SENEGAL

ECONOMIC SUPPORT FUND

(685-0278)

Authorized: December 5, 1983

Amount: $10,000,000

AID 1120-1

PAAD

AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO. 685-0278
2. COUNTRY SENEGAL
3. CATEGORY CASH TRANSFER
4. DATE

5. TO: Mr. Frank Donatelli, AA/AFR

6. OYB CHANGE NO.

7. FROM David Shear, Director
USAID/Senegal

8. OYB INCREASE

TO BE TAKEN FROM: ECONOMIC SUPPORT FUND (ESF)

9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 10,000,000

10. APPROPRIATION: GESA-84-31685-KG31 (437-61-685-00-50-41)

11. TYPE FUNDING: ☐ LOAN ☒ GRANT

12. LOCAL CURRENCY ARRANGEMENT: ☐ INFORMAL ☐ FORMAL ☒ NONE

13. ESTIMATED DELIVERY PERIOD

14. TRANSACTION ELIGIBILITY DATE

15. COMMODITIES FINANCED

16. PERMITTED SOURCE

U.S. only:
Limited F.W.:
Free World:
Cash: 10,000,000

17. ESTIMATED SOURCE

U.S.: $ 10,000,000
Industrialized Countries:
Local:
Other:

18. SUMMARY DESCRIPTION

This grant represents U.S. assistance to the Government of Senegal in the form of a cash transfer. 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.

19. CLEARANCES | DATE

AS SHOWN ON ACTION MEMO

20. ACTION

☐ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE | DATE

TITLE

CLASSIFICATION:

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: Mr. Norman Cohen, AFR/PD

SUBJECT: Senegal Economic Support Fund, 685-0278

I. Problem

Your approval is requested for a grant of $10.0 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 $10.0 million will be obligated in the first quarter FY 1984.

II. Discussion

A. Program Description and Purpose

For a number of years, Senegal's economic and financial situation has been deteriorating. Recently, the imbalances of the public balance sheet have reached such proportions that stronger adjustment measures than have heretofore been implemented by the Government of Senegal (GOS) can no longer be delayed. Unless the GOS takes appropriate actions and is able to obtain significant assistance from donors including debt rescheduling, it will be unable to meet a substantial portion of its domestic and external obligations during the current fiscal year. Moreover, even as the GOS pursues strong adjustment policies in this and future years, Senegal's economic and financial situation can only be expected to improve slowly.

In July 1983, the GOS and the International Monetary Fund (IMF) negotiated a new one-year Standby Agreement providing for Senegal to purchase up to 63 million Special Drawing Rights (SDR) and containing significant and stringent targets and limits. On August 19, President Diouf announced the full range of austerity measures consequent to the Standby Agreement. The measures announced by the GOS demonstrate its strong commitment to restore Senegal's financial viability. The GOS is now commited to strict expenditure controls, prudent credit policies, cautious external debt policies and a sharp cutback in the growth of public employment and Government subsidies. The price increases which have occurred in the case of rice (24%), sugar (15%), cooking oils (22%) and petroleum products (8%) constitute a complete elimination of subsidies on the identified products. In addition, continued emphasis on previous efforts to come to grips with management problems in the public enterprise sector are important for medium-term reform.

The announcement of the reform measures adopted by the GOS was rewarding to the USAID and other major donors who had stood with the IMF during the delicate negotiation process. To the USAID, it offered tangible evidence that collaboration with other donors and the conditionality attached to its $17.0 million FY 1983 balance of payment (BOP) program had yielded fast results. However welcome this show of good faith, it is not enough. The Diouf government now must hold the line on public employee wages and hiring, and it must find from external or domestic sources sufficient additional funds to repay the debts incurred by seasonal agricultural credit borrowing and the accumulated debt of the now defunct parastatal ONCAD. It is now calculated that the GOS lacks approximately U.S. $53.3 million which it must reimburse to the Senegalese banking system by December 31, 1983, if it is to comply with the IMF targets and remain eligible for further drawings under the IMF Standby Agreement.

Against this shortfall, the French Caisse Centrale (CCCE) has agreed to release deposits in the Central Bank equal to U.S. $22.5 million and Oman has already put up $15 million more, reducing the amount needed to $15.8 million. Through this PAAD the U.S. will provide $10.0 million. The remaining $5.8 million component of the gap must be covered by GOS budget cuts and further external assistance.

No obligation of funds approved under this PAAD will be made until the Mission Director determines that the GOS has taken all reasonable measures to reimburse outstanding crop credit, reimburse arrears on ONCAD debt and limits domestic credit expansion. The Mission Director will make this determination based upon results of the joint IMF, AID, and French review of GOS performance as required under the IMF Standby Agreement. Once the Mission Director has made a positive determination, he will so advise AID/W by cable. In the event that the Mission Director is unable to determine that Senegal has taken all reasonable measures to comply with the terms of the Standby Agreement, funds will not be obligated until such time as the Mission and GOS agree on a new set of conditions for obligation of funds. These new conditions, and accompanying analyses, will be submitted to AID/W for review prior to disbursement of funds.

During his August, 1983 trip to Washington, President Diouf was undoubtedly made aware of the high regard with which the U.S. and other Western donors hold Senegal because of its moderate and constructive role in world fora at large and its stable democracy at home. Yet despite their approval and recognition of Senegal's friendship and value to the West, donors cannot overlook the inadequacies of Senegal's fiscal and agricultural policy. Its long-term political stability and value as a friend to the West depends on its economic viability. By undertaking the IMF program, President Diouf has recognized the overwhelming importance of governing within the bounds of fiscal discipline and the relevance of that discipline to the achievement of real economic development. Adoption and execution of reforms in the agricultural sector are equally important and are being pursued by a committee of donors and the GOS Ministry of Rural Development.

AID has already budgeted U.S. $10 million in ESF assistance for FY 1984. In support of the disciplined economic stand taken by the GOS, and in view of the urgent need to cover the budgetary gap by December 31, the USAID proposes to obligate ESF funding on/about December 15, assuming that the results of the joint IMF, AID and French review of GOS performance under the Standby is adequate. This obligation should allow enough time for these resources to be disbursed into the Senegalese banking system by end-December. Additional program-type assistance (in the form of a Title I program) may be required to assist Senegal in meeting second quarter IMF targets in March, 1984 or third quarter targets in June, 1984. Such funding would be requested in subsequent documents to be submitted to AID/W in early 1984.

In line with Handbook 4, the USAID proposes to execute a cash transfer for the full $10.0 million amount. Cash transfers are intended to provide budgetary support on an emergency basis "when the particular aid purpose cannot be accomplished through other instruments". In this case, the purpose of the cash transfer is to provide U.S. $10 million in emergency budgetary support so that it enters the Senegalese banking system by December 31, 1983. This support will assist the GOS to maintain economic and political stability while promoting structural and agricultural reforms needed to redress the underlying problems of the economy. Neither a Standard Commodity Import Program nor a Special Letter of Credit (SLC) would be appropriate at this time due to the time constraints and uncertainty of Senegal's ability to use an SLC within the context of the West African Monetary Union banking regulations.

B. Financial Summary

Life of project funding is $10.0 million to be fully obligated and disbursed in FY 1984.

C. Analyses

1. Economic

The Executive Committee Program Review (ECPR) which met on November 21, 1983, found that the economic analyses contained in the Program Assistance Approval Document (PAAD) satisfactorily justify the need for this budgetary support program.

2. Reform package

The ECPR has found that the far-reaching measures of the IMF program, if vigorously implemented, are adequate to deal with the problems presently facing Senegal. The assistance represented by this grant is in support of the execution of those measures.

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 special covenants will be included in the Grant Agreement:

1. The GOS agrees to take all reasonable measures to comply with the terms and conditions of the IMF Standby Agreement approved September 19, 1983.

2. The GOS shall provide AID with copies of all reports to the IMF or other principal donors, as they are issued, on compliance with the stabilization program.

3. The GOS shall covenant to implement reforms in its agricultural sector as agreed upon in consultation with AID. The reforms shall be consistent with the joint donor-GOS plan, to be prepared with AID, the International Bank for Reconstruction and Development, the Fond d'Aide et de Cooperation and the Caisse Central de Cooperation Economique.

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

E. Implementation Plan

Before this Grant is obligated, the Mission Director must determine that Senegal has taken all reasonable measures to comply with the terms of the IMF Standby Agreement. This determination will be based on the results of the preliminary review of Senegal's performance under the IMF Standby to be carried out by the IMF, French and AID. The Mission will inform AID/W by cable once such a determination is made. Once evidence has been provided that all CP's have been met, the Mission will then 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 account of the GOS in the Chase Manhatten Bank, New York.

F. Major Implementing Agencies

The management of these funds will be the responsibility of the Ministry of 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

This project was listed in the FY 1983 Congressional Presentation at $10.0 million under the form of a commodity import program. A notification of changes in this program was sent to Congress on November 23, 1983 and expired without comment on December 7, 1983.

V. Clearances

At both the Issues and ECPR meetings, held on November 17 and November 22, 1983, representatives of all relevant Africa Bureau, GC and PPC offices were present and concurred in the conclusion of those meetings to recommend authorization of this PAAD. The Issues Meeting was chaired by Mr. Jonathan R. McCabe, AFR/PD/SWAP and the ECPR was chaired by Mr. Alexander R. Love, DAA/AFR.

VI. Recommendation

That you sign the attached Program Assistance Approval Document (PAAD) facesheet and thereby approve life of project funding of $10.0 million for the Senegal ESF program 685-0278.

Clearances:
AFR/PD/SWAP:JRMcCabe
AFR/SWA:EAmundson
AFR/PD/SWAP:HPatrick
AFR/PD:NCohen
DAA/AFR:JJohnson
AFR/SWA:GGraf
GC/AFR:TBork
PPC:RKramer
AFR/DP:SErves
DAA/AFR:HJohnson
DAA/AFR:ARLove

M/FM/PAD:E.Owens 12/16/83

Drafted by: USAID/Senegal J. Schlesinger 11/29/83

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SENEGAL
PROGRAM ASSISTANCE APPROVAL DOCUMENT
ECONOMIC SUPPORT FUND (685-0278)

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ANNEXES

ABBREVIATIONS AND ACRONYMS*

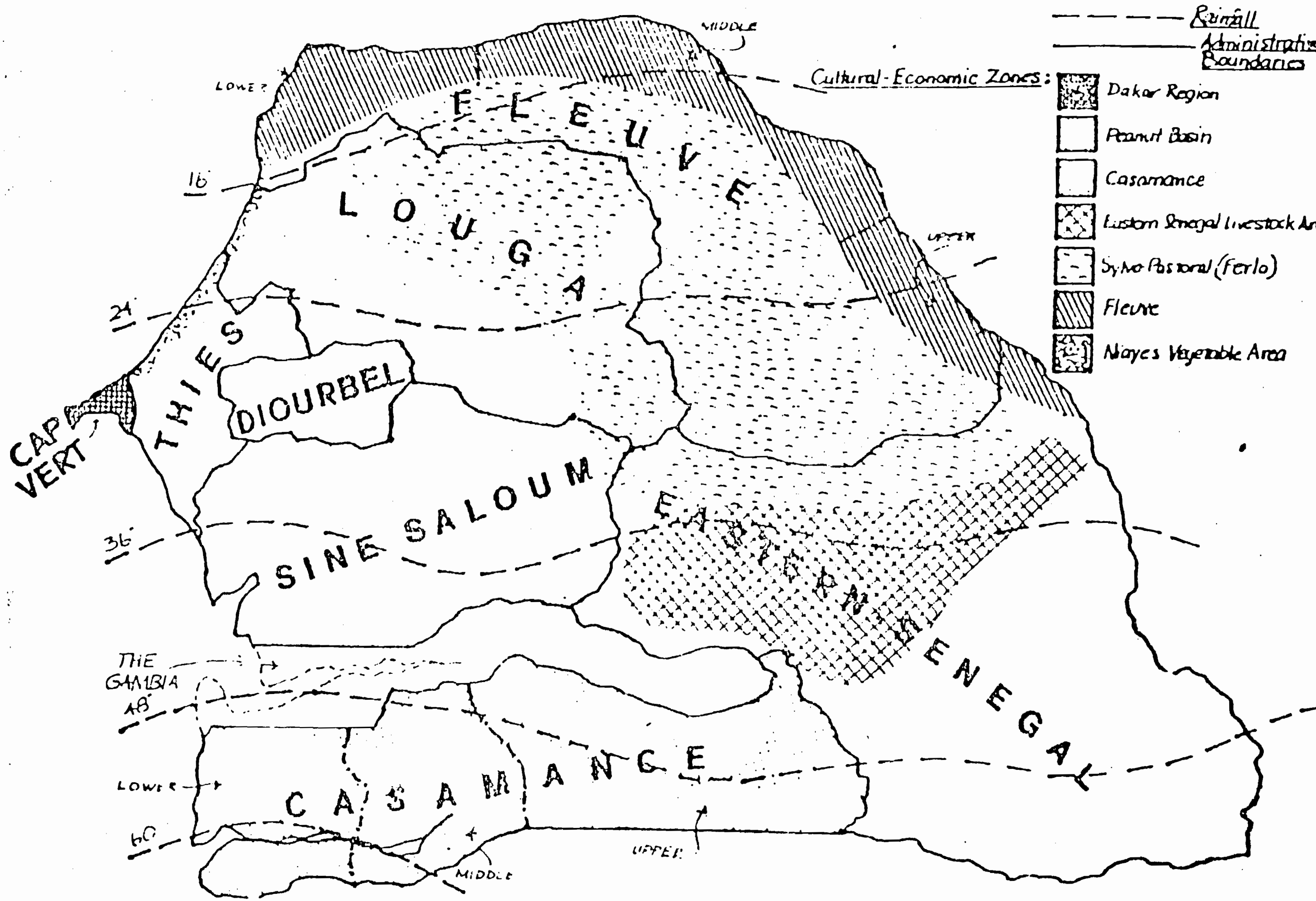
AID	Agency for International Development
BCEAO	Banque Centrale pour les Etats de l'Afrique de l'Ouest (Central Bank for West African States)
BNDS	Banque Nationale pour le Développement du Sénégal (Senegal National Development Bank)
BOP	Balance of Payments
CCCE	Caisse Centrale de Cooperation Economique (French AID fund)
CDSS	Country Development Strategy Statement
CFAF	Monetary unit of Senegal
CIP	Commodity Import Program
CNCAS	Caisse Nationale de Credit Agricole (National Agriculture Credit Bank of Senegal)
CPSP	Caisse de Pérequation 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 Developpement (National Office for Cooperation and Development Assistance)
PAAD	Program Assistance Approval Document
PID	Project Identification Document
RDA	Regional Development Agencies

* In this PAAD, 400CFA = $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	Société Africaine de Raffinage
SDR	Special Drawing Rights
SEIB	Société Electrique et Industrielle du Baol
SODEFITEX	Société de Développement des Fibres Textiles (Textile Fiber Development Organization)
SODESP	Société de Développement de l'Elevage dans la Zone Sylvo-Pastorale (Sylvo Pastoral Livestock Development Organization)
SODEVA	Société de Développement et de Vulgarisation Agricole (Agriculture Extension and Development Organization)
SOMIVAC	Société pour la Mise en Valeur de la Casamance (Casamance Development Organization)
SONACOS	Société Nationale de Commercialisation des Oléagineux
SONAR	Société 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 $10.0 million to the Republic of Senegal. The entire grant, in the form of a cash transfer, will be obligated in first quarter FY 1984.

B. Grantee

The Grantee will be the Government of Senegal (GOS). The Ministry of 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.

The USAID has determined that there will be a gap of approximately $53.3 million that must be covered if the GOS is to meet first quarter IMF performance criteria to be evaluated before December 31, 1983. This ESF grant of $10.0 million, in combination with expected contributions of $15.0 million from the Government of Oman and $22.5 from the Government of France, will reduce the gap to $5.8 million. The remainder of the gap must be met by internal GOS budget cuts and further external assistance.

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 undertaken all feasible measures to meet the timing and conditions of the IMF Standby Agreement, AID will obligate and disburse the $10.0 million directly to the GOS to be used to redress the budgetary gap in accordance with conditions specified under the terms of the Standby Agreement.

No obligation of funds approved under this PAAD will be made until the Mission Director determines that the GOS has taken all reasonable measures to reimburse outstanding crop credit, reimburse arrears on ONCAD debt and limits domestic credit expansion. The Mission Director will make this determination based on results of the joint IMF, AID and French review of GOS performance as required under the IMF Standby Agreement. In the event that the Mission Director is unable to determine that Senegal has taken all reasonable measures to comply with the terms of the Standby Agreement, funds will not be obligated until such time as the Mission and GOS agree on a new set of conditions for obligation of funds. These new conditions will be submitted to AID/W for review prior to obligation. of funds

D. Conditions and Covenants

In addition to standard CPs, the following special covenants will be included in the Grant Agreement:

Special Covenants

1. The GOS shall take all reasonable measures to comply with the terms and conditions of the IMF Standby Agreement approved September 19, 1983.

2. The GOS shall provide AID with copies of all reports to the IMF or other principal donors, as they are issued, on compliance with the stabilization program.

3. The GOS shall covenant to implement reforms in its agricultural sector as agreed in consultation with AID. The reforms shall be consistent with the joint donor-GOS plan to be prepared with AID, the World Bank and the French

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

5. Except as the Parties may otherwise agree in writing the rate of exchange which shall be used to determine the amount of local currency which shall be deposited shall be the highest rate of exchange which, at the time the Grant is disbursed by AID, is not unlawful in Senegal.

E. Waivers

There are no waivers required for the implementation of this program.

II. ECONOMIC JUSTIFICATION FOR ESF ASSISTANCE

USAID/Senegal is recommending ESF assistance to meet two of its key objectives in Senegal. First; to support the GOS in its attempts to meet the targets as specified under a new one-year Standby arrangement with the IMF. In response to IMF leverage, Senegal has already introduced a number of difficult adjustment measures which deserve support from donors concerned with economic reform and stability in Senegal. Now that the GOS has implemented many of the harsher measures in the program the potential consequences of a failure of this 1983/84 Standby (and thus a shortfall in external financing of approximately $49.0 million due to loss of eligibility to draw from the IMF) could be serious.

Second; to initiate longer-term reform in the agricultural sector. A number of prerequisites for the GOS to make real progress with respect to reform in the agricultural sector, which is the linch pin of the economy, appear to be present. The GOS, assisted by its major donors--France, U.S. and the World Bank--is in the process of reconsidering the validity of its previous agricultural policies. Important analytical work from both the GOS and donors is being synthesized and presented for discussion in a series of meetings between the GOS and its major donors being held this month. In December, the IMF will be reviewing results of these meetings and discussing the direction for future policy reform as agreed upon with major donors in November. Another prerequisite for serious reform in the agricultural sector is that the GOS, with assistance from its major donors, take specific action to reimburse the cummulative debts of the agricultural sector which have serious implications for the future capacity of the agricultural sector to mobilize necessary financing to purchase and provide agricultural inputs and to market agricultural output. Under the IMF Standby the GOS, with financial assistance from other donors such as Oman, France and, if this PAAD is approved, the U.S., will be allocating considerable resources to this objective.

Thus, while the FY 1983 $17 million balance of payments support package was designed almost exclusively to reinforce IMF leverage to apply pressure on Senegal to agree on a new Standby, this ESF package goes beyond that goal to set the stage for major reform in the agricultural sector. Consequently, the approach used to conditionality for this tranche of ESF assistance is somewhat different than the approach used previously. The Mission believes that IMF leverage has been successfully applied to extract important adjustment measures and that it is now necessary to move beyond this type of short-term conditionality to look at possibilities for medium-term change through the reform of major institutions in the agricultural sector e.g. the Price Stabilization and Equalization Fund (CPSP), and regional rural development agencies (SAED, SODEVA, SOMIVAC).

This section of the PAAD is organized to respond to the three points made above. Part 1 deals with the IMF Standby and required external support, Part 2 examines the financial and institutional difficulties in the agricultural sector and Part 3 sets out illustrations of how USAID, in collaboration with other donors, intends to encourage the GOS to undertake important institutional and policy reforms for the medium-term.

PART 1 - THE IMF STANDBY ARRANGEMENT

A. The Objectives and Conditions of the Standby

Following the failure of the GOS to meet performance criteria on September 30 and December 31 under the 1982/83 IMF Standby arrangement, the GOS and the IMF had been searching for common ground on which to launch a new adjustment effort. The process of defining an acceptable compromise was made more difficult by the fact that: (1) GOS exceptional financing, particularly from Arab countries, declined at a spectacular rate in 1982 and the first half of 1983; (2) the accumulation of public debt in the agricultural sector was such that substantial austerity measures were required to begin coming to grips with the problem; and (3) external factors such as world prices for major exports, the CFAF/$ exchange rate and world interest rates were moving in unfavorable directions for Senegal. In the face of the increasingly serious public finance difficulties and pressure applied from its major donors (e.g. France, U.S., World Bank), Senegal reached agreement on a new stabilization program with the IMF in August 1983.

1. Objectives of the new Standby

As is appropriate, the new Standby arrangement focuses principally on the public finance situation which deteriorated at an alarming rate in 1982/83 following substantial progress made under a 1981/82 Standby. The overall deficit on a commitments basis increased from 7.0 percent of GDP in 1981/82 to 9.0 percent in 1982/83 despite a 5.7 percent real growth of GDP in 1982/83. Budget expenditures which had been contained to a 2.4 percent growth rate in 1981/82 soared to a 18.1 percent growth rate in 1982/83 (See Table 1 - Selected Economic and Financial Indicators, 1981-84). The balance of payments situation also deteriorated but at a more reasonable pace (from 13.1 percent of GDP in 1981/82 to 14.4 percent in 1982/83).

The new IMF program seeks to reduce the fiscal deficit as a percentage of GDP by more than four percentage points from 9.0 percent to 4.8 percent. This reduction is to be obtained through the exercise of considerable restraint with respect to current expenditures, particularly on public sector wages and salaries and on supplies and transfers. These two budget items are projected to increase by only 6 percent in nominal terms, while annual price inflation is currently estimated to be about 12 percent. Current deficits on special treasury accounts and for correspondents of the treasury including CPSP(1) and SONAR(2) must be reduced by as much as 66 percent. Capital expenditures financed from the budget are also affected by cost cutting measures and are expected to increase by only CFAF 2.0 billion or $5.0 million (See Table 2 - Government Financial Operations, 1979/80 - 1983/84).

With respect to the external sector, the ratio of the current account deficit to GDP is to be reduced by 3 precentage points to 11 percent. This is to be accomplished through the application of a strict credit policy designed

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(1) CPSP is the price equalization and stabilization fund.

(2) SONAR is the public company responsible for the distribution of

to limit monetary expansion and thus the amount of CFAF available for conversion into foreign exchange through the operations account; through cautious external debt policies and through an 1983/84 Paris Club Debt Rescheduling whose terms would be similar to those of the two preceding years (See Table 3 - Balance of Payments, 1980-84).

2. Adjustment measures

a. Structural changes

Essential to finding a medium-term solution to Senegal's public finance crisis is the necessity of accurately identifying and introducing basic structural changes. The uncontrolled growth of public service employment has been a target for IMF stabilization programs since 1980 with little tangible results. This year there is some scope for optimism in that decisions with respect to new recruitment and the announcement of competitive examinations are to be made directly by the Minister of State, Secretary-General of the Office of the President. Through this new controlled procedure the IMF Standby provides that the growth rate of public service employment can be limited to 2.5 percent in 1983/84. As explained in the macroeconomic justification for ESF support allocated to Senegal in U.S. fiscal year 1983(1), the public sector employment question is fraught with sensitive political implications which must be handled with caution to prevent serious social disturbances. The GOS has traditionally been a major employer of University level graduates who would otherwise be unable to find gainful employment. Hence, while it is imperative that the GOS take a first step in controlling its future role as an employer of last resort, this must be done gradually. In 1984/85, admissions to civil service training schools will be reduced so that growth in public sector employment does not exceed 1.3 percent.

Another equally serious structural change which the GOS is addressing under the 1983/84 Standby is the ongoing reform of the groundnut sector to reduce, and where possible eliminate, current deficits. Since 1981/82, deficits in the sector have been financed through the accumulation of outstanding short-term crop credit. At the beginning of the Senegalese FY 1983/84(2) the accumulated deficit for the 1981/82 and 1982/83 crop years was estimated to be approximately CFAF 34.0 billion or $85.0 million (See Tables 5 through 11). As a means of reducing deficits associated with the distribution of inputs (both fertilizer and seeds) to farmers the GOS has increased the levy on farmers per kilogram of groundnuts marketed from CFAF 10/kg to CFAF 20/kg. Thus the real producer price has decreased from CFAF 60/kg in 1982/83 to CFAF 50/kg in 1983/84. In order to reduce the costs of groundnut production, particularly those attributed to losses during transport,(3) the oil crushing firms (SEIB and SONACOS) will employ the

(1) See USAID/Senegal Program Assistance Approval Document ESF (685-0262), Section IV.A.

(2) The Senegalese fiscal year is from July 1, 1983 through June 30, 1984.

(3) The "losses during transport" for the 1982/83 harvest have been estimated at 61,000 tons, worth about CFAF 4.3 billion or $10.8 million. Losses result principally from inaccurate weighing at time of purchase from farmers which is identified at a second weighing once the groundnuts arrive at the oil crushing mills.

weighers directly and thus will be responsible for any losses between the weighing of groundnuts sold by the producer and the weighing at the oil crushing mill. With respect to the national groundnut seed stock, methods are currently being studied for reducing the cost of seed storage and distribution, and the amount of seed distributed to producers in 1984 will be limited to 120,000 metric tons.

Public enterprises, including all of the major regional rural development agencies (RDAs), have been running ever-larger operating deficits which have placed considerable demands on scarce budgetary resources (See Table 16 - Selected Agricultural Sector Subsidies). The GOS has reached a point where it can no longer meet the cost of the necessary operating subsidies especially since donor financing for RDAs has been decreasing in recent years. Many public enterprises, including the RDAs, have been used by the GOS to provide employment opportunities for the urban population. Overstaffing has been an important contributing factor to the sector's increasing operating costs. The lack of financial monitoring and control in the parapublic sector, has also led to ill-conceived investment expenditures and poor recovery of client billings. As part of the IMF Standby, the GOS is currently studying the financial problems of the principal public enterprises.(1) The study is to be completed before the end of December 1983, and its results will serve as a basis for corrective action during the second half of the stabilization program. The operating subsidy of SAED is to be limited to CFAF 1.7 billion or $4.2 million in 1983/84 as compared to an estimated subsidy of CFAF 2.5 billion in 1982/83.

b. Price increases

As a means of improving the overall budgetary situation, in particular, the financial equilibrium of the CPSP, the GOS increased consumer prices for a wide range of products in August, 1983. The retail price of rice increased by 24 percent from CFAF 105/kg to CFAF 130/kg. Although imported rice has not been subsidized as such, (See Table 28 - Operations of the CPSP) in FY 1982/83, the CPSP was found to be accumulating arrears with respect to payment of import duties. The price increase will therefore: (1) increase revenue to the GOS as a result of actual payment of duties on imported rice, (2) assist in defraying some of the costs of the groundnut sector, and (3) stimulate demand for domestically produced cereals consistent with the GOS policy of promoting food self-reliance.

An increase in the selling price of sugar from CFAF 325 to CFAF 375 (or by 15 percent) is designed to eliminate the CFAF 2.3 billion deficit on sugar for FY 1982/83. In addition, the GOS is currently revising its agreement with the domestic sugar producer (Compagnie Sucriere du Senegal) in order to save the CPSP CFAF 1 billion. The retail price of imported vegetable

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(1) Enterprises being studied are the following: SAED (Senegal River Basin Development Agency), SODEVA (Groundnut Basin Development Agency), SOMIVAC (The Casamance Region Development Agency), SENELEC (electric company), and SONEES (water company).

oils[1] rose from CFAF 245/liter to CFAF 300/liter (or by 22 percent) (despite the fact that vegetable oil was not subsidized at its former price). The price of groundnut oil (refined locally) was also increased from CFAF 339/liter to CFAF 400/liter (or by 18 percent). Since cooking oil was not subsidized previously the expected proceeds from the price rises will be allocated to cover other CPSP expenditures such as the subsidy on groundnuts.[2]

The Senegalese oil refinery (Societe Africaine de Raffinage) continues to be plagued by financial difficulties as well as the National Energy Fund. In order to redress these deficits the retail prices of petroleum products were increased an average of 8 percent, following a price increase three months previously. A study is currently being conducted to determine whether additional measures (including price increases) are needed to absorb the SAR's cummulative deficit by the end of CY 1984.

c. Credit policy

The stabilization program places considerable emphasis on the need to maintain a restrictive credit policy in order to limit the growth of the money supply to around 7 percent (See Table 25 - Monetary Survey). This figure would represent a real reduction in the monetary stock given current estimates of 12 percent inflation. For the year 1983 as a whole, domestic credit is programmed to rise by about 13 percent, which represents a halving of the rate recorded in 1981/82 (See Table 24), and will imply a very limited expansion in private sector credit for the remainder of 1983. This tight credit policy particularly vis-a-vis the private sector is likely to have negative effects on the sector as a whole if credit availability is not strictly allocated to priority sectors.

The importance of limiting credit expansion and thus money supply can be explained in terms of the necessity of controlling the balance of payments situation. Since Senegal is a member of the West African Monetary Union it is not free to use its exchange rate as a policy instrument in response to a balance of payments disequilibrium. Assuming a strictly monetarist point of view, the only means available to Senegal for regulating the deterioration in its net external assets is by limiting credit expansion and consequently money supply which is treated by the IMF as a residual.[3]

3. Performance criteria for September and December, 1983

Performance criteria are quantitative targets used by the IMF as a means of monitoring GOS performance in various respects. The criteria that have posed particular difficulties for Senegal have been those associated with

(1) Vegetable oils are imported and mixed with groundnut oil for local consumption since, particularly in 1981, the price of groundnut oil was two times as high as alternative vegetable oils. Thus, the mixing process allowed the Senegalese consumers to pay less for their cooking oil.

(2) The subsidy on groundnuts is due to the fact that given the domestic producer price Senegal's cost of production are above world prices.

(3) Money supply can be obtained by subtracting net foreign assets and other items from domestic credit.

credit expansion (See Table 21 - Preliminary Status with Respect to Performance Criteria). The targets set for domestic credit expansion for September (CFAF 474.3 billion) and December (CFAF 501.4 billion) imply practically no credit expansion between June and September and only limited expansion (5.7 percent) between September and December. Sub-targets refer to net banking sector claims on the government and thus the share of the public sector in available credit expansion. These sub-targets are fixed at CFAF 106.2 billion and CFAF 115.1 billion for September and December, respectively, implying that claims on the government will be allowed to increase by about 26 percent during the first six months of the program. Thus while overall domestic credit is allowed to expand only marginally a substantial share of the permissable expansion will be made available to the GOS.

The ceiling for domestic credit expansion can be adjusted upward or downward with a maximum increase of CFAF 3.0 billion. Adjustment would be based on the amount of external budgetary assistance actually received as compared to IMF projections of CFAF 6.0 billion between July and September and another CFAF 3.0 billion between September and December for a total of CFAF 9.0 billion expected during the first half of the IMF program. Any additional external budgetary assistance must be allocated to a number of priority uses as set out by the IMF: (1) the reimbursement of outstanding 1981/82 crop credit (See Table 5), (2) the reimbursement of 1982/83 crop credit (See Table 10), (3) the acceleration of payments overdue on ONCAD debt (see Table 14 - Arrearages for FY 83/84), and (4) the settlement of quarterly installments due on ONCAD debt.

Ceilings for both domestic credit expansion and net claims on the government will be adjusted downward if any exceptional external financial assistance is deposited into the BCEAO without being tied to specific expenditures. Thus external budgetary support must be allocated for specific expenditures and according to IMF-defined priorities or its net effect on the economy will be negated by downward adjustments in credit ceilings.

Another area where the IMF has set a performance criterion is with respect to outstanding crop credit from 1981/82 and 1982/83. By December 31 of this year only CFAF 7.8 billion or $19.5 million can be carried over into CY 1984. Should external budgetary assistance fall below the expected CFAF 9.0 billion for the period July 1 through December 31 then the ceiling on crop credit could be adjusted upward, in the equivalent amount, subject to a maximum of CFAF 3.0 billion or $7.5 million.

The IMF, under the Standby, is also monitoring the arrears of the government and public enterprises (See Table 22 - Arrearages of the Government and Public Companies). Following the breakdown of the 1982/83 Standby and, partially as a result of shortfalls in external aid, the GOS was forced to resort to the accumulation of payments arrears as a means of financing the 1982/83 budget deficit. Hence arrears, which declined slightly during the first quarter of the 1982/83 Standby, increased by CFAF 10.7 billion or $26.8 million between September 30, 1982 and June 30, 1983. The stabilization program calls for no further accumulation of government and public companies' arrears between June 30, 1983 and December 31, 1983. The permissable level of arrears is therefore CFAF 55.7 billion or $139.2 million.

The last performance criterion deals with new external borrowing by the government or with government guarantee. Senegal has a serious external debt problem which cannot afford to be aggravated by additional short-term borrowing. Since 1980 the GOS has been extremely cautious about new borrowing and actual levels have been significantly below IMF ceilings. As under the 1982/83 Standby, new external borrowing is to be limited to SDRs 20 million or $20.8 million for loans with maturities between one and twelve years and to SDRs 2.0 million or $2.08 million for loans with maturities between one and five years.

4. Focus of the December review

In mid-December an IMF mission will be coming to Senegal to assess GOS performance particularly with respect to September 30 performance criteria for which figures should be fairly firm. At the same time the December review will focus on a number of sectors and policy considerations to lay the framework for the formulation of additional adjustment measures to be undertaken by the GOS during the second half of its stabilization program. Performance criteria will be set for end-March 1984 and indicative ceilings for end-June 1984. Repayment schedules for crop credit granted for 1983/84 will also be established for the oil crushing firms (SEIB and SONACOS) and the CPSP. The repayment schedule for the CPSP will be treated as a performance criterion.

The December review will be examining a number of critical issues. First is public sector employment, where, as has been stated earlier, GOS performance has not been impressive. Progress made in limiting the growth of the civil service to 2.5 percent in 1983/84 will be assessed. Steps to be taken and in the process of being taken to restrict entries into public service training schools in 1984 will be studied. Second, agricultural policies and rural development agencies will be examined, based on studies currently being conducted in cooperation with the World Bank and the French Caisse Centrale de Cooperation Economique. Specific proposals are to be made to improve the efficiency of the groundnut sector and to increase the production of cereals in the medium-term. Third, operations of major public enterprises will be reviewed and understandings will be reached on measures to initiate the rehabilitation of the sector. Fourth, the financial situation of the oil refinery (SAR) will be analyzed and agreement on additional adjustment measures, required to eliminate the accumulated deficit, will be reached. Fifth, measures for further reducing the fiscal deficit will be considered. Sixth, with respect to government leases a package is being developed whereby direct rental payments by the GOS will be replaced by a lump-sum housing allowance for those entitled to this benefit. The application of laws and regulations concerning housing allowances should be strictly enforced, thus yielding significant savings. A study will also be undertaken to identify ways and means of increasing substantially the yield of the real estate tax beginning in 1984.

B. The Potential Political and Economic Impact of the IMF Standby

As can be seen from Section I this IMF Standby program places heavy emphasis on severe adjustment measures for Senegal. Clearly the economic situation had deteriorated rapidly in the wake of the failed 1982/83 Standby and the cancellation of the second tranche of the World Bank's Structural

Adjustment Loan in June 1983. Adjustment measures which would have been less draconian had they been taken in late 1982 or early 1983 were essential to redress the public finance situation to a close to manageable level. However, it must also be recognized that now that the GOS has implemented many of the harsher measures in the program the potential consequences of a failure of this 1983/84 Standby (and thus a shortfall in external financing of approximately $49.0 million(1) due to loss of eligibility to draw from the IMF) could be serious.

1. The political impact of the program

Upon examination of the adjustment measures outlined above it is clear that many of them are regressive in nature and place an unproportionally heavy burden on the lower-income consumers and the farmers. Low-income consumers in urban areas and increasingly in rural areas as well, depend on rice as a staple of their daily diet. Furthermore, the impact of an increase in rice prices is likely to be felt even more acutely than initially anticipated since projections for domestic cereals production for this crop year reveal that this year's production will be 300,000 tons below last year's. Price increases in sugar and cooking oil will also have a greater incidence on low-income consumers.

It must be kept in mind that these price increases are occurring at a time when on-farm income may be reduced by as much as 60 percent.(2) The actual producer price received by farmers for groundnuts will decline this year from CFAF 60/kg to CFAF 50/kg since an additional CFAF 10/kg levy is being introduced to defray some of the costs of seeds and fertilizer.

The increase in the price of petroleum products will affect the economy as a whole and probably middle-income consumers more directly than low-income groups. Although the average price increase in August was 8 percent, prices increased somewhat more than this average for regular and super gasoline and less than this average for diesel fuel and kerosene. Perhaps the most severely affected lower income group will be the traditional fishermen who will be required to pay more for their fuel.

The private sector is also affected by the IMF program, particularly with respect to credit availability. At present, banks established in Senegal are confronted by a severe liquidity shortage which makes them highly dependent on rediscounting from the central bank. Thus, the IMF credit ceilings have a direct impact on financing available to the economy as a whole as well as the respective shares of the public and the private sectors. Over the first six months of the program the private sector share is set at CFAF 13.2 billion or $33.0 million. Of this amount about CFAF 5.0 billion or $12.5 million is to be allocated to crop credit allowing only $20.5 million to be made available for private sector investments. Given the extreme shortage of

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(1) $49.0 million represents Senegal's IMF quota minus the amount already drawn in early October.

(2) Production is projected to be 50 percent of last year's and the real producer price for groundnuts is being decreased from CFAF 60/kg to CFAF 50/kg. More recent estimates indicate that agricultural production may be less than 50 percent of last year's.

new credit a premium is thus placed on the most judicious use of available financing. For requests for loans of over $42,500 the decision is technically to be made by the national credit committee but is in fact made by the central bank. For smaller loans the decision is taken by individual banks in conformity with each bank's rediscounting ceilings as set by the central bank.

The tight credit situation should be viewed in conjunction with the relatively high stock of arrears accumulated by the GOS and public enterprises over the past year. The fact that a substantial portion of the arrears are owed to the private sector places additional financial pressure on the private sector which is likely to result in an increase in the number of bankruptcies.

The public sector is also implicated by the adjustment measures but in a longer-term framework. The growth in civil service employment is being limited but there are no plans for severely curtailing it or actually reducing the level of employment in the immediate future. Proposals are now being considered for reducing the financial burden associated with the practice of providing public housing for some civil servants; however, the replacement of the direct provision of housing with a lump-sum allowance and the stricter enforcement of entitlement regulations are unlikely to deprive eligible civil servants of housing. Public enterprises are to be examined and adjustment measures are to be made in the second half of the program, but thus far no specific austerity measures for this sector have been proposed. The government's investment budget for 1983/84 was reduced from CFAF 15.0 billion to CFAF 10.0 billion or $25.0 million; nevertheless, it does provide for 25 percent growth over the FY 1982/83 investment level.

2. <u>The economic impact of the program</u>

The economic focus of adjustment measures is primarily on reducing the weight of agricultural subsidies and accumulated agricultural debt on the government budget. Since the world price for groundnut oil plummeted from an average of $1,043.1/metric ton in 1981 to $585.2/metric ton in 1982 and $452.7/metric ton in early 1983,(1) the GOS has chosen to subsidize groundnut farmers in order to maintain a constant producer price of CFAF 70/kg (not including levies). This policy has cost the CPSP, the government institution responsible for stabilizing revenue to farmers from export crops, about $30.5 million in 1981/82 and about $42.0 million 1982/83. Under the IMF Standby, these amounts, which have not even been partially repaid, must be reimbursed to the banking system during FY 1983/84.

Subsidies associated with the provision of the national seed stock for 1981/82 and 1982/83 have also remained unpaid. These subsidies include both the direct costs of the purchase and distribution of the national seed stock and the operating costs of SONAR which are normally covered through a subsidy from the GOS' current budget but which have not actually been received in 1982/83 due to the lack of funds. The total amounts owed for 1981/82 and 1982/83 are CFAF 1.1 billion or $2.8 million (for fertilizer) and CFAF 3.4 billion or $8.5 million respectively. These arrearages, which have been financed with short-term crop credit must also be reimbursed in FY 1983/84.

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(1) The price since May 1983 has increased substantially and is now at about $1,100/metric ton.

Since the dissolution of ONCAD in 1980, the public company previously responsible for: (1) purchasing and marketing groundnuts, (2) administering credit to farmers for the purchase of tools and agricultural inputs, and (3) distributing fertilizer and seeds to farmers, the GOS has been forced to accept responsibility for this company's liabilities. As of July 31, 1983 outstanding capital and interest payments were estimated at CFAF 99.9 billion or $250.0 million. According to the newly-signed repayment schedule the GOS is required to repay CFAF 22.4 billion or $56.0 million during FY 1983/84 (See Table 13 and 14).

Under the terms of the IMF Standby, therefore, the GOS is technically required to repay a substantial proportion of accumulated agricultural debt requiring budgetary outlays of CFAF 53.2 billion or $133.0 million (See Table 15). This figure does not include resources which must be mobilized to finance the IMF projected budgetary deficit of CFAF 47.6 billion or $119.0 million.

3. The proposed direction and pace of adjustment

The proposed direction of adjustment under the IMF Stabilization Program appears to be an appropriate one. The importance attributed to the urgency of reabsorbing accumulated agricultural debt is justified by the implications of this debt for (1) the public finance situation, (2) the stability of the domestic banking system, and (3) the future availability of financing for the agricultural sector. Thus, the GOS cannot afford another year of complacency in this regard. The price adjustment measures and farmer levies were absolutely essential in containing the future prospects for a continued accumulation of outstanding subsidy payments and correctly encouraged the GOS to directly confront the financial, political and economic implications of its policy of maintaining simultaneously a relatively high producer price for groundnuts and relatively inexpensive staple goods to consumers.

With respect to structural change, the IMF Program is politically astute in conceding that the fundamental problem of public sector employment must be faced but cannot be remedied in the short-term. Emphasis on restricting entries into public sector training schools and thus the number of qualified aspirants for public sector jobs may be a politically more acceptable means of coping with the problem than direct refusal of entry to already trained graduates. The IMF has correctly identified public sector enterprises as a target for adjustment measures during the second half of the program. However, given the increasing burden of this sector on the economy, some fairly major reforms, including a rapid compression of operating expenses, should be considered over the next six months.

The pace of adjustment, on the other hand, would appear to be overly-ambitious in view of the political consequences for the current Senegalese Government should the IMF decide to suspend drawings for noncompliance with performance criteria. Given the political impact of the reform measures which were taken in August and the projected impact of drastically reduced agricultural output on rural incomes, the GOS is operating on a narrow margin since grudging public acceptance of belt-tightening measures could shift to discontent in the rural sector in response to lower incomes and, in the Northern drought-affected region of the country, in response to the prospect of serious food shortages. In this context it appears to be unrealistic to expect the GOS to pay off $133 million in outstanding agricultural debt this fiscal year. Examination of Table 15 demonstrates how unevenly debt repayments are spread through time. In view of the currently optimistic projections for FY 1983/84 deficit on the groundnut sector (See Table 12) it would appear more sensible to stagger the reimbursement of this debt over two or three fiscal years.

The objective of using external financing to attempt to keep the present stabilization program on track would appear to be a cost-effective use of funds to the extent that continued eligibility to draw IMF financing and continued pressure on the GOS to go forward with additional reform measures are prerequisites for preventing a more generalized deterioration and possible collapse of the Senegalese economy. An IMF review mission will be coming to Senegal in mid-December to lay the framework for the second half of the stabilization program. It is important that at this time changes be made in the pace of adjustment in response to more recent data which suggest that the size of the outstanding agricultural debt(1) is significantly larger than believed in June and July when the IMF Program was formulated.

C. Analysis of the Additional Financing Requirement for the IMF Standby

In document EBS/83/182 issued by the IMF on August 24, 1983, dealing with Senegal and its request for a Standby arrangement, the IMF estimated the financing gap for fiscal year 1983/84 as CFAF 7.8 billion or $19.5 million. However, more recent data indicates that, given the objectives of reimbursing a substantial portion of outstanding crop credit and all arrearages with respect to ONCAD debt, the actual figure is considerably higher.

1. Financing requirements for fiscal year 1983/84

For fiscal year 1983/84 revised estimates indicate that the GOS will require approximately CFAF 19.7 billion or $49.2 million worth of additional financing rather than the IMF figure of $19.5 million. The new $49.2 million figure assumes that the GOS will be able to contain both current and capital expenditures to the levels indicated by the IMF in the stabilization program. Differences between IMF estimates and revised GOS estimates are set out in Tables 17 through 19. One source of discrepancy involves IMF estimates of possible sources of financing for the projected 1983/84 deficit. With respect

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(1) The total debt is estimated at CFAF 176.6 billion or $441.5 million of which the IMF program requires the reimbursement of CFAF 53.2 or $133 million during the Senegalese FY 1983/84.

to USAID the CFAF 3.0 billion was projected as being available for direct budgetary support under the recently approved balance of payments package consisting of $5.0 million ESF and $5.0 million SDF assistance. However, the counterpart generated from the two CIPs is tied to specific activities not included in the GOS budget with the exception of CFAF 0.2 billion or $500,000 which has been earmarked for the GOS road fund in FY 1983/84.(1)

Second, the amount of financing available from the domestic banking system will be lower than anticipated. As a result of a newly negotiated and signed agreement between a number of private banks and the GOS, the government is required to reimburse CFAF 22.4 billion instead of the projected CFAF 16.6 billion figure used by the IMF during the course of FY 1983/84.

Third, the amount of outstanding crop credit for 1981/82 and 1982/83 which will have to be reimbursed by the GOS in order to comply with the CFAF 7.8 billion ceiling on crop credit which can be carried over into CY 1984 has been underestimated. While estimates made in July 1983 implied that the GOS would be required to repay CFAF 19.2 billion to comply with the IMF performance criterion with respect to crop credit (assuming a total amount of outstanding crop credit of CFAF 27.0 billion) it now appears that the GOS will have to repay CFAF 22.5 billion since total outstanding crop credit is estimated to be CFAF 30.3 billion (See Tables 6 through 11). The reasons for the larger figure are as follows: (1) in July 1983 it was assumed that the 61,000 metric tons of losses during transport could be recuperated by the GOS through prosecution of weighers and truckers - this no longer appears feasible despite the fact that the government has taken legal action against proven fraud, (2) calculations for the price at which oil crushing firms could repay crop credit given world groundnut prices did not take into account the fact that SEIB sold most of its production on the futures market between November 1982 and March 1983, a time when prices were at their lowest point in a decade;(2) (3) it was not anticipated that SONAR, the national seed company, would finance its operating costs with crop credit.(3)

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(1) The IMF was advised by USAID in July that only a maximum of CFAF 2.0 billion would be available for budget support. Since July, an agreement between USAID and the World Bank reduced USAID's contribution to the road fund and increased the World Bank's contribution for FY 1983/84. The road fund is the only budgetary activity to be financed with counterpart funds.

(2) Part of the SEIB losses have been compensated for by the fact that SONACOS sold more of its production in recent months when groundnut prices have doubled.

(3) SONAR was forced to finance its operating costs with crop credit because it has not yet received the CFAF 1.1 billion in operating subsidies from GOS which was budgeted for FY 1982/83. In November, the Ministry of the Economy and Finance disbursed the CFAF 1.1 billion to SONAR thus only CFAF 500 million in operating cost overruns have been financed with crop credit.

Hence the financing requirements for FY 1983/84 can be summarized accordingly:

- Financing requirements as initially estimated by the IMF	$ 19.5 million
- Shortfalls in net external financing due to overestimation of confirmed budgetary support from USAID	$ 7.0 million
- Shortfalls in net domestic financing due to underestimation of ONCAD debt repayments	$ 14.5 million
- Underestimates of crop credit outstanding for FY 1982/83	$ 8.2 million
- TOTAL	$ 49.2 million

2. Financing requirements through December 31, 1983

Using IMF quarterly projections as a base, the financing requirements for this Standby program through December 31 can be estimated at CFAF 6.3 billion or $15.8 million instead of the original IMF estimate of CFAF 2.8 billion or $7.0 million. The difference can be explained as follows: (1) a $500,000 shortfall in net external financing from USAID due to unexpected delays in collecting documentation for the direct reimbursement portion of the $5.0 million ESF funded CIP; and (2) an additional $8.2 million in 1982/83 crop credit which must be reimbursed before December 31 to allow the GOS to meet the appropriate performance criterion.(1)

3. Possibilities for financing the gap through December 31, 1983

According to the terms specified under the IMF Standby additional budgetary support from the U.S. or any other donor must be allocated to the reimbursement of outstanding crop credit, or the credit ceilings will be adjusted downwards pro tanto thus cancelling out the net effect on the economy. It is therefore suggested that the $15.8 million gap be financed in the following manner: (1) $10.0 million in ESF from USAID; (2) a further cut of $2.5 million in GOS budgetary expenditures, and (3) mobilization of an additional $3.3 million from other donors such as France.

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(1) This estimate assumes that the GOS will be able to postpone payment on the amount of ONCAD debt, evaluated at CFAF 18 billion or $45.2 million, which is technically due before December 31 to the first half of 1984.

The figures for financing the gap through December 31, 1983 tend to indicate that the gap can be closed if an additional $3.3 million in external support can be mobilized within the next six weeks. However, during consultations with the Minister for Finance on November 12, 1983, he estimated the financing requirements to be about $25.8 million rather than the USAID estimate of $15.8 million. The difference between the two estimates can be explained as follows: (1) the USAID assumption that the GOS could postpone some of the reimbursement of ONCAD debt to the second half of 1984 is not compatible with the current financial situation of the BNDs(2) although the GOS could make $2.5 million in expenditure cuts over FY 1983/84 the impact is not likely to be felt before December 31, 1983 (3) given the level of arrearages of the GOS on September 30, 1983 of CFAF 52.5 billion it is probable that normal seasonal variations (in the absence of additional external financing) will lead to a violation of the December 31, 1983 performance criteria of CFAF 55.7 billion (1) and (4) the CCCE may be withdrawing more than the expected CFAF 9.0 billion from its central bank deposit thus creating an unforseen deterioration in the net claims of the banking system on the government.

In view of the Minister's concerns with respect to the financing gap the GOS will be officially requesting that the French move up the CFAF 5.0 billion in budgetary support scheduled for the first quarter of 1984. The CCCE has informally notified the Finance Minister that, due to budgetary constraints, it would prefer not to move up this assistance; however, President Diouf had reportedly obtained agreement in principle to do this from President Mitterand during the Vittel Summit and thus the GOS will be forcing the issue.

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(1) An increase in the level of arreages during the months of November and December does not necessarily imply that the GOS will not achieve the IMF objective of no overall increase in arrears over FY 1983/84.

D. Preliminary Assessment of GOS Performance on the IMF Standby

A preliminary review of the present status of the Senegalese economy indicates that the GOS has been effective, thus far, in implementing the conditions of the IMF Standby. Furthermore, progress appears to have been evenly distributed over a number of different areas with the exception of the reimbursement of arrears of CPSP and SONAR (See Tables 20 through 23).

1. Structural measures

Although there are no firm figures available at this time, preliminary information indicates that the new procedure for controlling the growth in public sector hiring through the Minister for State, Secretary-General of the Office of the President is functioning effectively. Furthermore, a major source of growth in public sector employment in FY 1982/83 was the Ministry for National Education which had been permitted to hire personnel on the basis of an "Office Memorandum". This possibility has now been eliminated and the Education Ministry is currently subject to the same controls as other government departments with respect to hiring.

Concrete measures have also been taken to reduce the deficit of the groundnut sector. The additional levy of CFAF 10/kg of marketed groundnuts was announced to the farmers in August. The contract between oil crushing firms and the CPSP on the cost structure for the 1982/83 crop year was finalized in early September. Concrete steps have been taken by the Minister for Rural Development to ensure that SONACOS and SEIB employ the weighers and will thus be responsible for losses between the weighing of the groundnuts sold by the producer and the weighing at the mill. The oil crushing firms have accepted the task but somewhat unwillingly as they would prefer that the GOS assume the risk of losses during transport.

The other structural issue concerns the fiscal burden of public enterprises. Although no specific adjustment measures were required during the first half of the IMF Standby, the analytical work requested is currently being undertaken. The Ministry for Rural Development is finalizing three reports on SAED, SODEVA and SOMIVAC which will be discussed with representatives from the French Caisse Centrale de Cooperation Economique and Fonds d'Aide et de Developpement, from the World Bank and from USAID in a meeting scheduled for November 14 through 18.

2. Price increases

All the price increases requested under the Standby were announced on a televised presidential speech on August 19, 1983. Retail price information indicates that price increases have been fully implemented.

3. Budget expenditures and performance criteria

Provisional figures for GOS Financial Operations are compared with IMF quarterly projections in Table 20. Although these figures should not be taken as final they do give some indication of the direction and trend of government spending. Generally it can be stated that the GOS does not appear to have erred significantly from IMF targets. The overall balance on a commitments basis (including changes in payments arrears) is only 3 percent greater than IMF projections for September 30. Government revenue is slightly lower than projected but this is expected to improve in October when revenues from the new value-added tax on petroleum products will begin being disbursed to the treasury. Expenditure on wages and salaries is slightly over IMF projections (by 4 percent). The figure for expenditure on supplies and transfers is, on the other hand, significantly below IMF projections (i.e. by about 40 percent). GOS authorities, however, have expressed the view that the December 31 figure is likely to be much closer to the IMF's quarterly projection since expenditures on supplies are typically more intense between October and December.

There are three potential problem areas which require monitoring over the next months. With respect to net correspondents of the treasury other than SONAR and CPSP, the IMF is projecting a surplus of CFAF 3.0 billion over the fiscal year and no new net drawings through September 30. However, preliminary figures indicate that these correspondents actually drew CFAF 5.6 billion. The second problem concerns the expected reduction in payments arrears of CPSP and SONAR which is in fact outstanding crop credit for 1981/82 and 1982/83. IMF quarterly projections indicate that the GOS should have reimbursed CFAF 9.7 billion; however, only CFAF 5.0 billion had been repaid as of September 30. Third is the question of arrearages of the Government which normally increase substantially in December as the majority of new orders for materials are received and only decrease gradually over the period from January to June as new commitments are paid off.

Preliminary estimates for September 30 on performance criteria are, in general, encouraging given the severity of the IMF program. The figures must be viewed with some caution since definitive data will not be available until December; nevertheless, the GOS seems to have been effective in approaching IMF objectives in most areas. Domestic credit expansion is estimated to be within the IMF target while net claims of the banking sector on the government appear to be about 6 percent under the ceiling (See Table 21). The stock of arrearages of the government and public enterprises appears to have declined by about 6 percent to CFAF 52.5 billion; however, problems are anticipated for December 31. With respect to new external borrowing the GOS is well within the ceilings set by the IMF since this type of borrowing has been negligible.

4. Prospects for the December 31 performance criteria

It is very difficult to make a projection regarding GOS performance at the end of December. Domestic credit expansion is now within the IMF target but must be monitored carefully, although more expansion is permitted between September and December than between July and September. A definite problem area for the program involves the ceiling of CFAF 7.8 billion on outstanding crop credit. According to preliminary data from the central bank as of September 30 there was still CFAF 36.6 billion or $91.5 million outstanding not including interest payments which have been estimated to be approximately CFAF 4.0 billion or $10.0 million. The capacity of the GOS to comply with this criterion will depend largely on how successful it is in mobilizing extenal support. The criterion monitored by the IMF with respect to arrearages may also represent a serious problem.

PART 2 ANALYSIS OF THE MAJOR FINANCIAL AND INSTITUTIONAL PROBLEMS IN THE AGRICULTURAL SECTOR

A. The Impact of Agricultural Debt and Subsidies

The GOS Department of Projections has recently published a set of figures analyzing the future public finance situation on the assumption that the subsidy element to the groundnut sector through the CPSP and SONAR is eliminated and that the CPSP actually generate a surplus beginning in FY 1985/86 through proceeds from imported goods such as rice and vegetable oil (See Table 26). These assumptions may be regarded as overly optimistic but they do allow a certain assessment of the weight which agricultural sector subsidies places on the budget. While net external financing is projected to decline dramatically after FY 1985/86 (largely due to increased amortization of external debt) the overall deficit would decline in nominal terms from CFAF 72.6 billion in FY 1983/84 to CFAF 46.0 billion in 1985/86 or by 37 percent in two years. Thus by coming to grips with agricultural subsidies the GOS should be able to cope with its serious external debt problem without increasing dependence on budgetary assistance.

Future prospects for the public finance situation, therefore, are contingent upon Senegal's reducing the level of subsidies to the groundnut sector to the point where CPSP receipts from imported consumer goods can finance the subsidy. This can be accomplished either through further cost-cutting in the groundnut sector or the generation of more revenue through increased prices for imported consumer goods or, which is more likely, a combination of both. Another factor which also must be addressed is the financial burden of rural development agencies which continue to place increasing strains on the GOS' current budget while the measurable impact of these agencies on agricultural production is difficult to discern.

B. Reasons for the Accumulation of Agricultural Debt

1. CPSP and SONAR arrears and crop credit

Under the rules of the West African Monetary Union, of which Senegal is a member, the central bank lends money at a preferential discount rate to commercial banks to provide short term financing for the purchase of export crops. In Senegal's case this credit is available for the purchase of cotton and groundnuts by the purchasing agents: previously ONCAD for groundnuts but now the oil crushing firms and SODEFITEX for cotton. A small amount is also made available to SONAR for the direct purchase of selected seeds (grades N_1 and N_2). It is intended that the credit be reimbursed within a twelve month period maximum as the proceeds from the sales of the export crops (processed or unprocessed) on the world market are received.

Each year in mid-October preliminary production estimates for cotton and groundnuts are made and on this basis an estimate of how much crop credit is required. The BNDS is the lead bank and the one responsible for mobilizing other commercial banks to participate in a consortium. The banks have been participating according to the following fixed percentages: BNDS (58%), USB (14%), BICIS (7%), BIAO (7%), SGBS (9%), BSK (7%).[1] As a result of

ONCAD's inability to reimburse crop credit in the past and recent experience with the oil crushing firms and the CPSP each year it becomes increasingly difficult to mobilize financing for crop credit. Past experience has demonstrated to the banks that it is a risky proposition and that they may very well be forced to continue paying the discount rate to the central bank without receiving a large proportion of the outstanding capital and interest payments that are due. In the late seventies and early eighties the BNDS would increase its share in the consortium of banks if another bank did not participate as promised. However, due to financial difficulties experienced by the BNDS this practice is no longer possible.

The marketing season opens officially in early December and on the first day the oil crushing firms and SONAR (for groundnuts) are permitted to draw from the BNDS between 20 percent and 30 percent of the total amount of financing made available according to crop estimates. When this amount has been fully utilized by the oil crushing firms to purchase groundnuts, they are authorized to make additional drawings from the consortium account after documents justifying the use of the 20 percent advance have been examined by the BNDS. A schedule is also drawn up by the banks for the repayment of the short-term credit and additional interest costs are charged by the BNDS if the schedule is not met.

The CPSP enters the crop credit process, not because it is a direct purchasing agent for export crops, but because it stabilizes revenue to farmers by guaranteeing oil crushing firms that their production costs plus a certain margin for services rendered will be covered. Thus in years when the producer price to farmers is sufficiently low in comparison to world market prices to allow the oil crushing firms to generate profits, these profits are collected by the CPSP. Conversely, when the producer price to farmers is too high in comparison to world market prices to allow oil crushing firms to cover costs then the CPSP is to make compensatory payments to the oil crushing firms. Normally, these compensatory payments should be made from CPSP reciepts generated from proceeds on other export crops or on imported consumer goods and should not involve short-term crop credit in anyway.

SONAR should normally be only a minor participant in the crop credit process. Funds are made available to this company to purchase a relatively small amount of selected seeds (75,800 metric tons in 1982/83) whose cost is more than covered by a seed levy on farmers (of CFAF 10/kg in 1982/83 and CFAF 15/kg in 1983/84). SONAR's direct participation in short term crop credit has already been repaid in full for 1982/83. However, in order to obtain a seed stock of approximately 120,000 tons SONAR selects remaining seeds from the regular oilseeds which have been purchased by the oil crushing firms. The oil crushing firms then bill SONAR for the amount. In 1982/83 SONAR did not have the resources to cover these costs since the seed levy was not sufficient to cover direct costs and since the GOS did not disburse the promised CFAF 1.1 billion subsidy to cover SONAR's operating expenditures. Thus both SONAR and CPSP enter the crop credit system as a result of a general shortage of liquid resources in the groundnut sector and due to GOS inability to make such resources available from the budget.

Since 1980, however, CPSP receipts have been shrinking while claims on its resources have been growing (See Tables 27 and 28). In the absence of internally generated resources or transfer payments from the government budget, the CPSP agreed to assume a certain proportion of the oil crushing firms' crop credit obligations to commercial banks equivalent to the amount of compensatory payments which the CPSP should have accorded the oil crushing firms.

The provision of short-term credit to allow oil crushing firms to pay farmers promptly and in cash for marketed export crops is essential to the proper functioning of the system. In December and January farmers require cash to purchase goods and food to allow their families to function throughout the season where unemployment is widespread in the rural sector. Major agricultural tasks are not possible between December and May, except in the Senegal River Basin, as Senegal receives no rain, and thus few opportunities for on-farm gainfull employment (e.g. through cattle fattening or poultry), during the dry season are limited. What must be avoided is that subsidy payments due from the CPSP are permitted to reach levels which are clearly unsustainable either for the CPSP, the groundnut sector, or the government budget. It has been shown that the short term crop credit system can function smoothly when a sector is financially more balanced. A case in point is crop credit for cotton purchases which is repaid, on schedule, by SODEFITEX.

2. <u>ONCAD debt</u>

In a recently released audit report, ONCAD's outstanding liabilities at the time of its dissolution in October 1980 were approximtely CFAF 75 billion or $187.5 million. Since 1980, arrearages on capital and interest payments have brought the total to CFAF 99.9 or $250 million. If the GOS is able to respect the newly agreed upon repayment schedule for ONCAD debt it will be reimbursing CFAF 142.4 billion or $356.0 million over the next 15 years.

As is the case with short-term crop credit, commercial banks in Senegal were technically required to lend to ONCAD; thus, although already significant portions of debt were accumulated by 1977/78, the banks continued to lend to ONCAD through 1979/80. Unlike the CPSP, the fundamental reason for accumulation of ONCAD debt was not unfavorable price movements on the international market but rather the results of widespread default by farmers on credit extended by ONCAD for the purchase of fertilizer and seeds and for the purchase of food (millet and rice) during the hungry season between May and September. Inefficient management within ONCAD and the consequent build-up of an operating deficit also contributed to an increase in ONCAD's liabilities.

As early as 1970/71 when drought-affected groundnut production dropped to about 60 percent of average, the GOS responded to farmers' serious economic difficulties by cancelling CFAF 2.6 billion of farmer debt part of which was owed to the BNDS for the purchase of tools and part of which was owed to ONCAD. The same phenomenon recurred in 1972/73 when groundnut production dropped below even its 1970/71 level to 570,000 metric tons. Between 1977/78 and 1980/81 farmer debts were cancelled twice by the GOS in response to sharp drops in farmer purchasing power due to drought. Thus it may be said that ONCAD and the BNDS were <u>de facto</u> used as institutions for providing crop insurance to farmers during drought years.

In addition, the inability of ONCAD to properly manage its program to provide agricultural inputs and seeds to farmers in the groundnut basin further contributed to poor repayment rates from farmers. Differences between the level of debt established by ONCAD and the level recognized by farmers was often substantial. Every taxpaying groundnut farmer was eligible to borrow seeds from ONCAD on the understanding that since ONCAD was the monopoly marketing agent for groundnuts it could be assured of repayment. However, farmers, to avoid repaying debts, became indebted in one cooperative for inputs and sold output in another cooperative where they had no debt and thus were not required to relinquish part of their crop to cover repayments. This process of evading payment was facilitated by the fact that information was sometimes inaccurately recorded and that information did not flow between cooperatives.

Between the early seventies and late 1980 ONCAD accumulated about CFAF 75.0 billion in unpaid liabilities. Over this 10-year span about CFAF 23.0 billion or $57.5 million involved unreimbursed short-term crop credit made available to ONCAD for the purchase of farmers' groundnuts. Much of this build-up can be attributed to the fact that ONCAD was not able to cover the costs of its services (1) through proceeds from the groundnut marketing process and that it was required to assume entire responsibility for the losses of groundnuts during transport (discussed in Part I). About CFAF 18.0 billion or $45 million can be attributed to credit extended by ONCAD for the purchase of millet and rice for farmers' consumption during the hungry season which was not subsequently reimbursed by the farmers, and about CFAF 34.0 billion or $85 million can be attributed to cooperatives' debt to ONCAD for the purchase of agricultural inputs.

3. The impact of ONCAD and crop credit debt on the banking system

As might be expected the accumulation of unpaid liabilities to the banks has had a deleterious effect on the banking system which could have serious repercussions for Senegal's financial stability. The hardest hit bank has been the Banque Nationale de Developpement du Senegal (BNDS), with 73 percent of its capital provided by the GOS. Constituted in 1964 the BNDS is one of the largest banks (capital of $6 million). BNDS in its role as lead bank for crop credit and in its capacity as direct lender to the rural sector has been the major source of credit to agriculture. Thus, CFAF 38.4 billion of ONCAD debt or $96 million is owed to the BNDS and approximately CFAF 20 billion in crop credit or $50 million. With an initial capital of $6 million the BNDS has accumulated a level of unpaid assets of $146.0 million. The BNDS is reportedly unable to meet interest payments to the BCEAO on its rediscounted money and is currently surviving because the BCEAO has not pressed the issue. A reimbursement of outstanding crop credit and a major effort to clear up arrearages on ONCAD debt are crucial to the continued existence of the BNDS. In recognition of this fact, the GOS has designated the BNDS as the priority beneficiary of repayments on these debts.

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(1) ONCAD services included: (1) assistance to farmers to ascertain their needs for inputs, (2) procurement of the inputs, (3) distribution of inputs to the farmers and after the harvest, (4) collection of payment for inputs, (5) purchase of groundnut harvest from the cooperatives, and (6) transport of production to the oil crushing firms.

A failure of the BNDS would have serious repercussions for the banking sector as a whole. Other major banks are also suffering from the accumulation of agricultural debt: the BIAO with a capital of $7.7 million is owed $33.0 million; the BICIS with a capital of $5.0 million is owed $47.5 million; SGBS with a capital of $5.4 million is owed $35.5 million and USB with a capital of $5.0 million is owed $47.5 million. These figures do not include bad loans which may have accumulated in other sectors. From the above figures it is clear that the IMF is justified in placing top priority on the reimbursement of ONCAD and crop credit debts.

4. The fiscal burden of the RDAs

Another area where the agricultural sector weighs heavily upon the public finances of Senegal is that of rural development agencies or RDAs. It is very difficult, if not impossible to quantify precisely the costs of RDA's for the GOS.

These costs to the state can be broken down as follows:

- Direct subsidies coming from the investment and the operating budgets of the State.

- Salaries of civil servants detached from the GOS to the RDA's, but whose salaries continue to be paid through the national budget.

- Interest on loan investments obtained by RDA's with the endorsement of the State, and counted as part of the public debt.

- The CPSP deficit on export crops and domestic rice, in particular cotton from SODEFITEX and locally produced rice from SAED and SOMIVAC (during the 70's).

Table 16 gives an idea of the level of subsidies to the agricultural sector. It estimates in particular the subsidies to the rural development agencies, which, in 1981/82 were about CFAF 8 billion or $20 million.

Table 29 presents an estimate of the investment and operating expenses of five regional development agencies (as opposed to rural development agencies, which include ISRA, the research service, and SONAR, the input distribution company). Table 29 is based on the official financial statements of these RDA's, and it appears that the expenses of these organizations is between CFAF 8 and 10 billion or $23 million. Both of these tables underestimate the real cost of RDA's for the State as they do not include all of the cost elements described above.

In addition, Table 31 gives an idea of the evolution of the personnel of selected RDAs. Table 32 presents the distinction between contractors and civil servants at headquarters and in the field for SODEVA.

Even if the financial figures are not precise, it is clear that the overall cost of RDA's over time has become a very heavy burden on the GOS, which has not been compensated for by tangible results, either in terms of increased production, or improved well being of the farmers. In the following

C. Corrective Actions Required in the Agricultural Sector

1. The CPSP and accumulation of crop credit

Since the dissolution of ONCAD in late 1980, the CPSP has been the major institution through which the GOS has accumulated agricultural-sector -related debt which it cannot reimburse without substantial external assistance. It is thus important to analyze the ways in which such accumulation can be prevented in the future. As was stated earlier the major cause of rising subsidies to the groundnut sector has been the unfavorable price movements on the world market. Due to a number of factors beyond Senegal's control the short-term prospects for international prices for groundnuts are considerably more favorable in November 1983 than they were the previous spring. A projected decline in the availability of oilseeds especially soybeans due to poor climatic conditions in the U.S. has provoked a speculative increase in groundnut prices which have doubled since last March.

The combined impact of increasing world prices and a decline in the real producer price of groundnuts to farmers due to increased levies is that the prospects for 1983/84 are considerably improved (See Table 12). The deficit on the groundnut sector for 1983/84 is likely to be less than one-half of the deficit for the 1982/83 crop year. The CPSP's financing requirements for groundnuts are hence expected to decline from CFAF 12.4 billion or $31 million in 1982/83 to CFAF 1.5 billion or $3.75 million in 1983/84. The major source of the remaining deficit is attributable directly to SONAR. With the projected decline in groundnut production this year the levy of CFAF 15/kg of groundnuts marketed will not cover the costs of a 120,000 ton seed stock nor SONAR's overhead costs.

With respect to the overall deficit for the CPSP in FY 1983/84, revised estimates situate it at about CFAF 4.6 billion or $11.5 million as compared to $40.0 million in 1982/83. This remarkable improvement can be accounted for not only by the more favorable situation for groundnuts but also due to an increase of receipts from imported consumer goods. Given the prospects for FY 1983/84 it would appear to be an opportune moment to focus on the problems of the CPSP's accumulated debt since the situation in the future appears to be coming under control.

In order to effectively prevent the financial equilibrium of the CPSP from being disrupted as it was in 1981/82 and 1982/83 a number of safeguard measures should be carefully studied and subsequently implemented. The number one priority is to define the CPSP's stabilizing function such that it is consistent with its access to financial resources. The stabilization function might be more appropriately focused on the variability of farmer income as a whole rather than exclusively on the producer price. For example, 1982/83 was an exceptionally good year for groundnut production as compared to recent averages. Given the impact of quantity on income it was, therefore, perhaps not essential to maintain the producer price at CFAF 60/kg in the face of declining world prices. With respect to this harvest, on the other hand, given expected reductions in groundnut production and favorable price movements on the international market, it might have been feasible to consider maintaining or increasing the producer price rather than reducing it to CFAF 50/kg.

Another corrective measure which should be considered involves the destination of CPSP's surplus in good years such as CY 1979. Given the fact that the GOS is experiencing such a tight liquidity situation it seems normal that although it is anxious to benefit from CPSP surpluses it is not in a position to finance deficits in bad years. Thus a system needs to be devised whereby the CPSP is authorized to have exclusive access to its proceeds in favorable years to finance deficits in less favorable years. A system of this type is being formulated for SODEFITEX whereby its profits can be deposited or invested to allow it to finance losses associated with other years.

A related question involves the quality of CPSP's financial management and monitoring. It has been stated that with a more rigorous management of its cash flow the CPSP could generate substantial savings. A nine-volume audit of the CPSP was done in 1982 by Arthur Anderson and financed by the World Bank. The audit report examines CPSP's financial management as examines well as its management of the rice, groundnut, sugar, flour, cotton and tomato sectors. The report analyzes the major problems in each sector but does not describe very precisely the way in which more general suggestions for improvement in each sector could be implemented. However, the report broke new ground with respect to its detailed analysis and quantification of the implications of the CPSP's various functions.

The complex function of price stabilization requires an effective monitoring mechanism whereby price adjustments, particularly for imported consumer goods, could be introduced with a certain element of automaticity. More regular but smaller price increases to reflect shifts in world prices may also have another advantage--that of political acceptability. Infrequent but major price adjustments of between 20 percent and 30 percent are highly visible and psychologically more keenly felt by consumers. Quarterly or semi-annual adjustments of 5 percent each, on the other hand, may be more palatable to consumers. Thus a system for price adjustment characterized by frequent periodicity should be part of a reform program for the CPSP.

Similarly, a system should also be introduced to monitor the various sectors and an early warning mechanism devised to bring attention to sectors veering into deficit. Corrective action should then be taken at the earliest possible moment and should be divorced as much as feasible from political considerations. For example, during the first half of 1982 when international groundnut prices were cut by half the CPSP should have been proposing adjustment measures. Instead the deficit was allowed to accumulate through the end of FY 1982/83 before any concrete measures were introduced. The lack of responsiveness to the problem can also be traced to the fact that 1983 was an election year--a phenomenon which is known to occur in a large number of countries.

Another crucial area for reform which affects both the CPSP and Senegal's agricultural sector as a whole, is the search for ways of making various sectors, groundnuts and rice in particular, more competitive. If the secular trend for groundnut prices is towards a decline in response to the appearance of more inexpensive alternative vegetable oils on the international market, then Senegal's future in the groundnut industry is dependent on its ability to cut costs and eliminate unnecessary losses such as "losses in transport". Although cost-cutting is likely to reduce the margin of intermediaries it should also ensure that, to the largest extent possible, the farmers receive a remunerative producer price. According to calculations made in 1982 paddy rice produced in the Senegal River Basin through SAED is about two to three times more costly than imported rice. While it is being proposed that the cost of domestic rice production and SAED in particular, be financed through the proceeds on imported rice, it is financially unsound to encourage a situation where increased agricultural production is synonymous with additional financial strain on the CPSP.

Further analysis of long-term solutions for the CPSP is clearly required. Timing for the launching of an initiative with respect to the reform of the CPSP appears, however, to be ripe. The CPSP's director has been changed and the new Director is reportedly concentrating on strengthening the institution. The GOS' Office of Organization and Methods will be studying the general management of the CPSP early next year. The French FAC and the World Bank are financing three technical experts including a financial management specialist to work full time within the CPSP. In the context of proposed conditionality to be applied early next year, it is the Mission's intention to finance a local consulting firm which worked with Arthur Anderson on its audit report, to update and elaborate on the conclusions made in the report. Emphasis should be given to the specifics of the task of restructuring the CPSP and strengthening its management methods. A financial analyst from the U.S. with extensive knowledge of Senegal could be called upon to supervise and direct the work. This effort should be carried out in close collaboration with the GOS, World Bank, and France in order to allow all parties concerned with the reorganization of the CPSP to take advantage of any new ideas or approaches.

2. Regional development agencies (RDAs)

a. Analysis of the major deficiencies of RDAs

An important problem with RDAs is their high cost. Two major reasons explain the capital growth of these costs. (1) the personnel and in particular the staff at headquarters grew at a very rapid rate in the last decade;(1) (2) the donors, who had participated in the unnatural growth of the RDAs by injecting large sums of money, realized that the results were not in relation with the costs, and therefore decided to significantly reduce their financial support, leaving the GOS with heavy overhead to subsidize.

The GOS, in order to limit the political consequences of a large lay-off of personnel, has chosen to reduce operating expenses (rather than personnel), thus decreasing even more the already low efficiency of RDAs.

The impact of RDAs on production is not readily apparent. In the Groundnut Basin covered by SODEVA, the yields for groundnuts and millet have not increased significantly since the early 1960's, despite all the efforts to promote agricultural themes. Table 30 presents the evolution of yields from 1960/61 to 1982/83 for both crops. USAID is curently conducting

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(1) It appears that as in many other developing countries the parapublic sector, and RDAs in particular were viewed by the authorities as a means of limiting unemployment among educated people, rather than as productive units.

two evaluations of our project of support to SODEVA. Although it might be too early to compare costs with increased levels of production, in lower Casamance, despite the efforts in extension services largely financed by USAID, the increase in production resulting from the project is estimated at 3 to 4,000 tons of rice per year. For SAED, paddy production increased from 10,600 tons in 1965 to 50,000 tons in 1982/83, and during the same period tomato production went from 0 to 21,600 tons. These numbers are impressive in themselves, however, when compared to the investment costs (CFAF 33.7 billion or $84 million for 1964-1978), and to the operational subsidies provided by the GOS ($5.8 million in 1981/82) the results are less impressive. Although SODEFITEX is cited as a model among the RDAs, its costs are quite high if we consider the deficit on cotton sales incurred by CPSP.

The RDAs have a top down approach; they consider themselves as the instrument of the GOS to impose development on the farmers. The farmers are not asked how they see their future, they are told what to do, without any real feedback mechanism to check if this is acceptable or not. The question of the adequacy of the extension packages proposed to the farmers should also be raised. For example, for several years, SODEVA has attempted to impose what is called "heavy themes" (i.e. deep ploughing with oxen, large quantities of fertilizers, etc...) on farmers, but only very few of them have adopted this technical package. The RDA's perception of their role, which closely resembles the development pattern initiated during the colonial period, has also affected the relationship between extension and research. The RDAs are perceived as instruments which impose research results on rural areas without trying, through feedback, to find out if research results are truly adaptable and appropriate.

The centralized approach has also caused some of the RDAs to take over vital functions in the agricultural sector, such as the supply of production inputs, marketing of agricultural production and credit, with the hope that they would be able to coordinate these services to make them more efficient. Experience has demonstrated however, that by accumulating these functions, RDAs produced as bad if not worse results.

The regional development agencies see themselves as the coordinators of development action at the regional level. They wish to be aware of all projects existing in the region, and in fact they would like to supervise, or even control all development actions in the region. Although there is clearly a need for regional coordination in Senegal there are too many organizations who wish to assume this function including the RDAs, Governors, Prefects, different representatives of ministries. The end result being that there is no real coordination.

Poor management is a common feature of parapublic sectors in less developed countries, and it seems to have been aggravated in Senegal in recent years first, because of overstaffing at headquarters level, which has induced a dilution of responsibilities and second, because of the limited financial means which implies insufficient logistical support and consequently poor work supervision.

It would be too easy to place the blame for this less than positive analysis on the RDAs alone. Several factors played against efficiency of these RDAs. They include:

a. Rainfall - For several years, low and erratic rainfall has limited production;

b. Inputs distribution, when it has not been done by the RDAs themselves, has often been inadequate and has thus had a negative impact on the application and adoption of themes presented by the RDAs. Unfortunately, as indicated earlier, when the RDAs take over input distribution, the results are usually not more satisfactory;

c. The unavailibility of credit during the last 4 years is a constraint for the RDA's in financing inputs and equipment recommended for the various proposed technical packages;

d. Generally, the GOS' financial difficulties and subsequent limitations on cash flow available for logistical support of extension services are limiting factors for the work of the RDAs;

e. Finally, the donors, by reducing the funds available for the RDAs are, in the short-run, actors in the deterioration of their efficiency. In the long-run, however, they should be actors in the change of RDAs by forcing the GOS to reconsider the roles, functions, and costs of these agencies. This process is taking place right now, and USAID is playing its role to help the GOS in its analysis and its decisions.

b. <u>Corrective measures to be taken</u>

It is necessary that the GOS defines clearly what it expects from the RDAs. (e.g. extension service. regional coordination, input supplies, marketing of production). The Government is now in the process of studying this question; it has requested each of the three major rural development agencies, SODEVA, SAED and SOMIVAC, to prepare a document explaining its own views with respect to the future. These documents have not been officially released yet, but we know that at least two first drafts have been rejected by the Minister for Rural Development because the objectives proposed were not seen as realistic given the constraints. USAID may have a role in influencing the GOS in its reflection. The Mission is attempting to convince the Government of the following points:

- Even if RDAs do not function in the present as they should, their two principal functions, i.e. technology transfer and the establishment of linkages between research and rural development, should be preserved, and improved if there is to be medium term development for Senegalese agriculture;

- However, the peripheral functions which have been assumed, over time by some RDAs, such as input distribution, credit, management of irrigated perimeters, functional literacy, regional coordination, statistical research on farming systems, etc., should be progressively transferred to other institutions in the private or public sectors;

- The overall cost of the extension function proposed should be compatible with the general macroeconomic situation. This means that the GOS determines what functions it should maintain and adequate resources should be attributed to these activities;

- If, as can be expected, the financial resources available do not allow for an intensive extension effort, then alternative means of designing extension services should be considered, such as increased use of local radio, the rotation system of extension, etc. There is a need for a study of the most appropriate extension system given the Senegalese context and constraints.

Even with the best extension system, if rain does not fall, if inputs do not arrive on time, if credit is not available when needed, or if seeds are of bad quality, output will be limited by these factors. This explains the RDA's desire to take responsibilities in particular for input distribution. It is thus necessary that the GOS take corrective measures simultaneously with respect to RDAs and other areas of rural development such as input distribution, marketing of the agricultural production, credit, agricultural price structure, etc. The GOS is in fact also reviewing these different questions. In the area of credit a new scheme is scheduled to start before the end of this year. Concerning input distribution and agricultural marketing, the Mission is convinced that a centralized and monopolistic solution is bound to revive the inefficiencies and the cumbersome procedures previously used by ONCAD. It would be preferable to allow several agents to perform the above functions. The GOS through state owned companies would limit its function to that of regulation and controller of these markets.

The RDAs should be reorganized with a view to decentralizing their responsibilities and initiatives. The agents in the field should become the ears and eyes of these organizations, transmitting the needs of the farmers and to researching and proposing specific solutions. This will require a profound change in the mentalities of RDA workers at all levels, away from the paternalistic attitude vis-a-vis the farmers, toward a participatory one. It implies that field workers should have a higher training level than is currently the case, and that the staff at head offices could be significantly reduced, because these institutions will have been streamlined and several functions merged. It will, however, be necessary to maintain and make the management and control services more efficient, so that field staff receive the supervision of the head offices.

The existing legal dependency of RDAs vis-a-vis the State has serious drawbacks in terms of efficiency:

- It slows down administrative procedures for procurement of equipment;

- It restricts the freedom to employ and fire personnel.

It is important that RDAs be able to exercise more autonomy so that:

- Management can effect procurement directly without going through the cumbersome state regulations (in exchange, a posteriori control will have to be organized);

- The General Director must have the power to hire and fire personnel on the basis of performance. It would be advisable that public service officers working for RDAs be reduced to a minimum.

PART 3 - CONDITIONALITY

A. Background

The process of determining the most appropriate from of conditionality to be associated with this $10 million ESF package is made more complex by the dual nature of the Mission's objectives: (1) to support the IMF Standby agreement and (2) to encourage major institutional reforms in the agricultural sector. The former objective would suggest that the package reinforce existing IMF conditionality while the latter would require the formulation of additional policy conditions. Similarly, the objective of support to the IMF program dictates that the ESF assistance be approved and disbursed in an extremely short timeframe while the objective of reforms in the agricultural sector requires considerable time for study and negotiation. Thus the mission is recommending that this package be approved on the basis of already existing IMF and USAID[(1)] conditionality and following review of illustrative conditionality set out in Section C which would serve as a basis for formulating additioual conditionality in early 1984.

Before concluding that the only feasible approach to conditionality involved the disbursement of funds prior to formulation of specific conditions USAID/Senegal examined the possibility of resolving the problem by depositing the $10 million ESF in a blocked account in the central bank for release in early 1984 when additional conditionality could be developed. This practice was used by the CCCE in March of 1983 but has a number of important drawbacks. First, while the deposit would normally reduce the net claims of the banking system on the GOS it would also cause a subsequent deterioration in this position when it was withdrawn for actual expenditure in early 1984. Second, and more important, is that the new IMF Standby stipulates that deposits made in the central bank from an external donor will give rise to an equivalent downward adjustment of the IMF ceiling on net government claims thus, negating any positive effect which this deposit might have on achievement of IMF performance criteria.

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(1) Conditions required under the $5 million ESF and $5 million SDF programs signed on August 11, 1983.

It is therefore suggested that conditionality for this ESF program be limited to a positive determination by the Mission Director, during the course of the month of December, that the GOS has implemented all reasonable measures to comply with the terms and conditions of the IMF Standby. However, detailed conditionality with respect to the CPSP and the RDAs will be applied in 1984 either in connection with a second tranche of ESF assistance, if this proves necessary and feasible, and/or as part of a Title I program. Preliminary discussions with FVA/FFP/Title I in Washington indicate that the spirit of conditionality intended with respect to the CPSP and the RDAs would be compatible with the concept of self-help measures which are additional and, to the extent possible, identifiable and measurable. Two outstanding questions remain to be resolved: (1) the possibility of expediting the Title I approval process to ensure that funds are available before the end of the Senegalese Fiscal Year on June 30, 1984 and (2) the necessity of obtaining a determination from USAID/Washington as to the acceptability of providing a loan to a Sahelian country.

Another important reason why USAID/Senegal is recommending that the formulation of new conditionality be deferred until early 1984 is that the policy dialogue between the GOS and its major donors (France, World Bank, U.S.) on the direction and pace for reforms in the agricultural sector is being pursued in a number of meetings that take place in November and December. There are good prospects that from these meetings will emerge a consensus on a reform plan and on the role of the donors. Given the necessity of a collaborative effort in achieving policy reforms, the Mission believes that it would be counter-productive to impose isolated USAID conditions at this point. Furthermore, the objectives of reforming the CPSP and RDAs are ambitious ones which cannot be successfully implemented without the firm support from other donors as well as the GOS.

In an attempt to provide the factual data required to make a final decision with respect to the advisability of the Mission's approach to conditionality this part is divided into three sections. The first examines the status of GOS performance regarding the conditionality accepted for the $10 million balance of payments package. The second looks at the policy dialogue between the GOS and its major donors on agricultural reform, and The third illustrates the Mission's current thinking on conditionality. It is important that the three sections be viewed as tentative since subsequent discussions with the GOS and other donors may modify the specificity of recommendations. Nevertheless, the general direction for reform of the CPSP and the RDAs has already been dictated by macroeconomic constraints.

B. Status of Conditionality with Respect to the $10 Million Balance of Payments Package Approved on August 11, 1983

Approximately two and a half months ago, the GOS and USG signed two grant agreements which placed some rather stringent conditions on the GOS. While in some areas progress has lagged behind expectations, in general, it can be stated that GOS performance has been more than satisfactory.

1. The Agriculture Development Assistance Grant

As a condition precedent to the first disbursement a written statement that the grantee had sent a formal letter of intent to the IMF was required. In fact, progress has exceeded expectations since the GOS and IMF were able to finalize a Standby Agreement in early August which was approved by the IMF Board of Directors on September 19, 1983. The agreement covers the Senegalese FY 1983/84, and all of the initial adjustment measures as specified in the Letter of Intent have now been implemented.

As a condition precedent to the disbursement of local currency, the GOS must certify that village level cooperatives and producer groups are authorized to have direct access to credit sources. After the CCCE and USAID made it clear that the original legislation adopted by the Senegalese National Assembly in February of this year was not sufficiently specific to meet this conditionality, the GOS circulated a decree explaining how the legislation would be applied. Most recently, the Ministry for Rural Development issued an official memorandum on September 5, 1983, setting out the respective roles of the cooperatives and the village level producer groups. Although it was intended that these two documents satisfy donor conditionality some ambiguities still remain. Thus, the CCCE and USAID are currently awaiting the circulation of the statutes of the National Agriculture Bank (CNCAS) before making a final determination as to whether the interests of village level cooperatives and producer groups, as opposed to those of regional cooperatives, are sufficiently protected.

Disbursement of local currency funds for the National Agriculture Bank is contingent upon a positive finding by the Rural Credit and Savings Study. A mission from the Ohio State University Agricultural Finance Program visited Senegal in October. Ohio State will be reviewing the available literature on credit and savings in Senegal and will be sending a proposal for a detailed scope of work identifying outstanding questions which require further study. USAID/Senegal has recently received a study on Formal and Informal Financial Markets in Rural Senegal which was conducted in the context of the Princeton University Project financed with Title III counterpart funds. The study covers some new areas which may not, therefore, require detailed attention from the Ohio State University team.

A series of three special covenants focus on a progressive reduction of fertilizer subsidies. Through January 1984, the GOS is to agree to maintain the current 60 percent subsidy level and to reduce this level to 40 percent by January 1985. In fact, the GOS has gone well beyond these covenants since fertilizer is to be sold at cost price for the 1984/85 crop year. Although the USAID mission continues to believe that this phased approach would have been more effective in terms of preventing serious disruptions in fertilizer consumption and consequently agricultural production, the 1983/84 IMF Standby Agreement stipulates that budgetary savings are to be generated by the withholding of CFAF 5/kg on marketed groundnuts in order to cover the total costs of fertilizer to be distributed in the groundnut basin.(1) Unfortunately, production projections for groundnuts this year are very pessimistic at about 450,000 metric tons. This would imply that only about CFAF 2.25 billion would be available for the purchase of fertilizer for crop year 1984/85. Assuming an average price of fertilizer of CFAF 100/kg, this would allow the GOS to purchase and distribute

(1) For a detailed discussion of the potential impact of fertilizer on production see the analysis contained in Annex E of SDF PAAD no. 685-0249.

a total of 22,500 tons in the groundnut basin. Each farmer is to receive the amount of fertilizer equivalent to the amount of his or her withholdings. Thus, while the scheme allows each farmer to benefit from a minimum amount of fertilizer, it is highly dependent on the previous year's agricultural production and in this respect magnifies the impact of a poor harvest on farmer income. In particular, given the small amounts of fertilizer which must be distributed among every farmer that markets groundnuts, the impact of fertilizer on agricultural production is likely to be significantly reduced. The GOS and USAID mission are aware of the serious drawbacks of the IMF scheme and are currently discussing acceptable solutions to improve the likely impact of fertilizer use on production.

With respect to fertilizer marketing the GOS covenants that it will permit the private sector to import urea under this project directly from the U.S. The GOS has agreed entirely with this covenant and will shortly be announcing the private-sector importer, which will likely be the SSEPC or a Senegalese importer. Within 12 months of project obligation, the GOS is to present a plan for reorganizing the fertilizer marketing system including a study of the respective roles of the private and public sectors. The GOS has not yet initiated this study.

As a covenant concerning the CPSP, the GOS is obliged to reduce outstanding crop credit through the reimbursement of CFAF 10 billion by December 1984, according to the priority order and schedule agreed upon by the GOS and IMF. The GOS has, as of October 31, 1983, reimbursed CFAF 6 billion or $15 million due on outstanding crop credit for 1981/82 which is in accordance with the order of priority as set out by the IMF. The GOS also covenants the reduction of the deficit of the CPSP by 10 percent by December 1984. This reduction has already been achieved through the price increases on rice, sugar and cooking oil announced by President Abdou Diouf on August 19, 1983.

2. ESF Commodity Import Program

The major condition precedent to first disbursement of the foreign exchange component of the Commodity Import Program is a written statement that the GOS has sent a formal letter of intent to the IMF. As has been explained above, this condition has been met.

Conditions precedent to disbursement of local currency involve the establishment of a revolving account for road maintenance and GOS deposit of its matching contributions due in the summer and fall of 1983. The revolving account is not yet operational; however, the financial burden to the GOS of this condition has been significantly reduced since the World Bank and USAID will be contributing jointly 67 percent of funds required during the first year of the revolving account's operation.

Another condition precedent deals with the necessity of the Public Works Department to prepare an acceptable plan for the utilization of counterpart funds, with guarantees of equipment and personnel availability, and a description of the equipment to be used. To date these conditions have not been met.

C. Policy Dialogue in the Agricultural Sector

The months of November and December are to be productive in terms of meetings and studies which should lead to a consensus among the GOS and its major donors as to the appropriate directions for policy reform in this sector. This type of consensus would facilitate the application of relevant conditionality in the context of USAID's nonproject assistance for FY 1984.

1. Analytical work

The GOS is in the process of completing important analytical work which is to serve as a basis for scheduled meetings with donors. A study on Cereals Policy: Current Status and Proposals for Action was published in July 1983. Studies of SAED, SODEVA and SOMIVAC are being completed to serve as a basis for a general evaluation of the role of these institutions in the agricultural sector. In the context of the IMF Standby, the World Bank is assisting the GOS with a series of financial studies covering public sector enterprises including SAED, SODIVA and SOMIVAC that are facing severe financial difficulties. The World Bank, in collaboration with the GOS, has drawn up the terms of reference for these studies but no analytical work has as yet begun.

Donors have also financed important analytical work. The Club du Sahel is circulating a study of rainfed agriculture in Senegal. The French CCCE and FAC are currently financing an update of a study completed in 1982 on SAED and the costs of rice production in the Senegal River Basin. The update will use more recent information on production costs for the 1981/82 and 1982/83 crop years.

2. Meetings scheduled with the GOS and its major donors

A series of three critical meetings are being organized in November to discuss various aspects of GOS agricultural policy and its reform.

- the Club du Sahel has sponsored a five day meeting from November 7 through November 11 to discuss agricultural production and food strategy in Senegal. All interested donors have been requested to participate. Three major themes will be addressed by particular working groups. The first will discuss the organization and promotion of the rural sector including the provision of agricultural inputs, rural credit, extension services and the most effective institutional means of mobilizing producers. The second group will examine technical and economic aspects of irrigated and rainfed agriculture such as crop protection, animal traction techniques, integration of cattle fattening and agriculture, systems of production, agronomic research and water management. The third group will look at the economics of food crop production including policies with respect to marketing, pricing, storage, transformation and the role of food aid. Much of the documentation described in the last section will provide the analytical basis for discussion.

- The World Bank has organized a meeting from November 14 through November 18 in order for the GOS and interested donors to discuss the role of the RDAs in the agricultural sector. The problems of SAED, SODEVA and SOMIVAC will be analyzed, but priority will be reserved for SAED since donor reflection on this institution has already been synthesized in a revised document issued last May.

- The World Bank has scheduled a wrap-up meeting for Nov. 21-22 to form a consensus among the GOS, French, World Bank and U.S. as to major directions for policy change in the agricultural sector, especially with respect to cereals policy. Agreement should also be reached concerning the role of donors in support of new policies.

During the IMF's mid-December review of GOS performance with respect to the Standby Arrangement, discussions will also focus on agricultural sector policies and the role of RDAs. It is not clear at this point in time whether other donors will be asked to participate in these consultations.

D. Illustrative Conditionality for the Reform of Agricultural Sector Institutions

There is general agreement that institutional reform in the agricultural sector must address both the CPSP and the RDAs. However, reform must be approached in collaboration with the GOS and other major donors and must take place at a pace which is more rapid than what the GOS would normally advise but sufficiently gradual to make it politically feasible. Thus, until a consensus has emerged on how to reform these institutions, the specifics mentioned in this section should be regarded as illustrative and subject to subsequent modification.

1. The CPSP

As explained in previous sections, there is already a solid analytical base for drawing up conditionality for the CPSP with the Arthur Anderson audit which, however, requires a certain amount of updating to be pertinent. Detailed analytical material is an important prerequisite for negotiating with the GOS to assure all parties concerned that the Mission's diagnosis of the CPSP's problems and the necessary corrective action is indeed well-founded. In the case of the CPSP this is particularly important since some highly sensitive political issues are at stake: pricing for basic consumer goods and the level of subsidy to producers of export crops.

The first area which requires attention is that of price adjustment for both producer prices of export crops and basic imported consumer goods. The GOS should agree upon the regular monitoring of world prices and quarterly or semi-annual meetings to shift prices in accordance with international movements. Prices could be adjusted upward or downward with downward lags if this is desirable in terms of the stated GOS goal of food self-reliance. For example, the price of imported rice could be adjusted upward but not downward as a means of encouraging consumers to shift to domestically produced cereals.

A related issue involves a GOS decision with respect to a maximum sustainable level of subsidy to the groundnut sector. Given the fairly pessimistic outlook for groundnuts as compared to acceptable substitutes (soybean oil, sunflower oil, palm oil) the GOS should determine a maximum limit for its financial contribution to the sector beyond which adjustment measures, such as the reduction in the real producer price are required. It is also necessary to identify a regular source of financing for the groundnut subsidy in order to prevent the preemption of crop credit for this purpose.

Agreement should be obtained for the use of a management control system for each sector handled by the CPSP (e.g. groundnuts, sugar, rice and tomatoes). The system should provide for an early warning mechanism for identifying sectors that are moving into deficit and for which corrective action is required within a specified timeframe (e.g. 3 months). In order to facilitate the control system, specific sources of CPSP receipts should be identified for the financing of each sector. For example, some of the costs of domestic rice production could be defrayed from profits on imported rice. Similarly proceeds from imports of tomato paste could be used to finance a CPSP deficit with respect to domestically produced tomato products. In cases where a particular sector is not self-financing then the CPSP should be required to take action such as, in the short-term, the mobilization of additional resources through exceptional taxes and/or levies, and in the medium-term, measures to reduce production costs.

The focal point of any longer-term solution for the CPSP is its capacity to monitor the situation with respect to each of its sectors. This capacity is in turn dependent on the effectiveness of CPSP's management and expenditure control. Part of any future conditionality, therefore, should involve specific measures for strengthening that capacity through more timely and more accurate financial reporting, precise attribution of responsibilities to individuals and departments and, where necessary, short and medium-term technical assistance activities.

2. The RDAs

Regarding RDAs' expenditures, the objective would be to request the GOS to study cost problems from a dual perspective. First, from a macroeconomic point of view: how much of Senegal's resources can be allocated to RDAs, given the country's overall economic constraints? Second, from a microeconomic view point: what are the plausible alternative extension methods and how much would each cost? This would require a comparative analysis of extension systems in other LDC's and their applicability to Senegal, followed by an evaluation of field and headquarters personnel needed, and an analysis of the costs per RDA/region. Analysis of these macro and micro costs will determine how much money can be attributed to the RDAs.

USAID could request that both of these studies be undertaken within a given time period. The same procedure which was used by the GOS in the context of rural credit could be applied to this situation, i.e. the creation of a consultative group attached to the Presidency or to the Ministry of Rural Development, comprising GOS officials and donors, with the studies undertaken by consultants with donor financing.

With the cost structure of each RDA, the distinction can be made between the structural costs, which are imposed by the specific tasks requested by the Government from that organization (e.g. extension services in the Groundnut Basin), and the costs which can be attributed to poor management. It should be possible to determine standard costs of extension agents and corresponding overhead expenses. On this basis, one could organize some management control, and USAID could establish a conditionality in terms of a timetable for decreasing expenditures and reorganizing personnel.

Each RDA has been assuming functions over time which are not directly related to their basic objectives, either because these functions were performed poorly by other institutions, or because of a natural tendency of the RDAs to expand their scope of activities. It is necessary:

a. to define clearly those functions which should be abandoned over time.

b. specify how and when these functions will be handed over, and to whom.

For those functions which are cash generating, there should not be too much difficulty to transfering them to the private sector (privatization of the SAED rice factory, for example). But for functions which do not generate immediate quantifcable returns like functional literacy, it will be more difficult to find a replacement institution.

Conditionality could be applied in accordance with a GOS plan of action for the phasing-out of peripheral functions, specifying also which institution will replace the RDAs.

With respect to the legal status and autonomy of RDAs, the objective here is to hold employees of RDAs responsible for their actions by giving a certain autonomy of decision-making to their managers. This raises two issues: (1) can personnel be hired and fired legally on a merit basis? (2) how can the cumbersome procedures for procurement of goods be avoided? One first step would be to change the legal status of RDAs from a public enterprise to state-owned company, (some already have the state-owned company status). The nuance is not symbolic since public enterprises have a more or less guaranteed access to budget funds which is not the case for the others. SAED, for example, changed its status in 1981, and has received almost no funds since that time from the State (although they received considerable support under the World Bank Structural Adjustment Loan). It is clear that this change of status must be accompanied by a guarantee of regular availability of funds. However, although useful, this first step will not be sufficient since it does not entirely solve the two issues raised above. It is important to look in more detail at the hiring, firing and procurement procedures in Senegal to determine under what legal conditions independence from the State and autonomy of decision can be obtained. The application of these conditions could be a future condition for disbursement of funds.

Given the complexity of the RDA structures and the involvement of other donors with these institutions, it will be necessary to coordinate actions with other donors to present a common approach vis-a-vis the GOS.

III. PROGRAM DESCRIPTION

A. Proposed U.S. Program Assistance in FY 1984

Greater emphasis upon nonproject assistance--through PL 480 Title I/III, the Economic Support Fund (ESF), and program grants--is the principal characteristic of U.S. assistance to Senegal in the CDSS plan period, 1983 - 1987. Over one half of the bilateral program for FY 1983 and over seventy percent of the program requested for FY 1985 will be nonproject aid, primarily designed to serve three purposes:

- to ease Senegal's balance of payments difficulties at a time of unusual stress;

- to engage the government in policy dialogue while providing the means (in concert with the IMF, World Bank, and France) to continue the implementation of Senegal's structural reform plan; and

- to provide local currencies (l/c) for activities related to agricultural research and production, thus compensating in part for government's extreme liquidity crisis.

Within the total of U.S. assistance to Senegal, program aid supports at several different levels the portfolio of conventional projects directed at higher per capita food production. This project assistance concentrates on the three geographic areas of greatest agricultural potential in Senegal, where food production activities are associated with projects in health and population.

For the first time, U.S. nonproject assistance in FY 1983 exceeded 50 percent of the total USAID program. The total amount of program aid obligated, $17.0 million, comprised three activities:

- PL 480 Title III - A one-year, $7.0 million amendment to the original three-year $21.0 million agreement. The amendment funds support for agriculture research and environmental regeneration in Senegal's heart-land, the Groundnut Basin;

- Agriculture Development Assistance (0249) - A one-year $5.0 million fertilizer import program, which simultaneously funds an assessment of Senegal's agriculture sector and supports reforms in the country's credit and cooperative institutions; and

- Economic Support Fund (0262) - a $5.0 million general commodity import program, which funds the maintenance and upgrading of rural roads important to agriculture production and marketing.

The USAID does not plan to continue funding these local-cost activities in FY 1984. Further support for tasks associated with agriculture and the soils environment will depend upon the findings of the agriculture sector assessment, scheduled for completion in June 1984 and for USAID comment and

Washington review in July. Additional funds for Senegal's rural road maintenance fund will not now be required until FY 1985, given the World Bank's decision to move forward their support intended for FY 1985 to this year.

Instead, in a year of unparalleled economic difficulty for Senegal, with the IMF Standby Agreement at stake, the USAID plans to devote the total of nonproject assistance--PL 480 Title I ($8.0 million), and this ESF ($10.0 million)--to quick disbursing cash grants, principally tied to measures and conditions agreed upon between the IMF and the government. The present $10.0 million tranche of ESF assistance, designed for injection into the Senegalese economy prior to the December 31 performance review, will carry no additional conditions to those which President Diouf accepted and is carrying out, beginning in August, 1983.

The USAID is proceeding with the development of an $8.0 million Title I program. Title I local currency funds could be available by May, 1984, be fast disbursing, and applied by Senegal to meet the terms of the Standby in areas particularly related to the agriculture sector. The specific conditions to disbursement of the funds will be determined during the design process. Determination of the purposes for which the funds may be used will be subject to agreement between the USAID and the Government of Senegal.

B. Justification for Cash Transfer

The purpose of this PAAD is to provide $10.0 million in emergency budgetary support so that it enters the Senegalese banking system by December 31, 1983. This timely transfer will help to ensure that Senegal meets its IMF Standby committments for the second quarter. Thus, both the level and timing of funding are significant.

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

1. CIP

The USAID currently has both a fertilizer and a standard CIP (approved in August, 1983) in the start-up phase. Conceivably, this ESF grant could have been added to one of these two CIPs or established as a separate program. At the present time, the Mission Supply Management Office (SMO) estimates that a minimum of 12 months is required from the signature of the Grant Agreement until the CIP generated resources would be available to the GOS under Standard Financing (letter of commitment) procedures. SMO estimates that a reduction in this time requirement to approximately five months could be achieved under the terms of the Direct Reimbursement financing method. Still, under either the Standard Financing or the Direct Reimbursement methods, the December 15 deadline could not be met.

2. Special Letter of Credit

An SLC may be established in conjunction with a CIP program. An irrevocable, unrestricted SLC may constitute a foreign exchange asset against which the Central Bank of Senegal could provide equivalent amounts of local currency to be applied in meeting committments under the IMF Standby. At this time the USAID counsels against use of the SLC for two principal reasons: First, preliminary implementation experience with the recently approved 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 currency upon the opening of the SLC. The Mission proposes, therefore, that the appropriateness of a new CIP program and the plausibility of the SLC be examined over the next several months in anticipation of a second tranche of ESF funding.

Therefore, the USAID has concluded that, due to the existence of the December time constraints, 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

No obligation of funds approved under this PAAD will be made until the Mission Director determines that the GOS has taken all reasonable measures to reimburse outstanding crop credit, reimburse arrears on ONCAD debt and limit domestic credit expansion. The Mission Director will make this determination based on the results of the joint IMF, AID and French review of GOS performance as required under the IMF Standby Agreement. After the Mission Director makes this determination, the Grant will be obligated. Disbursement of the full $10.0 million will be made immediately following the execution of conditions precedent.

Following PAAD approval and signature of the Grant Agreement, and in anticipation of the fulfillment of conditions referred to above, 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. M/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 CMB will, subject to GOS requests, make transfers to the Tresorier General Special Account in the Banque Centrale de Dakar, according to GOS needs. This special account, called "Compte Etranger", holds French Francs, CFA Francs or any other hard currency according to GOS needs and in conformity with regulations. The account is a multipurpose account.

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 the Standby Agreement funds will not be disbursed until such time as the Mission and GOS agree on a new set of conditions for disbursement of funds. These new conditions, and accompanying analyses, will be submitted for AID/W review before funds may be disbursed.

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

D. Specific Conditions Precedent and Covenants Relating to this Cash Transfer

The Program Agreement will contain the following conditions precedent and covenants:

1. Conditions precedent to disbursement

(a) Prior to the first disbursement under the Grant, or to the issuance of 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 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) Terminal Date for Conditions Precedent. If not all the conditions specified above have been met within thirty (30) days from the date of this Agreement, or such later date as AID may specify in writing, AID, at its option, may terminate this Agreement by written notice to Grantee.

2. General 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 the grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement; and

(b) That it will inform AID in timely fashion of any subsequent facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement.

3. Special Covenants

(a) The GOS agrees to take all reasonable measures to comply with the terms and conditions of the IMF Standby Agreement.

(b) The GOS agrees to provide AID with copies of all reports to the IMF or other principal donors, as they are issued, on compliance with the stabilization program.

(c) The GOS shall covenant to implement reforms in the agricultural sector as agreed upon in consultation with AID. The reforms shall be consistent with the joint donor-GOS plan to be prepared with the World Bank and the French.

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

E. Conclusion and Recommendation

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

Given the economic policy and program information and justification provided in the proceding sections and tables contained herein;

IT IS RECOMMENDED THAT:

The Assistant Administrator for Africa approve this request for program assistance from Economic Support Funds (ESF) in the form of a cash transfer grant of $10.0 million to the Government of Senegal.

IV. POLITICAL FRAMEWORK

Senegal is a nonaligned, moderate, functioning democracy now in its twenty-fourth year of independence. Following nearly 21 years of development under the leadership of former President Leopold Sedar Senghor (who retired in 1980), Senegal, in February 1983, 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 actually went to the polls, and the elections were carried out in a quiet and orderly fashion throughout the country. This is indeed a historic event not only for Senegal, but for Africa as a whole. With this election, Senegal established its 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 announcement of the IMF reform package and the introduction of tight austerity measures (see Section II) have reaffirmed the Administration's intent to govern within the bounds of fiscal discipline and real economic development. On balance, the donors consider that the far-reaching measures included in the IMF program are an adequate response to solve the problems presently facing Senegal, and that the 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 the Marxist-inspired coup attempt in The Gambia.

Senegal's geographic location as 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.

Within its West African subregion, many of Senegal's neighbors are politically insecure, and the country represents an island of stability and moderation. The GOS has been an active and highly regarded member of the

CILSS and in working with the Paris Club. It is therefore in the U.S. and other friendly countries' 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, and then Secretary of State Alexander Haig.

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.

V. USAID ASSISTANCE STRATEGY

A. Overview

The USAID Senegal CDSS for FY83, submitted in January 1981, elaborated the Mission strategy for responding to the economic situation in-country. The goal of the program was established as helping Senegal to achieve food self-reliance by the year 2000.

The FY 85 CDSS update, submitted in February, 1983: (a) reviewed Senegal's 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, (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, and (d) underscored the requirement that the Mission put the programs previously approved from a policy standpoint in place during FY83 in support of the Country Strategy if the strategy is to continue to have meaning. The two major programs for FY83 - ESF I and the Agricultural Development Assistance Program are now under implementation.

A principal characteristic of the USAID program is the intense and continuing collaboration with the GOS itself, and with the 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. Within the context of this program, which was designed to stabilize the economy and provide the basis for long-term growth, the USAID planned and AID/W approved a balance of payments (BOP) package composed of three activities (DA, ESF, and Title III funded) totalling $17.0 million in FY1983. This BOP 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 program to nonproject assistance in an effort to be more responsive to Senegal's BOP problems and to bring about policy reform. A CP to the disbursement of the FY 1983 BOP assistance package required the GOS to negotiate a new standby agreement with the IMF for 1983-84. Insistence upon the successful execution of an IMF standby was established by the USAID as a quid pro quo to any future BOP assistance.

In July 1983, the GOS and IMF negotiated a new one-year standby agreement, providing for Senegal to purchase up to 63 million SDR and containing significant and stringent targets and limits. On August 19, President Diouf announced the full range of austerity measures consequent to the standby agreement.

The announcement of the IMF reforms was immensely encouraging to the USAID and other major donors who had stood with the IMF during the delicate negotiation process. To the USAID, it offered tangible evidence that collaboration with other donors and the conditionality attached to its FY 1983 BOP program had yielded fast results.

Efforts at helping to stabilize the economy through macroeconomic support and structural reform constitute over one-half of the Mission's program. The FY84 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 achieve food self-reliance. Other necessary conditions are being addressed in the balance of the Mission's project portfolio described below.

B. Goal: Food Self-Reliance

The 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 agriculture production is the key in Senegal to both higher per capita income and to an improved balance of payments.

With food self-reliance the goal, the non-BOP support portion of the USAID program in Senegal has two principal 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. Maintenance of a viable rural road network, an essential part of the rural infrastructure, is fundamental to the success of this program. USAID's second and related emphasis is upon the delivery of health and family planning servides at local levels, both to increase the productivity of the farming population as well as to reduce, over time, the rapid annual rate of population increase, now estimated at 3.2 percent. If unchecked, present demographic trends will push Senegal's attainment of food self-reliancy 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 83 and FY 85.

ANNEX A

GOS REQUEST FOR ASSISTANCE

16

ABS/ad2

REPUBLIQUE DU SENEGAL
Un Peuple — Un But — Une Foi

MINISTERE DU PLAN
ET DE LA COOPERATION

Le Ministre

No /M.P.C/DFP/PL

Dakar, le 19

O B J E T : Accord de confirmation avec le F M I.

Monsieur le Directeur,

Vous n'êtes pas sans savoir que le Sénégal est confronté à de graves problèmes économiques.

En juillet 1983, le Gouvernement du Sénégal et le Fonds Monétaire International (FMI) ont négocié un Accord de Confirmation d'un an devant permettre au Sénégal d'acheter jusqu'à 63 millions de Droits de Tirages Spéciaux (DTS). Mais pour être en mesure de répondre aux conditions exprimées dans l'Accord, le Sénégal doit trouver des fonds complémentaires auprès d'autres donateurs, d'ici décembre 1983.

D'après nos calculs, nous estimons que le Sénégal aura besoin de 13 à 16 milliards de F CFA avant le 31 décembre 1983. Si nous ne sommes pas à même de réunir cette somme, tout notre programme de réforme économique se trouvera compromis.

Pour cette raison, le Gouvernement du Sénégal serait reconnaissant au Gouvernement des Etats-Unis de bien vouloir déterminer quelle pourrait être sa contribution financière, en vue de permettre au Sénégal de satisfaire aux conditions de l'Accord F M I.

Veuillez croire, Monsieur le Directeur, à l'assurance de ma considération distinguée./-

à Monsieur David SHEAR
Directeur de l'U S A I D

- D A K A R -

ANNEX B

MACROECONOMIC TABLES AND DATA

LIST OF TABLES

TABLE 1

SELECTED ECONOMIC AND FINANCIAL INDICATORS, 1981-84

	1981 Actual	1982 Est.	1983 Proj.	1984 Proj.	1981/82 Est.	1982/83 Program	1982/83 Est.	1983/84 Proj.
			(Annual percent changes, unless otherwise specified)					
National income and prices								
GDP at constant prices	0.3	8.6	3.0	3.0	4.4	7.4	5.7	3.0
GDP deflator	7.0	10.0	9.9	7.6	8.7	8.5	9.8	8.7
External sector								
Exports, f.o.b. (in SDRs)	- 2.7	20.4	3.5	12.1	14.7	...	1.0	12.6
Imports, f.o.b. (in SDRs)	2.1	—	- 4.4	—	1.7	...	-2.8	-3.6
Non-oil imports, c.i.f. (in SDRs)	- 3.9	- 0.3	2.5	-0.1	...	...	...	...
Export volume	-14.1	43.7	19.9	4.7	...	...	...	...
Import volume	- 2.6	1.3	- 2.7	-5.2	...	...	...	...
Terms of trade (deterioration -)	8.1	-15.2	-11.9	1.2	...	...	...	...
Nominal effective exchange rate (end of period) (depreciation -)	- 7.7	- 6.6	...	...	-5.3	...	-5.7	...
Government budget								
Revenue, excluding grants	...	...	...	...	21.0	17.9	15.5	13.0
Total expenditures (current and capital)	...	...	...	...	2.4	9.8	18.1	7.0
Money and credit								
Domestic credit	26.6	20.5	12.1	...	22.8	18.5	16.3	12.8
Government (net)	127.4	115.2	25.3	...	134.8	29.8	28.6	45.7
Private sector	20.0	8.8	8.8	...	11.5	15.7	13.6	4.8
Money and quasi-money	21.9	21.0	3.6	...	31.5	15.0	9.4	6.8
Velocity (GDP relative to M)(1)	4.6	4.6	4.6	...	4.6	4.6	4.6	4.6
Interest rate (end of period)(2)	8.5	10.5	9.5(3)	...	10.5	10.5	9.5(3)	...
				(In percent of GDP)				
Central government savings	...	...	...	...	-4.0	-1.8	-5.8	-1.6
Central government budget deficit (-)								
Commitments	...	...	...	...	-7.0	-6.4	-9.0	-4.8
Disbursements	...	...	...	...	-9.8	-7.9	-6.9	-7.3
Gross domestic investment	18.8	17.1	17.7	17.7	...	...	...	...
Gross domestic savings	—	3.0	3.5	4.7	...	...	...	...
External current account deficit	18.3	12.4	12.6	10.4	13.1	12.4	14.4	11.0
External debt (inclusive of use of Fund credit)	55.7	61.7	68.4	73.6	...	...	...	...
Debt service ratio (in percent of exports of goods and services)(4)	19.3	13.4	17.8	18.5	...	...	...	...
Interest payments (in percent of exports of goods and services)(4)	9.8	7.4	12.8	13.5	...	...	...	...
			(In millions of SDRs, unless otherwise specified)					
Gross domestic product (in billions of current CFA francs)	689.4	823.6	932.1	1,033.3	756.5	805.0	877.8	982.7
Overall balance of payments deficit (-)	-139.5	-103.6	-119.7	-117.2	-96.1	-101.8	-101.2	-95.9
Gross official reserves (weeks of imports)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
External payments arrears	12.9	—	—	—	—	—	—	—

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

(1) GDP relative to average of June and December money stocks.
(2) Minimum rate on time deposits in excess of 1 year and in amounts of mre than CFAF 2 million.
(3) Since April 5, 1983.
(4) After debt rescheduling.

TABLE 2

GOVERNMENT FINANCIAL OPERATIONS, 1979/80-1983/84
(In Billions of CFAF)

	1979/80	1980/81	1981/82	1982/83 Program	1982/83 Actual Prov.	1983/84 Program
1. Total revenue and grants	143.8	132.3	157.7	187.9	188.3	209.4
Revenue	(139.2)	(125.5)	(151.9)	(173.5)	(175.5)	(198.3)
Grants	(4.6)	(6.8)	(5.8)	(14.4)	(12.8)	(11.1)
of which: capital	(4.6)	(6.8)	(5.8)	(14.4)	(12.8)	(11.1)
2. Current expenditure	144.9	151.3	165.4	174.8	189.8	203.1
Wages and salaries	(68.5)	(78.3)	(83.3	(89.6)	(92.8)	(100.0)
Interest on public debt	(12.9)	(11.7)	(18.3)	(23.8)	(29.7)	(33.1)
External	12.0	11.0	17.0	(.....)	27.8	31.5
Domestic	0.9	0.7	1.3	(.....)	1.9	1.6
Supplies, transfers, and other	(63.5)	(61.3)	(63.8)	(61.4)	(67.3)	(70.0)
3. Special accounts other than CAA (net)	1.4	—	5.0	- 4.6	- 12.3	- 7.0
4. Correspondents (net)	1.2	- 17.3	- 21.6	- 9.5	- 26.1	- 4.5
of which:						
CPSP, SONAR, SAED	(--)	(-13.4)	(-11.2)	(- 9.5)	(-21.8)	(- 7.5)
Other	(1.2)	(- 3.9)	(-10.4)	(—)	(- 4.3)	(3.0)
5. Balance of current operations (1-2+3+4) (1)	- 3.1	- 43.1	- 30.1	- 15.4	- 50.9	- 16.2
6. Capital expenditure	30.4	38.4	28.9	55.7	39.6	42.4
Budget	(13.2)	(21.3) (2)	(4.3)	(16.3)	(8.0)	(10.0)
Other	(17.2)	(17.1)	(24.6)	(39.4)	(31.6)	(32.4)
7. Total expenditure and net lending (2-3-4+6)	172.7	207.0	210.9	244.6	276.8	257.0
8. Overall deficit (commitments)	- 28.9	- 74.7	- 53.2	- 56.7	- 79.5	- 47.6
9. Changes in payments arrears (reduction -)	7.5	16.5	- 20.7	- 12.6	18.6	- 23.8
Central government	(7.5)	(2.9)	(-11.1)	(-12.6)	(3.5)	(--)
CPSP and SONAR	(—)	(13.6)	(- 9.6)	(—)	(15.1)	(-23.8) (3)
10. Overall deficit (disbursements) (8+9)	- 21.4	- 58.2	- 73.9	- 69.3	- 60.9	- 71.4
11. Financing requirement	- 21.4	- 58.2	- 73.9	- 69.3	- 60.9	- 71.4
External financing (net)	17.0	35.3	32.4	50.1	41.4	44.1
Drawings	(35.2)	(51.1)	(37.1)	(51.6)	(42.4)	(43.1)
Treasury	(22.6)	(40.8)	(18.3)	(25.6)	(21.8)	(21.8)
Other	(12.6)	(10.3)	(18.8)	(26.0)	(20.6)	(21.3)
Refinancing of external debt	(—)	(--)	(25.2)	(22.4)	(26.3)	(26.4)
Amortization	(-18.2)	(-15.8)	(-29.9)	(-23.9)	(-27.3)	(-24.8)
Domestic financing (net)	4.4	22.9	41.5	19.2	19.5	26.7
Banking system	(6.9)	(18.9)	(38.7)	(24.2)	(20.1)	(41.3)
Repayment of ONCAD debt to banks	(—)	(—)	(—)	(- 7.0)	(- 2.0)	(-16.6)
Long-term domestic borrowing	(1.0)	(1.8)	(3.0)	(2.0)	(2.0)	(2.0)
Other	(- 3.5)	(2.2)	(- 0.2)	(—)	(- 0.6)	(—)
	(In percent of GDP)					
Memorandum Items:						
[illegible] current operations	—	6.5	4.0	1.8	5.8	1.6
Overall deficit (commitments)	4.7	11.2	7.0	6.5	9.0	4.8
Overall deficit (disbursements)	3.5	8.7	9.8	7.9	6.9	7.3

Sources: Data provided by the Senegalese authorities; and staff estimates and projections as of July 1983.

(1) Excluding capital grants.

(2) Including CFAF 8.8 billion for settlement of Fifth Plan operations.

(3) Reduction in outstanding arrears of CPSP.

TABLE 3

BALANCE OF PAYMENTS, 1980-84 and 182/83
(In Millions of SDRs)

	1980	1981	1982	1983(1)	1984	1982/83	1983/84
		Preliminary		Projections		Estimated	Program
A. Trade balance	-381.5	-407.3	-332.1	-282.6	-227.7	-327.5	-246.1
Exports, f.o.b.	377.4	367.3	442.4	457.7	512.9	430.6	485.0
Of which: groundnuts	(72.4)	(28.7)	(122.1)	(133.2)	(143.7)	(110.0)	(141.3)
Imports, f.o.b.	-758.9	-774.6	-774.5	-740.3	-740.6	-758.1	-731.1
B. Services (net)	-99.6	-116.1	-67.0	-131.6	-160.0	-123.0	-136.2
of which: interest on external debt	(-49.8)	(-56.8)	(-51.8)	(-87.1)	(-113.6)	(-73.1)	(-90.8)
C. Unrequited transfers (net)	131.6	30.1	117.7	121.9	126.0	120.7	120.9
Private sector	29.0	26.5	26.7	27.7	29.6	27.3	27.9
Public sector	102.6	103.6	91.0	94.2	96.4	93.4	93.0
D. Current account (A+B+C)	-349.5	-393.3	-281.4	-292.3	-261.7	-329.8	-261.4
E. Capital account	229.5	240.7	174.5	172.6	144.5	201.3	165.5
Public capital	165.5	172.3	132.0	120.2	93.4	135.0	115.7
Of which: amortization on external debt	(-102.5)	(-90.5)	(-88.2)	(-81.8)	(-74.0)	(-92.4)	(-72.8)
Private capital	65.8	59.3	49.6	42.4	43.8	42.9	42.5
Deposit money banks	-1.8	9.1	-7.1	10.0	7.3	23.4	7.3
F. SDR allocation	4.4	4.3	--	--	--	--	--
G. Errors and omissions	25.4	8.8	3.3	--	--	27.3	--
H. Overall balance (D+E+F+G)	-90.2	-139.5	-103.6	-119.7	-117.2	-101.2	-95.9
I. Financing	90.2	139.5	103.6	119.7	117.2	101.2	95.9
Central Bank	82.6	134.2	114.1	119.7	117.2	101.2	95.9
IMF	(36.9)	(51.4)	(39.8)	(21.0)	(59.8)	(26.3)	(54.8)
Exceptional financing	(--)	(--)	(88.2)	(--)	(--)	(--)	(--)
Other	(45.7)	(82.8)	(-13.9)	(98.8)	(57.4)	(74.9)	(41.1)
Arrears	7.6	5.3	-10.5	--	--	--	--

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

(1) Assuming reschedulings with Paris and London Clubs for fiscal year 1983/84.

TABLE 4
EXTERNAL PUBLIC DEBT, 1981-84[1]
(In Millions of SDRs)

	1981	1982	1983	1984
Outstanding disbursed(end of period)	1,214	1,401	1,593	1,845
Medium - and long-term debt	908	1,004	1,079	1,210
Short-term debt, Central Bank	306	397	514	635
Interest	56.8	51.8	87.1	101.4
Medium - and long-term debt	36.8	23.5	45.4	50.0
Short-term debt, Central Bank[2]	20.0	28.3	41.7	51.4
Of which: IMF	(5.2)	(10.3)	(13.6)	(19.2)
Amortization	55.4	41.2	34.5	36.8
Medium - and long-term debt[3]	49.0	27.9	24.0	22.3
Repurchases from the Fund	6.4	13.3	10.5	14.5

Sources: Ministry of Economy and Finance; BCEAO; External Debt System of the World Bank; and staff estimates and projections.

(1) Assuming reschedulings for fiscal years 1983/84 and 1984/85.
(2) Charges on use of Fund resources, interest on borrowing from the operations account, and other short-term liabilities.
(3) Including repayment of advance on STABEX on U.S. $15.1 million in 1981 and U.S. $10.4 million in 1982.

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TABLE 5

SITUATION ON 1981/82 CROP CREDIT
(In Billions of CFAF)

	Capital	Interest Through June 30, 1983	Estimated Interest Through Dec. 31, 1983	TOTAL
SEIB(1)	0.75	0.78	0.10	1.63
SONACOS(1)	5.45	4.65	0.51	10.61
SONAR (fertilizer)	0.54	0.48	.08	1.1
TOTAL	6.74	5.91	0.69	13.34

Source: CPSP and BNDS (Banque Nationale de Developpement du Senegal)
(1) 0.1 crushing firms.

TABLE 6

BREAKDOWN OF THE 1982/83 GROUNDNUT HARVEST
(In metric tons)

1.	Total verified production	912,651
	Oilseeds of which:	898,993
	- SEIB	(124,678)
	- SONACOS	(698,511)
	- SONAR N_1 and N_2	(75,804)
	Edible groundnuts	13,658
	- SONACOS	(8,528)
	- SONAR	(5,130)
2.	Seed stock	128,594
	Oilseeds of which:	(123,464)
	- ordinary grade	(47,660)
	- grade N_1	(13,036)
	- grade N_2	(62,768)
	Edible groundnuts	(5,130)
3.	HPS(1)	8,728
4.	Trituration	705,876
	- SEIB	(168,723)(2)
	- SONACOS	(537,153)
5.	Edible Groundnuts - SONACOS	8,383
6.	Total Receipts (3+4+5)	722,987
7.	Losses (1-2-6)	61,070

Source: Ministry of the Economy and Finance, oil crushing firms, SONAR.
(1) Hand-picked selected.
(2) This figure is higher than the amount actually purchased by SEIB since SONACOS is required to deliver part of its purchases to SEIB for processing.

TABLE 7

DEFICIT ON GROUNDNUT OIL PROCESSING FOR 1982/83 CROP
(In Millions of CFAF)

I.	EXPENDITURES (1)	
	1. SONACOS	57490
	Variable costs (665,971 tons x 84,605 CFAF/T)	(56343)
	Fixed costs	(1147)
	2. SEIB	9304
	Variable costs (109,613 tons x 81,890 CFAF/T)	(8976)
	Fixed costs	(328)
	3. Total expenditure (1+2)	66794
II.	RECEIPTS (2)	
	1. SONACOS (537,153 T x 86,000 CFAF/T)	46195
	2. SEIB (168,723 T x 59,000 CFAF/T)	9955
	3. Total receipts (1+2)	56150
III.	TOTAL DEFICIT (II-I)	-10644
Memorandum Item:		
	LOSSES DURING TRANSPORT (61,000 T x 70,000 CFAF/T)	- 4275

Source: Ministry of the Economy and Finance, oil crushing firms, SONAR.

(1) Calculated on the basis of the total amount of groundnuts purchased by the oil crushing firms minus the amount of groundnuts ceded to SONAR as part of the national seed stock for 1983/84 crop year.

(2) Due to SEIB financial difficulties resulting from the sales of the majority of its production on the futures market between November 1982 and March 1983, a time when prices were at their lowest point in a decade, the SEIB has stated that it can reimburse the CPSP only at a price of 59,000 CFAF/T. The GOS is currently trying to negotiate an informal price of 64,000 CFAF/ton.

TABLE 8

SURPLUS ON EDIBLE GROUNDNUTS FOR 1982/83 CROP (1)
(In Millions of CFAF)

I.	EXPENDITURES	
	SONACOS (8,528 tons x 85,000 CFAF/Ton)	725
II.	RECEIPTS	
	- SONACOS (8,383 tons x 110,000 CFAF/Ton)	922
III.	TOTAL SURPLUS (II - I)	197

Source: SONACOS

(1) The figures for edible groundnuts are shown for information but they do not affect the crop credit situation for groundnuts.

TABLE 9

DEFICIT ON THE NATIONAL SEED STOCK CONSTITUTED BY SONAR
FROM 1982/83 PRODUCTION
(millions of CFAF)

I.	DIRECT COSTS	
	1. Oilseed purchases	10566
	- N_1 (13,849 tons x 79,000 CFAF/Ton)	(1094)
	- N_2 (61,955 tons x 76,000 CFAF/Ton)	(4709)
	- Ordinary grade (47,660 tons x 80,000 CFAF/Ton)	(3813)
	- Handling costs	(950)
	2. Edible groundnut purchases	461
	- Purchase cost (5,130 tons x 82,000 CFAF/Ton)	(421)
	- Handling costs	(40)
	3. Total direct costs (1+2)	11027
II.	INDIRECT OVERHEAD COSTS (1)	500
III.	TOTAL EXPENDITURES	11527
IV.	RECEIPTS (2)	
	Retainer of CFAF 10,000/Ton marketed	9127
V.	TOTAL DEFICIT (IV - III)	-2400

Source: SONAR

(1) SONAR'S indirect overhead costs for 1982/83 are estimated at CFAF 1600 million. However, following initial figures submitted jointly by USAID and the GOS, the Ministry for the Economy and Finance paid the CFAF 1100 million subsidy budgeted for FY 1982/83. Thus the net figure for overhead costs which are being financed with crop credit is reduced to CFAF 500 million.

(2) Although the official producer price of groundnuts has been fixed at CFAF 70/Kg. farmers actually received only CFAF 60/Kg. for the 1982/83 crop year. The remaining 10 CFAF/Kg. was given to SONAR to defray some of the costs of constituting a seed stock for the 1983/84 crop year.

TABLE 10

GLOBAL DEFICIT OF THE GROUNDNUT SECTOR FOR 1982/83 CROP YEAR
(In Millions of CFAF)

I.	CPSP	-10,644
	- Oilseeds	(-10,644)
II.	SONAR	- 2,400
	- Seed stock	(- 1,900)
	- Overhead costs	(- 500)
III.	Interest Costs on 1982/83 crop credit	- 4,000
IV.	TOTAL DEFICIT (I + II + III)	17,044

Sources: BCEAO, BNDS, oil crushing firms, and SONAR.

TABLE 11

OUTSTANDING DEFICIT FOR 1981/82 AND 1982/83 CROP YEAR
(In Billions of CFAF)

I.	ARREARAGES ON 1981/82 CROP CREDIT	
	Consortium Account [1]	- 12.2
	SONAR (fertilizer)	- 1.1
	TOTAL	- 13.3
II.	1982/83 CROP CREDIT	
	Consortium Account [2]	- 10.6
	SONAR	- 2.4
	Interest costs [3]	- 4.0
	TOTAL	- 17.0
III.	TOTAL CROP CREDIT TO BE REIMBURSED BY GOS	- 30.3

Sources: BCEAO, BNDS, oil crushing firms, and SONAR.

1 Including interest costs through December 31, 1983.

2 Excluding interest costs.

3 A BCEAO estimate which is subject to substantial variability since the BNDS has estimated interest costs at about CFAF 1.0 billion. Confusion arises from the fact that the BNDS capitalizes outstanding interest at the end of each quarter, thus making it difficult to calculate a cummulative figure for interst charges over the year. Another point which requires clarification is the amount of interest charges which are covered by the bareme (agreement between oil crushing firms and the CPSP)..

TABLE 12

PROJECTED DEFICIT ON THE GROUNDNUT SECTOR FOR 1983/84 CROP YEAR (1)
(In Millions of CFAF)

I. CPSP	-1542
- Oilseeds	-1,542
II. SONAR	-4520
- Seed stock	-2820
- Overhead costs	-1700
III. Interest Costs	-2000
IV. TOTAL DEFICIT (I+II+III)	-8062

Source: Data provided by the CPSP and SONAR.

(1) Projections are based on the following assumptions:
1. Total marketed groundnut crop of 450,000 metric tons
2. Average world price equivalent to a price for groundnuts of CFAF 84,000/MT
3. No major change in fixed and variable costs of oil crushing firms
4. Losses will be reduced to 28,000 MT
5. The seed stock will be 120,000 MT

TABLE 13

OUTSTANDING CAPITAL AND INTEREST OWED BY GOS
ON ONCAD DEBT AS OF JULY 31, 1983
(In Billions of CFAF)

Bank	Amount refinanced by the BCEAO	Amount not not refinanced by the BCEAO	Total
- Banque Nationale du Développement du Sénégal	21.522	16.873	38.395
- Union Sénégalaise de Banque	10.470	3.692	14.162
- Banque Internationale pour l'Afrique Occidentale - Sénégal	9.435	1.399	10.834
- Société Générale de Banques au Sénégal	10.087	1.703	11.790
- Banque Sénégalo-Koweitienne	0.400	1.842	2.242
- Banque Internationale pour le Commerce et l'Industrie du Sénégal	12.400	4.178	16.578
SUB-TOTAL	64.314	29.687	94.001
Arrearages on Interest			5.936
TOTAL			99.937

Source: Signed agreement between private banks and the GOS - concluded on August 5, 1983.

TABLE 14

REPAYMENT SCHEDULE FOR GOS WITH RESPECT TO ONCAD DEBT

Fiscal Year	Interest	Amortization	Total
I. Amount Not Refinanced by the BCEAO			
FY 83/84	9.82	12.536	22.356
- arrearages	(5.936)	(10.0)	(15.936)
- scheduled payments	(3.884)	(2.536)	(6.420)
FY 84/85	4.967	3.593	8.56
FY 85/86	4.709	3.851	8.56
FY 86/87	4.433	4.127	8.56
FY 87/88	4.138	4.422	8.56
FY 88/89	0.985	1.155	2.14
II. Amount Refinanced by the BCEAO			
FY 88/89 (cont'd)	2.833	4.142	6.975
FY 89/90	3.482	5.818	9.300
FY 90/91	3.124	6.176	9.300
FY 91/92	2.745	6.555	9.300
FY 92/93	2.343	6.957	9.300
FY 93/94	1.912	7.388	9.300
FY 94/95	1.462	7.838	9.300
FY 95/96	0.991	8.309	9.300
FY 96/97	0.470	8.830	9.300
FY 97/98	0.034	2.291	2.325
III. Grand Total	48.448	93.988	142.436

Source: Signed agreement between private banks and the GOS - concluded on August 5, 1983.

TABLE 15

PROJECTED REPAYMENTS ON AGRICULTURAL DEBT[1]
(In Billions of CFAF)

Fiscal Year	ONCAD 1977 - 1980	CPSP + SONAR 1981/82 Crop Credit	CPSP + SONAR 1982/83 Crop Credit	TOTAL
FY 1983/84	22.356	13.340	17.460	53.156
FY 1984/85	8.560	-	3.368	11.860
FY 1985/86	8.560	-	-	8.560
FY 1986/87	8.560	-	-	8.560
FY 1987/88	8.560	-	-	8.560
FY 1988/89	9.115	-	-	9.115
FY 1989/90	9.300	-	-	9.300
FY 1990/91	9.300	-	-	9.300
FY 1991/92	9.300	-	-	9.300
FY 1992/93	9.300	-	-	9.300
FY 1993/94	9.300	-	-	9.300
FY 1994/95	9.300	-	-	9.300
FY 1995/96	9.300	-	-	9.300
FY 1996/97	9.300	-	-	9.300
FY. 1997/98	2.325	-	-	2.325
TOTAL	142.436	13.340	20.828	176.605

Source: Data provided by the Senegalese authorities.

(1) Assuming that the IMF ceiling for reclassified crop credit is held at CFAF 7.8 billion and as initially projected by the IMF an additional CFAF 4.6 billion is reimbursed between January 1, 1984 and June 30, 1984.

TABLE 16

SELECTED AGRICULTURAL SECTOR SUBSIDIES
(In Billions of CFAF)

	1981/82 Estimates	1982/83 Estimates	1983/84 Projections
1. CPSP Subsidy on Export Crops	14.5	17.7	3.8
- Groundnuts	(6.7)	(12.4)	(1.5)
- Cotton	(1.2)	(0.3)	(0.3)
- Interest costs of outstanding subsidy payments	(6.6)	(5.0)	(2.0)
2. Operating Subsidies to Rural[1] Development Agencies	8.0	9.0	8.6
- ISRA	(1.4)	(1.5)	(1.5)
- SAED	(2.3)	(2.5)	(1.7)
- SODAGRI	(0.2)	(0.2)	(0.2)
- SODEFITEX	(0.4)	(0.2)	(0.2)
- SODESP	(0.5)	(0.6)	(0.6)
- SODEVA	(1.5)	(1.6)	(1.8)
- SOMIVAC	(0.3)	(0.4)	(0.4)
- SONAR	(1.0)	(1.5)	(1.7)
- Other[2]	(0.4)	(0.5)	(0.5)
3. Subsidies to cover seed stock costs	3.5	2.0	2.8
4. Fertilizer Subsidies	1.8	2.5	-
TOTAL SUBSIDIES	27.8	31.2	15.2

Sources: GOS, IMF, and World Bank.

(1) These figures are estimates of expenditures which have been committed by the GOS but not necessarily received by the rural development agencies during the appropriate fiscal year since the GOS has accumulated substantial arrearages on these payments.

(2) Other includes ITA, STN, and SERAS.

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TABLE 17

CONFIRMED FINANCING FOR THE 1983/84 DEFICIT
(In Billions of CFAF)

	Financing for the 1983/84 Fiscal Year		Financing through December 31, 1983	
	IMF Estimates	Revised GOS Estimates	IMF Estimates	Revised GOS Estimates
I. Net External Financing	36.9	34.1	17.7	17.5
Budgetary support	14.0	11.2	6.2	6.0
- OMAN	6.0	6.0	6.0	6.0
- USAID	3.0	0.2 (1)	0.2	-
- CCCE	5.0	5.0	-	-
Project Aid	21.3	21.3	10.0	10.0
- Grants	11.1	11.1	5.1	5.1
- Loans	10.2	10.2	4.9	4.9
Refinancing of Ext. Debt	26.4	26.4	14.0	14.0
Amortization	-24.8	-24.8	-12.5	-12.5
II. Net Domestic Financing	26.7	20.9	19.8	16.8
Banking system	41.3	41.3	24.8	21.8
- Net IMF drawings	24.8	24.8	12.8	12.8
- Additional overdraft facility with the BCEAO	4.5	4.5	3.0	3.0
- CCCE deposits in the BCEAO	12.0	12.0	9.0	9.0
Repayment of ONCAD debt	-16.6	-22.4 (2)	- 5.0	- 5.0
Long-term domestic borrowing	2.0	2.0	-	-
III. Total Available Financing	63.6	55.0	37.5	37.3

Source: IMF and Ministry of the Economy and Finance.
(1) USAID contribution to the GOS Road Fund of $500,000.
(2) Although the repayment schedule for ONCAD debt technically requires the GOS to reimburse approximately CFAF 18.1 billion of the total CFAF 22.4 billion before Decembe 31 it is not included in the gap calculations for December 31. The justification for not including it is based on the fact that reimbursement of this debt is not a performance criterion for December 31 under the IMF Standby.

TABLE 18

MAGNITUDE OF THE 1983/84 FISCAL DEFICIT
(In Billions of CFAF)

		Deficit for the 1983/84 Fiscal Year		Deficit through December 31, 1983	
		IMF Estimates	Revised GOS Estimates	IMF Estimates	Revised GOS Estimates
1.	Total receipts and grants	209.4	209.4	92.6	92.6
2.	Current expenditure	203.1	203.1	90.4	90.4
3.	Special accounts other than CAA (net)	- 7.0	- 7.0	- 3.0	- 3.0
4.	Correspondants (net)	- 4.5	- 4.5	- 2.3	- 2.3
5.	Balance of current operations	-16.2	-16.2	- 8.2	- 8.2
6.	Capital expenditures	42.4	42.4	18.0	18.0
7.	Total expenditure and net lending	257.0	257.0	113.7	113.7
8.	Overall deficit (commitments)	-47.6	-47.6	- 21.1	- 21.1
9.	Changes in payments arrears (reduction-)	-23.8	-30.8	- 19.2	- 22.5
	Central Government	(-)	(-)	(-)	(-)
	CPSP and SONAR	(-23.8)	(-27.1)	(-19.2)	(-22.5)
10.	Overall deficit (disbursement (8+9))	-71.4	-74.7	- 40.3	- 43.6

Sources: IMF and Ministry of the Economy and Finance.

TABLE 19

GAP REMAINING IN FINANCING REQUIREMENTS FOR FISCAL YEAR 1983/84 (In Billions of CFAF)

	FISCAL DEFICIT	CONFIRMED FINANCING	GAP
I. IMF estimates			
1. FY 1983/84	-71.4	63.6	- 7.8
2. Through Dec. 31, 1983	-40.3	37.5	- 2.8
II. Revised GOS estimates			
1. FY 1983/84	-74.7	55.0	-19.7
2. Through Dec. 31, 1983	-43.6	37.3	- 6.3

GOVERNMENT FINANCIAL OPERATIONS PRELIMINARY STATUS AS OF SEPT. 30, 1983

	IMF Quarterly Projections Sept. 30	Preliminary GOS Figures For Sept. 30	Difference
1. Total revenue and grants	40.6	38.9	- 1.7
Revenue	(38.6)	(36.9)	(- 1.7)
Grants	(2.0)	(2.0)	-
of which: capital	2.0	2.0	-
2. Current expenditure	41.0	36.7	- 4.3
Wages and salaries	(24.0)	(25.0)	(+ 1.0)
Interest on public debt	(7.0)	(6.8)	(- 0.2)
External	-	5.3	-
Domestic	-	1.5	-
Supplies, transfers, and other	(10.0)	(4.9) (1)	(- 5.1)
3. Special accounts other than CAA (net)	- 1.0	- 0.4	- 0.6
4. Correspondents (net)	- 1.5	- 5.6	- 4.1
of which:			
CPSP, SONAR, SAED	- 1.5	-	(+ 1.5)
Other	-	- 5.6	(- 5.6)
5. Balance of current operations (1-2+3+4) (2)	- 4.9	- 5.8	(- 0.9)
6. Capital expenditure	7.0	6.4	- 0.6
Budget	(1.0)	(0.4)	(- 0.6)
Other	(6.0)	(6.0)	-
7. Total expenditure and net lending (2-3-4+6)	50.5	49.1	- 1.4
8. Overall deficit (commitments)	- 9.9	-10.2	- 0.3
9. Changes in payments arrears (reduction -)	- 9.7	- 7.0	+ 2.7
Central government	-	(-2.0)	(- 2.0)
CPSP and SONAR	(-9.7)	(-5.0)	(+ 4.7)
10. Overall deficit (disbursements)	-19.6	-17.2	+ 2.4
memorandum item:			
Reimbursement of ONCAD	- 2.5	- 2.0	(+ 0.5)

Source: Ministry of the Economy and Finance.

(1) This figure is considerably lower than the IMF projection; however, the Dec. 31 figure is likely to be much closer to IMF projections since expenditures on supplies are typically most intense between October and December of each fiscal year.

(2) Excluding capital grants.

TABLE 21

PRELIMINARY STATUS WITH RESPECT TO IMF PERFORMANCE CRITERIA

	IMF CRITERIA SEPT. 30	IMF CRITERIA DEC. 31	PRELIMINARY GOS ESTIMATE OF ACTUAL RESULTS ON SEPT. 30
	(In Billions of CFAF)		
Domestic Credit	474.3[1]	501.4	467.1
Claims on Govt. (net)	106.2	115.1	100.4
Arrears of Govt. and public enterprises	-	55.7	52.5
Outstanding crop credit	-	7.8	36.6[2]
	(In Millions of SDRs)		
New external borrowing by the Government or with government guarantee.			
1-12 years	20.0	20.0	0.2
of which: 1-5 years	(2.0)	(2.0)	(0.2)

Source: Ministry of the Economy and Finance and IMF.

(1) Due to a shortfall in budgetary support between July and September the ceiling on domestic credit can be adjusted upward by CFAF 2.0 billion to CFAF 474.3 billion.

(2) Not including financial charges for 1982/83 crop credit.

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TABLE 22

ARREARAGES OF THE GOVERNMENT AND PUBLIC COMPANIES
(In Billions of CFAF)

	June 30 1982	Sept. 30 1982	June 30 1983	Sept. 30 1983 (estimates
I. EXTERNAL DEBT	0.8	-	-	1.7
- Previous Fiscal Years	0.8	-	-	-
- Present Fiscal Year	-	-	-	1.7
II. INTERNAL GOVT. DEBT	34.4	34.8	37.9	35.9
- Expenditures recorded but not yet paid	7.5	8.9	7.1	12.0
a. Previous Fiscal Years	(7.5)	(8.5)	(1.2)	(1.2)
b. FY 1982/83	-	(0.4)	(5.9)	(9.8)
c. FY 1983/84	-	-	-	(1.0)
- Expenditures which have not properly been ordered	9.1	10.9	8.0	8.0
- Expenditures being considered but not formerly ordered	17.8	15.0	22.8	15.9
a. Previous Fiscal Years	(6.2)	(5.3)	(6.1)	(4.8)
b. FY 1982/83	(11.6)	(9.7)	(16.7)	-
c. FY 1983/84	-	-	-	(11.1)
IV. PUBLIC COMPANIES	12.8	10.2	17.8	14.9
- Expenditures for which the bank transfer has been drawn up but not yet paid	3.5	1.2	2.4	1.5
- Expenditures that have been ordered but for which no bank transfer has been drawn up	9.3	9.0	10.6	8.6
- Expenditures which have not properly been ordered	-	-	2.5	2.5
- CPSP (1)	ND	ND	2.3 (2)	2.3 (2)
TOTAL (I+II+III+IV)	48.0	45.0	55.7	52.5

Source: Ministry of the Economy and Finance.

(1) ND stands for no data.

(2) This figure does not include arrears attributable to nonrepayment of crop credit with respect to the groundnut sector.

TABLE 23

NET CLAIMS OF THE BANKING SYSTEM ON THE GOVERNMENT(1)
(In Millions of CFAF)

	June 1982	Dec. 1982	June 1983(Prov.)	Sept. 1983(Prov.)
- Paper money and coins held by GOS	1058(2)	1058(2)	1097(2)	1085(2)
- GOS deposits in the Central Bank	26198	19371	23910	16980
- GOS deposits in other banks	18101	15143	13376	12348
- Bonds held by GOS	1464	1118	1582	1568
TOTAL BANKING SECTOR DEBT TO THE GOS (-)	46821	36690	39965	31981
- GOS borrowing from the Central Bank (3)	94450	105424	112624	113123
- GOS borrowing from other banks	15499	13531	14012	14432
- Deposits in the Postal Checking System	8135	5286	4866	4834
TOTAL BANKING SECTOR LENDING TO THE GOS (+)	118084	124241	131502	132389
NET CLAIMS OF THE BANKING SECTOR ON THE GOS	71263	87551	91537	100408

Source: BCEAO

(1) IMF definition excludes deposits of fiduciary funds.
(2) Provisional data.
(3) Breakdown of GOS borrowing from the Central Bank:

- overdraft facility	24026	20877	28783	29633
- IMF (EFF and Supplementary Fund)	11736	11736	11736	11736
- IMF (1st Credit tranche)	2823	2823	2117	1766
- IMF (Compensatory Fund and Standby)	23854	37977	37977	37977
- Deposit from Kuweit	32011	32011	32011	32011

(4) Deposits in the Postal Checking System are counted as GOS debt because they are used by the Treasurer-General for short-term cash flow purposes.

TABLE 24

IMPACT OF IMF CREDIT CEILINGS ON CREDIT DISTRIBUTION IN SENEGAL
(In Billions of CFAF)

	June 1982			December 1982			June 1983		September 1983			December 1983	
	IMF Ceiling	Actual	Actual Annual % change	IMF Ceiling	Actual	Actual Annual % change	Actual	Actual Annual % change	IMF Ceiling	Actual	Actual Annual % change	IMF Ceiling	Implied Annual % change
TOTAL DOMESTIC CREDIT EXPANSION	415.3	410.2	20.4	459.2	446.2	17.5	464.6	13.3	474.3	467.1	9.1	501.4	12.4
NET BANKING SECTOR CLAIMS ON GOS	77.5	71.9	53.0	93.7	87.6	69.1	91.5	27.3	106.2	100.4	16.9	115.1	31.4
CLAIMS ON THE PRIVATE SECTOR	337.8	338.3	15.1	365.5	358.6	9.4	373.1	10.3	368.1	366.7	5.3	386.3	7.7
Of which CROP CREDIT	-	(28.3)	-	-	(33.3)	-	(42.5)	-	-	(-)	-	-	-

Sources: Data provided by the Senegalese authorities and the IMF.

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TABLE 25

MONETARY SURVEY, 1979-June 1984
(In Billions of CFAF)

	1979	1980	1981	1982 June	1982 Dec.	1983 Mar. Prov.	1983 June Est.	1983 Sept. Program	1983 Dec. Program	1984 Mar. Projected	1984 June Projected	1983 June (Annual change and percent of beginning money stock)	1983 Dec. (Annual change and percent of beginning money stock)	1984 June (Annual change and percent of beginning money stock)
Net foreign assets	-56.9	-77.0	-121.6	-133.2	-159.3	-169.9	-181.1	-191.1	-201.1	-211.8	-222.6			
Central bank	-32.5	-55.2	-98.2	-120.7	-139.6	-148.2	-159.6	-169.4	-179.4	-189.1	-199.1			
Commercial banks	-24.4	-21.8	-23.4	-12.5	-19.7	-21.7	-21.5	-21.7	-21.7	-22.7	-23.5			
Domestic credit	252.2	292.5	370.3	398.5	446.2	465.1	463.4	472.3[1]	501.4[1]	522.7	522.7	27.3	21.0	22.8
Claims on Govt. (net)	12.0	17.9	40.7	70.2	87.6	86.7	90.3	106.2[1]	115.1[1]	123.6	131.6	8.4	10.5	15.9
Claims on private sector	240.2	274.6	329.6	328.3	358.6	378.4	373.1	366.1	386.3	399.1	391.1	18.8	10.6	6.9
of which: crop credit	(28.4)	(23.4)	(33.3)	(28.3)	(33.3)	(55.6)	(42.5)	(30.5)	(35.0)	(55.0)	(40.0)			
Money and quasi-money	161.1	177.9	216.9	238.1	262.4	273.4	260.5	259.4	278.5	289.1	278.3	9.4	6.1	6.8
Other items (net)	34.2	37.6	31.8	27.2	24.5	21.8	21.8	21.8	21.8	21.8	21.8			

Sources: Data provided by the Senegalese authorities; and staff estimates and projections.

1. Performance criteria.

TABLE 26

TREND PROJECTIONS FOR GOVERNMENT FINANCIAL OPERATIONS FROM FY 1983/84 to FY 1987/88
(In Billions of CFAF)

	1983/84	1984/85	1985/86	1986/87	1987/88
1. Total revenue and grants	209.4	239.8	264.4	290.8	319.8
- Revenue and current grants	(198.3)	(227.6)	(250.9)	(276.0)	(303.5)
- Capital grants	(11.1)	(12.2)	(13.5)	(14.8)	(16.3)
2. Current expenditures	203.1	229.1	247.4	266.6	295.3
- Wages and salaries	(100.0)	(112.0)	(119.0)	(126.0)	(140.0)
- Interest on public debt	(33.1)	(38.7)	(41.4)	(44.0)	(48.1)
- Supplies, transfers and other	(70.0)	(78.4)	(87.0)	(96.6)	(107.2)
3. Special accounts other than CAA (net)	- 7.0	- 5.5	- 6.0	- 7.0	- 7.5
4. Correspondents (net)	- 7.0	+ 2.7	+ 5.4	+ 4.8	+11.3
of which: CPSP and SONAR	(- 7.0)	(+ 2.7)	(+ 5.4)	(+ 4.8)	(+11.3)
5. Balance of current operations	-18.8	-4.3	+2.9	+7.2	+12.0
6. Capital expenditure	42.4	46.6	52.4	56.1	61.9
- Budget	(10.0)	(11.0)	(12.2)	(13.0)	(14.5)
- Other	(32.4)	(35.6)	(39.2)	(43.1)	(47.4)
7. Overall deficit (commitments)	-50.1	-38.7	-36.0	-34.1	-33.6
8. Changes in payments arrears	-22.5	-20.0	-10.0	-10.0	-10.0
- Central government	(-)	(-20.0)	(-10.0)	(-10.0)	(-10.0)
- CPSP and SONAR	(-22.5)	(-)	(-)	(-)	(-)
9. Overall deficit (disbursements)	-72.6	-58.7	-46.0	-44.1	-43.6
10. Financing requirement	+72.6	+58.7	+46.0	+44.1	+43.6
- External financing (net)	36.9	25.2	6.8	-1.0	-6.0
(a) budgetary assistance	(14.0)	(20.0)	(21.0)	(23.0)	(25.0)
(b) project loans	(21.3)	(23.4)	(25.7)	(28.3)	(31.1)
(c) refinancing of external debt	(26.4)	(14.2)	(7.0)	(6.0)	(-)
(d) amortization of external debt	(-24.8)	(-32.4)	(-46.9)	(-58.3)	(-62.1)
Domestic financing (net)	10.6	34.9	37.4	39.9	41.9
(a) banking system	(31.0)	(41.0)	(43.0)	(45.0)	(47.0)
(b) repayment of ONCAD debt	(-22.4)	(- 8.6)	(- 8.6)	(- 8.6)	(- 8.6)
(c) long-term domestic borrowing	(2.0)	(2.5)	(3.0)	(3.5)	(3.5)
- Financing gap	25.1	-	1.8	5.2	7.7

Source: Projections done by the Ministry of the Economy and Finance (Projections Division).
Assumptions: Declining savings from debt rescheduling and no further accumulation of payments arrears by the CPSP and SONAR. In fact CPSP and SONAR are projected to move into surplus.

TABLE 27

EVOLUTION OF CPSP DEFICIT FROM 1978 to 1982
(In Billions of CFAF)

	CY 1978	CY 1979	CY 1980	CY 1981	CY 1982
Receipts					
Export Crops	4.7	4.6	-	0.1	-
- Cotton	(-)	(-)	(-)	(-)	(-)
- Groundnuts	(4.7)	(4.6)	(-)	(0.1)	(-)
Consumption goods	6.2	6.7	4.9	-	4.6
- Rice	(3.7)	(5.6)	(4.5)	(-)	(4.2)
- Flour	(0.7)	(0.1)	(0.4)	(-)	(0.4)
- Vegetable oil	(-)	(-)	(-)	(-)	(-)
- Sugar	(1.8)	(1.0)	(-)	(-)	(-)
Taxes and levies	0.6	0.5	0.32	0.24	0.3
STABEX	5.3	13.5	5.20	-	-
TOTAL RECEIPTS	16.8	25.3	10.42	0.34	4.9
Expenditures					
Administration and capital	1.05	1.34	0.9	0.5	0.8
Agricultural program	4.80	5.5	4.4	4.3	1.2
Export crops	0.8	0.8	2.7	1.1	13.5
- Cotton	(0.8)	(0.8)	(0.9)	(1.1)	(-)
- Groundnuts	(-)	(-)	(1.8)	(-)	(13.5)
Consumption goods	10.22	5.1	4.82	13.6	1.7
- Sugar	(-)	(-)	(3.3)	(3.3)	(1.1)
- Wheat and millet flour	(-)	(-)	(-)	(0.8)	(0.2)
- Vegetable oil	(4.7)	(3.8)	(0.6)	(4.8)	(0.3)
- Tomatoes	(0.02)	(0.1)	(0.02)	(0.1)	(-)
- Imported rice	(-)	(-)	(-)	(4.6)	(-)
- Other (1)	(5.5)	(1.2)	(0.9)	(-)	(0.1)
TOTAL EXPENDITURE	16.87	12.74	12.82	19.5	17.2
Balance	-0.07	+12.56	-2.4	-19.16	-12.3

Source: Ministry of the Economy and Finance.

(1) Other includes subsidy on local rice.

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TABLE 28

OPERATIONS OF THE CPSP[1]
(Revised Estimates and Projections)
(In Billions of CFAF)

	FY 1982/83	FY 1983/84
Receipts		
Export Crops	0.3	0.6
- Cotton	(0.3)	(0.6)
- Groundnuts	(-)	(-)
Consumption goods	2.3	6.3
- Rice	(2.0)	(2.2)
- Flour	(0.3)	(0.3)
- Vegetable oil	(-)	(3.8)
- Sugar	(-)	(-)
Taxes and levies	0.3	0.3
STABEX	-	-
TOTAL RECEIPTS	2.9	7.2
Expenditures		
Administration and Capital	1.0	1.3
Agricultural program	0.9	0.7
Export crops	14.1	9.2
- Cotton	(0.3)	(0.3)
- Groundnuts (2)	(13.8)	(8.9)
Consumption goods	2.7	0.6
- Sugar	(2.3)	(0.5)
- Wheat and millet flour	(0.1)	(0.1)
- Vegetable oil	(0.3)	(-)
- Tomatoes	(-)	(-)
- Imported Rice	(-)	(-)
- Other (3)	(-)	(-)
TOTAL EXPENDITURE	18.7	11.8
BALANCE	-15.9	-4.6

Source: CPSP

(1) Price Equalization and Stabilization Fund.

(2) Including interest costs.

(3) Other includes subsidy on local rice.

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TABLE 29

OPERATING AND INVESTMENT EXPENDITURES RURAL DEVELOPMENT AGENCIES
(In Millions of CFAF)

	1978/79	1979/80	1980/81	1981/82	1982/83
Investment costs:					
SODEVA	424	411	401	963	
SAED		1778.8	2094.3		2881 (1)
SOMIVAC		88.0	68.4	175.2	
SODEFITEX		705.0	650.9	299.3	
STN	41.1	14.5	7.8	111.3	
TOTAL		2997.3	3222.4		
Operating Expenses:					
SODEVA	1990.0	2024.0	2411.0	1928.0	
SAED		1090.6	1303.0		1083 (1)
SOMIVAC		631.3	562.7	649.3	
SODEFITEX		1720.4	1664.2	1881.2	
STN	181.4	200.9	174.1	146.4	
TOTAL		5667.2	6111.5		
Of which: Personnel					
SODEVA	1424.0	1506.0	1673.0	1029.0	
SAED		798.0	803.5		711 (1)
SOMIVAC		415.0	420.5	430.1	
SODEFITEX		899.9	914.7	976.3	
STN	44.1	53.0	59.4	60.8	
TOTAL		3671.9	3871.1		
Total Investment and Operating Costs		8664.5	9337.4		

(1) On nine months of the year.

(2) Include the deficit of CPSP on cotton.

TABLE 30

AGRICULTURAL PRODUCTIVITY - MILLET AND GROUNDNUT

Crop Year	Millet Yield in Kg. per Hectare	Groundnut Yield in Kg. per Hectare	Rainfall in Millimeters
1960/61	514	913	643
1961/62	490	970	789
1962/63	491	880	862
1963/64	498	878	943
1964/65	525	941	757
1965/66	518	1007	681
1966/67	437	769	629
1967/68	567	863	881
1968/69	427	697	576
1969/70	612	828	660
1970/71	415	556	684
1971/72	598	933	607
1972/73	345	532	349
1973/74	552	658	565
1974/75	614	945	583
1975/76	645	1174	645
1976/77	535	933	573
1977/78	445	447	415
1978/79	761	910	600
1979/80	536	718	482
1980/81	511	491	436
1981/82	626	869	533
1982/83 (estimated)	590	973	474

TABLE 31

THE PERSONNEL OF SELECTED RDAs

	78/79	79/80	80/81	81/82	82/83
SODEVA	1882		1500*	1405	1362
SAED (permanent workers)			971	951	1008
SOMIVAC	465	510	548	560	559
SODEFITEX (permanent workers)		739	740	680	680*
STN	70	86	84	86	86*
TOTAL			3843*	3682	3695*

* Estimates

TABLE 32

THE PERSONNEL OF SODEVA IN 1983

	Civil Servants	Contractors	Total
Dakar Headquaters	16	76	92
Centre Djourbel	46	171	217
Centre Kaolack	99	457	556
Centre Cetad Formation	8	21	29
Centre Louga	33	217	250
Centre Thies	25	193	218
TOTAL	227	1135	1362

Source: SODEVA

ANNEX C

DRAFT GRANT PROGRAM ASSISTANCE AGREEMENT

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DRAFT

GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF SENEGAL

AND

THE UNITED STATES OF AMERICA

FOR

THE ECONOMIC SUPPORT FUND GRANT

A.I.D. Project No. 685-0278

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GRANT AGREEMENT

Grant Number 685-0278

Dated

Between

The Republic of Senegal

And

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

ARTICLE 1: THE GRANT

In order to promote economic development in the Republic of Senegal, 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 from Economic Support Funds not to exceed Ten Million United States Dollars ($10,000,000) (the "Grant"). The Grant is to finance a cash transfer to the Government of Senegal.

ARTICLE 2: PROJECT ASSISTANCE COMPLETION DATE

The "Project Assistance Completion Date" (PACD), which is September 30, 1985 or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that the purpose of the Grant will be accomplished.

ARTICLE 3: CONDITIONS PRECEDENT TO DISBURSEMENT

Section 3.1: Conditions Precedent

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 pursuant to Section 7.1, together with a specimen signature of each person certified as to its authenticity.

(b) The GOS will designate in writing, prior to initial disbursement or to the issuance of documents pursuant to disbursement, the bank and account number into which the disbursement is to be made.

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Section 3.2. Notification

When AID has determined that the conditions specified in Section 3.1 have been met, it will promptly notify the Grantee.

Section 3.3. Terminal Date for Conditions Precedent

If not all the conditions specified in Section 3.1. have been met within thirty (30) days from the date of this Agreement, or such later date as AID may specify in writing, AID, at its option, may terminate this Agreement by written notice to Grantee.

ARTICLE 4: DISBURSEMENT

After satisfaction of the conditions precedent, the Grantee may obtain the Ten Million United States Dollars ($10,000,000) provided by this Grant by submitting a request for the funds to the USAID. The USAID will then forward that request to AID/Washington. After review and approval of the documentation, AID/Washington will cause to be issued to the Government of Senegal the Ten Million United States Dollars ($10,000,000).

ARTICLE 5: COVENANTS

Section 5.1. General Covenants

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 the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement; and

(b) that it will inform AID in timely fashion of any subsequent facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement.

Section 5.2 Special Covenants

(a) The GOS agrees to comply with the terms and conditions of the IMF Standby Agreement.

(b) The GOS agrees to provide AID with copies of all reports or statistics to the IMF or other donors, as they are issued, on compliance with the stabilization program.

(c) The GOS shall covenant to implement reforms in the agricultural sector as agreed upon in consultation with AID. The reforms shall be consistent with the joint donor-GOS plan to be prepared with the World Bank, AID and the French.

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

ARTICLE 6: TERMINATION; REMEDIES

Section 6.1. Termination

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

Section 6.2. Suspension

If at any time:

(a) Grantee shall fail to comply with any provision of this 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

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

(d) any disbursement by AID would be in violation of the legislation governing AID; or

(e) a default shall have occurred under any other agreement between Grantee or any of its agencies and the Government of the United States or any of its agencies;

In this case, AID may suspend or cancel the Agreement.

Section 6.3. Cancellation by AID

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, AID may cancel any part of the Grant that is not then disbursed or irrevocably committed to third parties.

Section 6.4. Nonwaiver or Remedies

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

ARTICLE 7: MISCELLANEOUS

Section 7.1. 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 AID will be represented by the individual holding or acting in the office of the 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 AID, 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 7.2. 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 AID :	Director, USAID/Senegal Dakar, Senegal
Mail Address :	USAID/Senegal c/o American Embassy B.P. 49 Dakar, Senegal

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

Section 7.4. Information

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

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 above written.

REPUBLIC OF SENEGAL	UNITED STATES OF AMERICA
By : ______________________	By ______________________
Title: Minister of Economy & Finance	Title: Director USAID/Senegal
Date : ______________________	Date : ______________________

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ANNEX D

MEMORANDUM ON CERTAIN ASPECTS OF THE ECONOMIC AND FINANCIAL POLICIES OF THE SENEGALESE GOVERNMENT FOR FISCAL YEAR 1983/84

Taken from IMF document EBS/83/182
August 24, 1983

ANNEX D

Memorandum on Certain Aspects of the Economic and Financial Policies of the Senegalese Government for Fiscal Year 1983/84

The financial difficulties afflicting Senegal today have been seriously aggravated by the decline in world prices for groundnut oil, the rise in real interest rates, and the appreciation of the U.S. dollar. These economic developments have underlined the structural weakness of the Government's finances, particularly the excessively rapid growth of current spending, on wages and subsidies above all. The authorities have therefore decided to attack the causes of the structural public finance deficit. Although this problem can be resolved only in the medium term, the authorities will initiate vigorous adjustment measures with the start of fiscal year 1983/84. These measures will be designed primarily to reduce the growth of the civil service, the deficit of the Price Equalization and Stabilization Fund (CPSP), and subsidies to public enterprises. The budget deficit in terms of payment authorizations should be reduced to about 5 percent of GDP in fiscal year 1983/84--4 points below the 1982/83 level. The current account deficit of the balance of payments should be reduced to 11 percent of GDP, or 3 points below the level of the previous year. The equilibrium of the program is based on normal rainfall.

The cash flow position will nevertheless remain strained during fiscal year 1983/84. It will require a rescheduling of debt service with the members of the Paris and London Clubs and at least CFAF 34 billion in budgetary assistance from abroad.

The major components of the financial recovery program are described below:

1. Budgetary operations

In 1983/84 the deficit of the Government's financial operations in terms of payment authorizations will be limited to CFAF 48 billion. Revenue will increase 13.0 percent while current expenditure, especially with respect to the wage bill, will increase only 7.0 percent.

To limit the growth of the civil service, the authorities will take the following measures: (i) A census will be taken of civil service and public enterprise employees as of June 30, 1983. A retirement and recruitment timetable will be established for each ministry and public enterprise so that the staff size for December 31, 1983 and June 30, 1984 can be projected. A similar census will be taken at civil service training schools. (ii) No recruitment or announcement of competitive examinations may take place without the autho ization of the Minister of State, Secretary-General of the Office of the President, who will make sure that the size of the civil service does not increase by more than 2.5 percent during fiscal year 1983/84. Admissions to civil service training schools will be reduced so that growth in numbers does not exceed 1.3 percent in 1984/85.

2. <u>CPSP, SONAR, SAED</u>

A series of measures will be taken to reduce the combined deficit of the CPSP, SONAR, and SAED by about CFAF 19 billion in 1983/84. They are the following:

a. <u>Rice</u>: The retail price of rice will rise from CFAF 105 per kg to CFAF 130 per kg on August 19, 1983. Since the volume of rice sales is 360,000 tons, the CPSP's receipts will increase by CFAF 9 billion, enabling it for the first time to pay the customs duties on rice, estimated at CFAF 4.9 billion. This increase in the price of imported rice will reduce the CPSP's overall deficit and stimulate cereal production in Senegal.

b. <u>Sugar</u>: The selling price of sugar will be raised an average of CFAF 50 per kg on August 19, 1983, boosting CPSP's income for a full year by CFAF 4.0 billion. The revision of the agreement between the Senegalese Government and the Compagnie Sucrière du Sénégal will bring the CPSP an additional CFAF 1 billion in revenue.

c. <u>Oils</u>: The selling price of imported oil will rise from CFAF 245 per liter to CFAF 300 per liter on August 19, 1983, and the price of groundnut oil will increase from CFAF 339 per liter to CFAF 400 per liter on the same date. The combined positive effect of these price increases will net the CPSP an additional CFAF 3.8 billion.

d. <u>SAED</u>: The subsidy to SAED will be limited to CFAF 1.7 billion in 1983/84.

e. <u>Fertilizer</u>: Savings in an amount of CFAF 2.5 billion will be realized by the withholding of CFAF 5 per kg of marketed groundnuts.

f. <u>Groundnut sector</u>: In the crop year 1983/84 SONACOS and SEIB will be the employers of the weighers and, as such, will be responsible for any losses between the weighing of the groundnuts sold by the producer and the weighing at the mill. The contract between the oil producers and the CPSP will be concluded no later than September 5. A method for reducing the cost of seed storage and distribution will be established by the same date. The amount of seed distributed to

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producers in 1984 will amount to 120,000 tons and will be proportional to the amount of groundnuts marketed by them in the 1983/84 crop year, and an additional CFAF 5 per kg will be withheld, thus eliminating the CFAF 4 billion loss on the distribution of seed.

3. Petroleum products

The selling prices of petroleum products will be increased an average of 8 percent on August 19, 1983. The increase, which will vary with the product, will yield an additional CFAF 3.7 billion for the SAR and an equal amount for the National Energy Fund. A study will be made prior to the December eview to determine what additional measures are needed to absorb the SAR's cumulative deficit by the end of 1984.

4. Investment

The closing figure of the Fifth Plan settlement account was CFAF 11 billion, of which CFAF 5 billion was paid on June 30, 1983 while the CFAF 6 billion balance was added to the list of government arrears. In addition to the CFAF 5 billion contribution to the Treasury's special accounts, the budget limits capital spending to CFAF 10 billion. This ceiling may be raised when the December review is held if savings are achieved under other chapters.

In cooperation with the CCCE and the World Bank, the Ministry of Planning will draw up a flow-of-funds table for investments, based on physical monitoring of the progress of work and specifying the means of financing. For each project, the table will show the amount of payments arrears as of the end of the previous fiscal year, the value of the work to be done during the current fiscal year, and the means of financing. The table will be updated twice a year.

5. Public enterprises

A study of public enterprises will be conducted in cooperation with the World Bank with a view to halting the steady deterioration of their financial condition. The conclusions of the study, which will cover SAED, SENELEC, SODEVA, SOMIVA, and SONES, will be submitted to the IMF staff during the December review.

6. External sector

The measures taken under the program are designed to limit nominal import growth to less than 5 percent in 1983/84. This, together with an increase of about 20 percent in exports, should reduce he current

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account deficit to 11 percent of GDP--an improvement of more than 3 points over 1982/83. The authorities have informed creditors of their intention to request a rescheduling of Senegal's debt service payments due in fiscal year 1983/84.

7. Performance criteria

a. New external borrowing

New government and government-guaranteed borrowing with maturities of at least one year but less than 12 years will be limited to SDR 20 million during the second half of 1983. Of this amount, borrowings with maturities of one to five years (inclusive) will be limited to SDR 2 million. These limits will not include borrowings by the multinational companies Air Afrique and Asecna, or new borrowings for refinancing existing debts in the context of debt rescheduling with the members of the London and Paris Clubs. The exchange rate applicable to these borrowings will be the SDR rate vis-à-vis the contract currency at June 30, 1983.

b. Domestic credit

The ceiling set for domestic lending by banks as of September 30, 1983 is CFAF 472.3 billion, and the subceiling on the banking system's net claims on Government as of that date is CFAF 106.2 billion. For December 31, 1983, these limits are CFAF 501.4 billion and CFAF 115.1 billion, respectively. If external budgetary assistance exceeds CFAF 6.0 billion between July 1 and September 30, 1983 and CFAF 9.0 billion between July 1 and December 31, 1983, the excess will be used (1) to repay the crop loans reclassified as ordinary loans in December 1982; (2) to repay the crop loans made for crop year 1982/83; (3) to complete the repayment of the arrears on ONCAD's debt due by the end of July 1983; and (4) to make the quarterly repayments due on ONCAD's debt for fiscal year 1983/84. Hence, the domestic credit ceilings would be reduced proportionately, while the subceilings would remain unchanged. If external budgetary assistance is less than the amounts mentioned above, the domestic credit ceiling will be increased by the amount of the shortfall, up to CFAF 3 billion.

No other exceptional external financing having the effect of reducing net claims on Government pro tanto when the funds are collected by the Treasury has been anticipated for the last six months of 1983. If such financing is received, the ceilings and subceilings on credit will be reduced by that amount, net of actual spending against these funds, as of September 30 and December 31, 1983.

c. Reclassified crop loans

The amount of crop loans reclassified as ordinary loans as of the end of December 1983 for crop years 1981/82 and 1982/83 will not exceed CFAF 7.8 billion after payment of financial charges (agios). If the amount of budgetary assistance received by the end of December is less than CFAF 9 billion, the reclassified loans could exceed CFAF 7.8 billion by an amount equal to the difference between the anticipated and the actual assistance, up to CFAF 3 billion.

d. Payments arrears of the Government and public agencies

The payments arrears of the Government and public agencies will not increase between June 30 and December 31, 1983.

e. Exchange and trade system

During the period of the stand-by arrangement, Senegal does not intend to impose restrictions on payments and transfers for current international transactions, introduce multiple currency practices, conclude bilateral payments agreements with Fund members, or impose or intensify restrictions on imports for balance of payments reasons.

8. December review

The performance criteria identified in paragraphs 7(a), (b), (c), and (d) above will be established for March 31 and June 30, 1984 at the time of the December review, which will also consider the following matters:

a. Civil service manpower: On the basis of a manpower census as of June 30, 1983 and of recruitment and retirement data for the second half of 1983, measures will be drawn up to limit the growth of staff to under 2.5 percent in 1983/84. In addition, admissions to civil service training schools in calendar year 1984 will be programmed in such a way as to limit the growth in civil service manpower to 1.3 per cent in fiscal year 1984/85.

b. Agricultural policies: On the basis of a comprehensive review of agricultural policies and rural development agencies, to be conducted during the second half of 1983 in cooperation with the World Bank and the Caisse Centrale, the authorities will present proposals for increasing the efficiency of the groundnut sector (notably, through improving the distribution of seeds and fertilizers and the marketing of groundnuts), and for raising domestic cereal production in the medium term.

c. Repayment of 1983/84 crop loans: A schedule for repayments by SONACOS, SEIB, and the CPSP will be drawn up for each quarter of calendar year 1984. Adherence to this schedule by the CPSP will be considered a performance criterion during the first half of 1984.

d. Financial reform of public agencies: A financial reform program will be drawn up in cooperation with the World Bank.

e. SAR: Petroleum product prices will be adjusted to market prices so as to wipe out SAR's financial deficit by the end of 1984.

f. Government leases: The authorities will develop a package of measures for replacing direct rental payments to those entitled to housing by lump-sum allowances and for strict application of the laws and regulations concerning housing allowances, thus yielding significant savings.

g. Real estate tax: A study will be undertaken to identify ways and means of increasing substantially the yield of the real estate tax beginning in 1984.

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ANNEX E

DETERMINATION OF CATEGORICAL EXCLUSION

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ANNEX E

DETERMINATION OF CATEGORICAL EXCLUSION

Project Country:	Senegal
Project Title:	ESF (685-0278)
Funding:	$10.0 Million Dollars
Period of Funding:	FY 1984
Prepared by:	Joy W. Lucke, USAID/Senegal
Environmental Action Recommended:	Categorical Exclusion Under Regulation 216.2(c)1(i)
Concurrence:	David Shear 11/9/83 David Shear, Director, USAID/Senegal
Date:	

Bureau Environmental Officer's Decision:

Approved: ______________

Disapproved: ______________

Date: ______________

Clearance: RLA Jim Rogan (in draft)
20 October 1983

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

Section 216.2(c)(1)(i) The action does not have an 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 project and an Initial Environmental Examination need not be made.

Examination of Nature, Scope and Magnitude of Environmental Impact

I. Description of the Project

This PAAD provides a grant $10.0 million to the Government of Senegal (GOS) from Economic Support Funds to be executed as a single transaction cash transfer. This grant will enable the GOS to fulfill its IMF Standby commitments by providing emergency budgetary support. It is planned that the total life of project funding of $10.0 million will be obligated in FY 1984.

II. Recommended Environmental Action

In accordance with AID Regulation 16, Section 216.2(b)(1)(i) a categorical exclusion from environmental procedures should be granted because "the action does not have an effect on the natural or physical environment".

As the subject assistance fulfills the qualifications cited above, it should be granted a categorical exclusion and be exempt from any further environmental procedures.

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ANNEX F

STATUTORY CHECKLIST

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ANNEX F

3A(2) - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Security Supporting Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. App. Unnumbered; FAA Sec 653(b)

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the non-project assistance;

1a. Normal Congressional Notification procedures will be followed.

(b) Is assistance with (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than $1 million over that figure plus 10%)?

1b. Yes.

2. FAA Sec. 611 (a)(2) If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

2. No further legislation is required.

3. FAA Sec. 209, 619 Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or in accordance with multilateral plans to the maximum extent appropriate?

3. No. Program will not encourage regional development programs. Senegal is not a newly independent country.

4. FAA Sec. 601(a); (and Sec. 201(f) for development loans) Information and conclusions whether assistance will encourage efforts of the country to: (a) incrase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	4. No direct effect will occur.
5. FAA Sec. 601(b) Information and conclusion on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	5. No direct effect will occur.
6. FAA Sec. 612(b); Sec. 636(h) Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.	6. N.A.
7. FAA Sec. 612(d) Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?	7. No

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Security Supporting Assistance a. FAA Sec. 531 How will this assistance support promote economic or political stability? Is the country among the 12 countries in which Supporting Assistance may be provided in this fiscal year?	1. Assistance will aid the GOS in meeting some of its balance of payments difficulties and continue the implementation of Senegal's structural reform plan. This support is provided in strict accord with the IMF program in Senegal. Senegal is among the 12 countries eligible for supporting assistance.

2. Nonproject Criteria for Development Assistance

a. FAA Sec. 102(c); Sec. 111; Sec. 281a Extent to which activity will (1) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (2) help develop cooperatives, assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local government institutions?

2. N.A.

b. FAA Sec. 103, 103A, 104, 105, 106, 107 Is assistance being made available: (include only applicable paragraph -- e.g. a, b, etc. -- which corresponds to sources of funds used. If more than one fund source is used for assistance, include relevant paragraph for each fund source.)

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

(2) (104) for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor; extent to which assistance gives attention to interrelationship between (A) population growth and (B) development and overall improvement in living standards in developing countries. Is activity designed to build motivation for small families in programs such as education in and out of school, maternal and child health services, agriculture production, rural development, and assistance to urban poor?

(3) (105) for education, public administration, or human resources development; if so, extent to which activity

strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(a) to help alleviate energy problems;

(b) reconstruction after natural or manmade disaster;

(c) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(d) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

(5) (107) by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 207; Sec. 113 Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

d. FAA Sec. 281(b) Describe extent to which program recognizes the particular needs, desires, and capacities of the

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people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

e. FAA Sec. 201(b)(2)-(4) and -(8) Sec. 201(e); Sec. 211(a)(1)-(3) and -(8) Does the activity give reasonable promise of contribution to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives?

f. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6) Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

3. Nonproject Criteria for Development Assistance (Loans only)

3. N.A.

a. FAA Sec. 201(b)(1) Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.

b. FAA Sec. 201(b)(2); 201(d) Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and United States) of lending and relending terms of the loan.

c. FAA Sec. 201(e) If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to AID an application for such funds together with assurances to indicte that funds will be used in an economically and technically sound manner?

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d. FAA Sec. 202(a) Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions of other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

4. Additional Criteria for Alliance for Progress — 4. N.A.

(Note: Alliance for Progress assistance should add the following two items to a nonproject checklist.)

a. FAA Sec. 251(b)(1)-(8) Does assistance take into account principles of the Act of Bogota and Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

b. FAA Sec. 251(b)(8); 251(h) For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIES," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

COUNTRY CHECKLIST

SENEGAL

NOVEMBER 1983

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? — NO.

2. FAA Sec. 620(c). If assistance is to a government, 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? — NO.

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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. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

NO.

5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.

N.A.

6. 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.

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?

NO.

8. 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?

9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (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 appropriates funds?

a. NO.

b. NO.

10. 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

YES. Taken into account by the Administrator at the time of approval of the Agency OYB.

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.)

11. 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.

12. 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.

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or

NO.

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

14. 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.

15. 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, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

NO.

NO.

16. 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 Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed

YES. Taken into account by the Administrator at the time of approval of the Agency OYB.

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.)

17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti. — N.A.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. 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.

2. Economic Support Fund Country Criteria

a. 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.

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b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N.A.

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

N.A.

Prepared November 18, 1983, by AFR/SWA, Gerald G. Graf
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