International Monetary Fund

Senegal and the IMF

Press Release:
IMF Executive Board Completes Seventh Review under the Policy Support Instrument (PSI) for Senegal and Concludes 2018 Article IV Consultation

January 18, 2019

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

December 20, 2018

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

December 20, 2018

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

Dear Madame Lagarde,

1. The Government of Senegal hereby requests the completion of the seventh review of its economic and financial program supported by the Policy Support Instrument (PSI). Details of this program were presented 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 reviews the results of the program at end-June and the structural benchmarks at end-September 2018, and outlines the macroeconomic policies that the government plans to implement for the remainder of 2018 and in the short term within the framework of the program.

2. Program implementation remains satisfactory overall. The quantitative assessment criteria for the program at end-June 2018 were met. The quarterly ceiling on treasury float (CFAF 50 billion), the target for the fiscal deficit (CFAF 304 billion), the target for tax revenues, and the floor for social spending (35 percent) were all met. That said, the IT on single tender contracts was not met, with the overrun being due primarily to unsolicited bids. In terms of structural reforms, four of the six structural benchmarks have been met and substantial progress has been made on the other two. Two prior actions have been implemented.

3. The fiscal policy aims to meet the convergence criterion for the WAEMU fiscal deficit ceiling. With respect to fiscal revenues, at the end of the first half of 2018, collections amounted to 1065.3 billion and increased by 61.8 billion, or 6.2 percent in relative value, compared with the same period of the previous year. On the expenditure side, the various categories were handled with prudence. The fiscal deficit should continue to trend downward, declining from 3.5 percent of GDP in 2018 to 3.0 percent in 2019, and stabilize at 3 percent for the medium term based on increased revenue mobilization and greater efficiency in public spending.

4. In 2018, the reforms also focused on (i) a new agreement between La Poste and the Treasury limiting the Treasury's guarantee for clearing postal checks; (ii) a ministerial order prohibiting the use of budget letters committing the central government to expenditure for future fiscal years or for

off-budget expenditure; and (iii) the establishment of special economic zones to stimulate exports of goods and services and to foster job creation.

5. In the short term, other reforms will be implemented, particularly in the areas of taxation, energy supply and the upgrading of the education system, but above all within the scope of the government's capacity to provide impetus. The entry into production of oil and gas should be beneficial to growth while at the same time increasing fiscal revenues and sources of financing for the economy.

6. The attached memorandum proposes the modification of the two end-December 2018 ACs on the floor on net lending/borrowing and the ceiling on central government overall net financing requirement. End-March 2019 ITs are also being proposed.

7. The government believes that the policies and measures set out in the attached MEFP are appropriate for achieving the objectives of the PSI-supported program. Given its commitment to macroeconomic stability and debt sustainability, as well as to improving the business environment for strong private sector-led growth, the government will take early action on any additional measures that may be necessary to achieve the program objectives. It will consult with IMF staff, on its own initiative or whenever requested to do so by the Managing Director, before adopting new measures and reviewing the measures included in the attached MEFP, in accordance with the IMF's policy in this regard. In addition, it will provide the IMF with any information it may request on the progress made with regard to the implementation of the economic and financial policies and the achievement of the program's objectives.

8. The government hereby authorizes the IMF to publish this letter, the attached MEFP and the staff report on this review.

Sincerely yours,

Attachments: - I. Memorandum of Economic and Financial Policies (MEFP)

- II. Technical Memorandum of Understanding (TMU)

/s/

Amadou Ba

Minister of Economy, Finance and Planning

Attachment I. Memorandum of Economic and Financial Policies, 2015–19

1. This memorandum updates the memorandum of June 8, 2015 of our economic and financial program supported by the Policy Support Instrument (PSI) for the period 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 to build on the strong economic performance achieved.

Recent Economic Developments

2. On the domestic front, the first phase of the Emerging Senegal Plan (PSE, 2014-2018) was completed in 2018. Over this period, significant, tangible results were achieved owing to the implementation of programs, projects and reforms. Beyond the substantial increase in economic growth and gradual reduction in the fiscal deficit, there was a steady effort to improve the living conditions of the people, particularly the most vulnerable, through programs such as the Emergency Community Development Program (PUDC), family allowances, and the Universal Health Coverage (CMU). The average annual rate of growth was 6.2 percent, compared to 3.3 percent during the period 2009-2013. This growth was led primarily by very strong domestic demand, driven by public expenditure and household revenues, including remittances. Investment trended upward, growing 7.6 percent on average over the period 2014-2018, compared to 5.4 percent during the previous period, primarily owing to the strength of the private sector. Exports grew sharply at an average rate of around 9 percent over the period 2014-2018, compared to 7 percent during the period 2009-2013.

3. Eight months into 2018, nonagricultural economic growth, as measured by the General Activity Index (IGA), stands at 5.9 percent, reflecting the impressive performance of mining (+18.4 percent), edible fats (+49.8 percent), construction (+14.4 percent), transportation (+13.6 percent), real estate (+9.7 percent), financial services (+5.7 percent) and telecommunications (+3.7 percent). In contrast, economic activities such as the processing of grains (-6.2 percent), cereal food processing (-35.0 percent), oil refining (-13.4 percent) and the manufacture of transportation equipment (-10.4 percent) performed poorly. In light of this trend—and given the outlook for the rest of the year regarding the situation in the agricultural sector and the weak mobilization of revenues—real GDP growth rate has been revised downward to 6.8 percent, against an initial projection of 7 percent. Inflation has remained low, with consumer prices increasing 0.3 percent over the first eight months of 2018 compared to the same period in 2017, reflecting an increase in the prices of local products (+0.9 percent) that was offset, however, by a decline in the prices of imported products (-1.0 percent).

4. At end-September 2018, a provisional shortfall in fiscal revenues of CFAF 102.7 billion was observed. This is explained primarily by: (i) the difficulties encountered in implementing some new measures (including "price measure effects") or the delay in their implementation; (ii) the effects of tax exemption certificates (*cértificats de détaxe*—CDD), including significant refunds to SENELEC based on cross debt agreements, which, to date, have not generated any revenues for the tax administration (at end-September, 52 percent of the CDDs applied to revenues related to SENELEC); (iii) the decline in the corporate income tax (IS) paid by some subsectors, particularly telecommunications and mining; and (iv) the difficulties in implementing the taxation of nonmonetary gold owing to the fiscal stability clauses evoked by some taxpayers.

5. The ceiling of CFAF 75 billion authorized for cash flow operations was slightly exceeded. However, this overrun should be limited to CFAF 21.4 billion. This is explained in part by the clearance of prior credit balances on deposit accounts (*comptes de dépôts*) in the amount of CFAF 80.8 billion at end-June 2018 and illiquid revenues (*recettes d'ordre*) of around CFAF 15.6 billion at end-September 2018. The following measures have been taken in response: (i) the CFAF 19.3 billion cash flow deficit on the clearance of postal checks at end-September 2018 will be reduced using garnishment orders against La Poste, while a new agreement to cover postal checks has been put in place (**prior action**); and (ii) the elimination of acceptance of checks against prior credit balances on deposit accounts to settle with suppliers or pay taxes or levies.

6. The clearance of credit balances on deposit accounts is continuing. An application is used to distinguish between balances related to current operations, investments, and those linked to current operations on existing stocks. The initial stock of credit balances of CFAF 387.4 billion (CFAF 326.7 billion when excluding IPRES, CDC and CSS) was reduced significantly to CFAF 331.2 billion (CFAF 268.1 billion excluding IPRES, CDC and CSS) at end-June 2018. Also, part of the stock of credit balances related to the Pension Retirement Institute (IPRES), the Social Security Fund (CSS) and the *Caisse des Dépôts et Consignation* (CDC) are being securitized, with the work well under way for IPRES and the CDC.

7. At end-September 2018, **net foreign assets of deposit institutions** were up CFAF 366.2 billion or 26.7 percent at end-September 2018, compared to one year earlier, owing to the bond issue by the government on the international financial markets, while the money supply rose 10.9 percent, reflecting the changes in its counterparts.

8. Overall, program implementation was broadly satisfactory. The quantitative assessment criteria for the program at end-June 2018 were met. The quarterly ceiling on the budgetary float (CFAF 50 billion), the target for the fiscal deficit (CFAF 304 billion), the target for tax revenues, and the floor for social spending (35 percent) were all met. However, the IT on single tender contracts was not met, with the overrun caused primarily by unsolicited bids.

9. Significant progress was also made in the implementation of structural benchmarks. Of the six structural benchmarks, four were met. All fully domestically financed projects of more than CFAF 1 billion included in the 2019 budget were submitted to the investment selection committee and taken from the integrated project database, with the exception of sovereignty projects. It remains understood that as these new projects have not yet started, the physical and financial execution reports are not yet due. The ministerial order rendering obligatory e-declaration and e-payment for medium-sized enterprises was signed and has been implemented since July 2018. As of October 15, 2018, 629 taxpayers had signed up for E-TAX (13 percent of the tax population of the Medium-Sized Taxpayers Directorate (DME)), including 562 domiciled with the Dakar I Medium-Sized Business Center (i.e., 80 percent of its list of taxpayers). In addition, progress was made in the implementation of the other benchmarks: (i) data on financial debts and financial statements of a part of parastatals and public corporations was compiled and transmitted to the IMF in the context of updating the debt sustainability analysis; and (ii) discussions on the securitization of the Treasury deposit accounts related to the *Caisse de Dépôts et Consignation* and IPRES are well under way. However, the action plan to reduce tax expenditures has not been fully implemented, which partly accounts for the significant revenue shortfall in 2018.

10. The modernization of the Treasury is ongoing, with confirmation of ISO certification for the General Treasury Revenue Agency (RGT) for the second consecutive year and certification of the Public Debt Directorate (DDP) now effective. The cash flow management reforms are being consolidated, with the commitment to incorporate ten additional public agencies in SICA-STAR by March 2019 at the latest. A first batch of 10 entities was already incorporated by end-June 2018. Moreover, after the closing of all bank accounts on the network of direct accountants of the Treasury, the efforts to optimize cash flow have continued introducing an application to limit cash balances held by accounting units, which has, moreover, been revised by a new decree.

11. Efforts to improve the administrative and financial management of the National Retirement Fund (FNR) have started. The FNR posted a surplus at end-September 2018, despite the Tabaski Festival advances to pensioners, which amount to 100 percent of their pensions. This surplus is caused in particular by the entry into effect on July 1, 2018 of Law No. 2018-12 of March 30, 2018 creating a supplementary pension scheme for military and civilian civil servants. Progress was also made with the design of the parametric reforms (change in the pension award base, renewal of the contributing population, etc.), systemic reforms (a supplementary pension scheme and a voluntary retirement savings scheme), and institutional reforms (creation of an independent retirement fund for FNR civil servants) to restore the financial viability of the civil service pension system, improve pension levels, and make the governance of the FNR more effective.

12. In order to enhance the mobilization of domestic resources, the government made changes to some aspects of the tax regime introduced by Law No. 2012-31 of December 31, 2012 on the General Tax Code. These changes involve the reform of the business license tax, simplification of the tax on income from real property, promotion of agriculture and renewable energies, correction of negative externalities related to health issues and the environment, international taxation, the business environment, and tax forgiveness. However, provisional collection at end-September 2018 from the application of the tax changes (expansion of the tax base or increase in the rate) and from newly created taxes totaled CFAF 23.1 billion and CFAF 7.1 billion, respectively, equivalent to execution rates of 12 percent and 19 percent vis-à-vis the initial targets. This low level of execution is explained in particular by the delay in the application of these measures (between three and six months).

13. Significant progress was made in the implementation of all three Hackathon projects. The official launch of the "**Mon Espace Perso**" took place on July 26, 2018. The **M-Tax Project** is at the call for tender stage; this procedure is supposed to be finalized by early December 2018, but owing to delays in the mobilization of funds, the DGID is now expecting the M-Tax application to be effectively available by June 30, 2019. The **Batch Scanning Project** is expected to be effectively available by December 31, 2019, as time is needed to mobilize the funds and to manage the gradual ownership of the first two applications by the operational and technical employees of the DGID.

14. The electronic exchange of information between the Directorate General of Taxation (DGID) and the Directorate General of Customs (DGD) is ongoing and should be better harnessed to improve the mobilization of revenues. Starting this year (2018), information on imports and exports is reported to the DGID every six months, and this exchange of information has been used to enrich the tax database. The installation of new servers to facilitate the exchange of data is expected in the first quarter of 2019. In addition, two new reports have been created to crosscheck the data from SIGTAS with the information received to identify taxpayers who are importing or exporting without being registered in SIGTAS.

15. Considerable progress has also been made on other measures. Measures in the 2018 supplementary budget included the merging of the Economic Development Contribution (CODETE) with the special levy on the telecommunications sector (PST) to create a single tax called the "Telecommunications Sector Special Contribution" (CST). The CODETE and the PST, which were levied at 3 percent and 1 percent, respectively, applied to the same taxpayers and their tax base and filing and payment requirements were identical. The CST rate has been set at 5 percent, or one percentage point more than the rates of the previous taxes, while the taxpayers and tax base remain unchanged. Further, levies that were previously considered quasi-fiscal taxes have been included in the 2019 budget. They include the levy in support of the energy sector (PSE), the Road Use Tax (TUR), the levy to benefit the Senegalese Council of Shippers, and royalties for the assignment of radio frequencies.

Macroeconomic Policy and Structural Reforms for the Remainder of 2018 and the Medium Term

16. The government remains resolutely committed to building on the achievements of the first phase of the PSE, and a Priority Action Plan (PAP) covering the period 2019-2023 has been prepared to this end. The identification of major constraints to development inhibiting the desired transformation, has guided the strategic choices that are to lead to the structural transformation of the economy through increased productivity, which is to lead in turn to strong, inclusive and sustainable growth. This change requires high-quality human capital and infrastructure as well as good economic governance to enable Senegal to rise to the many challenges. The objective of the second phase is to raise average annual growth above 8 percent, with a privileged role for the private sector in attaining this.

17. The discovery of oil and gas adds a new dimension to the growth of the Senegalese economy. The contribution of mineral and natural resources to the economy is modest today but could increase with the exploitation by 2022-2023 of the offshore oil and gas fields recently discovered. This discovery could change the balance between the various economic sectors if the connection of this new production sector to the rest of the economy is handled appropriately. It could also have an impact on the energy strategy and constitute an opportunity to finance the economy. Moreover, oil and gas production should lead to a substantial increase in fiscal revenues.

18. Maintaining macroeconomic stability is the basis for the strategic options to be implemented to strengthen and maintain strong and inclusive economic growth in the long term. From a macro-fiscal standpoint, major projects and key reforms to be implemented should further stimulate domestic and foreign private investment, diversify the drivers of growth, and enhance the resilience of the economy. These reforms relate to taxation, energy, education, and the government's ability to provide the necessary impetus. The fiscal deficit should continue to trend downward, declining from 3.5 percent of GDP in 2018 to 3.0 percent in 2019, and then stabilizing at 3 percent over the medium term based on increased revenue mobilization and improving public spending efficiency.

19. The program supported by the IMF will continue to reinforce the implementation of the PSE to maintain the growth momentum and its inclusivity and strengthen the economy's resilience to domestic and external shocks. It will focus on the following three pillars: (i) fiscal consolidation; (ii) strengthening public financial management and governance; and (iii) improvement of the business environment.

A. Fiscal Consolidation

20. The government intends to respect the fiscal deficit target of CFAF 476 billion at end-December 2018.

21. The modernization of tax and customs administration, the strengthening of tax policy and the streamlining of tax expenditures will continue. The 2018 budget already contains the following measures: (i) the merging of the CODETE and PST into a single tax called the CST, simplifying taxation of the telecommunications sector; (ii) increase in the tax rate on tobacco from 50 percent to 65 percent; (iii) increase in the tax rate on alcoholic beverages from 40 percent to 50 percent; (iv) increase in the tax on cosmetics products from 10 percent to 15 percent; and (v) introduction of a levy on insurance companies (PCA). However, these measures have not yet led to greater mobilization of revenues in 2018.

22. Innovative measures being considered for the tax system include: (i) the possibility and potential for taxing internet communication networks; (ii) a study on the mechanism for monitoring and taxing the very wealthy; (iii) consideration of the tax treatment of midstream oil and gas activities; and (iv) piloting of a task force responsible for auditing all DGID information system (SIGTAS) accounts.

23. The collection of tax arrears will be stepped up. In this context, the DGID projects collections of 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 recovery rate of 65.5 percent, or about CFAF 72 billion, is expected from the clearance of the stock of PECs deemed recoverable and currently held by collection agencies. The balance is expected to be covered by actions related to the stock of PECs deemed difficult to recover and new PECs expected from the tax audit program currently under way. To provide guidance to struggling enterprises and help clear accounts as well as improve PEC collection, the DGID is planning to launch an extensive program, based on a legislative framework, under which taxes that are over two years in arrears will be substantially reduced. In return, the debtor would undertake to pay the balance within six months. A special committee consisting of private sector and parliamentary representatives would ensure the arrangement's transparency. In addition to the tax forgiveness, personal or corporate income tax could be waived. A special program for the collection of government fees will also be established and will be applicable to fees on 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. An inventory of leases managed by land offices in the Dakar and Mbour regions was carried out using a software application (SENSOUF). Its extension to all other land offices will help strengthen collection of state fees (*recettes domaniales*).

24. To support the modernization of the DGID, other measures to enhance tax administration have been implemented with technical assistance from the IMF. These have helped to improve the filing rate, so that 95 percent of large businesses and 90 percent of medium-sized businesses now declare their VAT by the legal deadline. The collection rate for tax arrears in the first half of the year was 25 percent (with a target of 40 percent).

25. To ensure better mobilization of fiscal revenues, Customs will ensure coverage of the customs territory through clearance operations by local customs offices. Without prejudice to the bold actions already taken to maximize the revenues from imports coming in by sea, the reform involves converting major inland customs offices into full customs offices and authorizing customs clearance at some customs posts. Such an approach would have the advantage of deterring smuggling and would capture incoming goods not entering via ports through: (i) closer surveillance of merchandise; (ii) better securing revenues from this traffic through the connection of the main offices concerned to GAINDE; and (iii) promotion of a local public service that will provide a significant boost to regional perceptions in a context of the territorialisation of public policies.

26. Better handling of suspended duty arrangements through the full GAINDE system will help to reinforce customs revenues. Effective operationalization of the full GAINDE system through the digitization of procedures linked with targeted surveillance of operations under customs control should minimize revenue losses resulting from illegal dumping. An assessment of revenue trends shows that a refocusing on transit and re-export operations would have a positive impact on fiscal revenues. A related action plan has been developed.

27. Broad use of the new application for automated management of customs transport permits for vehicles imported by land should also bring in additional revenues by: (i) ensuring close management of vehicles from the moment they enter the customs territory; (ii) clearance of these vehicles at the border posts; and (iii) monitoring of associated payments.

28. **Cooperation between the DGD and DGCPT is continuing.** A new platform will be installed by the Treasury to improve the consistency between customs payments and collections, while connection with the GAINDE system would ensure better management of collection credits (*crédits d'enlèvement*). This platform will be operational in the second half of 2019.

29. **Expenditure management will be improved through consolidation of the use of the multi-year budget framework.** Significant progress has been made toward the transition to program budgeting scheduled for January 2020. Ministries and constitutional institutions have fully taken performance budgeting on board by improving their fiscal resource allocation strategy to focus on priority actions. The structure of fiscal programs stabilized during the work on the 2019-21 budget framework and on this basis the draft Prime Ministerial decree establishing the list of ministerial fiscal programs and the appropriations of constitutional institutions has been finalized. To ensure the usefulness of all the proposed testing, the decree establishing the programs is to be signed by end-December 2018 to allow the ministries to include program managers, which are newly established posts, in their proposals.

30. **To control fiscal and financial risks, the government undertakes to limit budget letters to: (1) comfort letters not involving a financial commitment, (2) formal letters of guarantee for parastatals; and (3) domicilation letters for settlement (*lettres de domiciliations de règlement*) for the agriculture sector and for defense and national security projects.** In this respect, a decree establishing the conditions for the issuance of letters of guarantee, domiciliation letters for settlement and comfort letters has been signed (**prior action**).

31. **On the current expenditure side, ceilings on authorizations of government positions (Article 12 of the 2011-2015 LOLF of July 8, 2011, as amended) could be implemented in 2019 in the context of the preparation of the draft 2020 budget.** Everything is in place so that the quantification of positions and staffing levels and related budgetary costs can be readily introduced into the Annual Performance Proposals and the Annual Performance Reports (monitoring and management of budgetary flows and implications). Technical ministries, supported by West AFRITAC/IMF, will use tools facilitating the assessment of the ceilings related to the authorization of positions during the preparation of the draft 2020 budget.

32. **The test runs of the decentralization of payment authorization** in five pilot ministries (Finance, Education, Health, Justice and Environment) with the help of the General Administration and Supplies Directors (DAGE), General Administration and Supplies Secretaries (SAGE) and appropriations managers, have not been entirely successful. Several options will be put forward to control the financial risks of ministers and presidents of constitutional institutions exercising the power to authorize payments before submission for a final decision.

33. **Following the entry into effect of the compulsory supplementary pension plan by Law No. 2018-12 of March 30, 2018, the government is planning three other areas of reform.** The first is a parametric reform with the aim of restoring the financial equilibrium of the FNR. This reform foresees: (i) amendment of the pension award base from the average annual salary over the final three years to the final five years; (ii) renewal of the contributing population through annual

recruitment (2.5 percent for civilians and 2 percent for military); (iii) increase in the contribution rate from 35 percent to 40 percent (15 percent from employee and 25 percent from government); and (iv) investment of the reserves at a target return rate of 3.5 percent. In addition, a 10 percent increase in pension levels is planned. The second area concerns the elimination of capping and widening of the tax base related to contributions regarding the research/training special allowance (ISRF). The law on this partial parametric reform has been adopted and was enacted as Law No. 2018-23 on July 6, 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 related to ISRF contributions, common to all teachers/researchers, is likely to increase the pensions of retired higher-education teaching personnel. The government has also initiated discussions on the institutional reform to change the FNR's status from a Special Treasury Account to an independent fund with legal personality and financial autonomy. This status has the advantage of providing opportunities to invest reserve and ensure inclusive and effective management. Finally, the financial and technical feasibility of transferring pension rights of local government civil servants and government officials without civil service status to the FNR will be studied.

34. The government is continuing to expand the oversight of public sector financial operations to enhance the analysis of contingent liabilities and debt sustainability. In this context, Senegal received technical assistance on contingent liabilities from the World Bank in October 2018. Further, debt coverage has been expanded significantly in the debt sustainability analysis (DSA). This new approach provides an overview of all commitments of the government and its agencies in the framework of the overall debt strategy. Although the debt coverage has been expanded, the impact on the debt indicators has been limited owing to the recent change in the GDP base. Senegal remains a serious player in the international financial markets as evidenced by the success of its most recent Eurobond issue. Senegal has a medium-term debt strategy and will continue prudent management of its debt to ensure its sustainability.

B. Strengthen Public Finance Management and Governance

35. The process of transposing the WAEMU directives on public finances into national law is continuing. The government has adopted a draft law on the Code of Ethics for Public Officials, However, it has not yet ratified the draft law on the financing of political parties, which requires a consensus on the rationalization of political currents. Measures will also be taken such that commitment authorizations and payment appropriations (AE/CP), ceilings regarding the authorization of civil servant positions, decentralization of payment authorization and accrual accounting will be ready by the time of the transition to the new fiscal and accounting management system in January 2020.

36. The directive on inventory accounting was transposed into national law in May 2018. The implementing regulations (instruction, decrees, interpretive circular, etc.) still need to be issued and training provided to the new principal authorizing officers (ministers and presidents of constitutional institutions) and delegated authorizing officers (program managers), who are also responsible for inventory management (training for the actors involved). To ensure proper inventory accounting, which supplements the government's general and patrimonial accounting, a computerized system is being developed. Its interface with SIGIF should facilitate detailed monitoring of real estate property, movable property and inventories.

37. Changes introduced in the new budget management approach point to the need to develop a budget nomenclature (NBE) amending Decree No. 2012-673 of July 4, 2012 to ensure harmonization with the accounting nomenclature of the new government chart of accounts. The draft 2019 budget has therefore been prepared on the basis of both the 2012 and 2019 NBE and will allow SIGIF to operate better, with linked frameworks. The draft law should be signed by end-December 2018.

38. In the area of fiscal transparency, the results of the 2017 Senegal Open Budget Survey published in March 2018 by the Secretariat of the International Budget Partnership (IBP) showed an improvement in the score on fiscal transparency, public participation in the preparation of the budget and budgetary oversight from 43/100 to 51/100. The IBP survey recommends in particular that the Senegalese government take measures to improve public participation in the preparation of the government budget, produce and publish a mid-year review, and provide additional data on expenditures, non-financial performance and how the government's overall budget is linked to public policy.

39. The government is continuing its efforts to improve fiscal transparency. The preliminary results of the Fiscal Transparency Evaluation (FTE) carried out in April 2018 are encouraging. The financial/fiscal reports paint a reliable picture of the government position and achievements. However, areas for improvement include: (i) a better understanding of the fiscal and financial risks and their impact; (ii) greater public involvement in discussions on fiscal policy and oversight; (iii) strengthening of analysis of macro-fiscal forecasts to give documents more credibility; (iv) timely publication of budgetary documents; and (v) completion of some aspects of fiscal and financial reforms. An action plan will be prepared on these areas for improvement, with implementation starting in 2019, bearing in mind the FTE recommendations.

40. The new Public Expenditure and Financial Accountability (PEFA) framework (February 2016 version) will be field tested after the PEFA self-assessment conducted in October 2017. The process has officially been under way since April 2018 with the validation of the concept note by the group of reviewers, including the PEFA Secretariat in Washington, and the results are expected in June 2019. In addition, a Public Investment Management Assessment (PIMA) specifically focusing on public investment management was conducted in November 2018.

41. The work on the legal and regulatory framework for the new government accounting system is well under way. The Government Chart of Accounts (PCE) established by Decree No. 2012-92 of January 11, 2012 is being thoroughly reviewed to harmonize the content of some regulatory provisions with accounting standards and instructions. The accounting standards have all been produced and disseminated and the books making up the accounting instructions have been drafted and are being validated at various levels. The annex to the PCE must also be amended to adjust the codification of the accounts from 3 digits to 4 digits. As the new General Tax Code (CGI) was adopted by Parliament in December 2012 after the signing of the PCE in January 2012, it is necessary to incorporate the changes it introduced as well. Also, the terms of reference for the preparation of the entire accounting macro process are being finalized.

42. The work on the opening balance of the inventory and valuation of government assets, specifically for reference buildings (*bâtiments types*), administrative buildings, land and property titles, is continuing. As funding is assured, thanks to the contribution from the government budget, the process of developing the inventory of fixed assets (tangible and intangible) and drafting the accounting macro process has begun. The recording of debts and equity participations that began in 2015 is consolidated each year, as the inventory and valuation methodology is now well established. Further, the final report on the assessment of the equivalent value of government equity participations is expected.

43. The new WAEMU-TOFE fiscal reporting system, which uses the nomenclature of the 2001 and 2014 editions of the IMF's *Government Financial Statistics Manual*, has been completed. The minimum analysis framework has been established. All of the analytical tables are ready, with the exception of the table detailing the financial position based on accrual accounting. The related LOLF provisions (accrual basis recording of revenues and expenditures), which will facilitate its preparation, will not be applicable until 2020, when the transition to the new budget and accounting management system is scheduled to take place.

44. Steps have been taken to control the clearance of postal checks. A convention was signed in October by the Minister of Finance and the Minister in charge of the Groupe SN La Poste to restrict clearance through Public Treasury accounts opened on the books of the BCEAO for checks drawn on third parties, individuals and legal entities, with the exception of banks, oil companies and entities that are part of the Groupe SN La Poste (**prior action**). Structural measures that have been implemented include an audit report on the financial flows of Poste Finances, which was completed by the BCEAO in December 2017. A mission to rectify the accounts of the Groupe SN La Poste will start before the end of 2018 and serve as a point of departure for the restructuring of the group in 2019. The restructuring plan for La Poste prepared in 2014 and updated in 2018 includes seven measures: (i) reform of the procedure for guaranteeing the clearance of postal checks by the Public Treasury which is now effective owing to the signing of a new guarantee agreement and opening of a guarantee account at the BCEAO provisioned by La Poste; (ii) rectification of the accounts of the Groupe SN La Poste and its subsidiaries: preparation of reliable financial and accounting statements for the group and its subsidiaries; (iii) completion of the recapitalization of the Groupe SN La Poste through consolidation of capital of all or part of the balance from the 2017 agreement on cross debts; (iv) reconstitution of the deposits of third parties with Poste Finances (CNE and CPP accounts); (v) assessment in 2019 of La Poste's cost accounting module by the Regulatory Authority for Telecommunications and Post (ARTP); (vi) preparation and implementation of a recovery plan, specifically by rationalizing expenditures related to personnel and increasing sales; and (vii) institutional conversion of Poste Finances into a Postal Bank. La Poste has introduced cost accounting, and a pilot phase has been under way since December 2016. The cost accounting approach is to be assessed by an external consultant recruited by the regulatory authority ARTP, with the consultant's conclusions are expected by March 2019.

C. Improve the Business Environment and Promote the Private Sector

45. Efforts to improve the financial position of SENELEC continue. The SENELEC arrears, assessed at August 31, 2018 at CFAF 223 billion, are covered as follows: CFAF 70 billion already included in the 2018 budget, CFAF 28 billion in the form of budgetary support from the World Bank, and a letter of guarantee allowing SENELEC to raise CFAF 125 billion on the market, which will be covered by a repayment plan to banks over 5 years starting in 2019. As of 2019, to avoid future arrears, two key measures will be taken by the Ministry of Economy, Finance and Planning (MEFP): (i) the amount of the subsidy will be included in all future budget laws (initial or supplementary budgets); and (ii) for entities such as public establishments with financial autonomy (EPAFs), the precise measure involves effective inclusion (by decree) of an expenditure item for electricity in their budgets making payment of the electricity bills mandatory. In addition, the government will study what other measures might be necessary in 2019 to limit the need for energy subsidies (electricity and refined petroleum products).

46. The momentum of key PSE projects should be supported by an improved business environment and the development of private investment. The 13th session of the Presidential Investment Council (CPI) that took place on November 20, 2017 validated the updated action plan of the second phase of the Business Environment and Competitiveness Reform Program (PREAC II) through 2020. This action plan, which includes 23 recommendations, aims to complete the structural reforms (land, digitization, simplification of pricing systems and schedules, labor legislation, information on credit, and commercial justice) to reduce transaction costs and improve the quality of government services in order to promote innovative SMEs and attract more FDI to Senegal. For 2018, simplification of the application to register a labor contract has begun and digitization of this process is planned by end-2020. At the same time, the study to evaluate labor legislation, with a draft report expected to be ready by the end of 2018, and the creation of investment platforms in the regions are priorities, in addition to the operationalization of economic zones. For 2019, the establishment of a collateral registry requires harmonization of the registry of chattel loans (clerk) with the registry of mortgages (registrar) as these two registries have not yet been merged into a central registry. The practical implications should be studied to ensure better management of this registry, with the necessary legal oversight in cooperation with the BCEAO.

47. In the area of commercial justice, the Dakar commercial court began operations on February 23, 2018. As of July 5, 2018 a total of 1,369 cases had been heard and 928 judgments handed down. The challenge is to make judicial procedures paperless, which would make the settlement of economic and financial disputes more efficient owing to the establishment of a sound and effective legal and judicial environment, as reflected in the computerization of the procedures of the Commercial Court.

48. Specific efforts have been made to develop special economic zones. Three zones have been established in Senegal by decree: the Diamniadio Integrated Industrial Park and the Diass and

Sandiara Special Economic Zones (ZES*)*. The general objective of the zones is to increase exports of goods and services and promote job creation. In the Diamniadio industrial park, only 13 of the 53 hectares have been used so far to build four buildings (three 10 hectare buildings and one 5 hectare building) and a 4-storey administrative building. Businesses of various kinds are beginning to move in: PVC piping, magnetic cards, textiles, services, etc.

49. The activity of the Credit Information Bureau (BIC) is expanding. At end-September 2018, contracts reported on the platform by relevant individuals and entities totaled 1,693,312 against 464,272 at end-March 2018, an increase of 1,229,040 contracts for 602,562 customers surveyed, including13,886 business and 588,676 individuals. In addition, 160,065 new loans were recorded during the period January to September 2018 and the number of credit reports consulted represented 69 percent of new loans over this period. Since January 1, 2018, the new Basel II and Basel III provisions and the revised WAEMU Chart of Accounts for the banking sector have entered into effect and are now being applied by the banking system. These reforms aim to increase the soundness of banks through improved capital holdings, better risk assessment and enhanced transparency of financial activities. The innovations have been integrated by the banks through the updating of their information systems, diversification of customer segments, and adaptation of internal procedures.

50. To encourage the banks to grant loans to SMEs, a facility to support SME financing with assistance from the BCEAO was launched in August 2018. Moreover, new regulations on Islamic financing were adopted for banks and microfinance institutions. These advances, which help to promote and diversify new financing instruments, have been reflected in the opening of new alternative financing institutions. Upcoming work includes: (i) development of a national financial inclusion strategy; (ii) setting up of a single platform for the exchange of information between microfinance institutions (SFDs); (iii) continuation of the financial education program; and (iv) promotion of the digitization of financial sector payments.

51. The information system of the SME quality certification unit and the e-rating tool of the SME Development Agency (ADEPME) have played a significant role in the financial eligibility of the SMEs. Helped by this, SMEs received close to CFAF 3 billion in financing in 2017, as against CFAF 1.3 billion in 2015. In addition, ADEPME has signed a new agreement with some banks, and its e-rating tool has been accepted as a tool for prior analysis for SMEs that were awarded public contracts and that are seeking bank financing. Further, the establishment of an information system on female entrepreneurship, which is to be linked to the e-rating tool, is one of the keys to implementing the strategy for the development of female entrepreneurship to allow for greater participation of the banking system in the quality certification process. To offer SMEs alternative financial products adapted to their needs, completion of the public procurement fund, implementation of which has begun, remains a necessity.

New program monitoring indicators

52. The modification of end-December 2018 assessment criteria and new end-March 2019 ITs are proposed. The modification of the two end-December 2018 ACs on the floor on net lending/borrowing and the ceiling on central government overall net financing requirement is proposed as well as new end-March 2019 ITs to monitor program implementation into 2019 (see Table 1 of the MEFP). The government and IMF staff have also agreed on the measures and structural benchmark set out in Table 2 of the MEFP. Reviews will occur at six-month intervals. The eighth and final review is expected to be completed by June 23, 2019.

Table 1. Senegal: Quantitative Assessment Criteria and Indicative Targets for 2017-19

	2017											2018													2019
	Jun.				Sep.			Dec.				Mar.				Jun.				Sep.				Dec.	Mar.
	AC				IT			AC				IT				AC				IT				AC	IT
	Prog.	Adj.	Act.	Status	Prog.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Act.	Status	Prog.	Adj.	Prel.	Status	Prog.	Prog.
Assessment criteria[1]																									
Floor on net lending/borrowing[2]	-189	-192	-187	met	-259	-519	not met	-349	-364	-360	met	-154		-153	met	-304		-303	met	-391	-397	-618	not met	-453	-145
Ceiling on spending undertaken outside normal and simplified procedures[3]	0		0	met	0	0	met	0		0	met	0		0	met	0		0	met	0		0	met	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	met	0		0	met	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		24	met	50		44	met	50	50
Floor on tax revenue [4]	...		...		...	...		...		...		...		...		979		1,011	met	1,483		1,397	not met	2,146	476
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		32	not met	15		20	not met	15	15
Floor on social expenditures (percent of total spending)	35		39	met	35	37	met	35		38	met	35		39	met	35		36	met	35		46	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		7		15	
Memorandum items:																									
DPO disbursements over $100mn in 2018																								29	
Program grants	13		10		24			35		18		4		15		15		15		22		15		37	15

Sources: Senegal authorities; and IMF Staff estimates.

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

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

[3]Monitored on a continuous basis.

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

Table 2. Structural Benchmarks for 2018-19

	Review	Status	Comments from authorities
2018			
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	A draft circular letter is being prepared with the DGPPE (Directorate of Planning) to bring to the attention of the various ministerial departments the criteria for the Investment Committee to use when choosing which of the evaluated investment projects will be retained in the 2019 Finance Law. In addition, during the notification of 2019 Parliamentary authorizations, emphasis should be placed on the requirement to submit quarterly reports for monitoring and evaluation purposes.
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	The plan has been developed with a Committee chaired by the MDB's Director of Cabinet responsible for implementation.
Prior Actions for 7th review			
Sign a new convention between the Post Office and the Treasury to limit the Treasury's guarantee for clearing the Post Office's checks.	7th review	Met	
Sign a ministerial order to cease the use of budgetary letters that commit central government to expenditures beyond the current budget year or to expenditures outside the budget	7th 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	Met	
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	Not met	The infrastructure is being put in place, with two recent positive developments: (a) the signature (by the MEFP) of a letter approving budgetary means to establish M-Tax; and (b) the finalization of the DAO to launch the selection process of providers for implementing M-Tax.
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	Met	
Formal guarantees, signature commitments serving as guarantees, the financial debts of state-owned enterprises, as well as comfort letters servings as irrevocable guarantees of settlement and those involving debt obligations will be integrated into debt sustainability databases and analysis.	7th review	Met	
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	Not met	Awaiting action by the Cabinet of the MEFP.
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	Met	
2019			
Measures			
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).

8. The floor including grants shall be adjusted downward by the equivalent in CFAF (at current exchange rates) of the DPO amount above $100 million that the World Bank approves in 2018, as long as such amount is used by the central government to settle obligations owed to SENELEC beyond the CFAF 70 billion programmed in the 2018 supplementary budget (MEFP Table 1). The amount of this adjustment is not to exceed $50 million. The financing of the additional settlement of obligations owed to SENELEC described above should come either from (i) a disbursement in 2018 from the DPO approved in 2018 or (ii) a drawdown of the escrow account at the BCEAO containing overfinancing from the 2018 Eurobond defined in the TMU.

Reporting Requirements

9. 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

10. 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

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

D. Budgetary Float

Definition

12. 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

13. 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 payees*). 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

14. 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.

15. The authorities will report any such procedure immediately to Fund staff.

F. Public Sector External Payments Arrears

Definition

16. 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

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

Definition

18. 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.

19. 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.)

20. 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

21. 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

22. 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).

Adjustment

23. The ceiling is adjusted upward 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).

24. The ceiling shall be adjusted upward by the equivalent in CFAF (at current exchange rates) of the DPO amount above $100 million that the World Bank approves in 2018, as long as such amount is used by the central government to settle obligations owed to SENELEC beyond the CFAF 70 billion programmed in the 2018 supplementary budget (MEFP Table 1). The amount of this adjustment is not to exceed $50 million. The financing of the additional settlement of obligations owed to SENELEC described above should come either from (i) a disbursement in 2018 from the DPO approved in 2018 or (ii) a drawdown of the escrow account at the BCEAO containing overfinancing from the 2018 Eurobond defined in the TMU.

Reporting Requirements

25. 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"*).

26. 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

27. 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

28. 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

29. 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.

30. 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

31. 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.

32. 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.

33. 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.

34. 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

35. 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 CFAF will be used only for debt reprofiling operations to repay outstanding external debt early, for replacing World Bank financing in 2018 in the event the World Bank's DPO is disbursed in 2019, and for the financing of the 2019 budget.

Reporting Requirements

36. 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.