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[PSI for Senegal](#)

May 14, 2015

**Senegal:** Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

June 8, 2015

[Country's Policy](#)

[Intentions Documents](#)

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The following item is a Letter of Intent of the government of Senegal, which describes the policies that Senegal intends to implement in the context of its request for a policy support instrument from the IMF. The document, which is the property of Senegal, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

## Letter of Intent

Dakar, Senegal  
June 8, 2015

Madame Christine Lagarde  
Managing Director  
International Monetary Fund  
700 19th Street, N.W.  
Washington, D.C. 20431  
USA

Madame Managing Director:

1. The government of Senegal requests approval of a new macroeconomic program supported by the Policy Support Instrument (PSI) for the period 2015–2017. In support of this request, the attached Memorandum of Economic and Financial Policies (MEFP) sets forth the government's short- and medium-term objectives and policies under this new program.
2. These policies are consistent with the new economic and social policy reference framework for the medium to long term referred to as the *Plan Sénégal Emergent* (PSE). The PSE focuses on three strategic pillars: (i) structural transformation of the economy and growth; (ii) human capital, social protection, and sustainable development; and (iii) strengthening of governance, promotion of peace and security, and consolidation of the rule of law.
3. The new program is an extension of the first two PSIs. It is intended to guide Senegal in implementing its new development strategy (PSE), which relies on high, sustainable, and inclusive growth to substantially reduce poverty while safeguarding macroeconomic stability and debt sustainability. The program stems from disruptions that will, in the short and medium term, result in the initiation of bold actions to stimulate private initiative and creativity in order to realize the people's aspirations towards well-being. Reforms are aimed at restoring the government's fiscal space and creating a more attractive business environment for private-sector development.
4. The government believes that the policies and measures set forth in the attached MEFP are appropriate for achieving the objectives of the next PSI-supported program. Given its commitment to macroeconomic stability, the government will promptly take any additional

measures needed to achieve the program objectives. It will consult with the IMF—at its own initiative or whenever the Managing Director requests such consultation—before adopting any such measures or in advance of revisions to the policies contained in the attached MEFP. Moreover, the government will provide the IMF with such information as the IMF may request in connection with the progress made in implementing the economic and financial policies and achieving the program objectives.

5. The government authorizes the IMF to publish this letter, the attached MEFP, and the related Staff Report, which includes a debt sustainability analysis.

Sincerely yours,

/s/

Amadou BA  
Minister of Economy, Finance, and Planning

Attachments: - Memorandum of Economic and Financial Policies (MEFP)  
- Technical Memorandum of Understanding (TMU)

## Attachment I. Memorandum on Economic and Financial Policies 2015–2017

**1. This Memorandum**, divided into four sections, speaks to the government’s willingness to accelerate structural reforms in order to support strong, sustainable growth for harmonious economic and social development. The first section summarizes recent economic developments. It is followed by the second section, which sets out the macroeconomic policy and structural reforms for the period from 2015 to 2017. The objectives and a list of key reforms for 2015 are covered in section III, while section IV discusses changes in program monitoring.

### **I. RECENT ECONOMIC DEVELOPMENTS**

**2. Global economic activity was driven by more favorable circumstances in 2014.** Global GDP growth improved, spurred by a resurgence of economic activity in advanced economies, as the euro area emerged from recession (+1 percent in 2014 after negative growth of 0.4 percent the year before). The key drivers stemming from this upswing, including moderation of fiscal consolidation and a very accommodative monetary policy, remain in most advanced economies. Overall, the rates of growth of global economic activity are assessed at 3.4 percent in 2014 and 2.9 percent in 2013.

**3. In Senegal, the domestic economy benefitted from the kick-off of the implementation of the country’s development strategy (*Plan Sénégal Emergent* – PSE) and the consolidation of trade with Mali.** The real GDP growth rate is estimated at 4.7 percent, compared to 3.6 percent the year before, owing to renewed momentum in the construction and services sectors. The budget deficit also improved, dropping from 5.4 percent of GDP in 2013 to 4.9 percent of GDP in 2014 as a result of not only markedly higher fiscal recovery rates, but also the government’s efforts to rationalize public spending. In the same vein, the current account deficit shrank to 8.8 percent of GDP (compared to 10.4 percent of GDP in 2013) in the wake of favorable developments in oil prices, a decline in food and capital goods imports, and higher workers’ remittances.

### **II. MACROECONOMIC POLICY AND STRUCTURAL REFORMS FOR 2015–2017**

#### **A. Program Objectives 2015–2017**

**4. The main objective is to establish conditions conducive to stronger, more inclusive growth for meaningful poverty reduction.** Growth is expected to pick up, increasing from 4.7 percent in 2014 to more than 6 percent in 2017 owing in particular to the implementation of major agriculture, mining, energy, infrastructure, and tourism projects set forth in the PSE. However, the effective and rapid implementation of PSE projects and structural reforms to foster a more attractive business environment might lead to even higher growth rates of 5.4 percent in 2015, 6.4 percent in 2016, and 7.0 percent in 2017.

**5.** During the program period, inflation is expected to remain within the 1–2 percent range. Exports should improve now that the Ebola epidemic has been brought under control in the subregion and in light of better prospects for growth in Mali, which should also help revive tourism

activities. The current account deficit on the balance of payments is expected to continue to decrease from 8.8 percent of GDP in 2014 to 6.8 percent of GDP in 2017 on the back of export growth of around 6 to 7 percent annually as of 2016. However, the discontinuation of unconventional monetary policies in advanced economies could firm up interest rates on external financial markets and make nonconcessional financing more costly.

## **B. Macroeconomic Policies and Structural Reforms for the Medium Term**

**6. To enable Senegal to build on the recovery in global growth and on the more buoyant subregional environment**, the IMF-supported authorities' program will revolve around the following three aims: (i) rebuild the government's fiscal space; (ii) strengthen public financial management and governance; and (iii) improve the business environment.

### **a) Rebuild the Government's Fiscal Space**

**7. Fiscal management will continue to fall within the scope of prudent public finance and debt policy in order to maintain macroeconomic stability.** In this context, the plan is to reduce the deficit to 3.0 percent of GDP, as provided for by the WAEMU convergence criteria, starting in 2018, one year earlier than required. During this period, the government intends to ensure that the debt ratio does not exceed 55 percent of GDP in 2015, 56 percent of GDP in 2016, and 55.6 percent of GDP in 2017. Starting from the 2016 budget, the government will announce the sustainable debt path for the next five years with a commitment that in case of a deviation, the next budget would include a list of actions aimed at putting the debt back on the original path within four years.

**8. The government plans to institutionalize the precautionary management reserve.** It will organize a process for competitive access to some financial resources for the 2016 budget (June 2015). Furthermore, a fraction of the budget envelope will be reserved and allocated using a competitive procedure linking these additional resources to the implementation of structural reforms. The government will clearly define expenditures eligible for the precautionary reserve at the initial budget stage, in addition to the access terms and rules (for example, following a midterm implementation review) (September 2015).

**9. Revenue will be mobilized primarily by broadening the tax base and strengthening fiscal and customs administrations (see Box).** With respect to fiscal policy measures, the authorities are planning on reviewing the implementation of the new General Tax Code (*Code général des impôts*) with the help of an IMF technical assistance mission. This review will make it possible to further streamline and refine the new code. Discussions on the tax system in the financial and telecommunications sectors as well as on the imposition of a business license tax (*patente*) on factories and industrial facilities will be finalized in the first quarter of 2016. They should lead to the introduction, by September 2016, of legislation designed to rationalize taxation on telecommunications and in the financial sector.

### Modernization of tax and customs administrations

- Modernization of tax administration.** Key modernization objectives include the continued implementation of paperless processing and structural reforms as well as, to a lesser extent, the reduction of timeframes for processing tax disputes, closer monitoring of the largest taxpayers and tax creditors, and increased tax audit efficiency. Paperless processing will involve the consolidation of e-filing and e-payment as of 2016, owing to increased gains resulting from their use by businesses, and the discontinuation of cash tax payments of more than CFAF 100,000. This means that taxpayers will be able to use bank transfers and certified checks to make payments. Structural reforms will enshrine the new organization of the Directorate General of Taxes and Government Property (*Direction générale des impôts et domaines* – DGID) by: (i) lowering the eligibility threshold for the Medium Taxpayer Office (*Centre des Moyennes Entreprises* – CME) from CFAF 200 to 50 million; (ii) transforming the Large Taxpayer Office (*Centre des Grandes Entreprises* – CGE) into the Large Taxpayer Directorate (*Direction des Grandes Entreprises* – DGE); (iii) creating one or two new CMEs; and (iv) creating the Medium Taxpayer Directorate (*Direction des Moyennes Entreprises* – DME). The other administrative actions will be developed through: (i) improved tax collection support by making enforcement officers available to the DGID and through capacity-building among staff regarding means of amicable collection; (ii) regular audits of the largest tax contributors; (iii) the gradual transfer of the tax audit function from the Tax Audit and Intelligence Directorate (*Direction du Contrôle fiscal et du Renseignement* – DCFR) over to operational directorates (e.g., DGE); and (iv) the modernization of management tools with the operationalization of the cadastral identification number (*numéro d'identification cadastral* – NICAD), the digitization of the land register, and the creation of a new lease model for greater transparency and easier management of state fees, to be henceforth collected through the national tax management software (SIGTAS). The final aim will be to improve management of tax disputes through (i) a comprehensive audit of the stock of acceptances followed by proposed clearance procedures, and (ii) the establishment of a special collection unit.
- Customs administration will be modernized** through further automation of administrative and customs procedures, particularly the expansion of the electronic customs clearance system within the Customs computer network and more widespread use of the GAINDE system as a whole in areas covered by telephony operators. The latter falls within the 2015 benchmark in terms of its expansion to border offices covered by SONATEL, the complete changeover to paperless processing, the automation of suspended VAT management, and electronic payment of duties and taxes (CORUS). Customs will also step up collection of revenue from disputed cases and the activities of the joint customs–tax unit. Lastly, actions will be taken over the course of this period in relation to the implementation of new customs supervision mapping, the roll-out of a database on requests for action against counterfeiting, security risk assessments, and joint inspections with the Gendarmerie’s explosive detection dog teams. All these actions fit into the implementation of the strategic plan running until 2017. This plan is based on three key strategic areas, namely: (i) the continued pursuit of modernization efforts to boost competitiveness among businesses; (ii) improved mobilization of customs revenue for greater contribution to budget resources; and (iii) anti-fraud and anti-counterfeiting measures as well as involvement in the implementation of the national security policy.

**10. The government plans to increase investment effectiveness.** To this end, actions will focus on improving feasibility studies and socio-economic assessments. As it continues to strive towards efficiency, the government will issue a decree to create a progress review and evaluation committee in order to optimize project selection (June 2015). This committee will be charged with following up on feasibility studies, conducting assessments, and selecting projects. For this purpose, the cost-benefit analysis will be extended with a view to submitting at least ten (8) investment projects contained in the 2016 budget for such assessments (structural benchmark for October 15, 2015). These will be annexed to the 2016 budget law. The entire project assessment chain will be exhausted, from the midterm assessment through to the ex post assessment. The government will make the necessary arrangements to enhance consistency: sectoral policies/programs and projects, and economic and social development strategy. To do this, the government will ensure that public investment program and project preparation fits into the operationalization of the defined sectoral policies in line with the PSE. The investment budget will be revised, like the year before, by differentiating between the operating expenditures of institutional projects and all projects with low annual appropriations.

### **Public Finance Reforms**

#### Measures for 2015

- Put in place a mechanism to systematically conduct feasibility studies of investment projects in order to ensure that all major projects are subject to a feasibility study before being included in the budget law (December 2015).
- Impose strict limits on the composition of public investments. Once the budget has been approved, significant changes in the composition of public investments should be avoided.
- Align all ministerial sectoral policy documents with the PSE by end-2016. For 2015, ten (10) ministries have been selected to receive guidance in relation to this process. This number will increase to 14.
- Improve the methodology used to allocate investments (end-2015) in the budgetary circular. The system should allow for projects that are underway to be completed before budgeting for new projects.
- Align the project assessment cycle with the annual budget cycle. In that regard, the project cycle should follow the two key dates from the macroeconomic framework.
- Introduce, by decree, a multicriteria evaluation grid for project and program selection, subject to consensus and applicable to all ministries (December 2015). Cost-benefit analyses should be required for each project above a certain threshold.

### Public Finance Reforms (Concluded)

- Improve project classification (September 2015); a project should not be classified as an investment until after the share of recurrent expenditures it includes has been verified. The definition of an investment project should therefore be clarified and applied.
- Create an exhaustive database for projects financed using external resources (July 2015). Finalize the module being considered for tracking and communicating information on investments financed using external resources within the Integrated Public Financial Management System (*Système intégré de gestion des finances publiques* – SIGFIP) and connect it to the assistance management platform (PGFE) via an interface.
- Create a mechanism designed to monitor whether public investment projects have been carried through to completion to avoid including projects that will only be completed years after being announced and to reduce activity in capital expenditures (June 2015).

### Medium-term measures

- Introduce multiyear commitments and annual payment authorizations for capital budgeting (2017 budget); send spending ministries budget envelopes for the medium term.
- Introduce a new shared management system to strengthen institutional project management capacity (2017 budget), which covers the launch, the negotiation of proposals, the signature of the loan or agreement, project implementation, the communication of information, and follow-up.

**11. The government will assess all projects financed under a public-private partnership (PPP),** pursuant to Article 38 of Law No. 2014-09 on partnership contracts and in accordance with the decree implementing this law. These assessments will be carried out periodically, at least during each semester—preferably ex ante but also midterm and ex post—and submitted to the IMF (continuous structural benchmark). The two projects financed under a PPP, namely the toll road and its extension (Diamniadio-AIBD), are already subject to such an assessment.

**12. These assessment efforts could be capitalized and form a critical mass of knowledge** that would likely pass on national expertise to another level so that projects could be reviewed with greater specificity and efficiency in the medium term. In the same vein, foreign companies that perform large PSE projects under contract will be expected to transfer skills for the benefit of national expertise, as will technical assistance from the nonconcessional facilities of multilateral lenders (AfDB, WB, AFD, etc.), to bring Senegal into line with the highest international standards on project preparation and management.

**13. Improved efficiency of investments in financial and nonfinancial assets is also one of the concerns identified by the authorities.** Although the government portfolio includes many



strategic assets, it is not managed holistically. To rectify this, a management strategy for government and public enterprise portfolios will be defined in the first quarter of 2016 (structural benchmark). Work to collect information has already begun with a census of financial assets held in the country. However, in the interests of ensuring overall consistency, a comprehensive review of assets held abroad will also be carried out.

**14. The implementation of the PSE requires that current expenditures be rationalized.**

**Government spending will therefore continue to be reduced** in various areas (miscellaneous supplies, phone bills, staff housing, foreign travel, office building leases, etc.). Changes in the wage bill will be curtailed through a hiring freeze (excluding defense and security forces) beyond replacements and through the reduction of envelopes for overtime and for health care services for government officials. Other savings will be achieved by downsizing diplomatic personnel stationed overseas. Pending the results of the study on the remuneration of government employees, the government will put a freeze on any new allowances and will cap existing allowances at current levels. The following actions are planned in order to contain the wage bill: (i) explore the need to set up a sole operator for the entire payroll process; (ii) review all legislation on the allowance system currently in force; and (iii) analyze the impact of ongoing reforms on the wage bill of local governments and thus on budget transfers. The human and material resources of the Payroll Directorate (*Direction de la Solde*) will also need to be built up for better control of the various wage bill variables.

### **Wage Bill Reforms**

#### Measures for 2015

- Freeze salary supplements at 2014 levels until a new pay policy is firmly established.
- Fully implement a selective hiring freeze in nonpriority areas.
- Put in place procedures to ensure that, going forward, the automatic integration of new recruits is in keeping with the budget presented to the Ministry in charge of education.
- Enhance the payroll management computer application.

#### Medium-term measures

- Streamline government size and structure (2016). Functional reviews of government departments may help identify areas where overlap and duplication exist.
- Reform public-sector remuneration (2016). A closer linkage between wage increases and performance needs to be established; eligibility should follow stricter rules and the number and extent of salary supplements should be streamlined.
- Introduce a more systematic approach to formulating the annual wage policy (2016 budget).
- Improve integration of the wage policy and staff cost forecasts into the budget process and in achieving the government's medium-term objectives (2016 budget).
- Review the central administration's wage policy every three years in consultation with social partners (2016).

**15. Current expenditures will be reduced** through the adoption of a program to terminate publicly funded public utility plans for non-public-sector consumers (*polices d'abonnement hors administration*) and through the installation of smart meters and fixtures that limit consumption in office buildings. The government has already revised water rates. Lastly, the amount of grants will be capped at its actual level, and the audit recommendations on university expenditures will be implemented.

**16. In its pursuit of the objectives of the second pillar of the PSE**, the government will continue to improve access to resources and production factors for vulnerable groups in order to give them an opportunity to be creators of wealth just like other segments of the population. It will also regularly monitor the conditionalities of granting the Family Security Allowance (*Bourse de sécurité familiale* – BSF) and will develop a mechanism to assess its effectiveness in enhancing recipients' well-being and children's academic performance. Lastly, tools designed to evaluate the roll-out of Universal Medical Coverage (*Couverture Maladie Universelle* – CMU) will be put in place, distinguishing notably between the execution of public expenditure to that effect and the impact on user health.

**17. Senegal is now recognized as a country with the capacity to autonomously manage its debt.** However, in order to strengthen the debt management framework and make it more credible, legislation on public debt will be tabled in the National Assembly by end-2015. The debt strategy is appended to the budget law and is therefore of a legislative nature. The activities of the National Public Debt Committee (*Comité national de la dette publique* – CNDP) will also need to be stepped up and improved. One of the responsibilities of the CNDP will be to coordinate debt-related initiatives and to provide advice on the appropriateness of taking on any new debt, particularly in view of its impact on public debt sustainability. For this purpose, the composition of the Committee membership will be redefined and extended, particularly to the President's Office, to the Prime Minister's Office, and to other government instrumentalities. With regard to national and sectoral guidelines, the CNDP will contact the Directorate General in charge of Planning (*Direction générale en charge de la planification*) as needed for a notice of compliance for major debt projects. A decree will be issued to give effect to these reforms. By the same token, the government will establish a medium-term budget framework (MTBF) in early 2016. Multi-year commitments would enable more fiscal discipline and better management of cash flow requirements. The MTBF could also positively affect public debt sustainability.

**18. Over the program period, the government plans to mobilize a nonconcessional external loan envelope with a ceiling set at US\$1000 million.** This envelope is intended for financing investment projects, particularly those involving road infrastructure, the energy sector, urban water, and sanitation. To this end, the government could intervene in international financial markets or use the nonconcessional facilities of multilateral donors (World Bank and AfDB), which are equipped to finance large projects within short timeframes.

**19. As part of the PSE, technical and financial partners (TFPs) have joined Senegal to provide assistance.** Donors have made a commitment to allocate more than 28 percent of this

envelope in the form of grants, thereby creating more fiscal space than expected. The challenge now lies in mobilizing these funds.

## b) Strengthen Public Financial Management

- 20. In the medium term, public administration reform should consist** in enhancing professionalism in human resources management, streamlining and standardizing administrative procedures, introducing paperless processing, against the backdrop of the proper development of e-government, rationalizing organizational structures and strengthening capacities for the design, formulation, implementation, monitoring, and evaluation of public policies.
- 21.** In human resources management specifically, with a view to improving productivity and the quality of services provided to individuals and businesses, and in addition to a proper strategy for strengthening human resources capacities, the use of new performance management tools (code of conduct, job descriptions, ethics code, individual performance contract, performance appraisal maintenance system, etc.) should be geared more towards measurable results.
- 22. Implementation of the agency restructuring plan will continue.** An impact study will be carried out for any new agency created, in accordance with the framework law on agencies. An evaluation could be considered to revisit the issue of salary scales and the reassignment of staff to PSE projects or the administration. The use of agency performance contracts (PCs) will be widespread by 2020. With support from the World Bank, at least eight (8) PCs will be signed in 2015; their implementation will be closely monitored by the authorities (structural benchmark).
- 23. We plan to expand the “Precautionary Reserve Envelope” (PRE) process.** In the 2016 budget, the reserve would amount to 0.8 percent of GDP and would include both current expenditure (0.3 percent of GDP), including in wages and salaries, goods and services, transfers and other expenditure, and capital expenditure (0.5 percent of GDP) including [8] projects defined in the budget for which financing will not be released until acceptable feasibility studies have been completed.
- 24. One of the major reforms in fiscal management has to do with the manner in which the innovative budget process is overseen at the political level,** with the organization of two high-level meetings between government members to discuss budget issues before binding arbitration on the budget and the passing of the budget review law. Moreover, strict performance criteria for the allocation of additional budget resources will be defined in the circular letter on budget preparation. Staff will be assessed primarily on the basis of: (i) regular stock account holding; (ii) the ability to formulate proper project files; (iii) the performance level in opening and closing activities and projects; (iv) the rate of completion of public contracts; and (v) the rationalization measures taken (grouping budget chapters, cleaning up unnecessary budget headings, tight control over bonuses and allowances for eligible parties, etc.). In the same vein, the government will institutionalize the precautionary management reserve, with the same arbitration system as for the performance criteria. The Budget Directorate (*Direction du budget*) will prepare a TOFE translation

module for the Government Finance Statistics Manual (GFSM) 2001/14 in a new budget nomenclature (June 2015).

**25. As part of public finance reform,** the 2019 accounting reform implementation strategy will be finalized. It is conveyed through the Strategic Development Plan of the Treasury Administration (*Plan de Développement Stratégique de l'Administration du Trésor – PDSAT*) as follows: improved reliability of government accounts through the clearance of old balances in Class 4 accounts (December 2015); enhancement of government accounting with asset information taken from the census and valuation of government shareholdings (July 2016) and the census of government financial debt (July 2015); monitoring of government shareholdings and financial debt in public accounting (as of July 2015); development of a compendium of government accounting standards (*recueil des normes comptables de l'État – RNCE*) (December 2015); accrual accounting with government opening balance initialization (January 2017, structural benchmark) and the application of new operative events of accrual accounting (2017); and the finalization of the minimum framework of the government flow-of-funds table (*Tableau des Opérations financières de l'État – TOFE*) according to the GFSM published in 2001 by the International Monetary Fund (as of December 2015, structural benchmark).

**26. However, the implementation of these major reforms requires specific expertise.** To this end, the government will take steps to build government employees' material accounting capacities. Thus, regular stock account holding—the starting point for wealth management—will gradually take place. High-level training will also be given to Macroeconomic Framework Committee (*Comité de Cadrage Macroéconomique*) experts on platform use for macroeconomic DMX programming pertaining to projections and program monitoring.

**27. Strengthen the economic aspect of the Ministry of Economy, Finance, and Planning.** Ministry authorities launched an institutional reform that led to the creation of the Directorate General of Planning and Economic Policies (*Direction générale de la planification et des Politiques économiques – DGPPE*) and that gives the Directorate General of Finance (*Direction générale des Finances – DGF*) greater cohesion (investment integration into the DGF). This reform will strengthen the link between the macroeconomic framework and the budget framework, on the one hand, and improve the quality of public spending with more systematic project cost–benefit assessments, on the other hand.

**28. Program budgets will be introduced as part of efforts to improve budget quality.** To do this, sectoral public policies in line with the PSE will first be defined, before being divided into budget programs. A performance appraisal and monitoring framework will inevitably be developed for this purpose. Lastly, the government will take support measures to (i) adapt the budget information system to assist in program budget programming and execution, and (ii) develop a budget account of the payment authorizing officer (*ordonnateur*) for 2014 and a performance report to be in line with the program manager accountability system.

**29. Government cash flow management will be further modernized in the medium term and will be driven by the momentum of Single Treasury Account (STA) implementation.** The

following actions will be taken to continue to rationalize deposit accounts: (i) review the terms applicable to opening, operating, and closing such accounts; (ii) limit the number of such accounts; (iii) ensure that credit balances are not carried over automatically; and (iv) perform an audit and reallocate dormant funds in these accounts. The plan for the first quarter of 2016 is threefold: to extend the first-generation STA—limited to the bank accounts of direct Treasury accountants (*comptables directs du Trésor – CDT*)—to all bank accounts within the network of accounting staff in public institutions and agencies; to finalize the model of the cash flow forecast plan tailored to CDTs; and to systematize its transmission to the Treasurer General. In the meantime, the practice of opening a deposit account for autonomous public agencies and transmitting a cash flow forecast plan to the Treasury will remain in effect. In addition to these measures, the government could adopt a principle in 2016 whereby any appropriation in favor of a government department or an agency will only be released up to a degree commensurate with the department’s or agency’s progress in implementing reforms leading to the STA. Lastly, donors will be encouraged to work in complete agreement with the MEFP by discussing any accounts opened for ministries and agencies.

**30. Efforts to improve accounting, fiscal, and financial information are continuing.** In the medium term, the automated processing of financial and accounting information in the parapublic sector through the creation and operationalization of the Parapublic Sector Observatory (*Observatoire du Secteur parapublic*) at end-2016 would make the information instrument more reliable. The establishment of a Local Finance Observatory (*Observatoire des Finances locales*) to improve access to the financial information of local governments for citizens and various stakeholders is also a major step. The effective application of the national registration number for enterprises and associations (NINEA) by the Directorate General of Customs (*Direction générale des douanes – DGD*) and the DGID before end-2015 should make it possible to more thoroughly identify economic operators. Furthermore, the introduction within directorates of IT services of the Directorate General of Finance (*Direction générale des Finances – DGF*) and the Directorate General of Public Accounting and the Treasury (*Direction générale de la Comptabilité publique et du Trésor – DGCPT*) should foster the interconnection between ANSD, DGD, DGCPT, and DGF in 2015 as well as the completion of the ASTER-SIGFIP component of the interface, which should enable automatic authorization of payments in SIGFIP. Modernization of the payroll management system will also continue. Software is expected to be rolled out in the offices of regional finance comptrollers in order to decentralize document consultation, production, and submission for the purpose of updating the family cluster. In another vein, a tax database will be set up effective end-September 2015. Moreover, final touches will be done in the third quarter of 2015 to produce the procedures manual on work method standardization and to improve taxpayer services. Lastly, as part of efforts to bring about conditions conducive to achieving accounting quality, the trial balance will be cleaned up before end-2015 (clearance of some budget allocation accounts with balances dating back to before 2011 that could not be confirmed by supporting documents).

**31. The government is determined to continue improving economic and financial governance.** Capacity-building will take place within the National Financial Information Processing Unit (*Cellule nationale de traitement des informations financières – CENTIF*) and the National Office for Anti-Fraud and Anti-Corruption Measures (*Office national de lutte contre la fraude et la*

*corruption* – OFNAC). The amendment to Article 3 of the law establishing OFNAC, passed in the first quarter of 2014, gives impetus to the power entrusted to the institution to receive asset declarations from public authorities.

**32. Furthermore, the National Good Governance Strategy (*Stratégie nationale de Bonne Gouvernance*) will continue to be implemented.** The main actions planned are as follows: (i) to strengthen democracy and the rule of law; (ii) to promote public integrity, transparency, and accountability; (iii) to strengthen local governance; (iv) to strengthen the governance of strategic sectors (mining, land, education, health, etc.); (v) to develop social communication to drive civic ownership of good governance; and (vi) to implement governance assessment tools. Specific short-term issues include the completion and rationalization of the legal and organizational framework for monitoring government action in order to increase transparency and efficiency in public governance, and the implementation of the transparency code (law on asset disclosure passed by the National Assembly on March 21, 2014). The CENTIF will join all the other stakeholders in striving to implement the national strategy for combating money laundering and terrorist financing for the period from 2013 to 2017.

### c) Promote the Private Sector

**33. The PSE has set aside a very large portion for the development of the national and international private sector.** The objectives of the first pillar relating to the structural transformation of the economy have been set, placing private businesses and their performance over time at the center of economic policy. Focusing on efforts to bolster the economic framework, the government is taking steps to achieve strong, sustainable growth by establishing a more suitable business climate.

**34. High-impact investment requires a new strategy for attracting foreign direct investment (FDI),** which is struggling to exceed 2 percent of GDP. This is not in keeping with the desired private-sector momentum and the integration of products with higher value-added into world trade. One of the current challenges lies in defining quantified investment targets for each strategic sector. The government could also take up the challenge of establishing an aggressive joint venture strategy between the domestic private sector and multinationals.

**35. To achieve the PSE objectives, it is imperative to meet the prerequisites or create the building blocks** for settling the critical energy issue, implementing next-generation infrastructure for production support, improving the business environment, strengthening human capital, and meeting the financing needs of the economy.

### **Energy Sector**

**36. Energy sector development is a prerequisite to emergence,** given the high electricity rates and the capacity constraints of SENELEC, the publicly owned power utility. Accordingly, the development of the energy sector is a pillar of the PSE, given the high prices of electricity and capacity constraints of the electricity company SENELEC. To meet the challenge of electricity supply



in quantity and quality to businesses and households, the Government has defined and uses its energy mix policy by 2025 through an injection into the grid of at least 1000 MW. An investment plan was crafted for this purpose. The development of planned production capacity is mainly focused on the development of ten (10) projects with renewable energy power plants between 2016 and 2018 (230 to 280 MW), coal plants between 2016 and 2019 (715 MW) and dual-fuel plants between 2015 and 2016 (123 MW) as well as imports from Mauritania from 2015 (80 to 125 MW). In 2016 at least four (04) plants are expected to start production. This is the dual fuel power plant of 70 MW in Taiba Ndiaye, central Contour Global (ex IWG) of 53 MW of coal power and Sendou 125 MW of coal power and the solar power plant of 15 MW in Diass. The Government undertakes to take all necessary measures for the effective realization of these projects. The commissioning of the new units would allow for increased production, lower production costs, and a gradual decline in tariff compensation to SENELEC and eventually reduced costs for the user. Finally, the national rural electrification program (PNER) aims to achieve a rural electrification rate of 60% by 2017 and universal access by 2025. Funding is currently being sought to this end.

### **Financial Sector**

**37. To facilitate access to bank lending**, the government is also committed to: (i) developing and implementing a financial education program for small- **and medium-sized enterprises** (SMEs); (ii) putting in place a national financial inclusion strategy in 2016; and (iii) continuing to promote the use of banking facilities and non-cash methods of payment (continuous structural benchmark). Furthermore, the effectiveness of introducing credit information bureaus (*bureaux d'informations sur le crédit* – BIC) in June 2015 will help establish a healthy lending environment, promote the credit culture, contain bank indebtedness, and safeguard financial stability.

**38.** The year 2015 will be one for consolidating the gains made in supporting small- and medium-sized enterprises and industries (SMEs/SMIs), particularly with the ramped-up efforts of the National Economic Development Bank (*Banque Nationale de Développement Economique* – BNDE) to meet the financial needs of SMEs. The Priority Investment Guarantee Fund (*Fonds de Garantie des Investissements Prioritaires* – FONGIP) will consolidate the guarantee activities it already has in place for SMEs/SMIs. It will do so notably by continuing the youth incentive program through decentralized financial system (DFS) refinancing, by promoting entrepreneurship education and youth training, and by promoting the entrepreneurial potential of women.

**39. The government will continue to diversify financial instruments that are not necessarily bank-related.** To that end, particular focus will be placed in 2016 on (i) producing an action plan for the development of factoring in Senegal, (ii) promoting the development of Islamic finance in Senegal, notably by establishing an Islamic microfinance institution, and (iii) developing capital markets.

### **Other factors to improve the business climate and private-sector promotion**

**40. Notable progress has been made in streamlining administrative procedures.** Out of the fifty-six (56) measures under the Three-Year Program for the Reform of the Business Climate and

Competitiveness for the Period 2013–2015 (*Programme triennal de réformes de l'environnement des affaires et de la compétitivité pour la période 2013-2015 – PREAC*), thirty four (34) in the fields of taxation, commercial justice, transfer of ownership, labor laws, housing, energy, and training have been fully completed. At present, fourteen (14) measures have already been finalized to enable Senegal to cement its position at the forefront of reforming countries. For 2015, a priority action plan comprising some 30 measures is being prepared. These measures are considered to be triggers or initiators of a real change of course in: (i) eliminating the minimum capital requirement in the wake of a lower minimum capital for limited liability companies (LLCs), which dropped from one million (CFAF 1,000,000) to one hundred thousand (CFAF 100,000) francs; ensuring the proper operation of the platform ([www.orbus-entreprise.sn](http://www.orbus-entreprise.sn)) for no-charge online business start-ups; (ii) strengthening the building permit examination procedure (filing and technical consultation) through the “[teledac.gouv.sn](http://teledac.gouv.sn)” electronic platform to secure the issuance of building permits to businesses within the legal 40-day timeframe; and (iii) improving the administrative tax reporting and payment procedure, which can be done online on the e.tax platform ([www.dgid.sn/etaxe](http://www.dgid.sn/etaxe)).

**41. The government has also taken measures to reduce the costs of issuing administrative documents for business start-ups, transfers of ownership, electricity connections, and cross-border trade.** These measures include the elimination of stamp duties for business start-ups, a reduction in registration fees to 5%, a 50% decrease in payment of the advance on consumption, and the adoption of a billing system on a per-container basis at the Autonomous Port of Dakar (PAD).

**42. At the sectoral level, some measures will be taken to facilitate the successful implementation of flagship PSE projects.** These include: (i) developing special economic zones for agricultural and fishery hubs, including the introduction of investor packages; (ii) establishing a revamped sectoral code for “social housing and construction” (easier access to ownership, simplified pre-construction procedures, and tax incentives to draw new builders and investments by private individuals); (iii) simplifying reporting and taxation requirements for micro-businesses; (iv) updating the mining code to guarantee both an attractive tax framework and greater acknowledgement of the government’s strategic interests (higher royalties, etc.); (v) introducing implementing decrees to enact the agro-sylvo-pastoral framework law; and (vi) conducting strategic studies on the investment promotion policy.

**43. The government plans to expedite the finalization of work being carried out by the commission in charge of land reform and to erect investment platforms to support local governments in promoting investment opportunities in Senegal’s eco-geographical areas.** The Program for the Inclusive and Sustainable Development of Agribusiness (*Programme de développement inclusif et durable de l'agrobusiness – PDIDAS*) in the Senegal River Valley, Ngalam Valley, provides for technical assistance in 2015 for rural communities to enable them to allocate land to private operators according to an inclusive, transparent, and competitive process. This technical assistance will focus on (i) identifying 500 ha of land to be made available to private commercial agricultural producers, and (ii) launching the land allocation process, involving in



particular the identification of private-sector entities interested in leasing land and consultations with stakeholders. Moreover, the following will take place in 2015:

**44. The government is firmly committed, together with the National Employers' Association (*Patronat national*) in particular and the private sector in general, to working towards business development.** In this context, the government will also adopt a consultative framework by end-2015 in connection with the Ministry of Economy, Finance, and Planning, establishing a very clear linkage with the Ministry in charge of PSE monitoring, the Ministry in charge of SME promotion, the Ministry in charge of investment promotion, and the Ministry in charge of industry. Each ministry's role in PSE progress will need to be specified as well (Annex I).

### ***III. Objectives for 2015***

**45. Our objective for 2015 is to achieve a growth rate of at least 5 percent in 2015, while containing inflation below 3 percent.** The current account deficit is projected to be 8 percent of GDP and will be financed mainly through public borrowing and external private capital. Achievement of these objectives relies on good performance in agricultural production and an effective implementation of the projects and reforms provided for in the PSE. More expeditious project and reform implementation could drive the growth rate higher. However, factors such as weather conditions, commodity prices, security issues in the subregion, and slower global growth, especially in partner countries, could have the opposite effect.

### ***Fiscal Policy***

**46. The target for the fiscal deficit of 4.7 percent in 2015, compared to 4.9 percent in 2014,** is still feasible in light of the developments noted in the first quarter. It is essentially dependent on good revenue collection, proper current expenditure control, and higher investment spending to support growth.

**47. In the interest of further consolidating public finances, the Ministry of Finance will continue its efforts towards budget transparency and honesty.** In that vein, it appears that the embassy wage bill is underestimated and that there is a lack of control over the number of teachers to be integrated into the civil service (6,614 instead of the planned 4,000). These factors will drive the wage bill up to CFAF 25 billion. However, as the government is aware that the wage bill needs to be curbed so that more financing can go towards social and infrastructure spending, it has decided to take immediate action to limit the increase in the wage bill to CFAF 16 billion, thereby bringing the total wage bill to CFAF 526 billion compared to CFAF 510 billion, as provided for in the initial budget law. The measures taken include an audit of health care expenses and the limitation of these expenditures in a circular, a reduction in overtime costs, and a decrease in the wage bill for consulates and embassies. The government is also committed to improving oversight of the fiscal impact of integrating new teaching recruits (contractual professors, contractual teachers, and term employees) for better control of the wage bill. As part of the PSE, the government aims to position Senegal as a regional aviation hub, an objective that can be achieved by accelerating work to finalize the new airport. Another measure involves the restructuring of Groupe AIR SENEGAL (GAS). To that

end, the government will ensure that an appropriate restructuring plan setting out the fiscal implications is developed promptly.

**48.** A total financial envelope of CFAF 13 billion will be released to finance the **acquisition of seeds for agricultural purposes** (CFAF 8 billion), the purchase of vaccines (CFAF 2.5 billion), and support for the PAQUET program in the education sector (CFAF 2.5 billion).

**49. In the context of the wage policy,** the primary purpose of the review being conducted on the government employee remuneration system is to identify sources of budget management tensions, to correct the identified distortions, and to restore system balance and coherence. This is with a view to, on the one hand, ensuring full control of the wage bill and improving government budget programming and management, and, on the other hand, laying the groundwork for a performance-based pay policy in line with the ROMCES and the consolidated government employee database (*Fichier unifié des données du personnel de l'État – FUDPE*) in order to transform our administration from its current status as a career civil service into a true employment civil service.

#### **IV. New program monitoring indicators**

**50.** Quantitative assessment criteria for end-June 2015, end-December 2015, and end-June 2016, as well as indicative targets for end-September 2015, end-March 2016 and end-September 2016 have been proposed to monitor program implementation in 2015 (see Table 1 of the MEFP below). The government and Fund staffs have also agreed on the preliminary actions and structural benchmarks presented in Table 1 of the MEFP. Reviews will take place every six months. The first review is expected to be completed by end-December 2015, the second by end-June 2016, and the third by end-December 2016.

**Table 1. Senegal: Quantitative Assessment Criteria and Indicative Targets for 2015–16  
(GFSM 2014)**

|   | 2015  |       |       |       | 2016  |       |       |       |
|---|---|-------|-------|-------|-------|-------|-------|-------|
|   | Mar.  | Jun.  | Sep.  | Dec.  | Mar.  | Jun.  | Sep.  | Dec.  |
|   | Act.  | Prog. | Prog. | Prog. | Prog. | Prog. | Prog. | Proj. |
|   | (CFAF billions, unless otherwise specified) |       |       |       |       |       |       |       |
| <b>Assessment criteria<sup>1</sup></b>  |   |       |       |       |       |       |       |       |
| Floor on net lending/borrowing <sup>2</sup>   | -54   | -143  | -255  | -389  | -53   | -140  | -249  | -380  |
| Ceiling on the contracting or guaranteeing of new nonconcessional external debt by the public sector (US\$ millions) <sup>3</sup> | ...   | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Ceiling on spending undertaken outside normal and simplified procedures <sup>3</sup>  | ...   | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Ceiling on public sector external payment arrears (stock) <sup>3</sup>  | ...   | 0     | 0     | 0     | 0     | 0     | 0     | 0     |
| Ceiling on the amount of the budgetary float  | ...   | 50    | 50    | 50    | 50    | 50    | 50    | 50    |
| <b>Indicative targets</b>   |   |       |       |       |       |       |       |       |
| Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)                          | ...   | 15    | 15    | 15    | 15    | 15    | 15    | 15    |
| Floor on social expenditures (percent of total spending)  | ...   | 35    | 35    | 35    | 35    | 35    | 35    | 35    |
| Floor on tax revenue  | ...   | 825   | 1,190 | 1,595 | 402   | 903   | 1,303 | 1,747 |
| <b>Maximum upward adjustment of the overall deficit ceiling owing to</b>  |   |       |       |       |       |       |       |       |
| Shortfall in program grants relative to program projections   | ...   | 15    | 15    | 15    | 15    | 15    | 15    | 15    |
| Memorandum items:   |   |       |       |       |       |       |       |       |
| Program grants  | ...   | 15    | 28    | 40    | 5     | 21    | 40    | 58    |

Sources: Senegal authorities; and IMF Staff estimates.

<sup>1</sup>Indicative targets for March and September, except for the assessment criteria monitored on a continuous basis. See Technical Memorandum of Understanding for definitions.

<sup>2</sup>GFSM 2014 definition. Cumulative since the beginning of the year.

<sup>3</sup>Monitored on a continuous basis.

**Table 2. Senegal: Structural Benchmarks for 2015 and 2017**

| <b>Measures</b>   | <b>Target Date</b>              |
|---|---------------------------------|
| Conduct an ex ante, midterm, and ex post evaluation of all projects financed under a public-private partnership (PPP)   | Continuous structural benchmark |
| Sign performance contracts for eight agencies (MEFP ¶122)   | December 2015                   |
| Eliminate cash tax payments above CFAF 100,000  | June 2015                       |
| Operationalize the connection between the DGD and the DGID to facilitate data exchanges with the NINEA unique ID  | December 2015                   |
| Submit at least 10 investment projects listed in the 2016 budget for cost-benefit analysis  | October 2015                    |
| For the 2016 budget, announce the debt ratio sustainable over five years with a commitment in case thresholds are exceeded; corrective measures (over four years) would be taken in the budget that follows | December 2015                   |
| Expand the precautionary reserve envelope for the 2016 budget   | December 2015                   |
| Collect at least 50 percent of taxes left unpaid in 2014  | December 2015                   |
| Finalize the Single Treasury Account (MEFP ¶129)  | December 2015                   |
| Implement the agency reform plan by limiting allocated budget resources solely to the payment of wages for the 16 agencies whose dissolution is pending   | December 2015                   |
| Institutionalize the precautionary management reserve (MEFP ¶18)  | September 2015                  |
| Finalize the government flow-of-funds table (TOFE) according to GFSM 2001/14  | December 2015                   |
| Define a management strategy for government and public enterprise investment portfolios (MEFP ¶113)   | March 2016                      |
| Establish accrual accounting with the initiation of the government's opening balance  | January 2017                    |

## Attachment II. Technical Memorandum of Understanding

1. This technical memorandum of understanding (TMU) defines the quantitative assessment criteria, indicative targets, and structural benchmarks necessary to monitor the Fund-supported program under the Policy Support Instrument (PSI) in 2015-2017. It also establishes the terms and timeframe for transmitting the information that will enable Fund staff to monitor the program.

### Program conditionality

2. The assessment criteria for end-June 2015, end-December 2015 and end-June 2016 and the indicative targets for end-March 2015 and end-September 2015 and end-March 2016 are set out in Table 1 of the Memorandum of Economic and Financial Policies (MEFP). The structural benchmarks established under the program are presented in Table 2.

### Definitions, adjusters, and data reporting

#### A. The Government and Public Sector

3. Unless otherwise indicated, "government" in this TMU means the central government of the Republic of Senegal. It excludes the central bank and the non-government public sector (see paragraph 4).

4. Unless otherwise indicated, "public sector" in this TMU means the government, local governments and all majority government-owned or controlled entities.

#### B. Net lending/Borrowing (Program Definition)

##### Definition

5. Net lending/borrowing (program definition), or the overall fiscal balance, is the difference between the government's total revenue and total expenditure (costs and acquisition net of nonfinancial assets). The operations of the Energy Sector Support Fund (FSE) are integrated in the TOFE. The definition of revenues and expenditures is consistent with that in the 2001/14 Government Financial Statistics Manual (GFSM). Government expenditure is defined on the basis of payment orders accepted by the Treasury, as well as those executed with external resources. This assessment criterion is set as a floor on the overall fiscal balance as of the beginning of the year.

##### Sample calculation

6. The floor on net lending/borrowing (program definition) as of December 31, 2014 is minus CFAF 381 billion. It is calculated as the difference between revenue (CFAF 1,877 billion) and total expenditure (CFAF 2,258 billion).

## Adjustment

7. The floor including grants is adjusted downward by the amount that budget grants fall short of program projections up to a maximum of CFAF 15 billion at current exchange rates (see MEFP Table 1).

## Reporting requirements

8. During the program period, the authorities will report provisional data on the overall fiscal balance (program definition) and its components monthly to Fund staff with a lag of no more than 30 days after the end of the relative month. Data on revenues and expenditure that are included in the calculation of the overall fiscal balance will be drawn mainly from preliminary Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but no later than two months after the reporting of the provisional data.

## C. Social Expenditure

### Definition

9. Social spending is defined as spending on health, education, the environment, the judicial system, social safety nets, sanitation, and rural water supply (as contained in the table on social expenditure).

### Reporting requirements

10. The authorities will report semiannual data to Fund staff within two months following the end of each period.

## D. Budgetary Float

### Definition

11. The budgetary float (*instances de paiement*) is defined as the outstanding stock of government expenditure for which bills have been received and validated but not yet paid by the Treasury (the difference between *dépenses liquidées* and *dépenses payées*). The assessment criterion is set as a ceiling on the budgetary float, monitored at the end of the quarter.

### Reporting requirements

12. The authorities will transmit to Fund staff on a weekly basis (i.e., at the end of each week), and at the end of each month, a table from the expenditure tracking system (SIGFIP) showing all committed expenditure (*dépenses engagées*), all certified expenditures that have not yet been cleared for payment (*dépenses liquidées non encore ordonnancées*), all payment orders (*dépenses ordonnancées*), all payment orders accepted by the Treasury (*dépenses prises en charge par le Trésor*), and all payments made by the Treasury (*dépenses payées*). The SIGFIP table will exclude delegations

for regions and embassies. The SIGFIP table will also list any payments that do not have a cash impact on the Treasury accounts.

#### **E. Spending Undertaken Outside Simplified and Normal Procedures**

**13.** This assessment criterion is applied on a continuous basis to any procedure other than the normal and simplified procedures to execute spending. It excludes only spending undertaken on the basis of a supplemental appropriation order (*décret d'avance*) in cases of absolute urgency and need in the national interest, pursuant to Article 12 of the Organic Budget Law. Such spending requires the signatures of the President of the Republic and the Prime Minister.

**14.** The authorities will report any such procedure, together with the SIGFIP table defined in paragraph 12, to Fund staff on a monthly basis with a maximum delay of 30 days.

#### **F. Public Sector External Payments Arrears**

##### **Definition**

**15. External payment arrears** are defined as the sum of payments owed and not paid when due (in accordance with the terms of the contract) on the external debt contracted or guaranteed by the public sector. The definition of external debt given in paragraph 19 is applicable here. The assessment criterion on external payments arrears will be monitored on a continuous basis.

##### **Reporting requirements**

**16.** The authorities will promptly report any accumulation of external payments arrears to Fund staff.

#### **G. Contracting or Guaranteeing of New Nonconcessional External Debt by the Public Sector**

##### **Definition**

**17. Debt.** For the purposes of the relevant assessment criteria, the definition of debt is set out in Executive Board Decision No. 6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91).

a) The term "debt" will be understood to mean a direct, i.e., non-contingent, liability created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a given repayment schedule; these payments will discharge the principal and/or interest. Debts can take a number of forms, the primary ones being as follows:

- i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements.);
  - ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
  - iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- b) Under the definition of the debt above, arrears, penalties, and judicially awarded damages and interest arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

**18. Debt guarantees.** For the purposes of the relevant assessment criteria, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind.)

**19. Debt concessionality.** For the purposes of the relevant assessment criteria, a debt is considered concessional if it includes a grant element of at least 35 percent;<sup>1</sup> the grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.<sup>2</sup> The discount rate used for this purpose is 5 percent.

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<sup>1</sup> The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages:  
<http://www.imf.org/external/np/pdr/conc/calculator>.

<sup>2</sup> The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.



**20. External debt.** For the purposes of the relevant assessment criteria, external debt is defined as debt borrowed or serviced in a currency other than the CFA franc, regardless of the residency of the creditor.

**21. Debt-related assessment criteria.** The relevant assessment criteria apply to the contracting and guaranteeing of new nonconcessional external debt by the public sector, including SENELEC and the Energy Sector Support Fund (FSE). The criteria apply to debt contracted or guaranteed as defined in paragraphs 16 and 17. The assessment criteria are measured on a cumulative basis from the time of approval of the PSI by the Executive Board. Assessment criteria will be monitored on a continuous basis. No adjuster will be applied to these criteria.

**22. Special provisions:**

- a) The assessment criteria do not apply to: i) debt rescheduling transactions of debt existing at the time of approval of the PSI; ii) debts contracted by the airport project company (AIDB) to finance construction of the new Dakar Airport; and; iii) short-term external debt (maturity of less than one year) contracted by SENELEC and the FSE to finance the purchase of petroleum products and (iv) Short-term trade related financing.
- b) A total ceiling of US\$1,000 million applies over the period 2015–17 for nonconcessional external debt financing to be used for investment projects, in a full amount including in road infrastructure, agriculture, and the energy sector.

**23. Reporting requirements.** The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

## H. Public Sector Contracts Signed by Single Tender

### Definitions

**24.** Public sector contracts are administrative contracts, drawn up and entered into by the government or any entity subject to the procurement code, for the procurement of supplies, delivery of services, or execution of work. Public sector contracts are considered “single-tender” contracts when the contracting agent signs the contract with the chosen contractor without competitive tender. The quarterly indicative target will apply to total public sector contracts entered into by the government or by any entity subject to the procurement code. The ceiling on contracts executed by single tender will exclude classified purchases and fuel purchases by SENELEC for electricity production reflected in a new regulation that allows SENELEC to buy fuel from SAR on the basis of the current price structure.

## Reporting requirements

25. The government will report quarterly to Fund staff, with a lag of no more than one month from the end of the observation period, the total amount of public sector contracts and the total value of all single-tender public sector contracts.

### I. Tax Revenues

#### Definition

26. Tax revenues are the sum of revenues from taxes and levies on income, profits and capital gains, salaries and labor, on assets; taxes on goods and services; on foreign trade and international transactions; and other tax revenues. The indicative target will be assessed on the basis of data for these revenues provided in the quarterly TOFE.

27. Specifically, petroleum revenues are the subject of specific monitoring in connection with international price trends. These are the VAT on oil, excise taxes on oil, customs duties on oil, vehicle taxes, and the Petroleum Product Imports Security Fund (FSIPP).

#### Additional information for program monitoring

28. The authorities will transmit the following to Fund staff, in electronic format if possible, with the maximum time lags indicated:

(a) Three days after adoption: any decision, circular, edict, supplemental appropriation order, ordinance, or law having economic or financial implications for the current program. This includes in particular all acts that change budget allocations included in the budget law being executed (for instance: supplemental appropriation orders (*décrets d'avance*), cancellation of budget appropriations (*arrêtés d'annulation de crédit budgétaires*), and orders or decisions creating supplemental budget appropriations (*décrets ou arrêtés d'ouverture de crédit budgétaire supplémentaire*). It also includes acts leading to the creation of a new agency or a new fund.

(b) Within a maximum lag of 30 days, preliminary data on:

Tax receipts and tax and customs assessments by category, accompanied by the corresponding revenue on a monthly basis;

The monthly amount of expenditures committed, certified, or for which payment orders have been issued;

The monthly situation of checks issued by agencies from their deposit accounts at the Treasury but not paid to beneficiaries, with the dates of issuance of the checks.

The quarterly report of the Debt and Investment Directorate (DDI) on the execution of investment programs;

The monthly preliminary government financial operations table (TOFE) based on the Treasury accounts;

The provisional monthly balance of the Treasury accounts; and

Reconciliation tables between the SIGFIP table and the consolidated Treasury accounts, between the consolidated Treasury accounts and the TOFE for “budgetary revenues and expenditures,” and between the TOFE and the net treasury position (NTP), on a quarterly basis; and

(c) Final data will be provided as soon as the final balances of the Treasury accounts are available, but not later than one month after the reporting of provisional data.

**29.** During the program period, the authorities will transmit to Fund staff provisional data on current nonwage noninterest expenditures and domestically financed capital expenditures executed through cash advances on a monthly basis with a lag of no more than 30 days. The data will be drawn from preliminary consolidated Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but no more than one month after the reporting of provisional data.

**30.** The central bank will transmit to Fund staff:

- The monthly balance sheet of the central bank, with a maximum lag of one month;
- The monthly consolidated balance sheet of banks with a maximum lag of two months;
- The monetary survey, on a monthly basis, with a maximum lag of two months;
- The lending and deposit interest rates of commercial banks, on a monthly basis; and
- Prudential supervision and financial soundness indicators for bank financial institutions, as reported in the table entitled *Situation des Établissements de Crédit vis-à-vis du Dispositif Prudentiel* (Survey of Credit Institution Compliance with the Prudential Framework), on a quarterly basis, with a maximum delay of two months.

**31.** The government will update on a monthly basis on the website established for this purpose the following information:

- a. Preliminary TOFE and transition tables with a delay of two months;
- b. SIGFIP execution table, the table for the central government and a summary table including regions, with a delay of two weeks;
- c. The amount of the airport tax collected, deposited in the escrow account, and used for the repayment of the loan financing the construction of the new airport, with a delay of one month. Full information on i) the operations of the Energy Sector Support Fund (FSE); ii) investment projects in the power sector; iii) planning and execution of these projects; iv) details of financing and updated costs.