

Table 2b.Senegal: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	42	43	44	43	43	43	42	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	42	44	46	47	49	50	58	68
A2. Primary balance is unchanged from 2013	42	44	46	47	49	50	57	64
A3. Permanently lower GDP growth 1/	42	43	44	44	44	44	46	48
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	42	44	47	47	47	48	50	47
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	42	45	48	48	47	47	45	37
B3. Combination of B1-B2 using one half standard deviation shocks	42	45	48	48	48	48	48	43
B4. One-time 30 percent real depreciation in 2014	42	55	55	54	53	52	49	41
B5. 10 percent of GDP increase in other debt-creating flows in 2014	42	52	53	52	51	51	48	39
PV of Debt-to-Revenue Ratio 2/								
Baseline	179	184	186	187	185	183	175	148
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	179	187	195	202	208	213	241	282
A2. Primary balance is unchanged from 2013	179	187	196	203	209	214	238	269
A3. Permanently lower GDP growth 1/	179	185	188	190	189	189	193	202
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	179	189	197	201	202	203	207	196
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	179	192	206	206	203	200	188	156
B3. Combination of B1-B2 using one half standard deviation shocks	179	191	203	205	205	204	201	181
B4. One-time 30 percent real depreciation in 2014	179	238	236	234	228	224	207	173
B5. 10 percent of GDP increase in other debt-creating flows in 2014	179	224	224	224	220	216	201	163
Debt Service-to-Revenue Ratio 2/								
Baseline	16	14	15	16	16	17	21	19
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	16	14	16	17	18	19	26	31
A2. Primary balance is unchanged from 2013	16	14	15	17	18	19	25	29
A3. Permanently lower GDP growth 1/	16	14	15	16	16	17	22	24
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	16	14	16	17	17	18	23	23
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	16	14	16	18	19	18	21	20
B3. Combination of B1-B2 using one half standard deviation shocks	16	14	16	18	18	18	22	22
B4. One-time 30 percent real depreciation in 2014	16	15	19	19	20	21	28	27
B5. 10 percent of GDP increase in other debt-creating flows in 2014	16	14	17	26	17	20	22	21
Sources: Country authorities; and staff estimates and projections.								
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.								
2/ Revenues are defined inclusive of grants.								



SENEGAL

FIFTH REVIEW UNDER THE POLICY SUPPORT INSTRUMENT AND REQUEST FOR PROGRAM EXTENSION AND MODIFICATION OF ASSESSMENT CRITERIA—INFORMATIONAL ANNEX

June 4, 2013

Prepared By

The Staff of the International Monetary Fund in Consultation with the World Bank.

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RELATIONS WITH THE FUND

(As of March 31, 2013)

Membership Status: Joined: August 31, 1962; Article VIII

General Resources Account:	SDR Million	%Quota
Quota	161.80	100.00
Fund holdings of currency (Exchange Rate)	159.93	98.85
Reserve Tranche Position	1.88	1.16

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	154.80	100.00
Holdings	130.17	84.09

Outstanding Purchases and Loans:	SDR Million	%Quota
ESF Arrangements	121.35	75.00
ECF Arrangements	9.70	6.00

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ESF	Dec 19, 2008	Jun 10, 2010	121.35	121.35
ECF 1/	Apr 28, 2003	Apr 27, 2006	24.27	24.27
ECF 1/	Apr 20, 1998	Apr 19, 2002	107.01	96.47

1/ Formerly PRGF.

Projected Payments to Fund 1/

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Principal	1.73	11.56	24.15	25.66	24.27
Charges/Interest	<u>0.02</u>	<u>0.02</u>	<u>0.30</u>	<u>0.24</u>	<u>0.17</u>
Total	<u>1.75</u>	<u>11.58</u>	<u>24.45</u>	<u>25.89</u>	<u>24.44</u>

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Enhanced
I. Commitment of HIPC assistance	Framework
Decision point date	Jun 2000

Assistance committed	
by all creditors (US\$ Million) 1/	488.30
Of which: IMF assistance (US\$ million)	42.30
(SDR equivalent in millions)	33.80
Completion point date	Apr 2004
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	33.80
Interim assistance	14.31
Completion point balance	19.49
Additional disbursement of interest income 2/	4.60
Total disbursements	38.40

1/ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

2/ Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI):

I.	MDRI-eligible debt (SDR Million)1/	100.32
	Financed by: MDRI Trust	94.76
	Remaining HIPC resources	5.56
II.	Debt Relief by Facility (SDR Million)	

Eligible Debt

<u>Delivery</u>	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
<u>Date</u> January 2006	N/A	100.32	100.32

1/ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit

mechanisms and financial statements. Such committee was established after the completion of the assessment following the Institutional Reform of the WAMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued. An update assessment was initiated in February 2013.

Exchange System:

Senegal is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, had been pegged to the French franc at the rate of CFAF 1 = F 0.02. Effective January 12, 1994, the CFA franc was devalued and the new parity set at CFAF 1 = F 0.01. Effective December 31, 1998, the parity was switched to the euro at a rate of CFAF 655.96 = €1.

The authorities confirmed that Senegal had not imposed measures that could give rise to exchange restrictions subject to Fund jurisdiction. They will inform the Fund, if any such measure is introduced.

Aspects of the exchange system were also discussed in the report "WAEMU: Common Policies of Member Countries" (Country Report No. 12/59 of March 12, 2012).

Article IV Consultations:

The latest Article IV consultation was completed by the Executive Board on December 10, 2012 (Country Report No. 12/337). In concluding the 2012 Article IV consultation, Executive Directors commended Senegal's satisfactory program implementation despite the challenging internal and external environments. They stressed that although a moderate pickup in growth is expected in the near term, the economy remains exposed to substantial risks.

Directors welcomed the authorities' continued commitment to their program to ensure macroeconomic stability, strengthen the economy's resilience to shocks, foster higher and sustainable growth, and reduce poverty. Directors noted that, while Senegal still faces a low risk of debt distress, high fiscal deficits and rising debt ratios need to be addressed. They welcomed the authorities' commitment to keep the deficit under 6 percent in 2012 and their determination to reduce the deficit further in the medium term to levels that are consistent with fiscal and debt sustainability. Directors also highlighted the importance of stronger debt management. They welcomed the recently finalized medium-term debt strategy, and encouraged the authorities to rely primarily on concessional financing.

Directors underscored the need to improve public financial management and government spending efficiency and transparency. They commended ongoing efforts to reduce the cost of running government, streamline public agencies, and rationalize expenditure in key sectors. Directors stressed that phasing out the costly and poorly targeted energy price subsidies while strengthening social safety nets is a priority. Sustained progress in all these areas will be necessary to meet the country's fiscal objectives and make room for critical social and development needs.

Directors noted that the financial sector is generally robust. However, the rising level of NPLs and concentration of lending need to be closely monitored. To move Senegal to a path of higher, sustainable, and inclusive growth, Directors stressed the need to address infrastructure gaps, remove inefficiencies in government operations, and improve the business climate. They welcomed the tax and customs reforms that are underway and called for timely implementation of the new energy investments and restructuring of SENELEC, the national power utility. Directors also encouraged the authorities to deepen and strengthen the financial system to support their growth strategy.

Financial Sector Assessment Program (FSAP) and Report on the Observance of Standards and Codes (ROSC) Participation:

A joint team of the World Bank and the International Monetary Fund conducted a mission under the FSAP program in 2000 and 2001. The Financial System Stability Assessment (FSSA) was issued in 2001 (IMF Country Report No. 01/189). An FSAP update was undertaken in 2004, focusing on development issues (in particular nationwide supply of basic financial services and access of SMEs to credit), in line with the priorities defined in the PRSP (IMF Country Report No. 05/126). A regional FSAP for the WAEMU was undertaken in 2007. A ROSC on the data module was published in 2002. An FAD mission conducted a ROSC on the fiscal transparency module in 2005.

Technical Assistance (2008–12):

A. AFRITAC West

Year	Area	Focus
2008	Debt management and financial markets National accounts Microfinance	DSA workshop Institutional sector and quarterly national accounts Supervision and organization
2009	National accounts Tax administration Debt management Microfinance Macroeconomic and financial statistics	Quarterly national accounts (QNA) Status of the reform and scope for further TA Strengthening public debt management Strengthening microfinance supervision Enhancing production and dissemination of public finances statistics
2010	Debt management National accounts Customs administration Tax administration Customs administration	Strengthening public debt management Quarterly national accounts (QNA) Risk analysis and audit Tax administration modernization Follow-up mission

Year	Area	Focus
2011	National accounts Customs administration Public Expenditure Management Debt management Tax administration	Quarterly national accounts (QNA) Risk analysis and audit Strengthening of PFM information systems Strengthening public debt management Establishment of medium-sized enterprise tax center
2012	Tax administration National accounts Customs administration Public Expenditure Management	Identification and registration of tax payers Quarterly national accounts (QNA) Risk analysis and audit Public accounting system
2013	Public Expenditure Management	Central government accounting Financial regime of autonomous agencies

B. Headquarters

Department	Date	Form	Purpose
Fiscal Affairs	Jan. 2010	FAD Expert	Review of the expenditure chain
	Feb. 2010	Staff/AFRITAC	Public financial management
	July 2010	FAD Expert	PFM (Treasury Single Account and cash forecasts)
	Oct. 2010	Staff/Expert/AFRITAC	Revenue administration
	Nov. 2010	Staff/Expert	Review of tax policy and tax expenditures
	Dec. 2010	Staff	Public financial management and accounting (state, PEs, agencies)
	May 2011	FAD Expert	Public financial management
	Sept. 2011	Staff /Expert	Revenue administration
	Nov. 2011	FAD expert	Decentralization of budget authority
	Dec. 2011	FAD expert	Consolidation of accounts

Department	Date	Form	Purpose
	Jan. 2012	FAD Experts	VAT Credit Reimbursement System, Tax Exemptions and Reform Process
	May & Sept. 2012, and Feb. 2013	FAD Staff/Experts	TPA multi-Module Missions on tax reform and revenue administration
	March 2012	FAD Experts	PIT and Taxation of the Banking and Telecoms Sectors
	July 2012	FAD Experts	Budget Execution, Fiscal Reporting, and Cash Management
	January 2013	FAD Expert	Strengthening Cash Management and Treasury Single Account
	Feb. 2013	FAD Expert	Decentralization of budget authority
	Feb. 2013	FAD Expert	VAT Credit Reimbursement System, Tax Exemptions and Reform Process
	March 2013	FAD Experts	Wage Bill Budgeting and Execution Capital expenditure forecasting
	March 2013	FAD experts	Mining and tax exemptions VAT documents and exemptions
Monetary and Capital Markets	Sept. 2010	Staff	Needs assessment
	Jan.-Feb. 2011	Staff/World Bank	Medium-Term Debt Strategy (MDTS)
Statistics	Nov. 2008	Staff	SDDS assessment
	April 2009	Staff	Government finance statistics
	Aug. 2011	Staff	National accounts
	Nov. 2011	Staff	Monetary and financial statistics
Legal	Jan-Feb 2012	Staff	Tax law

Resident Representative

Stationed in Dakar since July 24, 1984; the position has been held by Ms. Valeria Fichera since September 2009.

Anti Money Laundering / Combating the Financing of Terrorism

The onsite visit for Senegal's AML/CFT evaluation took place in July/August 2007 in the context of ECOWAS's Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA). The report was adopted in early May 2008 by the GIABA Plenary held in Accra, Ghana. The report highlighted several areas of weaknesses in the AML/CFT system, confirmed by a score of 12 non-compliant and 16 partially compliant ratings out of the 40+9 FATF AML/CFT recommendations. In May 2009 Senegal joined the Egmont Group of Financial Intelligence Units (FIUs). The FIU publishes on its website statistics on suspicious transaction reports received, the number of cases transmitted to the judiciary, and the number of convictions. Senegal's Fourth Follow-Up Report was discussed at GIABA's May 2012 Plenary. It acknowledged the progress achieved and encouraged Senegal to continue making improvements. At the same time, it was agreed that Senegal will submit its Fifth Follow-Up Report to the May 2013 Plenary.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION WORLD BANK AND IMF COLLABORATION

Title	Products	Topic	Expected delivery date
A. Mutual information on relevant work programs			
World Bank	Public finance management technical assistance project	Investment project appraisal manual, evaluation of agencies, budget management information systems, internal and external audit, debt management	
	Development policy operation	Governance, education and health reform, energy sector	November 2013 (Board)
	Energy sector dialogue	Senelec performance, investment planning, finances	Ongoing
	Mining sector TA	EITI and regulatory framework	April 2013
	Social protection policy notes	Overview of programs, responses to shocks, targeting	June 2013
	Poverty and gender policy notes	Trends, profile, gender, regional, employment, social sectors	June 2013 (preliminary) October 2013 (final)
	Statistics for Results project	Labor market, services, construction data and capacity-building	June 2013 (approval)
	Debt management TA	Advice on external borrowing	June 2013
	Policy notes for the Consultative Group	Short policy notes on the full range of Bank activities	July 2013
IMF	IMF-supported program		
	Fifth PSI Review mission (March 2013)		July 2013 (Board)
	Sixth PSI Review mission (September 2013)		December 2013 (Board)
	Technical Assistance		
	Revenue administration	Six short-term expert visits	FY 2013

	PFM	A resident advisor at the Treasury	Until Sept. 2013
	Statistics	Data Work: SRFs Data Development	May 2013
B. Requests for work program inputs			
Fund request to Bank	Analysis on poverty and inclusive growth	Analytical reports on the 2011 household survey	September 2013
Bank request to Fund	Analysis on mining tax and customs reform	TA reports	June 2013
C. Agreement on joint products and missions			
Joint products	JSAN	National Strategy for Economic and Social Development (NSESD)	June 2013 (Board)
	Joint DSA update	5th PSI Review	May 2013
	Consultative Group	Donor and private sector conference to attract financing for NSESD	October/November 2013