

PD-ALZ-546

ISA 6206E

SENEGAL

ECONOMIC SUPPORT FUND

PROJECT ASSISTANCE APPROVAL DOCUMENT

685 0287 (685-K-603)

Authorized. December 19, 1984

Amount: \$15,000,000

WORKING COPY

AID 1180-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT	1. PAAD NO 685-0287 (685-K-603)
		2. COUNTRY SENEGAL
		3. CATEGORY CASH TRANSFER
		4. DATE December, 1984
5. TO: S.J. Littlefield, Director USAID/Senegal	6. OVS CHANGE NO. 7. OVS INCREASE TO BE TAKEN FROM:	
7. FROM Joel Schlesinger, Chief Project Development Office		
8. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 15,000,000		10. APPROPRIATION - GESA-85-31685-KG31 (537-61-685-00-50-51)
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT	12. LOCAL CURRENCY ARRANGEMENT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	13. ESTIMATED DELIVERY PERIOD N/A
18. COMMODITIES FINANCED		14. TRANSACTION ELIGIBILITY DATE N/A

16. PERMITTED SOURCE U.S. only: Limited F.W.: Free World: Cash: \$ 15,000,000	17. ESTIMATED SOURCE U.S.: Industrialized Countries: Local: \$15,000,000 Other:
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18. SUMMARY DESCRIPTION
This grant represents U.S. assistance to the Government of Senegal (GOS) in the form of budgetary assistance provided by Economic Support Funds. The purpose of this program is to assist Senegal to maintain economic and political stability while promoting structural and agricultural reforms needed to redress the underlying problems of the economy.

A single cash transfer disbursement will be made to the GOS account in the Chase-Manhattan Bank, New York.

Conditions Precedent and Covenants

In addition to the standard conditions precedent (legal opinion, specimen signatures, and designation of authorized representatives), the following conditions precedent and covenants will in substance be included in the Grant Agreement.

(see attached)

19. CLEARANCES	20. ACTION
REG/DP _____ DATE _____	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED
REG/GC _____ DATE _____	<i>S. J. Littlefield</i> 12/19/84
AS SHOWN ON ACTION MEMO (USAID) MFM E.S. Owens per State	AUTHORIZED SIGNATURE DATE
RLA per Abidjan 20357-367797	S. J. Littlefield, Director
	TITLE

CLASSIFICATION:

11

1. Conditions Precedent (CP)

Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

A. A copy of the signed contract between the Grantee and the Société Electrique et Industrielle du BAOL (SEIB) and the Société Nationale de Commercialisation des Oléagineux du Sénégal (SONACOS), on the costs and means of transferring the management of seed stock to SEIB and SONACOS.

B. A draft contract-plan between the Grantee and SAED submitted by letter from the Ministry of Finance identifying specific limitations on tasks, budgets and personnel ceilings acceptable to USAID will be completed by December 31, 1984.

C. A letter from the Central Bank confirming that oil crushing firms (SEIB and SONACOS) have met the terms of their contractual agreements with the GOS to (1) reimburse the outstanding portion of their debts to the banking sector with respect to 1983-84 groundnut purchases and (2) pay excess profits to the GOS treasury in accordance with the cost price of CFAF 153.4 per kg of groundnuts. The SEIB, due to financial difficulties, will be authorized to deduct selected debt service payments on outstanding investment loans from excess profits due to the GOS.

D. Funds from this grant will be utilized only upon mutual agreement between AID and the GOS on use of the funds. A written letter from the Director, USAID/Senegal to the Treasurer of the GOS and the Central Bank will constitute Mission concurrence in the use of Funds and permit their release.

2. Special Covenants

A. The Grantee agrees to comply with the terms and conditions of the International Monetary Fund ("IMF") Standby Agreement for 1984-85, if such an agreement is concluded.

B. Except as the Parties may otherwise agree in writing, the Grantee shall fulfill the following covenants before AID will agree to additional budgetary assistance:

1. In the absence of an IMF Standby Agreement for 1984-85, Grantee will provide AID with a detailed plan to finance the Grantee budget deficit through increases in external and domestic financing or reductions in Grantee expenditures.

2. By May 31, 1985, Grantee will furnish AID, in form and substance satisfactory to AID, a plan to organize the distribution of fertilizer by the private sector for the 1985-86 crop year.

3. By May 31, 1985, Grantee will liquidate the Société Nationale d'Approvisionnement du monde Rural (SONAR) and the Société des Terres Neuves (STN).

4. Grantee will complete an action plan for progressive transfer of seeds to farmers over a 6 year period.

5. Grantee will develop contract-plans acceptable to AID with SOMIVAC-SODAGRI and SODEVA detailing reorganization of their roles, reduction in their personnel and obligations of the GOS.

6. A diagnostic study of the CPSP is to be completed and external technical assistance to strengthen finance and management put in place along with an action plan for reorganization of the CPSP.

7. The final contract-plan between the Grantee and SAED acceptable to AID, the World Bank and the French Government will be signed by January 31, 1985.

8. The GOS will disburse its agreed upon subsidy to SAED as specified in the contract-plan in a timely fashion over the life of that contract-plan.

9. The GOS will officially request that a study of constraints to cereals marketing be made and that a plan for removal of these constraints be developed.

10. Over the 12 months beginning with the effective date of this Grant, the GOS will increase its receipts as a percentage of GDP by 2 percentage points.

11. The GOS will agree to complete an action plan for the restructuring of the oil crushing industry and of SEIB in particular. The plan will address at least three essential points: (1) measures to deal with the structural excess productive capacity in the industry; (2) the redefinition of the contractual relationship between the oil crushing firms and the GOS in order to transfer the responsibility for profits and for losses to these firms; and (3) means of reducing overhead costs in the industry.

3. Special Account

A. The GOS will establish a special account in the bank of its choice and deposit therein currency of the Republic of Senegal in amounts equal to disbursements under the grant. Funds in the special account may be used for such purposes as are mutually agreed upon by AID and the GOS.

B. The GOS shall maintain and cause recipients of funds from the special account to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the special local currency account. The GOS shall grant or cause such recipients to grant to AID of its authorized representatives the right to inspect such books and records at all times as A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of last disbursement by AID under the grant.

C. Except as the parties may otherwise agree in writing, the GOS shall refund to the special account any local currency not used for agreed upon purposes.

1

ACTION MEMORANDUM FOR THE DIRECTOR USAID/SENEGAL

FROM: Joel Schlesinger, Chief
Project Development Office

SUBJECT: Senegal FY 1985 Economic Support Fund, 685-0287

I. Problem

Your approval is requested for a grant of \$15.0 million from Section 531 (a) (1) of the Foreign Assistance Act of 1961, as amended, Economic Support Fund (ESF) appropriation, to Senegal to be executed as a single transaction cash transfer. It is planned that the total life of project funding of \$15.0 million will be obligated in FY 1985.

II. Discussion

A. Program Description and Purpose

The purpose of this program is to assist Senegal to maintain economic and political stability while promoting structural and agricultural reforms needed to redress the underlying problems of the economy.

Specifically, this \$15.0 million ESF grant for emergency budgetary support must enter the Senegalese system by December 31, 1984 for repayment by the GOS of costs incurred to the BCEAO (Central Bank) for financing of the national peanut seed stock for last year's agricultural campaign. According to BCEAO regulations, this payment must be reimbursed by December 31, 1984 or it will be automatically reclassified as ordinary credit which is carried at a higher rate of interest. Reclassification of this credit will reduce the amount of new credit available to the private sector in CY 1985, and could jeopardize financing of next year's seed stock thoroughly compromising Senegal's capacity to produce peanuts, the principal export crop.

The USAID has determined that the cash transfer mechanism is the most appropriate manner by which to achieve the program purpose. Upon certification by the Mission Director that the GOS has met all Conditions Precedent to disbursement, the funds will be disbursed in accordance with mutual GOS and AID agreement.

It should be noted that, in accordance with the December, 1984 Aide-memoire sent from the Director USAID/Senegal to the Minister of Finance, the covenants listed below will serve, in turn, as conditions precedent to any further AID program assistance.

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B. Financial Summary

Life of program funding is \$15.0 million to be fully obligated and disbursed in FY 1985.

C. Analyses

1. Economic

The AID/Washington ECPR approved the Program Assistance Initial Proposal (PAIP) which contained the basic economic justification for this ESF grant on October 6, 1984.

The Mission Project Committee (PC) which met on December 12, 1984 found that the economic analyses contained in the Program Assistance Approval Document (PAAD) satisfactorily justify the need for this ESF program.

2. Reform Package

Both AID/Washington (which has been in frequent communication with the Mission regarding the reform package) and the Mission PC have found that the reforms associated with this grant are adequate to support the continuing GOS assault on the serious economic problems presently facing Senegal. Within the context of a planned multi-year ESF package (FY 1986-FY 1988), the Mission will both expand and deepen the gains made under this program.

3. Human Rights

Senegal is a functioning democracy and no issues exist with respect to human rights.

D. Conditions Precedent (CP) and Covenants

In addition to Standard CPs, the following CPs and Special Covenants shall be included in the Grant Agreement:

1. Conditions Precedent (CP)

Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

A. A copy of the signed contract between the Grantee and the Société Electrique et Industrielle du BAOL (SEIB) and the Société Nationale de Commercialisation des Oléagineux du Sénégal (SONACOS), on the costs and means of transferring the management of seed stock to SEIB and SONACOS.

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1

E. Implementation Plan

Once evidence has been provided that all CPs have been met, the Mission will prepare a Financing Request for a Cash Transfer which must be signed by the Mission Director and a GOS representative. M/FM/PAD will then schedule payment through the Federal Reserve Electronic Funds Transfer System to the appropriate account of the GOS in the Chase Manhattan Bank, New York.

Disbursement of equivalent local currencies will be made with the mutual consent of the GOS and AID. A letter from the AID Mission Director to the GOS will constitute AID consent to use and timing of fund disbursements.

F. Major Implementing Agencies

The management of these funds will be the responsibility of the Ministry of Economy and Finance and the Central Bank of Senegal.

AID Officers responsible for the implementation of this grant are:

Mr. Norman Rifkin
Office of Program Assistance
USAID/Senegal

Mr. Henderson Patrick
AFR/PD/SWAP

III. Waivers

There are no waiver requests contained in this program.

IV. Justification to Congress

A Congressional Notification for this ESF program was sent to Congress on November 27, 1984 and expired without comment on December 12, 1984.

V. Clearances

The AID/Washington ECPR held October 6, 1984 to review the PAIP for this grant was chaired by DAA/AFR Mr. Jay Johnson. That ECPR approved the PAIP and delegated authorization of the PAAD to the Mission Director USAID/Senegal.

The Mission PC met on December 12, 1984 and concluded that the PAAD be forwarded to the Director USAID/Senegal for authorization.

VI. Recommendation

That you sign the attached Program Assistance Approval Document (PAAD) facesheet and thereby approve life of program funding of \$15.0 million for the Senegal ESF program, 685-0287.

Clearances:

DDIR: C.Tyson Cathy
ADO: J.Balis (draft)
ECU: J.Damon (draft)
RCON: M.Horween (draft)
ADO: N.Rifkin (draft)
PRM. J. Bierke (draft)

685-287

ACTION: AID-2 INFO: AMB DCM RIG CHRON 6

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LOC: 58 777
14 DEC 84 0751
CN: 49275
CHRG: AID
DIST: AID

BT
UNCLAS STATE 367797

AIDAC, PARIS FOR DAC; CHANDLER

E.O. 12356: N/A

TAGS:
SUBJECT: ESF ALLOWANCE

1. APPROPRIATION 72-1151037, BUDGET PLAN CODE
GESA-88-31885-KG31 (ALLOTMENT 537-61-685-30-50-51)
ESTABLISHED FOR DOLLARS 15,000,000 FOR PROJECT 625-0287,
(685-K-603) ECONOMIC SUPPORT FUND - CASH TRANSFER, PER
CLEARANCE M/PM, E. S. OWENS, 12/13/84.

2. NOTE: FUNDS CANNOT BE OBLIGATED UNTIL MISSION
DIRECTOR AUTHORIZES PAAD. CN CLEARED HILL 12/12/84.

3. NOTE THAT PAAD FACESHEET HANDCARRIED BY CHANDLER FOR
DELIVERY TO LITTLEFIELD IN PARIS ALREADY PROVIDES GC
CLEARANCE WITH FOLLOWING CAVEAT "CLEARANCE FOR SUBSTANCE
OF PROGRAM MUST BE OBTAINED FROM RLA/WA OR GC/APR."

4. ORIGINAL FACE SHEET BEING POUCHED IMMEDIATELY. DAM
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685-287

ACTION: AID-2 INFO: AKE DCM RI3 CHRON 6

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TO AMEMBASSY DAKAR IMMEDIATE 3423
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LOC: 61 703
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AIDAC

FOR J. SCHLESINGER

E.O. 12356 N/A
SUBJECT: SENEGAL FY 1985 ESF PROGRAM

REFS: (A) KEENE-SCHLESINGER TELECONS DATED 12/10/84 AND
12/11/84; (B) DAKAR 12532; (C) KEENE SCHLESINGER
TELECONS DATED 12/13/84

AS STATED IN REF (C) TELECONS, RLA KEENE CONCURS IN
THE CONDITIONS PRECEDENT AND COVENANTS FOR SUBJECT
PROJECT AS SET FORTH IN REFTEL (B), SUBJECT TO THE
CONDITION THAT USAID/DAKAR MAKES THE MODIFICATIONS
DISCUSSED IN REF (C) TELCONS. MILLER
BT

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ABIDJAN 022357

Senegal Program Assistance Approval Document
Economic Support Fund, 685-0287 (685-K-603)

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PAAD TEAM

Joel E. Schlesinger, USAID/Senegal
Chief Project Development Office

Jacqueline R. Damon, USAID/Senegal
Macroeconomist

Ndeye Mama Ba, USAID/Senegal
Project Development Office

Mamadou Diarra, USAID/Senegal
Project Development Office

ABBREVIATIONS AND ACRONYMS*

AID	Agency for International Development
BCEAO	Banque Centrale pour les Etats de l'Afrique de l'Ouest (Central Bank for West African States)
BNDS	Banque Nationale pour le Développement du Sénégal (Senegal National Development Bank)
BOP	Balance of Payments
CCCE	Caisse Centrale de Cooperation Economique (French AID fund)
CDSS	Country Development Strategy Statement
CFAP	Monetary unit of Senegal
CIP	Commodity Import Program
CNCAS	Caisse Nationale de Credit Agricole (National Agriculture Credit Bank of Senegal)
CTSP	Caisse de Péréquation et de Stabilisation des Prix (Price Equalization and Stabilization Fund)
GDP	Gross Domestic Product
GNP	Gross National Product
GOS	Government of Senegal
IBRD	International Bank for Reconstruction and Development (World Bank)
IMF	International Monetary Fund
ISRA	Institut Sénégalais de Recherches Agricoles (Senegalese Institute for Agriculture Research)
l/c	local currency
ONCAD	Office National de Cooperation et d'Assistance au Développement (National Office for Cooperation and Development Assistance)
PAAD	Program Assistance Approval Document
PID	Project Identification Document
RDA	Regional Development Agencies

* In this PAAD, 460 CFA = \$1 USD

SAED Societé d'Amenagement et d'Exploitation des Terres au Delta au
 Fleuve Sénégal (Organization for the Improvement and
 Development of the Delta Lands of the Senegal River)

SAL Structural Adjustment Loan

SAR Societé Africaine de Raffinage

SDR Special Drawing Rights

SEIB Societé Electrique et Industrielle du Baol

SODEFITEX Societé de Développement des Fibres Textiles (Textile
 Fiber Development Organization)

SODESP Societé de Développement de l'Elevage dans la Zone
 Sylvo-Pastorale (Sylvo Pastoral Livestock Development
 Organization)

SODEVA Societé de Développement et de Vulgarisation Agricole
 (Agriculture Extension and Development Organization)

SOMIVAC Societé pour la Mise en Valeur de la Casamance (Casamance
 Development Organization)

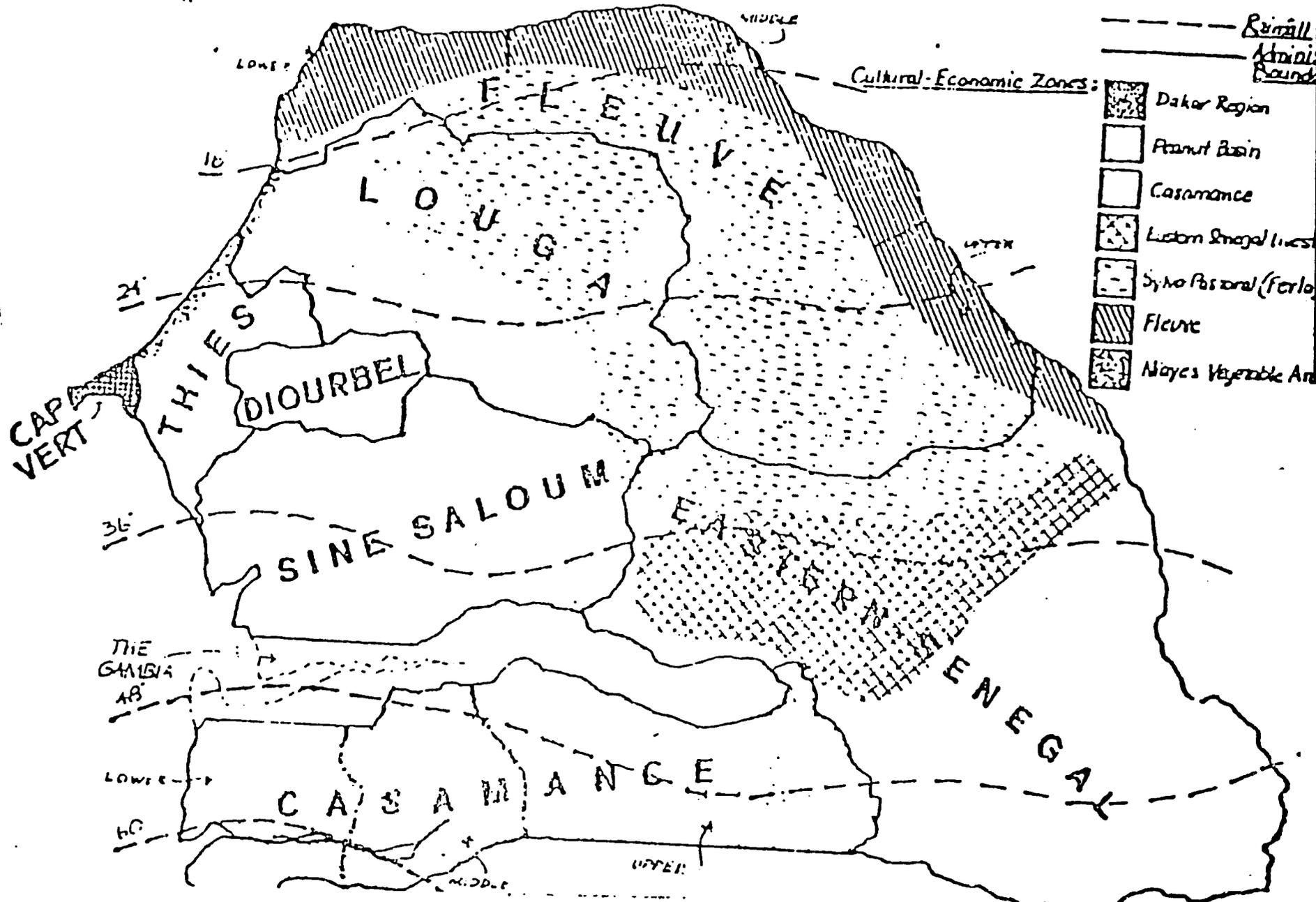
SONACOS Societé Nationale de Commercialisation des Oléagineux

SONAR Societé Nationale d'Approvisionnement pour le Monde Rural

WAMU West African Monetary Union

SENEGAL

Administrative Boundaries - Cultural-Economic Zones - Rainfall



I. Summary and Recommendations

A. Recommendation

USAID/Senegal recommends authorization of an Economic Support Fund Grant of \$15.0 million to the Republic of Senegal. The entire grant, in the form of a cash transfer, will be obligated in FY 1985.

B. Grantee

The Grantee will be the Government of Senegal (GOS). The Ministry of Economy and Finance will act as the principal implementing agency.

C. Program Summary

The purpose of this program is to assist Senegal to maintain economic and political stability while promoting structural and agricultural reforms needed to redress the underlying problems of the economy.

Specifically, this \$15.0 million ESF grant for emergency budgetary support must enter the Senegalese system by December 31, 1984 for repayment by the GOS of costs incurred to the BCEAO (Central Bank) for financing of the national peanut seed stock for last year's agricultural campaign. According to BCEAO regulations, this payment must be reimbursed by December 31, 1984 or it will be automatically reclassified as ordinary credit which is carried at a higher rate of interest. Reclassification of this credit will reduce the amount of new credit available to the private sector in CY 1985, and could jeopardize financing of next year's seed stock thoroughly compromising Senegal's capacity to produce peanuts, the principal export crop.

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C. Except as the parties may otherwise agree in writing, the GOS shall refund to the special account any local currency not used for agreed upon purposes.

E. Waivers

There are no waivers required for implementation of this program.

II. ECONOMIC JUSTIFICATION FOR ESF PAAD

A. BACKGROUND

USAID/Senegal has been active in encouraging economic and policy reform in Senegal since August 1983 when two non-project assistance activities were approved: (1) a \$5 million DA - funded fertilizer import program and (2) \$5 million ESF - funded direct reimbursement CIP. The FY 83 policy support package was designed to reinforce international leverage to encourage the GOS to resume implementation of its Economic and Financial Reform Plan which had been disrupted between September 1982 and July 1983 due to the country's preoccupation with pre and post election politics. In August 1983, President Diouf introduced a number of politically sensitive reform measures which were pre-requisites to the conclusion of a 1983/1984 IMF Standby Agreement.

A second ESF-Funded \$10 million cash transfer was approved and disbursed in December of 1983. The objectives of the grant were: (1) to support the GOS in its attempts to meet the targets as specified under the 1983/1984 IMF Standby; (2) to finance, in conjunction with France, a shortfall in external assistance required to meet these targets; (3) to initiate longer-term reform in the agricultural sector. The funds from both FY 83 and FY 84 non-project assistance packages were used to assist the GOS in reimbursing part of the cumulative debts of the agricultural sector estimated at approximately CFAF 160.0 billion or \$350 million. As a result of USAID's assistance and the efforts made by the GOS itself to reimburse a total of CFAF 30.0 billion or \$65 million in FY 83/84 the banking sector was able to ensure the continued availability of short-term financing for the purchase of farmers' cash crops. In addition, the dialogue among major donors including the World Bank, IMF, France, EEC and U.S. and the GOS resulted in the adoption of a New Agricultural Policy in April 1984.

Policy dialogue between donors and the GOS was initiated by the World Bank and the IMF in late 1979; however, only since November 1983 has coordination among other major donors to promote common objectives in policy dialogue with the GOS become a reality. In many respects this reinforced donor coordination on key policy reforms was a driving force in encouraging the GOS to adopt a New Agricultural Policy and to organize five working groups to make specific proposals for the implementation of the new policy. In June 1984, the World Bank convened Senegal's major donors in the agricultural sector to discuss the strengths and weaknesses of the GOS's new policy and agreement was reached on core measures to be taken in the following areas: (1) the organization of the rural sector; (2) input supply and distribution; (3) the role of Rural Development Agencies including the CPSP and (4) cereals policy. Implementation of the core measures is being encouraged with technical assistance from the World Bank, France and the USAID and continuous pressure is being applied on the GOS to maintain an acceptable pace of reform through conditionality associated with the provision of budgetary/balance of payments support from the IMF, France and the U.S.

It is in this context of renewed donor coordination and GOS concern for policy reform that USAID/Senegal is proposing a third ESF-funded non-project grant of \$15 million. The program is designed to reinforce the process of policy reform at both the macroeconomic and agricultural sector levels. Much of the conditionality is drawn either from donor/GOS reflections on macroeconomic constraints in preparation for Senegal's Consultative Group Meeting scheduled for December 13 and 14 in Paris or from the June meeting of Senegal's major donors in the agricultural sector. In the framework of this particular ESF, it is obviously impossible to reflect all necessary reform measures thus USAID, based on an independent assessment of the relative priorities of various reforms, has selected a limited number of targets at the macro and sectoral levels. Criteria for selection were as follows: (1) importance of the reform for addressing underlying structural constraints to improved macroeconomic and agricultural performance; and (2) the extent of USAID technical expertise in the area and capacity to provide more detailed diagnosis and analysis of specific constraints to reform.

In view of the fact that Senegal has now developed a medium-term plan for macroeconomic and sector reform as part of its preparations for the Consultative Group and that a new agricultural policy has been approved, USAID/Senegal is now considering the possibility of a multi-year ESF program. (1) A multi-year program would be a more potentially effective instrument for addressing essential structural reforms and would be somewhat more insulated from the short-term fluctuations in the status of Senegal's relationship with the IMF. The FY 85 ESF is therefore designed to lay the basis for a multi-year effort. A final decision will be made based on GOS performance with respect to the covenants and an assessment of the Government's perceived political determination to maintain a sustained adjustment effort.

B. UPDATE OF SENEGAL'S ECONOMIC AND FINANCIAL SITUATION

After four years of successive stabilization programs with the IMF, Senegal's economic and financial situation is far from stabilized. A dramatic illustration of this disappointing fact is the state of the economy as a result of a five-month delay in reaching agreement with the IMF on a new program. Although the situation is not irreversible, it demonstrates that Senegal's economy remains extremely dependent on annual debt reschedulings and substantial amounts of budgetary/balance of payments support to remain solvent. External factors such as the rise in world prices of certain key imports, the appreciation of the dollar against the CFAF and continued drought in the northern half of the country have also contributed to the recent deterioration in Senegal's financial state.

The GOS is encountering difficulties in paying the civil servants due to a severe liquidity crisis. As a means of dealing with the crisis, the GOS has: (1) suspended principal and in some cases interest payments on external debts; (2) accumulated 4 months of arrears on payment of housing for civil servants; (3) been unable to pay suppliers or parastatals providing electricity, water or gasoline; (4) suspended reimbursement of domestic liabilities owed to the banking sector and (5) been unable to make promised subsidy payments to public

(1) For the summary of the GOS action plan being presented at the Consultative Group see Annex B

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companies. The immediate effect of the liquidity crisis is the loss of credit-worthiness of two critical institutions: the Price Equalization and Stabilization Board (CPSP) which imports rice and the National Refinery (SAR) which imports petroleum products. Even the price increases proposed under the latest Draft Letter of Intent with the IMF would not be sufficient to meet the immediate problem of the drying up of short-term lines of credit to finance imports.

Senegal's economic and financial deterioration follows a year of exemplary performance on the FY83/84 Standby with all performance criteria for each quarter being met. While the IMF Standby successfully stabilized GOS accounts over the twelve-month period from July 1, 1983 to June 30, 1984, it was not effective in addressing the structural causes of macroeconomic disequilibria. Furthermore, the GOS has a better track record with respect to the implementation of short-term measures such as price increases, credit restrictions and the introduction of new tax measures than with structural reforms such as liberalization of the price mechanism, improvement in tax assessment and collection, reduction in claims of the para-public sector on budget resources, more judicious allocation of credit to priority sectors, etc...

Structural measures require more continuous effort and commitment from the GOS to implement particularly from middle-level bureaucrats who actually execute reform. Short-term measures, on the other hand, can be introduced relatively easily through high-level political decisions. The administrative capacity of the GOS and other key institutions obviously needs to be reinforced perhaps in part through technical assistance from donors but more importantly specific responsibility for execution of reforms needs to be designated and periodic high-level follow-up is required. Despite Senegal's less than impressive record with respect to implementation of reforms, there is scope for optimism due to more focussed GOS reflection on priority reforms and improved donor coordination on a core policy reform agenda.

1. Macroeconomic Situation

a) Public Finances

As a result of last year's successful IMF Standby, the budget deficit on a commitments basis was reduced from 8.2 percent of GDP in 1982/83 to 4.7 percent of GDP in 1983/84 while the operating budget's deficit was cut from 4.2 percent of GDP to 1.2 percent of GDP. However, this improvement can be attributed to a number of short-term factors including: (1) an increase in grant budget support which is accounted for as Government receipts; (2) an improvement of deposits in the special treasury accounts, and (3) a marked improvement in the financial status of the CPSP and other correspondents of the treasury due to favorable trends in the international price of groundnuts and the impact of increases in domestic prices of consumer goods. The rapid deterioration in the public finance position since July 1 is at least

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partially explained by: (1) the fact that major components of the budget such as the magnitude of salary payments and of fiscal receipts had not been substantially improved in 1983/84; (2) the positive effects of price increases have been eroded by the 9.5 percent appreciation of the dollar against the CFAF; (3) the interest on public external debt which is a current expenditure has increased significantly from CFAF 36.4 billion to CFAF 45.2 billion or by 24 percent.

On the expenditures side, the public sector wage bill continues to increase in nominal terms at a rate of 8 - 10 percent per year. Measures have been introduced to contain the growth in expenses on wages by limiting entry into the civil service but it will probably take at least 4 to 5 years before the impact of this policy is directly visible on the wage bill. The level of expenditures on supplies and transfers, on the other hand, appears to be stabilizing at about CFAF 68.0 billion which is only 7 percent above the amount for 1979/80. However, there is some indication that this figure has been kept relatively low through a build-up in arrears on transfers to parastatals such as SAED and SONAR and through an accumulation of the general GOS stock of arrears to suppliers.

On the revenue side, GOS performance is disappointing. Despite the introduction of new tax measures encouraged by the IMF over the last three fiscal years Government receipts as a percentage of GDP continue to decline from 23 percent in 1979/80 to 19 percent in 1984/85. Government revenue was revised downward by CFAF 10.0 billion or 5 percent with respect to the original IMF projections for FY 83/84. The shortfall can be attributed to the weaknesses in the GOS tax collection process, particularly with respect to customs duties, income taxes and real estate taxes. Income tax receipts as a percentage of GDP have declined steadily from 5.1 percent in 1979/80 to 3.9 percent in 1983/84. Customs duties actually collected have also declined from 8.2 percent of GDP in 1979/80 to 7.6 percent in 1983/84.

Another aspect of the public finance situation which has a negative impact on the banking and private sectors in particular is arrears. In addition to arrears on the ONCAD debt estimated to be approximately CFAF 140 billion, the GOS has a stock of arrears to the private and parapublic sector estimated at CFAF 60 billion. The GOS accumulated considerable arrears in 1979/80 and 1980/81 then made an impressive effort to reimburse them in 1981/82 and accumulated additional arrears in 1982/83 which were partially reimbursed in 1983/84. According to these approximate figures, the total stock of arrears is probably at least 20 percent of GDP. The actual figure is considerably higher if the arrears of parastatals are also included. Normal financial circuits have been virtually paralyzed by the complex morass of debts. Thus, for example, the GOS has accumulated arrears to the state electric company SENELEC which in turn owes money to the company that distributes fuel which in turn has accumulated arrears vis a vis the National Refinery (SAR), which in turn is unable to reimburse its short-term lines of credit to the banks.

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b) The Balance of Payments

As a result of the safety net provided by the French Treasury's guarantee of the convertibility of the CFAF, Senegal's balance of payments position does not affect the overall economic situation as directly as do public finances. Senegal's access to foreign exchange is determined not by its capacity to earn foreign exchange through imports but by the availability of local currency which is a function of domestic credit expansion.

An examination of the structure of the balance of payments over the past 8 years reveals a gradual but continuous reduction in dependency on agricultural exports to provide essential earnings. Proceeds from the export of groundnut products continue to be a prominent feature but in most years since 1980 receipts from the export of fish products have been larger. Tourism is also a dynamic sector with export earnings growing at an average annual rate of 14 percent over the last five years. Thus, there has been a certain amount of diversification in the structure of Senegalese exports especially since 1980. Furthermore, the reduced volume of groundnut exports in 1984 resulting from a 50 percent drop in production between 1982/83 and 1983/84 was offset by the spectacular 80 percent increase in the world price of groundnut products between April 1983 and October 1983. According to the most recent projections, export earnings from groundnuts will drop by only 7 - 8 percent between 1983 and 1984.

On the import side, the three major items are: petroleum products, food, and intermediate goods which combined represent about 80 percent of Senegal's import bill. In volume terms, imports have risen very little over the last four years while the value has increased at an average annual rate of approximately 8 percent. The trade balance as a percentage of GDP has a tendency to fluctuate; however, over the last three years, this deficit has decreased from 14.6% of GDP in 1982 to a projected 10.8% in 1984.

The major problem area of the balance of payments is the services account whose deficit has increased from CFAF 18.7 billion in 1982 to CFAF 57.2 billion in 1984. The explanation for this deterioration is the impact of interest payments on external debt. More alarming is the fact that the deterioration has been experienced despite three successive debt reschedulings in 1981, 1982, and 1983. The services balance is likely to move further into deficit reflecting Senegal's rising debt service obligations. Thus despite a recent improvement in the trade balance, the current account deficit as a percentage of GDP remains stationary at about 11 - 12 percent of GDP.

The capital account is in surplus and has even improved between 1982 and 1984 reflecting an increase in capital inflows particularly in the form of budget support and savings as a result of annual debt rescheduling. The overall balance as a percentage of GDP has improved consistently over the last four years from 6.7 percent in 1981 to a projected 2.0 percent in 1984.

c) Credit Expansion

Credit expansion during the 1979 - 1982 period averaged approximately 22 percent per year while domestic price inflation over the same period averaged 12.1 percent. This rate of expansion has declined significantly in the last two years to 8.7 percent as compared to a domestic price inflation rate of 9.3 percent. The above figures reveal a marked decline to a negative real rate of credit expansion. This shift can be explained by a reduction in the rate of increase of credit availability both to the private and public sectors. Between 1979 and 1982, credit to the Government increased at an annual average rate of 97 percent as compared to a rate of 23 percent in the last two years. Whereas, before the early 1980s, the GOS was only a marginal borrower in domestic credit markets, it now has become a significant actor with about 24 percent of total outstanding credit. Private sector credit expansion which increased more modestly during the 1979/1982 period at an average annual rate of 14.3 percent also has declined significantly in the past two years to an average growth rate of 5 percent.

The allocation of increased credit availability as reflected by the IMF's credit ceilings for Government borrowing and overall domestic credit expansion has been skewed in favor of the public sector. Excluding short-term lending for crop credit, private sector expansion has been limited to CFAF 12.8 billion for 1984 as compared to CFAF 24.7 billion for the Government. The GOS was, however, able to limit the increase in its credit liabilities through June 1984 to CFAF 120.4 billion or 4.5 billion below the IMF ceiling. Due to the lack of external financing in the July 1 to November 30, 1984 period, the GOS was required to use the totality of this extra margin in its borrowing capacity plus an additional CFAF 4.3 billion based on deposits made by multilateral Arab aid agencies, the University of Dakar and the National Assembly. Given the relatively high rate of public sector borrowing during the first six months of FY 1984/85 and in view of the provisional IMF credit ceilings for the last six months of the fiscal year, Government borrowing will be limited to CFAF 8.0 billion. Private sector borrowing from the banking sector excluding crop credit, will be limited to CFAF 3.4 billion.

2. The Impact of the Macroeconomic Situation on the Agricultural Sector.

Senegal's development prospects will continue to be heavily influenced by the macroeconomic situation. Austerity measures to reduce GOS expenditures and improve the balance of payments have affected the agricultural sector perhaps more than any other. Conversely, accumulated agricultural debt and the rising costs of government intervention in the sector have contributed to Senegal's present economic difficulties. One of the motivations for Senegal's new agricultural policy was the recognition that the GOS could no longer afford to continue its current level of subsidies to the agricultural sector, particularly given their insignificant impact on agricultural production. A phasing-out of government involvement will leave farmers without the financial cushion they have come to expect during drought years. On the other hand, delays in the release of state funding have caused

serious problems for farmers and for RDAs. Thus if effective alternative systems are created, a reduction in government involvement could eliminate some major obstacles.

Since the beginning of the 1980's, the capacity of the GOS to continue: (1) managing and subsidizing the national seed stock which costs approximately CFAF 12.0 billion per year; (2) distributing and subsidizing fertilizer which cost CFAF 3.0 billion in the peak year of 1981/82; (3) subsidizing operating expenses of agricultural parastatals which cost approximately CFAF 11.2 billion in 1982/83 and (4) assuming financial liabilities of the liquidated ONCAD estimated at CFAF 140 billion has reached a breaking point. The result has been the declining quality of services provided to the agricultural sector which manifested itself in increasing delays in the provision of inputs, the breakdown of the agricultural credit scheme provided by certain RDAs and the increasing inability of extension agencies to function effectively due to a lack of funds to cover operating expenses.

Another related impact of the macroeconomic difficulties stemming from past abuses is the lack of liquidity in the banking sector for agricultural lending. Government decisions to cancel farmers' debts to ONCAD over a number of drought years, farmers' refusal or inability to reimburse short-term credit obtained for purchases of inputs and food, the refusal of oil crushing firms who are now purchasing agents for groundnuts to reimburse crop credit in a timely fashion, particularly when the GOS owed subsidy payments to these companies, and the inability of RDAs such as SAED to reimburse loans from the domestic banking sector according to schedule have not only reduced the general availability of funds but have also convinced local bankers that lending to agriculture is in fact a bad risk. Thus, the share of agriculture in total outstanding domestic bank credit has declined from 7.2 percent in 1978 to 3.0 percent in 1981.

As a result of the GOS inability to continue to subsidize inputs from budgetary resources pricing has been reviewed although not coherently. The producer price of groundnuts was reduced from CFAF 70/kg to CFAF 50/kg with the 20 CFAF difference being allocated to defray some of the costs of the seed stock and most of the costs of fertilizer distribution. With respect to food crops the GOS does not assume the expenses of input distribution and producer prices have been increased recently to reflect partially the increase in the cost price of fertilizer. These relatively ad hoc price measures should be adjusted following a comprehensive study of agricultural pricing at each stage of production and for each crop.

The GOS' financial difficulties have also undermined its ability to achieve the redistribution objectives formulated for the CPSP. Based on the price equalization function, the CPSP's mandate is to: (1) maintain reasonable prices for imports of basic staple goods and stabilize the consumer prices of these goods against short term fluctuations in international prices; (2) protect a stable producer price for Senegal's agricultural exports (groundnuts and cotton) against short-term fluctuations and (3) guarantee profit margins to agricultural processing companies (e.g. oil crushing firms, tomato plants,

sugar company) against risk resulting from either international price fluctuations in the face of fixed producer prices or from high overhead costs in the case of low agricultural production. In the period from independence through the late 1970's, the CPSP was basically able to balance its accounts and in some instances generate a surplus through profits earned on the groundnut sector. These profits were used to defray subsidies on imported consumer staples and to provide transfer payments to other processing industries such as the sugar company. Since 1978/79, the CPSP has been operating on a very tight cash flow basis which has prevented it from continuing to guarantee relatively high producer prices for export crops and simultaneously reasonable consumer prices for imported rice, sugar and vegetable oil.

3. The Agricultural Situation

Senegal's agricultural situation is highly dependent on both the quantity and spacing of rainfall. The drought in 1983/84 was the primary explicatory factor behind the dramatic decline in agricultural output of both export and food crops. According to the most recent GOS data, export crop production fell by almost one half between 1982/83 and 1983/84 with the brunt being borne by groundnuts. Cereals production declined by approximately 30 percent between 1982/1983 and 1983/1984. Average rainfall decreased by 36 percent between 1982/1983 and 1983/1984; however, both of these years were below the mean rainfall for the 1961/1984 period. The drought severely affected on-farm income particularly in view of the reduction in the net producer price of groundnuts from CFA 60/kg to CFAF 50/kg or by 16.6 percent. GOS practices in earlier drought years (e.g. inputs subsidies, debt cancellations, low interest credit, food loans) essentially cushioned farmers from the real costs of drought and transferred some of these costs to the Government. However, with the significant decline in subsidies on inputs causing a doubling and sometimes tripling of costs to the producer and with the demise of the national credit scheme, a significant portion of the costs of the 1983/84 drought was borne by the farmers. Preliminary calculations for 1983/84 indicate that on-farm rural incomes from cash crops decreased 60 - 70 percent from the previous year.

The agricultural situation in 1984/85 is, according to provisional GOS figures, significantly improved from that of 1983/84; although, the potential productive capacity was in fact a good deal higher. Average rainfall in the groundnut basin was 407.5 mm or 30 percent above 1983/84 but delays in the delivery of inputs to farmers, particularly fertilizer were such that farmers

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- (1) Production is expressed in gross terms without accounting for losses and seeds.
 - (2) The figures represent gross crop production, without provision for crop wastes/losses and seed requirements. Proportions of gross production corresponding to wastes/losses and seed requirements are estimated to be for groundnuts: 21.5 percent, for cereals: millet/sorghum and corn: 17 percent, cowpeas: 15 percent, rice: 21.5 percent. For this latter crop, an additional 35 percent represents the milling loss (i.e., from paddy to millet rice).
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were unable to take advantage of early and plentiful rains. Furthermore, a 3 week interruption in rains during the month of August caused reduced yields. Groundnut production (1) appears to have been most affected with only an 18 percent increase in production from 559,820 metric tons in 1983/84 to an estimated 669,230 metric tons in 1984/85. Gross cereals production increased by 35 percent from a total of 533,800 metric tons in 1983/84 to approximately 721,520 metric tons in 1984-85. The greatest increases were registered with maize and millet. The increase in cereals production can be explained partially by an increase in yields due to higher rainfall but also as a result of a shift in area cultivated from export crops to foodcrops. Whereas, in 1983/84 only approximately 48 percent of the total land area was cultivated for foodcrops, this percentage increased in 1984-85 to 56 percent. The shift in cropping patterns can be attributed both to the necessity to restore farmer grain stocks following a drought year and to the farmer response to the late arrival of groundnut seeds.

a) Input Supply and Pricing

Through 1984/85, input supply has primarily been handled by the GOS either through the RDAs or through the Government input supply company SONAR. In the groundnut sector, the GOS maintains a national seed stock of between 130,000 and 120,000 metric tons. The costs of the seed stock are to be defrayed by a levy or retained earnings system whereby farmers contribute CFAF 15/kg of groundnuts marketed. The maintenance of the stock costs the Government approximately CFAF 12 billion per year which means that the seed stock can be entirely financed through the retained earnings system only in years where 800,000 tons of groundnuts are marketed through official channels. According to statistics on quantities of groundnuts marketed, this level was reached only 8 times over the last 15 years. Thus, the present system for covering and managing the groundnut seed stock is not financially self-sustaining and requires regular Government subsidies. Furthermore, farmers regard groundnut seeds as an input to be provided by the Government and thus which is not valued at any specific price. The retained earnings system given the way in which it is implemented requires more efficient farmers to pay more for their seeds than less efficient ones, and does not provide flexibility for the farmers to decide as to whether or not they desire to participate in the Government system. The system has also maintained groundnut cultivation in marginal areas where other more drought resistant crops are in fact more suitable.

In 1983/84, only 342,300 metric tons of groundnuts were marketed generating approximately CFAF 5.1 billion in revenue to defray the costs of the seed stock. Thus the deficit is approximately CFAF 6.9 billion (see Annex D for the precise breakdown). In 1984/85, the seed stock is also projected to be in deficit based on the assumption that approximately 440,000 metric tons of groundnuts will be marketed through official channels.

The basic GOS objectives with respect to seed policy have been: (1) to encourage continued cultivation of groundnuts; (2) to protect farmers in drought years by providing seeds centrally; (3) to distribute seeds so as not to discriminate against less efficient farmers and marginal production areas

and (4) to provide a relatively "painless" means for farmers to "purchase" seeds in the absence of credit. Although these objectives may be desirable from a social point of view the current system does not allow farmers to respond according to their perceived economic advantage. Furthermore, the current monopoly role of the GOS in seed distribution does not stimulate efficiency and in fact exposes farmers unnecessarily to the risk of delays in seed deliveries or to a deterioration in the quality of seeds due to poor storage conditions.

The methods of fertilizer distribution and payment have been modified frequently over the last ten years making it difficult to assess the viability of any one system. Fertilizer consumption has also varied dramatically from one year to another from a low of 14,820 metric tons in 1970/71 to a high of 93,316 metric tons in 1976/77. In 1984/85, the GOS cancelled its agreement with the private firm SSEPC which was responsible for fertilizer distribution and returned to the previous system of distribution by SONAR. In addition, a retained earnings system was introduced for fertilizer as well as for seeds with a levy of CFAF 5/kg of groundnuts marketed being used to cover the full costs of fertilizer purchase and distribution. The system as implemented this year has proved to be highly unsatisfactory. The fertilizer sub sector has suffered severely from a number of factors: (1) the frequent shift in institutional arrangements for distribution; (2) the effect of an abrupt removal of the subsidy on fertilizer which created a situation whereby the cost to the farmers increased from CFA 25/kg in 1981/82 to CFAF 120/kg in 1984/85 or by 380 percent over three years while producer prices for export and food crops increased on average approximately 13 percent over the same time period; and (3) the impact of the absence of credit for fertilizer purchases.

As a result of the retained earnings system in crop year 1983/84, there was approximately CFAF 1.75 billion to purchase fertilizer for the groundnut basin. Given the cost price of CFAF 100/kg (due to a USAID subsidy of CFAF 20/kg) SONAR was able to purchase only 17,500 metric tons. Other purchases by RIMs were approximately 10,000 metric tons for a total level of fertilizer consumption of about 27,500 metric tons. Thus the quantities distributed through the retained earning system were negligible. In addition to the insignificant amount of fertilizer available under the present system the delivery of fertilizer was essentially too late to have any significant impact on production. Delays can be attributed to difficulties in obtaining the proceeds from retained earnings from the oil crushing firms who are responsible for collecting groundnuts. The point of contention was that SONAR had contracted debts with the oil crushing firms in connection with the seed stock and thus these firms were reluctant to release the proceeds from retained earnings for fertilizer until these debts had been reimbursed. Nevertheless, under pressure from the GOS, the CFAF 1.75 billion was finally released despite outstanding SONAR liabilities but the time lost in the dispute was vital to SONAR's delivery schedule. Another difficulty encountered this year was the poor quality of record keeping at the village level regarding the actual amount of groundnuts marketed in 1983/84 which resulted in serious irregularities in the distribution of fertilizer to

individual farmers. Perhaps one of the most important developments stemming from the difficulties encountered this year is that there is widespread discontent among the farmers which has convinced the GOS that change is essential.

b) Extension Services Provided by RDAs

An analysis of the major deficiencies of the RDAs was included in the PAAD for the FY84 ESF package (1). In 1984/85, the problems were in fact exacerbated due to the inability of the GOS to provide budgeted operating subsidies. Thus, the RDAs spent an overwhelming proportion of their resources to pay a plethora of personnel rather than to cover costs such as vehicles, gasoline and other supplies and equipment necessary to carry out their extension function. The already low operating efficiency of the RDAs was on the whole decreased even further. The RDAs, with the exception of SAED, have maintained their centralized top down approach permeated by the basic philosophy that they must impose development on the farmers.

The RDAs control of actual production functions including input purchase and distribution, land preparation, in some cases marketing and transformation of agricultural produce, and credit has been maintained in 1984/85. However, GOS Failure to disburse operating subsidies and the lack of credit-worthiness of most of the RDAs and thus the inability to obtain resources from the domestic banking sector have severely undermined the RDAs capacity to actually fulfill these functions. For example SAED in the face of reduced GOS subsidies, attempted to obtain a loan from a local bank to purchase fertilizer for distribution to farmers who are supposed to reimburse SAED with proceeds from the sale of produce. Given SAED's inability to obtain credit it decided to withdraw its cash deposit from the bank and use the resources to meet the salary cost of personnel.

RDA effectiveness in 1984/85 was most certainly undermined by a number of factors: (1) the lack of operating subsidies; (2) the unresponsiveness of local banks and suppliers to requests for credit and (3) the uncertainty surrounding their future contribution to the agricultural sector and the understandable impact of this uncertainty on staff morale. In many respects RDAs are currently and perhaps to a certain extent unjustifiably, taking the brunt of criticism for poor agricultural performance in Senegal over the past ten years. High level Government officials including President Abdou Diouf and Minister of Finance Touré as well as many jonors have come to the conclusion that RDAs must be pared down substantially and direct production activities turned over to the farmers and the private sector. USAID shares these views; although it is clear that certain core extension functions must continue to be provided through Government subsidized organizations. However, the overall cost of the extension function proposed must be compatible with the GOS' ability to provide budget subsidies.

(1) See PAAD 685-0278 pages 23 - 25.

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c) Organization of the Rural Sector

The organization of rural producers in 1984/85 was generally dominated by the GOS and the Socialist party; however, particularly with respect to fertilizer distribution, some attempt was made to decentralize. This crop year SONAR delivered fertilizer to village sections of farmers. Although there were a number of irregularities as discussed in the section on input distribution it does provide a concrete example of the implementation of the declared policy of the Government to increase farmers' direct role in production decisions. It is now legally possible for farmers to organize themselves in groups independently of the cooperative structure; however, in this crop year no significant impact was noted. The details of current GOS reform measures are described in the next section dealing with policy reform performance.

d) Cereals Pricing and Marketing

Despite the GOS' stated goal of achieving greater food self-sufficiency for Senegal there were no concrete developments during this crop year. On the supply side, areas cultivated in food crops appear to have increased as a percentage of total area planted but this is believed to be more in response to last year's drought and its impact on village cereal stocks rather than as a result of any significant shifts in policy. The GOS has yet to clarify the status of private traders in the cereals sector or to define the limits of Government intervention. On the demand side, the GOS continues to resist the concept that pricing is a key element in creating a market for domestically produced cereals based on its assessment that constraints to increased consumption lie basically with production. The question is a difficult one to resolve due to a lack of reliable empirical data regarding the price elasticities of supply and demand for various cereals. Nevertheless, most donors are convinced that cereals' marketing and pricing problems can only be overcome through the simultaneous pursuit of demand and supply side policies.

e) The CPSP

The role and deficiencies of the CPSP were described in some detail in the FY84 PAAD. One of the primary objectives of the adjustment measures introduced in the context of the FY 83/84 IMF Standby was to redress the financial situation of the CPSP. According to the latest IMF figures the deficit of the CPSP improved from CFAF - 8.7 billion in 1982/83 to CFAF - 3.3 billion in 1983/84. However, the CPSP's actual cash flow position does not reflect this apparent improvement. There are a number of explanations for this discrepancy: (1) the IMF table does not accurately reflect costs of peripheral activities such as contributions to capital increases of various agro-processing businesses and the costs of sorghum imports; (2) the IMF table does not distinguish sufficiently between commitments and disbursement; (3) the CPSP is unable to provide reliable figures that permit the monitoring of the status of any one sector at any given period in the time; (4) contractual agreements between the CPSP and various agro-industries such as the oil crushing firms, tomato processors and SAED's rice mill are generally concluded ex-post

rendering it difficult to project the CPSP financial obligations or financial receipts with respect to these industries; (5) management is inadequate and; (6) the accounting system, such as it is, is in shambles. Furthermore, CPSP stabilizing functions are ill-defined and its directly commercial functions (e.g. grain importing) tend to distract it from its original economic/financial role.

The GOS has been one of the victims of the lack of financial clarity in the CPSP. According to IMF figures, the CPSP was to generate CFA 4.9 billion in customs duties on rice imports and a surplus of CFAF 2.6 billion on the rice account for a total of CFAF 7.5 billion. In reality, the GOS received only CFAF 1.9 billion in customs duties for FY83/84. The GOS has requested USAID to finance an audit to determine the reasons for this resource shortfall. In other sectors such as groundnuts similar difficulties have occurred.

The shortcomings in the operations of the CPSP cannot entirely be attributed to factors internal to the CPSP itself. The complex function of price stabilization requires the enunciation of a coherent pricing policy and the existence of an effective mechanism for adjusting prices in response to shifts in domestic and international market conditions.

C. ECONOMIC AND POLICY REFORM PERFORMANCE
AUGUST 1983 - NOVEMBER 1984

Although the economic update is not particularly optimistic in its findings, there are certain less tangible developments which allows considerable scope for assuming that economic conditions can be improved. First, the GOS and donors have collectively and openly discussed the diagnosis above and there is considerable agreement on the need for fundamental reform at both the macro and sectoral levels. Secondly, the GOS has introduced a number of reforms, especially since August 1983, which if effectively implemented, should begin to be reflected in economic statistics over the next 3 to 4 years. Thirdly, donors have made considerable progress in coordinating on the basic elements of structural reform and an informal division of labour among the donors on areas of concentration has emerged. Fourthly, although the message concerning the necessity of reform permeated, only slowly throughout the Senegalese bureaucracy, certain of the reforms currently underway such as the reduction of the personnel of RDAs should serve to demonstrate to mid-level decision-makers that high-level political commitment to serious reform is a reality which has to be reckoned with.

1. Macro-economic Reform

The predominant force behind reform at the macro-economic level is the IMF and the leverage it can exercise in the context of stabilization programs. As mentioned in Section I, the IMF has not been successful in significantly altering expenditure and revenue trends since 1980. Nevertheless, certain structural reforms particularly if they are reinforced by donors with more extensive field presence such as the World Bank, France and the U.S. should begin to have an impact over the next two to three years.

a) Public Finances

On the expenditure side, the public sector payroll should begin to decline in real terms if the GOS continues to implement the new policy defined in FY1983-84. Since August 1983, decisions with respect to new recruitment are referred directly to the Office of Minister of State who is Secretary General of the Presidency. In addition, a number of policy directives were given: (1) civil servants must retire between the ages of 60 and in exceptional cases as late as 65; (2) civil servants who reach retirement age are not replaced through new recruitment but through the reallocation of existing personnel (3) new recruitment is possible only in cases of resignation or death of civil servants and (4) the number of places in public service training schools is to be reduced. According to the most recent IMF figures, the increase in the number of civil servants in FY1983-84 was limited to 2.3 percent as compared to the IMF target of 2.5 percent. This represents a substantial reduction as compared to previous years. In 1979-80, the number of civil servants increased by 7 percent; in 1981/82 by 6.3 percent and in 1982/83 by 5.1 percent. Since June 30, 1984, the number of civil servants on the payroll has been reduced further from 67,718 to 66,934. In the latest draft Letter of Intent which is expected to be finalized shortly, public sector employment growth will be limited to 3 percent. This target appears feasible due to the fact that certain schools (e.g the school which train custom officers) have been closed altogether this year and admissions to schools that provide teachers' training have been significantly reduced.

Another important element of expenditures is debt service. Although it is impossible to control debt in the short term, the IMF ceiling on external borrowing with maturities of between one and twelve years is designed to limit borrowing at near market terms. Since 1981/82, these limits have been respected. Nevertheless, there is further scope for shifting the terms of borrowing. A recent World Bank study (1) which examines the implications of various borrowing strategies for Senegal vividly illustrates that more energetic measures are required to prevent a situation where Senegal's debt service payments become economically unsustainable even assuming annual debt reschedulings on standard terms.

With respect to revenue certain measures have been introduced; however, it is unlikely that they will have much impact given the weaknesses in the tax collection process. The excise tax on kola nuts and alcoholic beverages was increased, the excise tax on petroleum products was replaced by a value added tax, fiscal duties on imports were increased by 3.5 percent across the board and certain semi-luxury or luxury goods were reclassified into categories with higher rates of taxation. The IMF has focussed more on increases in effective rates of taxation than on the institutional constraints behind the capacity and motivation of customs and the revenue department to collect Government receipts. In 1983/84, only 22.5 percent of imports were actually taxed.

(1) Senegal - A study of Solvency H.Ghanem, H Kharas and R. Myers. World Bank - October 1984.

In 1983/84 the GOS made a considerable effort to reimburse arrears: (1) CFAF 20.0 billion of arrears on outstanding crop credit from 1981/82 and 1982/83 were reimbursed; (2) CFAF 8.8 billion of arrears on ONCAD debt were repaid to the banking sector; and (3) CFAF 2.0 billion was reimbursed to the private sector. According to aggregate figures for the 1983/84, the stock of arrears did not increase between June 1983 and June 1984. All IMF credit ceilings were met and surpassed in June 1984.

b) Balance of Payments

On the balance of payments side, according to IMF figures, the objectives set in the 1983/84 Standby were achieved and surpassed; however, these figures are still provisional. The current account balance as a percentage of GDP was to have been contained at 11 percent and in fact declined to 9.1 percent. Import growth was reduced to 5.9 percent and exports increased by 21 percent.

c) Other Measures

With respect to the reform of the parastatal sector, concrete achievements were rare in 1983/84. Although the diagnostic studies for some companies such as SAED, SONEES, SOFRAC and SENELEC were completed, no contract plan between the GOS and these companies has as yet been signed. It is expected that the contract-plan between the GOS and SAED and SONEES will be signed by the end of this calendar year.

A number of stringent price adjustments have taken place since August 1983. The consumer price of imported rice was increased by 24 percent in August 1983 and the new Standby Agreement with the IMF expected to begin in mid-January calls for an additional price increase of 23 percent. Sugar was increased by 15 percent in August 1983 but no price adjustment appears necessary this year. The price of mixed vegetable oil was increased by 22 percent in August 1983 and by an additional 50 percent in August 1984. Groundnut oil was raised by 18 percent in August 1983 and 25 percent in August 1984. Petroleum products were increased by 8 percent on average in August 1983, by 5 percent in July 1984 and an additional 10 percent in December 1984.

2. Agricultural Sector Reforms

Most of the reforms which have actually taken place were announced in the GOS' New Agricultural Policy. The pace of reform is somewhat less impressive than at the macroeconomic level; however, many of the adjustments require institutional change which is clearly more difficult to implement than price increases or maintenance of credit ceilings.

a) Input Distribution

In accordance with the objective of decreasing GOS involvement in input distribution, SONAR has been relieved of the responsibility for seed and fertilizer distribution; however, the staff of the organization is still on

the public sector payroll with the exception of 125 permanent staff members of which 99 have been hired by SONACOS and 26 by SEIB. The oil crushing firms are expected to take on all of SONAR's 730 temporary personnel leaving a total of 490 people that are to be laid off before May 1985. The oil crushing firms have assumed therefore de facto responsibility for managing the national groundnut seed stock and an agreement is to be signed between the GOS and these firms specifying the cost of seed stock management in the course of the month of December.

With respect to fertilizer distribution, the process of defining new institutional arrangements to replace SONAR has been more complex than for seeds. However the time pressure for reorganization is not as intense as for seeds because fertilizer distribution generally takes place in May and June while a seed arrangement was essential for December. Nevertheless, a GOS Working Group has met and tentatively recommended a system which would include the cooperatives, the national private sector and private suppliers and producers. As part of the conditionality in USAID's FY 83 Fertilizer CIP, the GOS has completed a study of fertilizer marketing which deals with the respective roles of the private and public sectors. A plan which was to be submitted to USAID by August 1984 under conditionality set out in the PAAD has not yet been finalized.

b) Input Pricing

As described in Section I, there is no specific price fixed by the GOS for the purchase of groundnut seeds. Farmers pay a levy of CFAF 15/kg of groundnuts marketed and the GOS has no plans to alter this retained earnings system in the near future. Fertilizer subsidies were eliminated in August 1983 except for a small contribution from USAID which brought the subsidy rate up from zero to 16 percent. The GOS has agreed to allow fertilizer for the next crop year to be imported tax free and USAID intends to use some Title I monies to ensure that the average cost to the farmer will not exceed CFAF 75 - 80/kg. Due to the recent completion of the LCS chemical complex, it is anticipated that the cost price ex factory will be approximately CFA 75/kg. USAID contribution would therefore have to be approximately CFA 25/kg on average. The GOS and donors are also looking at possibilities of reducing the cost of fertilizers to farmers by modifying recommended formulae.

c) Phasing-Out of RDAs

The New Agricultural Policy announced the phasing-out of RDAs and the redefinition of their roles in line with the transfer of increased decision-making power to the farmers. The more limited extension role of the RDAs is to be basically a responsive one based on specific requests from farmers. An interministerial working group has been organized and is meeting regularly to define the details of the GOS policy. Within the next six months, it is anticipated that SONAR and STN will be completely liquidated, that SODEVA will be reduced by 50 percent and by an additional 25 percent over the next five years, and that SOMIVAC and SODAGRI will be merged and reduced by 60 percent. SAED and SODEFITEX are also to be included in the new policy

directive although precise targets have not been assigned. The French and the World Bank will be sending experts shortly to determine various options for dealing with the personnel expected to lose employment. Currently under discussion are: (1) lump-sum severance pay; (2) training programs; and (3) the provision of equipment and/or low interest capital for those wishing to set up in agriculturally-related activities such as transport, input distribution or farming.

d) The Organization of the Rural Sector

Over the past twelve months, the GOS has proceeded with a policy of decentralizing the cooperative movement through the creation of 4,472 village sections. These sections now cover the entire country and are being delegated activities such as input distribution at the local level. In addition, an alternative system of producers organizations known as Economic Interest Groups (GIE) was authorized through legislation adopted on May 11, 1984. This law permits groups to form and register independently from the cooperative movement which has traditionally been dominated by powerful political elites in the countryside and which has been characterized by an extremely poor record with respect to credit reimbursement. The legislation sets no minimum limit to the size of the groups and requires no endorsement from the Ministry of Rural Development or from GOS representatives in rural areas. The key to the success of these groups is in how the legislation is interpreted and applied. Farmers are theoretically supposed to provide the initiative for the creation of these groups and for subsequent applications for credit from the new agricultural credit bank (CNCAS).

e) Cereals Policy

Although the GOS formulated a plan for achieving food self-sufficiency in 1977, very few concrete measures have been introduced to: (1) promote production and consumption of domestic cereals; (2) liberalize cereals marketing or (3) to promote industrial transformation of cereals in order to make them competitive with imported broken rice. At the heart of the problem is the political trade-off between the present policy of importing relatively inexpensive sources of food for the urban population and the recommended policy of creating a market for domestic cereals which would most probably lead to an increase in the cost of food for the urban consumer.

As a means of stimulating production, the GOS has increased the producer price for all cereals while maintaining the producer prices for export crops at current levels. Thus, in October, 1984 the producer price of paddy was increased from CFAF 60/kg to CFAF 66/kg or by 10 percent, the price of millet/sorghum was increased from CFAF 55/kg to CFAF 60/kg or by 9 percent, the price of corn increased from CFAF 50/kg to CFAF 60/kg or by 20 percent and the price of cowpeas increased from CFAF 43/kg to CFAF 60/kg or by 39.5 percent. Donors have also committed themselves to design and implement integrated cereals projects which would deal with every stage including production, marketing, storage, transformation and the subsequent marketing of the final products. The French CCCE has already completed an initial survey of how the cereals sector should be reorganized.

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On the demand side, the GOS has been somewhat reluctant to use price as a mechanism for shifting consumer preference in favour of domestic cereals particularly given the uncertain supply situation. Nevertheless, experimental projects are currently underway to determine the price differential which would encourage consumers to shift to local cereals. For example, corn provided as food aid is being transformed and placed on the rural and urban markets to test consumer response. As part of a new Standby Agreement with the IMF, the consumer price of imported rice may be increased.

f) The CPSP

Although the CPSP is not mentioned in the GOS' New Agricultural Policy, it is a critical institution and as such is part of the multi-donor consensus on core conditionality in the agricultural sector. For a variety of basically political reasons, the CPSP has escaped reform since 1980 and this despite IMF and World Bank pressure for change. However, in February 1984, the CPSP's supervisory Ministry was changed from the Ministry of Commerce to the Ministry of Economy and Finance. The move is potentially a significant one since the present Minister of Finance has expressed his desire to see the CPSP fundamentally reformed and has been the source of requests for donor-financed technical assistance in this regard.

D. USAID'S STRATEGY FOR PROMOTING REFORM THROUGH
NON-PROGRAM ASSISTANCE.

In view of Senegal's economic problems and the fact that the GOS has defined a medium-term strategy, USAID is now in a position to set forth its own immediate objectives and to set the stage for a longer-term effort supported by a multi-year ESF program.

1. Immediate Objectives

In the short-term, USAID/Senegal is proposing this one-year ESF program to continue support for an orderly and politically acceptable pace of adjustment in Senegal. It is difficult to determine an ideal equilibrium between financing and adjustment. While it can be argued that the pace of adjustment in Senegal would have been greater in the absence of external budgetary support, it is also evident that the GOS' choice under more drastic conditions may not reinforce the direction of change which is believed essential by Senegal's major donors. For example, most donors concur that the Government should reduce its role in the economy and liberalize economic regulations in order to promote a favorable climate for the development of the private sector. Given the GOS' established tradition in favor of centralized control, it is unlikely that, during a severe financial crisis and the consequent political instability, the GOS would choose to liberalize economic regulations, thus relinquishing some of the political power it may conserve as a result of its preponderant decision-making role in the economy.

In a more restricted sense, this year's ESF grant is designed to cushion the negative impact of the 1983/84 drought. Had the Government limited its financial participation in the costs of the groundnut seed stock to what it could reasonably finance given its liquidity position (e.g. approximately CFAF 2.0 billion), the size of the seed stock would have been reduced from approximately 120,000 tons to 60,000 tons. Thus, in addition to experiencing a dramatic decline in purchasing power from 1983-84, drought farmers would have been confronted by a situation where their earning potential for the subsequent crop year would have been reduced by 50 percent.

A breakdown in the financial solvability of the seed stock this year would also compromise the prospects for the transfer of seed stock management from the GOS to the oil crushing firms. Although USAID/Senegal's longer-term objectives with respect to seed distribution call for substantial delegation of management responsibility to the farmers and their village-level organizations, it is clear that it would not be feasible to attempt this transition over one year. Thus the ESF grant serves to support the first step in a progressive shift to decentralized seed management.

Another immediate objective is to demonstrate USAID's support for the general directions as set out in the Government's New Agricultural Policy. The U.S. along with the World Bank, the French and the IMF were influential in convincing President Abdou Diouf to undertake a fundamental shift in Senegal's approach to the agricultural sector. Although the Senegalese have yet to demonstrate convincingly their willingness and capacity to implement reforms in the agricultural sector this new initiative clearly warrants at least tentative donor support.

A final short-term objective for this ESF program is to conserve the availability of bank credit in the sector. As explained in Annex D, part of the National seed stock is purchased with rediscounted Central Bank credit made available at a preferential discount rate. In 1980 the simultaneous dissolution of ONCAD and accumulation of CPSP arrears to the oil crushing firms in turn caused the oil crushing firms to increase their liabilities to the banking sector. This back up of liabilities to the banking sector has significantly reduced credit available to agriculture. GOS efforts under the 1983/84 Standby Agreement with the IMF to reimburse arrears to the banking sector have been successful in at least temporarily restoring some bank confidence in the sector; however, this confidence remains quite fragile and will have to be reinforced by concrete GOS action. In the absence of other sources of liquidity to agriculture, the use of \$15.0 million to reimburse bank credit obtained to purchase selected seeds will ensure that lending will continue.

2. Longer-term Strategy for Policy and Institutional Reform

The covenants set out in Section E are primarily designed to identify the major aspects of USAID/Senegal's longer term strategy at the macro-economic and sectoral levels. If GOS performance over the next twelve months proves satisfactory then USAID/Senegal will be recommending a multi-year program. In an aide-memoire sent to the GOS (see annex C), the importance of the covenants for future non-project assistance has been explicitly established.

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a) Macro-economic Level

The analysis in Section B.1 clearly illustrates the necessity of moving from the short term remedies recommended by organizations such as the IMF to institutional reforms. Thus, in the context of a multi-year program, USAID/Senegal intends to concentrate on structural reforms designed to improve the efficiency of the Government's role in the economy which would complement IMF programs focussing on price adjustments, modifications in the rate of taxation and credit containment. In order to maximize prospects for successful achievement of structural reform objectives, USAID/Senegal will be working closely with the World Bank and France. An example of how this cooperation is already functioning is the current division of labour with respect to the diagnosis of the CPSP.

In order to stabilize budgetary accounts and thus to reduce GOS independence on outside budgetary support in future years, major reforms in the tax collection process are essential. USAID/Senegal is recommending a complete review of the fiscal structure and the organization of GOS departments responsible for customs and tax collection. The GOS Minister of Finance has agreed to request a mission from the IMF to assess current tax collection efforts. USAID would be prepared to participate in follow-on technical assistance that may be required. Resources will most certainly be necessary to: (1) improve management and accountability within key departments; (2) computerize tax collection records and updated assessments of property values and (3) monitor performance on tax collection against estimates of potential tax receipts.

The impact of IMF measures designed to deal with the balance of payments have been somewhat disappointing since 1980. Since only approximately 22.5 percent of goods entering the country are in fact effectively taxed it is fair to conclude that the GOS is unable to implement a selective import policy with such a low volume of total imports subject to taxation. Furthermore, the official rates of taxation can run as high as 180 percent as compared to rates in neighboring countries of 20 - 30 percent. In order to rationalize imports, USAID is recommending that the GOS review the structure of taxation on imports and examine the trade-off between high rates of taxation which are applied to only a small percentage of imports and lower rates of taxation which would be applied to a greater volume of goods. In pursuing this objective, USAID will be working in close cooperation with the IMF, World Bank and France.

Another objective at the macro-level is that the GOS allocate and disburse resources to reduce the stock of arrears to the parastatal and private sectors. Obviously, this objective can only be pursued in the context of a real stabilization of the GOS' budgetary accounts; however, an increase in tax receipts when combined with the progressive withdrawal of the GOS from some areas of the economy should make this objective feasible over a 3 to 4 year period.

The final objective at the macro level is the reform of the national budgetary process in order to improve the efficiency in the allocation of both internal and external resources to priority uses. This objective could only be achieved through the integration of donor financed investments as part of the national investment budget and through the creation of a central unit responsible for critically reviewing each Ministry' budget submission and for ruling on its merits based on national priorities. The World Bank is currently financing a study of the investment budget and the ways in which the process could be reformed to include donor resources. USAID/Senegal will be working closely with the World Bank to support this initiative.

b) Seed Distribution and Pricing

With respect to seed distribution, USAID/Senegal's objective is to achieve a system which is financially self-sustaining but which provides safeguards in severe drought years. Seeds should be sold at their cost price and the retained earnings system should be phased out over a 5 year period. Farmers should be given the choice at the time that they market their crops to purchase or not to purchase inputs. In order to broaden the choice as much as possible, several competing systems of seed distribution could be introduced:

- distribution of groundnut seeds either in the shell or unshelled and treated by the oil crushing firms and/or through local distributors.
- use of a system whereby farmers store and treat their own seeds in village-level storage facilities.
- regional systems of seed storage and distribution by the private sector.
- the creation of a security stock at least over a transition period to prevent the risk of drastic decline in production while institutional reforms are in progress.

c) Fertilizer Distribution

The medium-term objective of USAID/Senegal's involvement in the fertilizer sub-sector is to increase the efficiency of fertilizer use through pricing and marketing reforms. It is hoped that greater efficiency in fertilizer utilization will lead to an increase in domestic consumption levels as higher actual rates of return to fertilizer use stimulate domestic demand. The GOS objective is to increase consumption from 50,000 MT in 1985/86 to 120,000 MT in 1988/89. USAID believes that this objective is overly optimistic and is thus aiming for a consumption level of between 75,000 MT - 100,000 MT over the next five years. In order to ensure that fertilizer is used on crops and in regions where returns are maximized and risks minimized, the USAID/Senegal Mission will be working to achieve the following:

- an elimination of the retained earnings system over the next three years.

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- the establishment of a system of cash sales which would exclude the new agricultural credit bank from lending for fertilizer purchase over the next three years. Credit for input purchases has had an unfortunate history in Senegal and should be pursued with extreme caution. It would be advisable to allow the new bank to establish itself before deciding if and when it should provide fertilizer credit.

- the establishment of a private sector distribution network which may involve only one or two companies from the Dakar area to each region but which would be distributed at the retail level by a larger number of traders.

- the use of a small donor-financed subsidy during the transition period over which responsibility for distribution is to be transferred to the private sector and over which producer prices of major crops are to be adjusted to reflect the increase in the cost price of fertilizer (e.g. 3 to 5 years)

d) Extension Services

USAID/Senegal is in complete agreement with the GOS' policy of reducing the role of RDAs and proceeding with a redefinition of the type of extension services provided to the farmers. The main objectives as set out in the new agricultural policy are: (1) to transfer more initiative with respect to production decisions from the RDAs to farmers; (2) to establish a flexible and low-cost system of providing extension services; (3) to promote private sector involvement to replace certain services (e.g. input distribution) currently being offered through RDAs. In the context of a multi-year ESF USAID/Senegal will be pursuing the following concrete achievements:

- RDAs on a case by case basis should redefine their extension roles and their financial relationship with the GOS based on strictly public service functions. Staff reductions should take place accordingly over a 5 year period;

- The donors will encourage the GOS to promote the involvement of the private sector and farmers or other local organizations in response to new opportunities offered by the withdrawal of the RDAs;

- The GOS should be assisted by the donors in relocating or retraining personnel likely to lose government employment as a result of staff reductions (e.g. approximately 3,000 people).

e) Reorganization of the CPSP

GOS intentions with respect to the reorganization of the CPSP have yet to be as clearly defined as other aspects of agricultural sector reform. Nevertheless, it is a key institution for the macroeconomic situation as well as for the agricultural sector. In cooperation with the other donors USAID/Senegal will be following a number of objectives:

- CPSP's role should be limited to that of price stabilization. Direct commercial functions should be turned over to the private sector or other appropriate institutions;
- The GOS must review its pricing objectives and provide firm guidance to the CPSP in how these pricing objectives should be executed;
- The role of the CPSP as an executing agent should be clear and the CPSP should be given management autonomy to carry out its functions;
- The management and accounting systems of the CPSP require strengthening and its technical expertise in negotiating with the agro-industrial sector must be reinforced through training and technical assistance.

f) Cereals Policy

A critical component of USAID/Senegal's strategy in the agricultural sector is to promote production and consumption of domestic cereals. Although many of the constraints to achieving objectives in this area are better addressed by a project or focussed sectoral activity, a certain number of policy and institutional reforms particularly with respect to marketing of cereals could be usefully pursued with ESF:

- Following a review of the legal administrative and other constraints to the liberalization of cereals marketing the GOS should commit itself to eliminating these barriers;
- The GOS role in cereals marketing should be limited to that of monitoring the proper functioning of the markets and of serving as buyer of last resort in the event that private traders are saturated;
- Access to bank credit for private sector companies to purchase millet and other cereals should be facilitated if these companies can present the necessary collateral.

E. CONDITIONALITY FOR THIS ESF

USAID/Senegal has defined conditionality to be consistent with its immediate and longer term-objectives as described in Section D. The GOS has requested that our \$15.0 million ESF be disbursed before December 31, 1984 and USAID/Senegal has responded with agreement in principle if the GOS meets the conditionality set out in an aide-mémoire sent to the Minister of Finance (see Annex C).

1. Conditions Precedent

Three conditions precedent to disbursement have been identified because they provide a firm indication of GOS commitment to the implementation of reforms as set out in the new agricultural policy and as part of a standby program with the IMF. Furthermore USAID/Senegal believes that they can be feasibly met by our target date for disbursement which is December 31.

The first condition is that the negotiations between the oil crushing firms and the GOS on the costs of transferring seed stock management to these firms be finalized and that a contract be signed before disbursement of the ESF grant. Satisfaction of this condition can be verified by GOS presentation of the contract with the signatures of all parties concerned notably the GOS, the CPSP, SONACOS, and SEIB. According to preliminary figures calculated by a French-financed technical assistance team sent to assist the GOS in their negotiations with the oil crushing firms this transfer should generate savings of approximately CFAF 1.5 billion as compared to the costs of State distribution during the 1984/85 crop year.

The second condition is that the oil crushing firms meet the terms of their contractual obligations with the GOS by: (1) reimbursing the remaining outstanding portion of their debts to the banking sector with respect to 1983/84 groundnut purchases and (2) paying the full amount of the excess profits which would normally accrue to the GOS based on the agreed costs of production. (See Annex D for a detailed explanation of how the system operates). According to preliminary IMF figures the oil crushing firms are to pay approximately CFAF 3.5 billion to the GOS in excess profits for the crop year 1983/84. The verification of this condition can be made through confirmation from the central bank that outstanding crop credit has been fully reimbursed and through confirmation from the GOS treasury that excess profits have been relinquished to the government.

The third condition is that SAED and the GOS must present a draft contract-plan accompanied by a Letter of Intent from the Finance Ministry which : (1) sets the pace for the phasing-out of subsidies on input delivery, land preparation and water delivery; (2) defines a framework within which SAED will turn over its production functions to the farmers and the private sector; (3) examines the implications of the above for the phasing-out of personnel and (4) sets out a financially sustainable level of GOS, subsidy consistent with SAED's public services functions.

2. Covenants

Seven key covenants have been formulated to provide a firm basis upon which to assess GOS performance with respect to the implementation of necessary policy and institutional reforms as set out in USAID/Senegal's longer-term strategy to be pursued in the context of a multi-year ESF program. In the autumn of 1985 a joint review of performance with respect to these seven covenants will lead to a recommendation as to whether a multi-year program is appropriate.

The first covenant pertains to fiscal performance. A USAID/GOS working group is to be organized to review fiscal performance as measured in terms of Government receipts as a percentage of GDP. We are recommending that the GOS take the necessary institutional reforms to strengthen the tax collection process. Over the next twelve months the GOS is to commit itself to increasing Government receipts as a percentage of GDP by two percentage points.

The second covenant relates to the reorganization of the fertilizer sub-sector. By the end of February 1985 the GOS is to meet with private sector companies interested in distributing fertilizer to consider their proposals regarding the possible organization of the sub-sector. By the end of May 1985 the GOS will develop a medium-term action plan for the phasing-out of Government involvement and the complete privatization of distribution.

The third covenant refers to the reorganization and reduced role of Government parastatals in the agricultural sector in accordance with the time table set out in the Letter of Intent with the IMF. Thus SONAR and STN are to be liquidated by the end of May 1985. An action plan for progressively transferring seeds to farmers over a six year period is to be completed. Contract plans for SODEVA-SODAGRI, and SODEFITEX setting out a pace for the announced compression of personnel are to be signed as soon as possible. With respect to the CPSP the diagnostic study of its current operations is to be completed by the end of January 1985. External technical assistance to reinforce financial management, industrial negotiations and accounting within the CPSP is to be put in place. Furthermore, an action plan on the reform of the CPSP is to be completed.

The fourth covenant is that the contract-plan for SAED which is to be found acceptable to all parties and in particular to USAID, be signed no later than end of January 1985.

The fifth covenant is that the GOS disburse over the life of the contract-plan and in a timely fashion its contribution to SAED's operating and investment costs. The contract plan is to include an acceptable annual level of subsidy from GOS to SAED.

The sixth covenant covers the area of cereals policy. Given the importance of existing legal and administrative constraints to the liberalization of cereals marketing, the GOS undertakes to officially request that a study of constraints be made and that a plan for removing these constraints be developed.

The seventh covenant relates to the groundnut sector and the availability of crop credit. In order to ensure that the oil crushing firms are in a position to reimburse their crop credit in a timely fashion and as a means of improving the overall efficiency of the sector, the GOS agrees to study the groundnut sector. An action plan will be formulated for the restructuring of the oil crushing industry and of SEIB in particular. The plan will address at least three essential points: (1) measures to deal with the excess productive capacity in the industry; (2) the redefinition of the contractual relationship between the oil crushing firms and the GOS to transfer responsibility for profits and for losses to these firms; and (3) the means of reducing overhead costs in the industry.

F. USE OF ESF GRANT FUNDS

The national seed stock is in deficit by CFAF 6.9 billion or \$15.0 million for crop year 1983/84 due to the drought and its impact on the amount of revenue collected from the retained earnings system. A detailed breakdown of the costs of the seed stock is contained in Annex D; however, the seed debt is basically divided into two major components. The first is the direct bank debt of SONAR which is CFAF 4.2 billion or \$ 9.1 million. SONAR, through this crop year, was responsible for the direct purchase of selected seeds and some ordinary seeds amounting to approximately 92,640 MT in 1983/84. As a direct purchasing agent SONAR benefitted from bank credit made available at a preferential discount rate from the BCEAO amounting to CFAF 6.4 billion plus interest of 0.6 billion over the 12 month period from early December 1983 to December 1984. Of the total of CFAF 7.0 billion SONAR has reimbursed CFAF 2.7 billion. According to BCEAO regulations this credit must be reimbursed by December 31, 1984 or it is automatically reclassified as ordinary credit which is carried at a higher interest rate. Under the IMF credit ceiling reclassified crop credit would reduce the amount of new credit available to the private sector for CY 1985.

The second component of the seed deficit is owed by SONAR to the two oil crushing firms SEIB and SONACOS. The total of this portion is CFAF 2.7 billion or \$5.9 million. Under the system operating for the 1983/84 crop year the oil crushing firms collected ordinary seeds which were then allocated to SONAR for use in the national seed stock. SONAR owes the oil crushing firms CFAF 2.7 billion which was used to purchase 36,085 MT of ordinary seeds. This debt also is recorded in the BCEAO accounts since the oil crushing firms have not reimbursed this portion of their outstanding crop credit because SONAR has not been a position to pay them. As with SONAR's direct bank debt, therefore, this part of the oil crushing firms liabilities to the banking sector must be reimbursed before December 31 or it will be reclassified into ordinary credit.

III. ESF PROGRAM DESCRIPTION

A. Proposed U.S. Program Assistance in FY 1985

Senegal's continuing budgetary crisis and need for policy reform are two key areas of preoccupation both to the Senegalese Government and the AID. The Mission has found program assistance to be a particularly effective instrument for dealing with both areas of concern. Thus, in the period FY 1983-1985, program assistance was carefully integrated into the Mission's portfolio, accounting on average for 38% of the bilateral, non-emergency food program. In FY 1985 alone, program assistance (\$22.0 million) will account for 48% of the Mission's total program. Program assistance is primarily designed to serve three purposes:

- to ease Senegal's budgetary difficulties at a time of unusual stress;
- to continue the policy dialogue which has resulted, over the past two years, in a number of significant reforms in the agricultural sector.
- to provide local currencies (l/c) for activities aimed at improving liquidity in the banking sector, thereby increasing funds available in support of agricultural expansion.

In this time of unparalleled economic difficulty for Senegal, the USAID plans to devote this proposed ESF \$15.0 million grant to quick disbursing cash grants tied to measures and conditions agreed upon by the GOS and AID and supported by the principal donors to Senegal. The immediate impact of this grant will be to recapitalize Senegal's banking sector. Conditionality in the agricultural sector will require the GOS to implement the New Agricultural Policy announced in April, 1984 which provides for a general reduction of the role of Government in the management of the agricultural sector.

In addition to this ESF program, the USAID is proceeding with the development of an FY 1985 Title I program. This \$7.0 million program will reinforce efforts at reform in the agricultural sector through Self-Help Measures that require the GOS to move towards privatization of the fertilizer sector, conclusion of a contract-plan with SAED (parastatal charged with agricultural development in the Senegal River Basin) which defines and reduces SAED's role in favor of increased private initiative, and reforms in the finances and management of the CPSP. Local currencies generated from the sale of Title I food commodities may, in part, be used to support the National Investment Budget (BNE). The BNE comprises the GOS investment portfolio for productivity projects, which, in recent years, has made little progress due to budgetary shortages. Local currencies may also be used for support of reductions in RDA staff and role as well as measures to privatize the fertilizer sector.

It should be noted that in accordance with the December 1984 Aide-memoire from the Director USAID/Senegal to the Minister of Finance, the covenants set forth in Section D2 below constitute conditions precedent to further program assistance.

B. Justification for Cash Transfer

The purpose of this ESF program is to provide \$15.0 million in emergency budgetary support so that it enters the Senegalese banking system by December 31, 1984. According to BCEAO regulations, this credit must be reimbursed by December 31, 1984 or it is automatically reclassified as ordinary credit which is carried at a higher interest rate. Reclassification of this credit will reduce the amount of new credit available to the private sector in CY 1985. Furthermore, if not repaid by December 31, the BCEAO can exercise its option to reverse commitments made to the GOS to finance the seed stock for the next agricultural campaign. Inability to finance next year's seed stock could thoroughly compromise Senegal's capacity to produce peanuts, the country's principal export crop.

In designing this PAAD, the USAID has considered two alternatives to the proposed cash transfer mechanism: a traditional CIP and a Special Letter of Credit (SLC) arrangement.

1. CIP

In FY 1983, the USAID implemented both a standard CIP and a fertilizer import program. An evaluation of these two programs is scheduled for the 3rd quarter of FY 1985. While both appear to have been successful with respect to general implementation and support of policy reform, their ability to provide local currencies in the fixed, short time frame normally associated with IMF and other Financial Institution (such as the BCEAO) targets is doubtful. This question will be a major item for investigation during the evaluation. Another item for examination is the long-term viability of a CIP program in the context of the Franc zone. In any event it is clear that, given the timing considerations incident to this ESF program, a CIP is not a satisfactory alternative.

2. Special Letter of Credit (SLC)

An SLC may be established in conjunction with a CIP program. An irrevocable, unrestricted SLC constitutes a foreign exchange asset against which the BCEAO could provide equivalent amounts of local currency to be applied in meeting commitments under an IMF Standby. At this time the USAID counsels against use of the SLC for two reasons: First, preliminary implementation experience with the FY 1983 CIP has not established the saturation level or potential for expansion of U.S-Senegalese trade flows; that is, it is not yet clear that an SLC-CIP package could be drawn down in a reasonable period of time. Secondly, the Mission has been unable to determine whether Senegal's banking institutions, within the context of the West African Monetary Union (WAMU), would be permitted to create equivalent sums of local

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currency upon the opening of the SLC. The Mission proposes, therefore, that the appropriateness of an SLC be examined over the next several months in anticipation of future ESF funding.

Therefore, the USAID has concluded that, due to the existence of the December 31, time constraint, U.S. interests are best served by an immediate cash transfer of U.S. dollars to provide needed emergency budgetary support. This approach is in line with AID Handbook 4 which states that cash transfers are intended to provide budgetary or balance of payments support on an emergency basis "when the particular AID purpose cannot be accomplished through other instruments".

C. Implementation Procedure

Following PAAD approval and signature of the Grant Agreement, and in anticipation of the fulfillment of conditions referred to below, a Program Assistance Agreement Abstract will be prepared by the Africa Bureau and forwarded to FM/PAD (the accounting station) for entry into the Agency's records. This Abstract will serve as the obligating document until confirmed copies of the Agreement are received by FM/PAD. The Mission will prepare a Financing Request for a Cash Transfer signed by both the Mission Director and a GOS representative. FM/PAD will schedule the payment through the Federal Reserve Electronic Funds Transfer System to the BCEAO Account No. 001,174.5460 in the Chase-Manhattan Bank (CMB) in New York or such other account as designated by the GOS.

Once the deposit is made the BCEAO will, subject to GOS request, create a sum equivalent to \$15.0 million in CFAF in the "depot du tresor auprés de la BCEAO/Senegal" at the Central Bank in Dakar. This account serves as a special account for reception and tracking of AID funds. Funds from this account are normally released on order from the Treasurer of Senegal. However, with respect to this ESF program, the Central Bank will provide its guarantee that U.S. monies will be utilized only upon mutual agreement between AID and the GOS as to the use of the funds. A written letter from the Director of USAID/Senegal to the Treasurer and the Central Bank will constitute Mission concurrence in the use of funds and permit their release.

Following release of funds from the special account, USAID will receive a copy of the transfer order showing to whom transfers were made. The USAID will also verify with the Central Bank the status of the peanut seed stock account to confirm that arrearages have been reduced in an amount equal to that disbursed from the special account.

The Mission believes the above procedure responds to 121 (D) concerns though a formal certification is not required by law for ESF programs.

In the event that the Mission Director is unable to determine that Senegal has taken all reasonable measures to comply with the terms and conditions of this ESF program, funds will not be released until such time as the Mission and GOS agree on a new set of conditions for their release.

The USAID Office of Program Assistance and AFR/PD/SWAP will be responsible for managing all phases of project implementation.

1. Conditions Precedent (CP)

Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

A. A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each person certified as to its authenticity;

B. A statement designating the bank and account number into which the disbursement is to be made.

C. A copy of the contract between the Grantee and the Société Electrique et Industrielle du BAOL (SEIB) and the Société Nationale de Commercialisation des Oléagineux du Sénégal ("SONACOS"), on the costs and means of transferring the management of seed stock to SEIB and SONACOS.

D. A draft contract-plan between the Grantee and SAED submitted by letter from the Ministry of Finance identifying specific limitations on tasks, budgets and personnel ceilings acceptable to USAID will be completed by December 31, 1984.

E. A letter from the Central Bank confirming that oil crushing firms (SEIB and SONACOS) have met the terms of their contractual agreements with the GOS to (1) reimburse the outstanding portion of their debts to the banking sector with respect to 1983-84 groundnut purchases and (2) to pay excess profits to the GOS treasury in accordance with the cost price of CFAF 153.4 per kg of groundnuts. The SEIB, due to financial difficulties, will be authorized to deduct selected debt service payments on outstanding investment loans from excess profits due to the GOS.

F. Funds from this grant will be utilized only upon mutual agreement between AID and the GOS on use of the funds. A written letter from the Director, USAID/Senegal to the Treasurer of the GOS and the Central Bank will constitute Mission concurrence in the use of Funds and permit their release.

2. Special Covenants

A. The Grantee agrees to comply with the terms and conditions of the International Monetary Fund ("IMF") Standby Agreement for 1984-85, if such an agreement is concluded.

B. The Agreement and the Grant will be free from any taxation or fees imposed under the laws in effect in Senegal.

C. Except as the Parties may otherwise agree in writing, Grantee shall fulfill the following covenants before AID will agree to additional budgetary assistance:

(1) In the absence of an IMF Standby Agreement for 1984-85, Grantee covenants to provide AID with a detailed plan to finance the Grantee budget deficit through increase in external and domestic financing or reductions in Grantee expenditures.

(2) By May 31, 1985, Grantee will furnish AID, in form and substance satisfactory to AID, a plan to organize the distribution of fertilizer by the private sector for the 1985/86 crop year.

(3) By May 31, 1985, Grantee will liquidate the Société Nationale d'Approvisionnement du monde Rural (SONAR) and the Société des Terres Neuves (STN).

(4) Grantee will complete an action plan for progressive transfer of seeds to farmers over a 6 year period.

(5) Grantee will develop contract-plans acceptable to AID with SOMIVAC-SODAGRI and SODEVÀ detailing reorganization of their roles, reduction in their personnel and obligations of the GOS.

(6) A diagnostic study of the CPSP is to be completed and external technical assistance to strengthen finance and management put in place along with an action plan for reorganization of the CPSP.

(7) The final contract-plan between the Grantee and SAED acceptable to AID, the World Bank and the French Government will be signed by January 31, 1985.

(8) The GOS will disburse its agreed upon subsidy to SAED as specified in the contract-plan in a timely fashion over the life of that contract-plan.

(9) The GOS will officially request that a study of constraints to cereals marketing be made and that a plan for removal of these constraints be developed.

(10) Over the 12 months beginning with the effective date of this Grant, the GOS will increase its receipts as a percentage of GDP by 2 percentage points.

(11) The GOS will agree to complete an action plan for the restructuring of the oil crushing industry and of SEIB in particular.

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The plan will address at least three essential points: (1) measures to deal with the structural excess productive capacity in the industry; (2) the redefinition of the contractual relationship between the oil crushing firms and the GOS in order to transfer the responsibility for profits and for losses to these firms; and (3) means of reducing overhead costs in the industry.

(12) Special Account

A. The GOS will establish a special account in the bank of its choice and deposit therein currency of the Republic of Senegal in amounts equal to disbursements under the grant. Funds in the special account may be used for such purposes as are mutually agreed upon by AID and the GOS.

B. The GOS shall maintain and cause recipients of funds from the special account to maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the special local currency account. The GOS shall grant or cause such recipients to grant to AID or any of its authorized representatives the right to inspect such books and records at all times as AID may reasonably require. Such books and records shall be maintained for three years after the date of last disbursement by AID. under the grant.

C. Except as the parties may otherwise agree in writing, the GOS shall refund to the special account any local currency not used for agreed upon purposes.

3. Covenants

Completeness of Information. The Grantee confirms:

(a) That the facts and circumstances of which it has informed AID, or caused AID to be informed, in the course of reaching agreement with AID on this Grant, are accurate and complete, and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement; and

(b) that it will inform AID in timely fashion of any subsequent facts and circumstance that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

E. Conclusion and Recommendation

Given the Government of Senegal's request for program assistane (see Annex E) to help alleviate its serious economic problems, and,

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Given the economic policy and program information and justification provided in this PAAD;

IT IS RECOMMENDED THAT:

The Director, USAID/Senegal approve this request for program assistance from Economic Support Funds (ESF) in the form of a cash transfer grant of \$15.0 million to the Government of Senegal.

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IV. POLITICAL FRAMEWORK

Senegal is a nonaligned, moderate, functioning democracy now in its twenty-fourth year of independence. In February 1983, Senegal held its first seriously contested multi-party elections with 5 parties competing for the Presidency and 8 parties presenting slates for the 120 seats in the National Assembly. Acting President Abdou Diouf was overwhelmingly elected as President to his first full term in office with 84% of the vote, and his socialist party (PS) captured 111 out of the 120 national assembly seats. Over 50% of Senegal's voters went to the polls, and the elections were carried out in a quiet and orderly fashion throughout the country. An historic event not only for Senegal, but for Africa as a whole, this election established Senegal's credentials as the leading democracy on the Continent.

In the wake of this strong win at the polls, the government is now facing up to the vital, but difficult, decisions needed to overcome its economic problems, many of which are structural. The resolution of these problems requires courage and firm political will and the Government of Senegal has moved quickly to attack them head-on. The implementation of last year's IMF reform package and the introduction of tight austerity measures reaffirmed the Administration's intent to govern within the bounds of fiscal discipline and real economic development. For the year, Senegal achieved a perfect record, meeting every IMF performance target in each quarter. On balance, the donors consider that the far-reaching measures included in last year's Standby and newly proposed IMF programs are an adequate response to continue the attack on problems presently facing Senegal, and that the continuing program--if vigorously implemented--should pave the way for progressively restoring financial viability.

On the international scene, Senegal has been a positive force for moderation and reason. It has worked closely and effectively with other moderate states in the UN and other fora. (For example, Senegal is the only black African state which provided military personnel as part of International Peace Keeping forces in Shaba, Lebanon, Chad, and the Sinai). Senegal has been in the forefront of moderate African nations trying to contain Libya's aggressive actions in Africa, and has played a key role in the OAU and other Pan African fora. In July 1981, Senegal was instrumental in putting down a coup attempt in the Gambia.

Senegal's geographic location at the first landfall in black Africa from Europe, North or South America has a special interest for the United States, and is of significant strategic importance in world terms. Senegal demonstrated this importance in World War II, and in the Falkland crisis in 1982. Dakar serves as the only emergency landing site for the NASA space shuttle immediately after launching. Senegal is a transport axis and entrepot for West Africa, having among the best air, seaport, and communications facilities in region.

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Within its West African subregion, many of Senegal's neighbors are politically insecure, and the country represents an island of stability and moderation. It is therefore in the U.S. and other friendly country's self-interest to help Senegal preserve its moderate views and democratic tradition. Not only is this help vital to Senegal's ability to continue its own progress economically and socially, but it will also set an important example for its immediate neighbors and the West African subregion as a whole.

As further testimony of the importance of Senegal to the West in general and the U.S. in particular, over the past four years a number of senior U.S. Government officials and Members of Congress have called in Dakar. These visitors have included both Vice Presidents - George Bush and Walter Mondale, then Secretary of State Alexander Haig and U.N. Ambassador Jeanne Kirkpatrick.

To sum up, Senegal has a solid political, infrastructure and intellectual heritage, though this heritage rests on a weak, unstable economic base. Senegal's influence as a nonaligned country extends well beyond its borders, and because of its mature, centrist posture, and its quiet but effective role in international affairs, it is held in esteem by many less developed countries, Western Europe and the United States.

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V. USAID/SENEGAL ASSISTANCE STRATEGY

A. Overview

USAID/Senegal is currently operating under the FY 1983 CDSS submitted in January 1981 and the FY 1986 CDSS update submitted in March 1984. The first document established a program goal of helping the Senegalese to achieve food self-reliance by the year 2000 and the latter: (a) reviewed Senegal's generally favorable progress in implementing its economic Reform Plan, (b) restated the Mission's Country Development Strategy Statement related to this reform for the 1983-1987 period, and (c) summarized the chief means by which the AID program would carry out the Senegal Strategy, through measures in support of policy reform, institutional development, the private sector, and technology transfer.

USAID/Senegal is in the process of wrapping up a year of intensive review and analysis of the general development performance of the Government of Senegal and of its own program. This review will culminate in a new FY 1987 CDSS to be submitted early in CY 1985. Although the FY 1987 CDSS is still in the drafting stage, analysis to date concludes that there should be further precision and concentration of program emphasis. The goals and objectives which have been pursued by the Senegal Mission remain sound. However, operationally it will be necessary to shift our focus to more pragmatic concerns. It must be recognized that Senegal is faced with the possibility of economic collapse and that a major cooperative effort to restructure the Senegalese economy is required over the next few years. At the macro level AID, in conjunction with the donor community and the GOS, will assist with policy analysis and reform and provide resources to facilitate structural adjustment and to cushion socially destabilizing impacts. At the project level AID will concentrate on the elimination of constraints to increased rural production and income. The nature of the current situation is such that all of our activities must focus on getting the economy working.

B. Policy Reform and Donor coordination

A principal characteristic of the current USAID program which will continue, is the intense collaboration with the GOS itself, and with major donors, including the IMF, the World Bank, EEC and France, all of whom are essentially concerned with the implementation of Senegal's economic reform plan introduced in December, 1979 and the New Agricultural Policy announced in April, 1984. Within the context of these programs, which were designed to stabilize the economy and provide the basis for long-term growth, the USAID planned and AID/W approved a budgetary support package composed of three activities (DA, ESF, and Title III funded) totalling \$17.0 million in FY 1983 followed in FY 1984 with a \$10.0 million ESF program. This budgetary support package was in line with a second important element of the Mission CDSS for the period FY 1983-87: conversion of a major portion of the overall program to program

(nonproject) assistance in an effort to be more responsive to Senegal's budgetary problems and to bring about policy reform. A CP to the disbursement of the FY 1983 program assistance package required the GOS to negotiate a new Standby agreement with the IMF for 1983-84 as a quid pro quo to further program assistance. To date, Senegal's excellent IMF Standby performance qualifies the GOS for continuing consideration for ESF grants.

Efforts at helping to stabilize the economy through macroeconomic support and structural reform constitute approximately one-half of the Mission's program in FY 1985. The FY 1985 program assistance package in support of these efforts is outlined in Section III of this PAAD. The package represents only one of the conditions which must be addressed if Senegal is to restore economic equilibrium. Other necessary conditions are being addressed in the balance of the Mission's project portfolio described below.

C. Project Assistance

The current approved goal of the USAID program is Senegal's achievement of the capacity to feed its people, by domestic production and by trade, even in drought years, by the close of this century. Increased rural production and employment are the keys in Senegal to both higher per capita income and to an improved balance of payments.

Current project assistance supports the food self-reliance goal, and includes two emphases. The first is upon increased food production in ways favoring the maximum participation of the population, together with an accent upon the regeneration of soil and fuelwood resources required to cultivate and cook food products. The second and related emphasis is upon the delivery of health and family planning services at local levels, both to increase the productivity of the farming population as well as to reduce, overtime, the rapid annual rate of population increase, now estimated at 3.0 percent. If unchecked, present demographic trends will push Senegal's attainment of food self-reliance into the far-distant future.

For additional detailed description of the USAID/Senegal Assistance Strategy the reader is referred to the CDSS submissions for FY 1985 and FY 1986.

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ANNEX A

Macroeconomic Tables and Data

LIST OF TABLES

1. Government Financial Operations 1983/84-1984/85
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OPERATIONS (billions CFAF)

1983/84

1984/85

	SEPT 84	DEC 84	MAR 85	JUNE 85	
1. Total revenue and grants	201.6	43.0	97.0	157.9	224.7
Revenue	189.4	42.0	87.1	147.0	212.0
Grants	12.2	1.0	9.9	10.9	11.9
of which: capital	6.0	1.0	3.0	4.0	5.0
2. Current expenditure	205.3	41.3	103.3	161.7	226.2
Wages and salaries	100.4	27.7	54.2	81.2	109.0
Interest on public debt	36.9	5.6	22.1	32.5	46.2
External	36.4	5.6	21.0	31.9	45.2
Domestic	0.5	0.0	0.3	0.6	1.0
Supplies, transfers, and other	68.0	8.0	27.0	48.0	71.0
3. Special accounts other than CAA (net)	-6.9	-2.9	-3.5	-4.5	-5.0
4. Correspondents (net)	4.9	-4.4	-1.0	1.3	4.6
of which:					
CPSP, SONAR	-1.3	0.0	0.0	0.0	2.3
Other	6.2	-4.4	-1.0	1.3	2.3
5. Balance of current operations (1-2+3+4)	-11.7	-5.8	-13.8	-11.0	-6.9
6. Capital expenditure	40.3	4.2	15.0	24.0	35.0
Budget	10.0	0.2	3.0	8.0	10.0
Other	30.3	4.0	12.0	16.0	25.0
7. Total expenditure and net lending (2-3-4+6)	247.6	52.8	122.8	188.9	261.6
8. Overall deficit (commitments)	-46.0	-9.0	-25.8	-31.0	-36.9
9. Changes in payments arrears (reduction (-))	-2.0	-2.6	-2.6	-4.0	-7.0
10. Reimbursement of crop credit of which: adjustment	-20.6	0.0	-1.1	-1.1	-2.6
	0.0	0.0	0.0	0.0	-1.5
11. Overall deficit (disbursement (8+9+10))	-68.6	-11.6	-29.5	-36.1	-46.5
12. Financial requirement	68.6	11.6	29.5	36.1	46.5
external financing	36.7	5.3	10.3	23.5	33.3
drawings	35.9	3.0	19.0	23.0	30.9
treasury	11.6	0.0	10.0	11.0	10.9
other	24.3	3.0	9.0	12.0	20.0
refinancing of public debt	29.2	6.2	12.9	19.5	26.5
amortisation	-20.4	-3.9	-13.6	-19.0	-32.1
domestic financing	40.7	6.3	11.2	12.6	13.2
banking system	34.7	7.7	11.2	17.6	19.2
repayment of CNCAD debt to banks	-8.8	0.0	0.0	-5.0	-10.0
long term domestic borrowing	1.4	0.0	0.0	0.0	2.0
Other	4.6	-1.4	0.0	0.0	2.0

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FINANCING

TREASURY

SAUDI ARABIA	0.0	10.0	10.0	12.0
CCCE (FRANCE)	0.0	0.0	1.0	3.5
USA	0.0	0.0	0.0	3.4
OTHER	0.0	0.0	0.0	0.0
TOTAL	0.0	10.0	11.0	18.9

BANKING SYSTEM

OVERDRAFT FACILITY:	3.5	4.5	4.5	5.0
CCCE	0.4	6.5	6.5	6.5
IMF (purchases)	0.0	0.0	10.4	15.9
IMF (repurchases)	-0.6	-4.1	-8.1	-12.5
Other deposits	4.3	4.3	4.3	4.3

TABLE 2
BALANCE of PAYMENTS
(billions CFAF)

	1982/83	1983/84	1984/85	1985/86
Trade balance	-128.3	-107.3	-83.1	-76.3
Exports (fob)	190.7	230.9	258.0	292.3
of which: groundnuts	39.8	70.0	60.7	63.2
Imports (fob)	-319.2	-338.2	-346.1	-368.6
Services (net)	-30.7	-45.9	-63.5	-67.4
of which:				
int on pub debt (1)	-21.3	-27.9	-46.7	-62.0
Unrec transfers (net)	49.3	63.6	66.9	71.0
Current account balance (after rescheduling)	-109.9	-89.6	-84.7	-72.7
Capital account	76.0	71.9	73.6	70.7
Public capital	50.9	49.8	50.9	49.3
of which:				
amort of pub debt (1)	10.7	8.9	18.1	23.4
Private capital	16.0	22.1	22.7	21.4
Errors and omissions	-8.8	-0.4		
Overall balance (after rescheduling)	-42.7	-18.1	-11.1	-2.0
Memorandum items				
Savings from debt reschedulings	35.1	34.6	39.4	39.0
Interest	10.2	12.5	16.1	15.3
Amortization	24.9	22.1	23.3	23.7
Curr account deficit/GDP				
Before rescheduling	16.2	12.7	11.1	8.8
After rescheduling	12.3	9.1	7.6	5.7

Source: IMF
Staff estimates

(1) after rescheduling

TABLE 3
MONETARY SURVEY
1981-June 1985
(Billions CFA)

	1981 DEC	1982 MAR	1982 JUNE	1982 SEPT	1982 DEC	1983 MAR	1983 JUNE	1983 SEPT	1983 DEC	1984 MAR	1984 JUNE	1984 SEPT (est)	1984 DEC (prog)	1985 MAR (prog)	1985 JUNE (prog)
Net foreign assets	-121.6	-127.9	-133.3	-157.8	-159.3	-169.8	-178.8	-189.5	-182.5	-177.3	-198.4	-202.4	-207.3	-209.4	-210.4
Central banks	-98.2	-103.4	-120.7	-136.7	-139.6	-148.1	-163.4	-169.5	-170.3	-168.8	-181.5	0.0	0.0	0.0	0.0
Commercial banks	-23.4	-24.5	-12.6	-21.1	-19.7	-21.7	-15.4	-20.0	-12.2	-8.5	-16.9	-202.4	-207.3	-209.4	-210.4
Domestic credit	370.3	393.7	398.6	420.3	446.1	465.0	468.0	461.9	480.2	482.5	489.7	493.1	526.6	536.9	527.0
Claims on govt (net)	40.7	44.6	70.2	85.5	87.5	86.7	90.4	98.2	106.9	110.9	120.4	128.1	131.6	138.0	139.6
Claims on private sector of which:	329.6	349.1	328.4	334.8	358.6	378.3	377.6	363.7	373.3	371.6	369.3	365.0	395.0	398.9	387.4
cross credit	33.3	48.5	28.3	30.1	33.6	55.6	42.9	27.8	22.0	19.2	11.9	5.2	30.9	33.3	19.7
other	296.3	300.6	300.1	304.7	325.0	322.7	334.7	335.9	351.3	352.4	357.4	359.8	364.1	365.6	367.7
Money and quasi money	216.9	234.5	238.1	230.3	262.3	273.3	266.8	258.4	272.7	276.2	276.2	276.0	294.3	302.5	291.6
Other items (net)	31.8	31.3	27.2	32.2	24.5	21.9	22.4	14.0	25.0	28.6	15.1	14.7	25.0	25.0	25.0

SOURCE: IMF AND BCEAO

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TABLE 3 BIS
Quantitative Performance
Criteria under the 1984/85
Adjustment Program
(Changes from JULY 84 through)

	1984	1985	1985
	DEC	MAR	JUNE
(In billions CFAF)			
Domestic credit	36.9	47.2	37.3
Claims on Government (net)	11.2	17.6	19.2
Domestic arrears of the Government and public agencies	-2.6	-4.0	-7.0
Repayment of ONCAD debt to Banks		5.0	10.0
New external borrowing by the Government or with Government guarantee (In millions of SDRs)			
1-12 years maturity of which:	10.0	20.0	20.0
1-5 years maturity	3.0	4.0	4.0

Notes on the Quantitative
Performance Criteria under
the 1984/85 adjustment

1. In the event that external budgetary assistance falls below CFAF 10 billion during the period July 1, 1984 - December 31, 1984, and CFAF 11 billion during the period July 1, 1984 - March 31, 1985, and CFAF 20.9 billion during the period July 1, 1984, - June 30, 1985, the changes in domestic credit could be adjusted upward by the amount of the shortfall, subject to a maximum increase of CFAF 2 billion. Should external budgetary assistance exceed the above amounts, the ceilings would be adjusted downward pro tanto.
 2. The program does not envisage the receipt by Senegal of any exceptional external financial assistance (including grants during the period July 1, 1984 - June 30, 1985 that would have the effect of improving the net position of the Government vis-a-vis the banking system. Should such assistance be received, however, the ceilings and sub-ceilings will be reduced pro tanto, net of any expenditure undertaken with such assistance.
- In the event that drawings are made against the structural adjustment loans of the CCEC deposited at the BCEAO on June 30, 1984 to finance public sector expenditures not reflected "above the line" in the table on the Government financial operations, the ceilings and sub-ceilings will be adjusted upward pro tanto up to CFAF 1.6 billion at end-June 1985.
3. The program envisages that outstanding 1984/85 crop credit will not exceed CFAF 30.9 billion at end-December 1984, CFAF 33.3 billion at end-March 1985 and CFAF 19.7 billion at end-June 1985. Should the outstanding crop credit fall below the figures above, the ceilings and sub-ceilings will be adjusted downward, pro tanto. In the event that outstanding crop credit exceeds the figures above, the ceilings and sub-ceilings will not be adjusted upward.
 4. The exchange rate applicable to the new external borrowing will be the rate of SDR vis-a-vis the contract currency on June 30, 1984.

TABLE 4
Public and Publicly Guaranteed
Debt(1)
Breakdown by Major Lenders
of Total Outstanding
Disbursed Debt, Debt Commitments
and Disbursements, 1979, 83
(In millions of SDRs)

	1979	1980	1981	1982	1983
Suppliers credits					
Outstanding, disbursed	68.7	49.4	31.2	14.0	12.1
Commitments	3.2		0.9	0.9	
Disbursements	13.8	2.7	0.1	7.6	1.9
Financial institutions					
Outstanding, disbursed	184.2	177.4	160.7	270.9	297.4
Commitments	33.1	15.7	59.3	70.4	1.2
Disbursements	67.1	58.1	6.4		
Multilateral loans					
Outstanding, disbursed	153.2	209.5	299.6	362.2	507.9
Commitments	58.5	151.3	146.9	61.5	131.6
Disbursements	37.1	55.8	81.2		
Bilateral loans					
Outstanding, disbursed	199.6	246.7	417.0	684.4	805.3
Commitments	44.9	108.2	181.3	290.5	150.5
Disbursements	51.7	75.9	127.8		

Source: MINISTRY of FINANCE

(1): Medium and long term deb.

TABLE 5
OPERATIONS of Equalisation
and Stabilization Fund
(CPSP, SONAR)

(billions CFA)	1982/83	1983/84	1984/85	1985/86
1. CPSP	-1.2	2.2	6.3	7.7
Receipts	6.8	8.7	9.1	10.5
Export crops	1.6	5.8	6.7	7.2
Cotton (grain)	1.6	2.3	1.2	1.7
Groundnut products	0.0	3.5	5.5	5.5
Consumption goods	4.9	2.6	2.1	3.1
Rice	1.6	2.6	1.0	1.0
Wheat flour	0.7	0.0	0.0	0.0
Cooking oil	2.6	0.0	1.1	2.1
Sugar	0.0	0.0	0.0	0.0
Taxes and levies	0.3	0.3	0.3	0.3
Expenditures	8.0	6.5	2.8	2.9
Administ and capital	1.0	1.5	1.0	0.6
Agricultural program	0.7	1.6	0.3	0.3
Export crops	4.8	0.3	0.6	0.6
Groundnut products	4.6	0.0	0.0	0.0
Cotton	0.2	0.3	0.6	0.6
Consumption goods	1.5	3.1	0.9	1.4
Sugar	1.5	0.0	0.0	0.0
Wheat flour	0.0	0.2	0.9	1.4
Cooking oil	0.0	2.9	0.0	0.0
2. SEEDS	-3.5	-3.5	-4.0	0.0
3. Agricultural program	-4.0	0.0	0.0	0.0
Fertilizer	-1.5	0.0	0.0	0.0
SAED	-2.5	0.0	0.0	0.0
TOTAL (1+2+3)	-8.7	-1.3	2.3	7.7

SOURCE: IMF AND CPSP

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TABLE 6
Breakdown of the 1983/84
groundnut harvest
(in metric tons)

1. Total verified production	351.716
Oilseeds of which:	347.373
SEIB	12.663
SONACOS	243.888
SONAR N1, N2	38.567
SONAR (ordinary grade)	52.255
Edible groundnuts	4.343
SONACOS	2.524
SONAR	1.819
2. Seed stock	128.726
Oilseeds of which:	125.881
Ordinary grade	
SONAR	52.255
SONACOS	31.940
SEIB	3.119
Grade N1	5.765
Grade N2	32.802
Edible groundnuts	2.845
SONAR	1.819
SONACOS	1.026
3. Trituration	214.847
SEIB	47.805
SONACOS	167.042
4. Edible groundnuts (SONACOS)	1.498
5. Total receipts (3+4)	216.345
6. Losses (1-2-5)	6.645

SOURCE: MINISTRY OF FINANCE

TABLE 7
SITUATION of GROUNDNUT OIL
PROCESSING for 1983/84 CROP
(In Millions of CFA)

1. EXPENDITURES		31632
SONACOS		22692
Variable costs	(243.888 *84.139 CFA/T)	20520
Fixed costs		2172
SEIB		1472
Variable costs	(12.663 *81.936 CFA/T)	1037
Fixed costs		435
COMPENSATION for absorbing Fixed costs		7468
2. RECEIPTS		36048
SONACOS	(167.042 *155.000 CFA/T)	25891
SEIB	(47.805 *155.000 CFA/T)	7410
Receipts on seeds		2747
SONACOS		2510
SEIB		237
3. BALANCE (2-1)		4416

SOURCE: MINISTRY OF FINANCE

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TABLE 8
 DEFICIT on seed stock
 constituted by SONAR
 from 1983/84 production
 (millions of CFA)

1. DIRECT COSTS	8612
oilseed purchases	8417
N1 (5.765*59.000 CFA/T)	340
N2 (32.802*56.000 CFA/T)	1837
Ordinary grade	
of which:	
SONAR purchases	
(50.101*52.000 CFA/T)	2605
(2.153*50.000 CFA/T)	108
SEIB and SONACOS purchases	
(35.052*76.000 CFA/T)	2747
Handling costs	780
Edible groundnut purchases	195
Purchase cost	
(1.819*62.000 CFA/T)	113
Handling costs	82
2. INDIRECT OVERHEAD COSTS	1128
3. TOTAL EXPENDITURES (1+2)	9740
4. RECEIPTS	2741
5. DEFICIT (4-3)	6999

SOURCE: MINISTRY OF FINANCE

Table 9 Senegal: Production and Surface area of cereals crops,
1977/78 - 1984/85

(In thousands of hectares and tons)

	<u>Corn</u>		<u>Downpeas</u>	
	<u>Surface area</u>	<u>Production</u>	<u>Surface area</u>	<u>Production</u>
1984/85 (2)	82.7	98.5	52.5	15.8
1983/84	70.5	60.6	39.4	12.9
1982/83	86.2	82.1	45.9	10.9
1981/82	71.3	78.6	59.2	25.8
1980/79	53.3	49.3	20.9
1979.78	51.1	45.3	---	---
1978/77	56.7	44.8	22.5

(2) Paddy

Table 10 Senegal: Production and Surface area of Industrial crops.
1977/78 - 1984/85

(In thousands of hectares and tons)

	<u>Groundnuts</u>		<u>Cotton</u>	
	<u>Surface area</u>	<u>Production</u>	<u>Surface area</u>	<u>Production</u>
1984/85 (1)	1873.0	682.4	46.3	56.5
1983/84	987.4	568.8	33.4	36.5
1982/83	1139.4	1109.4	42.0	47.5
1981/82	1015.5	884.7	32.0	41.0
1980/79	1085.0	533.4	29.8	21.9
1979/78	1117.9	795.2	30.8	26.8
1978/77	1175.1	1067.3	48.2	33.8

(1) Projections

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Table 11

Senegal: Production and Surface area of cereal crop
1977/78 - 1984

(In thousands of hectares and tons)

	<u>Rice</u>		<u>Millet/Sorghum</u>	
	<u>Surface area</u>	<u>Production</u>	<u>Surface area</u>	<u>Production</u>
1984/85. (2)	66.1	135.8	1002.9	471.4
1983/84	52.0	108.5	783.6	351.8
1982/83	68.2	95.0	990.0	585.2
1981/82	71.6	103.3	1176.9	736.4
1980/79	64.6	67.8	1083.6	552.7
1979/78	82.1	112.7	924.9	495.1
1978/77	91.4	146.0	1054.7	301.7

(2) Paddy.

ANNEX B

GOS Declaration of Economic Policy
Presented to World Bank Consultative Group
For Senegal on December 13-14, 1984

THE MEDIUM AND LONG-TERM
ADJUSTMENT PROGRAM

ACTION PLAN

Analysis of past trends points out the impossibility of them continuing without forced adjustments, the social and political cost of which would probably be more than the country's social and political fabric could bear. The medium and long-term adjustment program, the chief aim of which is to restore Senegal's economic and financial situation, deploys a set of policies designed to:

- strengthen the sectoral bases of growth;
- raise the productivity of investments; and
- improve the financial position.

To implement these policies, the Government has drawn up an action plan.

4.1. Measures to Boost Production

The restructuring of the economy will be pursued in order to stabilize economic growth. The authorities have accordingly decided on specific measures to redynamize agriculture and foster the expansion of fishery, restructure the industrial sector, and continue to promote tourism.

4.1.1. New Agricultural Policy and Restructuring of the Rural Economy

Since April 1984, the Government has been implementing a new agricultural policy focused on the following:

- farmer organization;
- input supply;
- reorganization of Regional development agencies;
- a cereals policy and
- environmental protection through an integrated agro-sylvo-pastoral system.

A. Organization of the Rural Economy and Transfer of Responsibilities to Farmers

The Government has implemented two measures aimed primarily at promoting solidarity through shared interests on the part of the

farmers. Village sections and producer-groups have been established throughout the country (Law of May 11, 1984); as autonomous corporate bodies, these groups have access to bank credit.

B. Input Supply

Fertilizer. Beginning with the next crop season, fertilizer will be supplied through the following concurrent measures:

- withholding from the crop proceeds of each groundnut farmer;
- cash sale on the basis of regressive subsidies financed by Senegal's external donors over a four-year period; and
- bank credit (Caisse Nationale de Crédit Agricole).

After four years, consumption should be at least 120,000 tons (i.e. about one third of crop needs).

Seed. The Government has decided to transfer the management of seed stock to the farmers over a five-year period. It had already been decided to transfer the management of seed to the oil crushing firm who have replaced SONAR since the beginning of the current marketing season. The actual transfer of the seed stock to the farmers hinges on the construction of warehouses, for which financing is being sought, and also on the possibility of financing a buffer seed stock to cover production shortfalls or natural disasters.

Farm Machinery. In order to upgrade the farmers' equipment, it has been decided to set up a National Committee for Agricultural Mechanization, and to study how best to provide the farmers with the machinery. Resumption of industrial and small-scale manufacture of the items required will be encouraged.

Disease control will in future cover all crops. The exact arrangements will be decided by the Government before the start of the next crop season.

C. Reorganization of Regional Development Agencies

The Government has decided to accord priority to:

- the liquidation of SONAR and the Société des Terres Neuves (STN) by the end of May 1985 at the latest;
- phasing-out the staff of SODEVA, where the number of employees will be reduced by 50% by the end of May 1985. A "contrat plan" will be signed before that date, with a view to restructuring the company for achievement of specific objectives;

- the implementation of measures aimed at finalizing before the end of December 1984 the "contrat-plan" for SAED, which will be based on the following principles:
 - disengagement of SAED to the benefit of farmers, rural associations and the private sector;
 - balancing of its accounts; and
 - formulation of priority actions to be taken by SAED with a view to the post-dam situation;
- merging SOMIVAC and SODAGRI and a study of how best to streamline the new agency thus created, under a "contrat plan" to be concluded by the end of March 1985;
- reformulation of operating procedures for SODEFITEX and other agencies based on the principle of transferring actual responsibility to the farmers and disengagement of the State. A "contrat plan" will also be concluded by the end of March 1985 with each of these agencies.

D. Cereals: Policy

The basic principles of the new policy are as follows:

- increase in production through adequate supplies of inputs;
- setting of price incentives for farmers;
- establishment of a local grain market, in particular through small-scale and industrial processing;
- local grain production in particular through the gradual raising of prices for imported grain; and
- immediate study and implementation of a national grain project.

This new grain policy, which is aimed at achieving food self-sufficiency, is also based on an increase in rainfed and irrigated areas.

E. Livestock:

The Government has decided to give priority to stock feed through the use of agricultural by-products, the production of forage and establishment of fodder reserves, gradual sedentarization of herds near water points, and regularization and regulation of livestock transhumance.

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F. Plant protection.

Environmental protection will be promoted through an agro-sylvo-pastoral system. To this end, the Government has decided to implement a land use and consolidation program. In the fight against desertification, the establishment of village woodlots and "green belts" will also help solve local energy problems as part of the overall agricultural policy.

G. Fishery.

The Government has decided to intensify promotion of traditional fishery through improvement of preservation conditions and marketing. As regards industrial-scale fishery, the emphasis will be on replacement of the fishing fleet, improvement in business management and increased bank credit.

4.1.2. Promotion of Industrial Production

The official strategy is in line with the Government's resolve to limit the role of the State in the sector to the establishment of conditions conducive to the growth of private investment.

The measures regarding industrial policy concern: (a) rehabilitation of industry; (b) higher productivity and keener competitiveness of Senegal's industry; and (c) promotion of private investment.

A. Rehabilitation of Industry

The replacement and modernization of Senegal's industrial infrastructure is a major priority of the Government, which has decided on the following measures to stimulate private investment in industry:

- making industrialists better informed about the provisions of the Investment Code, which offers companies the same advantages for modernization programs as for new investments; and
- making the labor market more flexible. In this context, entrepreneurs will be allowed greater freedom of decision as regards the allocation and mobility of manpower and the other factors of production. These two measures will also help boost the sector's productivity and competitiveness and thereby strengthen the bases for future growth.

B. Improvement in the Productivity and Competitiveness of Senegal's Industry

These measures involve:

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- the continued formulation and implementation of tax and tariff reform, in particular to reduce production costs and make Senegal's industry more competitive;
- the study on industrial incentives, to be completed by May 1985, which will be used in determining specific measures to cut costs and boost the efficiency of the agencies and mechanisms that promote industry and exports (including export subsidies, ZFI, ASALE, CSCE, etc.). These measures will be implemented in 1985/86; and
- wider tax incentives to improve the energy balance.

C. Promotion of Private Investment

All appropriate measures will be implemented to spur both domestic and foreign private investment:

- the recent refinement of the Investment Code, which fully guarantees foreign investments, is in this vein;
- new investment opportunities will also be generated through the transfer of a part of the State's portfolio to the private sector;
- the Government will also make a diagnostic study of the small-scale sector, to be completed by the end of 1985; and
- it will further promote the regrouping of promotion agencies (e.g. SONEPI, SOSEPR and SOFISEDIT).

4.1.3 Promotion of Tourism

The following measures are intended to foster continued expansion in the tourism sector:

- implementation of the Government's action program with a view in particular to rehabilitating the urban hotel sector (especially Cap Vert) and beach tourism on the "Petite Cote" and in Casamance;
- improved hotel management and renegotiated management contracts; and
- better financing facilities for the sector in order to strengthen SOFISEDIT actions in this regard.

4.2. Bolstering the Efficiency of Investment

This is based on the development of domestic savings through vigorous policies to restrict consumption, which is expected to rise by

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2.2% during the program period, i.e. at a lower rate than population growth (2.7%). This aspect also rests on the promotion of private investment and gradual and effective disengagement of the State from production and marketing activities.

4.2.1. Public Sector

More specifically as regards the Public Investment Program, it has been decided:

- to further emphasize the priority accorded to directly productive projects demonstrating a high rate of return and the rehabilitation of existing equipment;
- to better identify the recurring costs associated with investments so as to determine the financial feasibility of projects more accurately;
- if possible, to reallocate some of the financing already secured in the light of the new priorities;
- to improve the monitoring of the physical and financial execution of projects;
- to ensure better integration between the investment planning and programming system, the State budget and foreign aid. The Government has accordingly begun a study which will be completed no later than March 1985 and whose recommendations will be implemented in the course of the 1985/86 fiscal year. This study covers:
 - (i) restructuring of the public investment planning and programming services;
 - (ii) the devising of programming and budget methods;
 - (iii) improvement of the accounting and financial monitoring system;
- to refocus the development strategy for community facilities (education, health, social infrastructure, urban development, etc.); and
- to seek, to the extent possible, greater participation by the beneficiaries in the financing of water, health and education investments:
 - (i) as regards education, priority will be given to the swift development of primary education and technical and vocational training;
 - (ii) as regards health, priority will be given to development of primary health care, especially in rural areas, and more efficient hospital services and procurement, storage and distribution procedures for drugs and medications.

4.2.2. Private Sector

168. With a view to fostering domestic savings, financial institutions will be encouraged to adapt their savings instruments to local institutional constraints. The object will be to restore an environment more conducive to totally private investment as part of the State's disengagement policy. The Government has consequently decided to make ~~factor markets more flexible and to encourage foreign private investment in the productive sectors of the economy.~~

In addition, the system of tax benefits will be reviewed to bring it into line with the amendments to the Investment Code.

4.3. Restructuring of the Parapublic Sector

The measures decided in this respect, reflecting the Government's commitment to disengagement, are as follows:

Survey and complete the evaluation of the portfolio by December 31, 1984, focusing on:

- formulation of a clear strategy for the State regarding the sector; and
- limitation of the formation of new companies.

Gradual reduction in total operating subsidies, ultimately
trimming them to half of the current level by the end of fiscal 1989/90.

The subsidies to the various types of public enterprises (administrative public enterprises, public service enterprises and enterprises operating in other sectors) will be identified.

The subsidies to each enterprise will be determined by their commitments to recovery and reduced to a level in accordance with their assigned purposes and the State's budget constraints.

The negotiation of all "contract-plans" will be subject to a precise timetable for the reduction of State subsidies.

The budgets of all administrative public enterprises will be revised with a view to reducing operating costs.

Improved Monitoring of the Sector.

Establishment of a unit responsible for monitoring internal management.

- Mandatory annual external audits for all parapublic companies with annual turnovers exceeding CFAF 5 billion.
- A study of the functions of all supervisory and control agencies will be completed by the end of 1985.
- Strengthening of the "contrats-plans" unit through the assignment of staff from the control agencies who are thoroughly familiar with their workings.

Improvement of Sector Performance

- Negotiation of "contrats-plans" on the basis of decisions taken by the Government in 1983 (12 to 15 enterprises by the end of 1986). These "contrats-plans" must include detailed performance criteria.
- Six-monthly evaluation of "contrats-plan" execution.

4.3. Accelerated liquidation of bankrupt agencies and winding up of those that have accomplished their purposes.

4.4. Rehabilitation of Public Finances

4.4.1. The measures will relate to both expenditure and receipts. The policy of austerity and budgetary rigor will be pursued, in particular by keeping personnel, supplies, equipment and transfer expenses to a bare minimum.

4.4.2. As of fiscal 1985, the operating budget will show a surplus. Efforts will focus on paying off arrears owed to both enterprises and the banking sector. Arrears due to the private sector will be cleared by the end of fiscal 1987/88. The ONCAD debt will be paid off no later than the end of fiscal 1988/89.

4.4.3. As regards personnel expenditures, which are somewhat difficult to trim, the existing monitoring of staff will be stepped up in order to limit staff growth in administration, decentralized public entities and public enterprises to a marginal or even zero level. This growth will not exceed 1.3% for the civil service in fiscal 1984/85. The duties assigned to the unit responsible for monitoring staff and the wage bill will be expanded as follows:

- a survey will be made of administrative staff in public enterprises and entities;
- all recruitment in schools providing training for civil service must be approved in advance; and
- all new recruitment must be approved in advance.

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Funds will be allocated from the operating budget to gradually cover the expenses of the "Caisse Autonome d'Amortissement". CFAF 6 billion has been allocated for fiscal 1984/85.

The additional savings that can be expected from these measures on the expenditure are modest; however, it is expected that performance can be markedly improved as regards receipts. In this respect, the major efforts to recover arrears on fees and taxes will continue. The offices responsible for assessment and collections will be made more efficient (e.g. through computerization).

The increase in the efficiency of internal revenue services will be based on a general tax code and a reformed customs code that will be simplified and more efficient. More specifically, better assessment of taxpayers' property will improve real estate tax receipts. These reforms and the study are under way and should be completed in fiscal 1985/86.

In conjunction with the expected findings of the study on industrial incentives, these reforms may be implemented without increasing the nominal tax rates but with a substantial reduction in exemptions of all types. Lower nominal tax rates with fewer exemptions, e.g. with ceilings on exemptions allowed, would generate more tax revenue.

The financial position of Treasury correspondents will be improved so that they no longer are a burden on public funds. Specific measures have been decided on to improve management in the parapublic sector (see Chapter II above).

The equalization and stabilization role of the CPSP will be confirmed as soon as possible. Studies have been begun to this effect and the Government intends to implement their conclusions as soon as possible.

4.5. Restoring Equilibrium in the Balance of Payments

With a view to eliminating the current account deficit, the level of imports will be gradually stabilized. In 1984, the growth of imports in terms of value should not exceed 5%, which represents a smaller volume.

Exports will be stimulated through existing export subsidies. The stimulus to production resulting from the new tax rates and especially the healthier economy will also be more effective.

Major investment projects will be financed out of external funds. Furthermore, direct foreign investment will be actively promoted.

The borrowing policy will be adjusted to ease the strain on public finances and the balance of payments. There will be ceiling on

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borrowing from banks; the object will be to obtain loans with sizable concessional components.

ANNEX C

Aide-Mémoire from Mission Director, USAID/Senegal
to
The Minister of Finance

A MEMORANDUM
FROM S. J. LITTLEFIELD
DIRECTOR USAID/SENEGAL

TO

MAMOUDOU TOURE
MINISTER OF FINANCE

This is to inform you that USAID/Senegal is willing to recommend through AID/W that the U.S. Government provide Senegal with a \$15.0 million budget assistance grant. These funds, which are available under the Economic Support Fund (ESF), are intended to support the GOS structural adjustment effort both at the macro-economic level and in the agricultural sector. In view of USAID's concern for the agricultural sector, the total \$15.0 million grant is to be used to offset the seed stock deficit as was decided on November 21, 1984 with the approval of BCEAO, BNDS, SONACOS, SEIB and SONAR.

CONDITIONS PRECEDENT TO DISBURSEMENT

Actual grant disbursement currently scheduled by December 31, 1984 will be subject to three conditions deemed essential to an adequate implementation of the GOS adjustment program. Firstly, the on-going negotiations between the GOS and SAED should be concluded with the signing of a second contract plan (lettre de mission) acceptable to the GOS, SAED and to SAED's major donors especially the USAID. Secondly, the negotiations between the GOS and oil crushing firms concerning the transfer of seed stocks management from SONAR to the oil crushing firms should be concluded with the signing of an agreement setting the specific costs of the operation. Thirdly, to ensure that the GOS financial status is consistent with the IMF assumptions, oil crushing firms should entirely reimburse outstanding crop credit granted for the 1983/84 agricultural season.

According to these estimates considered during the November 21 meeting, SONACOS accounts show a 920 million CFA balance and SEIB owes 1.68 billion CFAF (of which 1.34 billions to SONACOS and 332 million to the banking system) for a total amount to be paid under the 2.6 billion outstanding crop credit. Furthermore, the IMF financial program provides for a 3.5 billion CFAF positive excess profit which oil crushing firms should pay to the GOS by December 31, 1984. Although the selling price of groundnut to oil crushing firms is not yet definitely set, on the basis of the June 1984 data and of the July - October period assumptions noted in Marchés Tropicaux (a French language business and trade magazine), it should very likely be somewhere around CFAF 155/kg. According to these preliminary calculations, the positive excess profit owed to the GOS should be about 4.37 billion CFAF that is an 870 million CFAF appreciation over IMF assumptions.

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Considering that compliance by the GOS with the IMF performance criteria by December 31, 1984 is dependent upon both U.S. budget assistance payment and materialization of the other assumptions in the table of government financial operations, it appears necessary that oil crushing firms repay the total crop credit and also pay the excess profit on groundnuts prior to or at the same time as the U.S. contribution. We therefore require GOS confirmation on this vital point. For the payments by oil crushing firms of the excess profit to immediately impact upon the GOS position vis a vis the banking sector, we suggest that the excess profit be directly paid into the Treasury's account with the Central Bank instead of through the CPSP.

A POSSIBLE MULTI-ANNUAL PROGRAM

As I suggested to you during our November 20 meeting, USAID/Senegal plans to submit to AID/W a proposal for a multi-annual budget assistance program as from December 1985. For instance, such a program could consist of a 15 million dollar annual package over a three-year period. The three-year period schedule is interesting in this that the USAID funds could support specific in depth reforms rather than merely serve to rescue the IMF short-term stabilization program in extremis. Providing for a possible longer term program, USAID means to include in this grant agreement a set of five objectives. A decision on the advisability of a multi-annual program would be jointly taken with the GOS following a review of progress made in the implementation of all five objectives.

PUBLIC FINANCES

The details of the first objective are still to be set following discussions between GOS and USAID experts. But we think that fiscal performance measured as a percentage of GDP could be improved to reach the 1979/80 level that is about 24 percent of the GDP. Such improvement seems possible to us without any further tax rate increase and perhaps in some cases with a reduction in tax rates so as to reduce incentives to tax evasion. GOS efforts could focus on tax collection and provision of appropriate capacities for the customs and tax services to improve their work performance. A definite objective for increasing GOS income in terms of GDP percentage might be set for the upcoming twelve months, for instance a 19 - 21 percent of GDP increase.

THE FERTILIZER SUB-SECTOR

The second objective concerns privatization of fertilizer distribution in Senegal.

Pursuant to the New Agricultural Policy and to the liquidation of SONAR, it is necessary to find one or several alternative fertilizer distribution systems. Selection criteria should bear on: (1) the establishment of a large distribution network with no direct GOS involvement and mainly in the regions where the rainfall is adequate enough to ensure sufficient returns to fertilizer application (2) the

phase-out of the retained earnings system which is not only uneconomic but also causes inadequate fertilizer application rates, (3) a marked reduction in the selling price of fertilizer to farmers through lower production costs and if necessary through one or several donors' subsidy over a limited period, and (4) the development of a cash sale system(*). In the very short-term, (end of February 1985) the GOS should encourage interested private companies to make concrete proposals for the 1985/86 agricultural season's activities. By the end of May 1985, the GOS should develop a medium term action plan for the state's withdrawal and the privatization of fertilizer distribution.

RURAL DEVELOPMENT AGENCIES PHASE-OUT.

The third objective concerns the implementation of the institutional reforms according to the GOS schedule in the new Letter of Intent with the I.M.F. especially concerning the Rural Development Agencies Phase-Out, the liquidation of SONAR and STN and the redefinition of the CPSP's tasks and responsibilities. Upon GOS request, USAID is currently funding a study on the imported cereals' sector with the financial aspects of it assumed by Arthur Anderson Consulting firm and the technical aspect by the Food and Feed Grain Institute of Kansas State University. We expect both aspects to be completed in the course of December and to meet with the GOS experts in order to outline an action plan for the reform of this sector.

SAED'S ROLE

The fourth objective is related to the third but mainly focuses on SAED's specific role. SAED will soon be signing a second contract plan (Lettre de Mission) with the GOS providing especially for the terms and conditions of its withdrawal from production tasks. USAID believes that this is essential to the future development of the region and that the contract plan should be very clear on that point. Equally important for SAED's future is its so-called public service role which should be consistent with the GOS budget capacity to meet the costs of public services provided by SAED. In this connection, the GOS should set a level of subsidies for SAED that corresponds to its fund availabilities and commit itself to paying them on a regular basis according to a specific time schedule. For the next twelve months, the GOS should commit itself to paying the subsidy level as approved under the second Contract Plan (Lettre de Mission).

(*) USAID with ISRA's assistance has just completed a study on the fertilizer sector which will soon be discussed with the Ministries and agencies involved.

CEREALS POLICY

The fifth objective concerns cereals policy but this objective is still not clearly defined. A major constraint to increasing the market for domestic cereals is the lack of a marketing system for regular consumer supplies and market outlets for production. USAID is convinced that there is no way this can be achieved unless private sector marketing regulations are liberalized and incentive producer-prices are set. Therefore we wish to work with the GOS in the near future in order to identify the concrete measures needed to implement such a liberalization policy.

I hope this memorandum will help reinforce the fruitful cooperation between the GOS and USAID in the structural adjustment area. U.S. budget assistance to Senegal is a recent phenomenon that dates back to August 1983. We believe that in order to minimize the impact of this assistance upon Senegal's economic and financial status, a multi-annual approach with in-depth reform objectives should be used. We, accordingly wish to establish the bases for an informal but regular dialogue between Senegal's Government and our Mission experts in Dakar. Considering that the above-mentioned objectives are related to institutional reforms, USAID will, of course, be willing to consider possible requests for technical assistance from the GOS for reinforcing the reform process.

Sincerely Yours,

S.J. Littlefield,
USAID Mission Director

cc:

- Mr. Minister of State, Secretary General Presidency's Office
- Mr. Minister of Plan and Cooperation
- Mr. Minister of Rural Development
- Mr. Oumar Khassimou Dia, Managing Director of SAED
- Mr. Serigne Ahmadou Camara, Secretary General at Presidency's Office.

ANNEX D

Financial Aspects of Seed Stock Management
For Crop Year 1983/84

I. GROUNDNUT MARKETING

I.1. Purchases by Oil Crushing Firms

The groundnut marketing season for 1983/84 involved the SONACOS and SEIB oil crushing firms and SONAR the Government agency for seed management.

Groundnut marketing is governed by a contract between the GOS and the SONACOS and SEIB oil crushing firms; this contract establishes the producer price per kg of groundnuts and sets aside a cost package covering the intervention expenses of the oil crushing firms (transportation, handling, financial costs, etc...). For the 1983/84 agricultural season, the producer price was maintained at 70 CFAF/kg as during the previous agricultural season. However, 20 CFAF/kg are withheld from the producer price. Out of the 20 CFAF, 15 are allocated to SONAR to replenish the seed stock while the remaining 5 CFAF are allocated for fertilizer purchase. In total, the net amount received by the producer is 50 CFAF/kg. Concerning the marketing costs of the oil crushing firms, the contract makes a distinction between variable and fixed costs.

For SONACOS and SEIB, variable costs amount respectively to 14.139 CFAF/kg and 11.936 CFAF/kg. The difference in variable costs between these two is due to the fact that SONACOS buys groundnuts throughout Senegal with the exception of the Diourbel region (160 km from Dakar) and while SEIB has only one collection area.

In addition, there are fixed costs which are incurred by oil crushing firms to cover the insurance and shelling costs. On this issue, the contract has established a 2,172 million CFAF and 435 million CFAF package for SONACOS and SEIB respectively. This substantial difference is due to the difference in size between the two oil crushing firms. SONACOS is made up of three plants located in Dakar, in Kaolack (180 km south of Dakar) and in Ziguinchor (450 km south of Dakar). These factories have a capacity of about 800,000 tons. SEIB consists of a one single industrial unit located in Diourbel (150 km North East of Dakar) with a 200,000 ton capacity.

During the 1983/84 agricultural season, SONACOS purchases reached 243,888 tons of groundnuts for oil production and 2,524 tons of edible groundnuts. As for SEIB, its purchases totalled 12,663 tons of groundnut for oil production.

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I.1. Relationships between SONACOS and SEIB

The production capacity for these two oil crushing firms is 1,000,000 metric tons. This is distributed as follows: 800,000 tons or 75% for SONACOS and 200,000 tons or 25% for SEIB. As the groundnut collection area covered by SONACOS is much larger than that of SEIB, the government has determined that the amounts of marketed groundnuts should be distributed for crushing proportionally to the productive capacity of the two firms. Thus SONACOS took about 40,000 tons from its purchases and transferred them to SEIB.

I.3. Seed Purchases by SONAR

SONAR is the agency responsible for seed management. The seed stock which ranges between 125,000 and 130,000 tons is replenished each year. The seeds consist of grains known as N1, N2 and ordinary seeds. N1 seeds are first grade while N2 are second grade groundnut seeds. N1 and 2 seeds are produced by farmers supervised either by the Seed Service (which reports to the Ministry of Rural Development) or by ISRA (Senegalese Agricultural Research Organization). During 1983/84 marketing season, SONAR bought 5,765 tons of N1 seeds, 32,802 tons of N2 seeds, 72,254 tons of ordinary seeds and 1,819 tons of edible groundnuts. SONAR's direct purchases totalled 92,640 tons.

As the seed stock is set by the GOS at 130,000 tons, SONAR complemented this amount by turning to the oil crushing firms.

I.4 Blocked seccos

Blocked seccos are groundnut stocks bought by SONACOS and SEIB oil crushing firms and made available to SONAR to complement the seed stock. It is thus a SONAR debt to SONACOS and SEIB. During 1983/84 marketing season, SONACOS stored 31,940 tons of groundnut seed for oil production and 1,026 tons of edible groundnuts to complement SONAR's seed stock.

SEIB stored about 3,119 tons of groundnuts for oil production to help SONAR replenish its seed stock.

In the final analysis, the seed stock reached 128,725 tons or a total of 92,640 tons of direct purchases by SONAR and 36,085 tons stored by SONACOS AND SEIB.

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II. Funding of the 1983/84 marketing season

II. 1 The characteristics of the funding

The 1983/84 agricultural season, like the preceding ones, was fully financed by the local banking system. All three agencies (SONACOS, SEIB, SONAR) are financed by a 7 bank consortium of which the BNDS (Banque Nationale de Développement du Sénégal, with over 70% of its shares held by the GOS) is the leading partner. Under WAMU (West African Monetary Union) regulation, all bank credits provided to finance the agricultural season are refinanced by the Central Bank at the concessional interest rate of 8.5%. However, these terms apply for only twelve months. The portion of these credits not reimbursed beyond twelve months is considered as regular credit and the interest rate is increased to 10.5%.

Overall Status of the crop credit

The groundnut crop credit is broken down into three separate accounts for the three firms involved in the marketing process; the amount of the bank drawings are as follows:

a) SONACOS: 21,520 million CFA francs.

This amount includes the purchases of groundnuts at 70 CFA francs/kg plus the intervention costs (transportation, overheads, financial costs etc...)

Out of this price of 70 CFA francs/kg, the farmer receives only 50 CFA francs/kg, the remaining 20 CFA francs/kg are withheld; 15 CFA francs as retained earnings on seeds for SONAR and 5 CFA francs on fertilizer.

The retained earnings on seeds covered by SONACOS purchases totalled 3,510 million CFA francs which are receipts for SONAR; the retained earnings on fertilizer defrayed by SONACOS purchases amount to 1,100 million CFA francs.

b) SEIB: 1,310 million CFA francs.

This amount includes as in the case of SONACOS the cost of the groundnuts with the 20 CFA francs/kg retained earnings.

In this case, the total amount of retained earnings on seeds is 190 million and 63 million CFA francs for fertilizer. It thus appears, considering the financing of the agricultural season that SONAR receipts through the retained earnings on seeds amounted to 3,700 million CFA francs. (3,500 million CFA through SONACOS purchases and 190 million CFA francs through SEIB).

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c) SONAR

Unlike SONACOS and SEIB, SONAR's bank financing was not made on the basis of 70 CFA francs/kg, as part of this price consists of the 15 CFA francs retained earnings on seeds.

SONAR bought seeds at various prices, depending on the grade of the seed, but at prices exclusive of retained earnings. Thus the N1 grains were bought at 59 CFA francs/kg, the N2 grains at 56 CFA francs/kg and the ordinary grains at 50 and 52 CFA francs/kg and the edible groundnut at 62 CFA francs/kg. SONAR's bank drawings totalled 6,400 million CFA francs.

This amount represents SONAR's gross debt to the banking system. These are drawings made by SONAR to purchase 92,640 tons of groundnut seeds.

II 3 Reimbursement of the crop credit

Formally, the full crop credit should be repaid within 270 days, between January and October. However, the delay in the repayment of the three crop accounts are due to the following:

The long delay in the signing of the industrial charges contract "between the GOS, SONACOS and SEIB. Whereas the first "marketing" contract sets the producer price for groundnuts and the various intervention costs the "industrial charges" contract assesses the processing costs from groundnuts into crude oil and the "selling price".

The "selling price" is a strategic variable of the groundnut sector in Senegal; it reflects the export value per Kg of groundnuts after deduction of the industrial processing costs defrayed by the oil crushing firm. The contract provides for a 2,5% margin upon ex-factory prices.

In short, as long as the "industrial charges" contract is not signed, the oil crushing firms will reimburse the crop credit on the basis of a provisional selling price. The delay in the establishment of a final selling price prevents the regular repayment of the crop credit within 270 days.

Furthermore, SONAR's reimbursement of crop credit has been substantially delayed because of the gap between the total cost of the seed stock and the receipts resulting from the 15 CFA francs/kg retained earnings.

Normally, SONAR operating expenses (salaries, supplies etc...) are to be covered by a government subsidy. However, due to serious public finances constraints this subsidy was not disbursed in a timely manner. Thus, in order to meet its operating expenses SONAR used part of the money from the retained earnings on seeds. Thus, the non payment of the government subsidy to SONAR makes it still more difficult to settle SONAR's bank debt.

III. Financial status of the 1983/84 agricultural season.

III.1 SONAR's financial status

In order to purchase the 92,640 tons of seeds, SONAR used bank credits totalling 6,400 million CFA francs representing the principal due on crop credit. To reimburse this debt, SONAR was granted a total amount of 3,700 million CFA francs representing the full retained earnings on seeds. However, because of the non disbursement of the government subsidy, SONAR utilized the amount of 959 million CFA francs from the retained earnings on seeds to meet its operating expenses. As a result, SONAR's outstanding bank debt amounts to 3,659 million CFA francs. To this amount should be added the interest charges which amount to 585 million CFA francs. Thus, the total bank debt (principal + interest is equivalent to 4,244 million CFA francs.

To this bank debt should be added SONAR's liabilities towards SEIB and SONACOS which amounts to 2,750 million CFA francs.

III. 2. Excess profits from Groundnuts

Excess profits from groundnuts can be defined as the difference between SONACOS and SEIB expenses and receipts. During 1983/84 season, expenses were 24,164 million CFA francs. This amount represents all the purchases and costs covered by SEIB and SONACOS during the groundnut marketing season. As for the amount of the receipts, it is equivalent to the selling price of 155 CFA/kg multiplied by the amount of groundnuts processed into crude oil, the quantity processed into crude oil for export amounted to 214,847 tons.

As for the selling price, it is equivalent to the average groundnut world price calculated over twenty seven periods of ten days (between January 84 and October 84) after deduction of the industrial crushing costs. As the selling price is 155 CFA francs/kg, the earnings of oil crushing firms for 1983/84 were 33,301 million CFA francs. To this amount, should be added 2,750 million CFA francs owed to SEIB and SONACOS by SONAR.

SEIB and SONACOS earnings totalled 36,051 million CFA francs. Normally, groundnut profit is thus in excess and should amount to 11,887 million CFA francs. This amount is the difference between the receipts and expenses which should be deposited in the Public Treasury. However, this amount is reduced to take into account the overhead costs attributable to the fact that oil crushing firms are operating under capacity.

The contract signed between the GOS on the one hand and SONACOS and SEIB on the other hand guarantees the crushing of 600,000 tons which represents the "break even point" for the firms (e.g. 450,000 tons for SONACOS and 150,000 tons for SEIB).

If SONACOS and SEIB crush an amount exceeding 600,000 tons, they are required to pay the GOS an indemnity which depends on the difference between the actual amount crushed and the 600,000 tons break even point. Otherwise, as was the case for the 1983/84 agricultural season, the GOS is required to pay compensation. In fact SONACOS and SEIB crushed only 214,847 tons. Thus the compensation is calculated as follows:

$C = (214,847 - 600,000) \times 0.8 \times 24,236$, where 0.8 represents the fixed costs coefficient and 24,236 CFA francs/kg represents the industrial crushing costs.

In the final analysis, this compensation for absorption of fixed costs amounted to 7,468 million CFA francs. By deducting this amount of 7,468 million CFA francs from excess profits (11,887 million CFA francs), SONACOS and SEIB oil crushing firms should pay by December 31, 1984 the amount of 4,419 million CFA into the Public Treasury.

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ANNEX E

Government of Senegal
Request for Assistance

Dakar, le

12 DEC. 1984

MINISTERE
DE L'ECONOMIE ET DES FINANCES

685-2278

No. /M.E.F. /D.PREV.

*Le Ministre de l'Economie
et des Finances*

USAID/SENEGAL	
Date received	DEC 12 1984
Registry Nbr	001354
Date Action Taken	
Action Taken	
Signature	

à Madame LITTLEFIELD, Directeur de US-AID

Ambassade des Etats-Unis

D A K A R

Objet : Aide budgétaire américaine destinée à rembourser le déficit financier -

Madame le Directeur,

En réponse à votre lettre et votre aide mémoire cités en-objet, j'ai l'honneur de vous confirmer l'accord du gouvernement sénégalais sur la réalisation des conditions préalables.

Le protocole concernant le transfert de la gestion du stock serencier aux huiliers sera signé avant le 20 décembre 1984.

Le crédit consortial accordé au titre de la campagne 1983/84 sera dénoué par les huiliers et le résultat net qui ne sera pas inférieur à celui projeté dans les tableaux convenus avec le FMI sera reversé au Trésor Public dans les délais.

Tout sera mis en oeuvre, de concert avec les bailleurs de fonds pour que la lettre de mission de la SAED soit élaborée et signée avant le 20 décembre 1984.

- (10)
- | | |
|---------|-------------------------------------|
| ACTION | |
| INFO | |
| DIR | <input checked="" type="checkbox"/> |
| DDIR | <input checked="" type="checkbox"/> |
| MO | <input checked="" type="checkbox"/> |
| PFM | <input checked="" type="checkbox"/> |
| ECU | <input checked="" type="checkbox"/> |
| RBCO | <input checked="" type="checkbox"/> |
| Reg Cox | <input checked="" type="checkbox"/> |
| ENG | <input checked="" type="checkbox"/> |
| RCPO | <input checked="" type="checkbox"/> |
| ADC | <input checked="" type="checkbox"/> |
| STDO | <input checked="" type="checkbox"/> |
| FFP | <input checked="" type="checkbox"/> |
| HPNO | <input checked="" type="checkbox"/> |
| PDO | <input checked="" type="checkbox"/> |
| SNO | <input checked="" type="checkbox"/> |
| CHRON | <input checked="" type="checkbox"/> |
| Reading | <input checked="" type="checkbox"/> |
| Embassy | <input checked="" type="checkbox"/> |

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Je tiens à vous redire notre haute appréciation du soutien que nous apporte votre pays. Votre proposition d'un programme pluri-annuel est du plus haut intérêt. C'est pourquoi, j'ai donné instruction à mes services d'entrer en contact avec les votre pour l'étudier.

Le Sénégal entend poursuivre une politique d'ajustement exigeant des efforts soutenus et durables. Sachant l'engagement de votre pays à nous soutenir, je ne puis que souhaiter le renforcement de la collaboration de nos services pour identifier les problèmes et poursuivre la recherche de solutions d'avenir.

Veillez agréer, Madame le Directeur, l'assurance de ma haute considération.

Pour le Ministre de
l'Economie et de
Le Secrétaire
des Finances
et
Planification
Moussa TOURE

Annex F

Draft Grant Program Assistance Agreement.

DRAFT

A.I.D. Program No. 685-0287
Programme de l'A.I.D. N° 685-0287

PROGRAM
GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF SENEGAL
AND
THE UNITED STATES OF AMERICA
FOR
STRUCTURAL ADJUSTMENT
ACCORD DE SUBVENTION DE PROGRAMME
ENTRE
LE GOUVERNEMENT DE LA REPUBLIQUE DU SENEGAL
ET
LES ETATS-UNIS D'AMERIQUE
POUR
LE PROGRAMME D'AJUSTEMENT STRUCTUREL

Dated:

En date du:

ACCORD DE SUBVENTION

Subvention Numéro: 685-0287

En date du:

Entre

Le de la République du Sénégal
("Bénéficiaire")

Et

Les Etats-Unis d'Amérique, agissant
par l'intermédiaire de l'Agence pour
le Développement International
("A.I.D.")

Article 1: La Subvention

Les Etats-Unis d'Amérique,
conformément à la Loi sur l'Aide au
Nations Etrangères de 1961, telle
qu'elle a été modifiée, acceptent aux
termes du présent Accord d'allouer au
Gouvernement de la République du Sénégal
une subvention ne devant pas dépasser
quinze millions de dollars américains
(15.000.000 millions de dollars) ("La
Subvention") en vue de promouvoir le
développement économique du Sénégal.

Article 2: Conditions Préalables au Déboursement

Section 2.1: Conditions Préalables

Avant le premier déboursement au
titre de la Subvention, ou
l'établissement par l'A.I.D. des pièces
par lesquelles le déboursement sera
effectué, le Bénéficiaire, sauf avis
contraire exprimé par écrit par les
parties, fournira à l'A.I.D., sous une
forme et dans des termes jugés
acceptables par l'A.I.D.:

GRANT AGREEMENT

Grant Number: 685-0287

Dated:

Between

The Republic of Senegal ("Grantee")

And

The United States of America, acting
through the Agency for International
Development ("A.I.D.")

Article 1: The Grant

The United States, pursuant to the
Foreign Assistance Act of 1961, as
amended, agrees to grant the Government
of the Republic of Senegal under the
terms of this Agreement not to exceed
fifteen million United States dollars
(\$15,000,000) (the "Grant") to promote
economic development in the Republic of
Senegal.

Article 2: Conditions Precedent to Disbursement

Section 2.1: Conditions Precedent

Prior to the first disbursement under
the Grant, or to the issuance by A.I.D.
of documentation pursuant to which
disbursement will be made, the Grantee
will, except as the Parties may
otherwise agree in writing, furnish to
A.I.D., in form and substance
satisfactory to A.I.D.:

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ACCORD DE SUBVENTION
PROGRAMME D'AJUSTEMENT STRUCTUREL
(685-0287)

PROGRAM GRANT AGREEMENT
FOR STRUCTURAL ADJUSTMENT
(685-0287)

(a) Une déclaration attestant que la/les personne(s) nommée(s) sont habilitée(s) à agir en qualité de représentant(s) du Bénéficiaire conformément à la Section 7.2, ainsi qu'un spécimen de la signature de chaque personne certifié conforme;

(a) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee pursuant to Section 7.2, together with a specimen signature of each person certified as to its authenticity;

(b) Une attestation indiquant le nom de la banque et le numéro du compte dans lequel le déboursement sera effectué;

(b) A statement designating the bank and account number into which the disbursement is to be made.

(c) Une copie signée du contrat liant le Bénéficiaire d'une part et la Société Electrique et Industrielle du Baol ("SEIB") et la Société Nationale de Commercialisation des Oléagineux du Sénégal ("SONACOS") d'autre part, et concernant les coûts et les moyens de transférer la gestion du capital semencier à la SEIB et à la SONACOS.

(c) A signed copy of the contract between the Grantee and the Société Electrique et Industrielle du BAOL ("SEIB") and the Société Nationale de Commercialisation des Oléagineux du Sénégal ("SONACOS"), respectively on the costs and means of transferring the management of seed stock to SEIB and SONACOS.

(d) Un projet de contrat-plan entre le Bénéficiaire et la SAED, acceptable pour l'USAID et accompagné d'une lettre du Ministère de l'Economie et des Finances définissant les limites spécifiques imposées aux tâches, aux budgets et les plafonds des effectifs, qui devra être élaboré au plus tard le 31 décembre 1984.

(d) A draft Contrat-Plan between the Grantee and SAED acceptable to USAID and accompanied by a letter from the Ministry of Finance identifying specific limitations on tasks, budgets and personnel ceilings completed by December 31, 1984.

(e) Une confirmation par lettre de la Banque Centrale que les huileries (SEIB et SONACOS) ont rempli les conditions de leurs accords contractuels avec le Gouvernement du Sénégal en vue de (1) rembourser la partie restante de leurs dettes envers le secteur bancaire en ce qui concerne les achats d'arachide de 1983-84; et (2) de verser la péréquation positive au Trésor Sénégalais conformément au prix de cession moyen de 153,4 FCFA le kg d'arachide. En raison des difficultés financières, la SEIB sera autorisée à déduire de la péréquation positive due au Gouvernement du Sénégal certains paiements du service de la dette concernant les prêts d'investissement non liquidés.

(e) Confirmation by letter from the Central Bank that oil crushing firms (SEIB and SONACOS) have met the terms of their contractual agreements with the GOS to: (1) reimburse the outstanding portion of their debts to the banking sector with respect to 1983-84 groundnut purchases; and (2) to pay excess profits to the GOS treasury in accordance with the cost price of CFAF 153.4 per kilogramme of groundnuts. The SEIB, due to financial difficulties, will be authorized to deduct selected debt service payments on outstanding investment loans from excess profits due to The GOS.

ACCORD DE SUBVENTION
PROGRAMME D'AJUSTEMENT STRUCTUREL
(685-0287)

PROGRAM GRANT AGREEMENT
FOR STRUCTURAL ADJUSTMENT
(685-0287)

(f) Les fonds provenant de cette subvention ne seront utilisés que d'un commun accord entre l'A.I.D. et le Gouvernement du Sénégal sur l'utilisation de ces fonds. Une lettre écrite par le Directeur de l'USAID/Sénégal et adressée au Trésorier Général du Gouvernement du Sénégal et au Directeur National de la Banque Centrale constituera l'accord de l'USAID en ce qui concerne l'utilisation des fonds et permettra leur déboursement.

(f) Funds from this grant will be utilized only upon mutual agreement between A.I.D. and the GOS on use of the funds. A written letter from the Director, USAID/Senegal to the treasurer of the GOS and the central bank will constitute USAID's concurrence in the use of funds and permit their release.

Section 2.2: Notification

Lorsque l'A.I.D. aura estimé que les conditions préalables stipulées à la Section 2.1 ont été remplies, elle devra en aviser immédiatement le Bénéficiaire.

Section 2.2: Notification

When A.I.D. has determined that the conditions specified in Section 2.1 have been met, it will promptly notify the Grantee.

Section 2.3: Date Limite des Conditions Préalables

Si les conditions stipulées à la Section 2.1 n'ont pas été remplies dans un délai de trente (30) jours à compter de la date du présent Accord, ou de toute autre date ultérieure dont l'A.I.D. peut convenir par écrit, l'A.I.D., à son gré, peut résilier le présent Accord par notification écrite au Bénéficiaire.

Section 2.3: Terminal Date for Conditions Precedent

If all the conditions specified in Section 2.1. have not been met within 30 days from the date of this Agreement, or such later date as A.I.D. may specify in writing, then A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 3: Déboursement

Après avoir satisfait aux conditions préalables stipulées à la Section 2.1, le Bénéficiaire peut demander à l'A.I.D. de déboursier la subvention. Après avoir examiné et approuvé la documentation présentée par le Bénéficiaire, l'A.I.D. effectuera le déboursement de la subvention à la banque et dans le compte indiqué par le Bénéficiaire.

Article 3: Disbursement

After satisfaction of the conditions specified in Section 2.1, the Grantee may request A.I.D. to disburse the Grant. After review and approval of the documentation submitted by the Grantee, A.I.D. will disburse the Grant to the bank and account number designated by the Grantee.

ACCORD DE SUBVENTION
PROGRAMME D'AJUSTEMENT STRUCTUREL
(685-0287)

PROGRAM GRANT AGREEMENT
FOR STRUCTURAL ADJUSTMENT
(685-0287)

Article 4: Conventions

Article 4: Covenants

Section 4.1: Exigences en matière
d'information

Section 4.1: Completeness of Information

Le Bénéficiaire confirme:

The Grantee confirms:

(a) que les faits et circonstances dont il a informé l'A.I.D., directement ou indirectement, au cours du processus ayant permis d'aboutir à un accord avec l'A.I.D. au sujet de la Subvention, sont exacts et complets, et comprennent les faits et circonstances qui pourraient effectivement avoir une incidence sur la Subvention et sur l'exercice des responsabilités dans le cadre du présent Accord; et

(a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on this Grant, are accurate and complete, and include all facts and circumstances that might materially affect this Grant and the discharge of responsibilities under this Agreement; and

(b) qu'il informera l'A.I.D. en temps opportun des faits et circonstances ultérieures qui pourraient effectivement avoir des incidences sur la Subvention ou sur l'exercice des responsabilités dans le cadre de l'Accord.

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

Section 4.2: Conventions spéciales

Section 4.2: Special Covenants

(a) Le Bénéficiaire accepte de se conformer aux modalités et conditions de l'Accord Stand-by du Fonds Monétaire International ("FMI") pour 1984-85, si un tel accord est conclu.

(a) The Grantee agrees to comply with the terms and conditions of the International Monetary Fund ("IMF") Standby Agreement for 1984-85, if such an agreement is concluded.

(b) Le Bénéficiaire convient de fournir à l'A.I.D., dès leur publication, des copies de tous les rapports statistiques envoyés au FMI ou à d'autres bailleurs de fonds concernant les mesures prises conformément au programme de réforme énoncé dans l'Accord Stand-by du FMI pour 1984-85.

(b) The Grantee agrees to furnish A.I.D., upon issuance, copies of all statistical reports furnished to the IMF or other donors relative to Grantee's compliance with the reform program, set forth in the IMF Standby Agreement for 1984-85.

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(c) L'Accord et la Subvention seront exonérés des droits ou taxes imposés par les lois en vigueur au Sénégal.

(c) The Agreement and the Grant will be free from any taxation or fees imposed under the laws in effect in Senegal.

(d) Sauf autrement convenu par écrit par les parties, le Bénéficiaire devra se conformer aux conventions suivantes avant que l'A.I.D. n'accepte une aide budgétaire supplémentaire:

(d) Except as the Parties may otherwise agree in writing, Grantee shall fulfill the following covenants before A.I.D. will agree to additional budgetary assistance:

1. En l'absence d'un Accord Standby du FMI pour 1984-85, le Bénéficiaire accepte de fournir à l'A.I.D. un plan détaillé pour le financement du déficit budgétaire par le biais d'augmentations de financements étrangers ou nationaux ou de réductions des dépenses du Bénéficiaire.

1. In the absence of an IMF Standby Agreement for 1984-85, Grantee covenants to provide A.I.D. a detailed plan to finance the Grantee budget deficit through increases in external and domestic financing or reductions in Grantee expenditures.

2. Le Bénéficiaire devra fournir, le 31 mai 1985 au plus tard, sous une forme et dans des termes jugés acceptables par l'A.I.D., un plan de distribution des engrais par le secteur privé pour la campagne agricole 1985/86.

2. By May 31, 1985, Grantee will furnish A.I.D., in form and substance satisfactory to A.I.D., a plan to organize the distribution of fertilizer by the private sector for the 1985-86 crop year.

3. Le Bénéficiaire accepte, au plus tard le 31 mai 1985, de liquider la Société Nationale d'Approvisionnement du monde Rural ("SONAR") et la Société des Terres Neuves ("STN").

3. By May 31, 1985, Grantee covenants fully to liquidate Société Nationale d'Approvisionnement du monde Rural ("SONAR") and the Société des Terres Neuves ("STN").

4. Le Bénéficiaire devra élaborer un plan d'action pour un transfert graduel, sur une période de six ans, des semences aux paysans.

4. Grantee will complete an action plan for progressive transfer of seeds to farmers over a six-year period.

5. Le Bénéficiaire devra élaborer des contrats-plans acceptables pour l'A.I.D. avec la SOMICAC-SCDAGRI et la SODEVA et détaillant le réaménagement de leurs fonctions, la réduction de leur personnel et des obligations du Gouvernement du Sénégal.

5. Grantee will develop Contrat-Plans acceptable to A.I.D. with SOMIVAC-SODAGRI and SODEVA detailing reorganization of their roles, reduction in their personnel and obligations of the GOS.

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6. Une étude diagnostique de la CPSP devra être réalisée et une assistance technique destinée à renforcer la gestion administrative et financière ainsi qu'un plan d'action pour la restructuration de la CPSP mis en place.

6. A diagnostic study of the CPSP is to be completed and technical assistance to strengthen finance and management ~~put in place along with an~~ action plan for reorganization of the CPSP.

7. Le contrat-plan final entre le Bénéficiaire et la SAED acceptable pour l'A.I.D., la Banque Mondiale et le Gouvernement français devra être signé au plus tard le 31 janvier 1985.

7. The final Contrat-Plan between Grantee and SAED acceptable to A.I.D., the World Bank and the French Government will be signed by January 31, 1985.

8. Le Gouvernement du Sénégal procédera au déboursement à temps et pendant la durée du contrat-plan, au profit de la SAED, de la subvention qu'elle a convenu de lui accorder comme stipulé dans le contrat-plan.

8. The GOS will disburse its agreed upon subsidy to SAED as specified in the Contrat-Plan in a timely fashion over the life of the Contrat-Plan.

9. Le Gouvernement du Sénégal demandera officiellement qu'une étude des contraintes pesant sur la commercialisation des céréales soit menée et qu'un plan destiné à lever ces contraintes soit élaboré.

9. The GOS will officially request that a study of constraints to cereals marketing be made and that a plan for removal of these constraints be developed.

10. Dans les 12 mois qui suivent l'entrée en vigueur de la subvention, le Gouvernement du Sénégal devra augmenter ses recettes de 2 pourcent de son PIB.

10. Over the 12 months beginning with the effective date of this grant, the GOS will increase its receipts as a percentage of GDP by 2 percentage points.

11. Le Gouvernement du Sénégal devra accepter d'élaborer un plan d'action en vue de la restructuration des huiliers et de la SEIB notamment. Ce plan devra être axé sur: (1) les mesures destinées à faire face à la capacité de production industrielle excédentaire; (2) à la redéfinition des relations contractuelles entre les huileries et le Gouvernement du Sénégal pour transférer la responsabilité des pertes et profits à ces sociétés; et les moyens de réduire les coûts des frais généraux de l'industrie.

11. The GOS will agree to complete an action plan for the restructuring of the oil crushing industry and of SEIB in particular. The plan will address at least three essential points: (1) measures to deal with the structural-excess productive capacity in the industry; (2) the redefinition of the contractual relationship between the oil crushing firms and the GOS to transfer responsibility for profits and for losses to these firms; and (3) means of reducing overhead costs in the industry.

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Article 5: Compte spécial

Article 5: Special Account

Section 5.1: Ouverture d'un Compte spécial

Section 5.1: Establishment of a Special Account

(a) Le Bénéficiaire devra ouvrir un Compte Spécial dans une banque de son choix et y déposer des fonds en monnaie locale d'un montant égal aux déboursements effectués dans le cadre de la subvention. Les fonds du compte spécial peuvent être utilisés pour les fins convenues d'un commun accord entre l'A.I.D. et le Gouvernement du Sénégal.

(a) Grantee will establish a Special Account in the bank of its choice and deposit therein currency of the Republic of Senegal in amounts equal to disbursements under the grant. Funds in the Special Account may be used for such purposes as are mutually agreed upon by A.I.D. and the GOS.

(b) Le Gouvernement du Sénégal tiendra et fera tenir aux bénéficiaires des fonds provenant du Compte Spécial, conformément aux principes acceptés et aux pratiques appliquées en matière de comptabilité, les livres et documents comptables relatifs au compte spécial des fonds en monnaie locale. Le Gouvernement du Sénégal autorisera ou demandera aux bénéficiaires d'accorder à l'A.I.D. ou à n'importe lequel de ses représentants autorisés le droit d'inspecter les livres et documents comptables à tout moment raisonnable à la demande de l'USAID. Ces livres et documents comptables seront tenus pendant trois ans à compter de la date du dernier déboursement effectué par l'A.I.D. dans le cadre de la subvention.

(b) The GOS shall maintain and cause recipients of funds from the special account to be maintain, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the special local currency account. The GOS shall grant or cause such recipients to grant to A.I.D. or any of its authorized representatives the right to inspect such books and records at all times as

A.I.D. may reasonably require. Such books and records shall be maintained for three years after the date of last disbursement by A.I.D. under the grant.

(c) Sauf autrement convenu par écrit par les Parties, le Gouvernement du Sénégal reversera dans le compte spécial tout montant non utilisé à des fins convenues d'un commun accord.

(c) Except as the Parties may otherwise agree in writing, the GOS shall refund to the special account any local currency not used for agreed upon purposes.

Section 5.2: Utilisations du Compte spécial

Section 5.2: Uses of the Special Account

La totalité des 15 millions de dollars qui constitue la présente subvention doit être utilisée pour compenser le déficit du capital semencier.

The total \$15.0 million grant is to be used to offset the seed stock deficit.

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Section 5.3: Taux de Change

Afin de fixer le montant des fonds en monnaie locale à verser par le Bénéficiaire dans le compte spécial, le Bénéficiaire devra utiliser le taux de change le plus élevé qui, au moment du déboursement au titre de la Subvention, ne soit pas illicite au Sénégal. Au sens de la phrase précédente, "le taux de change le plus élevé" est le taux de change qui donne le plus grand nombre d'unités de monnaie locale par dollar américain, sauf autrement convenu par écrit par les Parties.

Article 6: Résiliation; Recours

Section 6.1: Résiliation

Le présent Accord de Subvention peut à tout moment être résilié d'un commun accord par les Parties. L'une des Parties peut résilier le présent Accord en donnant à l'autre un préavis de trente (30) jours.

Section 6.2: Suspension

Si à un moment quelconque:

a) Le Bénéficiaire ne se conforme pas à une disposition quelconque du présent Accord de Subvention; ou

(b) une attestation ou justification fournie par le Bénéficiaire ou en son nom en vue d'obtenir la présente Subvention ou fournie ou exigée dans le cadre du présent Accord est incorrecte à certain égards; ou

Section 5.3: Rate of Exchange

For purposes of determining the amount of local currency to be deposited by the Grantee in the Special Account, the Grantee shall use the highest rate of exchange which, at the time of the disbursement under the Grant, is not unlawful in the Republic of Senegal. As used in the preceding sentence, the "highest rate of exchange" is the rate of exchange which yields the greatest number of units of local currency per U.S. dollar, except as the Parties may otherwise agree in writing.

Article 6: Termination; Remedies

Section 6.1: Termination

This Grant Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Grant Agreement by giving the other Party thirty (30) days written notice.

Section 6.2: Suspension

If at any time:

a) The Grantee shall fail to comply with any provision of this Grant Agreement; or

(b) any representation or warranty made by/on behalf of Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

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(c) il se produit un événement qui selon l'A.I.D. donne naissance à une situation exceptionnelle rendant improbable soit la réalisation des objectifs de la Subvention soit l'exécution des obligations par le Bénéficiaire dans le cadre du présent Accord; ou

(d) un déboursement quelconque par l'A.I.D. constitue une violation de la législation régissant l'A.I.D.; ou

(e) un manquement se produit dans le cadre d'un autre accord entre le Bénéficiaire ou l'un de ses organismes et l'A.I.D. ou l'un de ses services;

dans ce cas, l'A.I.D. peut suspendre ou annuler le présent Accord;

Section 6.3: Annulation par l'A.I.D.

Si, dans un délai de soixante (60) jours à compter de la date de toute suspension conformément à la Section 6.2, des dispositions n'ont pas été prises en vue de remédier à la (ou aux) cause(s) de ladite subvention, l'A.I.D. peut annuler toute partie de la Subvention non encore déboursée ou irrévocablement engagée auprès de tiers.

Section 6.4: Non renonciation aux Recours

Aucun retard dans l'exercice ou l'omission d'un droit, d'un pouvoir ou d'un recours accordé à l'A.I.D. dans le cadre du présent Accord ne sera interprété comme une renonciation à ces droits, pouvoirs ou recours.

(c) an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of this Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or

(d) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(e) a default shall have occurred under any other agreement between Grantee or any of its agencies and A.I.D. or any of its agencies;

then A.I.D. may suspend or cancel this Agreement.

Section 6.3: Cancellation by A.I.D.

If, within sixty (60) days from the date of any suspension pursuant to Section 6.2., the cause or causes thereof have not been corrected, then A.I.D. may cancel any part of this Grant that is not then disbursed or irrevocably committed to third parties.

Section 6.4: Nonwaiver of Remedies

No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D. under this Agreement will be construed as a waiver of such rights, powers, or remedies.

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Article 7: Divers

Section 7.1: Lettres d'Exécution

De temps en temps, afin d'informer et de donner des directives aux deux parties, l'A.I.D. enverra des Lettres d'Exécution décrivant les procédures applicables à l'exécution de l'Accord. Sauf autrement prévu par des dispositions particulières du présent Accord, les lettres d'exécution ne pourront pas être utilisées pour amender ou modifier le texte du présent Accord.

Section 7.2: Représentants

Aux fins d'application du présent Accord, le Bénéficiaire sera représenté par le Ministre de l'Economie et des Finances ou la personne assurant l'intérim et l'A.I.D. sera représentée par le Directeur de l'USAID/Sénégal ou la personne assurant l'intérim. Chacun des représentant peut, par écrit, désigner d'autres représentants. Les noms des représentants du Bénéficiaire ainsi que les spécimens de leurs signatures, seront fournis à l'A.I.D. qui peut accepter comme dûment autorisé tout document signé par ces représentants dans le cadre de l'exécution du présent Accord, jusqu'à la réception d'une notification écrite abrogeant leur mandat.

Article 7: Miscellaneous

Section 7.1: Implementation Letters

From time to time, for the information and guidance of both Parties, A.I.D. will issue implementation letters describing the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, implementation letters will not be used to amend or modify the text of this Agreement.

Section 7.2: Representatives

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of Economy and Finance, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID/Senegal each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

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Section 7.3 Communications

Toute notification, demande, tout document ou autre communication transmis à une partie par l'autre au titre du présent Accord se fera par écrit ou par télégramme ou télex et sera considéré comme dûment remis ou envoyé à l'adresse suivante:

Pour le Bénéficiaire: Ministère de
l'Economie et des
Finances
Dakar, Sénégal

Adresse Postale: Ministère de
l'Economie et des
Finances
Dakar, Senegal

Pour l'A.I.D.: Au Directeur
de l'USAID/Sénégal
Dakar, Sénégal

Adresse Postale: USAID/Sénégal
s/c Ambassade des
Etats-Unis d'Amérique
B.P. 49
Dakar, Sénégal

Toutes ces communications seront rédigées en anglais ou en français sauf autrement convenu par écrit par les Parties. Les adresses sus-mentionnées peuvent être remplacées par d'autres sur notification écrite.

Section 7.4: Information

Le Bénéficiaire assurera une publicité appropriée à la Subvention en tant que programme d'assistance auquel le Gouvernement des Etats-Unis d'Amérique a contribué.

Section 7.3 Communications

Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Grantee: Ministry of Economy
and Finance
Dakar, Senegal

Mail Address: Ministry of Economy
and Finance
Dakar, Senegal

To A.I.D. : Director,
USAID/Senegal
Dakar, Senegal

Mail Address: USAID/Senegal
c/o American Embassy
B.P. 49
Dakar, Senegal

All such communications will be in English or French unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon giving of notice.

Section 7.4: Information

The Grantee will give appropriate publicity to the Grant as a program of assistance to which the Government of the United States of America has contributed.

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Section 7.5: Libellé de l'Accord

Le présent Accord est rédigé en anglais et en français. En cas d'ambiguïté ou de désaccord entre les deux versions, le texte anglais fera foi.

EN FOI DE QUOI, le Bénéficiaire et les Etats-Unis d'Amérique, chacun agissant par l'intermédiaire de son représentant dûment habilité, ont signé le présent Accord en leur nom à la date ci-dessus mentionnée.

REPUBLIQUE DU SENEGAL

Par : _____

Nom : Mamoudou Touré

Titre: Ministre de l'Economie et des Finances

Section 7.5: Language of Agreement

This Agreement is prepared in English and French. In the event of ambiguity or conflict between the two versions, the English version will control.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first written above.

THE UNITED STATES OF AMERICA

By : _____

Name : S. J. Littlefield

Title: Director USAID/Senegal

ANNEX G

DETERMINATION OF CATEGORICAL EXCLUSION

G1

Country: Senegal
Program Title: Structural Adjustment Program Grant
Funding: \$15.0 Million
Period of Funding: FY 1985
Prepared by: Joel E. Schlesinger, USAID/Senegal
Environmental Action Recommended: Categorical Exclusion under
AID Regulation 16, Section 216.2 (c)(1)(1)
Concurrence: S.J. Littlefield, Director, USAID/Senegal
Date: 23 October 1984
Bureau Environmental Officer's Decision:

Approved: per State cable 332226

Disapproved: _____

Date: November 8, 1984

Clearance: GC/AFR

Section 216.2 of AID Regulation 16 provides that certain classes of action do not require an Initial Environmental Examination. Among these classes are the following:

Section 216.2(c)(1)(1) The action does not have an effect on the natural or physical environment.

This program is composed of a cash transfer grant to the Government of Senegal in return for certain reforms in the macro-economic and agricultural sectors. As such, the program will have no effect on the natural or physical environment.

Section 216.2(c)(3) provides that the originator of a program determines in writing the extent to which a class of categorical exclusions applies to such program. This written determination is to be concurred in by the Bureau Environmental Officer.

This Annex constitutes the written determination by the Mission Director, USAID/Senegal, that the above quoted categorical exclusion applies to this program and an Initial Environmental Examination need not be made.

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UNCLAS STATE 332226

AIDAC

F.O. 12356: N/A

TAGS:

SUBJECT: SENEGAL ESF PROGRAM FY 1985

REFERENCE: DAKAR 10837

EO APPROVED CATEGORICAL EXCLUSION NOVEMBER 6, 1984.

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ANNEX H

COUNTRY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1985
Continuing Resolution Sec. 528. Has it been determined - NO
or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 620(c). If assistance is to a government, - NO
is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? - NO

4. FAA Sec. 620(a), 620(f), 620(D); FY 1985 Continuing Resolution Sec. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Syria, Vietnam, Libya, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? - NO

5. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? - NO

6. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? - NO

7. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? - NO

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

8. FAA Sec. 620(a); FY 1985 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill (or continuing resolution) appropriates funds?

NO

9. FAA SEC. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into account by the Administrator of time of approval of Agency OYB.

10. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

NO

11. FAA Sec. 620(u) What is the payment status of the country's U.N. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.) Current
12. FAA Sec. 620A; FY 1985 Continuing Resolution Sec. 521. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? NO
13. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? NO
14. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) NO

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15. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) NO

15. FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs involuntary abortion?

16. FY 1985 Continuing Resolution Sec. 530. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? NO

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. - Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? NO

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2. Economic Support fund
Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest? NO