) in terms of GDP, from an estimated 11.7 percent in 1983/84 to 9.2 percent in 1984/85. Although some of the policy decisions envisaged

1/ Similarly, the program supported by a structural adjustment loan and credit from the World Bank, which was approved in December 1980, ran into considerable difficulties at an early stage; and the second tranche of the loan and credit was cancelled in June 1983.

in the program, notably those involving increases in consumer prices, were particularly delicate, they were rigorously implemented. Moreover, the program was adapted promptly to deal with an unforeseen drop in marketed output of groundnuts and a shortfall in government revenue, underscoring the authorities' commitment to the adjustment process. In the event, despite these unexpected adverse developments, the program was kept on track, and all the performance criteria of the program for 1984/85 were observed (Table 2).

A key element of the program was the adoption of a new agricultural policy aimed at expanding and diversifying domestic production, mainly of cereals, and reducing government intervention and subsidies in the rural sector. As an integral part of this policy, which was endorsed at the first meeting of the Consultative Group for Senegal, held under the auspices of the World Bank in Paris in December 1984, a number of measures were taken. First, a process of institutional reform was initiated, including the restructuring of the cooperative system. Second, to foster domestic production of cereals and thereby progressively reduce the country's heavy reliance on imports of foodstuffs, especially of rice, in October 1984 the producer prices of maize, millet/sorghum, paddy, and cowpeas were raised by 20 percent, 9 percent, 10 percent, and 40 percent, respectively. Third, to reinforce this import substitution strategy, in January 1985 the retail price of rice was increased by 23 percent (to CFAF 160 per kilogram), bringing the cumulative increase to 100 percent since February 1982. Fourth, also in January 1985, the net producer price of groundnuts (excluding the retainer of CFAF 20 per kilogram collected from farmers to finance the seed and fertilizer distribution schemes) was raised by 20 percent. Finally, employment and costs in a number of rural development agencies were either stabilized or reduced, and two public enterprises (SONAR and STN) were liquidated. SONAR, a costly enterprise in charge of distributing groundnut seeds to farmers, ceased operations in December 1984 and was formally liquidated in February 1985, with its functions being turned over to the two oil milling companies (SONACOS and SEIB). At the same time, the authorities continued to implement tight fiscal, wage, and credit policies, while strictly limiting new external borrowing on nonconcessional terms.

Following a year of severe drought, in the 1984/85 season weather conditions in Senegal improved. However, as the rains were uneven and the northern part of the country continued to suffer from drought, the early expectations regarding the size of the crops did not materialize. Only cereals registered significant increases, though output still fell substantially short of the levels attained in past years. In the case of groundnuts, the initial official estimate of the crop turned out to be highly optimistic, and the marketed output in 1984/85 was even lower than that of the 1983/84 drought year. According to the final results, the marketed output of groundnuts processed for export actually fell to a low of 135,330 tons, about a third of the level foreseen in November 1984; this was due not only to the lower-than-expected crop (attributable partly

Table 2. Senegal: Quantitative Performance Criteria and Results Under the Adjustment Program in 1984/85

Change from July 1 to end	1984 Dec.	1985 March	1985 June
	(In billions of CFA francs)		
Domestic credit			
Unadjusted ceiling	36.9	47.2	37.3
Adjusted ceiling	14.3 1/	23.0 2/	22.1 3/
Actual	11.2	18.4	13.4
Claims on Government (net)			
Unadjusted ceiling	11.2	17.6	19.2
Adjusted ceiling	4.9 4/	5.4 5/	7.1 6/
Actual	1.5	4.5	5.7
Domestic arrears of the Government and public agencies			
Ceiling	-2.6	-4.0	-7.0
Actual	-2.6	-4.5	-7.6
Repayment of ONCAD debt			
Minimum	--	5.0	10.0
Actual	--	5.0	10.0
	(In millions of SDRs)		
New external borrowing on nonconcessional terms by the Government or with government guarantee			
1. 1-12 years' maturity			
Ceiling	10.0	20.0	20.0
Actual	5.8	5.8	13.1
2. 1-5 years' maturity			
Ceiling	2.0	4.0	4.0
Actual	--	--	--

Sources: Letter of intent of the Minister of Economy and Finance of December 3, 1984; and data provided by the Senegalese authorities.

1/ After downward adjustment by CFAF 22.6 billion on account of an excess amount of external budgetary assistance (CFAF 6.6 billion), lower crop credit (CFAF 16.3 billion), and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.3 billion) (see EBS/84/267, Table 9, page 31).
2/ After downward adjustment by CFAF 24.2 billion on account of an excess amount of external budgetary assistance (CFAF 12.8 billion), lower crop credit (CFAF 12.0 billion), and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.6 billion) (see EBS/84/267, Table 9, page 31).
3/ After downward adjustment by CFAF 15.2 billion on account of an excess amount of external budgetary assistance (CFAF 12.9 billion), lower crop credit (CFAF 3.1 billion), and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.8 billion) (see EBS/84/267, Table 9, page 31).
4/ After downward adjustment by CFAF 6.3 billion on account of an excess amount of external budgetary assistance (CFAF 6.6 billion) and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.3 billion) (see EBS/84/267, Table 9, page 31).
5/ After downward adjustment by CFAF 12.2 billion on account of an excess amount of external budgetary assistance (CFAF 12.8 billion) and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.6 billion) (see EBS/84/267, Table 9, page 31).
6/ After downward adjustment by CFAF 12.1 billion on account of an excess amount of external budgetary assistance (CFAF 12.9 billion) and drawings made to finance public sector expenditures not reflected "above the line" in the table on the financial operations of the Government (-CFAF 0.8 billion) (see EBS/84/267, Table 9, page 31).

to the low quality of seeds distributed and the reduction in the areas under cultivation) but also to the larger amount of small-scale processing of groundnuts in response to the increased retail price of groundnut oil. Therefore, despite the gains in other sectors of the economy, real GDP is now officially estimated to have grown by 3.9 percent in 1985, much less than had been envisaged early in that year; nevertheless, this still represents a marked improvement relative to 1984, when real GDP fell by 4 percent (Table 3). In view of these offsetting developments, it may be concluded that there was practically no real growth of the economy in the fiscal year 1984/85. In 1985 the GDP deflator rose by an estimated 12.5 percent, virtually the same rate as in 1984, but well above the increase of some 8 percent initially projected. This upward revision of the rate of inflation reflects partly a larger-than-anticipated impact of the substantial adjustments in retail prices introduced under the authorities' program.

In 1984/85 the Price Equalization and Stabilization Fund (CPSP) registered a deficit on account of groundnut operations of about CFAF 4.4 billion. Although average export prices remained favorable, a deficit was incurred because the sharp reduction in the marketed output of groundnuts resulted in a major underutilization of the combined processing capacity of 900,000 tons of the two oil milling companies. In addition, the seed distribution scheme, which was administered for the first time by these companies, also generated a deficit of some CFAF 4.0 billion, as the retainer collected from the small marketed output of groundnuts could not cover the cost of seed distribution. Thus, in 1984/85 groundnut crop credits due to banks by the CPSP and the seed distribution scheme that are repayable by the Treasury totaled about CFAF 8.4 billion, as against CFAF 3.0 billion envisaged in the program; this amount is to be settled by end-June 1986, a performance criterion under the program. Overall, in 1984/85 the CPSP's other operations involved no government subsidies, especially since retail prices of vegetable oils and rice were raised substantially in August 1984 and January 1985, respectively; however, the CPSP was not in a position to pay most import duties on rice. Effective January 1985, the CPSP ceased to be financially responsible for the operations related to the import and marketing of vegetable oils.

Despite the shortfall in government revenue, which turned out to be larger than had been provisionally estimated at the time of the second review under the stand-by arrangement, the basic objectives of the 1984/85 fiscal program were achieved. Based on the final returns now available, in 1984/85 total government revenue rose by somewhat less than 8 percent to CFAF 203.9 bilion, whereas it had been estimated to reach CFAF 212.8 billion (Table 4). The revenue shortfall of CFAF 8.9 billion was attributable largely to lower-than-expected collections from customs duties and, to a much lesser extent, from taxes on goods and services; in fact, revenue from customs duties was as much as CFAF 8.0 billion lower than originally estimated, not only on account of a larger-than-anticipated decline in imports but also because of the nonpayment of about CFAF 4.1 billion of import duties on rice by the CPSP. If it were not for the measures introduced under the program in January 1985, namely the extension of the

Table 3. Senegal: Selected Economic and Financial Indicators, 1983-85 and 1982/83-1985/86

	1983	1984	1985 Est.	1982/83	1983/84	1984/85 Prog.	1984/85 Est.	1985/86 Prog.	1985/86 Rev.
	(Annual percent changes, unless otherwise specified)								
National income and prices									
GDP at constant prices	2.6	-4.0	3.9	8.4	-0.8	4.1	-0.1	5.0	3.6
GDP deflator	8.5	12.6	12.5	8.7	10.4	9.0	12.8	8.4	11.4
Consumer price	11.5	11.2	12.6	9.2	16.4	...	11.1	...	9.0
External sector									
Exports, f.o.b. (in SDRs)	-0.4	0.5	-3.1	3.5	8.2	4.5	-6.2	15.4	17.8
Imports, f.o.b. (in SDRs)	-4.4	-4.7	-3.0	0.1	-5.2	-4.5	-8.1	5.7	7.8
Non-oil imports, c.i.f. (in SDRs)	-0.7	-11.2	4.4	8.7	-10.9	-3.7	-4.6	3.0	6.3
Export volume	2.3	-11.2	-3.7	...	...	...	...	...	...
Import volume	-0.6	-9.7	-3.3	...	...	...	...	...	...
Terms of trade (in SDRs; deterioration -)	1.3	7.2	0.2	...	...	...	...	...	...
Nominal import-weighted effective exchange rate (end of period; depreciation -)	-7.0	-2.2	6.9	-5.8	-2.7	...	-2.0	...	...
Real import-weighted effective exchange rate (end of period; depreciation -)	-2.1	2.1	9.0	-3.1	7.1	...	3.6	...	...
Government budget									
Revenue	...	...	...	15.7	7.8	12.4	7.6	14.1	13.1
Total current and capital expenditure	...	...	...	12.9	10.7	9.7	5.3	5.5	2.1
Money and credit									
Domestic credit	7.6	4.4	9.5	17.4	4.7	7.6	2.7	6.9	7.3
Government (net)	22.2	14.4	19.4	28.8	33.7	15.9	4.7	17.2	18.1
Private sector	4.1	1.5	6.4	15.0	-2.2	4.9	2.1	3.5	3.7
Money and quasi-money	4.0	5.3	7.1	12.1	3.7	5.6	2.8	5.5	9.0
Velocity (GDP relative to M2) 1/	3.5	3.6	3.9	3.4	3.6	2.6	3.9	4.2	4.1
Interest rate (end of period)									
Minimum rate on time deposits 2/	9.5 3/	9.5	9.5	9.5 3/	9.5	9.5	9.5	9.5	9.5
Money market rate for overnight deposits	12.0	10.8	9.8	12.0	12.0	...	10.2	...	9.8
	(In percent of GDP, unless otherwise specified)								
Overall fiscal deficit (-) 4/									
Commitment basis	...	...	...	-8.2	-4.6	-3.3	-3.5	-1.4	-0.9
Cash basis	...	...	...	-7.4	-6.9	-4.2	-4.5	-2.4	-2.8
Gross domestic investment	15.8	14.9	14.5	...	...	...	...	...	...
Gross domestic savings	2.0	0.4	3.7	...	...	...	...	...	...
External current account deficit (-) 5/	-12.2	-12.1	-9.4	-14.0	-11.7	-9.2	-9.9	-6.8	-6.8
External debt (inclusive of use of Fund credit)	79.8	88.1	83.4	...	...	...	...	...	...
Debt service ratio (in percent of exports of goods, services, and private transfers) 4/	20.3	24.5	29.0	...	22.2	28.1	28.9	27.5	29.8
	(In millions of SDRs, unless otherwise specified)								
GDP at current market prices (in billions of CFA francs)	939.5	1,015.4	1,186.9	891.8	977.4	1,112.2	1,101.2	1,265.0	1,270.9
Overall balance of payments deficit (-) 6/	-18.4	4.9	-86.4	-66.5	-13.3	...	-65.6	0.2	-5.4
Gross official foreign reserves (in weeks of imports)	0.8	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6

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

1/ GDP relative to average of end-June and end-December broad money stocks.
2/ 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.
3/ Since April 5, 1983.
4/ Before debt rescheduling.
5/ Including official transfers.
6/ After debt rescheduling.

Table 4. Senegal: Government Financial Operations, 1982/83-1985/86

	1982/83	1983/84	1984/85 Program	1984/85 Actuals	1985/86 Program	1985/86 Rev.
			(In billions of CFA francs)			
Total revenue and grants	180.9	201.6	224.7	216.1	254.3	250.2
Revenue	175.7	189.4	212.8	203.9	237.7	230.7
Of which: tax revenue	(164.5)	(177.4)	(199.7)	(190.1)	(222.1)	(206.6)
Grants	5.2	12.2	11.9	12.2	16.6	19.5
Of which: capital	(3.4)	(6.0)	(5.0)	(5.0)	(8.0)	(8.0)
Total expenditure and net lending	254.2	246.3	261.6	254.2	271.9	263.0
Current expenditure	186.6	205.3	226.2	217.1	232.4	222.6
Wages and salaries	92.7	100.4	109.0	106.6	112.0	111.0
Interest due	26.7	36.9	46.2	44.4	48.4	44.6
Of which: external	(26.2)	(36.4)	(45.2)	(43.8)	(47.4)	(43.6)
Other 1/	67.2	68.0	71.0	66.1	72.0	67.0
Capital expenditure	39.0	40.3	35.0	34.7	37.0	37.0
Budgetary	7.9	10.0	10.0	9.7	9.0	9.0
Extrabudgetary	31.1	30.3	25.0	25.0	28.0	28.0
Treasury special accounts (net) 2/	-12.3	-6.9	-5.0	-4.1	-5.0	-5.9
Treasury correspondents (net) 2/	-16.3	6.2	4.6	1.7	2.5	2.5
CPSP and seed distribution scheme	-11.4	--	2.3	--	--	--
Other	-4.9	6.2	2.3	1.7	2.5	2.5
Overall fiscal deficit (-) (commitment basis)	-73.3	-44.7	-36.9	-38.1	-17.6	-12.8
Adjustments to cash basis	6.8	-22.6	-9.6	-11.6	-13.0	-23.4
Payment arrears of the Government and public agencies (reduction -)	5.6	-2.0	-7.0	-7.6	-10.0	-15.0
Crop credit (repayment -) 3/	1.2	-20.6	-2.6	-4.0	-3.0	-8.4
Overall fiscal deficit (-) (cash basis)	-66.5	-67.3	-46.5	-49.7	-30.6	-36.2
Financing	66.5	67.3	46.5	49.7	30.6	36.2
External	48.5	36.7	35.3	38.0	19.6	24.5
Drawings	49.5	35.9	40.9	40.9	29.2	39.3
Treasury	(21.8)	(11.6)	(20.9)	(20.9)	(9.2)	(19.3)
Other	(27.7)	(24.3)	(20.0)	(20.0)	(20.0)	(20.0)
Amortization payments due	-27.3	-28.4	-32.1	-31.2	-34.1	-34.2
External debt rescheduling	26.3	29.2	...	28.3	24.5	19.4
Gap	--	--	26.5	--	--	--
Domestic	18.0	30.6	11.2	11.7	11.0	11.7
Banking system 4/	20.2	35.2 5/	19.2	17.9 5/	22.0	22.9
Repayment of ONCAD debt to banks	-2.0	-8.8	-10.0	-10.0	-12.0	-12.0
Nonbank borrowing	2.0	1.4	2.0	2.0	1.0	0.8
Other	-2.2	2.8	--	1.8	--	--
Memorandum items:						
Payment arrears of the Government and public agencies outstanding (end of period)	55.7	53.7	46.7	46.1	36.7	31.1
Domestic	(55.7)	(53.7)	(46.7)	(37.5)	(36.7)	(31.1)
External	(--)	(--)	(--)	(8.6)	(--)	(--)
Nominal GDP	891.8	977.4	1,112.2	1,101.2	1,265.0	1,270.9
			(In percent of GDP)			
Total revenue and grants	20.3	20.6	20.2	19.6	20.1	19.7
Revenue	19.7	19.4	19.1	18.5	18.8	18.2
Of which: tax revenue	(18.4)	(18.1)	(18.0)	(17.3)	(17.6)	(16.3)
Total expenditure and net lending	28.5	25.2	23.5	23.1	21.5	20.6
Current expenditure	20.9	21.0	20.3	19.7	18.4	17.5
Capital expenditure	4.4	4.1	3.1	3.2	2.9	2.9
Overall fiscal deficit (-) (commitment basis)	-8.2	-4.6	-3.3	-3.5	-1.4	-0.9
Overall fiscal deficit (-) (cash basis)	-7.4	-6.9	-4.2	-4.5	-2.4	-2.8

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

1/ Consisting of outlays for materials, supplies, maintenance, subsidies and other current transfers, and unclassified expenditure.
2/ Deficits (-) are added to expenditure, while surpluses are deducted.
3/ Crop credit due by the CPSP and the seed distribution scheme.
4/ Including the counterparts of Fund purchases and repurchases.
5/ This figure is higher than the variation shown in the monetary survey because it excludes the amounts of unprogrammed external resources deposited at the central bank in the fiscal year involved.

service tax to cover telecommunication services and the substantial increase of motor vehicle tax rates, the revenue shortfall would have been even larger. After accounting for the proceeds from external grants equivalent to CFAF 12.2 billion, total revenue and grants together amounted to CFAF 216.1 billion, or CFAF 8.6 billion less than had been initially estimated.

In response to this situation, the authorities limited total expenditure and net lending to CFAF 254.2 billion in 1984/85, or CFAF 7.4 billion below the level foreseen in the program. This cutback was achieved essentially by restraining the growth of current expenditure, excluding interest due on the government debt, to only 3 percent, as against the programmed rise of almost 7 percent and an annual inflation rate of 12 percent. The government wage bill was contained at CFAF 106.6 billion, compared with a target of CFAF 109.0 billion, as the number of civil servants was reduced by 1 percent (to about 67,000), the across-the-board increase in wages and salaries granted in January 1985 was strictly limited (to CFAF 1,515 or less than US$4 per month), and efforts were made to contain the wage drift. In addition, outlays on materials, supplies, and transfers, which were to be increased by 4 percent to CFAF 71.0 billion, were actually reduced to CFAF 66.1 billion. Interest due on the government debt was lower than had been originally estimated. Capital outlays were also somewhat lower than programmed, reflecting a slower pace of implementation of certain development projects. The deficit on the special accounts held with the Treasury was smaller than expected, but the surplus of the treasury correspondents was even more so, mainly because the CPSP did not generate the moderate surplus that had been envisaged.

Consequently, the overall fiscal deficit (including grants), on a commitment basis, which had been reduced sharply to CFAF 44.7 billion in 1983/84, was brought down further to CFAF 38.1 billion in 1984/85, only slightly above the programmed level of CFAF 36.9 billion; in relation to nominal GDP (which was revised downward), the deficit declined from 4.6 percent in 1983/84 to 3.5 percent in 1984/85. Meanwhile, domestic arrears of the Government and public agencies were reduced substantially; but, as there was a concurrent accumulation of arrears on external debt service payments, the net reduction in total arrears in 1984/85 amounted to CFAF 7.6 billion, somewhat more than the programmed CFAF 7.0 billion. As indicated in the authorities' letter of intent (Appendix I), in this period of relative tightness of domestic liquidity, the Treasury found it easier to collect taxes and customs duties by settling arrears to local enterprises; this process was reinforced by a slowdown in new expenditure commitments. As a result, the liquidation of domestic arrears was accelerated, while external arrears were incurred. As of June 30, 1985 arrears of the Government and public agencies totaled CFAF 46.1 billion, of which CFAF 8.6 billion were in respect of external debt service. In 1984/85 the Treasury also made repayments of crop credits due by the CPSP and the seed distribution scheme (on account of the previous year) of CFAF 4.0 billion, significantly more than had been originally estimated. Thus, the overall cash deficit amounted to CFAF 49.7 billion in 1984/85, which was larger than programmed. However, external and domestic nonbank financing was also larger. Therefore, net government borrowing from the banking system was held below the adjusted ceiling, notwithstanding the repayment by the Treasury of CFAF 10.0 billion to local banks in respect of the debt resulting from the liquidation of ONCAD.

In 1984/85 the monetary authorities continued to pursue a prudent credit policy so as to reinforce the fiscal program. As a result, the increase in ordinary credit to the private sector was limited to 1 percent (Table 5), compared with about 3 percent envisaged in the program. The growth of crop credit was also smaller than had been foreseen, mainly because of the shortfall in marketed output of groundnuts. Similarly, the rise in net bank credit to the Government was limited to under 5 percent, well below the targeted 16 percent, as government deposits with the banking system rose substantially toward year-end with the receipt of an external loan earmarked largely for financing government operations in 1985/86; however, even after excluding the proceeds of this loan earmarked for 1985/86 in accordance with the provision of the authorities' letter of intent, the increase in net credit to the Government was within the ceiling. Consequently, total domestic credit expansion was less than 3 percent in 1984/85, as against 8 percent specified in the program and 5 percent in 1983/84. In relation to the money stock (broadly defined) at the beginning of the period, the increase in total domestic credit amounted to 5 percent in the year ended June 1985, compared with 8 percent in the previous year. Thus, in view of the external payments developments described below, the growth of money supply amounted to 3 percent in 1984/85, whereas nominal GDP is estimated to have increased by 13 percent.

The tight fiscal and credit policies pursued by the authorities helped to contain the existing pressures on Senegal's external payments position, despite a large shortfall in export earnings due mostly to the sharp drop in marketed output of groundnuts. In 1984/85 total export earnings fell to an estimated SDR 504 million, some SDR 57 million or 10 percent below the level assumed in the program, and SDR 33 million or 6 percent less than in 1983/84 (Table 6). However, the export shortfall was largely offset by lower import payments (by SDR 28.8 million), mainly for foodstuffs and petroleum; lower service payments (by SDR 13.6 million), notably interest payments due on government and government-guaranteed debts, reflecting data revisions, exchange rate changes, and the exclusion of debts owed by the multinational companies Air Afrique and Agence pour la Sécurité de la Navigation Aérienne (ASECNA); and a higher net inflow of unrequited transfers (by SDR 2.8 million). As a result, the external current account deficit was reduced from SDR 267 million (11.7 percent of GDP) in 1983/84 to SDR 235 million (9.9 percent of GDP) in 1984/85, as against SDR 223 million envisaged in the program. Nevertheless, as net capital inflows, including errors and omissions, and debt relief fell short of what was originally foreseen, 1/ the overall balance of payments

1/ Net public capital inflows are now estimated to have been larger than originally expected, owing to higher loan disbursements. Thus, the shortfall was due entirely to lower private capital inflows, including errors and omissions, and debt relief.

Table 5. Senegal: Monetary Survey, June 1983-June 1986

(In billions of CFA francs; end of period)

	1983	1984		1985					1986	
	June	June	Dec.	March	June	Sept.	Dec.		March	June
							Prog.	Prov.	Program	
Foreign assets (net)	-178.8	-198.4	-210.1	-220.0	-229.5	-237.8	-235.3	-240.2	-232.0	-229.0
Central Bank	-163.4	-181.5	-181.8	-206.3	-215.7	-220.2	-207.0	-216.0	-209.0	-203.7
Commercial banks	-15.4	-16.9	-28.3	-13.7	-13.8	-17.6	-28.3	-24.2	-23.0	-25.3
Domestic credit	468.0	490.1	501.1	508.5	503.5	512.1	554.3 1/	548.9	553.6 1/	540.3 1/
Claims on Government (net)	90.4	120.9	122.3	125.4	126.6	138.9	149.3 1/	146.0	150.8 1/	149.5 1/
Claims on private sector	377.6	369.2	378.8	383.1	376.9	373.2	405.0	402.9	402.8	390.8
Ordinary credit	334.7	356.8	364.2	361.8	360.3	364.1	376.1	374.4	370.8	372.8
Of which: ONCAD	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)	(67.7)
Crop credit	42.9	12.4	14.6	21.3	16.6	9.1	28.9	28.5	32.0	18.0
Money and quasi-money	266.8	276.6	287.1	287.2	284.3	273.0	308.0	307.4	320.3	310.0
Other items (net)	22.4	15.1	3.9	1.3	-10.3	1.3	11.0	1.3	1.3	1.3
Of which: ONCAD	(29.7)	(26.5)	(29.3)	(25.6)	(22.0)	(20.4)	(...)	(...)	(...)	(...)

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

1/ Performance criteria.

Table 6. Senegal: Balance of Payments, 1982/83-1985/86 1/

(In millions of SDRs)

	1982/83	1983/84		1984/85		1985/86	
		Prog.	Est.	Prog.	Est.	Prog.	Proj.
Trade balance	-334.3	-246.1	-250.8	-191.5	-220.0	-165.9	-186.9
Exports, f.o.b.	496.1	485.0	536.8	560.9	503.6	635.4	593.4
Of which: groundnut products	(103.5)	(141.3)	(161.8)	(131.9)	(86.7)	(137.4)	(87.2)
Imports, f.o.b.	-830.4	-731.1	-787.6	-752.4	-723.6	-801.3	-780.3
Services (net)	-119.4	-159.5	-149.1	-173.0	-159.4	-179.8	-172.3
Of which: interest due on public debt	(-108.7)	(-114.1)	(-99.7)	(-121.9)	(-110.3)	(-138.5)	(-124.5)
Unrequited transfers (net)	128.3	120.9	132.9	141.3	144.1	154.3	158.7
Private	26.8	27.9	28.8	35.0	30.6	40.0	36.1
Public	101.5	93.0	104.1	106.3	113.5	114.3	122.6
Current account deficit (-)	-325.4	-284.7	-267.0	-223.2	-235.3	-191.4	-200.5
Capital account	186.7	111.6	188.4	109.3	121.2	102.2	125.1
Public capital	145.1	61.8	137.0	60.0	72.6	55.7	70.3
Of which: amortization due on public debt	(-88.0)	(-72.8)	(-77.6)	(-90.0)	(-90.2)	(-102.4)	(-100.6)
Private capital	41.6	49.8	51.4	49.3	48.6	46.5	54.8
Errors and omissions	-19.1	--	-15.1	--	-30.3	--	--
Overall deficit (-)	-157.8	-173.1	-93.7	-113.9	-144.4	-89.2	-75.4
Debt rescheduling	91.3	77.2	80.4	...	78.8	...	70.0
Of which: interest	(39.5)	(23.3)	(29.1)	(...)	(26.1)	(...)	(28.6)
Overall deficit after debt rescheduling (-)	-66.5	-95.9	-13.3	...	-65.6	...	-5.4
Financing	66.5	95.9	13.3	28.2	65.6	4.4	5.4
IMF	(26.3)	(54.8)	(54.8)	(2.8)	(4.8)	(-8.3)	(-8.3)
Arrears (reduction -)	(--)	(--)	(--)	(--)	(18.5)	(--)	(-18.5)
Other	(40.2)	(41.1)	(-41.5)	(25.4)	(42.3)	(12.7)	(32.2)
Financing gap	--	--	--	85.7	--	84.8	--
Memorandum items:							
Current account deficit/GDP (in percent)	-14.0	-11.9	-11.7	-9.2	-9.9	-6.9	-6.8
CFA francs/SDR (average)	384.2	412.0	430.2	460.0	467.1	460.0	429.0

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

1/ Including latest revisions of a number of entries, notably of public capital.

deficit in 1984/85 amounted to almost SDR 66 million, compared with a programmed deficit of SDR 28 million and a deficit of SDR 13 million in 1983/84. This led to a deterioration of Senegal's negative position in the Operations Account with the French Treasury (by some SDR 42.3 million) and to an accumulation of external debt service arrears (of SDR 18.5 million).

On January 18, 1985 Senegal concluded an agreement 1/ with Paris Club creditors to reschedule its external debt service obligations covering the period July 1, 1984 to June 30, 1986. Based on the bilateral agreements signed with all individual creditors, the debt relief obtained from the Paris Club creditors is now estimated at SDR 56.0 million in 1984/85 and SDR 56.9 million in 1985/86. In addition, a debt rescheduling agreement was signed with commercial banks of the London Club on May 7, 1985, 2/ with the debt relief secured from this source amounting to SDR 14.7 million in 1984/85 and SDR 5.7 million in 1985/86. Moreover, Senegal and a foreign commercial bank agreed to defer a payment of SDR 4.9 million due in 1984/85 to 1985/86. The Senegalese authorities also approached other official creditors to reach debt rescheduling or refinancing agreements on terms comparable to those of the Paris Club. However, despite the authorities' best efforts, such agreements have so far been reached with only two of these creditors, as no positive responses have been received from others; the debt relief obtained from the two creditors is estimated at SDR 3.2 million in 1984/85 and SDR 7.4 million in 1985/86. 3/ Thus, the total debt relief obtained through these agreements is now estimated at SDR 78.8 million in 1984/85 and SDR 70.0 million in 1985/86, significantly below the levels that had been envisaged earlier. After accounting for debt relief, actual external debt service payments in 1984/85 amounted to SDR 152 million, equivalent to 19 percent of exports of goods, services, and private transfers; they are estimated to rise in 1985/86 to SDR 205 million, representing a debt service ratio of 22 percent.

Senegal continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions. 4/ Since the CFA franc is pegged to the French franc, variations in Senegal's nominal effective exchange rate reflect exchange rate

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1/ For details on the terms of the Paris Club agreement, see EBS/85/45 and EBS/85/67.

2/ For further information on the London Club agreement, see EBS/85/185.

3/ On the assumption that Senegal would conclude debt rescheduling or refinancing agreements with all other official creditors on terms comparable to those of the Paris Club, debt relief from these creditors was estimated, during the second review of the program, at SDR 9.2 million in 1984/85 and SDR 14.2 million in 1985/86.

4/ The accumulation of external arrears mentioned earlier represents defaults rather than exchange restrictions in the Fund's jurisdictional sense, as it reflects the inability of the Government to generate sufficient domestic resources to purchase the needed foreign exchange from the common central bank (BCEAO).

developments between the French franc and the currencies of Senegal's trading partners outside the franc area. As a result, in the year ended June 1985 the nominal effective exchange rate (import-weighted) depreciated by about 2 percent, compared with 3 percent in the year ended June 1984 (see Chart). However, owing to the higher rate of inflation in Senegal relative to that in its major trading partners, Senegal's currency appreciated further in real effective terms by some 4 percent in 1984/85.

IV. Report on the Discussions and Progress Under the Adjustment Program in 1985/86

At the time of the last Article IV consultation, Executive Directors commended the Senegalese authorities for the considerable progress made since mid-1983 toward reducing the large internal and external financial imbalances. However, they noted that Senegal continues to face major structural and financial problems. The economy, and especially the agricultural sector, remains fundamentally weak, the overall fiscal deficit is still sizable, the parapublic sector is overextended, domestic arrears are substantial, and the external current account deficit is unsustainably large. In view of these problems, Directors considered the prompt and full implementation of the adjustment program for 1984/85-1985/86 necessary to achieve further progress toward satisfactory economic growth and a viable financial position over the medium term. In particular, while welcoming the measures already taken to improve production incentives, they stressed the importance of full implementation of the new agricultural policy; they also stressed the need for a continuation of the fiscal adjustment and for an acceleration of parapublic sector reform. Moreover, Directors emphasized that the close cooperation between the Fund and the World Bank would be important in assisting Senegal in its adjustment efforts.

These major issues were also touched upon by Executive Directors on the occasion of the first and second reviews of progress under the program supported by the current stand-by arrangement. The 1985 Article IV consultation discussions, which were combined with the third review, provided a further opportunity to assess Senegal's progress and current economic situation, to discuss a number of policy adaptations required to attain the objectives of the program in 1985/86, and to review the medium-term outlook of the balance of payments.

1. The overall policy framework and the targets for 1985/86

Senegal's overall policy framework has been developed in close consultation with the Fund and the World Bank, as well as with the country's principal bilateral creditors and donors. The basic elements of this framework, as presented in the Government's program of economic and financial adjustment for 1985-92, were endorsed at the first meeting of the Consultative Group for Senegal in December 1984. The Consultative Group considered that the authorities' adjustment program provided a sound basis for achieving a satisfactory and sustainable economic growth consonant with a viable internal and external financial position over the medium term. However, the Group stressed the need for further efforts by the authorities to translate their policy objectives into specific actions, including adequately reflecting their investment priorities in the public investment program. Since then, the overall policy framework has been refined and further specified in the context of the program supported by the current stand-by arrangement from the Fund, as well as of the program in support of which the World Bank recently approved a financing package.

The authorities' policy framework encompasses two key strategies: the promotion of private sector initiative through appropriate pricing and other incentive policies, coupled with a progressive withdrawal of the Government and public agencies from direct involvement in production activities; and the achievement of greater efficiency in public resource management through improvements in the allocation and implementation of public investments, reform of the parapublic sector, and generation of government savings. Within this broad framework, the authorities have developed a medium-term program of action, which is set out in their letter of development policy requesting World Bank support of Senegal's adjustment efforts, that is consistent with and reinforces the current stand-by program. This action program, part of which has already been implemented, comprises the following specific elements:

a. Agricultural policy reform, geared toward providing greater incentives to farmers so as to expand and diversify domestic production, thereby increasing exports and reducing reliance on imports (especially of rice); restructuring rural development agencies; decontrolling input distribution; liberalizing marketing arrangements; and reducing government subsidies.

b. Industrial policy reform, designed to lower the existing rates of effective protection, rationalize the export subsidy scheme, reduce wage and labor law rigidities, and progressively eliminate price controls.

c. Implementation of an appropriate public investment program for 1985/86-1986/87, derived from the Seventh Plan for 1985/86-1988/89 but placing greater emphasis on directly productive and high-priority rehabilitation activities; this would coincide with a reform of the public investment programming and budgeting process, leading to the adoption of a three-year "rolling" public investment program beginning in 1987/88.

d. Acceleration of parapublic sector reform, including the restructuring and/or privatization of the bulk of government-owned enterprises.

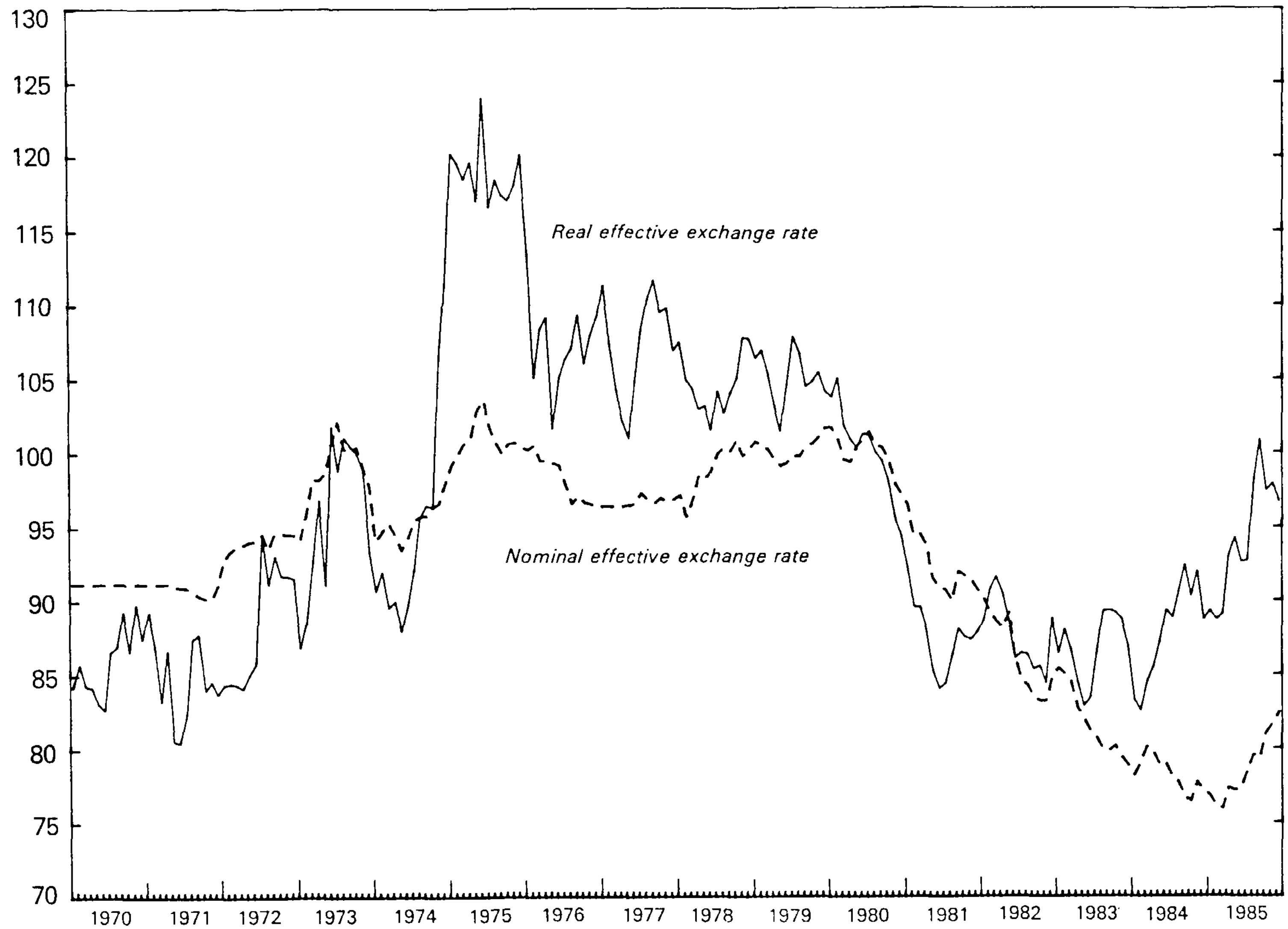
e. Continuation of the fiscal adjustment through improvements in revenue performance and the maintenance of a tight lid on current government outlays, especially wages and salaries, as well as subsidies and transfers; this should permit a liquidation of the remaining arrears of the Government and public agencies within the next three years.

CHART

SENEGAL

NOMINAL AND REAL EFFECTIVE EXCHANGE RATES[1], 1970-85

(1980 = 100)



Source: IMF, *International Financial Statistics.*

[1] Based on the following average import weights (in percent): France (46), the United States (24), the United Kingdom (7), the Federal Republic of Germany (5); Thailand (6); Italy (4), Côte d'Ivoire (4); and the Netherlands (4).

f. Pursuance of a prudent credit policy, without compromising the financing needs for the marketing of the cash crops; also, the continuation of measures to improve the financial position of the commercial banking system, including the repayment by the Government of debts to local banks resulting from the liquidation of ONCAD.

g. Continuation of a cautious external debt management policy, focused on keeping new external borrowing on nonconcessional terms, contracted or guaranteed by the Government, to a strict minimum.

The Senegalese authorities remain committed to the objectives of the adjustment program. Accordingly, as indicated in the attached letter from the Minister of Economy and Finance, a broad range of policies and measures have already been implemented, and others will be introduced in the period ahead, to alleviate the structural problems of the economy and improve supply conditions, while restraining aggregate demand to a level compatible with available resources. Thus, despite a number of unforeseen adverse developments, the program has been kept on track, and all the performance criteria for end-September 1985 were observed; preliminary indications are that those for end-December 1985 were also met. 1/ The full implementation of the program is expected to promote the adjustment process and, in particular, to help achieve a further reduction of the external current account deficit by some 3 percentage points of GDP in 1985/86.

2. Agricultural policy

In line with the new agricultural policy adopted in 1984, the authorities introduced in April 1985 further measures to strengthen production and marketing incentives and to reduce government intervention and subsidies in the rural sector. The announcement of the additional incentives to farmers well ahead of planting was intended to have a maximum possible impact on the outturn of the 1985/86 season. In the groundnut sector, the mainstay of the economy, the following actions were taken: (a) the net producer price was raised by 50 percent for the 1985/86 season; (b) the retainer of CFAF 20 per kilogram collected from farmers to finance the seed and fertilizer distribution schemes was abolished; (c) the groundnut seeds distributed freely to farmers were cut by one half to some 60,000 tons in 1984/85, with the understanding that for the 1985/86 season the reconstitution of the groundnut seed stock will be left in the hands of the farmers themselves or their organizations, except for a security stock to be managed by the oil millers (the farmers or their organizations will be free to maintain their own seed reserves, or store them in the facilities of the oil millers to keep them in good condition, or purchase their seed requirements from the security stock to be managed by the oil millers); (d) government subsidies to the oil millers to cover their fixed costs were also cut by one half in 1984/85

1/ The final figures regarding the end-December 1985 performance criteria will become available in late February or early March 1986.

and will be eliminated in 1985/86, apart from a small amount (of CFAF 1-2 billion) to be paid by the Government to the oil millers for the management of the security stock; (e) furthermore, as of this year, the oil millers will be fully responsible for the financing of any deficit resulting from the marketing of the groundnut crop; and (f) the managements of the two oil milling companies were consolidated, and their operations will be completely merged by mid-1986. These companies are now free to make their own marketing and other arrangements, including reducing their collection centers, so as to improve their financial operations. In addition, as a first step toward the liberalization of marketing arrangements, the authorities have announced that individuals and private firms who meet certain established criteria will be allowed to buy groundnuts directly from farmers and sell them to the oil millers at a price to be agreed upon.

As regards cereals, steps were also taken to boost domestic production and thus help restrain imports. Thus, for the 1985/86 season, producer prices of the major food crops were raised as follows: maize and millet/sorghum by 17 percent; paddy by 29 percent; and cowpeas by as much as 83 percent. 1/ The Government intends to treat the producer prices of these crops as floor prices and, if need be, to support them on a limited scale during a transition period. Conscious of the need to improve the competitiveness of locally produced cereals in consumable form, the authorities are preparing a cereals development action program, with assistance from the FAO and the World Bank. Moreover, to liberalize the marketing of cereals, they have, as a first step, lifted all existing barriers and controls applicable to the internal marketing of these commodities, except for paddy; the marketing of paddy is to be liberalized pari passu with the disengagement of rural development agencies (notably SAED) from direct production and marketing activities.

In the 1985/86 season weather conditions in Senegal were highly favorable. Thus, as production incentives were strengthened substantially, agricultural production has expanded markedly. According to provisional estimates, record food crops have been harvested in 1985/86; the output of millet and sorghum has apparently reached 950,000 tons, compared with 471,500 tons in 1984/85. Groundnut production has also increased significantly, with the output processed for export rebounding to 250,000-300,000 tons, about double last year's level, though still lower than the 400,000 tons envisaged in the program. Therefore, and in view of the further progress registered in other sectors of the economy, real GDP is projected to rise by some 4 percent in 1986. At the same time, given the bumper crops, in 1986 the rate of inflation is expected to ease to about 9 percent, if not lower.

1/ To maintain an appropriate structure of incentives, the producer price of cotton was also increased by 43 percent for the 1985/86 season; however, in view of the recent sharp drop in world market prices of cotton, the cotton sector is likely to register a deficit that would need to be financed by the CPSP in 1986/87.

3. The Price Equalization and Stabilization Fund

As envisaged in the program, the authorities are taking steps to improve the operations of the Price Equalization and Stabilization Fund (CPSP), which are of importance not only to the agricultural sector but also to public finances. On the basis of three diagnostic studies carried out by consultants financed by the French FAC, the U.S. AID, and the World Bank, and after a full review of various options, a program of action is being implemented to rehabilitate the CPSP's management, inter alia through the introduction of new management systems and the recovery of substantial amounts owed to the CPSP by traders.

In addition, the Government has decided to remove rice operations from the CPSP with effect in May 1986 (when all its current rice import contracts expire) and to privatize the rice trade. However, during a two-year transition period the Government will maintain a partial involvement in the market to ensure that adequate supplies of rice are available throughout the country, notably outside the Dakar area. Under the new system, the following basic arrangements are to be applied, subject to some further refinements to be made in consultation with the principal creditors and donors: (a) a security stock of 60,000 tons of rice (equivalent to more than two months of 1985 rice imports), expected to be financed largely by food aid counterpart funds, would be managed by a mixed enterprise (SONADIS) involved in the distribution of rice and other goods throughout the country; (b) during the two-year transition period SONADIS would import and distribute directly 80,000 tons of rice (the estimated consumption outside the Dakar area), while the remaining requirements would be met by private traders who would have to meet certain minimum criteria under a scheme to be administered by a committee composed of representatives of various ministries and assisted by an independent audit firm; and (c) the Government would continue to set the level and structure of the retail price of rice, which would henceforth include appropriate margins for differences in transportation costs.

In setting the retail price of rice, the Government will henceforth aim at providing a minimum nominal protection above import cost of 25 percent to producers of domestic cereals. Although no increase in the rice price is currently required, since the nominal protection is in excess of 30 percent, it is expected that the application of this formula would allow future price adjustments to be made more frequently and automatically. In view of the 23 percent increase in the retail price of rice in January 1985 and the fact that recent shipments have been obtained at favorable import prices, the CPSP's rice operations have been yielding sizable trading surpluses. Thus, for the first time in recent years, the CPSP has been making repayments of bank credits and settling import duties (both current and in arrears) according to the established schedules, while generating a residual surplus. As indicated below, given the shortfall in government revenue, the residual surplus of the CPSP (as well as that of the oil refinery--SAR) is to be used largely in support of the government budget. The use of any remaining surpluses of the CPSP and the SAR to finance transactions which are not already included in the basic table on government financial operations (Table 4) is subject to prior consultation with the Fund's management.

4. Energy policy

The Government's energy policy has been designed to develop domestic sources of energy, such as hydroelectric power, and to restrain consumption through appropriate pricing policies, with a view to progressively reducing reliance on oil imports. Although efforts to expand local energy resources have not yet yielded any results, they are expected to bear fruit with the development of the hydroelectric power potential of the Manantali dam, scheduled for completion by the end of the decade.

Meanwhile, the authorities have continued to pursue energy pricing policies broadly consistent with their objective of restraining consumption, without adversely affecting priority sectors. Following the increases in retail prices of petroleum products in July 1984, December 1984, and June 1985, and in view of the recent developments in the exchange and oil markets, the oil refinery (SAR) has been generating substantial surpluses; thus, while a few products continue to be subsidized, the cumulative deficit of previous years was absorbed by end-December 1985, or well ahead of the end-June 1986 target date envisaged in the program. As in the case of the CPSP, the surpluses being generated by the SAR since January 1986 are to be used largely in support of the government budget.

5. Fiscal policy

As in 1984/85, fiscal adjustment is a key element of the program for 1985/86. To help limit the growth of aggregate demand, while taking steps to stimulate supply, the authorities have been implementing both the revenue and expenditure measures set out in the program. However, in the first quarter of the fiscal year (July-September 1985) the budget came under considerable strain because of a further shortfall in government revenue of more than CFAF 9 billion, relative to the initial estimates, which was attributable mostly to lower receipts from customs duties and taxes on goods and services. Although adverse seasonal factors probably contributed to the problem, it appears that the shortfall was due largely to the lagged effects of the decline in real incomes and imports over the last two years. Revenue collections picked up in the second quarter (October-December 1985), but they were still somewhat below the original estimates. In the circumstances, the authorities concluded that tax revenue was likely to amount to only CFAF 206.6 billion for 1985/86 as a whole, implying a shortfall of about CFAF 16 billion. Moreover, as indicated earlier, treasury repayments of crop credits due to banks are now estimated to amount to CFAF 8.4 billion, compared with CFAF 3.0 billion foreseen in the program. Lastly, in view of the need to settle all verified arrears on external debt service payments, which amounted to CFAF 10.9 billion at end-December 1985, the authorities have decided to raise the total arrears reduction target for 1985/86 from CFAF 10.0 billion to CFAF 15.0 billion; and to underscore the urgency of this commitment, they propose to reformulate the performance criterion regarding arrears to include a subceiling that envisages the liquidation of all verified external arrears by end-June 1986.

In view of the above-mentioned developments and prospects, the authorities have reacted promptly by taking further adjustment measures designed to keep the 1985/86 fiscal program on track. On the revenue side, a total of about CFAF 10.0 billion is to be mobilized from the prospective surpluses of the CPSP and the SAR by end-June 1986 in support of the budget, of which at least CFAF 4.0 billion is to be collected by end-February 1986 and CFAF 6.0 billion by end-March 1986. Consequently, total revenue is now estimated to rise by 13 percent to CFAF 230.7 billion in 1985/86, which would still be CFAF 7.0 billion below the level initially estimated (Table 4). As the proceeds from external grants are projected to amount to CFAF 19.5 billion, some CFAF 2.9 billion more than had been anticipated, owing to an exceptional French assistance, total revenue and grants are estimated to reach CFAF 250.2 billion in 1985/86, compared with a target of CFAF 254.3 billion. On the expenditure side, the authorities have decided to reduce the programmed level of total outlays by CFAF 8.9 billion to CFAF 263.0 billion in 1985/86. To this end, the wage bill is to be contained at CFAF 111.0 billion, or CFAF 1.0 billion below the initially programmed amount; this is considered feasible, as no general increases in wages and salaries have been granted, the number of civil servants is being stabilized, and the wage drift is being held to a minimum. In addition, outlays on materials, supplies, and transfers are to be limited to CFAF 67.0 billion, involving economies of CFAF 5.0 billion in relation to the original estimate, without incurring arrears. Interest due on the external debt has been revised downward to CFAF 43.6 billion, or CFAF 3.8 billion below the initial amount, owing mainly to the depreciation of the U.S. dollar in terms of the CFA franc. Capital expenditure is expected to be on target at CFAF 37.0 billion. Consequently, the overall fiscal deficit, on a commitment basis, is now estimated to be reduced to about CFAF 12.8 billion in 1985/86, or less than 1 percent of GDP, as against CFAF 17.6 billion in the program. As the crop credit repayments and the reduction in government arrears will be larger than programmed, the cash deficit will be correspondingly higher; but the additional financing requirements of the Treasury are expected to be covered by external concessional assistance, including a STABEX transfer.

To promote fiscal adjustment over the medium term, the authorities are taking steps to improve revenue performance, mainly by strengthening tax administration, on the basis of the recommendations of recent Fund technical assistance missions and the National Commission for Tax Reform. Following the completion of a comprehensive inventory of tax arrears by an ad hoc committee, some CFAF 3.1 billion of tax arrears were recovered during the period July-December 1985; the inventory of tax arrears will be frequently updated, and future accumulations will be avoided through a reduction of the lags between assessments and collection of domestic taxes and customs duties. As regards domestic taxation, the authorities intend to improve existing assessment, auditing, and collection procedures. Completion of a feasibility study on the establishment of a property tax register for the Cap-Vert region has been delayed, but the study is now expected to be ready by end-September 1986. As to customs duties, in January 1986 selective reductions in tariffs were enacted, mainly in the interest of discouraging smuggling and maximizing imports through official channels. A comprehensive revision of the tariff code is to be introduced later this year as part of the reform of industrial incentives being prepared with World Bank assistance. The existing exemption schemes, including duty-free import privileges, are also being re-examined, with a view to confining exemptions only to those cases which are fully justified. Moreover, the human and material resources of the customs administration will be strengthened so as to improve border controls, auditing of declared values, and physical examination of imported goods. Finally, the current studies on the computerization of customs operations will be accelerated so as to allow implementation to start as soon as possible. Meanwhile, a prudent spending policy will continue to be applied, with the emphasis being on strictly limiting the growth of the wage bill and reducing subsidies and transfers, while increasing capital outlays consistently with the availability of appropriate financing and the need to contain the impact of recurrent costs on the budget and the balance of payments.

6. Parapublic sector reform

In July 1985 the Government adopted a comprehensive strategy for parapublic sector reform involving two basic policy decisions: liquidation or privatization of certain enterprises and rehabilitation of others. According to the guidelines set out in the Government's action plan, all public enterprises engaged in the production of commercial goods and services will be considered for divestiture, with priority being given to those already in competition with the private sector and those which place a heavy burden on public finances. A number of enterprises eligible for divestiture have been identified, and the process of liquidation or privatization is to be launched by end-June 1986. As regards those enterprises that will remain in the Government's portfolio, a rehabilitation program is to be carried out in each case, focusing on: improvements in management, with increased autonomy and accountability; reduction in subsidies, both direct and indirect; and simplification and strengthening of government supervision of the enterprise. As has been the recent practice, the program is to be included in a formal agreement between the Government and the enterprise, known as a contrat-plan (or lettre de mission in the case of rural development agencies) defining their reciprocal commitments.

While developing this comprehensive strategy for parapublic sector reform, the authorities have been taking steps with World Bank assistance to come to grips with the problems of a number of public entities, notably the four major public utility companies. Thus, the Government has already signed contrats-plans with the water supply company (SONEES) and the transport company (SOTRAC), as well as a lettre de mission with the rice development agency (SAED); and their rehabilitation programs are being implemented satisfactorily. On the basis of legislation passed in July 1985, the post and telecommunications office (OPT) has been split into two separate entities: a national telecommunications company (SONATEL) merging the domestic telecommunications activities of the OPT with those of the external telecommunications agency (TELESENEGAL); and a national postal office (OPCE) responsible for postal services and savings bank activities. A contrat-plan with each of the two new entities is expected to be signed by July 1986. As to the electricity company (SENELEC), which is facing major structural and financial problems, a contrat-plan is under preparation and is likely to be signed in the second half of this year. Altogether, the authorities expect to sign at least seven formal agreements with public entities during 1986, thus laying the basis for an expansion of the rehabilitation effort in the parapublic sector.

In view of the problems of cross-arrears within the public sector, a partial reconciliation of the reciprocal obligations between the Government and the enterprises has been carried out; the remaining amounts are expected to be reconciled shortly, and by July 1986 a schedule is to be established for the orderly settlement of all verified arrears.

7. Monetary and credit policy

To reinforce the above measures, the monetary authorities have been pursuing a prudent credit policy, without compromising the financing needs for the marketing of the crops and the desired revival of private sector activity. Thus, despite the shortfall in government revenue, preliminary indications are that the expansion of net bank credit to the Government and of total domestic credit was kept within the established ceilings through end-December 1985. For 1985/86 as a whole, the increase in ordinary credit to the private sector is to be limited to 3.5 percent (Table 5), consistent with the indicative target of the program; the financing requirements of the new crops are also projected to be virtually in line with the initial expectations. The expansion in net bank credit to the Government is now programmed to amount to 18 percent, slightly more than the indicative target of 17 percent; the small excess is due to the integration in the government accounts of certain operations financed with loans of the French CCCE, whose proceeds were deposited at the central bank before end-June 1985. Consequently, total domestic credit expansion in 1985/86 is to be limited to 7.3 percent, representing only a marginal increase over the indicative program target. In relation to the money stock (broadly defined) at the beginning of the period, the increase in total domestic credit is estimated to be of the order of 13 percent in the year ending June 1986, compared with 5 percent in the year ended June 1985 (when the outcome was strongly influenced by the receipt in late June 1985 of an external loan earmarked largely for financing government operations in 1985/86). In view of the likely external payments developments, the growth of money supply is expected to amount to 9 percent in 1985/86, or well below the projected increase of 15 percent in nominal GDP.

The monetary authorities are taking further steps to strengthen the financial position of the banking system and to improve the allocation of credit to the economy. Moreover, as already programmed, in 1985/86 the Government will make minimum repayments of CFAF 12.0 billion on account of the debt resulting from the liquidation of ONCAD; it will also make crop credit repayments to banks totaling CFAF 8.4 billion by end-June 1986 (both of these amounts are included in the fiscal program).

As a member of the West African Monetary Union, Senegal maintains the same interest rate policy as that of other members of the Union. The monetary authorities emphasized that, in accordance with the basic guidelines of the monetary and credit policy of the Union, established in 1975, they have been pursuing an interest rate policy consistent with developments in foreign financial markets, notably in France, and the need to promote an efficient allocation of resources within the Union. Following the developments in the French financial markets, in November 1985 the money market rate for overnight deposits in the Union, which is a broadly representative rate, was reduced from 10.25 percent to 9.75 percent a year. Since the rate of inflation in Senegal is projected to ease to 9 percent in 1986, real deposit rates are expected to be positive. In the period ahead, the monetary authorities intend to continue to apply a flexible policy, especially with a view to maintaining interest rates in the Union slightly above those prevailing in France.

8. Balance of payments and external debt management

The adjustment measures specified above, together with the debt relief obtained from official creditors and commercial banks, are expected to help improve Senegal's external payments position in 1985/86. Although marketed output of groundnuts processed for export is projected to rise sharply, the increase in export volume is estimated to amount to only 5 percent; 1/ thus, as groundnut export prices are expected to decline by some 4 percent in SDR terms, export earnings from groundnut products are projected to increase by less than 1 percent (Table 6). By contrast, earnings from other exports are projected to rise by 21 percent, mainly due to a major expansion in exports of chemicals from the Industries Chimiques du Sénégal (which came on stream in 1984) and the continued growth in exports of fish and phosphates. 2/ As a result, total export earnings in 1985/86 are projected to increase by 18 percent to SDR 593 million. At the same time, total import payments are now programmed to grow by 8 percent to SDR 780 million, which should give ample scope for the expansion of imports of capital goods and raw materials, especially in view of the anticipated reduction in food imports due to the bumper crops. Thus, the trade deficit is expected to narrow substantially, more than offsetting the projected deterioration in the services account associated with an increse of SDR 14 million in interest payments due on the public debt. Furthermore, since net inflows of unrequited transfers are expected to rise, the external current account deficit is programmed to

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1/ The much smaller increase in the export volume of groundnut products relative to that of the volume of groundnuts processed for export reflects the usual lag in exports; a certain portion of the 1984/85 marketed output (which was very low) is to be exported in 1985/86, and part of that marketed in 1985/86 is to be sold in 1986/87.

2/ The growth in these exports mainly reflects increases in volume.

decline from SDR 235 million (9.9 percent of GDP) in 1984/85 to about SDR 200 million (6.8 percent of GDP) in 1985/86. While gross capital inflows are projected to increase by some 10 percent, net capital inflows in 1985/86 would be only 3 percent higher than in 1984/85, reflecting an increase of SDR 10.4 million in amortization payments due on the public debt. Given the expected improvements in both the current and capital accounts, and in view of the estimated debt relief of SDR 70 million, the overall balance of payments deficit in 1985/86 is projected to be substantially lower than in 1984/85 (or close to equilibrium).

In view of the already heavy external debt service burden, the authorities intend to keep nonconcessional borrowing to a strict minimum in 1985/86. Thus, new external loans on nonconcessional terms contracted or guaranteed by the Government with an initial maturity of 1-12 years will be limited to SDR 15 million; within this ceiling, a subceiling of SDR 4 million will apply to loans with an initial maturity of 1-5 years. These limits were almost reached by end-December 1985, as the Government guaranteed loans totaling SDR 13.8 million contracted by a number of enterprises, notably in the textile sector. The ceilings do not include borrowings to refinance existing debts under debt rescheduling arrangements. Moreover, as indicated earlier, in view of the need for Senegal to become current in its external obligations, the Government has committed itself to settling, by end-June 1986, all verified arrears on external debt service payments, which amounted to CFAF 10.9 billion at end-December 1985.

9. Performance criteria

As indicated in Table 7, all the performance criteria of the program for end-September 1985 were observed; and preliminary estimates suggest that those for end-December 1985 were also met. Consistent with the basic objectives of the program, the authorities now propose (as shown in the same table) appropriate performance criteria for the remainder of the program period regarding total domestic credit, net bank claims on the Government, and the repayment of 1984/85 crop credits; they further propose two changes in the already established performance criterion on arrears of the Government and public agencies, namely, an accelerated reduction of such arrears and the inclusion of a sub-ceiling on external government arrears. All other performance criteria already established for the remainder of the program period will continue to apply.

V. Medium-Term Outlook of the Balance of Payments

In view of the recent and prospective developments in the Senegalese economy, as well as in the international economic environment, the staff representatives reviewed the medium-term outlook of Senegal's balance of payments. In this context, the sensitivity analysis presented in the staff report on the second review under the stand-by arrangement (EBS/85/185) was updated and developed. This review indicated that, if Senegal continues to pursue appropriate structural adjustment and financial policies, it could attain a viable external payments position

Table 7. Senegal: Quantitative Performance Criteria for 1985/86

	Stock at End-June 1985	Change from July 1, 1985 to End 1985 Sept.	1985 Dec. Est.	1986 March Proposed	1986 June Proposed
		(In billions of CFA francs)			
Domestic credit 1/ 2/ 3/	503.5				
Unadjusted ceiling		10.5	42.3	50.1	36.8
Adjusted ceiling		9.6	47.9	...	...
Actual		8.6	45.4	...	...
Claims on Government (net) 1/ 2/	126.6				
Unadjusted ceiling		13.1	21.5	24.2	22.9
Adjusted ceiling		13.1	21.9	...	...
Actual		12.3	19.4	...	...
Arrears of the Government and public agencies 4/					
1. Domestic and external	46.1				
Ceiling		-2.0	-4.0	-6.0	-15.0
Actual		-2.2	-4.2	...	...
2. External	8.6				
Ceiling		...	...	-2.0	-8.6
Actual		2.4	2.3	...	...
Repayment of 1984/85 crop credit	--				
Minimum		...	1.0	3.0	8.4
Actual		...	1.0	...	...
Repayment of ONCAD debt	89.7				
Minimum		3.0	4.0	8.0	12.0
Actual		3.0	4.0	...	...
		(In millions of SDRs) 5/			
New external borrowing on nonconcessional terms by the Government or with government guarantee					
1. 1-12 years' maturity					
Ceiling		15.0	15.0	15.0	15.0
Actual		7.5	13.8	...	...
2. 1-5 years' maturity					
Ceiling		4.0	4.0	4.0	4.0
Actual		--	--	...	...

Source: Letter of intent of the Minister of Economy and Finance of February 4, 1986.

1/ The program assumes that Senegal will receive external budgetary assistance (excluding grants) of CFAF 14.0 billion during the period January 1-March 31, 1986 and of CFAF 19.3 billion during the period January 1-June 30, 1986. In the event that the external budgetary assistance (excluding grants) exceeds the above amounts, the increases in credit will be reduced pro tanto, net of any budgetary assistance used to accelerate: (a) the repayment of reclassified 1984/85 crop credit; (b) the reduction of arrears of the Government and public agencies; and (c) the repayment of ONCAD debt. No adjustment to the increases in credit will be made if the external budgetary assistance falls below the above amounts.

2/ The program does not envisage the receipt by Senegal of any exceptional external financial assistance during the period January 1-June 30, 1986 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 increases in credit will be reduced pro tanto, net of any expenditure tied to such assistance.

3/ The program envisages an increase in crop credit of CFAF 15.4 billion during the period July 1, 1985-March 31, 1986 and of CFAF 1.4 billion during the period July 1, 1985-June 30, 1986. In the event that the variation in crop credit is lower or higher than these amounts, the variation in domestic credit will be adjusted downward or upward pro tanto. The program envisages that the Government will repay CFAF 2 billion of the reclassified 1984/85 crop credit during the period January 1-March 31, 1986 and the remainder (up to the total repayment of the 1984/85 crop credit) during the period April 1-June 30, 1986. At end-March 1986, the increases in domestic credit will be adjusted upward by the amount of the reclassified 1984/85 crop credit still unpaid.

4/ On the basis of the stock of verified arrears at end-June 1985.

5/ The exchange rate applicable to these borrowings will be the rate of the SDR vis-à-vis the contract currency on June 30, 1985.

toward the end of this decade. As shown in the base-line scenario in Table 8, the external current account deficit (including public transfers) could decline steadily from SDR 200 million in 1985/86 to SDR 50 million in 1989/90, or from the equivalent of 6.8 percent of GDP to 1.2 percent of GDP, respectively. This would allow the overall balance of payments to shift from a deficit of SDR 75 million (before debt rescheduling) in 1985/86 to a surplus of SDR 43 million in 1989/90. In the interim, however, Senegal would require additional external assistance, including debt relief, to close the prospective financing gaps amounting to some SDR 205 million during the three-year period 1986/87-1988/89.

The improvement in Senegal's balance of payments, as depicted in the base-line scenario, is based on a steady decline in the trade deficit, a reduction of the deficit on services account beginning in 1986/87, and a moderate increase in net inflows of unrequited transfers. The scenario envisages also a moderate increase in gross capital inflows; however, reflecting mainly the rising amortization payments due on the public debt, net capital inflows during 1986/87-1989/90 are projected to remain substantially below the 1985/86 level. Total external debt service obligations (including those to the Fund) are estimated to decline gradually from 29.8 percent of exports of goods, services, and private transfers in 1985/86 to 22.5 percent in 1989/90 (Table 9). Despite this reduction in the debt service ratio, as indicated above, substantial financing gaps will remain through 1988/89; hence Senegal will probably need to reschedule at least part of its external debt service obligations over the next three years.

The basic assumptions underlying the steady decline in the trade deficit are that total export earnings will increase at an average annual rate of 11.5 percent in SDR terms, while the growth of total import payments would be contained to an averge annual rate of 6.7 percent. 1/ The increase in total export earnings reflects a recovery in groundnut exports, as well as a continued strong performance of nontraditional exports, notably fish and chemicals. Assuming normal weather conditions, better yields, and a favorable response to appropriate producer pricing policies, which the authorities are committed to pursue in the medium term, marketed output of groundnuts processed for export is projected to increase from 250,000-300,000 tons in 1985/86 to 450,000 tons in 1989/90. This would allow export volumes of groundnut oil and groundnut cake to recover from 74,500 tons and 114,000 tons in 1985/86 to 150,990 tons and 180,090 tons in 1989/90, respectively, while export prices are projected to rise at an average annual rate of about 3 percent in SDR terms. The lower growth rate projected for imports is predicated on the full implementation of the structural adjustment measures recently initiated by the authorities, coupled with the pursuit of cautious demand management and incomes policies over the medium term; it also reflects recent trends in the world oil market. Accordingly, while the volume of food imports,

1/ These projections take into account the medium-term outlook for prices of primary commodities (including oil) and manufactures as indicated in the Fund's latest report on the World Economic Outlook.

Table 8. Senegal: Medium-Term Outlook of the Balance of Payments, Base-Line Scenario, 1983/84-1989/90

(In millions of SDRs)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	Estimates		Projections				
Trade balance	-250.8	-220.0	-186.9	-124.3	-117.4	-103.2	-92.7
Exports, f.o.b.	536.8	503.6	593.4	679.5	751.1	833.2	917.5
Of which: groundnut products	(161.8)	(86.7)	(87.2)	(126.1)	(147.9)	(178.7)	(210.1)
Imports, f.o.b.	-787.6	-723.6	-780.3	-803.8	-868.5	-936.4	-1010.2
Services (net)	-149.1	-159.4	-172.3	-172.1	-169.8	-153.5	-131.2
Of which: interest due on public debt	(-99.7)	(-110.3)	(-124.5)	(-126.9)	(-129.9)	(-126.4)	(-124.2)
Unrequited transfers (net)	132.9	144.1	158.7	161.9	165.6	169.5	173.5
Current account deficit (-)	-267.0	-235.3	-200.5	-134.5	-121.6	-87.2	-50.5
Capital account	173.3 1/	90.9 1/	125.1	98.3	84.9	82.0	93.6
Of which: amortization due on public debt	(-77.6)	(-90.2)	(-100.6)	(-124.6)	(-150.1)	(-163.9)	(-165.9)
Overall balance (deficit -)	-93.7	-144.4	-75.4	-36.2	-36.7	-5.2	43.1
Debt rescheduling	80.4	78.8	70.0	...	...	...	...
Financing	13.3	65.6	5.4	...	...	...	...
IMF	54.8	4.8	-8.3	...	...	...	...
Purchases	(63.0)	(34.6)	(42.0)	(...)	(...)	(...)	(...)
Repurchases	(-8.2)	(-29.8)	(-50.3)	(-44.6)	(-41.0)	(-41.0)	(-27.0)
Arrears (reduction -)	--	18.5	-18.5	--	--	--	--
Other	-41.5	42.3	32.2	...	...	...	...
Financing gap	--	--	--	80.8	77.7	46.2	--
Memorandum item:							
Current account deficit/GDP (in percent)	-11.7	-9.9	-6.8	-4.2	-3.5	-2.3	-1.2

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

1/ Including a negative net errors and omissions figure of SDR 15 million in 1983/84 and SDR 30 million in 1984/85.

Table 9. Senegal: External Public Debt Service, 1983/84-1989/90 1/

(In millions of SDRs)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	Estimates		Projections				
Principal	85.8	120.0	150.9	169.0	191.1	204.9	192.9
Medium- and long-term	77.6	90.2	100.6	124.4	150.1	163.9	165.9
IMF repurchases	8.2	29.8	50.3	44.6	41.0	41.0	27.0
Other	--	--	--	--	--	--	--
Interest	99.7	110.3	124.5	126.9	129.9	126.4	124.2
Medium- and long-term	76.0	81.2	95.7	96.6	100.4	100.5	101.8
IMF charges	15.7	20.6	20.2	19.2	16.5	12.9	9.4
Other	8.0	8.5	8.6	11.1	13.0	13.0	13.0
Total (before debt rescheduling)	185.5	230.3	275.4	295.9	321.0	331.3	317.1
Debt rescheduling	-80.4	-78.8	-70.0	...	...	...	...
Total (after debt rescheduling)	105.1	151.5	205.4	...	...	...	...
Memorandum items:							
Exports of goods, services, and private transfers	834.6	798.0	923.6	1,028.7	1,137.8	1,267.2	1,409.0
Debt service ratio (in percent)							
Before debt rescheduling	22.2	28.9	29.8	28.8	28.2	26.1	22.5
After debt rescheduling	12.6	19.0	22.2	...	...	...	...

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

1/ Excluding debt service obligations of the multinational companies Air Afrique and ASECNA.

especially of rice, is assumed to decline over the medium term, the volume of other imports (including petroleum products) is forecast to rise at an average annual rate of 3 percent. Consistent with the availability of resources and an annual real GDP growth rate of 3-4 percent, the volume of intermediate and capital goods imports is projected to increase by 4 percent per annum.

Another basic assumption underlying the base-line scenario is that gross external financial assistance to Senegal will remain constant in real terms. In SDR terms, budgetary assistance and gross drawings on medium- and long-term loans contracted or guaranteed by the Government are projected to increase at an average annual rate of about 5 percent, from SDR 170 million in 1985/86 to SDR 202 million in 1989/90. Moreover, with the gradual improvement in the overall environment for private investment in Senegal, gross private capital inflows are projected to increase from SDR 94 million in 1985/86 to SDR 118 million in 1989/90.

Senegal's medium-term balance of payments outlook is sensitive to a number of factors, which can be summarized under two broad categories: domestic adjustment policies and measures; and the external environment. Clearly, as depicted in Table 10, a slackening of the adjustment effort and/or a further deterioration in the external terms of trade would delay the achievement of a viable external payments position beyond 1989/90; in the meantime, such developments would lead to higher financing gaps than those envisaged in the base-line scenario (Scenario B). For example, if the volume of groundnuts processed for export remained below 400,000 tons by 1989/90, 1/ while total import volume increased at an average annual rate of 3.5 percent as against 2.4 percent in the base-line scenario, 2/ the current account deficit in terms of GDP would be higher by about 1 percentage point each year (Scenario C); in 1989/90 it would amount to 2.4 percent, as against 1.2 percent in the base-line scenario. Furthermore, the achievement of the overall balance of payments surplus would be delayed by at least one year, and higher financing gaps would remain during 1986/87-1989/90.

A broadly similar situation would arise (Scenario D) if the external economic environment deteriorated further as a result, for instance, of import prices increasing by an additional 1 percentage point in SDR terms per year and of export prices declining by 1 percentage point in SDR terms per year from the levels projected in the base-line scenario. However, the effects of such developments would probably be less marked than the case presented above under Scenario C, underscoring the importance of domestic adjustment policies and measures. The current account deficit in terms of GDP would be higher than in the base-line scenario by an

1/ Such an outcome could result from inappropriate pricing policies, as well as a failure to implement other supporting measures needed to revitalize the groundnut sector.

2/ Assuming a failure to implement the import-substitution strategy regarding foodstuffs and/or a relaxation of demand management and incomes policies.

Table 10. Senegal: Medium-Term Outlook of the Balance of Payments, Alternative Scenarios, 1983/84-1989/90

(In millions of SDRs)

	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
	Estimates		Projections				
				Scenario A 1/			
Current account deficit/GDP 2/	-11.7	-9.9	-6.8	-3.8	-2.7	-1.3	-0.2
Overall balance 3/	-93.7	-144.5	-75.4	-23.5	-7.8	32.5	84.4
Debt rescheduling	80.4	78.8	70.0	...	...	...	...
Financing gap 4/	--	--	--	68.1	48.8	8.5	--
				Scenario B (Base-Line)			
Current account deficit/GDP 2/	-11.7	-9.9	-6.8	-4.2	-3.5	-2.3	-1.2
Overall balance 3/	-93.7	-144.5	-75.4	-36.2	-36.7	-5.2	43.1
Debt rescheduling	80.4	78.8	70.0	...	...	...	...
Financing gap 4/	--	--	--	80.8	77.7	46.2	--
				Scenario C 5/			
Current account deficit/GDP 2/	-11.7	-9.9	-6.8	-4.8	-4.0	-3.2	-2.4
Overall balance 3/	-93.7	-144.5	-75.4	-55.8	-52.1	-36.9	-4.4
Debt rescheduling	80.4	78.8	70.0	...	...	...	...
Financing gap 4/	--	--	--	100.4	93.1	77.9	31.4
				Scenario D 6/			
Current account deficit/GDP 2/	-11.7	-9.9	-6.8	-4.7	-3.9	-2.8	-1.7
Overall balance 3/	-93.7	-144.5	-75.4	-50.9	-52.1	-22.1	24.7
Debt rescheduling	80.4	78.8	70.0	...	...	...	...
Financing gap 4/	--	--	--	95.5	93.1	63.1	2.3

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

1/ Based on the assumption that groundnuts processed for export will recover gradually from 275,000 tons in 1985/86 to 550,000 tons in 1989/90. This will allow export volume to increase from 74,500 tons of groundnut oil and 114,000 tons of cake in 1985/86 to 179,800 tons of groundnut oil and 222,100 tons of cake in 1989/90.

2/ In percent.

3/ Excluding debt rescheduling.

4/ Including projected Fund repurchases.

5/ Based on the assumption that groundnuts processed for export will recover from 275,000 tons in 1985/86 to only 375,000 tons in 1989/90, i.e., export volume will increase from 74,500 tons of groundnut oil and 114,000 tons of cake in 1985/86 to 123,900 tons of groundnut oil and 153,000 tons of cake in 1989/90; and import volume is assumed to increase by an average of 3.5 percent per year, compared with 2.4 percent in the base-line scenario.

6/ Based on the assumption of a further deterioration in Senegal's terms of trade, i.e., an increase in the projected average import prices by 5.5 percent per year in SDR terms, compared with an average of 4.5 percent in the base-line scenario; and an increase in the projected average export prices by 1.5 percent per year in SDR terms, as against 2.5 percent in the base-line scenario.

average of 0.5 percentage point. Although an overall balance of payments surplus could be achieved by 1989/90 as in the base-line scenario, a financing gap would still remain.

By contrast, Senegal's external payments position could improve more rapidly than in the base-line scenario should the external economic environment or the effects of domestic adjustment policies turn out to be more favorable than envisaged in Scenario B. For example, if the groundnut export volume recovered more rapidly than in the base-line scenario, the reduction in the current account deficit in terms of GDP would be accelerated to reach 0.2 percent in 1989/90, and a higher balance of payments surplus would be achieved in that year (Scenario A).

VI. Staff Appraisal

After several unsuccessful attempts to deal with a deteriorating situation, since mid-1983 Senegal has made steady and substantial progress toward economic and financial adjustment. The economy has been progressively liberalized, agricultural production incentives have been strengthened, the overall fiscal deficit has been reduced sharply, parapublic sector reform has been initiated, domestic credit expansion has been brought under control, and the underlying external payments position has been improved. However, the increase of real GDP has been slow, owing largely to the adverse impact of recurrent drought and continuing structural problems in several sectors, posing a major challenge to the Senegalese authorities who are now firmly committed to achieving a satisfactory economic growth and a viable financial position over the medium term.

Under the adjustment program for 1984/85-1985/86, which is being supported by the current stand-by arrangement, the authorities have been pursuing a broad range of policies designed to alleviate the structural problems of the economy and improve supply conditions, while restraining aggregate demand to a level compatible with available resources. A key element of the program has been the implementation of the new agricultural policy aimed at expanding and diversifying domestic production, mainly of cereals, and reducing government intervention and subsidies in the rural sector. With the substantial increases in price incentives to farmers over the last two years and the return of highly favorable weather conditions, record food crops have been harvested this season; and groundnut production has also increased significantly. Thus, in view of the progress in other sectors of the economy, real GDP is now projected to rise by some 4 percent in 1986, with the rate of inflation easing to about 9 percent, if not lower.

While attempting to stimulate supply, the authorities have rightly continued to place high priority on fiscal adjustment. As a result, despite a number of adverse developments, notably a shortfall in government revenue, they have been successful in reducing the overall fiscal deficit, on a commitment basis, from the equivalent of 8.2 percent of GDP in 1982/83 to 3.5 percent of GDP in 1984/85. However, government finances have recently come under great strain because of a further shortfall in government revenue, coupled with the need for the Government to make substantial repayments of crop credits and to liquidate the sizable outstanding arrears on external debt service payments. Faced with this situation, the authorities have reacted promptly by taking additional adjustment measures designed to keep the 1985/86 fiscal program on track. In this respect, the planned mobilization of part of the prospective surpluses of the CPSP and the SAR in support of the budget is critically important and should be strictly adhered to, while efforts to strengthen tax administration should be intensified. The cutbacks in the wage bill and in outlays on materials, supplies, and transfers are also essential. These revenue and expenditure measures should be rigorously implemented so as to sustain the momentum of fiscal adjustment and thus contribute to the further reduction of the overall fiscal deficit, on a commitment basis, to under 1 percent of GDP in 1985/86. In this way, the authorities' policy package would promote the adjustment process and, in particular, help achieve the programmed reduction of the external current account deficit from the estimated 9.9 percent of GDP in 1984/85 to some 6.8 percent of GDP in 1985/86.

Although considerable progress has been made in recent years, Senegal still faces major structural and financial problems. The economy remains fundamentally weak and vulnerable, government finances are precarious, the parapublic sector is overextended, domestic arrears are substantial, and the external current account deficit is unsustainably large. In addition, the sizable domestic and external debt, the legacy of the expansionary policies pursued in the 1970s, weighs heavily on the budget and the balance of payments. However, if appropriate adjustment policies are pursued with determination over the medium term, a sustained economic growth of 3-4 percent per annum could be realized and a viable external payments position could be attained toward the end of this decade. In the interim, given the prospective fiscal and external imbalances, Senegal's adjustment efforts would need to be supported by further concessional external assistance and appropriate debt relief.

In view of the magnitude of the problems that have yet to be resolved, the authorities have developed a medium-term program of action focused on two key elements: the promotion of private sector initiative through appropriate pricing and other incentive policies, particularly in agriculture and industry; and the achievement of greater efficiency in public resource management through improvements in the allocation and implementation of public investments, reform of the parapublic sector, and generation of government savings. The staff believes that this action program, which has been developed in close consultation with the Fund, the World Bank, and Senegal's principal bilateral creditors, is adequate to achieve the authorities' medium-term objectives, and is worthy of the assistance of the international community. In this spirit, the World Bank recently approved a sizable financing package in support of Senegal's adjustment efforts.

It is recommended that the next Article IV consultation with Senegal continue to be held on the standard 12-month cycle.

VII. Proposed Decisions

In view of the foregoing, the following draft decisions are proposed for adoption by the Executive Board:

(a) 1985 Consultation

1. The Fund takes this decision in concluding the 1985 Article XIV consultation with Senegal, in the light of the 1985 Article IV consultation with Senegal conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Senegal continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions.

(b) Third Review Under Stand-By Arrangement

1. Senegal has consulted with the Fund in accordance with paragraph 4(d) of the stand-by arrangement for Senegal (Attachment to EBS/85/45, March 1, 1985) in order to reach understandings on the progress made in the implementation of the 1985/86 program and to establish suitable performance criteria as contemplated in paragraph 21 of the letter from the Minister of Economy and Finance dated December 3, 1984, attached to the stand-by arrangement.

2. The letter from the Minister of Economy and Finance dated February 4, 1986 shall be attached to the stand-by arrangement for Senegal, and the letter of December 3, 1984 shall be read as modified and supplemented by the letter dated February 4, 1986. Accordingly, the

performance criteria referred to in paragraph 4(a) of the stand-by arrangement shall be those referred to in paragraphs 9 and 11 of the letter dated February 4, 1986 and specified in the table annexed to that letter.

3. The Fund decides, pursuant to paragraph 4(d) of the stand-by arrangement, that the review provided for in paragraph 21 of the letter from the Minister of Economy and Finance dated December 3, 1984 is completed.

Dakar, February 4, 1986

Dear Mr. de Larosière:

1. In accordance with the 18-month stand-by arrangement for Senegal, which was approved on January 16, 1985, we have recently consulted with a Fund staff mission regarding the third and final review of Senegal's adjustment program for the fiscal years 1984/85-1985/86. This review provided an opportunity not only to reassess the results achieved in 1984/85 but also to monitor the progress being made in 1985/86. On the whole, despite a number of unforeseen adverse developments, the program has been kept on track, and all the performance criteria for the period through end-December 1985 were observed.

2. In 1984/85 the shortfall in marketed output of groundnuts and in government revenue turned out to be larger than had been provisionally estimated during the second review. However, mainly as a result of the further adjustment measures taken by the Government in the second half of the year, the basic objectives of the program were achieved. In particular, as the government wage bill was kept below the initial estimate and outlays on materials, supplies, and transfers were reduced, the overall fiscal deficit, on a commitment basis, was brought down from CFAF 44.7 billion in 1983/84 to CFAF 38.1 billion in 1984/85, fairly close to the provisional outcome of CFAF 36.3 billion and the programmed level of CFAF 36.9 billion. In relation to GDP (which was revised downward), the deficit was equivalent to about 3.5 percent in 1984/85, compared with a programmed 3.3 percent, and an outturn of 4.6 percent in 1983/84 and of 8.2 percent in 1982/83.

3. At the same time, domestic arrears of the Government and public agencies were reduced substantially; but, as there was a concurrent accumulation of arrears on external debt service payments, the net reduction in total arrears in 1984/85 amounted to CFAF 7.6 billion, slightly more than the programmed CFAF 7.0 billion. In this period of relative tightness of domestic liquidity, the Treasury found it easier to collect taxes and customs duties by settling arrears to local enterprises; domestic arrears were also reduced through a slowdown in new expenditure commitments. As of June 30, 1985 arrears of the Government and public agencies totaled CFAF 46.1 billion, of which CFAF 8.6 billion were in respect of external debt service. In 1984/85 the treasury cash deficit was somewhat larger than programmed, but external and domestic nonbank financing was also larger. Therefore, net government borrowing from the banking system was lower than envisaged in the program, and so was the rate of domestic credit expansion.

4. The pursuit of tight fiscal and credit policies in 1984/85 helped contain the existing pressures on Senegal's external payments position. In fact, notwithstanding a shortfall in export earnings equivalent to about SDR 57 million due largely to the sharp drop in the marketed output of groundnuts processed for export (to a low of 135,330 tons,

about a third of the level envisaged in November 1984), the external current account deficit was reduced from SDR 267 million in 1983/84 to SDR 235 million in 1984/85, or from 11.7 percent of GDP to 9.9 percent of GDP, respectively. However, as net capital inflows (including errors and omissions) and debt relief turned out to be lower than had been foreseen, the overall balance of payments deficit amounted to almost SDR 66 million in 1984/85, substantially more than had been projected; since net use of Fund credit was small, this led to a considerable deterioration of Senegal's negative position in the Operations Account with the French Treasury.

5. The Government of Senegal remains committed to the basic objectives of the current program, which was designed with a view to achieving a satisfactory economic growth and a viable internal and external financial position over the medium term. Accordingly, as envisaged in my letter to you of July 29, 1985, a broad range of policies and measures have already been implemented, and others will be introduced in the period ahead, to alleviate the structural problems of the economy and improve supply conditions, while restraining aggregate demand to a level compatible with available resources. As you are aware, the policies and measures for 1985/86 and beyond have been integrated into a medium-term program of structural adjustment, which is to be supported by a proposed financing package from the World Bank totaling about US$70 million. These policies and measures are expected to enhance the adjustment process and, in particular, to help reduce the external current account deficit by some 3 percentage points of GDP in 1985/86.

6. In line with the new agricultural policy adopted last year and the objectives of the Seventh Plan (1985/86-1988/89), in April 1985 further measures were introduced to strengthen production and marketing incentives and to reduce government intervention and subsidies in agriculture. In the groundnut sector, the following actions were taken: (a) the producer price was raised by 50 percent for the 1985/86 season, following an increase of 20 percent in 1984/85; (b) the groundnut seeds distributed freely to farmers were cut by one half in 1984/85, with the understanding that for the 1985/86 season the reconstitution of the groundnut seed stock will be left in the hands of the farmers themselves or their organizations (who will be free either to store their own seed reserves, or store them in the facilities of the oil millers for treatment to keep them in good condition, or buy them back from the security stock to be maintained by the oil millers); (c) government subsidies to the oil millers to cover their fixed costs were also cut by one half in 1984/85 and will be eliminated in 1985/86, except for a small amount (of CFAF 1-2 billion) to be paid by the Government to the oil millers for the management of the seed security stock; (d) furthermore, as of this year, the oil millers will be fully responsible for the financing of any deficit resulting from the marketing of the groundnut crop; and (e) the managements of the two oil milling companies (SONACOS and SEIB) were consolidated, and their operations will be completely merged by mid-1986. These companies are now free to make their own marketing and other arrangements, including reducing the number of their collection

centers, so as to improve their financial operations. In addition, for the 1985/86 season, producer prices of the major food crops were raised by amounts ranging from 17 percent to 83 percent, with a view to boosting production and thereby restraining imports, especially of rice.

7. On the basis of a number of technical studies, and after consultation with Senegal's principal creditors and donors, the Government has decided to remove rice operations from the Price Equalization and Stabilization Fund (CPSP) with effect in May 1986 (when all its current rice import contracts expire) and to privatize the rice trade. However, as agreed with the World Bank and other creditors, during a two-year transition period the Government will maintain a partial involvement in the market to ensure that adequate supplies of rice are available throughout the country, notably outside the Dakar area. As regards the retail price of rice, which has been increased in stages by a total of 100 percent since February 1982, henceforth this price will be set at a level based on a formula that would provide a minimum nominal protection above the import cost of 25 percent to producers of domestic cereals. In this way, it is expected that, when needed, price adjustments would be made more frequently and automatically. In view of the substantial increase in the retail price of rice in January 1985 and the fact that recent shipments have been obtained at favorable import prices, the CPSP's rice operations are now yielding sizable trading surpluses. Thus, the CPSP has been making regular repayments of bank credits and settling import duties (both current and in arrears) according to the established schedules, while generating a residual surplus; as indicated below, this surplus will be used largely to support the government budget. Similarly, after eliminating its cumulative deficit by the end of 1985, the oil refinery (SAR) is expected to generate sizable surpluses beginning in January 1986; these will also be used largely to improve the budgetary situation. The use of any remaining surpluses of the CPSP and the SAR to finance transactions which are not already included in the basic table on the financial operations of the Government will be subject to prior consultation with the Fund's management.

8. With the improvement in weather conditions and the substantial strengthening of production incentives, agricultural production has expanded markedly this season. According to provisional estimates for 1985/86, record food crops have been harvested; and groundnut production will be up significantly, with the output processed for export rebounding to some 250,000-300,000 tons, about double last year's level, though still lower than the 400,000 tons envisaged in the program. As a result, and in view of progress in other sectors of the economy, real GDP is estimated to have increased by 4 percent in 1985 and to rise further at about the same rate in 1986, compared with a 4 percent drop in 1984.

9. To help limit the growth of aggregate demand, while attempting to stimulate supply, the Government has been implementing both the revenue and expenditure measures set out in the program. However, in the first quarter of this fiscal year (July-September 1985) the budget

came under considerable strain because of a further shortfall in government revenue of more than CFAF 9 billion, attributable mostly to lower receipts from customs duties and taxes on goods and services. Although adverse seasonal factors probably contributed to the problem, it appears that the shortfall was due largely to the lagged effects of the decline in real incomes and imports over the last two years. Revenue collections picked up in the second quarter, but were still somewhat below the initial estimates. In the circumstances, we concluded that the revenue shortfall could reach CFAF 15-17 billion for 1985/86 as a whole, if no compensating actions were taken. Moreover, treasury repayments of crop credits due to banks will amount to about CFAF 8.4 billion, as against CFAF 3.0 billion foreseen in the program. Lastly, faced with the need to settle all verified arrears on external debt service payments, which amounted to CFAF 10.9 billion at end-December 1985, the Government has had to raise the total arrears reduction target for 1985/86 from CFAF 10.0 billion to CFAF 15.0 billion; consequently and to underscore the urgency of this commitment, as indicated in the annexed table, it is now proposed to reformulate the performance criterion regarding arrears to include a subceiling that envisages the liquidation of all verified external arrears by end-June 1986.

10. In view of the above-mentioned developments and prospects, the Government has reacted promptly by taking further adjustment measures designed to keep the 1985/86 fiscal program on track. These measures, involving both revenue mobilization and expenditure reductions, consist of the following three elements: (a) mobilizing about CFAF 10.0 billion of the prospective surpluses of the CPSP and the SAR by end-June 1986 to support the budget, of which at least CFAF 4.0 billion would be collected by end-February 1986 and CFAF 6.0 billion by end-March 1986; (b) limiting the wage bill to CFAF 111.0 billion in 1985/86, or CFAF 1.0 billion below the programmed level; and (c) containing expenditures on materials, supplies, and transfers to CFAF 67.0 billion in 1985/86, or CFAF 5.0 billion lower than the original estimate. As a result of these measures, the overall fiscal deficit, on a commitment basis, is now estimated to be reduced to about CFAF 12.8 billion in 1985/86, or only 1 percent of GDP, compared with CFAF 17.6 billion in the program. Given the increased crop credit repayments and the accelerated liquidation of government arrears, the cash deficit will be higher than programmed; but the additional financing requirements will be met from external sources on concessional terms.

11. Despite the revenue shortfall, net government recourse to the banking system has been maintained within the specified ceilings. Since the increase in bank credit to the private sector has also been in line with the program, the performance criteria on the expansion of total domestic credit and of net credit to the Government were observed at end-September 1985, as well as at end-December 1985. To reinforce the fiscal program, and thus help reduce the external current account deficit, the monetary authorities will continue to pursue a prudent credit policy, without compromising the financing needs of the 1985/86 crops. For 1985/86 as a whole, the increase in credit to the private

sector, excluding crop credit, will be limited to 3.5 percent, as already envisaged in the program; the financing requirements of the new crops are also projected to remain virtually as programmed. Thus, as the Government's net recourse to bank credit will be slightly more than originally programmed, owing to the integration in the government accounts (in January 1986) of certain operations financed with loans of the French Caisse Centrale de Coopération Economique, whose proceeds were deposited at the Central Bank before end-June 1985, total domestic credit expansion in 1985/86 will amount to 7.3 percent, only marginally higher than the indicative target of the program. Consistent with the fiscal targets, the increases in total domestic credit and in net bank credit to the Government for end-March 1986 and end-June 1986, which are performance criteria, will not exceed the amounts shown in the annexed table. The monetary authorities will take the necessary further steps to improve the financial position of the banking system, as well as the allocation of credit to the economy. In this context, to help ameliorate the liquidity position of banks, during January-June 1986 the Government will make minimum repayments of CFAF 8.0 billion to banks (a performance criterion) on account of the debts resulting from the liquidation of a major rural development agency (ONCAD). In addition, the Government will reimburse, as a minimum, CFAF 2.0 billion of the reclassified 1984/85 crop credit by end-March 1986, and the remainder by end-June 1986 (also a performance criterion). As indicated in the annexed table, the repayments of reclassified crop credit, ONCAD debt, and government arrears could be accelerated if external budgetary assistance is higher than programmed.

12. The adjustment measures specified above, together with the debt relief obtained from official creditors and commercial banks, will help improve Senegal's external payments position in 1985/86. Although marketed output of groundnuts processed for export is projected to rise markedly, this improvement is expected to be largely offset by a softening of export prices. By contrast, exports of most other products, notably chemicals, fish, and phosphates, are projected to be up substantially, leading to an 18 percent increase (in SDR terms) in total export earnings. At the same time, payments for imports are now programmed to grow by only 8 percent, which is still consistent with the continued recovery of economic activity. Consequently, despite higher interest payments due on public and publicly-guaranteed debts, the external current account deficit is to be reduced from SDR 235 million in 1984/85 to about SDR 200 million in 1985/86, equivalent to 6.8 percent of GDP. As net capital inflows are also estimated to be higher than last year, the balance of payments deficit in 1985/86, after debt rescheduling, is expected to be substantially lower than in 1984/85.

13. The Government of Senegal believes that the policies and measures described above are adequate to achieve the objectives of its program but will take any further measures that may become appropriate for this purpose. The Government will consult with the Fund on the adoption of any measures that may be appropriate, in accordance with the policies of the Fund on such consultations.

Sincerely yours,

Mamoudou Touré
Minister of Economy and Finance

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Senegal: Quantitative Performance Criteria for 1985/86

	Stock at End-June 1985	Change from July 1, 1985 to End			
		1985		1986	
		Sept.	Dec. Est.	March Proposed	June Proposed
	(In billions of CFA francs)				
Domestic credit 1/ 2/ 3/	503.5				
Unadjusted ceiling		10.5	42.3	50.1	36.8
Adjusted ceiling		9.6	47.9	...	...
Actual		8.6	45.4	...	...
Claims on Government (net) 1/ 2/	126.6				
Unadjusted ceiling		13.1	21.5	24.2	22.9
Adjusted ceiling		13.1	21.9	...	...
Actual		12.3	19.4	...	...
Arrears of the Government and public agencies 4/					
1. Domestic and external	46.1				
Ceiling		-2.0	-4.0	-6.0	-15.0
Actual		-2.2	-4.2	...	...
2. External	8.6				
Ceiling		...	...	-2.0	-8.6
Actual		2.4	2.3	...	...
Repayment of 1984/85 crop credit	--				
Minimum		...	1.0	3.0	8.4
Actual		...	1.0	...	...
Repayment of ONCAD debt	89.7				
Minimum		3.0	4.0	8.0	12.0
Actual		3.0	4.0	...	...
	(In millions of SDRs) 5/				
New external borrowing on nonconcessional terms by the Government or with government guarantee					
1. 1-12 years' maturity					
Ceiling		15.0	15.0	15.0	15.0
Actual		7.5	13.8	...	...
2. 1-5 years' maturity					
Ceiling		4.0	4.0	4.0	4.0
Actual		--	--	...	...

1/ The program assumes that Senegal will receive external budgetary assistance (excluding grants) of CFAF 14.0 billion during the period January 1-March 31, 1986 and of CFAF 19.3 billion during the period January 1-June 30, 1986. In the event that the external budgetary assistance (excluding grants) exceeds the above amounts, the increases in credit will be reduced pro tanto, net of any budgetary assistance used to accelerate: (a) the repayment of reclassified 1984/85 crop credit; (b) the reduction of arrears of the Government and public agencies; and (c) the repayment of ONCAD debt. No adjustment to the increases in credit will be made if the external budgetary assistance falls below the above amounts.

2/ The program does not envisage the receipt by Senegal of any exceptional external financial assistance during the period January 1-June 30, 1986 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 increases in credit will be reduced pro tanto, net of any expenditure tied to such assistance.

3/ The program envisages an increase in crop credit of CFAF 15.4 billion during the period July 1, 1985-March 31, 1986 and of CFAF 1.4 billion during the period July 1, 1985-June 30, 1986. In the event that the variation in crop credit is lower or higher than these amounts, the variation in domestic credit will be adjusted downward or upward pro tanto. The program envisages that the Government will repay CFAF 2 billion of the reclassified 1984/85 crop credit during the period January 1-March 31, 1986 and the remainder (up to the total repayment of the 1984/85 crop credit) during the period April 1-June 30, 1986. At end-March 1986, the increases in domestic credit will be adjusted upward by the amount of the reclassified 1984/85 crop credit still unpaid.

4/ On the basis of the stock of verified arrears at end-June 1985.

5/ The exchange rate applicable to these borrowings will be the rate of the SDR vis-à-vis the contract currency on June 30, 1985.

Senegal - Relations with the Fund
(As of January 31, 1986)

I. Membership status

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

A. Financial Relations

II. General Department

a. Quota	SDR 85.1 million
b. Total Fund holdings of Senegal's currency	SDR 301.67 million, equivalent to 354.49 percent of quota.
c. Fund credit	SDR 217.53 million, equivalent to 255.62 percent of quota, of which: SDR 75.84 million (89.12 percent of quota) under credit tranches; SDR 15.75 million (18.51 percent of quota) under the CFF; SDR 17.09 million (20.08 percent of quota) under the EFF; SDR 39.75 million (46.71 percent of quota) under the SFF; and SDR 69.10 million (81.20 percent of quota) under the EAR.
d. Reserve tranche position	SDR 0.975 million

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 Fund facility, 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 EFF was canceled on September 11, 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 19, 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.

IV. SDR Department

a. Net cumulative allocation	SDR 24.46 million
b. Holdings	SDR 2.87 million (11.73 percent of the net cumulative allocation)

V. Administered accounts

a. Trust Fund loans

Disbursed	SDR 33.23 million
Outstanding	SDR 21.57 million

b. SFF Subsidy Account

Payments by the Fund	SDR 5.83 million

B. Nonfinancial Relations

VI. 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.

VII. Last Article IV consultation and 18-month stand-by arrangement

The last Article IV consultation discussions, together with stand-by negotiations, were held during the periods June 4-20, 1984 and July 26-31, 1984. The staff report (EBS/84/267) was discussed by the Executive Board on January 16, 1985, and the following decision was adopted on the 1984 Article IV consultation:

1. The Fund takes this decision in concluding the 1984 Article XIV consultation with Senegal, in the light of the 1984 Article IV consultation with Senegal conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Senegal continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions.

At the same time, the following decision was adopted on the stand-by arrangement:

1. The Government of Senegal has requested a stand-by arrangement in an amount equivalent to SDR 76.6 million for a period of 18 months from January 16, 1985 through July 15, 1986.

2. The Fund approves the stand-by arrangement attached to EBS/84/267.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Senegal is on the standard 12-month cycle for Article IV consultations.

VIII. 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.
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 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.

c. Other	Technical assistance was provided in the area of government finance statistics in September-October 1982 and again in May 1984, as well as in the area of balance of payments statistics in February 1984.
IX. Fund resident representative	Stationed in Dakar since July 24, 1984.

Senegal - Relations with the World Bank Group

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 parapublic sector and the investment programming and budgeting process, and by improving the management of public employment and finances; (b) developing and diversifying the productive base by implementing appropriate incentive policies and reorienting the investment program in the direction of high-priority new investments in the productive sectors and rehabilitation of existing assets; and (c) improving the effectiveness of external assistance by acting as a focal point for increased aid coordination among the donors.

2. As of December 31, 1985 the World Bank Group had approved 60 operations in Senegal for a total of US$642.8 million, consisting of 36 IDA credits, 11 Bank loans, five blends of Bank and IDA funds, five IFC operations, two blends of Bank and IFC funds, and one blend of Bank, IDA, and IFC funds. Physical execution of most projects is progressing reasonably well, although some operations have been affected by the shortage of local counterpart funds. The attached table contains the disbursement status of World Bank and IFC operations in Senegal as at September 30, 1985.

3. Past projects strongly supported modernization and expansion of the country's infrastructure, particularly in transport (highways, rail, port, and airport). But with slow growth in the economy and financial difficulties in supporting new investments, emphasis is now being placed on better utilization and maintenance of existing facilities, and on helping the Government to resolve some of the key issues related to long-term development prospects. On-going or planned operations for agricultural research, irrigation, and education development relate to both of these concerns.

4. Over the next four-year period (FY86-89), the Bank's lending program, on present planning, could amount to about US$196 million, almost all of which would be on IDA terms. Some US$95 million could be committed in FY86, partly in support of the structural adjustment credit (SAC) which was approved on February 4, 1986. This major policy-based operation, to be financed partly out of the Special Facility for Sub-Saharan Africa, would set the framework for new sector specific operations, notably in agriculture, telecommunications, and power. The SAC concentrates on addressing some of the central economic management issues, such as the institutional capacity for improved fiscal and debt management, investment programming, pricing policy for agriculture and food imports, and the establishment of clear guidelines for reform of the parastatals, and also includes a component for the reform of the industrial incentives and protection system.

Senegal - Relations with the World Bank Group (continued)

5. Given the need to focus Senegal's public investment program on financing high-priority rehabilitation and maintenance needs and developmental recurrent costs, improved donor coordination is assuming increased importance. The Bank is pursuing its economic dialogue with Senegal in close collaboration with the IMF and bilateral and multilateral donors. In this connection, the Bank convened a first meeting of the Consultative Group in December 1984, at which agreement was reached on the policy measures, assistance levels, and aid coordination mechanisms needed to enable Senegal to overcome its economic and financial difficulties. The Bank followed up on this meeting by preparing the structural adjustment operation indicated above, as well as by organizing sector meetings of interested donors on telecommunications and power. Further sector meetings are planned during 1986 for the agriculture and industry sectors. A second meeting of the Consultative Group is also planned for late 1986 to review progress of the adjustment program and to consider the Government's new three-year investment program.

Senegal - Relations with the World Bank Group (concluded)

Lending operations (As of September 30, 1985; in millions of U.S. dollars) 1/

	IBRD and IDA 2/		IFC loans and equity participations		Grand total
	Total commitments	Of which: undisbursed	Total commitments	Of which undisbursed	
Thirteen loans and 20 credits fully disbursed	205.2	(--)	--	(--)	205.2
Structural adjustment and technical assistance	16.3	(10.4)	--	(--)	16.3
Agriculture, livestock, and forestry	75.9	(40.2)	0.8	(--)	76.7
Power, industry, and tourism	43.1	(20.3)	31.7	(24.0)	74.8
Transport and telecommunications	97.3	(40.2)	--	(--)	103.3
Urban development, education, and health	67.0	(47.7)	0.5	(--)	67.5
Total	504.8	(158.8)	33.0	(24.0)	537.8
Less repaid or sold					31.1
Total outstanding					506.8
Held by IBRD					107.6
IDA					366.2
IFC					33.0

Memorandum items:

Annual IBRD/IDA operations	Commitments	Disbursements	Repayments
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

Source: World Bank Group.
1/ Since this date, IDA's Executive Directors have approved credits of US$4.9 million for agriculture and US$5.5 million for education.
2/ Less cancellations.

Senegal - Statistical Issues

The main sources of economic and financial statistics used in this report are the Ministry of Economy and Finance and the National Agency of the Central Bank of West African States (BCEAO).

1. Outstanding statistical issues

The overall statistical base is fairly well developed, and the data are compiled essentially along the lines of the Fund's methodologies. Except for the monetary and credit statistics, there is a considerable delay in the finalization and transmission of official data to the Fund. However, provisional data that are provided to staff missions are generally satisfactory and up to date. In addition, the "Direction de la Prévision et de la Conjoncture" of the Ministry of Economy and Finance publishes a comprehensive semiannual statistical bulletin with up-to-date information and projections on the national accounts, production, prices, public finances, money and banking, the external sector, and external debt.

The following highlights the problems in some areas of statistics and the steps being taken to improve the situation.

a. Consumer price index

The consumer price index is produced monthly, with a delay of about three months. However, the weights used are outdated (based on a 1961 survey) and the coverage is limited to Dakar. A comprehensive household expenditure budget survey financed by the UNDP is under consideration, and it is expected to be completed in the near future.

b. Production

A quarterly index of industrial production (base 1976) is compiled by the "Direction de la Statistique" and covers food production, chemicals, mining, textiles, and energy. The Fund's Bureau of Statistics has initiated the process of publishing this index in IFS (starting, most likely, with the April 1986 issue).

c. Government finance

The final data through fiscal year 1982/83 (July/June) for the consolidated Central Government, encompassing all the major aggregates, have been published in the 1985 Government Finance Statistics Yearbook. Provisional accounts for subsequent periods have always been made available to staff missions with a one-month lag. However, these data are not compiled according to GFS methodology. A GFS mission visited Dakar in May 1984 to familiarize the authorities with the methodology used by the Fund's Bureau of Statistics. Although some progress has been made, problems in the coverage and in the presentation of government finance statistics according to the GFS methodology still remain.

d. Money and banking

Official data published in IFS are received from the BCEAO's headquarters in Dakar and are subject to some delays; however, data provided to staff missions are available with a lag of about two months. The BCEAO authorities have been requested to reduce the lags in the transmittal of statistics used to update IFS. In addition, a technical assistance mission, which visited the BCEAO's headquarters in May 1985, made a number of recommendations concerning the scope for improvements in the classification of accounts of member countries and in the BCEAO's reporting system. The report of this mission was forwarded to the authorities in October 1985, but no comments have yet been received from them.

e. Balance of payments

The latest period for which the Fund's Bureau of Statistics has comprehensive official balance of payments data is 1980. However, provisional data prepared by the BCEAO and the Ministry of Economy and Finance are available through 1985. The staff missions have continuously stressed to the authorities the importance of finalizing and updating the official balance of payments statistics.

f. External trade

The latest official statistics communicated to the Fund's Bureau of Statistics refer to calendar year 1983. However, more recent data are available in official publications of the Ministry of Economy and Finance. Due to administrative delays, these data, although complete, have not yet been finalized.

g. External debt

Statistics for external public and publicly-guaranteed debt are current.

2. Coverage, currentness, and reporting of data in IFS

The table below shows the coverage and currentness of data published in the country page for Senegal in the February 1986 issue of IFS. The data are based on reports sent to the Fund's Bureau of Statistics by the BCEAO, which during the past year have been provided on an irregular basis. There is a need to improve the currentness of external trade and balance of payments data.

Status of IFS Data

			Latest Data in February 1986 IFS
Real sector	-	National accounts	1983
	-	Prices (consumer)	September 1985
	-	Production	n.a.
	-	Employment	n.a.
	-	Earnings	n.a.
Government finance	-	Deficit/Surplus	1983
	-	Financing	1983
	-	Debt	1983
Monetary accounts	-	Monetary authorities	August 1985
	-	Deposit money banks	August 1985
	-	Other financial institutions	n.a.
External sector	-	Merchandise trade	
		Values	1983
		Prices: Exports	1982
		Imports	1982
	-	Balance of payments	1982 (partial)
	-	International reserves	October 1985
	-	Exchange rates	December 1985

Senegal - Basic Data

Area, population, and GDP per capita

Area:	196,200 square kilometers
Population: Total (1984)	6.4 million
Growth rate (1980-84)	2.9 percent per annum
GDP per capita (1984)	SDR 354

	1980	1981	1982	1983 Prov.	1984 Prov.	1985 Est.
Gross domestic product (GDP) (in current prices)						
Total (in billions of CFA francs)	627.5	669.8	844.1	939.5	1,015.4	1,186.9
			(In percent of GDP)			
Primary sector	21.9	20.8	22.8	23.0	19.8	21.1
Of which: agriculture	(10.8)	(9.6)	(12.6)	(12.9)	(7.8)	(8.7)
Secondary sector	23.1	24.6	24.7	24.4	25.0	24.6
Of which: industry	(14.6)	(16.5)	(15.2)	(14.7)	(15.8)	(15.4)
Tertiary sector	55.0	54.6	52.5	52.5	55.2	54.3
Consumption	100.4	104.7	95.3	98.0	99.6	96.4
Gross investment	15.6	16.4	15.8	16.2	13.3	14.6
Resource gap	-16.0	-21.1	-11.1	-14.2	-12.9	-11.0
Gross domestic saving	-0.4	-4.7	4.7	2.0	0.4	3.6
			(Annual percent changes)			
Real GDP	-3.3	-0.8	15.2	2.6	-4.0	3.9
Nominal GDP	7.8	6.7	26.0	11.3	8.1	16.9
Prices						
GDP deflator	11.4	7.6	9.4	8.5	12.6	12.5
Consumer price index	8.7	5.9	17.9	11.5	11.2	12.6
Export prices (in SDRs)	-7.4	32.9	-9.0	-2.6	13.2	0.5
Import prices (in SDRs)	24.4	5.0	1.3	-3.9	5.5	0.4
Terms of trade (in SDRs)	-25.5	26.6	-10.2	1.3	7.2	0.2

Senegal - Basic Data (continued)

	1980/81	1981/82	1982/83	1983/84 Est.	1984/85 Est.	1985/86 Prog.
Government finance	(In billions of CFA francs)					
Total revenue and grants	132.3	160.6	180.9	201.6	216.1	250.2
Of which: revenue	(125.5)	(151.9)	(175.7)	(189.4)	(203.9)	(230.7)
Total expenditure and net lending	206.8	212.6	254.2	246.3	254.2	263.0
Of which: current expenditure	(151.3)	(165.4)	(186.6)	(205.3)	(217.1)	(222.6)
Overall deficit (-)						
Commitment basis	-74.5	-52.0	-73.3	-44.7	-38.1	-12.8
Cash basis	-58.0	-72.7	-66.5	-67.3	-49.7	-36.2
Foreign financing (net)	35.3	28.6	48.5	36.7	36.0	24.5
Domestic financing (net)	22.7	44.1	18.0	30.6	13.7	11.7
Of which: banking system	(18.9)	(38.7)	(20.2)	(35.2)	(17.9)	(22.9)
	(In percent of GDP)					
Total revenue and grants	20.4	21.2	20.3	20.6	19.6	19.7
Of which: revenue	(19.3)	(20.1)	(19.7)	(19.4)	(18.5)	(18.2)
Total expenditure and net lending	31.9	28.1	28.5	25.2	23.1	20.6
Of which: current expenditure	(23.3)	(21.9)	(20.9)	(21.0)	(19.7)	(17.5)
Overall deficit						
Commitment basis	11.5	6.9	8.2	4.6	3.5	0.9
Cash basis	8.9	9.6	7.4	6.9	4.5	2.8

	1980	1981	1982	1983	1984	1985 Prog.
Money and credit	(In billions of CFA francs; end of period)					
Foreign assets (net)	-77.0	-121.6	-159.3	-182.5	-210.1	-235.3
Domestic credit	292.5	370.3	446.2	480.2	501.1	554.3
Government (net)	17.9	40.7	87.6	106.9	122.3	149.3
Private sector	274.6	329.6	358.6	373.3	378.8	405.0
Money and quasi-money	177.9	216.9	262.4	272.7	287.1	308.0
	(Annual percent changes)					
Domestic credit	16.0	26.6	20.5	7.6	4.4	10.6
Of which: private sector	(14.3)	(20.0)	(8.8)	(4.1)	(1.5)	(6.9)
Money and quasi-money	10.4	21.9	21.0	3.9	5.3	7.3

Senegal - Basic Data (concluded)

	1980	1981	1982	1983 Prov.	1984 Prov.	1985 Est.
Balance of payments			(In millions of SDRs)			
Exports, f.o.b.	369.1	434.5	534.2	531.9	534.7	518.3
Of which: groundnut products	(64.0)	(28.4)	(122.1)	(146.0)	(119.2)	(60.4)
Imports, f.o.b.	-747.5	-855.8	-860.5	-823.0	-784.3	-760.3
Trade deficit (-)	-378.4	-422.3	-326.3	-291.1	-249.6	-242.6
Services (net)	-45.0	-91.8	-74.7	-124.4	-166.1	-160.2
Unrequited transfers (net)	92.0	130.1	123.2	132.8	142.0	157.3
Current account deficit (-)	-331.9	-383.0	-278.8	-282.7	-273.7	-245.5
Capital account (net)	253.6	175.4	112.1	221.1	163.2	87.2
Errors and omissions	-25.4	30.5	2.8	-27.1	-40.2	--
Allocation of SDRs	4.4	--	--	--	--	--
Overall deficit (-)	-99.3	-172.7	-162.9	-88.7	-70.3	-158.3
Overall deficit (-) after debt rescheduling	-99.3	-118.6	-76.8	-18.4	4.9	-86.4
			(In percent of GDP)			
Exports, f.o.b.	16.2	20.8	23.0	23.1	23.6	19.9
Imports, f.o.b.	32.8	40.9	37.0	35.7	34.6	29.2
Current account deficit (including official transfers)	14.5	18.3	12.0	12.2	12.1	9.4
			(In millions of SDRs; end of period)			
Gross official international reserves	7.4	17.9	21.6	22.4	15.2	15.8
External public debt						
Disbursed and outstanding (end of period) 1/	940.5	1,165.9	1,513.1	1,840.2	1,997.7	2,169.9
Interest due	42.6	57.1	64.8	80.5	104.7	114.3
Amortization due (including Fund repurchases)	91.5	109.7	123.0	89.3	98.4	126.8
Debt rescheduling	--	54.1	86.1	70.3	75.2	71.9
Debt service after rescheduling (in percent of exports of goods, services, and private transfers)	19.5	15.1	11.6	11.9	15.4	20.3
Exchange rates			(CFA francs per SDR)			
End of period	288.0	334.5	370.9	437.0	470.1	415.3
Period average	275.0	320.4	362.8	407.4	447.9	456.2

1/ Including short-term debt, Fund credit, and the foreign liabilities of the central bank.