

INTERNATIONAL MONETARY FUND

SENEGAL

**Enhanced Structural Adjustment Facility  
Policy Framework Paper, 1998-2000**

Prepared by the Senegalese Authorities in Cooperation  
with the International Monetary Fund  
and World Bank Staffs

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**I. INTRODUCTION**

1. Following the devaluation of the CFA franc in January 1994, the government of Senegal undertook a series of programs of adjustment and economic reform aimed at restoring the conditions for strong, sustainable economic growth and ensuring domestic and external financial viability. These programs were based on the strict management of domestic demand to bring inflation and the government deficit quickly under control, and on the implementation of wide-ranging structural reforms aimed at liberalizing the economy, reducing the size of the public sector, and fostering private sector development. The programs also involved the implementation of ambitious plans to improve the provision of education and health services and, more generally, to raise the living standards of the most disadvantaged social groups. In this effort to thoroughly restructure its economy, Senegal received substantial assistance from the international community, particularly the International Monetary Fund, the World Bank, the European Union, and several bilateral partners. The implementation of the reform program was coupled with a deepening of the democratic process, decentralization, and the transfer of responsibilities to local governments. It also provided an opportunity to strengthen the dialogue and consensus-seeking among all political and social partners in Senegal and took into account the prospects for regional integration opened up with the signing of the treaty creating the West African Economic and Monetary Union (WAEMU) in January 1994.

2. Despite a decline in agricultural production in 1997 owing to poor weather conditions, the execution of the adjustment and reform programs implemented in 1994-97 was broadly satisfactory, and contributed to an improvement in economic and financial conditions. Real GDP growth reached 2.9 percent in 1994 and averaged more than 5 percent in the years 1995-97. The implementation of sound fiscal and monetary policies has helped bring inflation under control, lowering it to less than 2 percent by 1997. The fiscal and external current account deficits have been reduced to manageable levels.

3. In 1998-2000, the government of Senegal will take the necessary steps to achieve strong, sustainable, more diversified, and better distributed growth. It will complete the basic structural reforms initiated since January 1994, deepen the various sectoral reforms under way, and undertake new reforms in the areas of good governance, poverty reduction, the development of human resources, and the protection of the environment. Senegal seeks the support of the donor community for the implementation of this new and ambitious program of accelerated growth and sustainable development.

## II. RECENT ECONOMIC DEVELOPMENTS, 1994-97<sup>1</sup>

4. As a result of the rigorous implementation of the four annual programs adopted since early 1994, Senegal's economic and financial position has shown considerable improvement and significant progress has been made, particularly in liberalizing the economy and restructuring the public sector. The macroeconomic objectives adopted for 1994-97 have been achieved. Consequently, after a long period of stagnation, real GDP growth averaged slightly more than 5 percent in the years 1995-97. This recovery was made possible primarily by the growth of services, construction, and industrial and mining output. The agricultural sector contributed only modestly to growth, owing to poor weather conditions in the last two crop years and other more structural obstacles that impeded the development of agriculture. Inflation was reduced to 1.8 percent in 1997 after having risen to some 32.1 percent on a year-to-year basis following the devaluation in 1994. The overall fiscal deficit (on a commitment basis and excluding grants) was reduced from 6.1 percent of GDP in 1994 to 1.5 percent in 1997. The external current account deficit (excluding official transfers) narrowed from 9.3 percent of GDP in 1994 to 7.6 percent in 1997, slightly above the initial projections because of a decline in groundnut exports. Finally, the resumption of external assistance and the pursuit of a prudent monetary policy contributed to a substantial improvement in Senegal's official foreign assets, which rose to the equivalent of 73 percent of base money (including government deposits) at end-1997, compared to barely 1 percent at end-1993.

5. Senegal's efforts at fiscal consolidation have been successful. The overall budget deficit (on a commitment basis and excluding grants) has been reduced as a result of the combined effect of an increase in revenue and the limit placed on the growth of expenditure. Fiscal revenue increased an average rate of 13 percent per annum between 1994 and 1997, rising from 14.9 percent of GDP in 1994 to 16.3 percent in 1997. Over the same period, total expenditure and net lending increased by only 3.6 percent, on average, mainly as a result of the growth of capital expenditure financed with domestic budgetary resources. Current

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<sup>1</sup>Nominal GDP for the period 1994-97 was revised downward by an annual average of 6 percent to reflect the final results of in-depth economic surveys. As a result, the ratios of economic variables calculated as percentages of GDP are different from those included in the policy framework, 1996-99, dated November 7, 1996. However, the changes in these ratios from year to year do not differ significantly from the earlier versions.

expenditures have been stabilized as a result of the gradual reduction of interest charges on public debt, albeit offset by the moderate growth of the wage bill. The share of social spending (education, health, and the promotion of women, children, and the family) in total current expenditure (excluding interest) has steadily expanded, increasing from 33 percent of GDP in 1994 to 42 percent in 1997. All domestic and external payments arrears were eliminated between 1994 and 1995 and all domestic and external debt service obligations have been honored on a timely basis, with only one exception in December 1997.

6. Monetary policy has been conducted prudently at the regional level by the BCEAO, based on the indirect liquidity regulation mechanisms established in 1989. The growth of the money stock was 9.2 percent both in 1995 and 1996, and 2 percent in 1997. Net bank credit to the government, which had been decreasing since 1994, was reduced by 41 percent in 1997 owing to the marked improvement in the government's financial position, while credit to the economy increased approximately by 15½ percent on annual average during 1995-97 following a slight decline in 1994. The net domestic assets of the central bank were kept within the established limits throughout the period, while official foreign assets improved substantially. As a result of the reduction in inflation, the BCEAO discount rate was gradually lowered to 6 percent in September 1997 from 14.5 percent in January 1994. At end-1997, bank prime rates varied between 8 percent and 9.5 percent, compared to a range of 11 percent to 12.5 percent in April 1994.

7. Major structural reforms were undertaken in 1994-97 in order to reduce government intervention in the economy and to create an environment conducive to the development of private sector investment. The government liberalized nearly all prices, as well as domestic and foreign trade and international shipping; dismantled nearly all monopolies, including the rice monopoly; eased the regulatory framework governing economic activity, particularly the labor code; and streamlined the tax system. Most of the planned measures were implemented. The liberalization of prices affected a large number of products with authorized or administered prices. The prices of a few products are still determined administratively (charcoal, hydrocarbons, water, electricity, telephone services, hospital and clinic charges, and the fees of licensed physicians); and prior authorization is required for changes to prices of butane gas, pharmaceutical products, and informal sector urban transport rates. The reforms undertaken also concerned the promotion of competition through the cancellation of most special agreements or the restructuring of those remaining through the gradual elimination of specific tax benefits. A competition commission was set up on June 12, 1997. An unfair trade practices committee was created, as well as a national consumer council. Consumer associations are being formed and are contributing to the dissemination of economic information and the organization of consumers.

8. In the parapublic sector, the 1994-97 program called for the restructuring of 22 of the 54 nonfinancial enterprises and commercial public establishments in the government's portfolio at end-1993. At end-December 1997, restructuring of 7 enterprises was completed: the Caisse de Péréquation et de Stabilisation des Prix (CPSP-1996), the Société Industrielle d'Assainissement du Sénégal (SIAS-1996), the Société Hotelière Saly (SH-SALY-1996), the Société Nationale des Eaux du Sénégal (SONES-1996), the Agence Sénégalaise pour

l'Assurance du Commerce Extérieur (ASACE-1997), the Société Nationale des Télécommunications (SONATEL-1997), and the Société des Textiles de Kaolack (SOTEXKA-1997). Three others will be restructured by end-March 1998: the Société Sénégalaise des Phosphates de Thiès (SSPT), the Société de l'Hôtel de l'Union Teranga (SPHU-TERANGA) and the Société Nouvelle pour l'Approvisionnement et la Distribution du Sénégal (SONADIS), and an eleventh (DAKAR-MARINE) by end-July 1998. These restructuring arrangements reduced the government portfolio by 25 percent and generated CFAF 93 billion (3.5 percent of GDP) in 1997, largely from the sale of 61 percent of the capital of SONATEL. Efforts to privatize 11 other enterprises are under way; they will however not be completed before end-1998.

9. Sectoral reforms have also been undertaken in the field of energy, transportation, and agriculture, as well as in the areas of business law and the judicial system. However, these reforms have yet to produce the expected results and, in certain cases such as the energy sector, have been significantly delayed specifically as a result of the difficulties encountered in achieving the necessary social consensus.

10. The government believes that the positive macroeconomic results now obtained and the structural and sectoral progress made so far are as yet insufficient to place the Senegalese economy on the road to strong growth and significantly reduce unemployment and poverty. The Senegalese economy is still fragile and structural impediments hamper its development. First, fiscal consolidation is hampered by the weakness of the country's overall fiscal effort (16 percent of GDP), a revenue structure that relies excessively on import taxes, the inadequacy of health care expenditure, and the inefficiency of education expenditure. Second, the restructuring of the parapublic sector and the envisaged reform of the civil service will require significant efforts in the years to come to further reduce the size of the government, refocus its functions, and create a more professional and more efficient civil service. Third, despite the improvement in external competitiveness, the development of the economy is still hindered by the high cost of the primary technical inputs (electricity, water, transportation), the lack of basic infrastructure, a high level of protectionism, and a persistently swollen bureaucracy. Fourth, although development of the private sector has progressed substantially, it still falls far short of expectations; foreign investment is very modest; and the country still depends quite heavily on official development assistance, which seems to be on the decline. Finally, despite the recovery of growth since 1994, most social indicators are extremely unsatisfactory and poverty is still widespread, both in rural areas and in the cities.

### **III. OBJECTIVES AND STRATEGIES FOR 1998-2000**

11. A new enhanced structural adjustment program for 1998-2000 focuses on the elimination of the structural obstacles to strong growth and reduced unemployment and poverty. The strategy adopted aims to ensure economic growth of 6 percent and an increase in per-capita income of more than 3 percent on average over the period; to keep inflation below 3 percent in order to maintain an inflation differential favorable to the competitiveness of Senegalese goods; and to contain the external current account deficit (excluding official

transfers) to less than 7 percent. The gains in competitiveness to be made from the adopted reforms should allow for a sustained expansion of exports faster than the growth of imports, thus contributing to improvement in the external position. To attain these objectives, the government is determined to keep the overall budget deficit (excluding grants) at less than 2 percent of GDP throughout the period and to implement a major reform of the external trade regime. Achievement of the program objectives will depend very much on the pace of implementation of the near-term measures envisaged for consolidating government finances, reducing excessive technical input costs, and expanding the scope of private sector activities. In light of the fixed parity of the CFA franc, regional monetary policy will continue to be designed to strengthen the zone's foreign assets position and limit bank credit to government. In the medium and long term, improvement in the efficiency of government intervention, in the extent and quality of the basic infrastructure (transportation in particular), and in the development of human and natural resources will contribute to the formation of a well developed stock of efficient physical and human capital.

12. The success of the program in respect of growth and poverty reduction will require a substantial increase in domestic investment and savings. The investment rate is expected to increase from 18.7 percent of GDP in 1997 to 20.7 percent in 2000, a gain of nearly two points, largely attributable to increased private sector investment. At the same time, the savings rate is expected to increase from 13.2 percent of GDP in 1997 to 15.4 percent in 2000. As a result of improvements in the position of government finances, public savings will remain positive, averaging the equivalent of 6.2 percent of GDP annually. A considerable improvement in private savings is expected, given a business-friendly environment and the enhanced confidence of economic agents and investors in the outlook for the economy. Steps will be taken to encourage the diversification of instruments of financial intermediation so as to mobilize savings and to ensure adequate allocation of credit both to modern sector enterprises and to small enterprises operating in various sectors of the economy such as agriculture, livestock farming, fishing, handicrafts, and transportation. The mobilization of small savings will be encouraged by expanding the network of mutual savings and loan associations in urban and rural areas.

13. The medium-term strategy will be based essentially on fiscal consolidation; completion of reforms in the energy and parapublic sectors; promotion of private sector development; and the efficient management of central and local governments. In addition, improvements in the management of public investment will be coupled with a shift in the focus of such investment in favor of social sectors such as education and health. Poverty reduction, the promotion of the role of women, and better management of natural resources will round out the actions to be taken to accelerate growth and sustainable development.

#### **IV. MACROECONOMIC POLICIES**

14. Further consolidation of government finances will continue to be the cornerstone of the government's fiscal and tax policy during 1998-2000. This will reinforce sustainable, medium-term financial viability, support the country's shrinking dependence on external

financial assistance, and promote the enhanced competitiveness of the Senegalese economy. During the same period, the pursuit of a prudent monetary and credit policy will continue within the framework of the objectives defined by the Council of Ministers of the West African Monetary Union.

## **1. Fiscal and tax policy**

15. Against the backdrop of a significant reduction in average import taxation arising from the adoption of the common external tariff (CET) of the WAEMU, the government's financial policy for 1998-2000 will aim to further consolidate public finances while meeting the country's growing social demands, as well as the financial requirements of the investment in basic infrastructure which is essential for enhancing the competitiveness of the economy. The objective of the program is to limit the overall budget deficit (excluding grants) to less than 2 percent of GDP, on average, during 1998-2000, a level consistent with the amount of grants and concessional loans projected under the program, and the use of privatization earnings to finance high-priority public investment. The 1998 deficit will be half a percentage point of GDP larger than the 1997 deficit, owing to net revenue losses resulting from the reduction of external tariffs. The ratio of fiscal revenue to GDP is expected to decline by approximately three-quarters of a percentage point in 1998 to 15.6 percent. It is subsequently expected to rise to the equivalent of 16 percent of GDP in 1999 and 2000, reflecting projected increases in domestic tax revenues. The government's objective is to reduce public expenditure as a percentage of GDP from 17.8 percent in 1997 to 16.8 percent in 2000, while expanding the share of current and capital outlays devoted the social sectors in total public expenditure.

### **a. Revenue**

16. As of the second quarter of 1998, the government will undertake a major streamlining of the fiscal system, ahead of the adoption by January 1, 2000, of the CET. The reform of the tax system will consist of a significant reduction in the average rate of import taxation and the establishment of the broadest possible tax system under the law "*droit commun*" that seeks to eliminate existing exemptions. The relative reduction of customs taxes is expected to be offset by a broadening of the domestic tax base and improvement in administrative efficiency.

17. Senegal will therefore introduce, in April 1998, a four-tier external tariff structure (0, 5, 10 and 25), plus a 5 percent customs stamp, while maintaining on a temporary basis existing surcharges that apply to a few selected import products. Pending agreement on product classification among the WAEMU member countries, Senegal will resort to more appropriate customs procedures and a provisional classification that effectively abolishes the multi-layer tariff structure known as the "*Code de précisions*", except with regard to its application to a limited number of products used in industrial processing during the period until the implementation of the common external classification by the WAEMU countries in January 1999 at the latest. Based on the measures adopted, the average taxation rate on non-exempted imports (inclusive of surcharges but excluding petroleum product taxes) will be lowered from 20 percent in 1997 to 15 percent in 1998 and 1999, and to 12 percent in 2000. The phasing-in of the CET will be accompanied by (i) the adoption of a customs taxation

system “*régime de droit commun*” that eliminates exemptions; (ii) the regional harmonization of customs regulations; and (iii) the coordination of domestic indirect taxes, particularly the VAT. As of January 1, 2000, the maximum tariff rate of the CET will be reduced to 20 percent.

18. With a view to partially offsetting the short-term loss of revenue resulting from the tariff reform, steps will also be taken to increase domestic tax revenue. The VAT computerization program, to be completed in 1998, will allow a closer monitoring of VAT tax returns and collection efforts. Economic agents in the informal sector will benefit from the accounting and tax training provided by authorized management centers. This will, in turn, help the government to better monitor informal sector activities for taxation purposes. The use of the single taxpayer registration system by the tax and customs departments and the systematic review of income tax returns should also strengthen monitoring of taxpayers’ obligations. To facilitate the transition from the informal to the modern sector, the tax and customs administrations plan to require that merchants make tax payments above a certain amount by check. The authorities will examine the possibility of further reducing the scope of exemptions and of products subject to the reduced VAT rate; they will also prepare, by end-July 1998, a report on the possible unification of the VAT rates. Furthermore, the government will make renewed efforts to eliminate smuggling, with special emphasis being given to continued execution of the import inspection program (PVI). However, implementation of the PVI will be adapted to the need for the further simplification of customs clearance procedures and to the broader objective of improving the quality of services offered by the customs administration. The necessary arrangements will be made to give customs offices access to the import valuation database.

#### **b. Expenditure**

19. The government is acutely aware of the need to improve the quality of Senegal’s budget programming and management. Public expenditure policy is hampered by two major obstacles. The first is the lack of efficiency indicators for the resources used, so that consistency between economic policy objectives and budget allocations cannot be ensured. The second is the rigid separation of the current budget from the capital budget. In order to ensure more effective government action, budgetary allocations will increasingly be made with a view to achieving certain specifically defined sectoral objectives, in the context of a budgeting-by-objective strategy. Thus, beginning with the 1999 budget law, the main recommendations of the public expenditure review underway in the fields of education, health, and justice will be implemented, which will allow for a more efficient allocation of budgetary resources in those three sectors. The main changes envisaged will be the establishment of a medium-term expenditure framework which integrates both current and capital expenditure by sector (including expenditure financed by foreign donors), the recognition of a strict budget constraint by sector, and the definition of appropriate monitoring indicators for each sector. If the experiment is conclusive, it will be extended to other ministerial departments.

- **Current expenditure**

20. The government is committed to consolidating the gains achieved in the management of current expenditure and, in particular, reducing the relative share of the wage bill. Recruitment will be determined on the basis of personnel departures from the civil service, and on sectoral priorities, with education and health having the very highest priorities. The new merit-based promotion system will become operational in 1998, with the definition of a performance rating scale for each employee, based on appropriate performance indicators.

- **Capital expenditure**

21. The 1998 capital budget included in the 1998-2000 program calls for an 18 percent increase in capital expenditure. The proportion of expenditure financed by domestic resources will increase significantly with the growth of public savings and nonrecurrent privatization receipts. Nearly a fifth of total capital expenditure will be devoted to social infrastructure projects. The public expenditure review has exposed a number of weaknesses in the programming and management of capital expenditure. It has, in particular, revealed deficiencies in project analysis and monitoring, the evaluation of recurrent expenditure, coordination with and between donors, and the consistency of investment appropriations with the government's overall medium-term financial framework. To correct these weaknesses, the government will begin preparing a thorough reform of work methods and budget procedures in 1998. The purpose of this reform will be to prepare a comprehensive, multiyear budget which reconciles, in a transparent manner, the objectives sought and the resources used to achieve them. In particular, the reform will include the establishment of sectoral expenditure programs (such as recently prepared for the health sector and currently being developed for the education sector) and the consolidation of all public capital expenditure, whether executed by the central government or covered by external financing. An initial report on the guidelines of this new approach to budget programming, and an action plan to improve preparation of the capital budget, will be drafted by end-July 1998.

22. A series of actions aimed at strengthening planning capacities and the implementation of the technical ministries' development projects and programs will be undertaken in the context of a good governance program. In particular, efforts will be pursued to improve project monitoring and the technical expertise of the Ministry of Economy, Finance, and Planning in the areas of project evaluation, selection, and coordination. Pending the establishment of ministerial research and planning units, the 1997 experiment, which consisted of using local consultants to monitor and evaluate public projects and programs, will be continued and expanded. The three-year public investment programming system will be improved through the gradual adoption of a programming approach that provides an overall view of the policies to be implemented in a given sector. In this context, coordination between the government, donors and lenders will be intensified with a view to improving the information system and the monitoring of projects in progress.



- **Other expenditure**

23. Between end-1996 and end-1997, the gross stock of domestic public debt was reduced from 13 percent of GDP to 10.7 percent as a result of the partial payment of extrabudgetary payments arrears in December 1997, the restructuring of the bank debt of the former National Office for Development Cooperation and Assistance (ONCAD), and the payment of current debt obligations. The exceptional clearance of the balance of extrabudgetary arrears and the payment of current obligations should reduce the stock of domestic debt to less than 9 percent of GDP in 1998. The government's financial obligations arising from cross debts were settled in 1996 and 1997, in keeping with the established timetables. Agreements were concluded regarding the significant net balances owed to the government; these agreements are being complied with. The government's claims on a number of public enterprises experiencing serious financial difficulties would be canceled. Near-term measures aimed at financial rehabilitation of the government employees' National Pension Fund (FNR) have been adopted, in particular in the form of increases in 1996 of individual contributions and the discharge of certain government obligations. Actions designed to ensure the medium- and long-term viability of the FNR are being prepared with technical assistance from the International Labor Office (ILO); the reform measures under consideration include transforming the Fund into an autonomous institution, streamlining benefits, and maximizing the profitability of the Fund's financial investments.

## **2. Monetary and credit policies**

24. The monetary authorities will continue to conduct a prudent monetary and credit policy at the regional level, in keeping with the union's growth, inflation, and balance of payments objectives. It is therefore projected that Senegal's money stock will grow an annual average rate of 9 percent in 1998-2000, in line with the growth of nominal GDP. Net credit to the government will increase in 1998 owing to the programmed use of part of the substantial government deposits accumulated in 1997. The government will then seek to reduce its indebtedness to the monetary institutions. Credit to the economy is projected to increase by an annual average of just over 8 percent for the years 1998-2000. Senegal's contribution to the net foreign assets of the BCEAO will also continue to grow.

25. The authorities will strive to increase the efficiency of the indirect monetary management and credit instruments available to the BCEAO and will encourage the development of new financial products in order to promote development of financial savings and ensure adequate supply of investment funds for sustained economic activity. They will in particular pursue appropriately flexible interest rate, required reserves and money market policies.

26. The government will assiduously support the actions of the WAMU Banking Commission to ensure compliance with the prudential rules and strengthen the financial structure of credit institutions. The ongoing measures designed to improve the legal and judicial systems should also contribute to the rehabilitation of the banking environment and introduction of healthy competition in deposit-taking and in credit-distribution activities.

27. In order to support economic growth, the government will work with its WAMU partners to promote private sector investment. The amendment of legislative provisions on usury rates and the expected clarification of their fiscal regime should promote the growth of financial leasing institutions. The opening in 1998 of the regional securities exchange will facilitate diversification of financial products promoting development of savings and long-term financing of enterprises. Finally, the government will exercise appropriate prudential surveillance of the country's rapidly expanding mutual savings and loan associations to ensure continued sound performance of these institutions.

### **3. Improvement of Statistics**

28. To facilitate the design and monitoring of policies, the government is taking all required steps, to improve the quality and coverage of economic and social data. To that end, in coordination with the BCEAO, an action plan is being implemented to improve balance of payments and monetary statistics. The authorities will address weaknesses in the areas of national accounts and social data, if necessary with technical assistance. They will also accelerate the pace of dissemination of the data, including on foreign trade.

## **V. STRUCTURAL AND SECTORAL POLICIES**

29. The structural and sectoral reform program to be implemented during the period 1998-2000 aims to strengthen and diversify the foundations for strong growth, to facilitate integration into the regional and world economy, and establish the credibility of Senegal's economic policies on a sustainable basis. With this aim, the government will prioritize the completion of the reforms already undertaken to liberalize the energy sector, restructure the parapublic sector, and create the legal, judicial, and regulatory conditions for private sector development. In addition, it will undertake new reforms relating to good governance, the CET and improving the statistical base. Lastly, it will pursue and strengthen current reforms in the area of transportation, and in the agriculture, livestock, fishing, mining, and tourism sectors.

### **1. Reform of the energy sector**

30. The energy sector development policy letter signed in February 1997 sets out the broad outlines for restructuring and reforming the electricity, petroleum products, and domestic fuels subsectors. The government's objective is to finalize the major actions for restructuring of the sector by end-1999 under the sectoral adjustment program negotiated with the World Bank and in the context of implementation of the project for sustainable and participatory management of traditional energy.

31. Regarding electricity, the process to privatize the Société Nationale d'Electricité-SENELEC (including the requisite liberalization of the electricity generation, transmission, and distribution activities) was initiated with the passage by the National Assembly of Law 98-01 of January 22, 1998 on opening up the company's capital to the

private sector. The strategic operator will be selected during the second half of 1998 and the new company will be operational as of the first quarter of 1999. The State will not keep more than 41% of SENELEC's capital. The regulatory and legislative framework for the electricity subsector, which opens up electricity production and distribution activities to the private sector, will be adopted by the government before April 15, 1998. As part of this new electricity law, a regulatory agency will be set up by end of March 1999. In addition to reducing the cost of electricity, the purpose of the reform is to speed up country-wide electrification, in particular in the rural areas.

32. Regarding the petroleum sector, the government has decided to create the conditions for liberalization of the importation, distribution, and transportation of hydrocarbons. The conclusions of the current study on the modalities for liberalizing subsector activities will serve as a basis for the introduction, in April 1998, of a new legal and regulatory framework. Petroleum taxation will be revised to better reflect the sector's new operating environment and will come under the umbrella of WAEMU customs and tax harmonization measures. It will also take account of economic competitiveness and government financing requirements. The reform envisages a simplified taxation mechanism and greater tax neutrality. Proposed actions include: (i) the introduction of a specific tax on white products (regular and super gasoline, and gas-oil) replacing the variable stabilization levy; (ii) the automatic adjustment (quarterly in 1998 and monthly beginning in 1999) of domestic prices on the basis of international prices; (iii) liberalization of third-party access to existing import, storage, and transport facilities; (iv) elimination of the US\$2.3/barrel supplement paid to the SAR and its replacement by an ordinary law protective duty based on a differential not exceeding 20 percentage points (and 15 percent in 2000) between white products and crude oil, and 5 percent for the black products, to ensure protection of refining activities; (v) introduction of a four year declining surtax on white products to offset the abolition of the SAR monopoly agreement and SAR's implementation of an investment program intended to reconvert and adapt its production unit.

33. Abolition of the oil stabilization mechanism is intended to allow the fluctuations in international petroleum prices to affect pump prices, as well as to gradually reduce the subsidy on butane gas and fuel oil. The subsidy on gas, which has risen to an unsustainable level, will be eliminated gradually over a four year period and will be nil not later than January 1, 2002. The subsidy on fuel oil and diesel oil for power generation will also be eliminated gradually, over a three year period, and will be nil not later than January 1, 2001. In all, the objective is to help lower consumer prices while guaranteeing an adequate level of revenue to the government from the sector.

34. Regarding the domestic fuel subsector, the sector liberalization policy should allow liberalization of market prices for charcoal and fuelwood not later than end-1999 to reflect the costs of renewing forestry resources. It is hoped that the transfer of responsibilities for managing natural resources to the local authorities will result in a more sustainable supply of charcoal and fuelwood, in accordance with the objectives of the law on regionalization and the new Forestry Code adopted by the National Assembly in December 1997.

## **2. Restructuring the public and parapublic sectors**

35. The government intends to withdraw from all commercial activities by end-2000, through privatizing financial and nonfinancial public enterprises, wholly or in part, or by reducing its share of the capital to 25 percent at most. In the case of certain public services, such as water distribution, urban transport, railways, ports and airports, it will seek to entrust the management to the private sector, while creating an asset holdings public company. Government participation in rural training, low-cost housing, and minerals-prospecting companies will be limited to 51 percent. The government will maintain a participation of between one-third and 41 percent in two strategic enterprises (SONATEL and SENELEC). The administrative unit responsible for managing this program will be strengthened. Before end-July 1998, this unit will prepare a report on economic and financial results in 1996 of the 37 enterprises in which the Government has an equity share of more than one third.

36. An investment bank has been chosen to propose before end-July 1998 a strategy for the sale of the Méridien-Président hotel. The studies that will lead to the creation of a private operating company for public transport in Dakar—to replace the Société des Transports du Cap-Vert (SOTRAC)—are well under way; the request for bids is expected to be launched in June 1998 and a strategic partner chosen by September 1998. The privatization strategy of the Société Immobilière du Cap-Vert (SICAP) should allow its privatization by the end of the year. Given the complex nature of the Société Nationale de Commercialisation des Oléagineux (SONACOS) privatization process and the lack of success with previous attempts, the government has chosen an investment bank to propose a new privatization strategy that could allow for the choice of a buyer by end-1998. As for the SENELEC, it is now planned to issue a request for bids in August 1998, after completion of the technical and financial audits, and to proceed to the choice of strategic partner by end-December 1998; the latter would take up duties in the first quarter of 1999, after the terms of the contract have been negotiated. The establishment of a private company (with minority share holding by the governments of Senegal and Mali) to operate the Dakar-Bamako rail link is expected by December 1998. A bank acting in the capacity of financial advisor will be chosen to select the strategic operator of the international line. Four small enterprises (the Société des Habitations Modernes—HAMO, the Manufactures Sénégalaises des Arts Décoratifs—MSAD, the Société du Domaine Industriel de Dakar—SODIDA, and the Société Nationale d'Etudes et de Promotion Industrielle—SONEPI) will be privatized by end-December 1998. The list of enterprises to be privatized in 1999-2000 will be finalized at the time of the midterm review of the first annual arrangement under the ESAF. The 1998 privatization program and the program envisaged for 1999 and 2000 should reduce the government share in public and semipublic enterprises from 71 percent on average at end-1997 to 43 percent in 2000. Several of these enterprises will be simply asset holding public companies after the management has been turned over to a private partner. These will include SONES (water distribution, Dakar-Marine (shipyard), and Dakar-Bamako (railways)).

### **3. Reform of the legal framework and of the judicial system**

37. A set of measures have been, or are being, adopted at the national and international level to improve business law and the functioning of the judiciary. The Arbitration Center created in Dakar's Chamber of Commerce, Industry, and Agriculture will be operational following adoption of the law on internal arbitration by the National Assembly in the second half of 1998. In the particular case of enterprises in difficulty, draft laws governing the professions associated with judicial control (trustees, receivers, court-appointed conservators) have been prepared at the national level to ensure adherence to the regulations governing competence and business ethics. These drafts will be submitted to the National Assembly during the second half of 1998. The business law training program for magistrates and paralegals will continue. Establishment of the commercial clerk's office is part of a more comprehensive reform of the Dakar regional court.

38. In the context of the Organization for the Harmonization of Business Law in Africa (OHADA), the uniform laws on general commercial law, company law, and economic interest groupings and on the organization of guarantees have been in effect since January 1998 in all the signatory states, including Senegal. The laws supplementing or modifying the provisions of these uniform laws, as well as those repealing the contrary provisions applicable at the national level, were the subject of three draft decrees and four draft laws which will be submitted to the National Assembly very shortly to prevent any inconsistencies between the various relevant legal provisions and the provisions of the OHADA Treaty. Other uniform laws are being prepared in the areas of procedures for recovery and execution, of collective procedures, and of accounting law. A department specializing in business law is being established at the Dakar regional court principally to monitor OHADA uniform laws.

### **4. Private sector development**

39. The government intends to follow up on the initiatives to improve the business regulatory framework and strengthen the capacities of the private sector, which were begun in 1994. In collaboration with the World Bank, the government will evaluate the economic impact of trade liberalization. The government is preparing a new project to be financed by the World Bank to promote private investment and exports. The study on competitiveness prepared by the World Bank -- *Senegal: The Challenge of International Integration* -- will be one of the documents used to prepare this project. A workshop to discuss this study will take place in Senegal before end-June 1998.

### **5. Tariff reform in the WAEMU context**

40. With a view to establishing a subregional common market, on November 28, 1997 the WAEMU Council of Ministers adopted the main elements of a CET to be introduced on January 1, 2000, as well as the temporary provisions aimed at ensuring gradual convergence of national tariffs. Senegal will take all appropriate measures to make its import duties conform with the regulations anticipated by 2000. Import classification in the four tariff rates (0, 5, 10 and 20 percent) and modalities of surtaxes will be decided at the regional level before

June 1998. Regarding domestic indirect taxation, Senegal agrees with WAEMU program guidelines on harmonization of the value-added tax (VAT), excise duties, and informal sector taxation. The tariff reform, which should, by 2000, lead to the introduction of the CET, is part of the twofold operation begun in 1994 to simplify the tariff structure and reduce rates. In the short term, it will involve an internal adjustment by enterprises, which should lead to significant gains in competitiveness and therefore to the promotion of international trade. The accompanying community measures provide for the introduction, as an interim measure, of a few selected surtaxes (a degressive protection tax, TDP, and a special short-term import tax, TCI). The application of surtaxes will be temporary and the sum of tariff and surtaxes will be lower for all goods than that currently applied. At the national level, an unfair trade practices committee has been established to protect imports that are subject to dumping or subsidies; this committee will operate in a WTO-consistent manner and will take into consideration the legitimate interest of consumers.

## **6. Central government reform**

41. To support and strengthen the modernization policy and lay the groundwork for better management of public affairs, the government must rethink its processes, organization, and operations in relation to its role of private sector strategist and promoter. To initiate the necessary reform in this area, a national dialogue on public service and the new governance will be organized, following the example of higher education and the private sector. Surveys of users and government officials will be launched beginning in April 1998 to prepare for the start, in mid-June 1998, of a dialogue that should lead to an action plan to improve the organization and operations of the civil service. The reforms to be instituted aim at creating the conditions for a civil service that is managed rigorously and whose mechanisms for transparency, responsibility, control, merit, and sanction are clearly defined.

42. Having gone through the decentralization phase in 1996, Senegal now has 10 regions, 48 communes, and 320 rural communities henceforward endowed with new powers to design, program, and implement actions in the area of economic, educational, social, and cultural development. As decentralization deepens, the managerial and planning capabilities of the locally elected representatives will be developed. Therefore, special attention will be paid to the management of local finances and local investment programs. The government will institute regional development agencies (ARD) with responsibility for promoting local and regional development. At the same time, implementation of the national land use and development plan (PNAT) will make it possible to guarantee more balanced land use in Senegal and greater equity in government investment. The strategy to be used in this connection will be based on a global plan and ten regional land-use blueprints.

## **7. Transport policy**

43. The transport sector constitutes an essential service. The fundamental objective of the ongoing reform of this sector is to increase the efficiency of the transport system in order to make a significant contribution to improving the competitiveness of the economy and its regional integration. Building on the momentum created by the sectoral adjustment program

for transport (PAST), the government will implement the sectoral transport program (PST II) in 1999 with the support of the World Bank. This program will assist the productive sector in consolidating and strengthening its competitiveness. Among other objectives, the PST II aims to consolidate the institutional, organizational, and financial gains of the PAST, to open up new possibilities in underdeveloped areas (rural roads, coastal navigation, river transport), supporting subregional integration, and to promote greater private sector participation, in particular in the financing of investment and the management of transport infrastructure.

44. The actions and measures contained in the transport sector policy letter (LPST) to be signed by August 1998 will be implemented in each transport subsector. Priority in the area of road infrastructure will be given to maintenance and repair, which will receive 75 percent of the resources allocated to the subsector. Investment in excess of an amount to be decided with the World Bank and described in detail in the LPST will have to meet a minimum economic return threshold of 12 percent. A reform of the highways fund will be undertaken before December 1998 to ensure greater transparency and more efficient use of its resources, to introduce a new management system, and to make it possible to estimate fund resource allocation.

45. Regarding rail transport, a company to develop the Dakar-Bamako international rail line is to be created by December 1998 and the new company's activities could begin in April 1999. To this end, the government will adopt an appropriate legal and regulatory framework by October 1998. Once the international railway line has been fully privatized, restructuring of the Société Nationale de Chemins de Fer du Sénégal (SNCS) will be undertaken by September 1999 to redefine its activities and bring them into line with its new missions. A business plan will be drafted by April 1999 which will include investment requirements for track repair.

46. In the area of maritime transport, the port of Dakar will have to be made more competitive and the secondary ports reintegrated into a local development support system. In the case of the *Port Autonome de Dakar* (PAD), particular emphasis will be placed on conserving past gains in personnel management. The goal will be to reduce the excessive burden of the wage bill on the production cost structure. In this respect, the number of permanent PAD staff will be reduced to a maximum of 460 in 1999 and 425 in 2000. The corresponding personnel cost will be reduced to 27 percent in 1999 and 25 percent in 2000 of total operating costs (including depreciation).

47. Actions with regard to air transport are aimed at ensuring safety, increasing the national supply of air transport, and promoting the international traffic platform at Dakar airport. In particular, Air Senegal should be fully privatized by December 1999. Prior to the privatization of the company and to ensure a more streamlined process than in the past, a business plan will be prepared and discussed with the World Bank by September 1998; it will focus on reducing staffing, covering the liabilities incurred by the loss of two aircraft, and making the enterprise attractive to potential buyers. SONATRA-Air Senegal has been recapitalized and its debt to the ASECNA has been restructured (two of the conditions for successful privatization). In addition, the government intends to privatize Senegal's airports

and to reorganize the civil aviation sector. To this end, preparatory studies will be launched in April 1998 to be concluded by October 1998. The government will then be able to take the relevant decisions in January 1999 and present the legislative texts before June 1999. This privatization and restructuring of the sector could be implemented by January 2000.

48. In the urban transport sector, the government set up an executive council for Dakar urban transport (CETUD) in 1997. The technical studies prior to SOTRAC privatization are under way. The technical, financial, and accounting audit of this company will be completed by March 1998 and the request for bids to privatize it is scheduled for June 1998. A study is under way to determine the financing mechanisms for renewing the transport fleet.

## **8. Sectoral reforms in agriculture, livestock, fishing, mining, and tourism**

### **a. Agricultural sector**

49. The government accords a high priority to agriculture, the main source of employment and income for more than 60 percent of the population. Achievement of sustained growth of the agricultural sector depends on the sector's ability to improve its productivity and competitiveness. Liberalization and restructuring of the various branches of the agricultural sector continue along the lines of the agricultural sectoral adjustment program (PASA), implemented between 1995 and 1997.

50. The strategy for the agricultural sector must be based on a broad national consensus. This strategy will provide the operational framework for the preparation, by end-December 1998, of the medium-term agricultural sector investment program (PISA) and will be described in detail in an operational strategy document that the government intends to finalize by July 1998. This document on the agricultural sector stresses: (i) institutional reforms aimed at strengthening the capacities of the local governments and rural organizations in the context of the decentralization policy; (ii) implementation of basic rural infrastructures; (iii) in-depth restructuring of the Ministry of Agriculture and the regional rural development companies (SRDR); and (iv) the introduction of agricultural services—research and extension—that are flexible and efficient, managed and financed with the effective participation of the beneficiaries. In addition, to promote both private investment and the conservation of natural resources, a land tenure reform project is under discussion with local governments. Improved financial intermediation services in rural areas will make it possible to encourage saving with a view to financing private investment.

51. Special emphasis will be placed on removing two major constraints on the long-term development of the agricultural sector: (i) the implementation of a sustainable mechanism for restoring soil fertility, particularly in the groundnut basin; and (ii) harnessing of the country's water resources, both above- and below-ground. A study on the use of the waters of the Senegal River will be available in March 1998. This, and the land tenure system study, will consolidate the left-bank development program (PDRG) options.



**b. Livestock sector**

52. In the livestock sector, the government's strategy is to ensure the sustainable growth of the sector's productivity through greater participation of socioprofessional and private sector organizations. It is aimed at increasing public and private investment in the production of short-lived animal species, the relocation of slaughter infrastructure, and the introduction of specific credits for the different segments of the livestock sector. The safety of extensive production systems will be assured by means of livestock development and management programs. Fodder supplies for cattle and the establishment of an animal health program will be included in programs receiving government support and private sector participation.

**c. Fishing sector**

53. A draft master plan for developing sea fishing was prepared in 1997. It includes measures for fishing research, resource management, development of small-scale fisheries and new marine production (including aquaculture), in addition to sector financing. Discussion of the draft master plan will take place during the first quarter of 1998. The new code that is being prepared aims to ensure the sustainable development of fishing resources. In particular, it provides for the creation of a national advisory council on sea fishing to promote investment and sector regulation. It will be submitted to the National Assembly in the second half of 1998. The privatization of refrigerated warehouses, currently run under a management lease, will take effect by the end of the first half of 1998.

**d. Mining sector**

54. In the mining sector, the government is aware that the risks inherent in prospecting activities are very high. Consequently, its actions will be limited to promoting the sedimentary basin and implementing a regulatory framework to encourage increased private investment. A new and more attractive mining code will be submitted to the National Assembly in 1998. The government is actively continuing to update the geological and mining map. A new petroleum code was adopted by the National Assembly in December 1997. It offers potential investors attractive conditions for the development of exploration and production activities.

**e. Tourism sector**

55. The strategic development plan for the tourism sector prepared by the government in 1995 envisaged that the number of international tourist arrivals would quadruple by 2010. Therefore, private investment should be encouraged by developing basic infrastructure, promoting Senegal as a destination, and training tourism sector personnel. In addition, the government will encourage the liberalization of air transport to reduce transport costs.

## VI. HUMAN AND NATURAL RESOURCE DEVELOPMENT

56. The government will strengthen its programs to develop human and natural resources. These programs cover education, health, poverty alleviation, the expansion of the role of women, and the conservation of the environment.

### 1. Education policy

57. The government's objectives in the education sector are to increase elementary school enrollment from 65 percent in 1998 to 75 percent in 2000, to promote enrollment of girls, and to improve the quality of education at all levels. Senegal's gross enrollment ratio was 59.8 percent in 1996/97, as against an average of approximately 70 percent in sub-Saharan Africa. To close this gap, the government intends to pursue the reforms in the sector and prepare a 10-year medium-term program. To tackle the constraints faced by the education sector as a result of demographic pressure, the government devoted 34 percent of its 1997 budget allocations to education.

58. The reforms undertaken to maintain and increase the enrollment ratio focus mainly on containing unit costs and rationalizing resource allocation among different types of education. Unit costs will be contained in particular by adopting locally adapted prototype classes and introducing contractual status for elementary school teachers. In this context, the volunteer experiment will be continued, and all volunteers who have served continuously for four years will automatically be given contractual status. In higher education, the reforms undertaken in connection with the higher education support program (PAES) will be continued.

59. To achieve the target universal enrollment by 2008, the authorities will, by March 1999, finalize a 10-year plan for 1998-2008. The purpose of this plan will be the development of an educational system based on (i) universal enrollment in primary school and gradual improvement in the quality of primary education; (ii) the control of flows at the secondary and higher education levels to reflect financing capacities, quality objectives, and the contribution from the private sector; (iii) giving priority, at the secondary level, to teacher quality and suitability, chiefly by promoting scientific education and the gradual introduction of technology; (iv) restructuring of technical and professional education to reflect the actual situation and signals from the job market; (v) improved management of the education system in the context of decentralization; and (vi) more efficient allocation of public resources and mobilization of additional resources from the private sector.

60. The policy on literacy, basic education, and promotion of national languages aims to eradicate illiteracy in the long term, by reducing the illiteracy rate by five percentage points per year. This policy will allow a reduction in the illiteracy rate from 62% in 1997 to less than 50% in 2000. The focus will be on literacy for women and on reducing disparities between rural and urban areas. The various programs in progress with assistance from nongovernmental organizations (NGOs), grass-roots organizations, and women's groups should make it possible to reach these goals by achieving literacy for 125,000 persons per year.

## 2. Health policy

61. The new health policy and social action orientations have led to the identification of a number of constraints, the formulation of strategic orientations, and the outlining of reforms envisaged in the health sector. They will be implemented through the national health development plan (PNDS) for the period 1998-2007, the strategic priorities of which are reflected in a five-year integrated health development program (PDIS) for the period 1998-2002 adopted in May 1997. The goals of the PDIS are : (i) to improve financial viability and management of the public health system, (ii) to ensure that vulnerable groups have access to quality care (in particular, the number of persons per health center and health post should decrease from 158,000 and 11,000, respectively, in 1997 to 150,000 and 10,000 in 2000; and (iii) to help lower fertility rates and reduce the high population growth rate by improving reproductive health services and management (the fertility rate should decrease from 5.9 in 1997 to 5.3 in 2000). The financial viability of the health system would be achieved through better targeting of public subsidies, improving the management of mandatory health insurance schemes, and promoting community based health insurance systems. By 1999, the statute of the mutual health insurance system would be submitted by the government to the National Assembly for passage into law.

62. Public resources allocated to the health sector are currently insufficient at the present time to ensure minimum coverage of health care requirements. The government has therefore undertaken to increase the health sector's share in the overall government recurrent budget by 0.5 points per year, with the aim of reaching the norm of 9 percent, recommended by the World Health Organization (WHO), by 2002. The distribution of budget allocations will promote expenditure on supervision, maintenance, and operations, which will increase by approximately 10 percent per annum, as compared with 4.0 percent for personnel expenditure.

63. The government has adopted the law on reform of the hospital subsector, which gives greater autonomy to hospitals and other health institutions. These will be required to elaborate a comprehensive development plan (Projet d'établissement) which will include a management plan and a financial plan which will provide for sustainable financial equilibrium and autonomous management. Before end-1999, at least three development plans will be adopted by the Ministry of Health. In connection with this reform, the status of the Pharmacie Nationale d'Approvisionnement (PNA) will be changed by June 30, 1998 to that of an autonomous Public Health Establishment (Etablissement Public de Santé - EPS).

64. The health sector reform program also emphasizes the reorganization of the Ministry of Health and Social Action and the implementation of a plan covering personnel training, recruitment, and management. To that end, a decree organizing the Ministry of Health and Social Action should be signed by end-March 1998 and a plan to recruit 250 staff per year (all categories combined) will be implemented beginning in 1998.

### **3. Poverty alleviation**

65. The government's strategy concerning poverty alleviation is based on fostering strong, sustainable growth through the implementation of a national program to support persons who would otherwise be excluded from the benefits of growth. A national poverty alleviation program (PNLP) was adopted by the inter-ministerial council in December 1997. The implementation of the PNLN will be reflected in an investment program estimated at approximately CFAF 60 billion in its initial phase. This estimate was based on local development plans (PLD) and communal investment plans (PIC). This investment program, covering the period 1998-2002, will be submitted to a donors' round table meeting in 1998.

66. In its design and implementation, the PNLN is based on a participatory approach. It focuses on cross-sector activities that supplement sectoral investment programs and which are designed: (i) to implement productive activities to generate revenue and create jobs in the context of a development program for micro- and small-scale enterprises supported with the implementation of more suitable financial instruments; (ii) to improve access to basic social services; (iii) to improve monitoring of household living conditions; (iv) to implement a system to support vulnerable groups; and (v) to promote poor women economically, to strengthen their organizational and entrepreneurial capacities.

67. Activities are identified based on geographic targeting supplemented with a participatory approach to enable the various persons involved to agree on priorities. The local governments will play a central role in program execution. When required, they will receive support from NGOs and grass-roots organizations in carrying out activities at the local level. Program activities will give the beneficiary units of government an opportunity to strengthen their technical capacities and to become actively involved in the design and execution of activities and in sharing the costs of such activities.

### **4. Expanding the role of women**

68. The policy to expand the role of women has five areas of particular focus, reflecting the priorities in the national action plan for women adopted in November 1996, drawing from the African action platform prepared for the 1995 Beijing conference. These are: (i) to strengthen organizational and entrepreneurial capacities; (ii) to develop education and literacy; (iii) to improve women's health, especially reproductive health; (iv) to strengthen the role of women in public affairs; and (v) to implement an effective institutional system for the monitoring and technical and financial execution, of the action program. The government will ensure that these priorities are reflected in all sectoral policies. Special emphasis will be placed on developing education for girls and literacy for women. The enrollment ratio for girls 7-12 years of age will be increased from 52.9 percent in 1997 to 60 percent in 2000.

## **5. Protection of the environment**

69. The government intends to implement a sustainable development strategy, by giving the people greater responsibility in preparing, implementing, and monitoring environmental management programs. With the adoption of the national environmental action plan (PNAE) by March 1998, a number of actions will be taken; in particular, the large-scale implementation of options to reduce greenhouse gases in the energy, agriculture, forestry and waste management sectors. Protection of coastal and wetland areas from climate changes will also be strengthened.

70. For the period 1998-2000, the government plans, under the PNAE, to control solid and liquid waste management, to fight a number of dangerous pollution sources, including accidental pollution by hydrocarbons, and to implement an environmental education and communication policy in both the formal and informal education settings. In rural areas, particular emphasis will be placed on protecting ecosystems by relieving pressure on forestry resources through the participation of the people in environmental management. Actions will be taken under the program for sustainable and participatory management of traditional and substitute energy sources, prepared with the World Bank, the government of the Netherlands, and the Global Environment Facility (GEF). The development of a price incentive policy to promote the use of substitute fuel and equipment to replace wood energy will be encouraged, while the public capacity for orientation, programming, monitoring, assessment, and communication will be strengthened. These priority actions will supplement the short-term measures on revamping the institutional framework, establishing a national foundation for the environment, implementing a reference framework for environmental impact studies, and developing an information system on the environment.

## **VII. FINANCING REQUIREMENT AND DEBT SUSTAINABILITY**

71. The adjustment strategy adopted by Senegal aims to improve the country's economic competitiveness, ensure its financial viability, and, in general, facilitate Senegal's integration into the world economy and reduce its dependence on external assistance. Considering the country's existing production potential, efforts to improve infrastructure (including the supply of electricity and transportation networks), and the world market outlook, Senegal should be able to achieve a substantial increase in its traditional exports in the short term. In particular, as the result of sizable investment financed with private capital, production and exports of chemicals can be expected to nearly double in the next five years. In the medium term, the rigorous application of the structural reforms described above, beginning with tariff liberalization, is expected to facilitate the emergence of new activities and robust expansion of nontraditional exports. Despite a surge in imports of capital goods, the expected increase in exports should make it possible to maintain the balance of payments current account deficit, excluding official transfers, at about 7.5 percent of GDP in 1998, and to reduce it to an average of 6.8 percent of GDP during the subsequent two years. Private capital inflows, hitherto limited, should finance an increasing share of these deficits.

72. External financing requirements for 1998-2000 amount to US\$1.7 billion, of which US\$529 million will be needed in 1998. These requirements will be largely financed through external contributions from bilateral and multilateral donors to Senegal's development projects. Two thirds of the aid is expected to consist of unrequited transfers and one third of concessional long-term loans. Agreements have already been reached on a substantial portion of identified project financing requirements; discussions are on going on a another portion, and potential donors are expected to make definitive pledges during the forthcoming Consultative Group meeting. There remains nevertheless a residual financing gap estimated at US\$373 million, which would be covered by the use of Fund resources under the ESAF, an energy sector adjustment loan from the World Bank, budget support from the European Union, a stock-of-debt operation from Paris Club creditors—there is an agreement on the principle of examining such an operation—and at least comparable treatment from other bilateral creditors.

73. Senegal's total outstanding external public debt amounted to US\$ 3.3 billion at end-December 1997, or 75 percent of GDP. Debt owed to multilateral creditors represented approximately 67 percent of the total outstanding, including about 9 percent owed to the International Monetary Fund and about 36 percent owed to the World Bank. Debt owed to bilateral creditors accounted for 33 percent of the total outstanding, with more than two thirds owed to Paris Club creditors. Short-term obligations to the central bank represented approximately 1 percent of the total outstanding. Projected debt service, before any restructuring operations, is estimated at US\$299 million in 1998, including US\$107 million in interest.

74. A loan-by-loan external debt sustainability analysis was conducted jointly by the Senegalese authorities and IMF and World Bank staff. Subject to some verifications, these detailed calculations indicate that, at end-1997, before any debt relief, the present value of external debt amounted to 148 percent of exports of goods and nonfactor services. They also confirm the results of the preliminary debt sustainability analysis conducted in 1996, which has revealed a downward trend in this indicator and in the ratio of debt service to exports in the long term. Thus, in 2000, before debt rescheduling, the net present value of external debt and debt service are estimated at 128 percent and 17 percent of exports of goods and services. These ratios can be expected to decline to 117 percent and 14 percent, taking into account the projected impact of a reduction in outstanding debt to Paris Club creditors and comparable treatment of debt service to other bilateral creditors. This analysis therefore leads to the assessment that both external debt ratios considered in the initiative for heavily indebted poor countries (HIPC Initiative) are below the critical thresholds used as eligibility criteria for this initiative. Senegal's external debt is, therefore, sustainable under the terms of the HIPC Initiative. The fiscal burden remains high, however, with debt service to revenues projected to be 38 percent in 1998. This makes it more difficult to increase expenditures, including for the priority sectors of education and health, which are necessary for strong and sustainable growth. To help fill the fiscal and external financing gaps which remain under the program for 1998-2000, and to improve its debt outlook, Senegal intends to request from Paris Club creditors a stock-of-debt operation on Naples terms and will seek comparable treatment from its other bilateral creditors.

75. To further improve its external debt service profile, Senegal will continue to seek grants and loans on concessional terms. Accordingly, the government will neither contract nor guarantee any new nonconcessional external loans (that is, loans not entailing a grant component of at least 35 percent). Similarly, the government will neither contract nor guarantee any external loans with maturities of less than one year, with the exception of regular import financing. It will continue to subject any loan contracted or guaranteed by the government to prior approval from the Ministry of Economy, Finance, and Planning, and will increase the staff responsible for external debt management. The government will clear any existing arrears and avoid the accumulation of any new external payments arrears.

**Table 1. Senegal: Summary and Timetable of Macroeconomic and Structural Adjustment Measures, 1998-2000**

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
<b>A. Fiscal policies</b>	Maintain fiscal stability and increase public savings.	<ul style="list-style-type: none"> <li>• Consolidate revenue mobilization and expenditure rationalization efforts.</li> <li>• Achieve fiscal savings of around 6.5 percent of GDP in 2000.</li> </ul>	<p>1998-2000</p> <p>1998-2000</p>	
1. Revenue	Continue reform of the tax system to expand the tax base and improve its yield.	<ul style="list-style-type: none"> <li>• Introduce an external tariff consistent with WAEMU's common external tariff policy objectives.</li> <li>• Introduce a four-tier tariff structure, exclusive of a customs stamp (0, 5, 10 and 25 percent)</li> <li>• Adopt a common WAEMU classification for imported products, with four rates.</li> <li>• Define the terms of application of the surtaxes, in accordance with the decisions taken within the WAEMU.</li> <li>• Reform petroleum taxation (see section F below)</li> <li>• Align the rates of the VAT collected at the border to the rates set out in the Tax Code.</li> <li>• Strengthen the monitoring of large taxpayers.</li> <li>• Complete computerization of the VAT administration.</li> <li>• Expand the use of the single taxpayer identification number system</li> <li>• Closely monitor conditional tax exempt arrangements (bonded warehouses, temporary admissions, export processing enterprises, industrial free zones).</li> <li>• Prepare a study on the possible adoption of a single VAT rate.</li> </ul>	<p>1998-2000</p> <p>April 1998</p> <p>July 1998</p> <p>July 1998</p> <p>April 1998</p> <p>April 1998</p> <p>1998</p> <p>1998</p> <p>1998</p> <p>1998-2000</p> <p>July 1998</p>	IMF and World Bank



Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Eliminate the exemptions to customs duties and VAT collected by Customs.</li> </ul>	1998-99	
		<ul style="list-style-type: none"> <li>• Prepare measures to simplify the taxation of small enterprises and better tax the informal sector.</li> </ul>	1998-99	
		<ul style="list-style-type: none"> <li>• Continue implementation of the import inspection program (PVI).</li> </ul>	1998-99	
		<ul style="list-style-type: none"> <li>• Connect the valuation database of the Société générale de surveillance (SGS) and the GAINDE system; improve the efficiency of the GAINDE system.</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Revise the investment incentive systems together with WAEMU member countries and adopt a regional investment code.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Eliminate the exceptional fiscal arrangements granted certain enterprises in the modern sector.</li> </ul>	1998-99	
2. Current expenditure	Pursue a policy of controlling current expenditure by improving its structure.	<ul style="list-style-type: none"> <li>• Limit the number of civil servants to 67,000, excluding volunteers and contractual teachers.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Implement the new merit-based salary adjustment system.</li> </ul>	July 1998	
		<ul style="list-style-type: none"> <li>• Assess medium-term budgetary needs of the Ministries of National Education, Health, and Justice based on the objectives assigned to them.</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Complete the institutional and actuarial study of the National Pension Fund (FNR).</li> </ul>	By end-1998	ILO
		<ul style="list-style-type: none"> <li>• Implement the institutional reform of the FNR.</li> </ul>	1999-2000	ILO
		<ul style="list-style-type: none"> <li>• Increase the share of expenditure allocated to the priority social sectors.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Prepare a report on the outline of the government's new budget programming approach and action plan to improve preparation of the investment budget</li> </ul>	End July 1998	
		<ul style="list-style-type: none"> <li>• Strictly limit transfers and subsidies to public enterprises to the amounts specified in the budget; no longer grant subsidies to state-owned or semipublic companies.</li> </ul>	1998-2000	

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
3. Capital expenditure	Prioritize public investments; improve the effectiveness of government capital expenditure.	<ul style="list-style-type: none"> <li>• Avoid any accumulation of extrabudgetary arrears by stepping up control of expenditure commitment at the level of the single authorizing unit (Ministry of Economy, Finance and Planning).</li> </ul>	1998-2000	World Bank
		<ul style="list-style-type: none"> <li>• Conduct annual public expenditure review</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Implement the recommendations of the public expenditure review conducted in 1997 with the assistance of the World Bank.</li> </ul>	January 1999	
		<ul style="list-style-type: none"> <li>• Increase the share of priority projects, especially those devoted to infrastructure, human resource development, and poverty alleviation.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Strengthen the evaluation, programming, and monitoring of investment.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Closely monitor quarterly performance indicators for the execution of the public investment program.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Submit the three-year rolling public investment program (PTIP) (1999-2001) to the World Bank for review.</li> </ul>	September 1998	
4. Civil service reform	Strengthen the personnel management and control system through greater control of staffing levels.	<ul style="list-style-type: none"> <li>• Adopt the 1999-2001 PTIP.</li> </ul>	Dec. 1998	World Bank
		<ul style="list-style-type: none"> <li>• Ensure that recurrent project costs are taken into account.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Update, computerize and standardize the three files (payroll, civil service, technical ministries) and make them consistent with the staffing plans of the various ministries.</li> </ul>	1998	
	Improve effectiveness of public services.	<ul style="list-style-type: none"> <li>• Distribute procedures manuals.</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Conduct a users' survey on the quality of public services.</li> </ul>	April 1998	
		<ul style="list-style-type: none"> <li>• Organize a national debate on the quality of public services.</li> </ul>	July 1998	
		<ul style="list-style-type: none"> <li>• Complete the transfer of responsibilities in the context of decentralization.</li> </ul>	1998-2000	
<ul style="list-style-type: none"> <li>• Have the new government procurement code adopted.</li> </ul>	July 1998			

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Prepare the national plan for good governance (PNBG) in regard to local and central governments.</li> </ul>	1998-99	World Bank and UNDP
5. Urban development and support for communes.	Facilitate Senegal's growing urbanization and encourage the participation of local governments in the financing of infrastructure and basic social services.	<ul style="list-style-type: none"> <li>• Conduct audits of communes to define a priority investment program.</li> <li>• Conduct organizational and financial audits to define municipal adjustment programs.</li> <li>• Ensure that the Municipal Development Agency is operational.</li> <li>• Promote the reform of local taxation.</li> </ul>	1998-2002 1998-2002 1998-2002 1998-2002	World Bank
<b>B. Public debt</b>	Reduce debt service to a sustainable level.	<ul style="list-style-type: none"> <li>• Limit new concessional loans to those entailing a grant element of at least 35 percent.</li> <li>• Make all government and government-guaranteed borrowing subject to prior authorization by the Ministry of Economy, Finance and Planning.</li> <li>• Increase the staff of the unit responsible for managing the external debt.</li> <li>• Set up a system for monitoring domestic public debt.</li> <li>• Clear any existing external payments arrears and avoid accumulation of new arrears</li> </ul>	1998-2000 1998-2000 1998 June 1998 1998-2000	
<b>C. Public enterprises</b>	Reduce the size of the public enterprise sector and enhance its efficiency.	<ul style="list-style-type: none"> <li>• Complete execution of the public enterprise restructuring program by 2000 with a view to reducing the government's holdings to less than 25 percent, with the exception of a few enterprises (asset holding companies, training and promotion companies, and strategic enterprises such as SONATEL and SENELEC)</li> <li>• Complete the privatization of SSPT, SPHU-TERANGA and SONADIS.</li> <li>• Complete the privatization of DAKAR-MARINE.</li> </ul>	By end-March 1998 By end-July 1998	

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Privatize SOTRAC, SICAP, the Méridien-Président hotel and 4 small enterprises (SODIDA, MSAD, HAMO and SONEPI).</li> </ul>	By end-December 1998	
		<ul style="list-style-type: none"> <li>• Privatize SENELEC: launching of bids.</li> </ul>	August 1998	
		<ul style="list-style-type: none"> <li>• Adopt a new strategy for the privatization of SONACOS (see G below).</li> </ul>	July 1998	
		<ul style="list-style-type: none"> <li>• Strengthen the unit in charge of managing the government portfolio.</li> </ul>	1998-99	World Bank
		<ul style="list-style-type: none"> <li>• Annually update the statement of government portfolio holdings.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Present a report on the economic and financial results in 1996 of the 37 enterprises in which the government has a majority holding.</li> </ul>	End-July 1998	
<b>D. Monetary and credit policy and financial market development</b>	Design a credit policy consistent with the targets for regional growth, inflation, and external assets.	<ul style="list-style-type: none"> <li>• Implement a prudent monetary policy, essentially using indirect instruments.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Develop the secondary markets in treasury bills and central bank paper.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Limit access of government to bank financing.</li> </ul>	Continuous	
	Enhance the soundness of the banking system and improve financial intermediation.	<ul style="list-style-type: none"> <li>• Submit a law to the National Assembly amending the system for determining usury rates.</li> </ul>	December 1998	
		<ul style="list-style-type: none"> <li>• Continue implementation of programs to strengthen the payments system.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Continue to strictly enforce the prudential ratios established by the regional banking commission.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Implement the recommendations of bank audits in progress.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Promote medium-term financing and access to technical assistance for small and medium-sized companies.</li> </ul>	1998-2000	IFC
		<ul style="list-style-type: none"> <li>• Analyze the conclusions of the rural credit studies conducted in 1997 with a view to their implementation.</li> </ul>	1998	

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Strengthen the unit at the Ministry of Economy, Finance and Planning responsible for supervisory mutual savings and loan associations.</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Improve functioning of commercial courts and procedures to liquidate collateral for bank loans.</li> </ul>	1998	
	Promote private equity and develop the securities markets.	<ul style="list-style-type: none"> <li>• Encourage the development and diversification of institutions and instruments for financing investments (especially leasing and venture capital).</li> </ul>	December 1998	
		<ul style="list-style-type: none"> <li>• Implement the texts regulating the regional financial market and the Securities Commission (Conseil Régional).</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Begin offering shares in partially privatized enterprises via the regional stock exchange.</li> </ul>	1998	
<b>E. Regulatory and judicial framework for economic activities</b>	Promote private sector activity and reduce distortions.	<ul style="list-style-type: none"> <li>• Continue liberalization of domestic and foreign trade and of the pricing system.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Promote respect of the rules of competition.</li> </ul>	1998-2000	
	Improve the legal environment and the performance of the judicial system.	<ul style="list-style-type: none"> <li>• Undertake an assessment of the results of measures taken in the context of PASCO.</li> </ul>	December 1998	World Bank
		<ul style="list-style-type: none"> <li>• Implement the uniform OHADA instruments.</li> </ul>	As of 1998	
		<ul style="list-style-type: none"> <li>• Have the National Assembly adopt new measures regarding arbitration, enterprises in difficulty and paralegals.</li> </ul>	Next session of the National Assembly	
		<ul style="list-style-type: none"> <li>• Train magistrates in commercial law.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Increase budgetary appropriations allocated to the administration of justice.</li> </ul>	1998-2000	
	Reduce restrictions on international financial transactions.	<ul style="list-style-type: none"> <li>• Study options for the gradual liberalization of capital flows.</li> </ul>	December 1998	
		<ul style="list-style-type: none"> <li>• Develop a plan to improve institutional support and streamline administrative processes for exporters.</li> </ul>	1998	World Bank

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
<b>F. Energy policy</b>	Eliminate all energy sector monopolies or rigid oligopolies (trade in fuelwood, petroleum products, and electric power generation and distribution)	<ul style="list-style-type: none"> <li>• Liberalize the import, transportation, and distribution of petroleum products (including third-party access to import, storage, and transport facilities).</li> </ul>	April 1998	World Bank
		<ul style="list-style-type: none"> <li>• Abolish the US\$2.3 SAR supplement per barrel and replace the special agreement for the SAR by a temporary, declining surtax on imports of refined products.</li> </ul>	April 1998	1998-2002
		<ul style="list-style-type: none"> <li>• Adopt a tariff structure which entails a 20 percentage-point differential between white products and crude oil and 5 points on black products.</li> </ul>	April 1998	
		<ul style="list-style-type: none"> <li>• Adjust this structure downward in line with the WAEMU tariff convergence program and reduce the differential to 15 percentage points for white products.</li> </ul>	January 1, 2000	
		<ul style="list-style-type: none"> <li>• Eliminate the implicit subsidies on black products sold for electricity generation over three years (1998-2001); on butane over four years (1998-2002)</li> </ul>	1998-2002	
		<ul style="list-style-type: none"> <li>• Replace the variable stabilization levy with a specific tax on white products.</li> </ul>	April 1998	
		<ul style="list-style-type: none"> <li>• Adopt a new price structure for petroleum products with automatic adjustment (quarterly, then monthly) of domestic sale prices.</li> </ul>	April 1998	
		<ul style="list-style-type: none"> <li>• Continue execution of privatization plan for SENELEC.</li> </ul>	1998-Q1 1999	
		<ul style="list-style-type: none"> <li>• Adoption of the law restructuring and regulating electricity sector, entailing private sector participation.</li> </ul>	April 1998	
		<ul style="list-style-type: none"> <li>• Transfer of legal ownership of Senegal's electricity transport and distribution infrastructure from the State to SENELEC.</li> </ul>	April 1998	
<ul style="list-style-type: none"> <li>• Launching of bids for privatization of SENELEC</li> </ul>	August 1998			
<ul style="list-style-type: none"> <li>• Transfer of SENELEC's holdings and management oversight to strategic partner</li> </ul>	End Q4 1998			
<ul style="list-style-type: none"> <li>• Sale of shares to SENELEC workers and other private sector operators; reduction of state ownership to no more than 41 percent.</li> </ul>	Before April 1999			

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Liberalize charcoal and woodfuel prices.</li> </ul>	End-1999	
		<ul style="list-style-type: none"> <li>• Implement the provisions of the new forestry Code</li> </ul>	1998-2000	
<b>G. Agricultural and fisheries policy</b>	Ensure food security by means of diversified and competitive local production.	<ul style="list-style-type: none"> <li>• Finalization of an operational strategy document</li> </ul>	June 1998	
		<ul style="list-style-type: none"> <li>• Provide support and advice to farmers: <ul style="list-style-type: none"> <li>- strengthen agricultural research and extension services;</li> <li>- enhance the role of producer organizations in the development of the agricultural sector;</li> <li>- implement a viable rural credit system.</li> </ul> </li> </ul>	1998	
			1998-2000	
			1998-99	
			1998	
	Support the development of private investment in agriculture.	<ul style="list-style-type: none"> <li>• Revise the land tenure legal context to ensure greater security of private investment in agriculture</li> </ul>	1998	
		<ul style="list-style-type: none"> <li>• Modernize techniques, tools and means of action of the agricultural sector; restore soil fertility; restructure the fertilizer subsector; improve access to quality seed varieties.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Finalize a priority investment program for the agricultural sector based on the agricultural development policy letter (LPDA) and the recommendations of the strategic orientation paper.</li> </ul>	December 1998	
	Water	<ul style="list-style-type: none"> <li>• Conduct an assessment of water needs.</li> </ul>	March 1998	
		<ul style="list-style-type: none"> <li>• Consolidate the operations of the Program for the Development of the Left Bank of the Senegal River (PDRG).</li> </ul>	Q3 1998	
<ul style="list-style-type: none"> <li>• Implement water-saving programs in irrigated areas.</li> </ul>		1998-2000		
<ul style="list-style-type: none"> <li>• Establish the Higher Council on Water and the Water Technical Committee.</li> </ul>		1998		
Groundnut sector.	<ul style="list-style-type: none"> <li>• Privatize SONACOS: <ul style="list-style-type: none"> <li>- define a strategy;</li> <li>- select a reference partner.</li> </ul> </li> </ul>	June 1998		
		Dec. 1998		
Cotton sector.	<ul style="list-style-type: none"> <li>• Maintain the free determination of the sale price of fiber to local textile mills.</li> <li>• Implement the plan to rehabilitate/ privatize SODEFITEX.</li> </ul>	1998-2000		
		Q4 1998		

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
	Horticulture.	<ul style="list-style-type: none"> <li>• Streamline administrative procedures for exports.</li> </ul>	1998	World Bank
		<ul style="list-style-type: none"> <li>• Introduce a system of standardization of fruit and vegetable quality.</li> </ul>	1998	
	Livestock	<ul style="list-style-type: none"> <li>• Pursue privatization of SODESP and veterinary medicine.</li> </ul>	1998-99	
		<ul style="list-style-type: none"> <li>• Pursue the development of animal production.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Promote exports from the leather and skins subsector.</li> </ul>	1998-2000	
	Fisheries.	<ul style="list-style-type: none"> <li>• Finalize the fisheries development master plan.</li> </ul>	June 1998	
		<ul style="list-style-type: none"> <li>• Ensure that the new fishing code, for the conservation and rational use of fish resources, is adopted.</li> </ul>	December 1998	
		<ul style="list-style-type: none"> <li>• Complete the privatization of fishing equipment.</li> </ul>	1998-2000	
<b>H. Other sectoral policies</b>	Transportation.	<ul style="list-style-type: none"> <li>• Develop transnational transportation infrastructure to open Senegal up from its land-locked position within the WAEMU (roads, railroads, ports, airports).</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Improve the competitiveness of the Port of Dakar (keep personnel costs below 30 percent of operating costs and billing periods to a maximum of three months).</li> </ul>	1998-2000	World Bank
		<ul style="list-style-type: none"> <li>• Privatization of the management of Senegal's airports: <ul style="list-style-type: none"> <li>- launching of studies;</li> <li>- adoption of legislative framework;</li> <li>- implementation.</li> </ul> </li> </ul>	April 1998 June 1999 January 2000	
		<ul style="list-style-type: none"> <li>• Restructure Air-Senegal: <ul style="list-style-type: none"> <li>- Develop a business plan for Air-Senegal;</li> <li>- Privatize the company.</li> </ul> </li> </ul>	Sept. 1998 Dec. 1999	World Bank



Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Restructure the Dakar-Bamako international rail line:               <ul style="list-style-type: none"> <li>- Adopt a legal and regulatory framework for the private operation of the Dakar-Bamako international rail line;</li> <li>- Create a joint Senegalese-Malian private management company for the Dakar-Bamako international rail line (SETI);</li> <li>- Start up SETI.</li> </ul> </li> <li>• Design a program for improved management of rural roads and government funding</li> <li>• Reform the legal and operational framework of urban transportation for its complete liberalization.</li> </ul>	<p>Oct. 1998</p> <p>Dec. 1998</p> <p>April 1999</p> <p>1998</p> <p>1998-2000</p>	
	Mining sector.	<ul style="list-style-type: none"> <li>• Adopt the revised Mining Code.</li> <li>• Update and modernize the geological and cartographic database.</li> </ul>	<p>December 1998</p> <p>1998</p>	
<b>I. Human resources development</b>				
1. Health	Ensure better access to quality health care. Improve the management and viability of the public health system. Reduce the fertility rate.	<ul style="list-style-type: none"> <li>• Increase the share of current government expenditure on health care by at least 0.5 percent per year to reach the WHO standard of 9 percent by 2002.</li> <li>• Sign the decree reorganizing the Ministry of Health and Social Action.</li> <li>• Implement a recruitment plan for the Ministry of Health and Social Action with a target of recruiting 250 staff per year (all categories combined).</li> <li>• Reduce the number of inhabitants per health center from about 158,000 in 1997 to 150,000 by 2000.</li> <li>• Reduce the number of inhabitants per health post from around 11,000 in 1997 to 10,000 in 2000</li> <li>• Reduce deaths in childbirth by 25 percent, from 510 per 100,000 births in 1997 to 380 per 100,000 births in 2002.</li> </ul>	<p>1998-2002</p> <p>March 1998</p> <p>1998-2000</p> <p>1998-2000</p> <p>1998-2000</p> <p>1998-2002</p>	World Bank

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Begin research into the conditions for a sustainable solid financial footing for hospitals.</li> </ul>	March 1998	
		<ul style="list-style-type: none"> <li>• Change the status of the Pharmacie Nationale d'Approvisionnement (PNA), with a view to providing more management autonomy.</li> </ul>	June 1998	
		<ul style="list-style-type: none"> <li>• Increase immunization coverage from 60 percent in 1997 to 80 percent by 2002.</li> </ul>	1998-2002	
		<ul style="list-style-type: none"> <li>• Reduce the fertility index from 5.9 in 1997 to 5.3 in 2000.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Promote the distribution and use of generic drugs.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Encourage the rehabilitation of laboratories and the establishment of drug manufacturing facilities by the private sector.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Reform the statutory and regulatory framework of mutual health insurance organizations.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Rehabilitate private sector health insurance companies.</li> </ul>	1998-2000	
2. Population policy	Control population growth (increase the contraception prevalence rate from 9 percent in 1997 to 16 percent in 2002).	<ul style="list-style-type: none"> <li>• Continue to implement the program of priority actions related to population.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Step up support to local governments in the area of population control.</li> </ul>	1998-2000	
		<ul style="list-style-type: none"> <li>• Conclude the action program aimed at lowering the fertility rate.</li> </ul>	1998	
3. Education	Improve the availability, effectiveness and quality of education by:	<ul style="list-style-type: none"> <li>• Promote continued improvement in the quality of primary education and increase enrollment rates in rural areas, especially among girls.</li> </ul>	1998-2000	World Bank
	- Increasing the gross primary enrollment ratio from 59.7 percent in 1997 to 70 percent by 2000;	<ul style="list-style-type: none"> <li>• Gradually increase the share of current expenditure devoted to primary education.</li> </ul>	1998-2000	

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
	- Increasing the enrollment rate for girls from 53 percent in 1997 to 60 percent by 2000;	<ul style="list-style-type: none"> <li>• Build and equip about 1,500 primary classrooms annually and complete the ongoing classroom rehabilitation program.</li> <li>• Annually recruit 1,500 primary school teachers.</li> </ul>	1998-2000	
	- Reducing repetition rates in grades 5 and 6 from 14 percent and 28 percent, respectively, in 1997 to 10 percent and 18 percent by 2000.	<ul style="list-style-type: none"> <li>• Implement new regulations for primary school teacher training, recruitment, salaries, and career plans conducive to primary education for all.</li> <li>• Rationalize higher education based on the conclusions of the PAES by gradually reducing its share in the education budget to 20.3 percent by 2000.</li> <li>• Involve students and businesses in financing the costs of vocational training.</li> </ul>	1998-2000	
	Eliminate adult illiteracy.	<ul style="list-style-type: none"> <li>• Increase the number of beneficiaries of literacy programs by 20,000 a year (75 percent women) between 1997 and 2000.</li> </ul>	1998-2000	
4. Role of women	Enhance the integration of women into political, economic, and social life	<ul style="list-style-type: none"> <li>• Implement a national action plan for women and start implementation.</li> <li>• Reduce the rate of female illiteracy by developing functional literacy.</li> </ul>	1998-2000	World Bank
5. Reduction of poverty	Improve the living conditions of the poorest social groups.	<ul style="list-style-type: none"> <li>• Intensify the coordinated measures to help the most-disadvantaged social groups in accordance with the national poverty alleviation program adopted in December 1997.</li> <li>• Increase the income of the poorest segments of the population by: <ul style="list-style-type: none"> <li>- developing strategies for promoting micro- and small-scale enterprises (MPE);</li> <li>- supporting the creation and development of MPEs;</li> <li>- strengthening the regulatory and financial environment of MPEs.</li> </ul> </li> </ul>	1998-2000	World Bank
			1998	
			1998-99	
			1999	

Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
		<ul style="list-style-type: none"> <li>• Improve living conditions by:               <ul style="list-style-type: none"> <li>- devising development plans for poor urban neighborhoods and rural communes;</li> <li>- implementing these plans;</li> <li>- developing the intervention and management capacities of urban and rural grass-roots organizations, and departments, regions and municipalities.</li> </ul> </li> <li>• Implement the local nutrition program.</li> <li>• Accelerate and expand labor-intensive projects, especially in the infrastructure sector.</li> </ul>	<p>1998</p> <p>1998-99</p> <p>1998-99</p> <p>1998-2000</p> <p>1998-2000</p>	
<b>J. Environment</b>	Maintain environmental resources and environmental quality with a view to sustaining long-term economic growth.	<ul style="list-style-type: none"> <li>• Have the government adopt the national environmental action plan (PNAE) and prepare an environmental management program to implement its recommendations.</li> <li>• Improve environmental protection by establishing a framework for environmental impact studies.</li> <li>• Conduct environmental impact studies for all large investment projects.</li> <li>• Strengthen local-level capacity to manage the environment and natural resources through the establishment of a national environment foundation and through environmental education.</li> <li>• Monitor the status of environmental resources through the establishment of an environmental information system.</li> </ul>	<p>Early 1998</p> <p>1998</p> <p>1998-2000</p> <p>1998-99</p> <p>1998-99</p>	
	Rehabilitate destroyed habitats, such as the Bay of Hann, and preserve Senegal's biodiversity.	<ul style="list-style-type: none"> <li>• Formulate and implement a coastal resources management program.</li> <li>• Establish a system to facilitate solid waste management by local governments.</li> </ul>	<p>1998-99</p> <p>1998-2000</p>	

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Policy Area	Objectives and Targets	Strategies and Measures	Timetable	Technical Assistance
<b>K. Statistical issues</b>	Improve the formulation and analysis of economic policy.	• Increase the resources set aside for the compilation of statistics, especially with regard to national accounts, foreign trade, and social indicators; continue to implement recommendations made in conjunction with past technical assistance; regularly publish available data.	1998-2000	

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Table 2. Senegal: Selected Economic and Financial Indicators, 1994-2000

	1994	1995	1996	1997		1998	1999	2000
				Prog.	Prel.			
(Annual percent change, unless otherwise indicated)								
National income and prices								
GDP at constant prices	2.9	4.8	5.7	4.7	5.2	5.3	6.5	6.0
Of which: non agriculture GDP	1.5	5.7	5.1	6.0	7.0	6.6	5.7	6.0
Consumer prices								
Annual average	32.1	8.5	2.8	2.5	1.8	2.4	2.0	2.0
End of period	37.5	5.5	2.4	...	1.9	...	...	...
External sector								
Exports, f.o.b. (in CFAF)	119.1	8.7	4.2	7.3	7.1	7.1	6.1	6.1
Imports, f.o.b. (in CFAF)	84.0	6.4	7.5	4.9	7.1	5.9	7.2	7.1
Export volume	9.1	7.3	2.1	1.5	1.7	7.3	5.2	5.1
Import volume	-4.4	5.0	4.2	0.6	2.9	9.0	5.7	5.7
Terms of trade (deterioration -)	4.4	0.0	-1.1	1.1	1.0	2.9	-0.3	-0.2
Nominal effective exchange rate	-45.1	4.9	-2.1	-2.1	-3.5	...	...	...
Real effective exchange rate	-35.1	8.5	-2.4	-3.0	-3.7	...	...	...
Government financial operations								
Revenue	17.8	21.5	7.7	10.7	9.6	3.4	12.0	9.1
Total expenditure and net lending	32.8	4.7	0.8	4.6	5.4	6.9	5.3	6.7
(Changes in percent of beginning-of-year broad money, unless otherwise indicated)								
Money and credit								
Net domestic assets	-8.4	-2.0	5.0	0.1	-14.3	11.2	...	...
Domestic credit	-19.2	1.2	9.4	0.1	-16.1	11.2	...	...
Credit to the government (net)	-14.9	-0.6	-2.8	-5.7	-26.4	6.0	...	...
Credit to the economy	-4.3	1.8	12.3	5.8	10.3	5.2	...	...
Broad money (M2)	42.1	9.2	9.2	9.3	2.0	11.0	...	...
Velocity (end-of-period)	4.5	4.6	4.6	4.8	4.9	4.7	...	...
Interest rates (end of period; in percent)								
Discount rate	10.0	7.5	6.5	...	6.0	...	...	...
Money market rate	5.5	6.0	5.0	...	3.8	...	...	...
(In percent of GDP 1/)								
Overall fiscal surplus or deficit (-)								
Commitment basis, excluding grants	-6.1	-3.5	-2.2	-1.2	-1.5	-2.0	-1.0	-0.6
Commitment basis, including grants	-1.9	-0.2	-0.2	0.3	0.1	-1.0	-0.1	0.0
Gross domestic investment	16.2	16.9	17.4	17.6	18.7	19.2	19.9	20.7
Gross domestic savings	9.6	11.3	11.9	12.9	13.2	13.8	14.7	15.4
Gross national savings (including official transfers)	16.3	16.4	16.1	16.8	17.1	16.9	17.9	18.6
External current account deficit (-)								
Excluding official transfers	-9.3	-9.2	-7.7	-6.7	-7.5	-7.3	-6.8	-6.7
Including official transfers	0.1	-1.1	-1.3	-0.9	-1.6	-2.3	-2.0	-2.1
Domestic public debt	18.0	14.0	12.6	...	10.8	8.8	7.4	6.3
External public debt	80.9	76.6	77.3	72.8	75.2	71.0	65.5	60.5
(In percent of exports of goods and nonfactor services, unless otherwise indicated)								
External public debt service	21.9	20.1	18.6	19.2	19.6	18.7	15.9	16.1
In percent of government revenue	34.2	42.4	38.3	38.2	39.2	38.4	30.9	30.8
GDP at current market prices (in billions of CFA francs)	2,022.3	2,242.9	2,459.2	2,651.0	2,651.0	2,860.5	3,121.5	3,386.6

Sources: Senegalese authorities; and staff estimates and projections.

1/ The 1997 program ratios are based on the revised nominal GDP data.

Table 3. Senegal: External Financing Needs and Resources, 1996-2000

(In millions U.S.dollars )

	1996	1997 Est.	1998	1999	2000	1998-2000
			Program			
Needs	596.3	661.1	529.0	600.6	627.5	1757.2
Current account deficit, excl. gross official transfers and interest payments	249.9	236.6	243.9	259.9	289.1	792.9
Interest payments	120.9	106.5	106.9	100.3	96.4	303.7
Amortization (excluding IMF)	136.0	127.1	127.1	134.7	167.0	428.7
IMF repurchases and repayments	44.5	63.1	60.1	32.4	23.3	115.8
Change in external arrears (increase -)	0.0	-4.6	4.5	0.0	0.0	4.5
Change in net foreign assets (increase +) 1	45.0	132.4	-13.5	73.3	51.8	111.6
Resources:	596.3	661.1	529.0	600.6	627.5	1757.2
Gross official transfers	307.7	271.6	239.3	255.9	261.9	757.0
Long -term loans 2	202.3	202.4	120.3	126.8	136.0	383.0
Private capital (net) 3	-5.2	110.3	54.0	81.0	109.3	244.3
Secured debt relief	57.0	27.6	0.0	0.0	0.0	0.0
Use of Fund resources	34.5	49.1	48.3	48.4	48.7	145.4
Financing gap	0.0	0.0	67.1	88.6	71.7	227.4
<u>Memorandum item:</u>						
Exchange rate (CFAF per US \$)	511.6	582.0	594.5	591.6	588.3	

Sources: Senegalese authorities; and staff estimates and projections

<sup>1</sup>Excluding the change in the net position vis-à-vis the Fund<sup>2</sup>Including both existing and expected new commitments<sup>3</sup>Including errors and omissions

Table 4. Senegal: Key Debt Sustainability Indicators--Baseline Scenario

	1997	1998	1999	2000	2005	2010	Average		
							1997-2005	2006-2017	
Key Ratios:									
(in percent)									
Debt-GDP ratio	75.2	71.0	65.5	60.5	40.0	27.1	14.4	54.9	23.4
NPV of debt to exports ratio <sup>1/</sup>	147.5	144.7	142.2	131.9	82.1	60.8	37.1	114.6	54.1
NPV of debt to exports ratio, after expected debt relief <sup>2/</sup>	n.a.	129.7	128.5	120.8	80.4	61.3	39.7	103.8	55.2
NPV of debt to government revenue	307.0	296.4	261.8	238.2	137.4	88.5	44.9	210.6	76.3
NPV debt to GDP ratio	50.0	46.3	42.0	37.7	23.0	15.9	8.9	34.0	13.9
Debt service ratio	19.6	18.7	15.9	16.1	10.7	6.3	4.1	14.7	5.7
Debt-service ratio, after expected debt relief <sup>2/</sup>	n.a.	16.0	13.1	12.0	9.9	6.4	4.5	11.8	5.8
Multilateral debt service ratio <sup>3/</sup>	11.8	10.5	8.1	7.0	5.8	2.8	1.5	7.3	2.5
Debt service to government revenue ratio	39.2	38.4	30.9	30.8	19.0	9.6	5.3	28.1	8.5
Memorandum Items:									
(in millions of US\$)									
Exports of goods and non factor services	1,485.2	1,541.3	1,641.2	1,744.7	2,446.2	3,205.7	4,740.4	1,920.8	3,553.0
Exports of goods and non factor services (3-year average)	1,538.8	1,538.0	1,555.9	1,642.4	2,310.1	3,045.0	4,481.0	1,828.9	3,365.3
Government Revenue	742.6	751.7	845.8	910.8	1,380.5	2,090.5	3,707.4	1,014.3	2,458.9
Gross Domestic Product	4,555.0	4,811.6	5,276.4	5,756.6	8,242.0	11,614.0	18,771.8	6,266.5	13,236.4

Sources: Senegalese authorities; and staff estimates and projections.

<sup>1/</sup> NPV of debt as a ratio of three-year average of exports of goods and nonfactor services.

<sup>2/</sup> Assumes a 67 percent stock-of-debt operation with Paris Club creditors.

<sup>3/</sup> Including IMF.



Table 5. Senegal: Selected Demographic and Social Indicators

Indicator	Latest single year		Most recent estimate, 1989-94	Sub-Saharan Africa
	1970-75	1980-85		
Population	(In units indicated)			
Total (thousands)	4,806	6,375	8,263	571,902
Annual growth rate (percent)	2.9	2.9	2.6	2.8
Urban population (percent of total)	34.2	37.9	41.8	30.6
Life expectancy (years)	43	45	50	52
Total fertility rate (births per woman)	6.5	6.7	5.8	5.9
Labor force				
Total, ages 15-64 (thousands)	2,242	2,883	3,630	254,250
Employment in agriculture (percent of total)	82	79	77	65
Education	(Percent of school age population)			
Primary school enrollment ratio	41	56	58	71
Male	48	67	67	77
Female	34	46	50	64
Secondary school enrollment ratio	10	14	11	24
	(In units indicated)			
Primary pupil/Teacher ratio (pupils per teacher)	42	46	59	40
Adult illiteracy rate (percentage of population ages 15 and above)	...	68	62	53
Females	...	81	77	54
Health and nutrition				
Population per hospital bed (persons)	775	...	1,923	1,316
Population per nurse	1,675	2,024	4,246	...
Infant mortality rate (per 1,000 live births)	122	97	64	92
Immunization (percentage, ages 0-5)				
Measles	...	40.0	45.0	51.4
DPT	...	54.0	54.0	53.5
Access to safe water (percentage of population)	...	...	52.7	49.0
Food production per capita (1987 = 100)	158	82	78	102

Source: Social Indicators of Development, 1996 (World Bank).