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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 financial support 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 14, 2018

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

Madame Managing Director:

1. The government of Senegal requests completion of the sixth review under the Policy Support Instrument (PSI) of its macroeconomic program. The details of this program were set forth in the initial Memorandum of Economic and Financial Policies (MEFP) of June 8, 2015, and in the MEFPs pertaining to subsequent program reviews. The attached MEFP takes stock of program performance at end-December 2017, updates the macroeconomic objectives for 2018-19, as well as the structural reforms monitored under the program.
2. Program implementation remains satisfactory overall. All end-December 2017 assessment criteria under the program were met, except the AC on central government's overall net financing. All end-December 2017 and end-March 2018 ITs have been met except the ITs on the floor on tax revenue and the share of the value of public sector contracts signed by single tender. Progress was also made on structural reforms, with three out of the five benchmarks set for the sixth review being met and substantial progress made on the other two.
3. Fiscal policy is focused on reaching the 3.0 percent of GDP WAEMU budget deficit convergence criterion by 2019. This will be achieved, in particular, through efforts to increase revenues and contain current expenditure, which will allow fiscal consolidation while protecting resources for social and investment spending. In 2018, a significant package of measures will be implemented to offset fiscal pressures from additional security-related spending and higher global oil prices. In addition, progress has been made on reforms to contain additional financing needs of the Treasury, including from the Post Office, Civil Service Pensions and the accumulation of past years' appropriations in the *comptes de dépôt*. Furthermore, Senegal remains committed to a comprehensive policy agenda under the PSE to improve the business environment and ensure that the private sector can significantly contribute to sustained high growth over the medium term.
4. The attached memorandum proposes, starting from end-June 2018, a new assessment criterion on the floor on tax revenue (which replaces the related IT). The government also requests the modification of: (i) the end-June 2018 assessment criterion on the floor on net lending and borrowing; (ii) the end-September 2018 indicative target on the floor on net lending and borrowing; and (iii) the end-December 2018 assessment criteria on the floor on net lending and borrowing and the ceiling on the central government's overall net financing requirement.

5. The government believes that the policies and measures set forth in the attached MEFP are appropriate to achieve the objectives of the PSI-supported program. Given its commitment to macroeconomic stability and debt sustainability, the government will promptly take any additional measures needed to achieve the program objectives. The government will consult with the IMF—at its own initiative or whenever the Managing Director of the IMF requests such a consultation—before the adoption of any such measures and in advance of revisions to the measures contained in the attached MEFP, in accordance with the Fund’s policy on such consultation. Moreover, the government will provide the IMF with such information as the Fund may request in connection with the progress made in implementing the economic and financial policies and achieving the program objectives.

6. The government authorizes the IMF to publish this letter, the attached MEFP, and the Staff Report relating to the current review.

Sincerely yours,

/s/

Amadou Ba
Minister of Economy, Finance, and Planning

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies 2015–18

Recent Economic Developments

1. This memorandum updates the Memorandum of June 8, 2015, on our economic and financial program supported by the Policy Support Instrument (PSI) for 2015–2019. It reviews recent economic developments and describes the policies that the government plans to implement for the remainder of 2018 and in the short term in order to build on the good macroeconomic results achieved.

2. The development of national accounts in accordance with the recommendations of the System of National Accounts (SNA) 2008, with 2014 as the new base year, improves our knowledge of Senegal’s economic structure. Changing the base year of the national accounts (from 1999 to 2014) entails a nominal GDP increase of approximately 30 percent, which has a significant impact on GDP-based macroeconomic indicators (government debt ratio, fiscal deficit, per-capita GDP, and tax burden).

3. On the domestic front, the implementation of the Emerging Senegal Plan (*Plan Sénégal Émergent*—PSE) continues to yield very good results. In 2017, GDP growth was 7.2 percent, compared to an initial forecast of 6.8 percent. This third consecutive year of growth above 6 percent (after 6.4 percent in 2015 and 6.2 percent in 2016) is due mainly to the dynamism of sectors such as agriculture (+16.8 percent), cereal food processing (+7.8 percent), chemicals (+17.8 percent), gas and electricity (+8.9 percent), construction (+9.6 percent), transportation (+10.5 percent), accommodation and food services (+15.0 percent), and financial and insurance services (+16.5 percent). In terms of demand, growth is driven primarily by domestic absorption. Contributions from consumption and gross fixed capital formation are 5.6 and 1.7 percentage points, respectively. Inflation remained modest with the harmonized index of consumer prices (HICP) increasing by 1.3 percent in 2017. As for foreign trade, the current account deficit deteriorated from 4.2 percent in 2016 to 7.3 percent in 2017, owing to the impact of increasing oil prices on petroleum product imports and the sharp increase in external purchases of foodstuffs and capital goods.

4. Program implementation struggled somewhat in 2017. Regarding quantitative targets, the quarterly ceiling on the budgetary float (CFAF 50 billion), the floor on net/lending borrowing (CFAF 349 billion or 3.7 percent of 1999 GDP and 2.9 percent of 2014 GDP), and the floor on social expenditures (35 percent) were all met. Nonetheless, the criterion on the ceiling on central government’s overall net financing was not met due mainly to higher-than-expected compensation needs for La Poste. Moreover, the tax revenue target was not met as a result of substantial revenue shortfalls due to the non-automatic adjustment of prices at the pump for petroleum products and because the target on the ceiling on the share of the value of public sector contracts signed by single tender exceeded the 15-percent target by 10 percentage points.

5. Good progress was made on implementing structural benchmarks. Of the five (5) structural benchmarks, three (3) were achieved: (i) undertake a pilot program to audit the 100 most significant approvals in order to control tax expenditures, (ii) implement the “Mon espace perso” project, and (iii) adopt regulations making it possible for medium-sized enterprises to file taxes online. The decree making online filing and payment compulsory for medium-sized enterprises was signed, but will only be effective from July 2018 onwards. In the meantime, the following actions will be taken: (1) identify the technical and operational shortcomings encountered by large enterprises in using e-Tax, and make the necessary technical investments and adjustments; (2) automate the various processes for the exchange of online payment data with banks and the Treasury; and (3) simplify the way taxpayers subscribe to online procedures by making a subscription form available online. However, two structural benchmarks were not met:

- The integrated project bank measure was not achieved. New projects over CFAF 1 billion fully financed with domestic resources included in the 2018 budget all come from the project bank, except for the financing facility related to the National Rapid Entrepreneurship Fund (*Fonds National de l'Entreprenariat Rapide*). However, as these new projects have yet to be implemented, the physical and financial execution reports need not be filed yet.
- The other structural benchmark that was not met is related to SN La Poste. Clearing operations between La Poste and the Treasury were not halted on December 31, 2017, and check clearing operations linked to Poste Finances depositors were also not discontinued on March 31, 2018. Nonetheless, appropriate actions were taken such that at end-March 2018, total clearances amounted to CFAF 18.4 billion, while reimbursements totaled CFAF 17.6 billion, a CFAF 0.8 billion deficit compared to CFAF 17.96 billion during the same period in 2017. The BCEAO report auditing the operations of Poste Finances, a subsidiary of La Poste, showed that clearances of postal check accounts (*Comptes des Chèques Postaux—CCP*) paid by the Public Treasury are linked mainly to banks, oil companies, and state-owned enterprises, when it comes to their deposits in their accounts opened as CCPs.

6. Deposit account credit balances continue to be consolidated. They can no longer be replenished with the reform already being implemented, which distinguishes between (i) the share of current spending, which cannot be carried forward, and (ii) the share of capital spending, which can be carried forward but is strictly limited, like other domestically financed capital expenditures, to 5 percent of the total amount of capital expenditures transferred to deposit accounts for the current budgetary year.

7. The National Pension Fund (*Fonds national de retraite—FNR*) reform has made headway. The law on the supplementary pension scheme was approved and will take effect on July 1, 2018. The supplementary scheme, whose contribution rate is 6 percent (2.4 percent employee share and 3.6 percent government share), will substantially reduce the FNR deficit in 2018, pending validation of the parametric reform and the establishment of the third pillar in 2019 (see below).

8. In an effort to reduce tax expenditures, the measure consisting of a pilot program to audit the supporting documentation of the 100 most significant approvals was completed. A list of 172 enterprises was created. For the most part, these are enterprises whose investment programs were approved under the Investment Code or specific schemes inspired by it. Of these 172 surveyed enterprises, a sample of 100 approvals was retained, consisting of 72 large enterprises and 28 medium-sized enterprises. The audit focused on compliance with commitments made under these programs and schemes, in terms of the investments to be realized and the number of jobs to be created. A review of the documents (summary financial statements, summary employee statement, and approval records) led to the following findings:

- More than 65 percent of enterprises did not meet all the commitments defined in the various programs for which they were approved;
- Even though there is an increase in the number of jobs (607) in the sample, it bears noting that the commitment to create new jobs applies only to the scheme linked to the Investment Code. An explicit commitment is not required for the other schemes;
- Nine enterprises received multiple approvals or amendments with the aim to increase investment initially recognized in the programs, for the same period. For these, the cumulative investments already made provide sufficient information on compliance with the commitments undertaken. However, shortcomings were noted for seven of them that did not recruit staff;
- Some enterprises (26) that benefit from exemption arrangements, had already been selected under the audit program of the Directorate General of Taxes and Government Property (*Direction générale des impôts et domaines-DGID*). For these, procedures were consolidated, and auditors were instructed to verify compliance with conditions governing the granting of benefits. Of the 26 audit files, 23 were completed and will be subject to a reminder regarding signed agreements.

9. The implementation of projects stemming from the Hackathon has progressed well. For “Mon espace perso,” CFAF 300 million in funding was provided through the government budget, the service provider was selected, and the developments were finished. The solution is now installed in the DGID’s IT infrastructure (*monespaceperso.dgid.sn*). Also, for the M-Tax and Batch Scanning projects, two providers were recruited to prepare specifications and terms of reference with CFAF 50 million in government funding. These documents are in the final validation phase. Once the specifications are approved, the process to select providers responsible for installing these two other solutions will be launched in late May 2018. In terms of governance, a decree creating a steering committee and a technical committee for the implementation of Hackathon projects was signed by the Ministry of Economy, Finance, and Planning (*Ministère de l’économie, des finances et du plan*).

10. With regard to the automated link between the Directorate General of Customs (*Direction générale des douanes—DGD*) and the DGID, technical Tandem platform developments were delivered, but issues persist with infrastructure and governance modalities, which remain to be defined. Customs information for DGID control and tax base staff is already available. Indeed, information received on CD-ROMs or via email is loaded into the database. Data cross-referencing is effective, and the reports produced are used consistently by

staff. However, for effective use to be possible within the DGD, data from enterprise balance sheets must be integrated into the platform.

11. Considerable progress has also been made with regard to other measures. In 2017, in relation to the tax measures in the budget law, the parafiscal tax “contribution to the development of the telecommunications and energy sector (CODETTE)” was replaced by a government tax called “contribution to economic development.” It is also advisable that other resources from varied sources (fees of the Regulatory Authority for Telecommunications and Post (*Autorité de Régulation des Télécommunications et des Postes*—ARTP), lump sum employer contributions (*Contribution Forfaitaire à la Charge des Employeurs*—CFCE), etc.) and the spending related to these resources, be incorporated into the government budget to improve fiscal transparency. In 2017, some of the resources of the Energy Support Fund (*Fonds de Soutien à l'Énergie*—FSE) (CFAF 30 billion) and ARTP resources (CFAF 2.4 billion) were transferred to the government budget even though the FSE was not in surplus. Legislative and/or regulatory measures will be taken in order to repatriate, in the budget under the 2019 LFI, taxes, duties, levies, fees, and contributions not deducted for the benefit of the government budget affecting operations in the mining and telecommunications sectors.

Macroeconomic Policy and Structural Reforms for 2018

12. The government will continue to implement the PSE reforms and priority projects for quality, strong, and sustainable growth. After three years of robust growth (6.4 percent in 2015, 6.2 percent in 2016, and 7.2 percent in 2017), the outlook is still favorable with a projected real GDP growth rate of 7 percent in 2018. Economic vitality is expected to be driven by stronger agricultural activity, continued recovery of industry, and good performance in the construction, digital economy, financial services, transportation, and tourism sectors. Inflation should be moderate in 2018, while the current account deficit is expected to remain high given the increased cost of imported petroleum products and higher capital goods imports, which go together with high investment activity.

13. Phase II of the 2019–2023 PSE is under development and should be completed in the third quarter of 2018. An analysis on the first PSE phase is available and has been shared with all stakeholders. Findings include that Phase I covering the period 2014–18 has spurred a new economic growth dynamic. After decades of modest economic and social progress, Senegal is experiencing strong growth momentum since the launch of the PSE. In this first phase of the PSE, the productivity of the Senegalese economy has begun to improve. GDP growth reached 6.3 percent on average over the period against 3.3 percent over the period 2009–13 in a context of low inflation and a continuous reduction of the budget deficit. Growth has been driven mainly by domestic demand through consumption and investment. In terms of the well-being of the population, significant progress has been made in health (increased life expectancy, lower infant-child mortality), education (increase in gross enrollment rates and decline in illiteracy), and reduction of economic and gender inequalities. Overall, the incidence of poverty has declined. With regard to the business climate, significant improvements have been recorded particularly in the implementation of measures related to the creation of enterprises, the transfer of ownership, the institutional and legal environment of public-private partnerships (PPP), the operationalization of the Commercial Court, etc. However, efforts still need to be made in the areas of education, skills and competences of human capital, the functioning of the labor market, the simplification of

the tax system, access to electricity, credit and basic social services, et cetera.

14. To maintain the growth momentum, enhance its inclusiveness, and build the economy's resilience to internal shocks and shocks associated with the international environment and subregional insecurity, the IMF-supported program will continue to focus on the following three pillars: (i) consolidation of the government's fiscal space; (ii) continued strengthening of public financial management and governance; and (iii) improving the business environment and promotion of the private sector.

A. Consolidate the Government's Fiscal Space

15. The fiscal deficit target of CFAF 367 billion (2.7 percent of GDP) for 2018 was revised upward to CFAF 476 billion (3.5 percent of GDP). The additional fiscal space is intended to settle compensation (SENELEC) for 2017 and 2018, cover commercial oil losses for 2017 and 2018, deal with security issues as threats are becoming increasingly severe, and address wage demands in some sectors, particularly in education and health. Fiscal revenues were revised downward due mainly to the non-adjustment of prices at the pump following the increase in the price of oil. All measures required to reach this deficit target are laid out in the supplementary budget law, which is to be approved by the Council of Ministers and tabled in Parliament by **June 30, 2018 (prior action).**

16. The government plans to strengthen internal resource mobilization. As a result of the change in the base year of the national accounts, the tax burden fell below 16 percent of GDP, which is a major challenge for the government as it aims to meet the WAEMU convergence criterion, set at 20 percent. Modifications were made to some aspects of tax policy introduced by law no. 2012-31 of December 31, 2012, establishing the General Tax Code. They pertain mainly to patent reform, the simplification of tax owing for real estate income, the promotion of agriculture and renewable energies, correction of negative externalities on health and the environment, international taxation, the business environment, and tax relief.

17. The modernization of tax and customs administration, strengthening of tax policy, and streamlining tax expenditure will continue. With respect to tax expenditure, the report on the pilot program to audit supporting documentation submitted for approvals will be finalized, and implementation of the recommendations could bring CFAF 15 billion in 2018. Action will be taken to limit discretionary measures in favor of a comprehensive approach based on rules published on the internet that are applicable to all (**structural benchmark for the seventh review**). The General Tax Code was recently amended to increase fiscal revenue as follows. Key measures include: (i) merging the CODETTE and the telecommunications tax (*Prélèvement sur les Télécommunications*—PST) to simplify the telecommunications sector's taxation system; (ii) increasing the tax rate on tobacco from 50 percent to 65 percent; (iii) raising the tax on alcoholic beverages from 40 percent to 50 percent; and (iv) placing a higher tax on cosmetics at 15 percent, up from 10 percent. To make better use of the vitality of the insurance sector, a tax was introduced on insurance premiums similar to the PST. The importance of improved revenue mobilization is highlighted through the proposal of a new assessment criterion on the floor on tax revenue starting from end-June 2018 (which replaces the related IT) (**Table 1**).

18. To support the modernization of the DGID, the basic infrastructure of the M-Tax platform (an application that allows taxpayers without access to the Internet to declare and pay taxes through their mobile phones) will be in place by September 2018 (**structural benchmark for the seventh review**), including equipment, the national language voice server and the acquisition of licenses.

19. Collection of tax arrears will be stepped up. In this respect, the DGID is planning collections on pending payments (*prises en charge*—PECs) in the amount of CFAF 110 billion in 2018, compared to CFAF 74.9 billion in 2017, an expected annual increase of CFAF 35.1 billion. A PEC collection rate of 65.45 percent, or about CFAF 72 billion, is expected from clearing the stock of what are deemed recoverable PECs currently held by collection agencies. The balance is expected to be covered through actions on the stock of PECs deemed difficult to recover and through new PECs expected from the tax audit program currently being implemented. To provide guidance to struggling enterprises and to contribute to clearing accounts and improving PEC collections, an extensive program based on a legislative framework is planned, substantially restraining tax arrears older than two years; in return, the debtor undertakes to release the balance within six months. A special committee consisting of private sector and parliamentary representatives guarantees the arrangement's transparency. Aside from debt forgiveness, income tax or corporate taxes on such debt could be waived. A special program for the collection of government fees will be established. It will apply to those fees due with respect to time-bound usage rights (other than usage for residential purposes) not eligible under the law for the free conversion of time-bound usage rights into land titles. A census of leases managed by *bureaux des domaines* (land offices) in the Dakar and Mbour regions was carried out using a software application (SENSOUF). Its extension to all the other land offices will help consolidate land revenues.

20. To support DGID modernization, other tax administration measures will be implemented. Measures planned to improve the governance framework include (i) managing default; (ii) reducing outstanding tax balances; (iii) specific treatment of public entities' taxes; (iv) implementing a VAT collector monitoring mechanism; and (v) expanding the tax-paying population.

- **A mechanism has been put in place to contain default.** A memo specifies the practical arrangements to be implemented in order to resolve default cases no later than ten days past the deadline (monthly). As of now, data entry clerks have been made available to collections staff (two per tax service center). Automated reporting on defaulters has also been set up. This monitoring report is accessible to directors and department heads.

- **Control and reduction of outstanding tax balances helps to bolster current revenue.** To reduce the amount of debt resulting from outstanding tax balances (assessed at over CFAF 10 billion in 2017), specific monitoring mechanism will be implemented to guarantee collection of tax debt during the financial year. An amendment to the legal framework is planned to impose strict conditions for accepting outstanding tax balances.

- **A substantial shortfall is noted with respect to public entities (national companies, state-owned enterprises, agencies, and projects and programs under the supervision of ministries) because some fail to remit taxes deducted at the source (e.g., wage deductions,**

withholding tax on royalties, and leftover VAT). To control this area better, management of these issues is now centralized within a single unit (the Center for Regulated Professions—*Centre des Professions réglementées*). Moreover, in relation to other administrations concerned (DGB, DGCPT), a specific monitoring mechanism will be adopted, together with a referral (by way of a circular from the prime minister) of all sectoral ministries required to ensure compliance with tax obligations by the entities under their administrative and/or technical supervision. In addition, a program to verify the application of withholding tax by public entities will be implemented in the second half of 2018. Lastly, their compulsory enrolment in online procedures to facilitate collection of taxes owed by government entities is envisaged from July 2018 onwards.

- **Strengthening of the pre-remittance control framework for invoiced VAT, combined with control of structural creditors, may significantly impact indirect revenue.** To this end, the plan is to implement the recommendation made by the recent IMF technical assistance mission (March 2018) on compiling and publishing a list of taxpayers recognized/certified as “VAT collectors.” This mechanism will include communication with “large clients” of the economy (e.g., government entities, and large- and medium-sized enterprises). Moreover, the Directorate of Tax Audit Strategies and Intelligence (*Direction du Renseignement et des Stratégies de Contrôle Fiscal*—DRSCF) is working on compiling a roster of suppliers and clients of large enterprises. These actions will be combined with the implementation of the right of inquiry procedure for any invoice-issuing enterprise not on the certified enterprise list. These lists will be published starting in the second half of 2019.

- **DGID structures must be strengthened to improve information use with a view to expanding the taxpayer population.** To this end, the following measures were taken: (i) assignment of about 30 employees to the DRSCF; (ii) recruitment of eight operators assigned exclusively to data entry in the data processing center; and (iii) creation of a team responsible for data analysis, consisting of DRSCF, DIS, DGE, DME, and DSF staff. A database management expert will be recruited by the Tax Administration Modernization Project (*Projet de Modernisation de l'Administration Fiscale*—PROMAF) and made available to the said team. Initial results (identification of new taxpayers, creation of tax records, and regularization) are expected by end-June 2018.

21. Tax policy discussions regarding agricultural, forestry, and mining operations, and financial and telecommunications services continue. They should lead to proposed legislation streamlining and/or simplifying tax policy. Particular focus is to be placed on more optimal taxation of the agricultural sector, taking into account the wider PSE strategy, and on the most appropriate taxation for the oil and gas industry, with our country’s expected transition from importer to exporter/producer status in the coming years. The above proposals will be discussed with the IMF during the seventh review for inclusion in the 2019 budget. The DGID is working closely with the Ministry of Oil and Energy (*Ministère du pétrole et des énergies*—MPE), the IMF, and the World Bank to develop a tax policy that puts less pressure on implicit royalties and is more oriented towards the taxation of profits through better control of operating costs. In relation to development of the oil and gas sector, capacity-building among staff and active participation by MPE authorities in tax audit programs, similar to cooperation arrangements with Customs, are crucial.

22. DGD modernization continues. The new version of the comprehensive GAINDE customs system is being rolled out. Its aim is to create a paperless environment and make electronic signature use widespread. It will be followed by the implementation of the release ticket (*ticket libérateur*) in June 2018, which will make it possible to group all payments made (excluding duties and taxes) in connection with port and airport platforms. New measures planned by the DGD include (i) taxation of bunker oil; (ii) taxation of non-monetary gold; and (iii) better control of the taxable base for revenue-generating products.

23. DGD/DGCPT cooperation will be strengthened. A new platform will be put in place by the Treasury to strengthen consistency between customs clearance and collection, and interoperability with the GAINDE system will guarantee better management of the facility for phased withdrawal of goods from customs (*crédits d'enlèvement*). This platform will be made operational in the second half of 2019.

24. Current expenditure management will be improved. This will be achieved by first improving the payroll information system, a recent audit of which revealed shortcomings in IT security. At the same time, work methods within the public sector will be modernized in light of certain international experiences, including those of the private sector, to foster better use of information and communications technology (ICT) in order to obtain productivity gains with a smaller workforce. Lastly, to regulate workforce increases better, job ceilings will be established in the 2019 budget law in the format of 'program budgeting'—but this will be done for information purposes. In fact, the 2019 budget law that will be submitted to a parliamentary vote will be presented in the format of 'means budgeting' based on Law No. 2001-09 of October 15, 2001 on the organic law relating to public finances which does not allow for employment ceilings. Only in 2019, and as part of the preparation of the 2020 budget, that the Initial Finance Act (LFI) will be submitted for the approval of the National Assembly in a 'program budgeting' format. However, since the 2019 program budget will also be transmitted, but for information purposes only, a trial version of the employment ceilings will be presented. This work has been initiated through technical consultations held with ministries and agencies and an awareness workshop on the methodology for fixing job ceilings that was organized on March 28, 2018 with the participation of all the DAGE and the CEP of the ministries. Job ceilings will be definitively set in the 2020 LFI in 'program budgeting' format, applying the amended LOLF 2011–15 in the process.

25. Improving the quality of public investment expenditure financed with domestic resources continues to be a major challenge. Starting from the second year of implementation of projects whose overall cost is equal to or higher than CFAF 1 billion, the government plans to require the recording of payment appropriations in the budget law and the production, by the ministry concerned, of a report of physical and financial execution covering the previous year. The integrated project bank will be a mandatory step for all projects prior to any budgeting phase for the LFI 2019, including projects carried out by government agencies. Hence, from October 2018 onwards, no project in excess of CFAF 1 billion will be included in the government capital budget if it has not been reviewed by the committee responsible for the selection of public investment projects (**structural benchmark for the seventh review**). Senegal has requested that the IMF conduct a Public Investment Management Assessment (PIMA), which is an evaluation focused specifically on public investment management.

26. The FNR reform continues. Following the creation of a compulsory supplementary pension plan by law no. 2018-12 of March 30, 2018, the government is planning two other areas of reform. The first is a parametric reform that will revise parameters in order to reach an optimal combination with the aim of restoring the FNR's financial balance. This reform entails (i) modifying the pension award base from the average annual salary of the last three years to the last five years; (ii) renewing the contributing population with recruitments every year; and (iii) increasing the contribution rate from 35 percent to 40 percent (15 percent employee share and 25 percent government share). The second area concerns the elimination of capping and widening of the tax base subject to contributions for the research/training special allowance (*Indemnité spéciale Recherche Formation*—ISRF). Draft legislation for this was passed by the Council of Ministers on March 28, 2018. Capping is a rule whereby a ceiling is placed on the pension award base to eliminate pension gaps between retirees. Widening of the tax base subject to ISRF contributions applicable to all teachers/researchers is likely to increase the pension of retired higher-education teachers. The government also initiated discussions on the institutional reform that should change the FNR's status from a Special Treasury Account (*Compte d'affectation spéciale du Trésor*—CAST) to an independent fund with legal personality and financial autonomy. This status has the advantage of not only providing reserve investment opportunities, but will also involve a more dedicated management, to improve on inclusiveness and efficiency.

27. The government continues to expand monitoring of financial operations within the public sector. In this respect, formal guarantees, signature commitments serving as guarantees, the financial debts of state-owned enterprises, as well as comfort letters serving as irrevocable guarantees of settlement and those involving debt obligations will be integrated into debt sustainability databases and analysis in September 2018 (**structural benchmark for the seventh review**). This new approach will therefore provide an overview of all government commitments and the commitments of its agencies in the framework of the overall debt strategy. In this respect, the change in the GDP base offers an opportunity to expand debt coverage, while limiting the impact on debt indicators for Senegal, which remains a serious player in international financial markets as evidenced by the success of the most recent Eurobond issuance.

B. Strengthen Public Financial Management and Governance

28. The process to internalize WAEMU directives continues according to a well-established three-year plan. The mechanism is ready for the testing phase with the Ministry of Health and Social Action, Ministry of Justice, Ministry of Environment and Sustainable Development, Ministry of National Education, and Ministry of Economy, Finance, and Planning. At present, four protocols have been signed or are in the process of being signed between the pilot ministries and the Ministry of Economy, Finance, and Planning. At the operational level, general administration and supplies directors (*Directeurs de l'Administration générale et de l'Équipement*—DAGE) will serve as authorizing officers. The organization of the budget administration has already been adapted to help guide the implementation of the reform, particularly through the creation of a network of ministerial budget controllers and the doubling of the number of payment order units.

29. The government is continuing its efforts to improve public finance transparency. The preliminary results of the Fiscal Transparency Evaluation (FTE) carried out in April 2018 are encouraging.

30. Treasury modernization is continuing with the 2015 version of ISO 9001 certification for the General Treasury Revenue Agency (*Recette générale du Trésor*—RGT).

The certification of the Public Debt Directorate (*Direction de la Dette publique*—DDP) is underway and should be effective by end-December 2018 with the operationalization of the D-AIDA software. By the same token, this new application, interfaced with SICA-STAR and Aster accounting software will allow for vastly improved accounting reporting and more effective cash flow mobilization. Continuing with progress on the automation front, the e-TPE application will be installed in all diplomatic and consular posts and will be interfaced with Aster, the accounting software, by end-December 2018 at the latest. This new application will make it easier for diplomatic representations to execute their budget appropriations in accordance with standard public expenditure procedures. By introducing instant accounting centralization through the virtual diplomatic bag, it will also allow for a permanent solution regarding the problem of delays in accounting reporting by these foreign posts.

31. The rationalization of the bank accounts of the direct accountants of the Treasury has been effective since April 30, 2018.

The Single Treasury Account has been in place since April 30, 2018, for the Treasury's network of direct accountants. In this respect, all the bank accounts of regional accountants have been closed and replaced with five accounts opened on behalf of the General Treasury. This centralization shows, at any moment, potential cash available, while ensuring better cash allocation across time and space. Furthermore, the absence of unused cash balances due to the effectiveness of a single account will further optimize the timing and volumes of government operations in monetary and financial markets. The next step will be to include a critical mass of entities from the broader public sector with a deposit account at the Treasury in the SICA-STAR system. Hence, in a first instance, the government plans to expand the scope of the SICA-STAR Settlement System to ten such agencies and similar structures no later than June 30, 2018. These challenges underline the need for reforming Treasury units, particularly the General Treasury, which will now need to adapt to the new requirements of active cash flow management. This will involve establishing appropriate units in the new General Treasury to ensure adequate services for the new customer base and to manage relations with banking institutions proactively.

32. The decree on the conditions of opening, operation and closing of deposit accounts, as amended, is approved (structural benchmark for the seventh review).

The decree stipulates that balances of the 'current spending' part of the transfers made in year N on deposit accounts will be removed at the end of the year, while the investment part of the transfers made in N on deposit accounts can be carried forward up to a 5 per cent limit (of the deposit account credit balance resulting from the difference between the capital expenditure transferred during the budget year and the related payments).

33. The decree on the conditions for opening, operating, and closing of deposit accounts, as amended, is applied (structural benchmark for the eighth review).

Thus, on December 31, 2018, balances of the 'current spending' part of the transfers made in 2018 on deposit accounts will be removed, while the investment part of transfers made in 2018 on deposit accounts can be postponed up to a 5 percent limit (of the deposit account credit balance resulting from the difference between the capital expenditure transferred during the budget year and the related payments). With respect to the stock (assessed at CFAF 370 billion at end-2017), the government is proposing a securitization transaction for some Treasury deposits for the

following entities: the Pension Retirement Institute (IPRES), the Social Security Fund (CSS), and the Caisse des Dépôts et Consignations (CDC). For past credit balances resulting from budget transfers, the government undertakes to cancel them prior to November 30, 2018 (and if necessary to re-commit them under an upcoming LFI / LFR) **(structural benchmark for the seventh review)**.

34. The government is also determined to implement the government's portfolio management strategy, specifically through three bold actions: (i) reviewing government holdings abroad; (ii) making the interministerial committee responsible for the restructuring of distressed enterprises operational; and (iii) establishing a mechanism to finance the restructuring plans of distressed enterprises. The government reaffirms its commitment to take all necessary measures for the privatization of SONACOS and the streamlining of the number of agencies.

35. To optimize debt management, a buy-back mechanism for some previously contracted debt is being put in place. In particular, the recent mobilization of 2.2 billion dollars through the issuance of Eurobonds on favorable terms enabled us to buy back 40 percent of Eurobond debt predating 2011, which was relatively more expensive. Another debt buy-back valued at 250 million euros has already been initiated, with the necessary measures being put in place with a view of finalizing the operation by end-2018. Before the 30th of June 2018, the balance of the Eurobond proceeds, after financing of the 2018 budget, will be placed in an escrow account **(prior action)**. This balance is to be used solely for the 250 million euro debt buy-back operation or to finance the 2019 budget.

36. The restructuring of La Poste continues to be a priority for the government. Pending the institutional change to Poste Finances, which will enable it to clear postal checks directly, clearance of such checks in the Treasury account at the BCEAO, will now be backed by a special guarantee account at the Central Bank in May 2018. This account will be provisioned by Poste Finances on an ongoing basis in an amount sufficient to cover estimated postal check clearances. Thus, CCP checks submitted for clearance will be debited from this Treasury account. When these amounts are reimbursed, the special guarantee account will be debited immediately afterwards in an equal amount to the benefit of the one at the Treasury. The aforementioned guarantee account will then be replenished by Poste Finances for the estimated amount of clearances expected over the period. A restructuring plan for La Poste will be prepared by end-March 2019 at the latest.

C. Improve the Business Environment and Promote the Private Sector

37. The restructuring of the SENELEC financial and technical situation continues. However, the reduction in prices in 2017 and rising oil prices in 2017 weighed heavily on the financial position of SENELEC, the national electricity company. Also, SENELEC's large investment program, which seeks to improve production and distribution systems, requires tariff compensation in both 2017 and 2018. Overall, a first tranche of CFAF 70 billion (including CFAF 18 billion intended for the FSE) will be paid to SENELEC in 2018 to secure its financial stability. After the CRSE publication of the compensation evaluated as of 1 July 2018, a full assessment of the needs of the sector will be finalized and the amounts involved will be taken into account in the 2019 budget. DGID will process the VAT credit refund request for SENELEC, as described in the circular from the Minister of Economy, Finance, and Planning dated February 27,

2018. To guarantee service and payment of the public sector's electricity bills, the *établissements publics à caractère administratif* (EPA) and local government budgets will now include a compulsory expenditure line. The currently ongoing revision of the decree regarding the financial treatment of autonomous public entities will enable the relevant accounting officer to proceed with the effective payment of electricity bills without any problems.

38. The freeze of prices at the pump is also affecting other energy sector enterprises.

The overall amount to be provided for offsetting commercial losses is estimated at CFAF 32 billion in 2018, CFAF 18 billion of which is paid by the FSE, to cover commercial losses, exempted port duties, and the transportation differential.

39. The government is committed to developing a second supplementary budget law in 2018 if the price of oil rises above what was set out in the first supplementary budget law (average of \$75 over 2018).

40. Air Sénégal is a limited liability company wholly owned by the CDC. CFAF 23 billion of its CFAF 40 billion in share capital is currently released. It will eventually reach CFAF 100 billion and might be opened to one or more strategic partners. Air Sénégal has already acquired two ATR aircraft for domestic and regional markets. These airplanes are for 80 percent financed through a loan, and backed by a sovereign guarantee. The company plans to acquire two Airbus A330 Neo for long-haul flights, particularly to Paris. Delivery of these planes is expected, in January 2019 for the first one, and in June of the same year for the second one. The set-up of this financing operation, at the expense of the company, is underway and will be finalized around September/October 2018.

41. The surge in structural projects under the PSE must be accompanied by a healthy business environment and private investment development. With the work done during Phase 1 of the Business Environment and Competitiveness Reform Program (*Programme de Réformes de l'Environnement des Affaires et de la Compétitivité*—PREAC I), the simplification of legislation and procedures have reduced the time it takes to obtain administrative documents and have improved Senegal's rank in international ratings. The 13th session of the Presidential Investment Council (*Conseil Présidentiel de l'Investissement*—CPI) held on November 20, 2017, has validated the updated action plan for the program's second phase (PREAC II) with a 2020 horizon. This action plan, backed by 23 recommendations, aims to finalize structural reforms (pertaining to real estate, creating a paperless environment, simplifying tariffication and rating systems, labor legislation, credit information, and commercial justice) to reduce transaction costs and improve the quality of the administration's service provision in order to stimulate innovating SMEs and attract more foreign direct investment to Senegal. For 2018, a study evaluating labor legislation and the creation of investment platforms in the regions, are priorities, in addition to the operationalization of economic zones.

42. The Senegalese government plans to seize the opportunity offered by the G20 Compact with Africa to develop the Dakar–Thiès–Mbour zone. The aim is to make this zone the Shenzhen of West Africa; that is, a modern agglomeration of 5 million to 10 million inhabitants, with one or more special economic zones (SEZs) and liberal economic governance. The SEZ law has simplified the tax system with a 15-percent corporate profit tax that cannot be waived. VAT is applicable to enterprises that do not export at least 80 percent of their production.

Economic activity targeted in this zone goes beyond the manufacturing industry and extends to leading-edge services, such as digital technology, health, tourism, higher education, and research. Following up on the workshop organized jointly with the IMF in January 2018 on diversification, another workshop could be planned with the G20 around the Compact with Africa.

43. In the area of commercial justice, the Dakar commercial tribunal began operations on February 23, 2018. The challenge is to process litigation brought before the tribunal within 90 days for the judgment phase and to expedite the execution of the tribunal's decisions. This requires better enforcement of legislation governing legal representatives and the mobilization of all administrations and staff involved (bailiff, security, and auctioneers) in the enforcement of tribunal decisions.

44. In an effort to facilitate access to credit, law no. 2018-11 of March 30, 2018, amending uniform law no. 2014-02 of January 6, 2014, regulating credit bureaus (*Bureaux d'Information sur le Crédit*—BIC) in WAEMU member countries, was enacted. The challenge today is to add to the BIC database as many credit records as possible from banks, financial establishments, and decentralized financial systems (*Systèmes Financiers Décentralisés*—SFD). This also entails integrating the main public-sector utilities into the platform by end-2019. The goal is to have a fully supplied, comprehensive, and credible system that disseminates detailed and updated credit reports to lenders to reduce information asymmetry and increase access to credit at a lower cost, with a specific eye on SMEs. Upcoming work includes developing a national financial inclusion strategy, setting up a single platform for the exchange of information between SFDs, and promoting the digitalization of financial sector payments.

45. The gross deterioration rate of bank portfolios decreased to 16.3 percent in 2017 from 18.0 percent in 2016. This trend is expected to continue, bearing in mind the maturity of non-performing loans to be reclassified according to the new reclassification rules for performing loans. Furthermore, discussions are underway with the banking sector and stakeholders to find appropriate solutions for reducing the outstanding stock of non-performing loans.

New Program Monitoring Indicators

46. Assessment criteria have been defined for 2018–2019. A new assessment criterion on the floor on tax revenue starting from end-June 2018 (which replaces the related IT) is proposed. The modification of quantitative assessment criteria (ACs) for end-June 2018 and end-December 2018 as well as indicative targets (ITs) for end-September 2018 are proposed in order to monitor program implementation in 2018 (Table 1 of MEFP below). The government and IMF staff have also agreed on measures and structural benchmarks shown in Table 2 of the MEFP. Reviews will occur at six-month intervals. The seventh review by end-December 2018, and the eighth review by June 23, 2019.

Table 1. Senegal: Quantitative Assessment Criteria and Indicative Targets for 2017-18

	2017												2018						
	Jun.				Sep.			Dec.					Mar.				Jun.	Sep.	Dec.
	AC				IT			AC					IT				AC	IT	AC
	Prog.	Adj.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Prog.	Prog.	
Assessment criteria¹																			
Floor on net lending/borrowing ²	-189	-192	-187	met	-259	-519	not met	-349	-364	-360	met	-154	-153	met	-304	-391	-476		
Ceiling on spending undertaken outside normal and simplified procedures ³	0		0	met	0	0	met	0	0	met	0	0	met	0	0	0	0		
Ceiling on public sector external payment arrears (stock) ³	0		0	met	0	0	met	0	0	met	0	0	met	0	0	0	0		
Ceiling on central government's overall net financing requirement	...				...	...	...	499	514	534	not met	...	...	...	...	...	551
Ceiling on the amount of the budgetary float	50		25	met	50	46	met	50		49	met	50		12	met	50	50		
Floor on tax revenue ⁴	...				...	...		...				...			979	1,483	2,146
Indicative targets																			
Quarterly ceiling on the share of the value of public sector contracts signed by single tender (percent)	15		1	met	15	10	met	15		25	not met	15		67	not met	15	15		
Floor on social expenditures (percent of total spending)	35		39	met	35	37	met	35		38	met	35		38	met	35	35		
Floor on tax revenue ⁴	1,006		939	not met	1,464	1,367	not met	1,977		1,876	not met	471		451	not met	...	...
Maximum upward adjustment of the overall deficit ceiling owing to																			
Shortfall in program grants relative to program projections	15		3		15			15		15		15			15	15	15		
Memorandum items:																			
Program grants	13		10		24			35		18		4		15	15	22	37		

Sources: Senegal authorities; and IMF Staff estimates.

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

²GFSM 2001 definition. Cumulative since the beginning of the year.

³Monitored on a continuous basis.

⁴This was changed from an Indicative Target to an Assessment Criterion starting from end-June 2018.

Table 2. Senegal: Prior Actions and Structural Benchmarks for 2018–19

	Review	Status	Observations
Prior Actions			
2018			
A supplementary budget reflecting policy measures to meet the 2018 fiscal targets, is approved by the Council of Minister and tabled in Parliament.	6th review		
The balance of the Eurobond proceeds, net of (i) financing of the 2018 budget, (ii) 2011 eurobond buy-back, and (iii) buy-back of other external debt (if it happens before the opening of the escrow account), will be placed in an escrow account.	6th review		
Measures			
2018			
Adopt a regulation making online filing and payment of taxes for medium-size enterprises possible in 2018.	6th review	Met	
Starting with 2018 budget, all new projects exceeding 1 billion CFAF financed entirely with domestic resources will be taken from the integrated project bank. Quarterly and annual physical and financial execution reports will be transmitted for all these projects.	6th review	Not met	SB for 7th review reiterates this commitment for 2019 budget.
In the context of reducing tax expenditures, and supporting a comprehensive approach based on rules that are applicable to all, the DGID and DGD will undertake a pilot project for auditing the supporting documentation for approvals with a view to auditing the 100 most important approvals.	6th review	Met	
The restructuring plan of the Poste will be prepared before the sixth review. Compensating transactions between the Post Office and the Treasury will cease as of December 31, 2017, apart from those for checks relating to Poste Finances depositors, which will cease as of March 31, 2018.	6th review	Not met	Restructuring plan will be ready by end-March 2019.
Implement the project entitled "Mon espace perso," a platform for communication between the DGID and the taxpayer.	6th review	Met	
The decree on the conditions of opening, operation and closing of deposit accounts, as amended, is approved. The decree stipulates that balances of the 'current spending' part of the transfers made in year N on deposit accounts will be removed at the end of the year, while the investment part of the transfers made in N on deposit accounts can be carried forward up to a 5 per cent limit (of the deposit account credit balance resulting from the difference between the capital expenditure transferred during the budget year and the related payments).	7th review		Revised
Establish the basic infrastructure for the platform for the M-Tax application, which will allow taxpayers to file and pay their taxes via their mobile phones without internet access.	7th review		
Starting with the 2019 budget law, no project in excess of CFAF 1 billion will be included in the government capital budget if it has not been reviewed by the committee responsible for the selection of public investment projects.	7th review		
Formal guarantees, signature commitments serving as guarantees, the financial debts of state-owned enterprises, as well as comfort letters serving as irrevocable guarantees of settlement and those involving debt obligations will be integrated into debt sustainability databases and analysis.	7th review		
Implement the action plan for reducing tax expenditures: specifically limit discretionary measures in favor of a comprehensive approach based on rules published on the internet that are applicable to all.	7th review		
Carry out a securitization of part of the Treasury deposit accounts, for the following entities: the Pension Retirement Institute (IPRES), the Social Security Fund (CSS), and the Caisse des Dépôts et Consignations (CDC). For past credit balances resulting from budget transfers, the government undertakes to cancel them (and if necessary to re-commit them under an upcoming LFI / LFR).	7th review		
2019			
The decree relating to the opening, operating and closing conditions of the deposit accounts, as amended, is applied. Thus, on December 31, 2018, balances of the 'current spending' part of the transfers made in 2018 on deposit accounts will be removed, while the investment part of transfers made in 2018 on deposit accounts can be postponed up to a 5 percent limit (of the deposit account credit balance resulting from the difference between the capital expenditure transferred during the budget year and the related payments).	8th review		

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 2015-2018. 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-December 2018, and the indicative targets for end-September 2018, 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 (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. A cancellation of credits antérieurs in the comptes de dépôt will have no effect on the computation of net/lending borrowing in the budget year it was cancelled. In particular, for program purposes, this type of cancellation will not be recorded as a negative expenditure or other revenue in the budget year it was cancelled.

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 (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 immediately to Fund staff.

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.

Definition

17. Debt. The definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.

(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. 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. External debt. External debt is defined as debt borrowed or serviced in a currency other than the CFA franc, regardless of the residency of the creditor.

G. Annual Central Government Net Financing Requirement

Definition

20. The central government's net financing requirement is defined as the sum of the following two components: i) the overall fiscal balance, as defined above in the assessment criterion on net lending/borrowing; and ii) the additional borrowing by the Treasury to finance accounts payable, comprising (a) the operations of the post office (*Poste and Poste Finance*), (b) the pension system (*Fonds National de Retraites*), (c) spending by ministries out of unutilized appropriations from past budgets (drawdown of the "*comptes de dépôt*"), and (d) offsets for illiquid revenues ("*recettes*

d'ordre). For end-December 2017 this assessment criterion must be less than or equal to the amount indicated in Table 1 attached to the Memorandum of Economic and Financial Policies.

Sample Calculation

21. The government's overall net financing requirement for fiscal year 2017 is CFAF 499 billion. It is calculated as the sum of the overall fiscal deficit (CFAF 349 billion), and additional borrowing to finance accounts payable, as defined above (CFAF 150 billion).

Reporting Requirements

22. Data related to the additional borrowing by the Treasury to finance accounts payable will be sent annually within a period of one month from the end of the month of December. This comprises: (a) the operations of the post office (*Poste and Poste Finance*), (b) the pension system (*Fonds National de Retraites*), (c) spending by ministries out of unutilized appropriations from past budgets (drawdown of the "*comptes de dépôt*"), and (d) offsets for illiquid revenues ("*recettes d'ordre*").

23. Data related to the overall financing requirement will be sent annually within a period of one month from the end of the month of December. These data must include: (i) total gross government debt; (ii) total debt principal repaid by the government; and (iii) all guarantees granted by the government for domestic or external loans to its suppliers and contractors and any other public or private entity. The details regarding any government borrowing (including amounts on-lent and any guarantee granted by the government for domestic or external loans to its suppliers and contractors and any other public or private entity) will be reported monthly within six weeks of the end of the month. The data on borrowings will be grouped together as short-term (less than one year) or long-term (one year or more). This rule will also apply to amounts on-lent and guarantees granted by the government for domestic or external loans to its suppliers and contractors and any other public or private entity.

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;

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; and (iv) details of financing and updated costs.

J. Escrow Account

Definition

32. The escrow account is a special account in the general treasury (DGCPT) opened at the Central Bank (BCEAO) or in a private bank. This account is credited with the balance of the amount raised through the issuance in March 2018 of a Eurobond in the amount of 2.2 billion dollars, after deducting the amounts corresponding to the financing of the 2018 supplementary finance law, in line with the macroeconomic framework, and net of debt repurchases made in conjunction with the 2011 Eurobond issue and related expenses. This balance of 236 billion FCFA will be used only for debt reprofiling operations to repay outstanding external debt early and for the financing of the 2019 budget.

Reporting Requirements

33. From June 30, 2018, onwards, the authorities commit to provide the IMF with a monthly statement of the escrow account with a maximum delay of one week after the end of the month.