INTERNATIONAL MONETARY FUND

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SENEGAL

July 2018

SIXTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SENEGAL

In the context of the Policy Support Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July2, 2018, following discussions that ended on May 10, 2018, with the officials of Senegal on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 15, 2018.
- A **Statement by the Executive Director** for Senegal.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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July 2, 2018

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Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review
Under the Policy Support Instrument (PSI) for Senegal

The Executive Board of the International Monetary Fund (IMF) completed the sixth review of Senegal's economic performance under a program supported by the Policy Support Instrument (PSI). [1] The program aims to implement economic policies and structural reforms needed to sustain strong growth and ongoing fiscal consolidation to meet the regional fiscal criteria.

In completing the review, the Board also approved the authorities' request for waiver of non-observance and modification of assessment criteria. The PSI for Senegal was approved on June 24, 2015 (see Press Release No. 15/297).

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Senegal's reform efforts, as laid out in the Plan Sénégal Emergent (PSE) and aided by the Policy Support Instrument (PSI), have helped to increase growth while maintaining economic stability. Growth reached 7.2 percent in 2017 while inflation remained low and the fiscal deficit was contained to 3 percent of GDP. However, public finances deteriorated, driven mainly by unchanged prices for domestic energy products in the face of higher global energy prices. This deterioration was somewhat offset by new fiscal measures, with an upwards revision of the 2018 fiscal deficit to 3.5 percent.

"The authorities remain committed to PSI fiscal targets. Over the medium term, increased revenues through improving administration and lowering tax expenditures, improved public investment efficiency, and energy price reform would create space to finance Senegal's development needs in a sustainable manner.

"The authorities have made substantial progress in reducing weaknesses in treasury operations and containing additional financing needs, but a timebound plan to address accumulated energy sector obligations is needed. Together with improvements in debt management and debt coverage, this will support fiscal sustainability.

"Risks to Senegal's economy have increased but remain manageable. On the domestic side, lack of progress on structural fiscal issues such as revenue mobilization, energy subsidies, and reforms to further reduce the treasury's additional financing needs could undermine fiscal sustainability. On the external side, security risks in the region could adversely affect investment and growth.

"Senegal's high growth during the first years of the PSE now needs to be consolidated by further implementing structural reforms and attracting private investment to generate continued high growth, with opportunities for all. This requires tackling impediments to access to credit, cost of energy, and taxation issues, while improving the business environment, including further development of special economic zones, three of which are now operational."

[1] The PSI is an instrument of the IMF designed for countries that may not need, or want, IMF financial assistance, but still seek IMF advice, monitoring and endorsement of their policies. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (see http://www.imf.org/external/np/exr/facts/psi.htm).

INTERNATIONAL MONETARY FUND

SENEGAL

June 15, 2018

SIXTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT, REQUESTS FOR WAIVER OF NONOBSERVANCE AND MODIFICATION OF ASSESSMENT CRITERIA

EXECUTIVE SUMMARY

Economic performance. Growth remained strong at 7.2 percent in 2017, with inflation contained at 1.3 percent. Higher oil prices and increased capital goods imports significantly widened the current account deficit. The macroeconomic framework in this staff report uses a new GDP series which updates the base year from 1999 to 2014 and is approximately 30 percent higher in nominal terms relative to the previously reported GDP data series.

Fiscal policy. Despite a budget deficit for 2017 in line with projections, the fiscal stance deteriorated markedly, with rising liabilities, particularly to the energy sector, resulting in a carryover of 2017 fiscal obligations to 2018. Against the backdrop of presidential elections scheduled for early 2019, fixed domestic energy prices combined with steadily increasing global oil prices led to underperformance of oil-related revenues and growing energy subsidies. Insufficient budget allocations and lack of financing for these subsidies resulted in an accumulation of fiscal obligations to the state-owned electricity company, SENELEC, and oil importers. Furthermore, the government accumulated unpaid obligations to other private sector companies. As domestic energy prices have remained fixed, fiscal pressures have continued to mount in 2018, while wages and benefits of striking health and education workers and security-related spending to address regional (Sahel) and domestic (Casamance) threats have been increased substantially. The authorities are committed to a substantial package of additional revenue and expenditure measures in a supplementary budget to partially offset fiscal pressures from additional security-related spending and the partial settling of fiscal obligations to the energy sector and other private sector companies. In the context of these security and oil-related shocks, it was agreed that the fiscal deficit would be revised upward to 3.5 percent of GDP in 2018.

Private sector development. Continued investment in the energy sector and improvements in the business environment are encouraging, but more needs to be done to support private sector-led growth. Establishment of Special Economic Zones (SEZs) has potential to attract private investment, but it has yet to yield fruits. Reforms to overcome impediments to access to financing for SMEs is needed.

Outlook and risks. The outlook remains broadly positive, but risks are increasing. Growth is expected to remain strong over the medium term, but continued progress on implementing the *Plan Senegal Emergent* (PSE) is necessary to avoid sliding back to the lower growth rates of the past. Overall, there is a risk that the 2019 presidential elections could weaken commitment to the baseline fiscal path and reforms. Should increases in global oil prices persists in 2019, continued inaction on domestic electricity and fuel prices would pose signficant risks to fiscal sustainability. Other sources of risk are regional and domestic security threats, and adverse movements in global financial markets.

Program implementation. Performance under the PSI-supported program has been mixed. All end-December 2017 Assessment Criteria (ACs) were met, with the exception of the AC on central government overall net financing for which a waiver is requested. Also at end-December 2017, two Indicative Targets (ITs) were missed, including the floor on tax revenue. The IT on floor on tax revenue has been changed into an AC. Lack of progress on reforms in 2017 resulted in higher than projected Treasury financing needs, but recent measures have contained this additional borrowing. Five of the seven end-March 2018 ITs were met. Three of the five structural benchmarks set for this sixth review were met, while substantial progress was made on the other two.

Staff recommends completion of the sixth PSI review.

Approved By	
Dominique Desruelle (AFR) and Nathan Porter (SPR)	A staff team consisting of Messrs. Lazare (head), Leichter and Versailles (all AFR), Mr. Reynaud (FAD), Mr. Yehoue (SPR), Ms. Sancak (IMF Resident Representative in Dakar), and Messrs. Ba and Fame (IMF Resident Representative office in Dakar) conducted the discussions in Dakar, April 26–May 11, 2018. The Advisor to the ED, Mr. Diakite, participated in this mission. The team met with President Sall, the ministers in charge of economy and finance, civil service, and petroleum and energy, the National Director of the BCEAO, and other senior officials. The team also met with representatives of the private sector, civil society, and donor community. Ms. Devine provided research support and Ms. Quartey provided assistance in the preparation of this report.

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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

Context

1. **Senegal has experienced robust growth over the past few years, but vulnerabilities are emerging.** Growth has been above 6 percent for three years in a row and the economic outlook remains positive over the medium term. However, despite robust growth, the ratio of debt to GDP continues to increase and higher oil prices have put upward pressure on the fiscal and current account deficits. While the March 2018 Eurobond issuance has provided substantial fiscal and external financing for a second year in a row, fiscal discipline is needed to ensure continued economic and financial stability. Steady progress on structural reforms to boost private investment would help avoid a return to the anemic growth of the past.

2. **Near-term fiscal challenges will need to be met in the lead up to the Presidential elections.** Spending pressures related to presidential elections scheduled for February 2019 are beginning to emerge. Protests by workers in the education and health sectors have led to significant wage increases. In addition, plans to accelerate implementation of high profile projects ahead of the elections, including the *Train Express Regional* (TER) and the newly-created national airline company *Air Sénégal*, have increased risks to fiscal sustainability.[1] Domestic electricity and fuel prices have not changed since early 2017 despite increasing global oil prices and, more recently, a relative appreciation of the U.S. dollar vis-à-vis the CFA franc, creating fiscal pressures and delayed payments to the private sector. Further progress on revenue reforms is needed to meet the WAEMU convergence criteria and finance development needs in a sustainable way.

3. **To sustain high growth over the medium term, further progress is needed on enabling the private sector.** Senegal has experienced growth accelerations in the past, but they have not been sustained because they have been largely driven by the public sector. For Senegal to reach emerging market status by 2035, the *Plan Senegal Emergent* (PSE) calls for sustained high growth. This will require further progress on reforms to: (i) address structural factors which limit credit to the private sector, including SMEs; (ii) increase efficiency of public infrastructure; (iii) lower energy costs and improve reliability; (iv) improve transparency and compliance in tax administration, and (v) improve the business environment, including through special economic zones (SEZs).

[1] The recent purchase of two planes for domestic and regional flights and the planned purchase of two other planes for transcontinental flights are likely to carry some form of government guarantee and thus would be included in the next debt sustainability analysis (**MEFP, ¶38).**

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

Context

1. **Senegal has experienced robust growth over the past few years, but vulnerabilities are emerging.** Growth has been above 6 percent for three years in a row and the economic outlook remains positive over the medium term. However, despite robust growth, the ratio of debt to GDP continues to increase and higher oil prices have put upward pressure on the fiscal and current account deficits. While the March 2018 Eurobond issuance has provided substantial fiscal and external financing for a second year in a row, fiscal discipline is needed to ensure continued economic and financial stability. Steady progress on structural reforms to boost private investment would help avoid a return to the anemic growth of the past.

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RECENT ECONOMIC DEVELOPMENTS

4. Growth in 2017 was over 7 percent for the first time since 1984, while inflation remained contained. Growth is estimated at 7.2 percent in 2017, compared to 6.8 percent projected earlier. Agricultural output growth was higher than expected at 16.1 percent, including an over 40 percent increase in peanut production. Other high-growth sectors include construction (+10 percent), transport (+10.5 percent), and financial services (+16.5 percent). Inflation, mainly driven by volatile food prices, briefly turned negative at end-2017, but reached 1.1 percent at the end of April 2018. A rebasing of GDP has increased its level by approximately 30 percent, but only slightly changed the sectoral composition of output (Annex I).

5. While the headline 2017 fiscal deficit was in line with the program target, the fiscal stance deteriorated markedly, with rising liabilities, particularly to the energy sector resulting in a carryover of fiscal obligations to 2018.[2] Staff estimates that the 2017 fiscal deficit including unmet fiscal obligations accumulated during the year would have been close to 5 percent of GDP, compared to the 3 percent targeted under the program. Fixed domestic electricity and fuel prices in the context of steadily increasing global oil prices resulted in lower than projected revenues (0.8 percent of GDP), the need for growing energy subsidies (0.4 percent of GDP), and delayed payments to the energy sector (0.3 percent of GDP) and the broader private sector (0.5 percent of GDP). The special fund to support the energy sector (FSE) (Annex II) did not have sufficient resources to meet payment obligations to oil importers and the state-owned electricity company SENELEC, requiring some carryover of payments to 2018. The continued financing needs of the Post Office (0.5 percent of GDP) and Civil Service Pension scheme (0.1 percent of GDP), and the unwinding of past years' appropriations in the *comptes de dépôt* resulted in a higher-than-projected additional borrowing needs for Treasury operations in 2017,[3] although substantial progress has been made to address these sources in the first few months of 2018. Further increases in global oil prices in 2018 above what is assumed in the budget and a relative appreciation of the U.S. dollar vis-à-vis the CFA franc are intensifying fiscal pressures, requiring significant compensating measures to stay on the planned fiscal path.

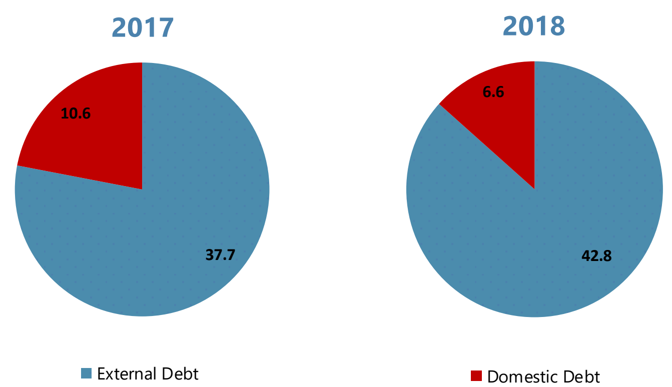
6. The current account deficit nearly doubled in nominal terms from 2016. The external situation has deteriorated, with the current account deficit widening from 4.2 percent in 2016 to 7.3 percent in 2017. This reflects higher global commodity prices and a higher volume of capital goods imports. In 2017, while export volume increased by about 11 percent, import volume in turn rose by more than 19 percent, driven mainly by petroleum products (+34 percent) and capital goods (+20 percent). The current account is projected to increase further in 2018 as oil prices continue their upward trend.

[2] These fiscal obligations are not considered arrears in the WAEMU definition of arrears, which has been retained in the program and limits arrears to a more than 90-day delay in the payment of liabilities assumed by the Treasury.

[3] Additional Treasury borrowing totaled CFAF 172 billion relative to a target of CFAF 150 billion, with the following breakdown: Post Office (CFAF 60 billion), Civil Service Pension (CFAF 10 billion) and *comptes de dépôt* (CFAF 102 billion).

7. **The debt level is rising with a shift towards external debt.** Senegal issued Eurobonds of $1.2 billion in 2017 and $2.2 billion in 2018 on relatively favorable terms.[4] Part of the proceeds from the 2018 issuance was used to buy back 40 percent of the relatively expensive 2011 Eurobond. The authorities have reached out to other creditors to buy back an additional CFAF 165 billion of external debt. The debt to-GDP ratio has increased to 48.3 percent of GDP in 2017 (from 47.8 percent in 2016) and is projected to reach 49.4 percent in 2018, with external debt representing nearly 43 percent of GDP. While the increase in the level of GDP following rebasing lowered the debt-to-GDP ratio, debt service to revenues remains high and a potential source of vulnerability.

Text Figure 1. Senegal Debt Composition
(Percent GDP)



8. **The outlook remains broadly positive, but with downside risks**. Senegal is projected to continue growing fast over the next few years, assuming good progress on structural reforms to boost private investment. Downside risks include: (i) spending pressures related to the Presidential elections; (ii) failure to increase energy prices and continue accumulating payment delays and possible domestic arrears; (iii) insufficient progress on reforms to restructure the Post Office, address civil service pension deficits, improve tax compliance and the efficiency of public expenditure, and increase private investment to sustain high growth; (iv) tighter domestic and global market conditions; and (v) potential adverse effects on public finances and growth from security threats at both the regional (Sahel) and domestic (Casamance) levels.

POLICY DISCUSSIONS

9. **Discussions centered on policies to meet fiscal challenges and sustain strong growth.** Accordingly, the focus was on policies and reforms to (i) ensure that the revised 2018 budget is in line with program targets and the WAEMU deficit target is met by 2019; (ii) strengthen public financial management (PFM)—including broadening debt coverage—and maintain fiscal sustainability; and (iii) support financial sector development and private investment.

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[4] The 2018 issuance was five times oversubscribed and consisted of two bonds: (i) a 30-year bond of US$1 billion, 6.75 percent interest rate, principal repayment in the last 3 years; and (ii) a 10-year bond of € 1 billion, 4.75 percent interest rate, principal repayment in the last 3 years. This compares favorably to recent Eurobond issuances in sub-Saharan Africa.

A. Managing Fiscal Pressures

10. Fiscal pressures have increased in 2018. In the absence of adjustment to domestic electricity and fuel prices in 2018, fiscal pressure will continue to build up due to (a) the relative appreciation of the U.S. dollar vis-à-vis the CFA franc; and (b) sustained high global oil prices. This will result in a need for increased compensation to the electricity company SENELEC and oil importers, and lower oil-related revenue. The 2018 budget faces additional challenges with (a) the need to pay unmet 2017 liabilities (above); (b) wage increases in the education and health sectors; (c) a higher interest bill (partly due to expenses associated with the repurchase of the 2011 Eurobond at market prices); and (d) higher security-related spending. Without compensating measures, the 2018 fiscal deficit is estimated to reach 5.5 percent of GDP.

11. Meeting the revised 2018 fiscal deficit target requires additional measures. To accommodate security-related spending (0.3 percent of GDP) and a carryover from 2017 of fiscal obligations to oil importers and the state-owned electricity company SENELEC, the PSI 2018 budget deficit target was revised up from 2.7 percent to 3.5 percent of GDP. The authorities expressed their commitment to implement a balanced set of measures totaling 2 percent of GDP (Text Table 1) in a supplementary budget (approval by the Council of Ministers and tabled in Parliament is a prior action for the completion of this review, **MEFP, ¶15**) to better recognize the cost of the energy subsidy and achieve 2018 fiscal objectives. This revised budget will limit pressures from the domestic-global energy price gap, even though some of the accumulated energy sector obligations may not be addressed until 2019 under a timebound plan following a comprehensive assessment of outstanding amounts, including cross debts. SENELEC will also make efforts to improve efficiency and strengthen their balance sheet, including through revisiting the current advance payment incentive scheme that allows customers to pay lower electricity tariffs. The authorities are firmly committed to meeting the 3.5 percent of GDP deficit target for 2018 and offsetting any slippage within the supplementary budget law envelope. If global oil prices go substantially above the assumptions in the 2018 supplementary budget, the authorities are committed to passing a second supplementary budget consistent with the program fiscal deficit target (**MEFP, ¶39).** The authorities also remain firmly committed to meeting the 3 percent of GDP WAEMU budget deficit convergence criterion by 2019.

Text Table1. Revision to the 2018 deficit target

Deficit target LFI/PSI	**2.7**
Lower revenues	1.3
from energy	*0.6*
other	*0.7*
Security needs	0.3
Energy subsidies	0.5
Higher interest bill	0.3
Higher wage bill	0.4
Estimated deficit	**5.5**
Revenue measures	-0.8
Additional revenues	-0.1
Curent expenditure measures	-0.1
Capital expenditure measures	-1.0
Revised deficit target LFR/PSI	**3.5**

12. The package of revenue measures to be implemented in 2018 cover both tax policy and administration. Absent new measures, the poor revenue performance of 2017 could be repeated in 2018 given the continued stability in domestic energy prices combined with less-than-expected progress on reducing tax exemptions and mobilizing excess parafiscal revenues (as was assumed in the budget). To offset this downward pressure on revenues, the supplementary budget contains several revenue measures on both tax policy and administration (Text Table 2), and incorporates some additional expected revenues in 2018 from diverse operations in the telecom sector (estimated to yield between 0.3 and 0.4 percent of GDP).[5] Staff urged the authorities to formulate a comprehensive plan to boost revenues over the medium term from the current tax revenue to GDP ratio of around 16 percent to the WAEMU objective of 20 percent. In this context, it would be important to strengthen tax administration and support PSE objectives by implementing a tax reform that is supportive of private investment and creates a rules-based system to contain tax exemptions. Prudent management of recent oil and gas discoveries would also contribute to higher revenues over the long term.[6]

13. Expenditure measures to meet 2018 fiscal targets focus largely on reducing inefficient and low-priority domestically-financed capital expenditures. Against the backdrop of mounting pressures for increased spending in 2018 (paragraph 10), staff urged the authorities to contain increases in public consumption and identify inefficient domestically-financed investment that could be reduced with a minimal adverse impact on growth and the poor. The authorities plan to reduce goods and services across ministries by 0.1 percent of GDP and reduce investment by 1.0 percent of GDP. This will be achieved by holding off new domestically-financed investment projects that have not started (0.5 percent of GDP), and delaying low-priority investment projects and cancelling inefficient projects (0.5 percent of GDP). Staff emphasized the importance of ensuring that all domestically-financed investment be vetted through the newly created project bank and that counterparty funding be provided to avoid delays in the implementation of priority development projects.[7]

[5] Most of the DGID (internal revenue) measures, presented in Text Table 2, were approved in the first quarter of 2018.

[6] Gas production could begin as early as 2021/22 and oil production by 2022/23. The IMF is providing technical assistance on the petroleum code and the World Bank is providing assistance on negotiating current contracts.

[7] Counterparty funding is the government contribution to projects largely financed by development partners.

Text Table 2. Revenue Measures for 2018

(Amount for the second semester 2018)

	S2 2018	
	FCFA Billion	**Percent GDP**
Tax policy measures		
DGID (Internal Revenue)	**11.7**	**0.09**
Increase taxation on tobacco	2.5	0.02
Increase taxation on alcohol	1.2	0.01
Increase taxation of insurance premiums	0.5	0.00
TAF/Insurance sector	2.2	0.02
Merge CODETE et PST	4.5	0.03
Increase in taxation on cosmetics	0.8	0.01
DGD (Customs)	**38.7**	**0.29**
Increase in VAT collection and taxation on import of petroleum products	16.1	0.12
Tax non-monetary gold	4	0.03
Increase in palm oil price and other products	18.6	0.14
Tax administration measures (DGID and DGD)	**50**	**0.37**
Increase in tax arrears collection target of the Internal Revenue	35	0.26
Rationalization of tax exemptions (internal revenue and Customs)	15	0.11
Other revenues (Treasury)	**5.1**	**0.04**
Increase in commissions and others	5.1	0.04
Total	**105.5**	**0.79**

B. Reforms to Support Fiscal Sustainability

14. Strengthening PFM is key to improving fiscal transparency and meeting macroeconomic objectives in an efficient and sustainable manner. Senegal has made important progress in PFM in recent years with measures aimed at preparing implementation of program budgeting and publication of monthly fiscal tables. Preliminary results for the recent Fiscal Transparency Evaluation (FTE) conducted in April 2018 are encouraging. However, the CFAF 371 billion (3.0 percent of GDP) of unspent past years' appropriations in *comptes de dépôt* at end-2017 and the recent emergence of delays in settling obligations to the private sector highlight the need for continued efforts to strengthen PFM. On the *comptes de dépôt*, measures are needed to deal with both flow and stock issues:

- Regarding the flow of the *comptes de dépôt*, staff welcomed a government decree that does not allow appropriations on current spending to be carried over to the following year and limits capital spending carryover to 5 percent of the appropriation and emphasized the importance of preparing public sector actors for implementation of this reform at end-2018 (**MEFP, ¶6).**[8]

- Regarding the stock of the *comptes de dépôt*, staff urged the authorities to develop a strategy that addresses this in a timely manner, including through a combination of: (i) elimination of past year appropriations for current spending and for investment projects not yet implemented; (ii) re-appropriating past year appropriations for ongoing investment projects in future budgets; and (iii) converting remaining past year appropriations to debt instruments to be paid to relevant entities over time.

Regarding settling payment obligations, while these delays may not constitute domestic arrears under the WAEMU definition (footnote 2), the slow acknowledgement of private sector claims in the expenditure process has adverse operational and cost consequences for firms and risks undermining progress made to improve the business environment. Staff urged the authorities to improve the efficiency of the expenditure process and discuss with the private sector time-bound plans for settlement of agreed obligations.[9] Some of these issues have already been addressed with the program's CFAF 75 billion reduction in the stock of *comptes de dépôt* in 2018 coupled with the cancellation of CFAF 50 billion of deposits in the *comptes de dépôt*. The latter will be accompanied by CFAF 50 billion of additional budgetary allocations, which will allow for a total of 1 percent of GDP reduction in liabilities to the private sector.

15. Completing comprehensive reforms of the Post Office and Civil Service Pension would eliminate the primary source of extra budgetary financing needs. Following an audit of the financial operations of the Post Office conducted by the BCEAO in late 2017, actions were taken to significantly reduce financing needs in the first quarter of 2018 to less than CFAF 1 billion, from around CFAF 16 billion in the equivalent period last year. The creation of a new account at the BCEAO dedicated to cashing Post Office checks will permanently break the financing link with the Treasury (**MEFP, ¶5, ¶34**). Nonetheless, staff emphasized the need for fundamental reforms, including improving the efficiency of the Post Office Group (*SN Poste*) and treating its financial subsidiary (*Poste Finance*) as a deposit-taking financial institution under the supervision of the BCEAO and, therefore, stop the compensation system that makes the Ministry of Finance the Lender of Last Resort for *SN Poste* in practice.[10] Once the reforms are complete, the government budget should recapitalize *Poste Finance* and ensure that there are sufficient funds provided in the government budget to cover annual operating losses of the *SN Poste*. On Civil Service Pensions, a reform to introduce a complimentary pension scheme in mid-2018 is expected to balance the pension system, with little or no financing need projected in 2018. The full year effect in 2019,

[8] The definition of the assessment criterion (AC) regarding the floor on net lending/borrowing has been modified to specify that the 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.

[9] Staff will continue to discuss issues related to arrears and delayed payment obligations to the private sector and will endeavor during the upcoming 7th review and 2018 Article IV mission to quantify their magnitude in a comprehensive way.

[10] The authorities are discussing with the World Bank potential technical support on issues related to SN Poste.

combined with planned parametric and other structural reforms will ensure that the pension system runs surpluses over the medium term.

16. A balanced and transparent debt management strategy is needed to underpin sustainability. The composition of domestic and external financing sources for Senegal's public sector have varied over the past few years. Senegal had issued Eurobonds every three years starting in 2011, with the 2018 Eurobond being the first time Senegal has gone to international markets in two consecutive years. The $2.2 billion issuance in 2018 allowed for active liability management of external debt service and, combined with projected external financing from development partners, resulted in significant overfinancing of the government financing needs. A portion of this amount has been placed in an escrow account to help meet 2019 financing needs and the authorities will report to staff the balance on a monthly basis **(MEPF ¶33)**.[11] While the re-profiling of external debt helped smooth a spike in debt servicing and lengthened maturities, the continued trend towards reliance on non-concessional external debt represents a source of vulnerability. Staff emphasized the importance of relying on concessional borrowing, when possible. The country's return to the regional WAEMU bond market in 2019 would help rebalance the composition of government debt and contribute to the overall development of the market.[12]

Text Table 3: Fiscal Financing 2018
(CFAF Billions)

Total financing	**1527**
Total Eurobond issuance	1185
Donor loans	342
WAEMU bond issuance	0
Gross financing need	**1291**
Fiscal deficit [1]	476
Additional Treasury borrowing	75
2011 Eurobond repurchase	122
Amortization	619
of which: Credit Suisse and AFREXIM	41
Overfinancing	**236**
Percent of GDP	*1.7*
Additional reprofiling of debt [2/]	124
Overfinancing post-reprofiling	**113**
Percent of GDP	*0.8*

[1] Based on revised 2018 budget.
[2] Remboursement Credit Suisse et AFREXIM (2019-2023)

17. To improve debt risk management, the coverage of debt statistics is to be broadened to include the entire public sector. The government is working to include all guarantees and financial debt of state-owned enterprises in its coverage of public debt **(MEFP, ¶27)**. This will give a better view of the overall obligations of the Senegalese state vis-à-vis its creditors. Staff welcomed the authorities' commitment on this initiative and noted that this is timely given that the newly launched IMF/World Bank debt sustainability framework to be applied during the next Article IV consultation considers gaps in public debt coverage as a contingent risk in the evaluation of sustainability.[13]

[11] The PSI Technical Memorandum of Understanding (TMU) has been amended accordingly (Section J).

[12] The goal is to increase the share of domestic debt from 24 percent as of end-2017 to 35 percent by 2020.

[13] The "Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries" can be found here: https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf.

18. Senegal economic policies remain consistent with WAEMU objectives of maintaining fiscal sustainability and regional external viability.[14] Following the regional central bank monetary policy tightening in late 2016—owing to the need to stabilize the regional FX reserves—and the subsequent tighening of the liquidity conditions in the regional market, Senegal opted to access the international debt market for financing the 2018 budget. While the recent widening of the current account and rising external debt service created some external sector pressure in Senegal, the country's successive Eurobond issuances in 2017 and 2018 were substantial and made an important contribution to regional reserves. Pooled WAEMU reserves at end-2017 were over four months of imports and thus supportive of a stable external environment. Furthermore, Senegal is expected to contribute to the regional stability by meeting the WAEMU fiscal deficit convergence criterion of 3 percent of GDP deficit by 2019.

C. Financial and Private Sector Development

19. Implementation of significant reforms is strengthening Senegal's financial system, which remains stable. The ratio of NPLs to total loans fell from 17.3 percent at end-2016 to 15.5 percent at end-2017. Since end-June 2017, the BCEAO has made capital requirements more stringent by increasing the minimum capital banks have to hold from CFAF 5 billion to CFAF 10 billion. In early 2018, only one bank failed to meet this requirement. On January 1, 2018, the Basel II/III regulatory framework came into force, accompanied by a new chart of accounts for the banking sector. A first assessment of the transition will be based on automated prudential statements which are to be submitted by end-April 2018, with preliminary tests showing most banks to be transition-ready. The chart of accounts includes a new definition of NPLs which makes conditions to have loans returned to performing status less stringent. Also, loans that have been non-performing for more than five years will now need to be written off completely. This new treatment is likely to reduce NPLs further; a tendency which is confirmed by preliminary figures for the first quarter of 2018 (**MEFP, ¶43**).

20. The move to Basel II/III aims to strengthen further the financial sector. Initially, there are likely to be some financial costs to the banking sector in the transition (e.g. costs linked to investments in new IT systems), while some banks could also be impacted indirectly through the need to raise capital in order to meet Basel II/III prudential ratios. Over time, however, Basel II/III will make the banking system more resilient. Credit to the economy grew by almost 15 percent in the year ending December 2017, despite the BCEAO's monetary tightening in December 2016. This was likely helped by withdrawal of Senegal from the regional bond market in the wake of the large Eurobond emission, which alleviated the regional liquidity pressures. In 2018, staff projects credit growth to be again in double digits. There are some downside risks to this forecast, as the aforementioned forces continue to play out, combined with the potential negative impact of the arrears to the private sector.

[14] West African Economic and Monetary Union: Common Policies for Member Countries. IMF Country Report No. 18/106.

21. Through different institutions, the government is directly involved in facilitating credit to the private sector, especially SMEs. The focus of these initiatives is mainly on improving access to credit for Small and Medium Enterprises/Industries (SME/SMI), as these form the backbone of the Senegalese economy. In 2013, the Senegalese authorities created three institutions to help SMEs and certain key economic sectors with access to credit, through providing either loans directly to firms or loan guarantees: (i) *Fonds de Garantie des Investissements Prioritaires* (FONGIP); (ii) *Fonds Souverain d'Investissements Stratégiques* (FONSIS); and (iii) *Banque Nationale pour le Développement Economique* (BNDE). The government is also a majority shareholder in the *Caisse nationale de crédit agricole du Sénégal* (CNCAS), which is heavily involved in financing the agricultural and fishing sectors. Staff acknowledges that these initiatives entail specific risks,[15] and their rapid growth, even though from a low base,[16] needs to be carefully monitored. Care should also be exercised such that chosen projects fit with the overall size and philosophy of the institution, including the potential involvement of FONSIS and BNDE in the financing of two *Air Sénégal* planes which could have a significant impact on their balance sheets (**MEFP, ¶38).** Further, the Senegalese chapter of the BCEAO is providing refinancing services to banks that lend to SMEs, identifying institutions that can help SMEs access credit through this tool.[17] In addition, a new NPL framework includes a provision which is less stringent on SMEs as a loan will be recognized as an NPL only after 180 days of non-payment, instead of the 90 days applied to other enterprises.

22. Staff emphasized the need to address structural impediments to well-functioning credit markets. Staff welcomed progress on credit bureaus and the Dakar commercial tribunal. The law on credit bureaus has been adjusted, which will make it easier for credit bureaus to access credit information of potential borrowers. The Dakar commercial tribunal opened in February 2018, which should help the recovery of collateral in credit markets. Senegal is also in the process of translating the regional financial inclusion strategy into its own detailed national financial inclusion plan (**MEFP, ¶41, ¶42**).

23. Despite some improvements in the business environment, private investment—including FDI— remains relatively low. Senegal has climbed substantially in the last couple of years in the rankings and scores of both the World Bank's Doing Business survey [18] and the World

[15] A recent survey assessing Development Banks (DBs) across the globe, finds that only DBs with clearly defined mandates, high corporate governance standards, strong risk management capability, proper regulation and supervision, and a strong management team have been successful. Several DBs have failed due to poor lending decisions, high amount of non-performing loans, undue political interference, capture by interest groups, and lack of well-defined mandates. (De Luna-Martínez, José and Carlos Leonardo Vicente. "Global Survey of Development Banks." World Bank Policy Research Working Paper No.5969, Washington D.C.).

[16] For example, the balance sheet of BNDE more than doubled in 2017 to CFAF 141 billion, while guarantees extended by FONGIP increased from CFAF 3.8 billion in 2016 to CFAF 4.5 billion in 2017 (+18 percent). In 2017, FONSIS made effective investments totaling CFAF 14 billion, which leveraged another CFAF 248 billion.

[17] The aim is to cover about 500 SMEs annually.

[18] As described in its methodology note, the World Bank's Doing Business Indicators measure aspects of business regulation affecting domestic small- and medium-size firms, usually using the largest business city to represent the economy. They measure regulations affecting eleven areas of the life of a business: starting a business, dealing with

Economic Forum's Global Competitiveness Index on business climate, outperforming its WAEMU peers in the process. This may indicate that Senegal's business environment is improving. Despite this progress, impediments to doing business including taxation issues, electricity provision, getting credit, and contract enforcement, remain a challenge. These issues figure prominently in the recently validated second phase of the strategy to strengthen the business environment and competitiveness (PREAC II), which runs until 2020, with the ultimate aim of increasing investment. The operationalization of the SEZs is ongoing, with SEZs in Diamniadio, Diass and Sandiara welcoming companies from different countries working in sectors as diversified as manufacturing, tourism, medical services, or research. These three SEZs would geographically be part of the planned "triangle of prosperity." Financial and technical assistance support could potentially come from the Compact with Africa[19] (**MEFP, ¶39, ¶40**).

D. Capacity Development

24. Capacity development and strong coordination of Technical Assistance (TA) with other providers will support PSI implementation and contribute to the wider objectives of the PSE. Staff commends the authorities for implementing the bulk of the Fund's TA recommendations. IMF TA for the period May 2018-April 2019 will focus on public financial management, revenue administration, and tax policy. This reflects the importance attached to fiscal developments, including the need to improve treasury operations and public investment efficiency, reach the WAEMU criterion on revenue-to-GDP, and manage the fiscal implications of oil and gas discoveries.

PROGRAM ISSUES

25. A waiver is requested for one end-December 2017 assessment criterion (AC) and the PSI quantitative targets for 2018 are modified in line with revised 2018 fiscal projections. The AC on the ceiling on central government's overall net financing requirement at end-December 2017 was not met, for which a waiver is requested. The indicative targets (ITs) for: (i) the quarterly ceiling in the share of the value of public sector contracts signed by single tender; and (ii) floor on tax revenue, were both missed at end-December 2017 and end-March 2018. The wide margin by which the former was missed at end-March 2018 was due to an electrical network rehabilitation project and construction works related to the SEZ at Diamniadio. A new assessment criterion on the floor on tax revenue is proposed starting from end-June 2018 (which replaces the related IT) to highlight the importance of improved revenue mobilization. To take into account revised 2018 fiscal targets, 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;

construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency and labor market regulation.

[19] To help with this wider diversification agenda, the IMF organized a G20/Compact with Africa conference on economic diversification in Dakar, Senegal in January 2018. Participants included government officials from several African countries, as well as the UN and other institutions.

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 and the is proposed **(MEFP, Table 1).**

26. Three out of five structural benchmarks (SBs) set for this review were met, while two new SBs are proposed for the seventh review and one for the eighth review. Both SBs related to improving revenue administration were finalized—online tax system for medium-sized enterprises and the launch of "Mon Espace Perso," a platform for communication between the taxpayers and the tax administration—and the planned review of tax expenditures was completed. Progress was made on the two other SBs. Regarding the Post Office, compensating transactions were reduced substantially in the first quarter of 2018, even though they were not fully reduced to zero. The integrated project bank for domestically financed investments is now up and running, but not all new investment projects in 2018 are drawn from the bank. Two new SBs for the seventh review and one new SB for the eighth review are proposed, while one SB for the seventh review has been revised. The new SBs relate to dealing with stock and flows of *comptes de dépôt* and coverage of debt **(MEFP, ¶5, Table 2).**

27. An updated safeguards assessment of the BCEAO, completed in April 2018, found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's risk management framework established in 2014 is also progressing well with implementation of its work across the bank.

STAFF APPRAISAL

28. Senegal is entering the second phase of its Plan Emergent (PSE), which needs to consolidate recent growth gains through continuing its structural reform program. Attracting private investment, from both domestic and external sources, remains key to achieving the 6-7 percent PSE growth target over the medium term. The main impediments to increased private investment are known and include access to credit, cost of energy, taxation issues, and the wider business environment. The first PSE phase started to tackle some of these issues, and the second phase now needs to intensify implementation of reforms. The SEZ has become operational and needs to continue to evolve by further improving the business environment through addressing investor needs. The financial sector is stable and the transition to the Basel II/III prudential regime is progressing well. Private sector credit growth is buoyant, but progress on numerous initiatives to address structural impediments to well-functioning credit markets is needed to ensure that SMEs have access to financing.

29. The public finance situation has markedly deteriorated since 2017, requiring sizable compensating measures in 2018 to maintain fiscal sustainability. Fixed domestic electricity and fuel prices in the face of a steady increase in global oil prices have created a growing energy subsidy. In 2017, this resulted in delayed payments to oil importers, the state-owned electricity company SENELEC and the broader private sector. Wage increases to meet demands of striking education and health workers ahead of the February 2019 Presidential elections and the need for additional security-related spending have created further pressures in 2018. The authorities have agreed to implement a substantial package of measures totaling 2.0 percent of GDP to address fiscal pressures from security and oil-related shocks and are working on a timebound plan to address any outstanding obligations to the energy sector. In this context, it was agreed that the fiscal deficit would be revised upward to 3.5 percent of GDP for 2018. Staff welcomes the authorities' commitment to meeting this target and offsetting any further slippage within the supplementary budget law envelope, as well as the authorities' commitment to reach the WAEMU 3.0 percent of GDP budget deficit convergence criterion by 2019.

30. Fiscal policy need to be focused on increasing revenues and improving the efficiency of investment to meet development challenges in a sustainable way. Fiscal policy needs to focus on structural reforms that would improve the composition of both revenue and spending to become more pro-growth. On the revenue side, the rebasing of GDP reduced the tax revenue-to-GDP ratio substantially, in the process confirming the large size of the informal sector. This points to the importance of increasing the tax base through reducing exemptions and strengthening tax administration, in particular tax collection. Steps have been taken to improve public investment efficiency, notably through the setting up of the project bank—which now needs to be carefully implemented. Substantial progress was made in the first few months of 2018 in reducing additional financing needs for Treasury operations which have contributed to rising debt in the past few years. Proposed structural measures related to the Post Office, Civil Service Pensions and the *comptes de dépôt*, now need to be swiftly implemented to eliminate these extra-budgetary sources of financing needs.

31. The outlook remains broadly positive, but risks are increasing. Senegal is expected to continue to grow at 6-7 percent over the medium term, but succesful PSE implementation, including above-mentioned key reforms are necessary to underpin this. Otherwise, Senegal risks sliding back to the lower growth rates of the past, which would in turn slow poverty-reduction efforts and worsen the debt outlook. Overall, there is a risk that the 2019 presidential elections could weaken commitment to the baseline fiscal path and avoid tackling vested interests, which is needed to make economic growth more broad-based. In the event that the increases in global oil prices persists in 2019, continued inaction on domestic electricity and fuel prices would pose signficant risks to fiscal sustainability. Other sources of risk are regional and domestic security threats, and adverse movements in global financial markets which would make debt management more difficult. To address elevated levels of debt service, it is essential that the debt management strategy emphasize continued reliance on concessional borrowing, when possible.

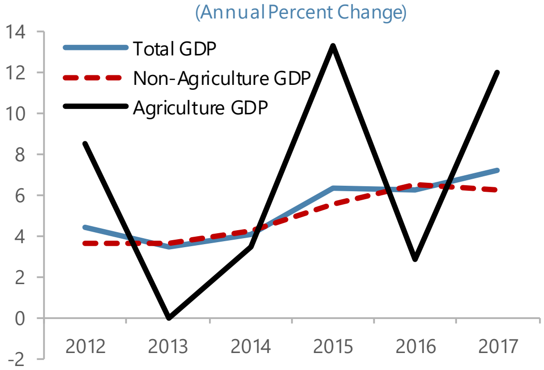
32. Staff recommends completion of the sixth PSI review. Program performance has been mixed. Despite an accumulation of unmet fiscal liabilities in 2017, all end-December 2017 ACs have been met, except the AC on central government's overall net financing. All the ITs for end-December

2017 and end-March 2018 were met except for the floor on tax revenue and the share of the value of public sector contracts signed by single tender. Three of the five SBs set for the sixth review have been met and substantial progress was made on the other two, including by taking action early in 2018 to reduce Treasury financing of the Post Office. Acknowledging the major fiscal effort made by the government in 2018 with the adoption of a set of deficit reducing measures amounting to 2 percentage points of GDP and the commitment of the government to further consolidate the budget in 2019, staff supports the authorities request for a waiver of the end-December 2017 AC on central government's overall net financing and a 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. A new assessment criterion on the floor on tax revenue starting from end-June 2018 (which replaces the related IT) is proposed.

Figure 1. Senegal: Real and External Sectors, 2012–17

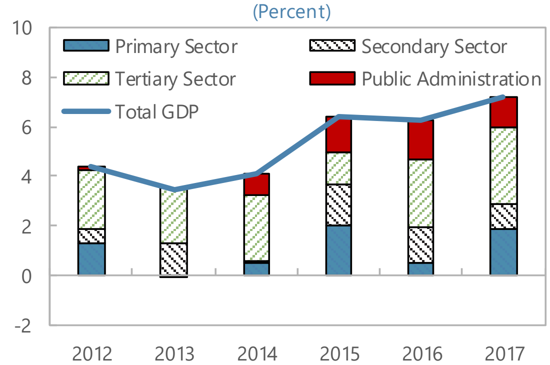
Real GDP growth has accelerated since the PSE

Real GDP Growth
(Annual Percent Change)



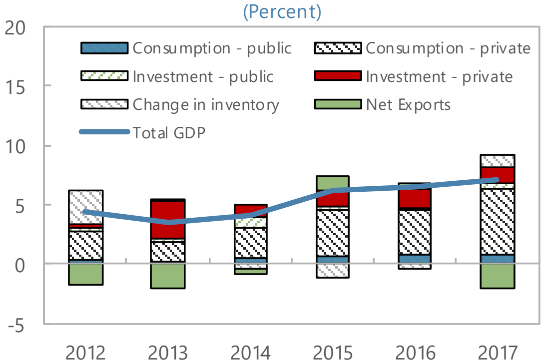
..mainly driven by agriculture and services..

Contributions to GDP Growth
(Percent)



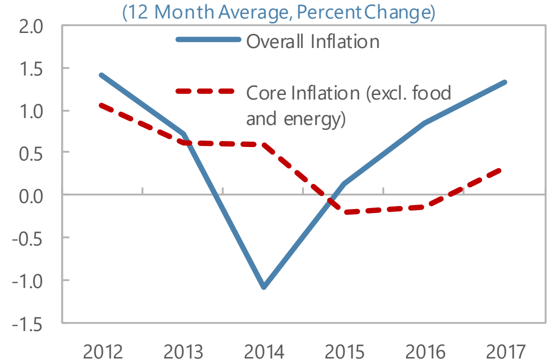
...and consumption

Contributions to GDP Growth: Demand Side
(Percent)



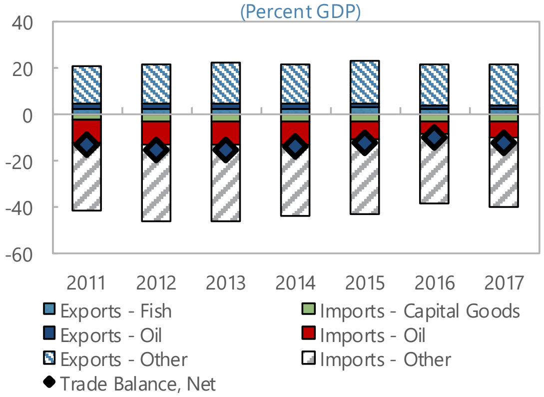
Inflation is contained below 2 percent

CPI Inflation
(12 Month Average, Percent Change)



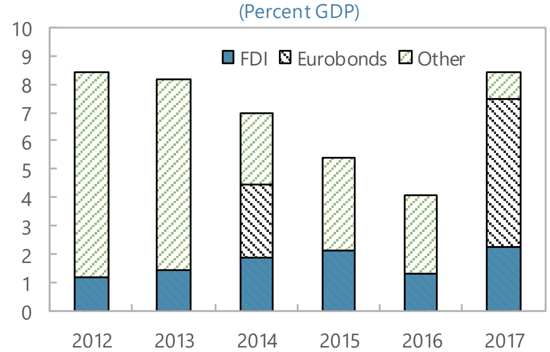
The persisent trade deficit contributes..

Trade Balance
(Percent GDP)



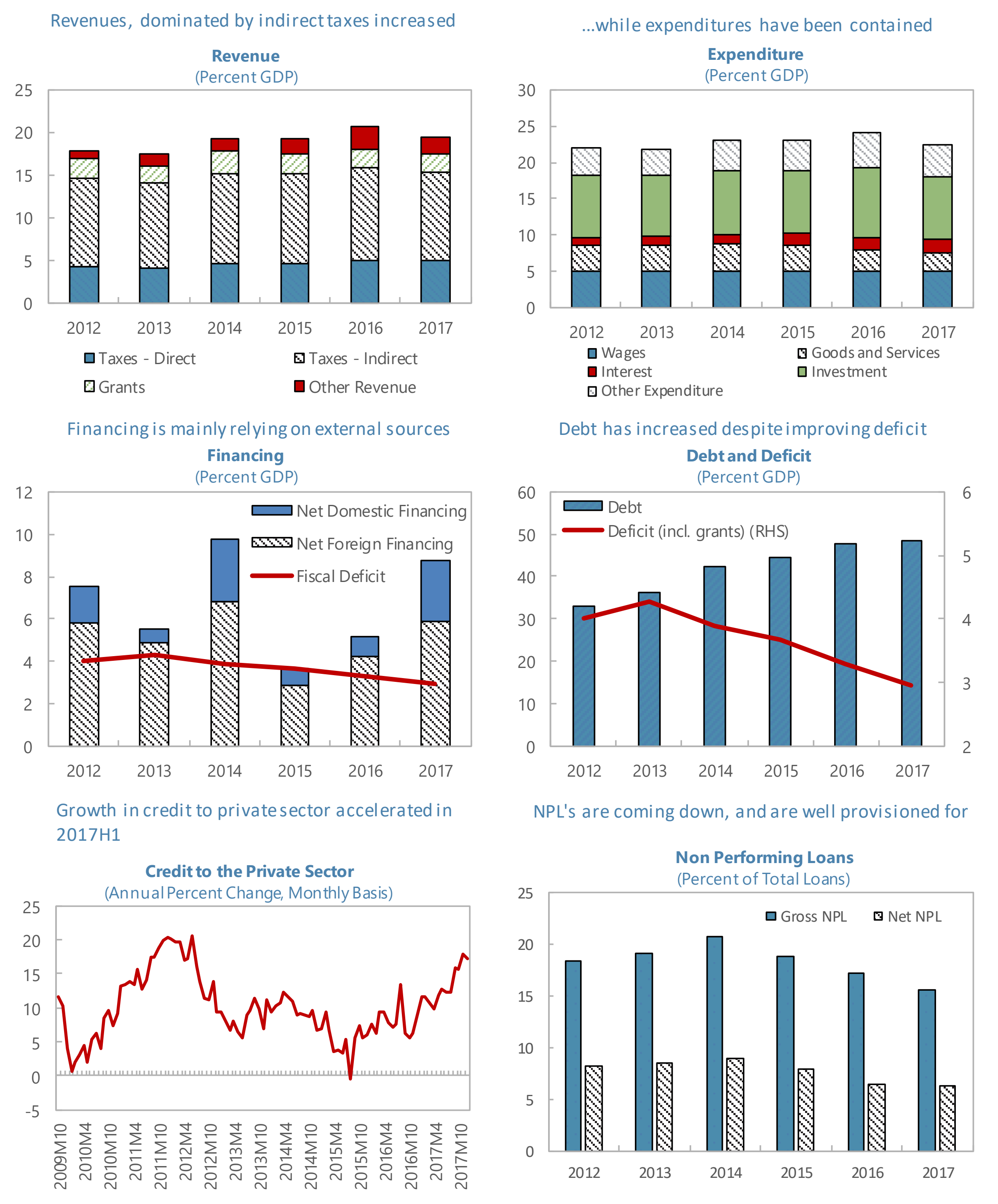
..to current account deficits, which are periodically financed by Eurobonds

Current Account Financing
(Percent GDP)



Source: Senegal Authorities; and IMF Staff Calculations

Figure 2. Senegal: Fiscal and Financial Indicators, 2012–17

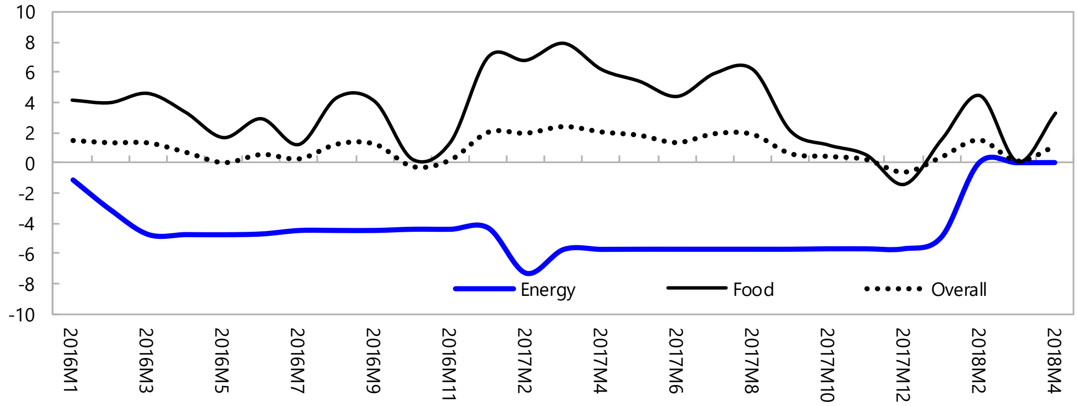


Source: Senegal Authorities; and IMF Staff Caluations.

Figure 3. Senegal: High Frequency Indicators, 2015-18

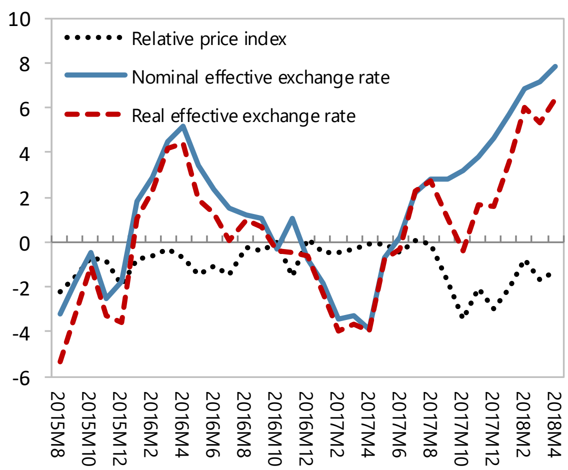
At the end of 2017, y-o-y inflation turned negative, driven by energy prices, even though food prices continued to increase

CPI Inflation
(12-month inflation rate, eop)



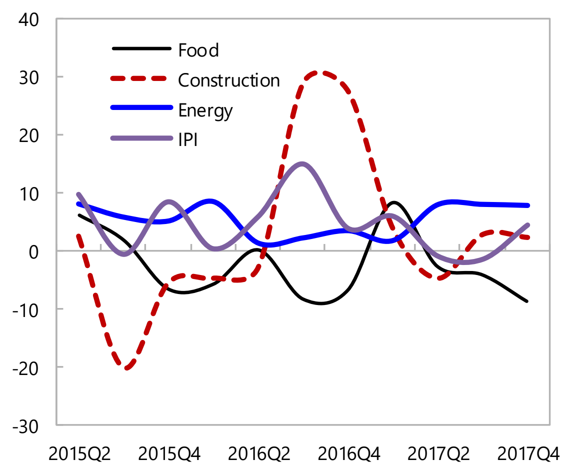
Price competitiveness is stabilizing after some of the gains from 2015-16 were reversed. Difference between NEER and REER can be explained by deflation

Effective Exchange Rate
(12-month percentage change)



Indicators on economic activity show a slight slowdown in 2017H1 driven by the secondary sector, and construction in particular.

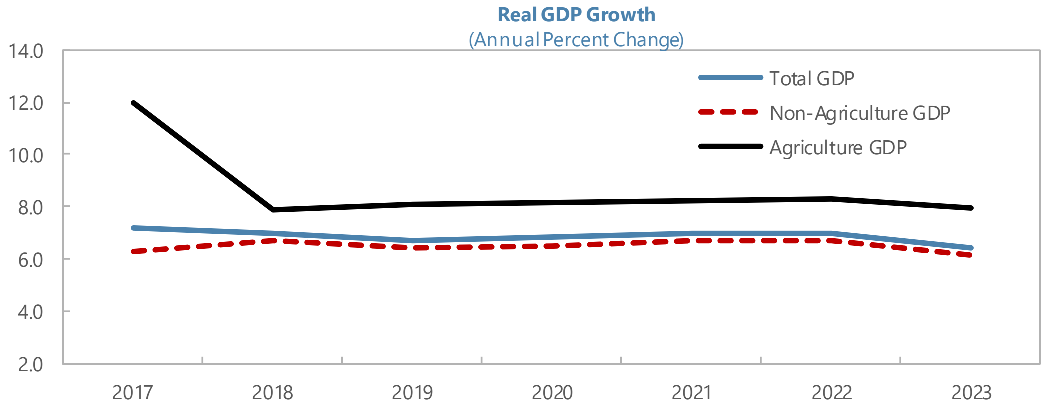
Industrial Production Index
(Annual percentage change, quarterly basis)



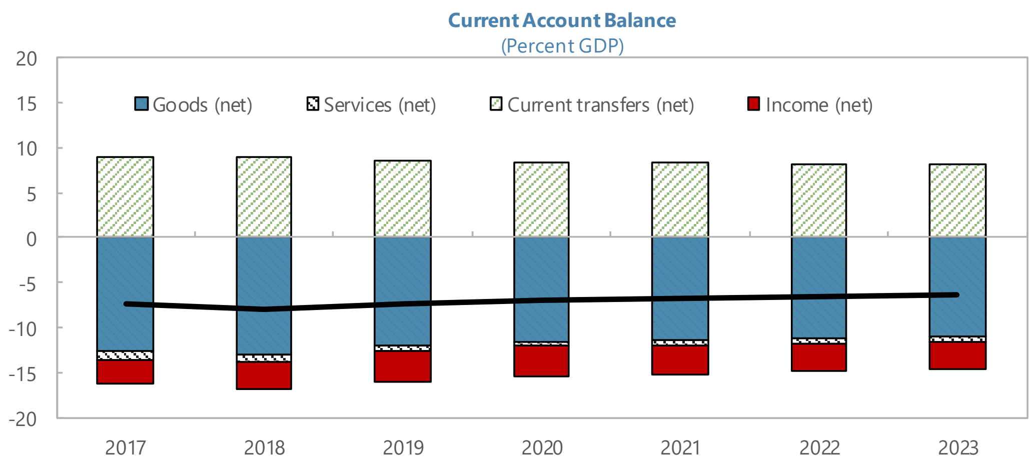
Sources: Senegal Authorities; and IMF Staff Calculations

Figure 4. Senegal: Outlook, 2017-23

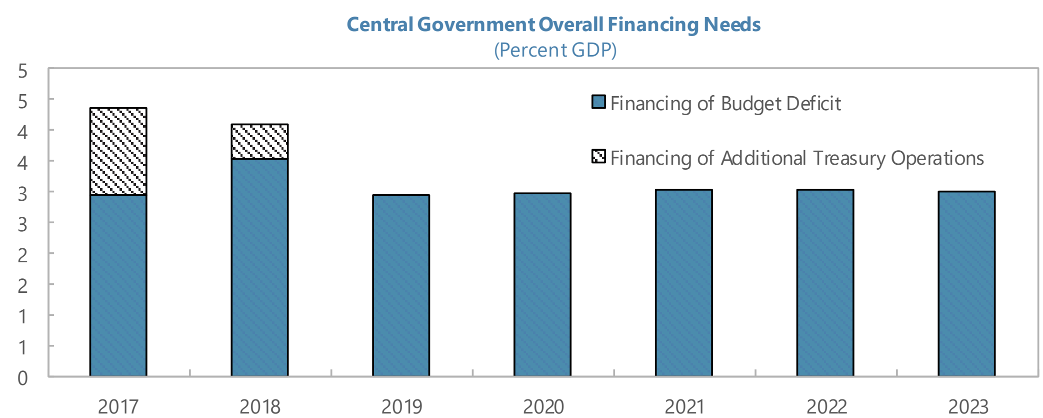
The PSE, underpinned by the PSI aims for 7-8 percent growth



A stable C.A. deficit is projected as exports improve, while imports support long-term growth



Financing of treasury operations is projected to go to zero by 2019



Source: Senegal authorities; and IMF Staff Calculations.

Table 1. Senegal: Selected Economic and Financial Indicators, 2015–23

	2015	2016	2017			2018	2019	2020	2021	2022	2023
	Act.		EBS/ 7/127 [2]	EBS/ 7/127 [3]	Prel.	Projections					
			(Annual percentage change)								
National income and prices											
GDP at constant prices	6.4	6.2	6.8	6.8	7.2	7.0	6.7	6.8	7.0	7.0	6.4
Of which: nonagriculture GDP	5.5	6.5	6.6	6.6	6.3	6.7	6.4	6.5	6.7	6.7	6.1
GDP deflator	1.1	0.8	2.2	2.2	1.7	2.2	1.9	1.9	2.0	2.0	2.0
Consumer prices											
Annual average	0.1	0.8	1.9	1.9	1.3	1.4	1.4	1.4	1.4	1.4	1.4
End of period	0.4	2.1	1.9	1.9	-0.7	1.4	1.4	1.4	1.4	1.4	1.4
External sector											
Exports, f.o.b. (CFA francs)	13.3	2.1	7.4	7.4	11.6	12.2	13.0	5.3	7.2	10.6	11.0
Imports, f.o.b. (CFA francs)	2.7	-2.6	9.7	9.7	20.5	11.8	7.8	4.8	7.9	8.6	9.0
Export volume	14.2	7.5	8.8	8.8	10.6	4.6	11.7	6.5	7.2	10.4	10.1
Import volume	16.1	3.3	7.6	7.6	20.2	7.7	3.5	8.4	9.0	8.9	8.3
Terms of trade ("–" = deterioration)	12.2	0.7	-3.1	-3.1	0.7	3.4	-2.9	2.3	1.1	0.5	0.2
Nominal effective exchange rate	-3.9	2.0	…	…	0.5	…	…	…	…	…	…
Real effective exchange rate	-5.9	1.3	…	…	-0.5	…	…	…	…	…	…
			(Changes in percent of beginning-of-year broad money)								
Broad money	19.3	13.8	9.2	9.2	9.2	10.7	…	…	…	…	…
Net domestic assets	10.6	13.6	3.2	3.2	6.6	8.3	…	…	…	…	…
Credit to the government (net)	5.2	6.3	-2.6	-2.6	-0.8	-2.6	…	…	…	…	…
Credit to the economy (net)	8.1	8.9	6.3	6.3	12.9	10.8	…	…	…	…	…
			(Percent of GDP, unless otherwise indicated)[1]								
Government financial operations											
Revenue	19.3	20.7	25.4	19.7	19.4	19.4	19.5	19.7	19.7	19.7	19.7
Grants	2.2	2.2	2.6	2.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Total expenditure	23.0	24.0	29.0	22.5	22.3	22.9	22.4	22.7	22.7	22.8	22.7
Net lending/borrowing (Overall Balance)											
excluding grants	-5.9	-5.5	-6.3	-4.9	-5.1	-5.6	-4.9	-5.0	-5.0	-5.0	-5.0
including grants	-3.7	-3.3	-3.7	-2.8	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Primary fiscal balance	-2.2	-1.6	-1.3	-2.8	-1.0	-1.6	-0.9	-0.8	-0.9	-0.9	-1.0
Savings and investment											
Current account balance (official transfers included)	-5.4	-4.0	-7.8	-6.1	-7.3	-8.0	-7.4	-6.9	-6.8	-6.6	-6.4
Current account balance (official transfers excluded)	-6.0	-4.6	-8.6	-6.6	-7.1	-8.4	-8.0	-7.5	-7.4	-7.2	-7.0
Gross domestic investment	25.9	25.3	27.2	21.1	28.5	25.9	25.5	25.1	25.7	26.9	27.2
Government [4]	6.3	7.0	7.6	5.9	6.9	6.5	6.3	6.1	5.9	5.7	5.5
Nongovernment	19.6	18.3	19.6	15.2	21.7	19.3	19.2	19.0	19.8	21.2	21.7
Gross national savings	20.4	21.3	19.3	15.0	21.2	17.9	18.1	18.2	18.9	20.3	20.8
Government	5.0	6.6	3.9	3.0	5.5	6.3	6.4	6.7	6.3	6.5	6.7
Nongovernment	15.5	14.7	15.4	12.0	15.7	11.6	11.7	11.5	12.6	13.7	14.1
Total public debt	44.5	47.8	60.8	47.2	48.3	49.4	47.7	46.8	45.8	44.9	44.2
Domestic public debt [5]	12.2	14.1	14.4	11.2	10.6	6.6	6.4	7.0	8.0	8.9	9.7
External public debt	32.3	33.7	46.4	36.1	37.7	42.8	41.2	39.8	37.8	36.1	34.6
Total public debt service											
Percent of government revenue	28.2	32.6	32.3	32.3	31.4	46.6	30.0	28.2	32.3	23.7	23.7
Memorandum item:											
Gross domestic product (CFAF billions)	10,509	11,252	9,528	12,265	12,265	13,407	14,576	15,860	17,298	18,880	20,506
Gross domestic product (USD billions)	17.8	19.0	…	…	21.1	…	…	…	…	…	…
National Currency per U.S. Dollar (Average)	591	593	…	…	581	…	…	…	…	…	…
WAEMU gross official reserves (billions of $US) [6]	12.4	10.4	…	…	13.0	17.6	…	…	…	…	…
(percent of broad money)	43.8	35.0	…	…	35.3	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.0	3.9	…	…	4.0	…	…	…	…	…	…

Sources: Senegal authorities; and IMF staff estimates and projections.

[1] Based on new national accounts rebased to 2014.

[2] Uses GDP with base year 1999. Other columns in the table use the recently rebased GDP with base year 2014, which is approximately 30 percent higher.

[3] For values presented in percent of GDP, nominal values of the PSI 5th Review and the recently rebased GDP with base year 2014 are used.

[4] Reflects reclassification of public investment.

[5] Domestic debt includes government securities issued in local currency and held by WAEMU residents.

[6] Values for 2018 are for end-April 2018. All other years are end-December.

Table 2. Senegal: Balance of Payments, 2015–23
(Billions of CFAF)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Act.				Projections			
	(Billions of CFAF, unless otherwise indicated)								
Current account	-569	-456	-899	-1,068	-1,082	-1,100	-1,180	-1,246	-1,318
Balance on goods	-1,274	-1,165	-1,556	-1,731	-1,754	-1,826	-1,989	-2,106	-2,238
Exports, f.o.b.	1,669	1,703	1,901	2,134	2,412	2,540	2,724	3,014	3,344
Imports, f.o.b.	-2,944	-2,868	-3,457	-3,865	-4,167	-4,366	-4,712	-5,119	-5,582
Services and incomes (net)	-310	-368	-442	-539	-578	-606	-630	-697	-763
Credits	800	902	942	989	1,015	1,060	1,107	1,174	1,246
Debits	-1,110	-1,270	-1,384	-1,528	-1,594	-1,666	-1,736	-1,871	-2,009
Of which: interest on public debt	-176	-197	-230	-283	-353	-388	-409	-441	-474
Unrequited current transfers (net)	1,016	1,077	1,099	1,202	1,251	1,332	1,438	1,556	1,683
Private (net)	964	1,029	1,049	1,147	1,166	1,244	1,345	1,455	1,574
Public (net)	52	48	51	55	85	88	93	101	109
Of which: budgetary grants	31	33	49	37	51	56	61	66	72
Capital and financial account	850	502	1,043	1,207	972	1,174	1,293	1,493	1,703
Capital account	206	210	222	244	245	267	288	311	336
Private capital transfers	8	9	10	9	9	9	9	9	10
Project grants	200	215	215	237	256	261	282	305	329
Debt cancellation and other transfers	-2	-3	-1	-2	-3	-3	-3	-3	-3
Financial account	645	292	820	963	727	907	1,005	1,182	1,367
Direct investment	223	147	272	264	315	355	396	450	499
Portfolio investment (net)	156	-77	488	969	-1	156	364	244	237
Of which: Eurobond issuance	0	0	641	1,185	0	0	131	0	0
Other investment	265	221	60	-270	413	397	244	489	632
Public sector (net)	181	251	315	-74	291	311	127	295	321
Of which: disbursements	279	308	409	343	421	441	456	472	489
program loans	68	73	80	63	67	72	72	72	72
project loans	211	220	241	280	294	309	324	340	357
other	0	15	88	0	60	60	60	60	60
amortization	-98	-147	-150	-417	-129	-129	-329	-177	-168
Private sector (net)	-42	-18	-157	-196	122	85	117	194	311
Errors and omissions	126	-12	-98	0	0	0	0	0	0
Overall balance	282	46	144	139	-109	74	113	247	385
Financing	-282	-46	-144	-139	109	-74	-113	-247	-385
Net foreign assets [1]	-100	215	-69	-139	109	-74	-113	-247	-385
Net use of IMF resources	-19	-21	-20	-19	-13	-3	0	0	0
Purchases/disbursements	0	0	0	0	0	0	0	0	0
Repurchases/repayments	-19	-21	-20	-19	-13	-3	0	0	0
Other	-82	236	-50	-120	122	-72	-113	-247	-385
Deposit money banks	-181	-261	-75	0	0	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0
Memorandum items:									
Current account balance									
Including current official transfers (percent of GDP)	-5.4	-4.0	-7.3	-8.0	-7.4	-6.9	-6.8	-6.6	-6.4
Excluding current official transfers (percent of GDP)	-6.0	-4.6	-7.1	-8.4	-8.0	-7.5	-7.4	-7.2	-7.0
WAEMU gross official reserves (billions of US$) [2]	12.4	10.4	13.0	17.6	…	…	…	…	…
(percent of broad money)	43.8	35.0	35.3	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.0	3.9	4.0	…	…	…	…	…	…
Gross domestic product	10,509	11,252	12,265	13,407	14,576	15,860	17,298	18,880	20,506

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

[1] This is not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

[2] Values for 2018 are for end-April 2018. All other years are end-December.

Table 3. Senegal: Balance of Payments, 2015–23
(Percent GDP)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Act.				Projections			
				(Percent of GDP, unless otherwise indicated)					
Current account	-5.4	-4.0	-7.3	-8.0	-7.4	-6.9	-6.8	-6.6	-6.4
Balance on goods	-12.1	-10.4	-12.7	-12.9	-12.0	-11.5	-11.5	-11.2	-10.9
Exports, f.o.b.	15.9	15.1	15.5	15.9	16.5	16.0	15.7	16.0	16.3
Imports, f.o.b.	-28.0	-25.5	-28.2	-28.8	-28.6	-27.5	-27.2	-27.1	-27.2
Services and incomes (net)	-2.9	-3.3	-3.6	-4.0	-4.0	-3.8	-3.6	-3.7	-3.7
Credits	7.6	8.0	7.7	7.4	7.0	6.7	6.4	6.2	6.1
Debits	-10.6	-11.3	-11.3	-11.4	-10.9	-10.5	-10.0	-9.9	-9.8
Of which: interest on public debt	-1.7	-1.7	-1.9	-2.1	-2.4	-2.4	-2.4	-2.3	-2.3
Unrequited current transfers (net)	9.7	9.6	9.0	9.0	8.6	8.4	8.3	8.2	8.2
Private (net)	9.2	9.1	8.6	8.6	8.0	7.8	7.8	7.7	7.7
Public (net)	0.5	0.4	0.4	0.4	0.6	0.6	0.5	0.5	0.5
Of which: budgetary grants	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Capital and financial account	8.1	4.5	8.5	9.0	6.7	7.4	7.5	7.9	8.3
Capital account	2.0	1.9	1.8	1.8	1.7	1.7	1.7	1.6	1.6
Private capital transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Project grants	1.9	1.9	1.8	1.8	1.8	1.6	1.6	1.6	1.6
Debt cancellation and other transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	6.1	2.6	6.7	7.2	5.0	5.7	5.8	6.3	6.7
Direct investment	2.1	1.3	2.2	2.0	2.2	2.2	2.3	2.4	2.4
Portfolio investment (net)	1.5	-0.7	4.0	7.2	0.0	1.0	2.1	1.3	1.2
Of which: Eurobond issuance	0.0	0.0	5.2	8.8	0.0	0.0	0.8	0.0	0.0
Other investment	2.5	2.0	0.5	-2.0	2.8	2.5	1.4	2.6	3.1
Public sector (net)	1.7	2.2	2.6	-0.6	2.0	2.0	0.7	1.6	1.6
Of which: disbursements	2.7	2.7	3.3	2.6	2.9	2.8	2.6	2.5	2.4
program loans	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3
project loans	2.0	2.0	2.0	2.1	2.0	1.9	1.9	1.8	1.7
other	0.0	0.1	0.7	0.0	0.4	0.4	0.3	0.3	0.3
amortization	-0.9	-1.3	-1.2	-3.1	-0.9	-0.8	-1.9	-0.9	-0.8
Private sector (net)	-0.4	-0.2	-1.3	-1.5	0.8	0.5	0.7	1.0	1.5
Errors and omissions	1.2	-0.1	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.7	0.4	1.2	1.0	-0.8	0.5	0.7	1.3	1.9
Financing	-2.7	-0.4	-1.2	-1.0	0.8	-0.5	-0.7	-1.3	-1.9
Net foreign assets [1]	-1.0	1.9	-0.6	-1.0	0.8	-0.5	-0.7	-1.3	-1.9
Net use of IMF resources	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Purchases/disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases/repayments	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Other	-0.8	2.1	-0.4	-0.9	0.8	-0.5	-0.7	-1.3	-1.9
Deposit money banks	-1.7	-2.3	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:									
Gross domestic product (CFAF billions)	10,509	11,252	12,265	13,407	14,576	15,860	17,298	18,880	20,506

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

[1] This is not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

Table 4. Senegal: Government and FSE Financial Operations, 2015–23[1]

(Billions of CFAF)

	2015	2016	2017		2018	2019	2020	2021	2022	2023
	Act.		EBS/ 7/127 [2]	Prel.	Projections					
	(CFAF billions)									
Revenue	2,026	2,335	2,415	2,377	2,598	2,841	3,122	3,403	3,728	4,047
Taxes	1,597	1,789	1,977	1,876	2,146	2,342	2,579	2,812	3,086	3,352
Taxes on income, profits, and capital gains	435	513	552	559	648	687	757	825	901	978
Taxes on payroll and workforce	20	17	23	14	10	32	32	35	38	41
Taxes on property	31	30	32	34	52	44	48	52	55	59
Taxes on goods and services	855	960	972	904	1,027	1,143	1,299	1,417	1,566	1,700
Taxes on international trade and transactions	228	235	261	266	310	306	332	363	396	430
Other taxes	27	34	138	99	98	130	111	121	132	144
Grants	232	244	250	264	274	291	317	343	371	401
Budget	31	38	35	49	37	51	56	61	66	72
Projects	201	206	215	215	237	240	261	282	305	329
Other revenue	197	302	188	236	178	208	227	247	270	293
Expenditure	2,413	2,704	2,764	2,739	3,074	3,271	3,595	3,927	4,301	4,665
Expense	1,504	1,613	1,565	1,679	1,886	2,001	2,195	2,352	2,586	2,802
Compensation of employees	526	572	586	600	683	743	809	882	963	1,046
Use of goods and services	384	322	344	326	316	335	381	432	472	513
Interest	160	188	223	234	263	306	347	369	394	417
Foreign	126	140	168	178	222	257	291	309	337	367
Domestic	34	48	54	56	41	48	56	60	57	51
Subsidies	51	52	45	43	129	143	103	48	57	62
of which: subsidies to SENELEC financed by FSE	0	20	0	0	18	9	0	0	0	0
of which: SENELEC from budget	0	0	0	0	52	78	58	0	0	0
of which: Fuel subsidies	0	14	0	0	14	12	0	0	0	0
Grants (current excl. FSE)	216	284	244	190	248	261	286	311	337	366
Social benefits	60	6	5	7	7	15	31	50	80	91
Other expense	108	189	118	280 .	240	199	238	259	283	308
Net acquisition of nonfinancial assets	909	1,091	1,199	1,059	1,188	1,270	1,400	1,575	1,715	1,863
Net lending/borrowing *(Overall balance)*	-387	-369	-349	-362	-476	-431	-472	-524	-573	-618
Transactions in financial assets and liabilities (Financing)	-387	-369	-349	-362	-476	-431	-472	-524	-573	-618
Net acquisition of financial assets	-100	-58	145	24	113	-113	10	10	10	10
Domestic	-145	-58	145	24	113	-113	10	10	10	10
Currency and deposits	-128	-89	145	24	113	-113	10	10	10	10
Debt securities	13	0	0	0	0	0	0	0	0	0
Loans	0	0	0	0	0	0	0	0	0	0
Other accounts receivable	-29	31	0	0	0	0	0	0	0	0
Foreign	45	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	287	311	494	386	589	317	482	534	583	628
Domestic	-56	-162	-312	-334	-338	9	9	51	62	104
IMF and SDRs	-19	-21	-20	-20	-31	-22	-4	0	0	0
Debt securities (net)	33	125	-88	-88	-183	79	63	89	87	129
Loans	-14	-50	-55	-55	-48	-49	-50	-38	-25	-25
Other accounts payable[3]	-56	-216	-150	-172	-75	0	0	0	0	0
Foreign	343	473	806	720	927	309	473	483	522	524
Debt securities (net)	161	312	569	461	1,001	17	162	356	227	203
T-bills and bonds issued in WAEMU	161	312	-72	-181	-184	17	162	225	227	203
Eurobond	0	0	641	641	1,185	0	0	131	0	0
Loans	181	162	236	259	-74	291	311	127	295	321
Program loans	68	73	73	80	63	67	72	72	72	72
Project loans	211	220	305	241	280	294	309	324	340	357
Nonconcessional loans	0	15	0	88	0	60	60	60	60	60
Other	-98	-147	-142	-150	-417	-129	-129	-329	-177	-168
Other accounts payable	0	0	0	0	0	0	0	0	0	0
Errors and omisions	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Total Financing (deficit +nonbudgetary additional borrowing)	...	585	499	534	551	431	472	524	573	618
Change in net worth: Transactions	522	722	850	697	712	839	928	1,051	1,142	1,245
Net lending /borrowing *(excluding grants)*	522	722	850	697	712	839	928	1,051	1,142	1,245
Nominal GDP	10,509	11,252	9,528	12,265	13,407	14,576	15,860	17,298	18,880	20,506

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] Uses GDP with base year 1999. Other columns in the table use the recently rebased GDP with base year 2014, which is approximately 30 percent higher.

[3] Starting in 2016, Treasury operations to finance (i) Post office operations (Poste and Poste Finance), (ii) pensions (Fonds National de Retraites), and (iii) reduction of stock of comptes de depots.

Table 5. Senegal: Government and FSE Financial Operations, 2015–23[1]

(Percent GDP)

	2015	2016	2017			2018	2019	2020	2021	2022	2023
	Act.		EBS/17/127 [2]	EBS/17/127 [3]	Prel.	Projections					
					(Percent of GDP, unless otherwise indicated)						
Revenue	19.3	20.7	25.4	19.7	19.4	19.4	19.5	19.7	19.7	19.7	19.7
Taxes	15.2	15.9	20.8	16.1	15.3	16.0	16.1	16.3	16.3	16.3	16.3
Taxes on income, profits, and capital gains	4.1	4.6	5.8	4.5	4.6	4.8	4.7	4.8	4.8	4.8	4.8
Taxes on payroll and workforce	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Taxes on property	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Taxes on goods and services	8.1	8.5	10.2	7.9	7.4	7.7	7.8	8.2	8.2	8.3	8.3
Taxes on international trade and transactions	2.2	2.1	2.7	2.1	2.2	2.3	2.1	2.1	2.1	2.1	2.1
Other taxes	0.3	0.3	1.4	1.1	0.8	0.7	0.9	0.7	0.7	0.7	0.7
Grants	2.2	2.2	2.6	2.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Budget	0.3	0.3	0.4	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Projects	1.9	1.8	2.3	1.8	1.8	1.8	1.6	1.6	1.6	1.6	1.6
Other revenue	1.9	2.7	2.0	1.5	1.9	1.3	1.4	1.4	1.4	1.4	1.4
Expenditure	23.0	24.0	29.0	22.5	22.3	22.9	22.4	22.7	22.7	22.8	22.7
Expense	14.3	14.3	16.4	12.8	13.7	14.1	13.7	13.8	13.6	13.7	13.7
Compensation of employees	5.0	5.1	6.2	4.8	4.9	5.1	5.1	5.1	5.1	5.1	5.1
Use of goods and services	3.7	2.9	3.6	2.8	2.7	2.4	2.3	2.4	2.5	2.5	2.5
Interest	1.5	1.7	2.3	1.8	1.9	2.0	2.1	2.2	2.1	2.1	2.0
Foreign	1.2	1.2	1.8	1.4	1.5	1.7	1.8	1.8	1.8	1.8	1.8
Domestic	0.3	0.4	0.6	0.4	0.5	0.3	0.3	0.4	0.3	0.3	0.2
Subsidies	0.5	0.5	0.5	0.4	0.3	1.0	1.0	0.7	0.3	0.3	0.3
of which: subsidies to SENELEC financed by FSE	0.0	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
of which: SENELEC from budget	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.4	0.0	0.0	0.0
of which: Fuel subsidies	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Grants (current excl. FSE)	2.1	2.5	2.6	2.0	1.6	1.8	1.8	1.8	1.8	1.8	1.8
Social benefits	0.6	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.3	0.4	0.4
Other expense	1.0	1.7	1.2	1.0	2.3	1.8	1.4	1.5	1.5	1.5	1.5
Net acquisition of nonfinancial assets	8.7	9.7	12.6	9.8	8.6	8.9	8.7	8.8	9.1	9.1	9.1
Net lending/borrowing *(Overall balance)*	-3.7	-3.3	-3.7	-2.8	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Transactions in financial assets and liabilities (Financing)	-3.7	-3.3	-3.7	-2.8	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0	-3.0
Net acquisition of financial assets	-1.0	-0.5	1.5	1.2	0.2	0.8	-0.8	0.1	0.1	0.1	0.0
Domestic	-1.4	-0.5	1.5	1.2	0.2	0.8	-0.8	0.1	0.1	0.1	0.0
Currency and deposits	-1.2	-0.8	1.5	1.2	0.2	0.8	-0.8	0.1	0.1	0.1	0.0
Debt securities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance, pensions, and standardized guarantee schemes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives and employee stock options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	-0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	2.7	2.8	5.2	4.0	3.1	4.4	2.2	3.0	3.1	3.1	3.1
Domestic	-0.5	-1.4	-3.3	-2.5	-2.7	-2.5	0.1	0.1	0.3	0.3	0.5
IMF and SDRs	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0
Debt securities (net)	0.3	1.1	-0.9	-0.7	-0.7	-1.4	0.5	0.4	0.5	0.5	0.6
Loans	-0.1	-0.4	-0.6	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1	-0.1
Other accounts payable[4]	-0.5	-1.9	-1.6	-1.2	-1.4	-0.6	0.0	0.0	0.0	0.0	0.0
Foreign	3.3	4.2	8.5	6.6	5.9	6.9	2.1	3.0	2.8	2.8	2.6
Debt securities (net)	1.5	2.8	6.0	4.6	3.8	7.5	0.1	1.0	2.1	1.2	1.0
T-bills and bonds issued in WAEMU	1.5	2.8	-0.8	-0.6	-1.5	-1.4	0.1	1.0	1.3	1.2	1.0
Eurobond	0.0	0.0	6.7	5.2	5.2	8.8	0.0	0.0	0.8	0.0	0.0
Loans	1.7	1.4	2.5	1.9	2.1	-0.6	2.0	2.0	0.7	1.6	1.6
Program loans	0.6	0.6	0.8	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3
Project loans	2.0	2.0	3.2	2.5	2.0	2.1	2.0	1.9	1.9	1.8	1.7
Nonconcessional loans	0.0	0.1	0.0	0.0	0.7	0.0	0.5	0.5	0.5	0.5	0.5
Other	-0.9	-1.3	-1.5	-1.2	-1.2	-3.1	-0.9	-0.8	-1.9	-0.9	-0.8
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Total Financing (deficit +nonbudgetary additional borrowing)	...	5.2	5.2	4.1	4.4	4.1	3.0	3.0	3.0	3.0	3.0
Change in net worth: Transactions	5.0	6.4	8.9	6.9	5.7	5.3	5.8	5.8	6.1	6.0	6.1
Net lending /borrowing *(excluding grants)*	5.0	6.4	8.9	6.9	5.7	5.3	5.8	5.8	6.1	6.0	6.1
Nominal GDP	10,509	11,252	9,528	12,265	12,265	13,407	14,576	15,860	17,298	18,880	20,506

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] Uses GDP with base year 1999. Other columns in the table use the recently rebased GDP with base year 2014, which is approximately 30 percent higher.

[3] For values presented in percent of GDP, nominal values of the PSI 5th Review and the recently rebased GDP with base year 2014 are used.

[4] Starting in 2016, Treasury operations to finance (i) Post office operations (Poste and Poste Finance), (ii) pensions (Fonds National de Retraites), and (iii) reduction of stock of comptes de depots.

Table 6. Senegal: Monetary Survey, 2015–18

	2015	2016	2017	2018
	Act.	Act.	Act.	Proj.
	(Billions of CFAF)			
Net foreign assets	1,119	1,165	1,309	1,448
BCEAO	947	732	801	940
Commercial banks	172	433	508	508
Net domestic assets	2,769	3,271	3,551	3,933
Net domestic credit	3,535	4,096	4,608	4,992
Net credit to the government[1]	203	434	402	284
Central bank	47	28	-6	-150
Commercial banks	156	406	408	434
Other institutions	2	2	2	2
Credit to the economy	3,336	3,666	4,209	4,707
Shares and other equity	-531	-589	-677	-677
Other items (net)	-235	-236	-380	-381
Broad money	3,703	4,214	4,603	5,098
Currency outside banks	809	924	1,032	1,258
Total deposits	2,894	3,289	3,571	3,840
Demand deposits	1,683	1,990	2,091	2,316
Time deposits	1,211	1,299	1,480	1,524
Non-liquid Liabilities	184	222	257	284
	(Change in percentage of beginning-of-period broad money stock)			
Net foreign assets	9.1	1.2	3.4	3.0
BCEAO	3.2	-5.8	1.6	3.0
Commercial banks	5.8	7.0	1.8	0.0
Net domestic assets	10.6	13.6	6.6	8.3
Net credit to the government[1]	5.2	6.3	-0.8	-2.6
Credit to the economy (net)	8.1	8.9	12.9	10.8
Other items (net)	-1.3	0.0	-3.4	0.0
Broad money	19.3	13.8	9.2	10.7
Memorandum items:	(Units indicated)			
Velocity (GDP/broad money; end of period)	2.8	2.7	2.7	2.6
Nominal GDP growth (percentage growth)	7.5	7.1	9.0	9.3
Credit to the economy (percentage growth)	8.2	9.9	14.8	11.8
Credit to the economy/GDP (percent)	31.7	32.6	34.3	35.1
Variation of net credit to the government (yoy; CFAF billions)	161.4	231.6	-32.0	-117.7

Sources: BCEAO; and IMF staff estimates and projections.

[1] Net domestic credit to the government may differ from what appears in the fiscal table, as bonds issued on the WAEMU markets are treated as external financing for the purpose of the monetary survey.

Table 7. Senegal: Financial Soundness Indicators for the Banking Sector, 2010–17

	2010	2011	2012	2013	2014	2015	2016	2017
	December							
	(Percent, unless otherwise indicated)							
Capital Adequacy								
Capital to risk-weighted assets	18.2	16.0	16.8	16.3	16.4	17.7	14.8	14.2
Regulatory capital to risk-weighted assets	17.9	15.9	16.4	15.9	15.9	17.3	14.1	13.7
Capital to total assets	10.1	9.7	9.8	9.4	9.1	8.5	7.2	7.8
Asset Composition and Quality								
Total loans to total assets	66.3	69.4	69.9	68.4	67.9	64.3	63.2	70.4
Large Exposures to Capital	70.8	62.4	57.6	54.2	48.4	40.2	66.2	55.4
Sectoral distribution of loans								
Industrial	26.4	22.2	23.8	25.5	23.1	19.8	21.2	...
Retail and wholesale trade	23.8	19.2	21.6	23.8	23.7	21.9	25.3	...
Services, transportation and communication	41.9	34.0	30.6	35.9	41.0	38.7	46.3	...
Ratio of non-performing loans (NPLs) to total loans	20.2	16.2	18.4	19.1	20.8	18.8	17.3	15.5
Of which: without ICS	15.8	13.2	15.1	14.8	17.6	18.0	17.1	15.4
Ratio of provisions for NPLs to total NPLs	54.9	54.0	56.1	55.8	58.1	57.9	62.3	59.3
Of which: without ICS	65.3	68.3	63.0	66.8	60.7	60.4	63.0	59.9
NPLs net of provisions to total loans	9.1	8.1	8.2	8.6	9.0	7.9	6.5	6.3
Of which: without ICS	6.1	4.6	6.3	5.6	7.7	7.1	6.3	6.2
NPLs net of provisions to capital	52.3	50.4	51.4	54.7	60.6	60.0	56.7	57.4
Of which: without ICS	41.5	35.7	38.8	43.3	58.2	54.0	55.1	56.0
Earnings and profitability								
Average cost of borrowed funds	2.2	2.0	2.1	1.9	2.0	1.0	2.0	2.7
Average interest rate on loans[1]	8.1	8.4	8.6	8.1	7.8	12.5	10.5	17.4
Average interest margin[2]	5.9	6.4	6.6	6.2	5.8	11.5	...	...
After-tax return on average assets	1.6	2.2	1.7	1.3	0.6	0.9	0.9	1.7
After-tax return on average equity	15.4	22.6	17.4	13.7	6.8	9.3	9.6	17.4
Noninterest expenses/gross banking income	68.4	71.7	70.3	66.5	69.3	69.7	70.3	67.4
Personnel expenses/non-interest expenses	34.3	29.2	32.4	36.3	32.9	33.2	33.0	33.7
Liquidity								
Liquid assets to total assets	39.8	36.1	37.0	42.1	40.8	51.0	53.4	50.0
Liquid assets to short-term liabilities	79.4	77.7	78.3	80.1	76.1	75.3	75.2	73.1
Total deposits to total liabilities	76.0	62.8	70.7	67.0	66.7	75.6	71.6	73.7

Source: BCEAO.

[1]Break in the series in 2010 due to a methodological change.

[2]Excluding the tax on banking operations.

Annex I. Sources of Changes in GDP due to Rebasing

This staff report uses nominal GDP numbers with base year 2014 as Senegal is in the process of changing the base year for the calculation of its national accounts from 1999 to 2014. National accounts are available for the base year 2014, together with preliminary estimates for 2015 and 2016, and benefited from technical assistance from the IMF's statistics department and AFRITAC West. Authorities are working on releasing earlier years and quarterly GDP series by the end of 2018. The rebasing permits a better understanding of economic activity in the country as it uses better and more recent data sources, captures a larger part of the economy than before, and uses improved statistical methods. Overall, 2014 nominal GDP calculated with the new base year is approximately 30 percent higher relative to the 1999 base. The tertiary sector is the biggest contributor to this change, while the shares of GDP for the three main sectors remains roughly the same (Table 1). The sources of this 30 percent increase can be disaggregated into 5 main categories (Table 2).

Table 1. Comparison of base years 1999 vs 2014 [1]

	Nominal (FCFA billion)		Contribution (%)		Share (%)	
	1999	2014	share of 30%	% of total	1999	2014
Primary	1,172	1,499	4.3%	14.6%	15.5%	15.3%
Secondary	1,422	1,946	6.9%	23.5%	18.8%	19.9%
Tertiary	4,000	5,289	17.1%	57.7%	52.9%	54.0%
Taxes - Subsidies	961	1,056	1.3%	4.3%	12.7%	10.8%
Total GDP	7,555	9,789	29.6%	100.0%	100.0%	100.0%

Sources: ANSD; and World Bank.

[1] Total nominal GDP is slightly different from the macroframework, as some changes have been made since the initial 2014 national accounts rebasing.

Table 2. Sources of the increase in nominal GDP due to rebasing

	Contribution FCFA billion	Contribution %	Examples of sources of changes
Improving the coverage of the economy	323	14%	Enterprise survey covering more companies.
Using new data sources	597	27%	New assessment of the informal sector.
Changes induced by the implementation of the 2008 SNA	49	2%	Modification of calculation method of insurance services.
Changes in methodology to prepare national accounts	783	35%	Change in estimation method of intermediate consumption in the formal sector
Error and omission rectification	498	22%	Better calculation of taxes.
Total	2250	100%	

Sources: ANSD; and World Bank.

Annex II. Institutional Framework for Managing Energy Sector

1. **The Fonds spécial de soutien au secteur de l'énergie (FSE) was created in 2011 under the purview of the Ministry of Finance.** The board includes representatives from the Ministry of Energy and Ministry of Commerce, with participation of SAR, SENELEC, PETROSEN and APIX.

The FSE was created to achieve the following objectives:

- Ensure that there is sufficient fuel and other products to meet the country's electricity demand.
- Compensate distributors for higher transport costs of petroleum products associated with remote regions.
- Compensate actors for commercial losses caused by price regulations, including arrears of customs reimbursements for exempt actors.
- Help mobilize financing to meet government's energy objectives.
- Improve rural electrification.
- Strengthen SENELEC's energy production capacity and help with the financial restructuring of SENELEC.

FSE Revenues

- Budgetary transfer (current and capital)
- Parafiscal tax called Conseil Senegalais des Chargeurs (COSEC) which is applied on imports (0.4 percent on import value). FSE gets 50 percent of these revenues.
- Tax on petroleum products named Prelevement de soutien au secteur de l'energie (PSE).
- Transfers from SENELEC for the purchase of fuel based on projections at the beginning of the fiscal year.

FSE Expenditures

- Pay SAR for fuel needed by SENELEC.
- Finance investment energy-related projects implemented by SENELEC and APIX.
- Compensate for commercial losses of oil importers, including SAR. In the case of surpluses, these will be transferred to Treasury.
- Compensate for difference in transport costs to ensure uniformity of prices throughout the territory.

- Compensate providers of electricity in rural areas to ensure harmonization of energy tariffs.

2. In 2017, the FSE did not have sufficient resources to meet its objectives of compensating various energy sector actors for losses associated with the domestic-global energy price gap. The lack of resources was, in part, explained by insufficient budgetary transfers to FSE in the face of rising global oil prices and fixed domestic energy prices. In addition, CFAF 30 billion of FSE revenues were repatriated to the budget, limiting even further FSE's ability to play its proper role in subsidizing energy prices and forcing it to delay a substantial amount of payments/accumulate arrears to oil importers, SAR and SENELEC.

3. The effect of the domestic-global energy price gap was also felt directly by the government through reduced collection of a tax named Fonds de soutien aux importations des produits pétroliers (FSIPP). This tax is meant to (i) support refinery operations of SAR; and (ii) insulate Treasury from losses associated with oil imports. However, intake from FSIPP was much lower than projected, as SAR kept a large portion of the intake to cover its operating losses. This low intake from the FSIPP contributed significantly to the underperformance of tax revenues.

Appendix I. 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 (*Project 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 libératoire*) 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 servings 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 tarification 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 criteria[1]																		
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
Ceiling on public sector external payment arrears (stock)[3]	0		0	met	0	0	met	0		0	met	0		0	met	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	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	15
Floor on social expenditures (percent of total spending)	35		39	met	35	37	met	35		38	met	35		38	met	35	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.

[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. 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 revievw		
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 servings 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 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

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.

**Statement by Mr. Daouda Sembene, Executive Director and
Mr. Oumar Diakite, Advisor on Senegal
July 2, 2018**

The Senegalese authorities value their engagement with the Fund and appreciate the quality of the policy dialogue maintained with staff in the context of the Policy Support Instrument (PSI). This constructive engagement has supported the authorities' successful efforts to maintain macroeconomic stability and achieve strong growth in recent years in line with the objectives of the "Plan Senegal Emergent" (PSE).

During the last three years, the PSE has helped put the Senegalese economy on a trajectory of sustainable growth, with real GDP growth hovering above 6 percent. In 2017, real GDP growth is estimated to be about 7.2 percent, setting a record-level for the last three decades. This exemplary growth performance has been achieved amid a difficult international environment marked by higher oil prices and regional and domestic security tensions. Going forward, the authorities will pursue their PSE ambitious development goals while aiming to preserve macroeconomic stability and debt sustainability.

Performance under the PSI-Supported Program

Performance under the PSI-supported program has proceeded since the last program review in the face of significant implementation challenges. All but one end-December 2017 assessment criteria (AC) were met, with the missed criterion related to the central government's overall net financing. In addition, all end-December 2017 and end-March 2018 indicative targets (IT) were met, except those related to the share of the value of public sector contracts signed by single tender and the floor on tax revenue. The nonobservance of the latter target stemmed from revenue underperformance associated with the failure to automatically adjust domestic fuel prices and electricity tariffs in the face of higher oil prices.

Mindful of the associated risks to public finances and program success, the authorities have taken strong corrective actions to keep the program on track. The Council of Ministers has approved the supplementary budget that includes a package of measures aimed at streamlining expenditures and boosting domestic resource mobilization. The supplementary addresses the needs emanating from the security and energy sectors, while being consistent with the revised fiscal deficit target for 2018. Key efforts will be made to collect tax arrears, streamline tax expenditures and increase tax rates for certain goods such as tobacco and alcoholic beverages. Steps will also be taken to repatriate in the budget, the excess revenues of public agencies generated among others by the sale of telecommunication licenses or frequencies. Concurrently, the supplementary budget provides for measures to reduce inefficient current expenditures and postpone low-priority capital expenditures.

On the structural front, three out of five benchmarks were met, while substantial progress is being made toward implementing the remaining ones related to the Post Office and the integrated project bank. In this regard, while the compensation operations between the Post Office and the Treasury were not discontinued as initially envisaged, their scale has been drastically reduced. All but one domestically financed projects exceeding CFA 1 billion originated from the integrated project bank. It is the authorities' intention to continue abiding by this practice of selecting the priority projects only from the project bank and issuing execution reports once these are implemented.

Medium term macroeconomic policies and structural reforms

Looking ahead, the authorities remain committed to implementing the priority reforms and projects spelled out in the PSE, which aim notably at achieving strong and sustainable inclusive growth. The macroeconomic outlook remains favorable with growth expected to reach 7 percent in 2018 and remain high in the medium term. It is expected to be driven mainly by a dynamic and efficient agricultural sector, continued industrial recovery, and good performance of the tertiary sector (construction, telecommunications, transportation, financial services and tourism). Inflation should remain moderate while pressures on the external position will continue as the price of imported petroleum products rises.

In order to consolidate the economic and social gains achieved under the PSE thus far, the authorities are in the process of developing phase two of the PSE (2019-2023) based on the lessons learned from the first phase. They are keen to continue their efforts to transform Senegal into an emerging economy and make further strides in improving social conditions. In this regard, the efficiency of public service delivery, quality of human capital, access to electricity and financial services are still recognized among the areas requiring further attention and will therefore remain at the forefront of development priorities going forward.

The authorities are mindful that maintaining the growth momentum and enhancing resilience to shocks require sustained implementation efforts to expand fiscal space and improving governance and the business climate. To this end, further efforts will be made to enhance domestic revenue collection, reduce non-priority capital expenditures, contain non-priority expenditures, and address underlying weaknesses in public financial management.

On the revenue side, the authorities are determined to increase the tax-to-GDP ratio from its current level of about 16 percent following the revisions to the national accounts. To comply with the West African Monetary Union (WAEMU) convergence criteria of 20 percent of tax-to-GDP ratio, actions are being stepped up to strengthen the tax policy framework, and modernize the tax and customs administrations. Revenue-enhancing measures recently devised by the Tax Department (DGID) will play a key role to this end.

In this regard, the authorities' plans to generate more revenue include payment of taxes through mobile phones and the continuation of efforts to collect tax arrears and streamline tax expenditures. Moreover, consideration will continue to be given to ways to tune up tax policies, notably in the areas of mining, financial services and telecommunications, and agriculture.

On the expenditure side, the authorities will continue their efforts to contain current spending while protecting social expenditures as envisaged in the PSE. In this connection, steps will be taken to streamline public consumption, including by controlling the evolution of the wage bill, and increasing the productivity of the public administration through greater use of new technologies.

The authorities are mindful of the need to improve the quality of public investment financed with domestic resources. As suggested above, they intend to subject budgetary appropriations to the production of project financial and physical execution reports by each Ministry or agency concerned with the aim of improving the efficiency of public investment. Furthermore, starting with the 2019 budget, the selection committee on public investments will only consider for budgeting the priority projects that have been duly appraised in the integrated projects bank. This approach reflects a strong willingness to improve public investment management, and it is in this context that the Fund has been called upon to conduct a Public Investment Management Assessment (PIMA).

PFM reform efforts will also aim to modernize cash management and debt management at the Treasury Department. In this regard, progress has been made in implementing the Treasury Single Account (TSA) for the Treasury's network of direct accountants; which is effective since April 2018. In this respect, efforts to upgrade the infrastructure for modern payment and accounting systems are ongoing with the view to support the transition toward an active cash management strategy. An active debt management strategy is being implemented, including through the use of buy-back schemes for outstanding debt previously contracted on less favorable terms. In this connection, part of the proceeds of the recently issued $2.2 billion Eurobond has served this purpose.

Streamlining the *comptes de dépôt* of entities having balances at the Treasury and reducing financing of the Post Office and the National Pension Fund for public employees (FNR) remain key priorities in addressing the sources of extra-budgetary financing needs. Regarding the flow of the *comptes de dépôt*, the authorities will enforce by end-December 2018 the recently adopted decree to prohibit carryovers of appropriations on current spending to the following year, and limit carryovers of capital spending to 5 percent of appropriations. With respect to the stock of the *comptes de dépôt*, the authorities will take action to eliminate by November 2018 past year appropriations for current spending and for investment projects not yet implemented, and re-appropriate past year appropriations for ongoing investment in future budgets. Remaining past year appropriations will be converted to debt instruments to be paid over time for some entities such as the pension funds. These measures are expected to address in a structural manner the issue of the *comptes de dépôt.*

Furthermore, the authorities are making notable progress toward reducing the FNR deficit with the approval of the Law on the supplementary pension scheme which increases the respective contribution shares of the Government and civil servants to the pension fund. Moreover, the envisaged parametric reform and transformation of the FNR into an independent fund with financial autonomy should also contribute to the restoration of the financial stability of the FNR. Following the audit of the Post Office's financial flows that has recently been conducted, a significant reduction in the amount of compensation operations between the Treasury and the Post Office was secured. The authorities are determined to continue their reform efforts in this area, including by implement necessary restructuring measures with the assistance of the World Bank.

Regarding structural reforms, actions to promote private sector development will also be pursued. The authorities recognize the importance of a strong private sector contribution in achieving the goals of the PSE. In this connection, they will continue their efforts to overcome major constraints to private sector development including the provision of affordable and reliable energy by addressing the financial and technical problems of the public electricity company (SENELEC). They intend to settle the compensation due to SENELEC and offset commercial losses incurred by other companies operating in the energy sector as domestic fuel prices were not adjusted in a timely manner in line with global prices.

Efforts to further improve the business climate will continue to build on the progress made in the framework of the business environment and competitiveness reforms program (PREAC) which addresses wide-ranging constraints in the areas of real state, rationalization of administrative procedures, labor legislation, credit information and the judicial environment. The authorities believe that continued progress in these areas, combined with the initiatives to develop special economic zones (SEZs) in the framework of the G20 Compact with Africa will stimulate domestic innovative small and medium enterprises (SMEs) and attract more foreign direct investment (FDI) to Senegal.

Conclusion

The Senegalese authorities remain committed to the PSI-supported program. They will continue to implement the policies and reforms set forth in the program, notably with a view to preserving macroeconomic stability and debt sustainability, achieving strong and inclusive economic growth, and ultimately achieving economic emergence.

In light if the above, we would appreciate Directors' support for the completion of the sixth review under the PSI, as well as the authorities' requests for waiver of nonobservance of the assessment criterion on the ceiling on central government overall net financing and modification of assessment criteria.