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F I S C A L A F F A I R S D E P A R T M E N T

Senegal

Fiscal Transparency Evaluation

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July 2018

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ACRONYMS AND ABBREVIATIONS

ANSD	*Agence nationale de statistique et de la démographie*
BCEAO	Central Bank of West African States
BGCT	Trial Balance of Treasury Accounts [*Balance générale des comptes du Trésor*]
CA-PA	Commitment Authorizations – Payment Appropriations
CDC	*Caisse de dépôts et consignations* [Deposit and Consignment Office]
CGAF	Fiscal Management General Account
CIMA	Inter-African Conference on Insurance Markets
CNS	*Conseil national de la statistique* [National Statistics Council]
CST	Special Treasury Accounts
CTPS	Technical Committee for Statistics Programs
DDP	Public Debt Directorate
DEES	Economic Studies and Statistics Division
DGB	Office of the Director General of the Budget
DGCPT	Office of the Director General of Government Accounting and the Treasury
DGD	Office of the Director General of Customs
DGID	Office of the Director General of Taxes and Property (*Domaines*)
DGPPE	Office of the Director General of Economic Planning and Policies
DP	Office of the Director of Planning
DPBEP	Multiyear Budgetary and Economic Programming Document
DPEE	Office of the Director of Economic Forecasting and Studies
DPPD	Multiyear Expenditure Programming Document
DSA	Debt Sustainability Analysis
DSP	Office of the Director of the Parapublic Sector
EITI	Extractive Industries Transparency Initiative
FAD	Fiscal Affairs Department of the IMF
FNR	National Retirement Fund
FTE	Fiscal Transparency Evaluation
GFS	Government Finance Statistics
GFSM	*Government Finance Statistics Manual*
IMF	International Monetary Fund
IPRES	*Institution de prévoyance retraite du Sénégal* [Provident and Retirement Institute]
LFI	Initial Budget Law
LFR	Supplementary Budget Law
LOLF	Organic Budget Law
MEFP	Ministry of Economy, Finance, and Planning
MTBF	Medium-Term Budgetary Framework (French abbreviation CBMT)
NBE	Government Budget Nomenclature
OBI	Open Budget Index
PAP	Annual Performance Project
PCE	Government Chart of Accounts
PLF	Proposed Budget
PPP	Public-Private Partnership
PSE	*Plan Sénégal emergent*
PTIP	Three-Year Public Investment Program
RAP	Annual Performance Report
RTEB	Quarterly Budget Execution Report
SDDS	Special Data Dissemination Standard
SIGFIP	Integrated Public Finance Management System
TOFE	Government Fiscal Operations Table
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union

PREFACE

In response to a request from Mr. Amadou Ba, Minister of Economy, Finance and Planning (MEFP) of Senegal during the 2017 annual meetings, a mission from the Fiscal Affairs Department (FAD) of the IMF visited Dakar from April 5 to 17, 2018 to conduct a fiscal transparency evaluation (FTE) in Senegal. The mission was headed by Ms. Manal Fouad (Division Chief, FAD), and comprised Messrs. Fabien Gonguet and Bruno Imbert (economists, FAD), Philippe Samborski (expert with the IMF Statistics Department), Adrien Tenne (expert, FAD) and Ms. Nour Chamseddine (Research Analyst, FAD). The mission worked closely with Mr. Jean-François Dagues (FAD Resident Advisor to the MEFP).

Upon its arrival in Dakar, the mission was received by Mr. Bassirou Samba Niasse, Secretary General of the MEFP, who provided advice and guidance. At the end of its stay, the mission presented its conclusions and recommendations to Mr. Amadou Ba, Minister of Economy, Finance and Planning. A feedback session was also organized with the Secretary General and his staff.

During its stay, the mission met with staff from most departments in the MEFP. It was received by Mr. Alioune Ndong, advisor to the MEFP and the focal point for the mission, Mr. Moustapha Ba, Director General of Budget (DGB) and Mr. Abdoulaye Samb, Coordinator of the General Directorate of Government Accounting and Treasury (DGCPT). The mission worked closely with the various departments in the DGB, the DGCPT, the General Directorate of Taxes and Domains (DGID) and the General Directorate of Customs (DGD). The mission also met with the Office of the Director for Economic Forecasting and Studies (DPEE), the Office of the Director of Planning (DP), the Office of the Director responsible for Supervising Government Procurement (DCMP) and the Office of the Director of Currency and Credit (DMC). Outside the Ministry of Finance, the mission likewise held meetings with staff from the National Agency for Statistics and Demography (ANSD) and from the Studies and Planning Unit of the Ministry of the Environment and Sustainable Development, as well as with the National Committee of the Extractive Industries Transparency Initiative (EITI), the National Office of the Central Bank of West African States (BCEAO), and the Agency for Promotion of Investment (APIX). A technical feedback session was organized with the focal points of the various departments, chaired by Mr. Amadou Bousso Faye, advisor to the MEFP.

At the start and end of its visit, the mission met with the main donors involved in public financial management in Senegal: the World Bank, the European Union and U.S. cooperation entities. The mission was received by Mr. Mamadou Faye, First President of the Court of Accounts and his staff. Finally, the mission exchanged views with the nongovernmental organization 3D. The mission thanks the Senegalese authorities for their warm welcome, their availability and the high quality of the discussions. The mission would like to extend special thanks to Mr. Alioune Ndong for his help with organizing this mission. It likewise thanks Ms. Cemile Sancak, the IMF Resident Representative, and her staff for facilitating the work of the mission and lending it invaluable support.

EXECUTIVE SUMMARY

Senegal is the first country in sub-Saharan Africa with a Francophone approach to public financial management to volunteer for a fiscal transparency evaluation (FTE). This evaluation applies the standards and practices established in the IMF's Fiscal Transparency Code (the Code), adopted in 2014. The Code is built around three pillars: (I) Fiscal Reporting; (II) Fiscal Forecasting and Budgeting; and (III) Fiscal Risk Analysis and Management. Altogether it assesses compliance with 36 FTE principles. Pillar I requires that fiscal reporting provide a thorough, relevant, current and reliable picture of general government fiscal outcomes. Pillar II requires budgets, and the macroeconomic forecasts they rely on, to spell out the fiscal objectives and policies targeted by the government; and that they provide comprehensive and credible projections of fiscal trends. Pillar III addresses the need to communicate, analyze and manage fiscal vulnerabilities and to ensure effective coordination of the public sector decision-making process. To take countries' varying degrees of institutional capacity into account, the Code differentiates between basic, good, and advanced practices for each principle. If the basic level is not attained, the practice is regarded as "not met."

For several years now, Senegal has been strengthening its fiscal transparency.

- ***The legal framework governing public finance*** has been revamped in line with West African Economic and Monetary Union (WAEMU) directives , which are inspired by best international practices, and including, in particular, the adoption of a code of transparency in public financial management.
- ***With respect to data***, the WAEMU directives also helped to harmonize and expand the scope of the sub-region's statistical data. Since 2017, Senegal has officially endorsed the IMF's Special Data Dissemination Standards (SDDS): the fourth country to do so in Sub-Saharan Africa and the first in the WAEMU area.
- Finally, an extensive array of ***budget documents*** is made available to the public via the MEFP website and posted on general government websites, earning Senegal a high score in the Open Budget Index (OBI) rating (51 in 2017, 10 points higher than the global average and the third highest score in Sub-Saharan Africa). Senegal publishes not only the various proposed budget laws and their appendices, but also economic and financial reports, quarterly budget execution reports, and monthly reviews and quarterly notes on current economic conditions.

All these factors provide a sound basis for Senegal to continue its progress toward greater fiscal transparency.

Globally, the FTE finds that Senegal is positioned at the average level for countries of similar income and institutional capacity.

- ***The country's areas of strength with respect to the Code are mostly in Pillar II, followed by Pillar I, in line with its OBI score (Table 0.1).***

- Under Pillar II, on fiscal forecasting and budgeting, three practices are rated "advanced". Macroeconomic projections are detailed and fiscal policy is anchored in clear and stable objectives. Fiscal legislation is in line with best international practices and relatively comprehensive. Three practices are also rated "good": the medium-term budgetary framework informs the budget process, fiscal documents are published in a timely manner, and the briefing notes for feasibility studies are made public.
- Pillar I, on fiscal reporting, likewise contains three "good" practices: Senegal is the first WAEMU country to produce a consolidated General Government Fiscal Operations Table (TOFE); statistical integrity is ensured by cross-comparing different sources of information; and the fiscal data provided allow for comparing the budget and its execution.
- Pillar III, on fiscal risks, contains just one "good" practice, regarding the monitoring of risks triggered by subnational governments.

- ***A relative majority of practices (14) are rated "basic".*** They are mainly found under Pillar I, on fiscal reporting, where the process of expanding the coverage of fiscal statistics and fiscal reports is well under way, but their consolidation is still pending (Table 0.2).
  - Many of the fiscal reports suffer from gaps with respect to both scope of coverage and the observance of fiscal and accounting standards. Few resources are devoted to documenting and analyzing the data or revising them.
  - The frequency and timeliness of fiscal reports are adequate but could be improved.
  - Under Pillar II, "basic" scores are recorded in the dissemination of information on public investment; the fact that program budgeting is not yet operational; improper use of supplementary budget laws, even for major revisions of budgetary aggregates; and a still incipient process for public participation.
  - The Senegalese authorities are aware of the importance of fiscal risk management and have started preparing analyses in several areas: a public debt sustainability analysis is conducted, as is a draft analysis of the risks associated with environmental changes and public corporations; and a contingency reserve is included in the annual budget. Yet, these nascent practices do not meet the more advanced requirements of the Code.
- ***One third of all practices do not meet the requirements of a basic level ("not met").***
  - This is due in part to the failure to publish certain documents that do exist at the various levels of government, such as recent reports on tax expenditure, or the list of onlent loans or outstanding government-guaranteed debt. The practice of using letters of comfort is also detrimental to the scoring of the budget unity principle.
  - However, most of the non-existent practices relate to Pillar III. They consist mainly of the absence of thorough analyses of fiscal risks, especially risks relating to macroeconomic development (oil price volatility, for instance) and risks associated with public corporation liabilities and public-private partnership (PPP) contracts.

This evaluation puts forward a number of recommendations that would enable Senegal to continue to improve its fiscal transparency while strengthening the fiscal risk management framework. The recommendations relate to the following five objectives and are accompanied by an Action Plan (Table 0.3). Practical examples have been included in the report to back the various recommendations and facilitate their implementation.

- Strengthening the coverage and integrity of fiscal and financial reporting, with priority to the following: compilation of a consolidated general government balance sheet; implementation of a mechanism for keeping track of multi-year commitments; and reforming the letter of comfort practice.
- Bringing fiscal and accounting standards in line with the organic budget law (LOLF) provisions, including, as a priority, strengthening the articulation between payroll and SIGFIP softwares and implementing program-budgeting.
- Better capturing of fiscal and financial risks and anticipate their impacts (cf. Annexes II, III and IV).
- Provide more robust explanation and analysis of macrofiscal forecasts to enhance the credibility of fiscal documents (see Box 2.3).
- Encourage public participation in the discussion and monitoring of fiscal policy (cf. Box 2.2).

Table 0.1. Summary of the Fiscal Transparency Evaluation

I. Fiscal reporting	II. Fiscal forecasting and budgeting	III. Fiscal risk analysis and management
Coverage of institutions	Budget unity	Macroeconomic risks
Coverage of stocks	Macroeconomic forecasts	Specific fiscal risks
Coverage of flows	Medium-term budgetary framework	Long-term fiscal sustainability analysis
Coverage of tax expenditure	Investment projects	Budgetary contingencies
Frequency of reports per fiscal year	Fiscal legislation	Asset and liability analysis
Timeliness of publication of annual financial statements	Availability of up-to-date budget documents	Guarantees
Classification	Fiscal policy objectives	Public-private partnerships
Internal consistency	Reporting of results	Financial sector exposure
Historical revisions	Public participation	Natural resources
Statistical integrity	Independent evaluation	Environmental risks
External audit	Supplementary budget	Subnational governments
Comparability of fiscal data	Reconciliation of forecasts	Public corporations

Key

LEVEL OF PRACTICE	SCORE			
	Not met	Basic	Good	Advanced

Table 0.2. Public Sector Financial Overview, 2016

	General Government										
	Budgetary Central Government	Extra-Budgetary Entities.	Central Government	Social Security Funds	Sub-national	Consolidat-ion	Total	Public corporations	Central Bank	Consolidat-ion	Public Sector
Transactions											
Revenue	25.8	9.1	28.3	1.5	1.0	-0.5	30.3	6.5	0.2	-0.6	36.4
Expenditure	28.6	9.5	31.4	1.2	0.9	-0.5	33.1	5.5	0.1	-0.6	38.1
Balance	**-2.8**	**-0.4**	**-3.2**	**0.2**	**0.2**	**0.0**	**-2.8**	**1.0**	**0.1**	**0.0**	**-1.7**
Stocks											
Assets	**N/A**	35.9	**N/A**	4.2	**N/A**	**N/A**	**N/A**	20.6	**N/A**	**N/A**	**N/A**
Nonfinancial	**N/A**	25.6	**N/A**	1.3	**N/A**	0.0	**N/A**	10.7	**N/A**	0.0	**N/A**
Financial	11.8	10.4	20.4	2.8	0.4	-0.5	23.2	9.8	16.5	-9.5	40.0
Liabilities	90.9	8.1	97.2	0.2	0.3	-0.5	97.2	16.8	16.5	-9.5	121.1
Civil servant pensions	28.1		28.1				28.1				28.1
Net financial worth	**-79.0**	**2.3**	**-76.8**	**2.6**	**0.1**	**0.0**	**-74.0**	**-7.0**	**0.0**	**0.0**	**-81.0**
Net worth	**N/A**	**27.9**	**N/A**	**3.9**	**N/A**	**N/A**	**N/A**	**3.7**	**N/A**	**N/A**	**N/S**

Sources: MEFP, ANSD, BCEAO, and IMF staff estimates.

Notes: (1) Whenever possible, figures are consolidated.

(2) Extrabudgetary central government comprises a sample of the subsector accounting for most revenue and expenditure.

(3) Public corporations comprise a sample of the subsector made up of the principal public corporations.

(4) GDP in 2016 totaled CFAF 722.34 billion, measured before the changeover to base year 2014.

Table 0.3. Action Plan for Improving Fiscal Transparency

Objectives / Actions	Recomm.	Short-term (2018)	Medium-term (2019-2020)	Long-term (2021 and be-yond)	Priority low (*), medium (**), high (***)	Responsible authority	Indicators involved
Objective 1: Coverage and integrity of fiscal and financial data are strengthened							
Publish the report on assessment of the budgetary cost of tax expenditure in a recent fiscal year (2015 or later)	1.1	**X**			**	**DGID, DGD**	**1.1.4**
Produce the permanent list of public sector entities and sectorize the units	1.1	**X**			***	**DGCPT (DEES, DSP), ANSD & BCEAO**	**1.1.1**
Compile a consolidated general government balance sheet	1.1	**X**			***	**DGCPT**	**1.1.1, 1.1.2, 1.1.3**
Compile a Government Fiscal Operations Table (TOFE) and a consolidated public sector balance sheet	1.1		**X**		**	**DGCPT**	**1.1.1, 1.1.2, 1.1.3**
Reinforce the Economic Studies and Statistics Division (DEES) and the Parapublic Sector Directorate (DSP) (human, financial, and I.T. resources)	1.1		**X**		***	**DGCPT**	**1.1.1, 1.1.2, 1.1.3**
Bring the use of letters of comfort in line with accounting and fiscal rules derived from the organic law	2.1	**X**			***	**DGB, DGCPT (DDP)**	**2.1.1**
Apply the provisions of the organic law relating to Government guarantees (including those regarding letters of comfort)	2.1	**X**			***	**DGB, DGCPT**	**2.1.1**
Put in place a mechanism for monitoring multi-year government commitments via the commitment authorizations and payment appropriations (CA-PA) mechanism and approve an annual CA ceiling in the budget pursuant to the provisions of the Organic Law (Articles 17ff, 44 and 60)	2.1		**X**		***	**DGB**	**2.1.1**
Complete the information provided in the Multi-year Budgetary and Economic Programming Document (DPBEP) with the data currently missing: e.g., (i) own resources of public institutions and agencies, (ii) more disaggregated data for subnational governments and a breakdown of revenue; and (iii) expenditures of the two social security funds in a comparable format	2.2		**X**		**	**DGB**	**2.1.1, 2.1.3**
Systematize the preparation and adoption of a revised budget law (PLFR) in the event of a substantial modification to balances struck in the budget law	2.3	**X**	**X**	**X**	***	**DGB**	**2.4.2**

Table 0.3. Action Plan for Improving Fiscal Transparency (continued)

Prepare a mid-year progress report on revenue and expenditure execution as a basis for the revised budget law (e.g., an execution report for the second quarter of year n)	2.3	**X**	**X**	**X**	**	**DGB, DGTCP, DGID, DGD**	**2.4.2**
Objective 2: Budgetary and accounting standards abide by the provisions of the organic budget law							
Interface the balances software with the Integrated Public Finance Management System (SIGFIP) to enable regular monitoring of payroll execution (at least by administrative classification)	1.2	**X**			***	**DGB (Balance, DSI, DPB)**	**1.3.1**
Produce a budget outturn statement using functional classification when preparing the revised budget law for 2017 (and subsequent years)	1.2	**X**	**X**	**X**	*	**DGB (DPB)**	**1.3.1**
Continue to work on cleaning up and harmonizing economic nomenclature in order to facilitate accounting and reconciliation between the accounts of the authorizing officers and those of the accounting officers	1.2		**X**		***	**DGCPT, DGB**	**1.3.1**
Validate the list of budgetary programs and compile financial statements using program nomenclature for information purposes for a few tentative years	1.2	**X**	**X**		***	**DGB**	**1.3.1**
Compile a metadata document (sources, concepts and methods) on the changeover to GFSM 2001-2014	1.2		**X**		*	**DGCPT**	**1.3.3**
Introduce accrual basis and balance sheet accounting (*comptabilité en droits constatés et patrimoniale*)	1.3			**X**	*	**DGCPT, DGB**	**1.1.3**
Apply market price-based valuation of assets and liabilities	1.3			**X**	*	**DGCPT**	**1.1.2, 1.1.3**
In the DPBEP, use the administrative and/or sectoral classification for appropriations	2.2	**X**	**X**	**X**	**	**DGB**	**2.1.3**
Objective 3: There is a better understanding of fiscal and financial risks and their expected impacts							
Publish guarantees and onlending on the Public Debt Directorate website	3.1	**X**			**	**DGTCP (DSP)**	**3.2.3**
Publish the government equity investment strategy	3.1	**X**			**	**DGTCP (DSP)**	**3.3.2**

Table 0.3. Action Plan for Improving Fiscal Transparency (continued)

Publish a statement of fiscal risks in the Multiyear Budgetary and Economic Programming Document (DPBEP) (see the detailed Action Plan, annexed)	3.2	**X**	**X**	**X**	***	**DGB, DGCPT, DGPPE**	**3.1.2**
Establish and publish objective and transparent criteria for use of the reserve, targeting truly unpredictable outlays as a priority	3.4		**X**	**X**	***	**DGB**	**3.2.1**
Objective 4: The analysis of macrofiscal forecasts is strengthened, boosting the credibility of fiscal documents							
In the DPBEP, provide detailed figures for the multiyear forecasts of the principal macroeconomic indicators and compare them against those produced by other sources (e.g., BCEAO, the IMF)	2.2	**X**	**X**	**X**	**	**DGPPE (DPEE), DGB**	**2.1.2, 2.1.3**
Bolster explanation of macroeconomic and fiscal forecasts by providing (i) a quantitative analysis of differences between forecasts and actual outcomes; and (ii) details of the grounds for revising forecasts from one year to another	2.2	**X**	**X**	**X**	***	**DGPPE (DPEE), DGB**	**2.4.3**
Project alternative macroeconomic scenarios and show their impact on the budgetary and fiscal environment in the budget documents	3.2		**X**	**X**	*	**DGPPE (DPEE)**	**3.1.1**
Conduct simple sensitivity analyses of the major variables in budgetary flows (revenue, expenditure, deficit) to a number of key macroeconomic variables (real GDP growth, inflation, oil price per barrel, exchange rate), and publish them in the DPBEP and/or the Economic and Financial Report	3.3	**X**			**	**DGPPE (DPEE)**	**3.1.1**
Objective 5: More citizens are involved in monitoring and debating fiscal policy							
Enhance the quality of program-budget documents: (i) prepare and disseminate a manual for drafting Multiyear Expenditure Programming Documents (MEPD), Priority Action Plans [PAP] and Annual Performance Reports (RAP); and (ii) review existing MEPD and PAP	2.3	**X**	**X**	**X**	*	**DGB, Line ministries**	**2.3.2, 2.3.3**
Establish a mechanism for public participation in discussion of fiscal policy inspired by best international practices	2.3	**X**	**X**	**X**	**	**DGB**	**2.4.1**

I. FISCAL REPORTING

Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance.

1. This chapter seeks to provide an evaluation of fiscal reporting practices in Senegal with respect to the standards of Pillar I of the Fiscal Transparency Code. It therefore looks at the following four dimensions of Pillar I:

i. Coverage of institutions, stocks and flows;
ii. The frequency and timeliness of fiscal reporting;
iii. The quality, accessibility and comparability of fiscal reports; and
iv. The integrity of fiscal reports.

2. Fiscal reports must provide a comprehensive description of the fiscal activities of the public sector and its sub-sectors, in keeping with international standards. To that end, fiscal reports, comprising budget execution reports, government finance statistics (GFS) and government accounts, must:

- Cover all entities engaged in public sector activities;
- Cover all assets, liabilities, revenue, expenditure, financing sources and other flows;
- Be published frequently and at regular time intervals;
- Present fiscal information using classifications (nomenclature) that facilitate international comparisons;
- Provide linkages among fiscal aggregates and explain possible discrepancies between or within fiscal reports; and
- Be drawn up, in the case of GFS, by an independent agency and submitted for review by a higher supervisory body.

3. The transparency of public sector fiscal information in Senegal varies. Numerous reports covering budgetary central government accounts exist and are published on a regular basis. However, financial statements for the central government extrabudgetary units, for the social security funds, for the subnational governments, and for most public corporations are not published. Best practices in government accounting require publication of the financial statements of autonomous entities. Expanding the coverage of the TOFE to include those entities will enhance transparency. Nevertheless, significant efforts have been made in recent years to improve the centralization and compilation of public sector data.

4. Since 2015, GFS in Senegal have been compiled following the Government Finance Statistics Manual (GFSM) 2001. Senegal is the first country in the West African Economic and Monetary Union (WAEMU) to present its Government Fiscal Operations Table (TOFE) in accordance with WAEMU Directive 2009 on the TOFE, which is consistent with GFSM 2001. However, Senegal's current government accounting system does not allow for the compilation of statistics in line with all GFSM specifications. Thus, transactions are recorded using a hybrid (cash basis and accrual basis) accounting system. Likewise, government balance sheet data remain partial and fragmented.

5. Most general government fiscal reports are centralized in the Ministry of Economy, Finance and Planning (MEFP) (Table 1.0). Thus, General Directorate of Government Accounting and Treasury (DGCPT) is responsible for compiling the GFS. It is also responsible for consolidating the budget execution (revenue and expenditure) accounts of the government accounting officers (*comptables publics*) and for compiling the main government financial statements. The budget execution reports are prepared by the General Directorate of Budget (DGB). For its part, the Public Debt Directorate produces information on both domestic and external public debt. Finally, the Parapublic Sector Directorate (DSP) produces reports on budget execution and the indebtedness of public entities, agencies, and related institutions, as well as of public corporations.

Table 1.0. List of Fiscal Reports

Report	Depart-ment in charge	COVERAGE			ACCOUNTING		PUBLICATION		
		Institutions	Flows	Stocks	Mode	Classification	Frequency	Date	On line
SUB-ANNUAL REPORTS									
TOFE	**DGCPT (DEES)**	BCG	Rev/Expend./Financing		Modified cash-basis	MSFP01	M	30d	Yes
Quarterly budget execution reports (RTEB)	**DGB**	CG	Rev/Expend./Financing		Cash-basis	Nat	Q	45d	Yes
Provisional monthly execution statement (at variable intervals)	**DPEE**	BCG	Expenditure		Cash-basis	Nat	M	n/a	Yes
Monthly economic conditions report	**DPEE**	State	Rev/Expenditure		Cash-basis	Nat	M	30d	Yes
Quarterly budget execution report for government institutions, agencies and administrative bodies	**DSP**	GI	Rev/Expenditure	Debt	Cash-basis	Nat	Q	90d	Yes
Quarterly debt statistics bulletin	**DDP**	DDP	Issues/Amortization	Debt	Cash-basis	Nat	Q	90d	Yes
ANNUAL REPORTS									
Draft budget review law	**DGB**	BCG	Rev/Expend./Financing		Cash-basis	Nat	A	1 year	Yes
Fiscal management general account (CGAF)	**DGTCP**	BCG	Rev/Expend./Financing		Cash-basis	Nat	A	6m	No
Authorizing officer's general account	**DGTCP**	BCG	Expenditure		Cash-basis	Nat	A	6m	No
Treasury trial balance (*Balance générale des comptes du Trésor*)	**DGTCP**	BCG	Rev/Expend./Financing	Certain assets/liabilities	Cash-basis	Nat	A	6m	No
Annual report	**Court of Accounts**	Public sector	Rev/Expend./Financing		Cash-basis	Nat	A	1 year+	Retard
Report on overall execution of the budget law	**Court of Accounts**	BCG	Rev/Expend./Financing		Cash-basis	Nat	A	1 year+	Yes
Trial balance of subnational governments (*collectivités locales*)	**DGTCP**	Subnational government (SNG)	Rev/Expend./Financing	Certain assets/liabilities	Cash-basis	Nat	A	6m	No
Consolidated TOFE, general government	**DGCPT (DEES)**	GI	Rev/Expend./Financing		Accrual	MSFP01	A	6m	Yes
Report on government equity shares in public and private corporations	**DGTCP (DSP)**	BCG		Assets	Cash-basis	Nat	A	n/a	Yes
Parapublic sector report	**DGTCP (DSP)**	ECG/PC	Rev/Expenditure	Debt	Accrual	Nat	A	n/a	Yes
Debt sustainability analysis report	**DPEE**	BCG	Amortization	Debt		Nat	A	n/a	Yes

Tax expenditure evaluation report	**DGID**	BCG	Tax expenditure		Cash-basis	Nat	A	n/a	No
Financial statements of the IPRES and SSF (with accompanying notes)	**IPRS and SFF**	Social Security Funds (SSF)	Rev/Expend. /Financing	Assets and liabilities	Accrual	CIPRES	A	n/a	No

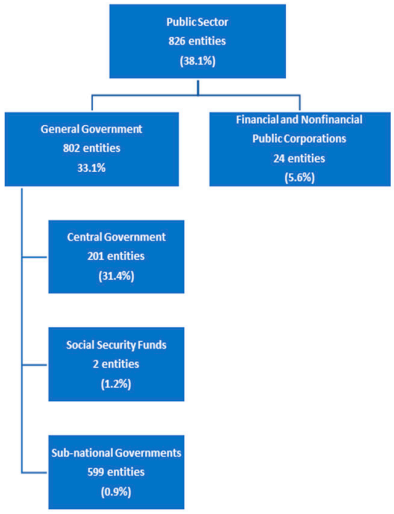
Note: BCG: budgetary central government; CG: central government; ECG: extrabudgetary central government; GI: government institutions; PC: public corporations; SNG: subnational governments; M: monthly; Q: quarterly; A: annual; SSF: social security funds; NA: National Accounts; n/a: not available

1.1. Fiscal Reporting Coverage

1.1.1.	Coverage of institutions	Good

6. Since end-2017, Senegal has been producing a consolidated annual TOFE covering all sub-sectors of public administration. The expanded GFS coverage improves measurement of the activities of the public administration and of its relations with other sectors of the economy. Nevertheless, there are remaining gaps with respect to a comprehensive compilation of data for all extrabudgetary entities and public corporations. For instance, the reports on extrabudgetary entities only cover a fraction of such entities. The public corporation data are not consolidated with government accounts and the available reports mainly cover only those corporations' indebtedness and government equity. For that reason, the establishment of a parapublic sector observatory[2] and of a subnational government finance observatory aims at strengthening the dissemination of public sector fiscal data to the general public.

Figure 1.1. Composition of the Public Sector
(Expenditure as a percentage of GDP[1], 2016)



Source: MEFP. Note: Expenditures for the public sector, general government sub-sectors and central government are consolidated.

7. In 2016, the Senegalese public sector includes 826 entities with different legal status (Figure 1.1 and Table 1.1)**:**

- Central government[3] comprises 201 entities, including 30

[1] Throughout this report, gross domestic product amounts are base-year 1999 figures and therefore do not reflect the impact of the revamping of the national accounts completed in 2018 which revised 2014 GDP upwards by nearly 30 percent (cf. §33).

[2] In Senegal, the parapublic sector comprises central government subdivisions, such as health care facilities, universities, institutes, funds and agencies (units pertaining to extrabudgetary central government), as well as public corporations (with the exception of the national directorate of the BCEAO).

ministries, 10 republican institutions (Presidency, National Assembly, Supreme Court, and so on), 11 Special Treasury accounts (CST), and 150 extrabudgetary units (government institutions, agencies and other similar bodies);

- The subnational governments sub-sector comprises 42 departments containing 557 communes (including 5 towns [*villes*]);
- The social security funds sub-sector comprises the Social Security Fund (CSS/SSF) and the pension institution (*Institution de prévoyance retraite du Sénégal*–IPRES), and handles family, workplace accident, occupational disease-related and retirement benefits.
- Statistically, public corporations comprise 19 non-financial corporations (public utilities, energy, transportation, trade, real estate, telecommunications, and lotteries) and 5 financial corporations (deposits, investment and insurance), including the national directorate of the BCEAO.

Table 1.1. Institutional and Financial Breakdown: Revenue, Expenditure and Net Balance, 2016

(As a percentage of GDP)

Sector	Number of entities	Revenue	Expenditure	Net Balance
Central government	**201**	**28.3**	**31.4**	**-3.2**
Budgetary	51	25.8	28.6	-2.8
Extrabudgetary	150	9.1	9.5	-0.4
Consolidation				
Social Security Funds	**2**	**1.5**	**1.2**	**0.2**
Sub-national governments	**599**	**1.0**	**0.9**	**0.2**
General government consolidation		-0.5	-0.5	0.0
General government	**802**	**30.3**	**33.1**	**-2.8**
Public corporations other than the Central Bank	**23**	**6.5**	**5.5**	**1.0**
Central Bank	**1**	**0.2**	**0.1**	**0,1**
Consolidation of the Public Sector		-0.6	-0.6	0.0
Public Sector	**826**	**36.4**	**38.1**	**-1.7**

Source: MEFP, ANSD, and estimates by the mission.

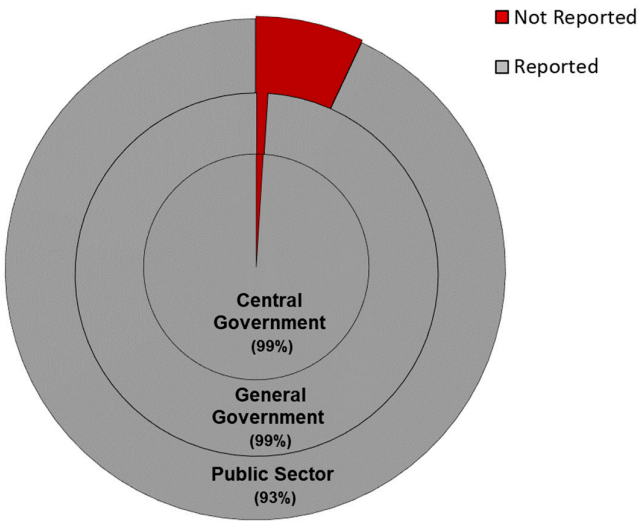
8. General government expenditure accounted for 33.1 percent of GDP in 2016, of which 31.4 percent was central government expenditure. Extrabudgetary central government units, with expenditure equivalent to 9.5 percent of GDP, are an important part of fiscal policy. Expenditure by subnational governments and social security funds amounted to only 2.1 percent of GDP in 2016.

9. Expanding GFS coverage to include public corporations would have a significant impact on fiscal aggregates. (Figure 1.2). Revenue would increase from 30.3 percent of GDP for general government to 36.4 percent for the public sector, while expenditure would increase from 33.1 to 38.1 percent, thereby lowering the deficit in 2016 from 2.8 to 1.7 percent of GDP. Furthermore, the gross debt would increase from 97.2 percent of GDP for general government to

121.1 percent of GDP for the whole of the public sector, while net financial worth (*valeur financière nette*) would go from -74.0 to -84.0 percent.

Figure 1.2. Coverage of the Public Sector in Statistical Reports, 2016

(As a percentage of total expenditure)



Source: IMF staff.

1.1.2.	Coverage of stocks	Not met

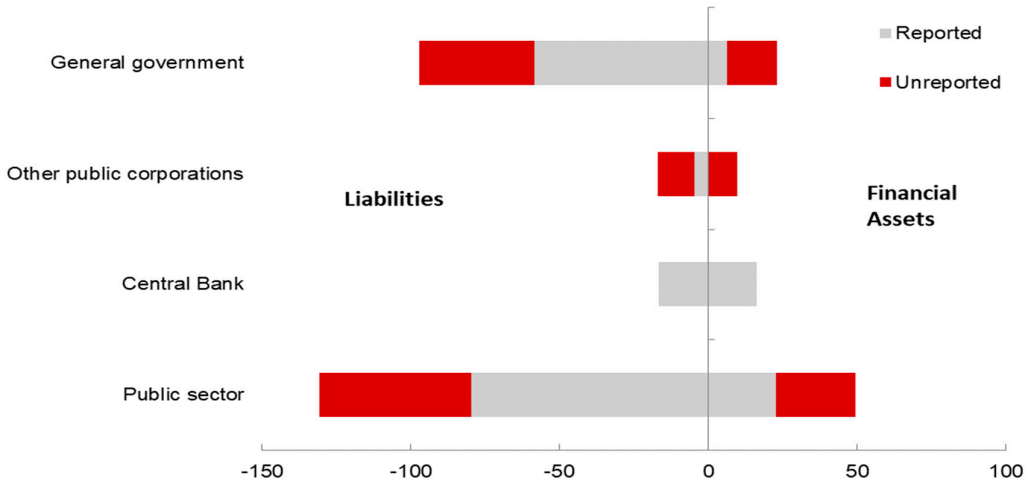
10. Senegal does not meet the basic practice requirement that fiscal reports must include cash flow, deposits and all debt. Whilst some financial asset and liability data are compiled, they are fragmented and include gaps. The DDP publishes a quarterly statistics bulletin on the public debt covering loans and debt securities issued by the government. That bulletin does not take other government debt into account, particularly accounts payable, amounts owed to social security funds, government entity deposits in the Treasury, comfort letter-related amounts, actuarial liabilities in respect of pensions for civilian and military personnel, or obligations from public-private partnerships (PPPs). The DSP likewise publishes a report that keeps track of government equity investments at cost price in public and private corporations and of annual revaluations of that portfolio.

11. Current accounting practices do not make it possible to establish the government's net worth (*patrimoine de l'État*). The trial balance of Treasury is not based on an accrual-based approach and cannot therefore be used to reconstruct all outstanding assets and liabilities. While it makes it possible to identify certain components of the balance sheet, this information is not published in a report. The same holds for the trial balances of subnational governments. An action plan is currently implemented to modernize government accounting by 2020.

12. The majority of parapublic sector entities produce complete annual financial statements,[4] but they are not consolidated in the fiscal reports. They are transmitted to the DSP. However, most parapublic sector accrual-based data (*données patrimoniales*) are not yet included in statistical reports covering all balance sheet accounts which allow measuring the financial net worth or the net worth of all those sub-sectors. Reports on the execution of extrabudgetary units are published and present some information on their debt[5] but not in a comprehensive manner. The establishment of a parapublic sector observatory will help the move toward more comprehensive reporting and boost dissemination of data to the public. A report on parapublic sector indebtedness has been produced but covers only the years 2013 and 2014.

13. A significant portion of Senegal's balance sheet[6] is not measured in the public reports (Figure 1.3). For the consolidated public sector, according to mission estimates, this portion amounts to 27 percent of GDP for financial assets and 51 percent of GDP for liabilities. For general government, this portion is 17 percent of GDP for financial assets and 39 percent of GDP for liabilities.

Figure 1.3. Balance Sheet and Coverage in Fiscal Reports, 2016
(As a percentage of GDP)



Sources: MEFP, ANSD, BCEAO, and IMF staff estimates.

14. The consolidated gross public sector debt in Senegal equals to 121.1 percent[7] of 2016 GDP (Figure 1.4). Central government accounts for most of this, with a gross debt

[4] According to the West African Accounting System (SYSCOA), for the extrabudgetary units and public corporations. Inter-African Conference on Social Security (CIPRES) data for CSS/SSF and IPRES.

[5] Debts to suppliers and tax and social security debts.

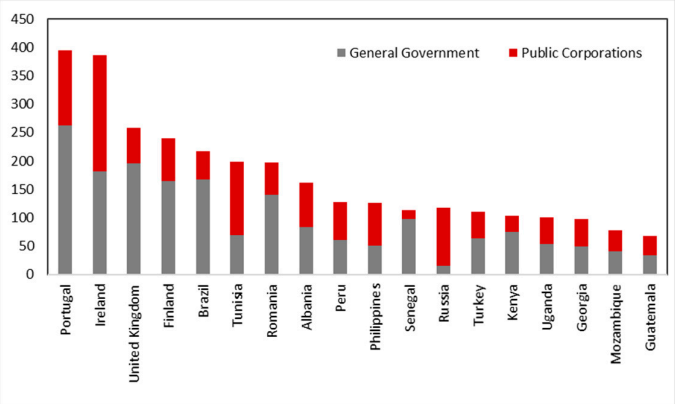
[6] Currently, balance sheet data on nonfinancial assets are not available for budgetary central government or for subnational governments.

[7] This is a mission estimate for the whole of the public sector and for all debt instruments, pursuant to GFSM 2001-2014 (cf. Table 0.2). The mission was unable to estimate obligations for public-private partnerships (PPPs) or those related to assessment letters. The data do not cover certain extrabudgetary central government units or

equivalent to 97.2 percent of GDP. Public corporations, not including the Central Bank, have liabilities[8] equivalent to 16.8 percent of GDP. Social security funds and subnational governments have very little gross debt.

15. Actuarial liabilities relating to retirement pensions for civilian and military personnel equals to 28.1 percent of GDP in 2016, according to a mission estimate. These liabilities correspond to cumulative pension entitlements[9] at the end of fiscal year 2016, accrued by current and retired civil servants and beneficiaries. As in other countries in the WAEMU area, this pension scheme is an unfunded and non-autonomous with predefined benefits. It is managed by the National Retirement Fund (FNR), which is part of the budgetary central government sub-sector. These liabilities are still, however, relatively insignificant compared to those of other countries.

Figure 1.4. Public Sector Gross Liabilities, 2016 (As a percentage of GDP)



Source: IMF estimates.

1.1.3.	Coverage of flows	Basic

16. Government accounting practice is essentially on cash-basis. The BGCT does not provide sound information for preparing the Government Fiscal Operations Table (TOFE), even though improvements and amendments under way may achieve this goal by 2020. GFS in Senegal are currently based on a hybrid accounting system half way between cash-basis and accrual accounting. Indeed, the TOFE relies on monitoring of budget execution, based on actual collections in the case of revenue and on a payment order basis in the case of expenditure. Thus, the consolidated general government TOFE shows all fiscal transactions and the financing operations derived from them. The financing operation flows are broken down by type of asset and liability, and by residence of the counterparty, pursuant to GFSM *2001/2014*. Using this system, it is possible to track amounts still payable and government arrears for the current period.

certain public corporations. The percentage does not take into consideration the changes to GDP resulting from using the 2014 base year.

[8] The gross debt of public corporations (excluding the Central Bank) was equivalent to 12.2 percent because the liability includes Government equity investment.

[9] These pension entitlements are financial claims of current and future retirees on their employer (the Government), for disbursement of retirement pensions acquired pursuant to a wage contract between employer and employee. The mission's (proxy) estimates are based on updates of the projections of (old-age, survivor and orphans) pension benefits contained in the *Rapport d'évaluation actuarielle du régime de retraite des fonctionnaires du Sénégal pour la période 2013-2050* (NDIAYE and DIABATE) of January 2016. The update rate chosen was 5 percent, in keeping with the IMF's last debt sustainability analysis for Senegal.

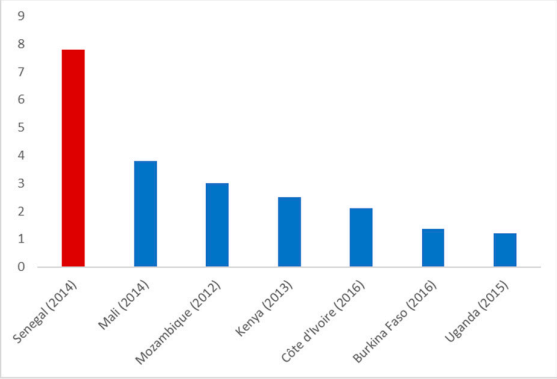
17. Coverage of economic flows is not exhaustive in fiscal and overall accounting, or in the GFS. Accrual based government accounting (*comptabilité de l'Etat en droits constatés et patrimoniale*) is not effective yet, preventing the recording of non-monetary flows (accrued interest not yet due, in-kind transactions, fixed capital consumption). Similarly, other economic flows (holding gains and losses and other changes in volume) are not recorded either, making it impossible to achieve complete integration of stocks and flows (for instance, regarding the data on foreign currency-denominated debt (Figure 1.7).

1.1.4.	Coverage of tax expenditure	Not met

18. Since fiscal year 2008, internal revenue departments have been producing a detailed report on shortfalls due to tax expenditures. That *Tax Expenditure Evaluation Report* is written by a technical committee coordinated by the General Directorate of Taxes and Property (DGID). It follows several good practices in respect of content, above all: (i) presentation of a comprehensive list of tax expenditures; (ii) quantitative estimates of shortfalls revenue for most of them[10]; (iii) aggregated presentation of those costs under several different classifications (sectoral, by type of tax, etc.); and (iv) studies of the socio-economic impact of tax expenditures in certain sectors (such as the mining or microfinance sectors). That report is the administration's sole communication channel for disclosing the aggregate fiscal cost of tax expenditures.

Figure 1.5. Regional Comparison of Revenue Forgone Due to Tax Expenditure

(As a percentage of GDP)



Source: evaluations by the authorities in each country.

19. The public access to data on the fiscal impact of tax expenditures and the understanding of what is at stake are limited because the report is not published on a regular basis. The evaluation of the fiscal cost of tax expenditures in 2014 was produced at the end of 2016 and is available online. The evaluation for fiscal year 2015 has been completed, but the report has not been published[11], which contravenes the annual publication obligation established in the 2009 WAEMU directive on the transparency code and in the 2012 law transposing the directive.[12] The fiscal cost of the quantified tax expenditures (7.8 percent in 2014, or CFAF 588 billion) is relatively high compared to other countries in the sub-region, such as Côte d'Ivoire, Mali or other African countries (Figure 1.5), which suggests both that the inventory of tax expenditures is

[10] Quantitative estimates are available for 68.1 percent of the tax expenditures listed for fiscal year 2014.

[11] The mission was unable to access the report for fiscal year 2015 or the figures it contains. According to the authorities, it was not published because the socio-economic study of the impact of tax expenditures on the agricultural sector, which was to accompany the report, had not been finalized. The technical committee is reportedly now preparing the evaluation report for 2016.

[12] Law 2012-22 of December 27, 2012 on the transparency code for public financial management, Article 4.10: "The nature and fiscal cost of tax exemptions and waivers [...] shall be the subject of a detailed presentation when the annual budget is adopted."

relatively comprehensive in Senegal and that the government's success in curbing them has been limited. Publication of the reports for 2015 and 2016 would enable the government to sensitize the public and Parliament to the need to continue efforts to rationalize tax expenditures, especially exemptions for economic and social purposes.

1.2. Frequency and Timeliness of Fiscal Reporting

1.2.1.	Frequency of in-year reports	Basic

20. Several monthly or quarterly fiscal reports are produced and published in Senegal. Regarding the monitoring of government budget execution, the DGB produces and publishes a quarterly report (within no more than 45 days of the end of the quarter). The Economic Forecasting and Studies Directorate (DPEE) publishes a provisional monthly survey (the timeliness of which varies) and a monthly note on economic conditions (within 30 days of the end of the month). The Parapublic Sector Directorate (DSP) likewise produces and publishes a quarterly budget execution report on government institutions, agencies and administrative bodies (whose timeliness also varies). About the domestic and external debt, the Public Debt Directorate (DDP) produces and publishes a quarterly statistics bulletin within no more than 90 days of the end of the quarter. The current monthly TOFE, covering budgetary central government, is produced within 45 days of the end of the month. Good practice requires that quarterly reports be published within one month.

21. In November 2017, Senegal officially subscribed to the IMF's Special Data Dissemination Standard (SDDS). It thereby became the fourth country in Sub-Saharan Africa and the first in the WAEMU area to join the SDDS. In order to observe the new GFS dissemination standard in effect, Senegal commits to publishing the monthly TOFE and the quarterly statement of central government debt, using an open data model, within one month and one quarter, respectively. The consolidated general government TOFE is to be published within no more than six months. Finally, metadata produced according to the standard will facilitate user interpretation of the GFS.

1.2.2.	Timeliness of publication of annual financial statements	Basic

22. Senegal presents annual statements to the supreme audit institution, the Court of Accounts consistently with the provisions of WAEMU Directive No. 07/2009 setting forth general rules governing public accounting. Pursuant to Article 80 of the Directive, the MEFP compiles the annual government accounts by no later than six months after the end of the fiscal year (by June 30). These accounts comprise the Fiscal Management General account (CGAF)[13] and the financial statements used to prepare the annual fiscal statement law (*loi de règlement*) accompanied by a Court of Accounts report on budget execution and a general statement certifying compliance.

[13] The CGAF comprises (i) the overall balance of the consolidated accounts; (ii) fiscal revenue movements; (iii) fiscal expenditure; iv) operations recorded in the Special Treasury accounts; and (v) income statements.

23. In 2017, the Court of Accounts received the draft final budget, the CGAF and the budget execution record of spending officers for the fiscal year (*Compte administratif de l'Ordonnateur de la gestion*) by the deadlines set in the Directive. However, as in previous years, the delay in producing key operating accounts is such that they cannot be considered when issuing the general statement of conformity (DGC). The Court of Accounts did not receive the outstanding public debt statement until December 5, 2017. It is also worth mentioning that there is scope for improving the quality of the CGAF, particularly regarding the use of provisional data (mainly due to delays in compiling the trial balance of Treasury beyond the additional time normally allowed for) and the presence of recurrent errors.

24. The Court of Accounts transmitted its report on execution of the 2016 budget to the National Assembly on December 28, 2017. Thus, the annual financial statements were published just before the 12-month deadline from the end of fiscal year 2016. A good practice would require publication within 9 months. Nevertheless, the mission notes that for fiscal years 2015 and 2014, it took 19 and 16 months, respectively, for the statements to be published.

1.3. Quality of Fiscal Reporting

1.3.1.	Classification	Basic

25. Senegal has adopted a legal framework that includes a budgetary and accounting nomenclature compliant to international classification standards (e.g., GFSM 2001, Classification of Functions of Government [COFOG]). This framework is established by the Organic Budget Law (LOLF) and two implementing instruments.[14] Fiscal revenues are shown according to economic classification while expenditures follow administrative and economic classifications. These classifications are used for budget preparation and execution and for accounting (draft Budget Review Law, CGAF).

26. Some classification shortcomings make it difficult to reconcile the authorizing officers' and the accounting officers' accounts (*comptes des ordonnateurs et des comptables*)**.** Numerous inconsistencies identified during execution (e.g., the presence of wage or current components in the capital chapters) complicate efforts to monitor and analyze the accounts and require manual reprocessing work at the end of the fiscal year. In addition, since execution of the payroll is performed according to the employee registration number rather than according to his or her administrative attachment, execution of wage bill appropriations is manually reconstructed *ex post* for accounting purposes. Work on remedying these anomalies is currently being carried out in the DGB and the DGCPT. Eventually, the SIGIF integrated reporting system should make it possible to automate the budgetary-accounting process.

27. More work is needed on both functional and programmatic classifications. Some work on implementing the functional classification system has been carried out and it is now available in the information system. However, it is not used for budget preparation and monitoring or for drafting fiscal reports. For its part, the programmatic classification system is

[14] Decree 2012-673 on government budget classification (NBE) and Decree 2012-92 on the government chart of accounts (PCE).

being implemented and is not yet fully in place. It is therefore not yet used for budget preparation, approval or execution and at this stage functions mostly for information purposes. The ministerial order approving the final list of programs is still pending.

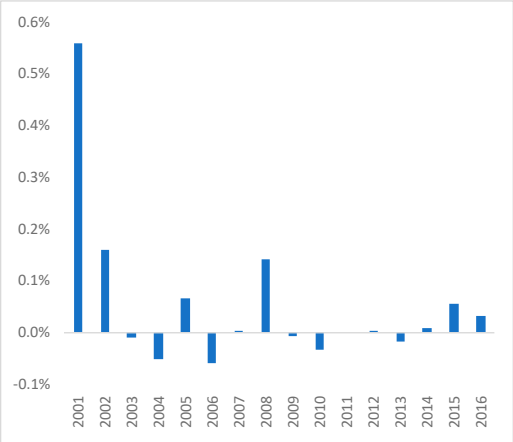
1.3.2.	Internal consistency	Basic

28. The internal consistency indicator requires three kinds of reconciliation of data from different sources. These reconciliations seek to (i) ensure consistency between calculation of the fiscal balance and calculation of its financing; (ii) spell out the sources of the discrepancy between the stock of debt holdings and debt issuance/redemption; and (iii) approximate financing and the change in debt stock. In Senegal, only the second reconciliation is performed, and it could be improved.

29. Reconciliation between the fiscal balance and financing is performed in the Government Fiscal Operations Table (TOFE) published by the Economic Studies and Statistics Division (DEES) of the DGCPT. The DEES provides a consistent presentation of the budgetary central government deficit, on the one hand, and, on the other, total sources for financing the deficit. The gap between the two calculation methods, shown in the *Errors and Omissions* line, has been less than 0.1 percent of GDP, on average, for the past 15 years (Figure 1.6). However, it is not, strictly speaking, a reconciliation between the data and those of creditors.

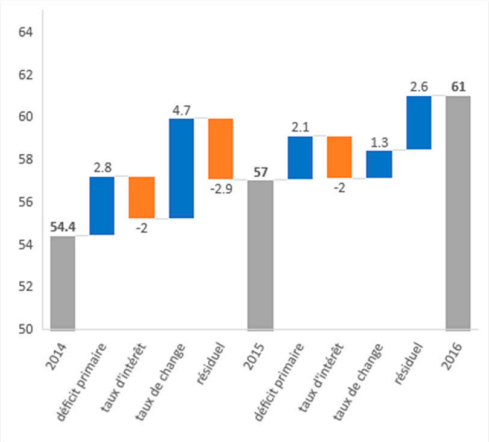
30. The authorities do present a debt stock/debt flow adjustment, but it remains largely unaccounted for. A framework for calculating the stock/flow adjustment, namely, the gap between the change in the stock of debt and the deficit, is provided in an annex to the Debt Sustainability Analysis Report for recent years. That framework breaks down the outstanding debt to GDP ratio fluctuation according to identified debt-creating flows – primary deficit, the in-built dynamic of the debt (in response to the interest rate and the exchange rate) – and a residual value. That residual amount, which is significant in the case of Senegal (Figure 1.7), may be linked to changes in the scope of the debt, changes in its rating, or debt relief.

Figure 1.6. Gap Between Calculations of the Deficit and its Financing (As a percentage of GDP)



Source: DEES.

Figure 1.7. Explanation of Changes in Outstanding Debt Between 2014 and 2016 (As a percentage of GDP)



Source: DDP. "Interest rate": effect of the gap between the real interest rate and real growth of GDP. "Exchange rate": effect of the depreciation of the real exchange rate.

31. The government does not publish any reconciliation between debt issued and debt held by creditors. The West African Monetary Union (WAMU) Securities Agency (*UMOA titres*), which supports the issuance of domestic debt securities in WAEMU countries publishes a geographical breakdown of government securities holders in Senegal in its quarterly bulletin. In addition, WAEMU requires that the WAMU Securities Agency produce a monthly report on the breakdown of holdings of Senegalese Treasury bills and bonds in the second market, based on the data transmitted each month by authorized subscribers (particularly, primary dealers in Treasury securities).[15] WAEMU rules state that it is up the BCEAO National Office in Senegal to disseminate this report extensively. However, the report is currently not available, due to the failure to transmit the data and to the fact that the administration does not know to what third parties those securities may have been transferred.

1.3.3.	Historical revisions	Basic

32. Major revisions are gradually being made to macroeconomic statistics. They entail implementation of the GFSM 2001/2014, of SNA 2008, and of the change of the base year.[16] These revisions enable the authorities, investors, technical and financial partners, and the public to better assess progresses made and improvements of public policies effectiveness. One good transparency practice is to disclose and explain any revisions of fiscal statistics.

[15] Article 17 of Rule 06/2013/CM/UEMOA on Treasury bills and bonds issued through auctions or syndication via the WAMU Securities Agency.

[16] 2014 has been chosen as the new base year for compiling the national accounts, replacing 1999 (SNA 1993).

33. Following the national accounts reevaluation, 2014 GDP was increased by almost 30%. That increase is largely due to the upturn in value added of the tertiary sector.[17] A summary of the revisions undertaken during the reevaluation of the national accounts was disseminated by the ANSD. It describes and explains the main methodological changes and their impacts on the time series.

34. There has been no publication explaining the impact of the main methodological changes made in the revised TOFE in June 2015, following the migration to GFSM 2001. Senegal is the first WAEMU country to have shifted to a GFSM 2001-based presentation of the TOFE, pursuant to the related WAEMU directive. To this day, the gradual adoption of the GFSM 2001 prescriptions has not been accompanied by any publication describing and explaining the methodological changes, in particular regarding the new classification, the reclassification of operations and the expanded data coverage.

1.4. Integrity of Fiscal Reporting

1.4.1.	**Statistical integrity**	**Good**

35. Responsibilities for compiling and publishing statistical data are clearly established. Government fiscal statistics are compiled by the DEES, and real sector statistics by the ANSD. The National Directorate of the BCEAO produces the balance of payments and financial and monetary statistics. All those data are, for the most part, compiled and disseminated in accordance with recognized international standards. However, for financial and monetary statistics, the MFSM 2000 is still the applicable standard for the National Directorate of the BCEAO.[18] And regarding the TOFE, the shift to GFSM 2001/2014 is so far limited to classification and presentation of data.

36. Senegal does not publish GFS based on functional classification of general government. Since the functional fiscal classification is still being implemented, expenditures by functions are not yet reported in the GFS yearbook published by the Statistics Department at the IMF.

37. Senegal shares the schedule of data publication for the on-going month and at least for the up-coming three months. This schedule encompasses all macroeconomic statistics. In addition, fiscal statistics (government operations and public debt) are published with the periodicity and timeliness required by the SDDS.

38. Strengthening the institutions in charge of statistical integrity is an ongoing task. A National Statistics Council (CNS) and a Technical Committee for Statistical Programs (CTPS) are in charge of coordinating the compilation and dissemination of the statistical data produced by the departments and agencies of the national statistics system under the Prime Minister's authority. They also perform an advisory function within the national statistics system. The CNS can implement recommendations. In addition, the DGCTP has created a TOFE sub-committee

[17] The 30% increase breaks down as follows: tertiary sector (+18%), secondary sector (+7%), primary sector (+4%), and net taxes on products (+1%).

[18] Here, the revised standard is GFSM 2016.

responsible for implementing GFS according to GFSM 2001/2014. This committee gathers the main producers and users of GFS data and could provide a basis for an expanded GFS committee in the future. These initiatives reinforce the adoption of international standards and the harmonization and consistency of the data derived from the various macroeconomic statistics systems

1.4.2.	External Audit	Basic

39. Senegal's Court of Accounts meets the main criteria for independence required by international standards. Its area of expertise is defined by the Constitution and Organic Law No, 2012-23 of December 27, 2012, on the Court of Accounts (Articles 29 to 32). Its competence encompasses jurisdictional supervision over the accounts compiled by government accounting officers (Article 29), supervision of budget execution (Article 30), oversight of the parapublic sector (Article 31), and punishment of administrative misconduct (Article 32).

40. In accordance with its oversight functions, the Court of Accounts produces and publishes several reports (Table 1.2). Each year, the MEFP submits a series of documents to the Court of Accounts for review. These documents are: the draft Budget Review Law, the CGAF, the authorizing officer's budget execution record (*compte administratif*), the BGCT, and the balances compiled by the principal accounting officers. After the Court of Accounts has reviewed them, it produces the Report on Execution of the Budget Law (RELF) accompanied by a general statement of conformity (DGC). The various reports and documents produced by the Court of Accounts are published online but they need to be up-dated.

41. The Court of Accounts analyzes budget execution and verifies the various documents for consistency. Through the RELF and the DGC, the Court of Accounts compares execution of the budget law against the initial authorization and verifies consistency between the different documents and financial statements (for instance, consistency between the final and initial balances). The Court of Accounts may express reservations with respect to the discrepancies detected. Thus, regarding execution of the 2016 budget, the Court of Accounts highlighted inconsistencies between the budget execution record (*compte administratif*) and the Fiscal Management General Account (CGAF), due to matching issues between the budget classification (NBE) and the Government Chart of Accounts (PCE).

42. The Court of Accounts does not certify the national accounts. This does not fall within its current competences. Moreover, the government has not yet begun publishing financial statements. Certification by the Court of Accounts is envisaged but is currently a long-term objective, given that strengthening current supervision is deemed a priority.

Table 1.2. Contents of Court of Accounts Outputs

Documents	Content	Publication
Annual public report	• Compilation of three types of report: report on execution of the budget law (RELF), general statement of conformity (DGC) for the year concerned and special reports on the current year	**Yes** (latest online 2013)
Report on execution of the budget law (RELF)	• Results of execution of the budget law for the year: revenue, expenditure, and Special Treasury accounts (CST) • Cash flow operations • Budget execution balance (regular expenditure, investment expenditure, CST)	**Yes** (latest online 2013)
General statement of conformity (DGC)	• Comments on the management accounts • Reconciliation between the exit trial balance (*balance générale de sortie*) of the consolidated accounts at the end of the fiscal year and the initial trial balance of the CGAF. • Reconciliation between the individual accounts of the government's senior accounting officers and the trial balance of the CGAF; • Reconciliation between the trial balance of the CGAF and the authorizing officer's budget execution record	**Yes** (latest online 2013)
Specific reports	• Specific audit reports on government departments, state-owned enterprises or government agencies, (e.g., press aid, *Caisse des depots et consignations*)	**Yes** (latest online 2013– included in the annual public report)

Source: Court of Accounts.

1.4.3.	Comparability of fiscal data	Good

43. Fiscal forecasting, budgets, and the various related fiscal reports are presented in a way which ensures comparability. The presentation of revenue and expenditure shows some uniformity according to economic and administrative classifications in the fiscal forecasting, the draft budget laws (PLF), the budget law execution report (RELF) and the fiscal management general account (CGAF). The fiscal reports on monitoring of execution contain an adequately disaggregated reconciliation between fiscal forecasts and outturns. (Table 1.3).

44. There is no formal process for reconciling the GFS with fiscal accounting. In the absence of this formal process no reconciling table can be elaborated. The new economic budget classification of the WAEMU, currently being implemented, harmonized with the economic classification used for the GFSM 2001 will enhance the consistency of the fiscal data resulting from fiscal accounting with the GFS.

Table 1.3. Budget Outturn, 2016

(CFCA billions)

	Budget Law 2016	Cumulative end-June	Cumulative end-December	Execution rate
INCOME				
1. Overall budget	**2925**	**1662**	**3424**	**117.1%**
A. Domestic resources	**2491**	**1429**	**2956**	**118.7%**
Tax revenue	1721	915	1786	103.8%
Nontax revenue	113	123	84	74.5%
Exceptional revenue	64	0	255	400.4%
Reimbursements of onlending	3	3	2	83.0%
Budget grants (*dons bugétaires*)	58	78	71	122.2%
Loans	532	310	758	142.5%
B. External revenue	**434**	**232**	**467**	**107.7%**
2. Special Treasury Accounts revenue	**98**	**33**	**90**	**91.8%**
EXPENDITURE				
1. Overall budget	**2925**	**1425**	**3331**	**113.9%**
A. Expenditure using domestic resources	**2491**	**1193**	**2863**	**115.0%**
Public debt	596	310	784	131.6%
Payroll	538	278	564	104.7%
Other current expenditure	746	351	822	110.3%
Capital expenditure (*dépenses en capital*)	611	253	694	113.5%
B. Externally funded expenditure	**434**	**232**	**467**	**107.7%**
2. Special Treasury Accounts expenditure	**98**	**45**	**105**	**107.0%**

Source: LFI 2016, RTEB T2 2016, RELF 2016. C.S.T. = Special Treasury accounts.

Conclusions and recommendations

45. Fiscal reporting practices in Senegal can be improved in light of the IMF's Fiscal Transparency Code. Generally speaking, the information is available, but it is often produced and used by various departments solely for internal purposes. There are still gaps with respect to the measurement and consolidation of government balance sheet data. A number of indicators could be improved in the short term, especially by consolidating and publishing already available data. Senegal has recently made notable progress. Two indications of that are the expanded coverage of the GFS and Senegal's subscription to the Special Data Dissemination Standard (SDDS).

46. The fiscal and accounting reforms undertaken in the past few years can be expected to enhance fiscal transparency in the medium term. Major reforms are underway in Senegal thanks to implementation of the new WAEMU harmonized public finance framework. Adoption of the new fiscal classifications, the new government chart of accounts and the implementation by 2020 of accrual basis and balance sheet government accounting (*comptabilité en droits constatés et patrimoniale*) will translate into enhanced data comparability: a primary objective for WAEMU area countries.

- **Recommendation 1.1: Provide more thorough insight into public finance**
    - Publish the assessment report of the fiscal cost of tax expenditure for a recent (2015 or later) fiscal year
    - Compile the final list of government entities and list units by sector
    - Compile a consolidated general government balance sheet
    - Compile a Government Fiscal Operations Table (TOFE) and a consolidated public sector balance sheet
    - Boost (human, financial and I.T.) resources for the departments responsible for economic studies and statistics, including the DEES and the DSP

- **Recommendation 1.2: Apply the classifications specified in the Organic Budget Law (LOLF)**
    - Interface balance software with the Integrated Public Finance Management System (SIGFIP) to allow regular monitoring of the execution of payroll expenditure (at the very least, according to the administrative classification)
    - Produce a budget execution statement using functional classification when preparing the draft Budget Review Law (PLR) for 2017 (and beyond)
    - Continue screening and harmonizing economic classifications to facilitate the rendering of accounts and reconciliations between the accounts prepared by the authorizing officer and those prepared by the accounting officers
    - Validate the list of fiscal programs and produce financial statements using program-based budget nomenclature with data for a few tentative fiscal years
    - Produce a metadata (sources, concepts and methods) document on the migration to GFSM 2001/2014

- **Recommendation 1.3: Implement accrual basis and balance sheet accounting (*comptabilité en droits constatés et patrimoniale*) as well as market-based valuation**

Table 1.4. Heatmap – Pillar I (Fiscal Reporting)

Principle			Level of practice	Importance	Rec.
1.1. Coverage	1.1.1	Coverage of institutions	**Good:** Senegal is the first WAEMU country to produce an annual consolidated general government fiscal operations table (TOFE) as per Directives	**High**: Not all public sector entities are included: missing items, in particular, are the fiscal assets and liabilities of public corporations (equiv. to 26.3% and 33.3 % of GDP)	1.1
	1.1.2	Coverage of stocks	**Not met:** Fiscal assets and liabilities data are published, but they are highly fragmented and cover only part of outstanding balance sheet amounts	**High:** Unpublished public sector fiscal assets and liabilities account for 27 percent and 51 percent of GDP, respectively	1.1, 1.3
	1.1.3	Coverage of flows	**Basic:** Coverage of economic flows is not comprehensive in either fiscal or overall accounts, or in the TOFE.	**Medium:** Failure to record flows increases the risk of under-estimating revenue, expenditure and balance sheet flows.	1.1, 1.3
	1.1.4	Coverage of fiscal expenditure	**Noe met:** A report evaluating the fiscal cost of tax expenditures is prepared but is not published on a regular basis.	**Medium:** Fiscal expenditures cost the equivalent of 7 percent of GDP and are an important lever of government economic policy.	1.1
1.2. Frequency/timeliness	1.2.1	Frequency of in-year reports	**Basic:** Senegal produces infra-annual report on budget execution, the public debt and government finance statistics (TOFE).	**Low:** Timelines of the publication of the quarterly debt bulletin and the monthly TOFE follow the Special Data Dissemination Standards.	
	1.2.2	Timing of publication of annual financial statements	**Basic:** The Court of Accounts transmitted its report on execution of the 2016 Budget Law (RELF) to the National Assembly on December 28, 2017.	**Medium:** Financial statements preparation timelines need to be improved to ensure virtuous linking between the fiscal statements of (year n-1) and the annual budget (year n).	
1.3. Quality	1.3.1	Classification	**Basic:** Only economic and administrative classifications are used to prepare fiscal statements. Classification by function exists but is not used.	**Medium:** Functional classification is a key tool for assessing the cost of public policies and for international comparisons.	1.2
	1.3.2	Internal consistency	**Basic:** A draft public debt stock/flow adjustment is shown in the DSA. However, there is no real reconciliation between the deficit and financing or between debt issued and debt holdings.	**Medium:** The unexplained portion of the public debt stock/flow adjustment exceeds two percentage points of GDP.	
	1.3.3	Historical revisions	**Basic:** The ANSD has published a summary of the outcomes of the draft revision of the national accounts. There has been no such publication on the TOFE migration to GFSM 2001/2014.	**Medium:** Alignment with the new standards has a significant impact on time series (GDP figure increases 30% following the change of base year).	1.2
1.4. Integrity	1.4.1	Statistical integrity	**Good:** Macroeconomic statistics are being compiled by ANSD, the BCEAO and the DGTCP in accordance with international standards.	**Low:** Statistical practices are transitioning to the revised and harmonized standards (*SNA2008, GFSM 2014, BPM6, MFSM 2016*).	
	1.4.2	External audit	**Basic:** Independence of the Court of Accounts is guaranteed by the Constitution. The Office assesses budget execution and the consistency of financial statements but does not certify the accounts.	**Low:** Certification of the government accounts is a long-term goal, since priority is being given to improving the timeliness and assessing the consistency *(jugement*) of the fiscal statements and accounts.	
	1.4.3	Comparability of fiscal data	**Good:** Fiscal projections, budgets and the various related fiscal reports are presented in Senegal in a way that allows comparisons.	**Low:** Current implementation of fiscal and accounting classifications will enhance consistency and comparability between fiscal data and GFS in the future.	

II. FISCAL FORECASTING AND BUDGETING

Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances.

47. This section assesses the quality of Senegalese practices with respect to fiscal forecasting and budgeting vis-à-vis the standards set in Pillar II of the Fiscal Transparency Code. The analysis and discussion address four main areas:

i. The scope (comprehensiveness) of the budget law and budget documentation;
ii. The clarity of the budget process;
iii. Fiscal policy stance; and
iv. The credibility of fiscal forecasts.

48. Budgets and the macroeconomic forecasts underpinning them need to clearly state fiscal goals and policies pursued by the administration and to present comprehensive, up-to-date and credible projections of developments in public finance. To that purpose:

- Macroeconomic forecasts and budgets must provide a thorough view of the outlook for public finance;
- The prerogatives and responsibilities of the executive and legislative branches of government regarding budgeting need to be established by law and the budget must be presented, debated and approved within appropriate time frames;
- Fiscal forecasts and the budget must be presented in such a way as to facilitate analysis of policies and accounting; and
- Both economic and fiscal forecasts and budgets must be credible.

49. The content of the budget law, responsibilities, deadlines, and the rules governing presentation of the budget are established in the Constitution and in the LOLF. Apart from the Constitution, the legal framework governing the preparation, approval, execution, monitoring, and supervision of budget laws reflects the transposition of the WAEMU regional directives of 2009. That framework requires publication of several documents (Table 2.1). Its implementation is under way and should be completed by 2020, three years after the initial deadline (January 1, 2017). Thus, Senegal is currently at an intermediate stage with some of the provisions of the new legal framework coexisting with old rules and practices.

Table 2.1. Fiscal Forecasting and Budget Documents

Type of document	Title of document	Content	Date / frequency of publication
Strategic development plan	**Plan Senegal Émergent (PSE)**	The PSE is the government's four-year benchmark economic and social policy document aiming at Senegal's emergence by 2035. The 2014-2018 PSE contains a priorities action plan for that period based on macroeconomic projections.	2014 / every four years
Multiyear programming document	**Multiyear Budgetary and Economic Programming Document (DPBEP)**	The DPBEP is prepared ahead of the budget orientation debate in Parliament. It is based on the outlook for the next three years and provides a macrofiscal framework for that time frame in line with WAEMU convergence criteria.	June / annual
Multiyear public investment plan	**Three-year Public Investment Plan (PTIP)**	The PTIP shows the total cost of each budgeted investment project as well as a disbursement timeline for the next three years. The detailed list is accompanied by a report on comments containing a sectoral presentation of scheduled investments	October / annual
Draft government budget	**Proposed budget (PLF)**	The PLF comprises the draft budget presented by the Government to the National Assembly. It comes with explanatory annexes, including the explanatory statement and the Economic and Financial Report, (REF, see below).	October / annual
	Budget Summary Report	This document summarizes the main points of the government's proposed budget for the press and the general public.	October / annual
	Economic and Financial Report (REF)	The REF is a macroeconomic analysis document covering one year that describes the government's principal stances approaches to sectoral policies and reforms.	Annual
Documents for the general public	***Budget pour le citoyen* (Budget for Citizens)**	These summaries inform citizens in user-friendly language about fiscal issues of particular concern to them.	Annual
	Social Budget		
	Budget Law at a Glance		
	The Public Investment Plan at a Glance		
Approved budget	**Initial Budget Law (LFI)**	The LFI is the text of the law enacted by Parliament at the end of the year and published in the Official Gazette.	December/ annual
Draft revised budget law and text adopted	**Draft Revised Budget Law (LFR)**	The LFR arises in the course of the year to amend budget appropriations of the initial budget law. The draft LFR comes with an explanatory statement presenting the grounds for its being submitted to Parliament.	Ad hoc
Gender-based budgeting	**Gender-based Budget Document**	This document analyzes gender issues based on the budget with a view to mainstreaming a gender perspective throughout the budget cycle.	Annual
Macroeconomic forecasts	**Economic and Financial Conditions and Outlook**	For the prior and current year, or else for the current year and the year to come, this document presents detailed macroeconomic estimates or forecasts by the DPEE as well as the assumptions underlying them. It also refers to execution of the previous year's budget.	Half-yearly
	Notes on Current Economic Conditions	These notes highlight recent economic events of importance and summarize outcomes of recent quarters.	Quarterly
	Current Issues	These notes report on recent macroeconomic developments and outcomes of recent months.	Monthly
Regional convergence documents	**Multiyear Program for the WAEMU Convergence, Stability, Growth and Solidarity Pact**	This is a macroeconomic analysis document describing recent economic and financial conditions in Senegal and the medium-term outlook with respect to the convergence goals monitored under the WAEMU multilateral surveillance arrangements.	Annual
	Senegal's Multiyear Convergence Program	Cf. the above, in connection with the ECOWAS multilateral surveillance framework.	Annual

Source: IMF staff.

2.1. Comprehensiveness

2.1.1.	Budget unity	Not met

50. Budget documentation has expanded thanks to gradual implementation of the 2011 Organic Law. Budget documentation includes the draft budget laws and their explanatory annexes. It also comprises programming and performance documents, such as the Multiyear Budgetary and Economic Programming Document (DPBEP), the Multiyear Expenditure Programming Document (DPPD) and the Annual Performance Projects (PAP), which were introduced by the Organic Budget Law (LOLF) and constitute mandatory annexes to the draft budget laws. Implementation of the Organic Law is currently under way and budget documents still need to be completed or improved: not all the new documents have been produced and some are still being drafted (matrix tables, for instance). Nevertheless, the MEFP has gone to considerable lengths to improve the contents and presentation of budget documents.

51. With respect to the central budget, budget documentation appears to be relatively comprehensive. The budget laws and their annexes contain all tax and nontax revenue (including parafiscal taxes), grants, and exceptional revenue. Data regarding external financing are likewise available with more extensive description of certain contributions to the government budget (e.g., cooperation aid from Luxembourg). As for expenditure, outlays are now shown by type and by section (e.g., ministries/institutions). Likewise, the budget specifies the amounts of transfers of current and capital appropriations to various government entities such as government institutions or extra-budgetary funds. The revenue and expenditure recorded in the various Special Treasury accounts (CST) are also available, along with information on the debt and the fiscal deficit.

52. Although incomplete in some respects, budgetary and fiscal data for other public entities are also available (Table 2.2). The DPBEP contains information regarding subnational governments' revenue (their own and transfers), aggregated according to source (overall transfers, transfers via investments, and earmarked taxes). One section is likewise devoted to government-owned enterprises, particularly in respect of government shares in certain corporations (e.g., SOMCOS) and government outlays for struggling corporate entities (e.g. the Postal Service, LONASE). Data are also available for the two social security funds, namely IPRES and CSS. Finally, the DPPD associated with the PAP contain medium-term projections of the expenditures of ministries and institutions, along with the goals and performance indicators for the ministries' various programs. The DPPD and PAP documents are still being worked on. They were, nevertheless, transmitted to Parliament for informational purposes in connection with the proposed 2018 budget.

Table 2.2. Breakdown of the Contents of Fiscal Documentation for 2018

Draft annual budget law (PLF)	Multiyear Budgetary and Economic Programming Document (DPBEP)
• Explanations regarding revenue and expenditure, income and expenses and the underlying choices (explanatory statement) • Fiscal revenue and parafiscal taxes (Annexes 1 & 6) • Expenditure by type and by section (Annexes 2 & 3) • Revenue and expenditure of the Special Treasury accounts (CST) (Annex 4) • Deficit for the fiscal year (Annex 5) • Debt service (Annex 9) • Grants and external financing (preamble & Annexes 2 and 8) • Transfers (operating and investment) to government agencies (Annex 10)	• Macroeconomic context • Fiscal forecasts • Government transfers to subnational governments (decentralization allowance and equipment funds - FDD and FECL) • Tax rebates to local governments • Investment transfers (BCI) • Revenue and expenditure of IPRES (retirement fund) • Statement of the government portfolio (equity shares) • Information on corporate sector outlays and associated risks

Source: IMF Staff.

53. While the central government budget is relatively comprehensive, the lack of information regarding "*lettres de confort*" weakens budget unity by failing to convey a comprehensive picture of the public debt. Letters of comfort make it possible to pay a third party even if that expenditure is not included in the budget for that year or if the expenditure exceeds the annual ceiling (Box 2.1). Letters of comfort thus seek to offset a shortfall in budget programming and to take account of unforeseen expenditures that cannot be handled by using reserve funds. Upon disbursement, the government asks the bank to pay its supplier directly, so that the money does not go through the Treasury; the government repays the bank directly out of appropriations for the project once the funding appropriated in subsequent budgets. In this case, letters of comfort are ultimately borrowings to finance expenditures that are, however, not recorded as such in the PLF. Letters of comfort may likewise be used to grant a government guarantee to an economic operator so that it can obtain financing from a financial institution.

54. Existing budgetary mechanisms would be appropriate for keeping track of these transactions that have a significant fiscal impact. Whether they make it possible to ensure the financing of an outlay or project, or to grant a guarantee, budgetary tools make it possible to track the implications of letters of comfort for the budget.

- In the first situation, the letter of comfort's amounts should be presented in the section for borrowing (e.g., other bank financing) (Table 2.3). Likewise, the government commitment to the whole project (not just the annual reimbursement part that must be shown in the budget law) must be recorded in the budget documents. The commitment authorizations and payment appropriations (CA-PA) mechanism provided for in the LOLF (Articles 17 and seq.) will constitute an effective tool for tracking and controlling those commitments, which in the medium term have an impact on the budget balance.

- Letters of comfort granting guarantees should be sufficiently well provisioned in the corresponding Special Treasury account (Guarantees and endorsements) pursuant to Article 42 of the LOLF (see Principle 3.2.3). The amount provisioned in the 2018 Budget Law is a lump sum well below the provision needed to cover all existing guarantees, including the letters of comfort.

Box 2.1. The Use of Letters of Comfort (*lettres de confort*)

"Letter of comfort" is a generic term covering several different situations:

- Budgetary (or fiscal) coverage letter: This is a letter from the Minister of Finance to the Director of the Central Procurement Directorate in connection with the procedure for examining a multi-year contract subject to *ex ante* control (*procédure d'instruction d'un marché pluriannuel soumis au contrôle a priori*). The fiscal coverage letter is in fact a commitment by the Minister to allot the appropriations needed to finance a project;
- Bank domiciliation letter: This is a letter from the Minister of Finance to the Managing Director of a bank, in which he firmly and irrevocably commits to depositing in an account opened at that bank the payments derived from a project included in the budget. The bank to which the letter is addressed is generally the one providing the financing that enables the Minister to perform the contract that has been entrusted to him;
- Letter of comfort in the strict sense of the term: This is a letter from the Minister of Finance to the Managing Director of a bank, in which he requests financing for a given operation, to be repaid out of future appropriations (normally, in connection with a subsequent budget law);
- Guarantee letters: The government guarantees a transactor to enable him/her/it to obtain financing from a lending institution.

Source: IMF staff.

Table 2.3. Gap Between Letter of Comfort Amounts and Charges Against the Budget

(CFAF billions)	2016	2017	2018	2019	2020
Annual amounts of financing through letters of comfort	37.7	95.8	104.3	66.0	17.1
Total	**37.7**	**95.8**	**104.3**	**66.0**	**17.1**
For the record - Public debt servicing in connection with bank loans (source PLF)	*31.4*	*37.2*	*29.1*	-	-
% of GDP (estimates)	*0.4%*	*1.0%*	*1.1%*	*0.6%*	*0.2%*

Source: authorities, PLF/LFI, ANSD, IMF.

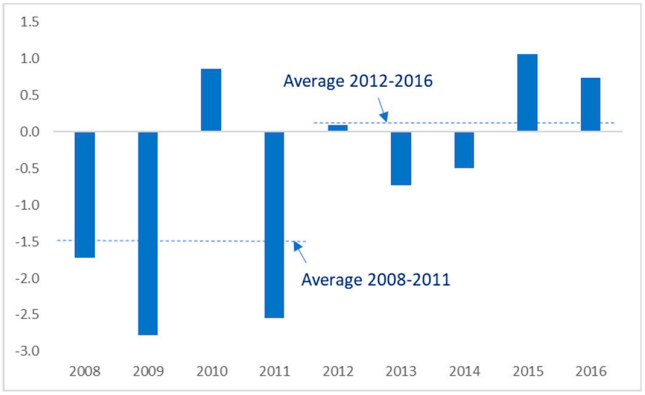
55. Moreover, additional data are needed for a comprehensive vision of the public sector. For areas outside central government, fiscal reporting is heterogeneous and patchy. Thus, in the DPBEP, the data for revenue and expenditure of the Social Security Fund (CSS) are not provided and those for the IPRES should be more disaggregated. Regarding public corporations, the only data available are those referring to (operating or investment) transfers from the government budget. The various entities' own funds are not consolidated or shown in the DPBEP.

2.1.2.	Macroeconomic forecasts	Advanced

56. The Office of the Director of Economic Forecasting and Studies (DPEE) reports in detail on the economic forecasts for the current and subsequent years. It publishes a report on the *Economic and Financial Situation* twice a year. For the current and following year, or else for the previous and current year, estimates or projections of real GDP, with its resources and expenditures component, as well as forecasts for inflation, the Government Fiscal Operations Table (TOFE) and the balance of payments. The assumptions underlying the projections are explained and accompanied by information regarding the government's upcoming policies and reforms and private sector efforts that are likely to underpin economic growth. To ensure consistency in the overall macroeconomic framework, the DPEE, as part of the Macroeconomic Framework Committee, works with the BCEAO, the General Directorate of Government Accounting and the Treasury (DGCPT) and the General Directorate of the Budget (DGB).[19] In addition to that report, the DPEE also posts Monthly Notes on Current Economic Conditions *(Notes mensuelles de conjuncture)* highlighting salient aspects of recent macroeconomic developments and achievements of recent months. Finally, the DPEE posts an Excel spreadsheet on its website detailing its macroeconomic forecasts for the next five years.

57. Budget documentation includes macroeconomic forecasts based on the DPEE publications. The content of the *Economic and Financial Report* (REF), attached to the proposed budget (PLF), therefore reflects much of the material found in the Economic and Financial Situation report of the DPEE. In addition, the *Multiyear Budgetary and Economic Programming Document* (DPBEP) has a section on the macroeconomic outlook for the next three years based on the multiyear forecasts of the DPEE.

Figure 2.1. Real GDP Growth: Gaps Between Forecasts Used for the Budget Proposal and Outturn



Source: DPEE and the IMF's Global Economic Outlook, October 2017.
Note: A negative bar represents an under-estimation in the forecast vis-à-vis outturn.

58. Some aspects of the presentation of macroeconomic forecasts in the budget documents could be improved. The real GDP growth forecasts underlying the proposed budgets of recent years do not seem to have any significant bias. (Figure 2.1). However, the credibility of the forecasts could be boosted by an explanation of the reasons for discrepancies between forecasts and outturn, or even by figures on the macrofiscal impact of the government's principal economic policy measures. At the same time, the DPBEP could provide more details regarding the multiyear macroeconomic scenario it uses: indeed, the

[19] This Committee meets prior to visits by IMF missions to monitor the Policy Support Instrument (PSI), with a view to preparing the discussions with the mission to the country on the projections that will ultimately be used.

details currently provided regarding that scenario are brief and essentially qualitative,[20] even though that scenario is one of the keys to understanding the medium-term fiscal framework and possible contingencies that could affect it.

2.1.3.	Medium-term budget framework	Good

59. Although recent, the practice of elaborating a medium-term budget framework is well established in Senegal. Thanks partly to the LOLF, in recent years it has gradually become standard practice to make detailed projections of fiscal revenue and expenditure in connection with the drafting of explanatory and standardized documents annexed to the proposed budget. The DPBEP, one of the documents that are central to a medium-term budget framework, has been produced since 2013. Until very recently, fiscal forecasts were produced for the overall macroeconomic framework in the same format as the TOFE. The medium-term budget framework was developed and has become increasingly important for annual preparation of the budget and for making strategic choices with respect to broad budgetary and fiscal balance. Nowadays, in addition to the DPBEP, Senegal elaborates a medium-term budget framework (MTBF) for internal purposes in the context of the elaboration of the annual budget based on economic classification, and is beginning to produce multiyear expenditure programming documents (DPPD) on a regular basis in accordance with LOLF provisions (cf. Table 2.4). With respect to the latter, the documents at this stage still clearly need to be perfected.

Table 2.4. Content of the DPBEP, CBMT, and DPPD Medium-Term Budget Framework

Documents	Fiscal programming information	Validation	Publication / dissemination
DPBEP	• Execution of revenue and expenditure n-1 and n-2 • Revenue and expenditure forecasts for n+1, n+2 and n+3	**Council of Ministers**	**Yes** (transmission to Parliament for the *DOB*, posted on line, annexed to the PLF)
Medium-term Budget Framework (CBMT)	• Outturn n-1 • Projected outturn for year n • Fiscal expenditure projection (economic and administrative classifications)	**Ministry of Economy, Finance and Planning (MEFP)**	**No** (MEFP internal use)
DPPD	• Projection of ministry expenditure (economic and program classifications)	**MEFP / Line ministries**	**Yes** (transmission to Parliament in connection with the PLF, posted on line in various forms)

Source: IMF staff.

60. To move toward a more advanced practice, a less aggregated (ministry or program-based) approach would be needed. About the DPBEP, the programming overview is restricted to a Table in TOFE format, which provides only a very broad idea of the path the budget will take. No overall data can convey, for instance, how the budget will perform from a ministerial or sectoral

[20] For example, with respect to figures, the section in the DPBEP 2018-2020 on macroeconomic forecasts for the next three years provides only an average for real GDP growth in that period (7.2%), without specifying whether or not an uptick is expected for the period. Moreover, the section has no tables or charts by way of illustration.

perspective. In addition, construction of the CBMT is still too focused on aggregate projection of expenditure by economic category. However, work is under way on completing the framework with detailed expenditure projections for each section of the budget and be more inclusive with line ministries according to a "bottom-up" approach. This will eventually help enhance the reliability of DPPD projections, which are the main tools for the programming of expenditures by ministry and by program.

2.1.4.	Investment projects	Good

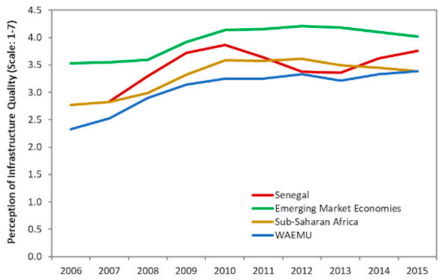
61. The fragmented nature of public investment management in Senegal jeopardizes the transparency of programming, selection and procurement processes. Recent reforms (creation of the maturation committee for investment projects, revamping of the Procurement Code) aim at improving public investment management practices. However, transparency is compromised notably by (i) substantial spontaneous direct-contracting offers and (ii) the failure to disclose the total costs of projects for which letters of comfort are issued (see 2.1.1). The publication of feasibility studies is a practice that still needs strengthening, even though there has been recent progress in that regard. These shortcomings impair the efficiency of public investment in Senegal, even though there is room for improving the quality of public infrastructure and their access (Figure 2.2). An evaluation of public investment management using the Public Investment Management Assessment (PIMA) methodology developed by the IMF could help the authorities identify reform priorities in this area.

62. Multiyear programming of public investment is based on the Three-year Public Investment Program (PTIP), which provides data on the total costs of budgeted projects. The PTIP is submitted to and adopted by Parliament before the end of each year. For each public investment project, the PTIP provides a total cost and a disbursement time line for the next three years. These projects are appropriated: thus, the totals given for the first year of the PTIP are, taken as a whole, consistent with the investment appropriations of the initial budget law.[21] A presentation by economic sector is also provided. Updating the total costs is, however, difficult, particularly for projects using domestic resources, which jeopardizes both their execution and fiscal sustainability. In addition, there is still ample room to improve (i) the separation of current from capital expenditures and (ii) the programming of project maintenance costs. The migration to the CA-PA system, which should take effect in 2020, will help reinforce the multiyear nature of expenditure and improve the accounting and handling of public investment.

[21] However, the PTIP does not reflect projects financed through confort letters, which postpone the fiscal impact to subsequent fiscal years.

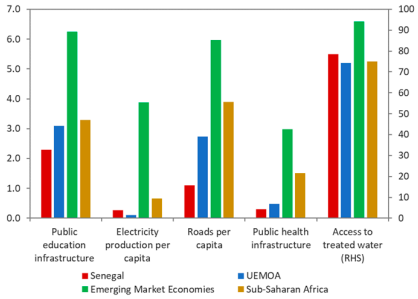
Figure 2.2. Quality of, and Access to, Public Infrastructure

a. Perception of the Quality of Infrastructure



Sources: World Economic Forum (2015), based on a survey of investors and business leaders.

b. Indicators of Physical Access to Public Infrastructure



State school infrastructure. Electricity output per capita. Roads per capita. Public health infrastructure. Access to safe water (right axis)]

Source: World Bank, World Development Indicators (2015).

*Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kWh per person; Roads per capita as km per 1,000 persons; and Public health infrastructure as hospital beds per 1,000 persons. Right hand axis: Access to treated water is measured as percent of population.

63. Project appraisal and selection mechanisms have recently been revamped and there is now more information regarding their feasibility available to the general public. The process for appraising and selecting large projects was reformed in 2015 with (1) the establishment of the maturation and appraisal committee for investment projects, for which the Planning Directorate (DP) provides secretariat services; (2) the creation of a database of mature projects maintained by the Committee, which is also charged with monitoring them throughout their life cycle. According to the decree that established it,[22] the Committee supports the line ministries by keeping track of the project maturation process from the time projects are identified until the time they conduct *ex ante* appraisal, in the perspective of their inscription in the PTIP. The appraisal of projects which can be potentially included in the PTIP "is based on their comprehensive project documentation (technical, economic and financial feasibility studies), submitted by the line ministries and other authorized stakeholders." [23] The process is currently being prepared for implementation.[24] Since 2015, 57 feasibility studies have been carried out, followed by second technical expert opinions by the DP, and financial technical opinions by the Public Debt Directorate (DDP) and the Budget Programming Directorate (DPB). Fact sheets for

[22] Decree 2015-348 of July 28, 2015 on the establishment of Committee for the Gestation and Appraisal of Projects/Public Investment Programs.

[23] The DP also provides the line ministries and the general public with methodological guidelines for preparing (2011) and appraising (2013) projects. A unified and updated Guide to Project/Programm Presentation and Appraisal is currently being finalized by the DP.

[24] One of the structural benchmarks established by the Fifth Review of the IMF's Policy Support Instrument (PSI) should facilitate the practical implementation of this process. "As of the 2019 budget, no project costing more than CFAF 1 billion will be included in the government investment budget unless it has been examined by the Public Investment Selection Committee."

these studies have also been drawn up and are now posted on the DP website. However, some large projects, especially spontaneous direct-contracting offers, appear to circumvent that selection procedure, even though they, too, are subject to second expert opinions (technical and financial).

64. Even tough government procurement information is transparent, projects out of spontaneous direct-contracting offers restrict competition. The Government Procurement Code was revised in 2014. According to that Code, notification of upcoming government procurement competitions, as well as the tenders themselves, are posted on the Government Procurement Portal. Waivers to competitive bidding processes (restricted tenders, single source procurement) are very precisely defined by that Code. Spontaneous offers may also be considered under certain conditions, such as the innovative nature of the project in question, and the obligation to outsource at least 10 percent of the contract to domestic enterprises. Nevertheless, although permitted by the Code, these spontaneous offers option, which was used for four large government contracts since 2015 (in an amount totaling CFAF 450 billion or approximately 5 percentage points of GDP, including the construction of not particularly innovative hospitals and bridges), is a major impediment on efforts to open up government procurement to competition.

2.2. Orderliness

2.2.1.	Fiscal legislation	Advanced

65. There is a revised legal framework for annual preparation of the annual budget. The legal framework is set forth in the LOLF, which has incorporated WAEMU Directive 06/2009/CM/UEMOA on budget laws into the domestic legal framework. The LOLF specifies (i) the main annual budgeting stages (e.g., the budget orientation debate (DOB), presentation of the proposed budget (PLF) , approval of the PLF, and promulgation); (ii) the content of draft budget laws (initial budget law, revised budget law, and financial statement law); (iii) the roles and responsibilities of the government (Ministry of Finance) and of the Legislature (adoption, authority to amend, etc.) (Table 2.5).

66. A more detailed calendar for the budget process has still to be officially defined. Apart from the broader time frames envisaged in the organic law, the more specific and operational stages in the annual budget preparation process are traditionally established via specific decree. Given the changes introduced by the LOLF, the current (January 30, 2009) decree is no longer adequate and a draft decree amending it is available but has yet to be approved by the government. Nevertheless, a calendar is attached to the budget circular drawn up by the DGB to provide guidance to line ministries and institutions. That document, which can be modified every year, could usefully be made a permanent feature of the budget process.

Table 2.5. Summary of the Principles Set Forth in the Organic Budget Law 2011-015

	Articles	Principles
Time frames	• Art. 56 • Art. 57	• Presentation of the DPBEP for the budget policy debate (DOB) • Presentation of the proposed budget (PLF) to Parliament and time frames for adoption and debate
Content of budget laws	• Art. 43, 44 & 45 • Art. 46 & 47 • Art. 48, 49 & 50	• Presentation and content of initial budget laws and their annexes • Terms and conditions for presentation and content of revised budget laws • Objectives, content and annexes of budget review laws
Responsibilities	• Art. 55 • Art. 58 • Art. 59 & 60 • Art. 61	• Role of the MEFP in budget preparation • Parliamentary authority to amend • Types of budget approval • Promulgation and implementation

Source: LOLF.

2.2.2.	Timeliness of budget documents	Good

67. In practice, Parliament has sufficient time to scrutinize and approve the budget and the legal deadlines have regularly been met. The established starting date for budget implementation is January 1st of each year. The proposed budget for the year is sent to Parliament, as per the Constitution (Article 68), on the opening day of the budget session (first half of October of year n – 1). That deadline has regularly been met in recent years (Table 2.6). Parliament has 60 days to scrutinize and approve the budget, and that period has always been prior to the end of the calendar year. Once Parliament has adopted the budget, the President promulgates the budget law within one to two weeks of the date of adoption (the 2018 budget law was, for instance, promulgated on December 21, 2017).

68. Budget laws and their annexes are systematically made available to the public. Once the budget law has been promulgated by the President of the Republic, it becomes official and enforceable and is published in the Official Gazette of the Republic of Senegal. Likewise, budget laws are systematically posted on line on the MEFP website (http://www.finances.gouv.sn) as well as on the websites of some Directorates (such as, the DGB, DGCPT, DPEE).

Table 2.6. Dates of the Various Budget Proposal Stages

	Transmission to Parliament	Adoption by Parliament	Promulgation	Publication
PLF 2016	October 13, 2015	December 11, 2015	December 18, 2015	JO No. 6901 of January 11, 2016
PLF 2017	October 14, 2016	December 10, 2016	December 23, 2016	JO No. 6983 of December 31, 2016
PLF 2018	October 13, 2017	December 11, 2017	December 21, 2017	JO No. 7061 of December 22, 2017

Source: authorities, LFI and Official Gazette (JO).

2.3. Policy Orientation

2.3.1.	Fiscal policy objectives	Advanced

69. Senegal is governed by several external long-lasting budget rules which serve as fiscal policy anchors. In particular, Senegal is required to abide by the convergence criteria established by the WAEMU and the Economic Community of West African States (ECOWAS). Every year, the DPEE produces multiyear convergence programs for those two regional organizations. Those documents provide both a retrospective look at past ratios and a strategy for meeting the criteria in the next five years. Comprehensive, quantitative supervision is also exercised over the WAEMU convergence criteria in the DPBEP annexed to the proposed budget (PLF), and targets are set for the following three years. All first-tier criteria were observed in 2017 (Table 2.7).

Table 2.7. Observance of the WAEMU Convergence Criteria (2014-2018)

Convergence criterion	Rule	2014	2015	2016	2017p	2018p
First-tier criteria						
Overall fiscal deficit	**<=3%**	3.8%	3.7%	3.2%	2.8%	2.7%
Inflation rate (GDP deflator for 2017 and beyond)	**<=3%**	-1.1%	0.1%	0.8%	2.5%	2.3%
Outstanding public debt as a percentage of GDP	**<=70%**	41.9%	43.6%	46.5%	46.5%	45.2%
Second-tier criteria						
Ratio of payroll to fiscal revenue	**<=35%**	32.7%	32.9%	32.0%	29.5%	28.6%
Tax burden	**>=20%**	15.1%	15.2%	15.7%	15.9%	16.2%

Source: Multiyear Program for the Convergence, Stability, Growth and Solidarity Pact 2018-2022, October 2017. Note: The targets for the overall fiscal deficit, the public debt and tax burden must be met by 2019. p: forecasts.

2.3.2.	Performance information	Basic

70. A legal framework geared to results-based management is in place and should achieve its full impact in 2020. As part of its implementation of the LOLF, Senegal has committed to introducing results-based management. Thus, Articles 12, 52 and 45 provide for all budget appropriations (including Special Treasury Accounts – CST) being distributed among programs (ministries) or allocations for specific institutions as defined in the Constitution (*dotations*). These programs are required to establish the classifications to be used to present, approve, execute, and report the State budget. Each program has to include in its DPPD/PAP a performance framework specifying the objectives pursued, the attainment of which is measured using indicators adjusted every year. The attainment of those objectives, or the failure to attain them must be tracked at the end of the fiscal year in the annual performance reports (RAP) that constitute mandatory annexes to the draft budget settlement law (*loi de règlement*). Given the complexity of this task, initiation of this reform, originally scheduled for January 1, 2017, has been pushed back to 2020. [25]

[25] Organic Law No. 2016-34 of December 23, 2016 amending the LOLF.

71. Performance tools are gradually being implemented. For the past few years, the above-mentioned performance documents have been produced in connection with preparation of the annual budget and they are attached to the draft budget law. As part of the preparation of the 2018 PLF, DPPD and PAP were prepared and submitted to Parliament by the line ministries. Also attached to the 2018 PLF, for information purposes, was a presentation of the State budget in program-budget mode, including all the objectives and indicators associated with each program.

72. The current approach to performance is still vague and poorly defined and the tools that go with it need reinforcement. The system to be used to classify programs has not yet been established and its coordination with the other (economic, administrative or functional) fiscal classifications has not yet been incorporated into the Integrated Public Finance Management System (SIGFIP). Nor has the approach been fully harmonized or standardized, due to the fact that a regulatory document on the format and contents of the DPPD/PAP is not yet available to frame and guide the work being done by the ministries. Finally, there is not yet a systematic updating of indicators or tracking of objectives. Annual performance reports are not produced or sent to the Court of Accounts on a regular basis.

2.3.3.	Public participation	Basic

73. The authorities have made a major effort to make fiscal information available in a vulgarized format, understandable by everyone. A "citizens' budget" is compiled each year, as well as short leaflets explaining the main components of the Proposed Budget (PLF) and the Quarterly Public Investment Plan (PTIP), known as the "Budget at a Glance" (*budget en bref*) and "PTIP at a Glance" (*PTIP en bref*). With help from a nongovernmental organization (ONG 3D), the DGB is currently working on translations of certain documents into local languages, like Wolof and Pulaar. A gender-based budget is also produced. In addition, the public is promptly invited to participate in consultations aimed at establishing and monitoring public policies. Thus, trade unions, elected officials, civil society organizations and representatives of subnational governments have been involved in establishing the essential elements of the *Plan Sénégal Émergent* (PSE).

74. To achieve a higher level of practice, much still needs to be done to boost active civil society participation in the budget process. The ways in which the administration, Parliament or the Court of Accounts attempt to include the public in the budget process are still tentative. There once were presentations of the budget for the press, but these have been discontinued. Senegal is thus ranked low with respect to public participation in the 2017 Open Budget Survey. With the help of some donors (e.g., USAID), a few initiatives are being put together, but have not yet materialized in a budget preparation context. Senegal would do well to draw on other countries' experiences with organizing public participation in budget preparation discussions and in monitoring public policies (Box 2.3).

Box 2.2. Best Practice Examples of Public Participation in Budgeting and Country Case Studies

Public participation in the annual budgeting process is a way of strengthening transparency in public management and of responding to citizen's needs with respect to the quality and allocation of public services. Several mechanisms can be used to ensure direct participation of the public in the broad sense (civil society, nongovernmental organizations, associations, trade unions, and so on) in the definition of public policies, the allocation of resources, and monitoring of the implementation of public policies.

- **Preliminary public budget discussions:** open to all citizens, who are invited (via radio or TV announcements) to attend debates in the presence of the Minister of Finance and civil society organizations. One session is reserved for direct comments by the general public (Malawi, Sierra Leone, and soon in Benin);
- **Preliminary budgetary consultations:** Key stakeholders are invited to a presentation/debate by the Ministry of Finance (Botswana, Nigeria, Liberia, Mali, Benin);
- **Preliminary budget proposals:** The Ministry of Finance encourages the public to submit proposals/ideas as part of budget preparation. This mechanism may be open to all (Ghana, South Africa, Zambia, Democratic Republic of the Congo, Tanzania);
- **Public gatherings:** of representatives of civil society. These assemblies may examine public policies and drafts of budget documents, including those dealing with public investments;
- **Consultations regarding specific public policies:** Conversations on subjects that may (or may not) be related to preparation of the annual budget (Ghana);
- **Sectoral working groups:** A working group is convened in connection with preparation of the budget. The Ministry of Finance, government agencies and participants exchange views on programming and sectoral and intersectoral priorities (Kenya);
- **Online participation mechanisms:** A web platform is installed to gather grievances, organize feedback from the field, identify wasted resources, or conduct surveys (Malaysia, Mexico);
- **Bottom-up consultations**: Grassroots consultations are conducted regarding proposed ministerial allocations. The outcomes are then transmitted to the Ministry of Finance (Philippines).

A few regional examples:

- **Malawi:** The Ministry of Finance conducts consultations open to the public three months prior to the start of the budget preparation process. These consultations are organized in a number of different cities and citizens are apprised of them through posters and the media. These consultations afford an opportunity for members of the public to air their views regarding the government's fiscal management and to voice their ideas as to priorities to be addressed in the upcoming budget. They include presentations on the first drafts of the budget, interventions by key players and question-and-answer sessions.
- **Ghana:** The Ministry of Finance website allows the public to submit proposals to be included in the next draft budget. In addition, an annual consultation with key actors is organized regarding a specific topic during the budget preparation phase. This consultation is included in the budget schedule.
- **Zimbabwe:** The Finance Commission of the National Assembly conducts public consultations on the budget in several cities during the budget preparation phase. Suggestions are remitted to the Minister of Finance and debated during a workshop.

Source: Global initiative for fiscal transparency (GIFT).

2.4. Credibility

2.4.1.	Independent evaluation	Not met

75. There is currently no independent national entity assessing the credibility of the government's economic and fiscal forecasts. The Court of Accounts has no jurisdiction in that regard and therefore does not issue any opinion with respect to draft budgets or fiscal forecasts. Parliament lacks both the technical and material capacity to evaluate the forecasts presented during the budget orientation debate or in the draft budget laws. On a quarterly basis, the DPEE organizes by-invitation-only Economic Briefings (*Points Economiques*), which provide an opportunity to present forecasts or studies, followed up with potential discussions with invitees.

76. Publication of a comparison between the government's forecasts and those of other public or private agencies could boost the credibility of the scenario finally adopted. The credibility of the forecasts used for the macrofiscal framework is in fact examined by: the IMF, in connection with its monitoring of the program it supports; and by the WAEMU, during the meetings held every year in December to validate multiyear programs. Nevertheless, the presentation in the budget documents of a comparison between the government's forecasts and those of independent, public or private bodies, such as banks or international organizations like the IMF or the regional headquarters of the BCEAO, could serve to highlight that the scenario chosen by the government is close to the national and international consensus forecasts.

2.4.2.	Supplementary budget	Basic

77. Modifications to the original budget are clearly provided for and regulated in fiscal legislation. Pursuant to Article 47 of the LOLF, a supplementary budget law (LFR) must be adopted to validate major changes to revenue and expenditure. For less important deviations from the initial budget, the government can resort to virements and transfers. After the end of the fiscal year, a budget settlement law must provide the budget outturn and may also serve to regularize *ex post* the changes made to the initial budget law. Modifications to the initial budget appropriations may be substantial (Table 2.8).

Table 2.8. Budget Amendments for Fiscal Year 2016 (CFAF billions, excluding debt)

2016	Initial budget (LFI)	Virements and transfers	Appropriation carryovers	LFR	Actual appropriations	Actual appropriations / LFI (%)
Wages	538.2	-7.0	0.0	34.4	565.6	**5%**
Operating *(fonctionnement)*	353.7	1.1	0.0	3.4	358.1	**1%**
Current transfers	392.1	51.1	0.0	-3.0	440.2	**12%**
Investments carried out by the State	162.3	-23.9	5.3	1.5	145.3	**-11%**
Capital transfers	448.7	21.5	26.5	138.9	635.6	**42%**
Special Treasury Accounts	97.8	0.1	0.0	0.0	97.9	**0%**
Total	**1 992.8**	**43.0**	**31.8**	**175.1**	**2 242.7**	**13%**

Sources: SIGFIP, CGAF.

78. Despite major deviations between forecasts and outturns, supplementary budgets appear not to be a systematic practice in Senegal. In fiscal year 2017, no LFR was presented to Parliament despite substantial deviations from the initial budget (LFI): tax revenue shortfalls reached approximately 7 percent at end-December 2017 vis-à-vis the amount envisaged in the LFI (sources: TOFE and LFI). Likewise, the use of letters of comfort involves sizable amounts that significantly alter the budget balance as voted in the LFI. Thus, for 2018, expected reimbursements constitute approximately 10 percent of the (domestic and external) investment amount envisaged in the budget law (see Table 2.3). In the absence of extra fiscal space, that cost is going to translate into the crowding-out of projects included in the budget in due process. Such reimbursement events, which occur during execution, should warrant that the government request parliamentary clearance and an amendment to the initial budget law. Preparing and adopting a supplementary budget is a virtuous practice that ensures that, overall, budgetary and fiscal balances are maintained; it also helps enhance the sincerity of the information contained in the budget.

2.4.3.	Reconciliation of forecasts	Not met

79. The budget documents appended to initial budget laws do not account for departures from the previous fiscal year's forecasts. Such departures are, however, potentially substantial, with respect to both macroeconomic and fiscal forecasts. In particular, changes to GDP growth projections are often key to explaining changes in tax revenue forecasts (Figure 2.3). This absence of quantitative information or qualitative explanation is found regarding both annual and multiyear forecasts.

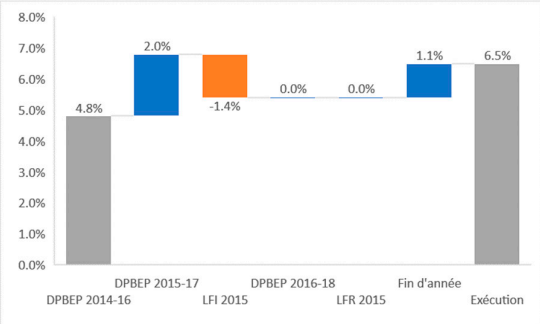
- Be it in the *Economic and Financial Situation* paper or in the *Economic and Financial Report* attached to the PLF, there is a detailed account of revised forecasts for the current year sometimes warranted by data on early-year outturns. However, the tables showing those revised forecasts (when there are any) make no reference to the previous fiscal year forecasts and any discrepancies are not accounted for, even qualitatively.

- No reconciliation is attempted between successive multiyear forecasting exercises.[26] The DPBEP provides neither a quantitative review of the forecasts made in the previous DPBEP nor a qualitative explanation of the reasons for their revision.

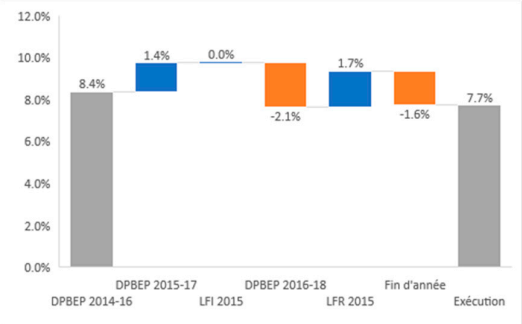
80. Only supplementary budget laws refer to the forecasts initially presented and explain the reasons for the changes to them. Their annexes provide tables comparing the new revenue and expenditure forecasts and those of the initial budget law, along with detailed explanations for the changes in the explanatory statement of the law. However, that is not enough for a "basic level practice" rating by the standards of the IMF Code of Transparency: indeed, such a rating requires at least a qualitative explanation of *all* updates to the forecasts given in the budget documentation (and not just those made in the course of the current fiscal year in the event of a supplementary budget law). Box 2.4 describes good practices in this regard.

Figure 2.3. Successive Revisions of the Real GDP and Tax Revenue Growth Under in Consecutive Forecasting Exercises

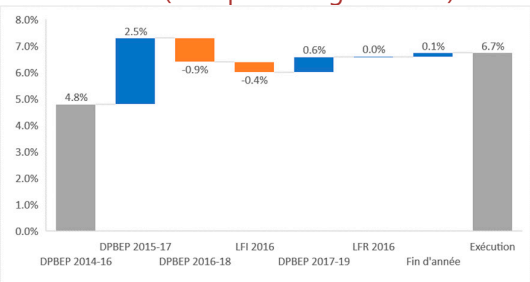
a. Growth of Real GDP 2015
(As a percentage of GDP)



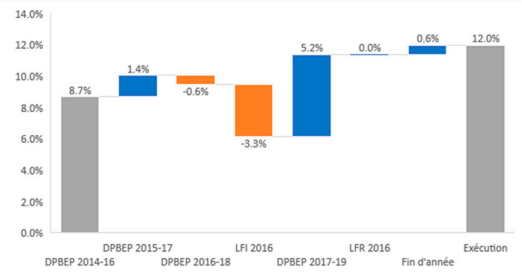
c. Growth of Tax Revenue 2015
(As a percentage of tax revenue)



d. Growth of Real GDP 2016
(As a percentage of GDP)



f. Growth of Tax Revenue 2016
(As a percentage of tax revenue)



Source: Budget documents.
Note: A blue bar of x% means that the new growth forecast for the year in question is X% higher than that of the previous fiscal year. An orange bar means that the forecast has been revised downwards.

[26] It is to be noted, however, that every year the comments accompanying the PTIP propose both a quantitative and qualitative comparison of the new program with those of previous years.

Box 2.3. Analysis of Deviations from Forecasts

Senegalese budget documents – DPBEP, REF – provide detailed explanations of expected developments in the macrofiscal environment. However, they rarely refer to the forecasts made in previous fiscal years (multiyear forecasts made in the immediately preceding DPBEP, annual forecasts in the LFI). Yet, the effort to explain discrepancies makes it possible – instead of having to start from scratch and to re-explain forecasts "in a vacuum" – to highlight all the changes that have taken place since the last forecasting exercise: changes in the international macroeconomic environment, new government measures, the materialization of a fiscal risk, and so on.

Likewise, if reports do refer back to the past year's outturn, they generally do not analyze the gap between forecasts and "actuals." However, such analysis is not merely vital for improving forecasting methods, it also serves to bolster the credibility of forecasts.

These analytical methods could gradually be included in the DPBEP and the REF by taking the following steps:

In the short term

- Show a Table of differences between macroeconomic forecasts and outturns, accompanied by explanations, specifying, for instance, the part played by different supply and demand sectors in causing those differences; plus a Table of the discrepancies between fiscal forecasts and outturns, accompanied by qualitative explanations for them;
- Compile Tables comparing macroeconomic forecasts with those of the preceding fiscal year, specifying the part played by different supply and demand sectors in causing those differences; and do the same for fiscal forecasts using the standard presentation shown below (example taken from the DPBEP), with an at least qualitative explanation of the discrepancies. In particular in the case of the PLF for year N+1, it is best to compare the revised forecasts for year N with those of the LFI for year N.

Total revenue/ Expenditure	Year N-1	Year N	Year N+1	Year N+2	Year N+3
DPBEP N – N+2	**100**	**103**	**110**	**120**	
DPBEP N+1 – N+3	**102 (outturn)**	**105**	**113**	**120**	**130**

In the medium term

- Provide a quantitative analysis of the reasons for the differences between *fiscal* forecasts and outturn
- Provide a quantitative analysis of the reasons for revising *fiscal* forecasts from one exercise to the other, using, for example, the following standard presentation example taken from the DPBEP):

Total revenue/ Expenditure	Year N-1	Year N	Year N+1	Year N+2	Year N+3
DPBEP N – N+2	**100**	**103**	**110**	**120**	
Total revisions	***+2***	***+2***	***+3***	***0***	
- *Macro factors*	*+3*	*-5*	*-7*	*-8*	
- *New measures*	*0*	*+9*	*+10*	*+6*	
- *Other reasons…*	*-1*	*-2*	*0*	*+2*	
DPBEP N+1 – N+3	**102 (outturn)**	**105**	**113**	**120**	**130**

Source: IMF staff.

Conclusions and Recommendations

81. The practices observed in Senegal reflect ongoing efforts to enhance the transparency of budgetary and fiscal reporting. The quality and coverage of budget information have improved noticeably thanks, inter alia, to the gradual implementation of the LOLF. Budget documentation has expanded considerably and provides increasingly comprehensive and accurate information regarding the various facets of fiscal management. The scope of budget documentation has likewise improved and now covers not only budgetary central government but also the other public bodies, even though further improvements are needed for a comprehensive overview. The concerted efforts of the authorities to enhance fiscal transparency in recent years are promising and in line with the vision of an emergent Senegal.

82. Nevertheless, the quality of the budget process would benefit from the elimination of certain shortcomings. The main issues have to do with: (1) the less than exhaustive coverage of the budget information provided, which, albeit improving, still presents major gaps; and (2) the level of analysis required for reliable budget programming, which still lacks certain data and analyses. Finally, over the medium term, major improvements could be made with respect to the general public's participation in budget preparation debates and monitoring of public policies.

- **Recommendation 2.1: Strengthen fiscal integrity and ensure that all government commitments are included in the budget**
    - Bring the use of letters of comfort into line with the accounting and fiscal rules derived from the LOLF and reflect them in the public debt calculations;
    - Implement the provisions of the LOLF regarding the provisioning of government guarantees (including those granted via letters of comfort);
    - Put a mechanism in place for the monitoring of multiyear government commitments using the commitment authorization and payment appropriation system (AE/CP) and approve an annual AE ceiling in the budget law, pursuant to the LOLF (Articles 17ff, 44 and 60).
- **Recommendation 2.2: Enrich the information and analysis contained in budget programming documents.**
    - Show in the DPBEP the evolution of budget appropriations using the administrative and/or sectoral classification;
    - Add to the DPBEP quantitative detail on multiyear forecasts of the main macroeconomic indicators (e.g., real GDP growth, inflation, exchange rate) and compare them with forecasts made by other stakeholders (e.g., the BCEAO, IMF);
    - Complement the information provided in the DPBEP with data currently missing, including for example: (i) own resources of public corporations and agencies, (ii) more disaggregated data on subnational governments and a breakdown of revenue, and (iii) expenditures of both social security funds, using a format that allows for comparisons.
    - Provide more explanations for macroeconomic and fiscal forecasts by providing: (i) quantitative analysis of the deviations between forecasts and outturns; and (ii) explanations of the reasons that led to the revision of projections from one fiscal year to the next (Box 2.4)

- **Recommendation 2.3: Enhance public participation in the discussions and monitoring of fiscal policy.**
  - Systematize the preparation and adoption of a LFR in the event of a substantial alteration of the initial budget balance. A mid-year update on revenue and expenditure execution should make it possible to gauge the extent of changes vis-à-vis initial forecasts. The Quarterly Budget Execution Report (RTEB) for the second quarter of year N is the ideal tool for that analysis
  - Boost the quality of budget documents in program-budget format: (i) draft and disseminate a manual for preparing the DPPD, PAP and RAP; and (ii) carry out a review of the existing DPPD and PAP
  - Put a mechanism in place for public participation in fiscal policy discussions, drawing on best international practices (see Box 2.3)

Table 2.9. Heatmap – Pillar II (Fiscal Forecasting and Budgeting)

Principle			Level of practice	Importance	Rec.
2.1. Comprehensiveness	2.1.1	Budget unity	**Not met.** Although budget documentation coverage is good, no track is kept of financing and guarantees via letters of comfort.	**High.** The gaps detected potentially pose a risk to the LFI's budget balance and to budgetary and fiscal sustainability.	2.1
	2.1.2	Macroeconomic forecasts	**Advanced.** The REF attached to the PLF contains forecasts and explanations for the major macroeconomic forecasts and their components and the assumptions underlying them.	**Low.** GDP growth projections do not appear to be significantly biased in recent years.	2.2
	2.1.3	Medium-term Budget Framework	**Good.** The DPBEP provides budget projections and outturns by type, but not by ministry.	**Medium.** Projections for each ministry would enhance the quality and usefulness of programming.	2.2
	2.1.4	Investment projects	**Good.** The PTIP provides the total cost of projects. Feasibility studies are published for large projects. Some major project contracts are directly procured.	**High.** Infrastructure needs are substantial and better investment management would add to growth.	
2.2. Orderliness	2.2.1	Fiscal legislation	**Advanced.** The LOLF establishes (i) the main stages in annual budget procedures; (ii) the contents of draft budget laws; and (iii) roles and responsibilities of the actors involved.	**Low.** The legal framework appears to be clear and comprehensive, except for the budget calendar, which is about to be fixed.	
	2.2.2	Timeliness of budget documents	**Good.** The PLF is transmitted to Parliament mid-October and approved at end-December. The documents are made available to the public.	**Low.** The transmission and online posting of the budget documents ensure that the general public and Parliament are well informed.	
2.3. Orientation/stance	2.3.1	Fiscal policy objectives	**Advanced.** Senegal abides by the WAEMU convergence criteria, which shape its fiscal policy.	**Low.** All first-tier convergence criteria were met in 2017.	
	2.3.2	Results-based information	**Basic.** Results-based management is being introduced but is not yet up and running.	**Medium / Low.** The efforts to implement results-based management should be achieved in order to better inform the public and the Parliament.	2.3
	2.3.3	Public participation	**Basic.** Documents for the general public are produced but much remains to be done to achieve public participation in discussions on the budget.	**Medium.** Public participation would help ensure that the budget meets its expectations.	2.3
2.4. Credibility	2.4.1	Independent evaluation	**Not met.** There is no independent entity evaluating the government's forecasts or comparing them with those of other institutions.	**Low.** Government forecasts are de facto appraised by the IMF and the BCEAO.	2.2
	2.4.2	Supplementary budget	**Basic.** Although provided for in the regulations, the presentation of supplementary budgets is not yet an established practice.	**High.** LFRs help ensure observance of the authorizations granted by Parliament.	2.3
	2.4.3	Reconciliation of forecasts	**Not met.** There is no qualitative or quantitative reconciliation between successive forecast vintages in budget documents attached to PLFs	**High.** The successive revisions of macrofiscal forecasts are substantial.	2.2

III. FISCAL RISK ANALYSIS AND MANAGEMENT

Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.

83. This Chapter assesses the quality of fiscal risk analysis and management in Senegal in light of the standards set in Pillar III of the Fiscal Transparency Code. To that end, there core aspects of analyzing and managing those risks are addressed:

i. Disclosure and analysis of specific macroeconomic and fiscal risks;
ii. Monitoring, publication and management of specific fiscal risks; and
iii. Coordination of public sector fiscal decision making.

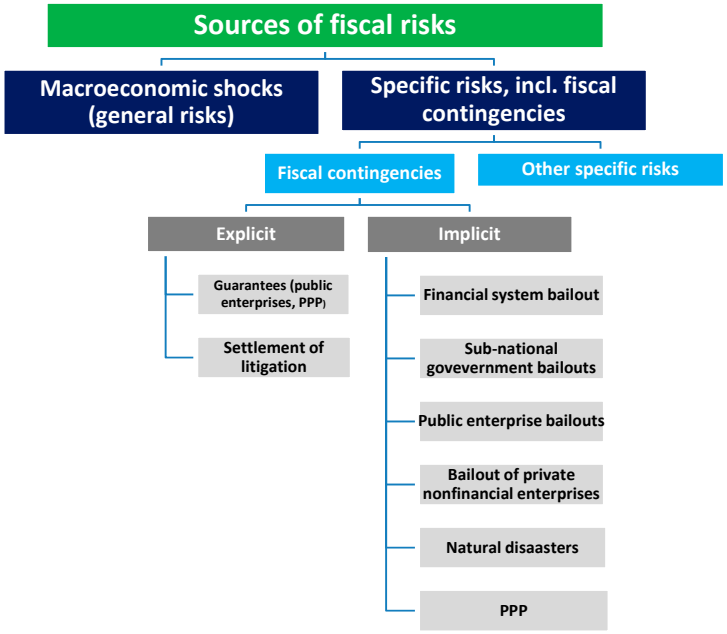
84. Senegal has recently striven to identify certain fiscal risks, but its monitoring of those risks is not exhaustive and its analytical methods are incomplete. The concepts of monitoring and managing fiscal risks are beginning to emerge in Senegal's administrative culture. Laws and regulations governing public financial management contain no specific provisions on the subject. Furthermore, the WAEMU Directives on public financial management[27] make no reference to fiscal risks. The clearest evidence of the emergence of that notion in Senegal is the summary in the DPBEP of fiscal risks associated with state-owned enterprises. However, that document's discussion of fiscal risks is still very limited (Table 3.1).

85. A formal framework would help the authorities identify the fiscal risks that Senegal faces. (Figure 3.1) Fiscal risks – i.e., factors capable of triggering a discrepancy between fiscal outcomes and forecasts – may be grouped together under two main headings:

- *Macroeconomic shocks or risks*, or general risks consisting of unforeseen changes in macroeconomic variables, such as economic growth, raw materials prices, the (CFAF/US$) exchange rate, interest rates and inflation.
- *Specific fiscal risks*, which are fiscal obligations that the State may be required to deal with, if uncertain events occur. They include, for instance, institutional, political or security risks, as well as contingent liabilities, which may be:
  - *Explicit*, in the form of a formal contract forcing the State to bear the fiscal costs resulting from the materialization of certain events (activation of a guarantee issue on behalf of a state-owned enterprise or a public-private partnership – PPP or settlement of lawsuits);
  - *Implicit:* Even in the absence of formal contracts, the State could be confronted with so-called implicit contingent liabilities, in the sense of finding itself forced to assume the fiscal burden following a default by a state-owned enterprise, a financial institution, a private sector operator in a PPP, a subnational government, or a strategic private enterprise, or following a natural disaster (such as a flood or drought).

[27] Directive No.01/2009/CM/UEMOA on the Transparency Code in Public Financial Management within the WAEMU.

Figure 3.1. Sources of Fiscal Risks



Source: IMF staff.

86. The importance attached to the monitoring and management of fiscal risks is mainly the result of the global economic and financial crisis of 2008. Indeed, for numerous countries the effects of the crisis were exacerbated by conditional commitments for which no consideration had been given to the risk of their materializing. That was particularly the case for financial sector commitments (bailouts of defaulting banks, liquidity support) but also with respect to the activation of guarantees or interventions in subnational governments.

87. Apart from macroeconomic risks, Senegal is characterized by a marked prevalence of diversified contingent liabilities. Like many countries at a similar level of development, Senegal faces high macroeconomic risks and remains vulnerable to the international economic cycle. Such risks may be exacerbated, as they were in 2017, by domestic institutional mechanisms, such as administered prices arrangements (oil, electricity, for instance). Moreover, a variety of (explicit or implicit) contingent liabilities are to be found all over the public sector. There is no consolidated outlook on most of them (risks relating to PPPs, government equity shares or the financial sector, for example).

88. The wide range of risks that Senegal faces calls for better identification of the main ones. There is no widespread practice of conducting quantitative analyses of fiscal risks in Senegal. Yet, given that Senegal faces a wide range of risks, developing such analysis would allow for better identification of the key risks, better monitoring and implementation of more effective management measures. Various types of quantitative analyses are shown in Annex IV.

Table 3.1. Examples of Reports on Fiscal Risks

Document / report	Risks examined	Author	Available on line
DPBEP	Macroeconomic, Liabilities (partial), Sub-national governments, State-owned enterprises	DGB	Yes
Report on the quasi-public sector	State-owned enterprises	DSP	Yes
Debt sustainability analysis	Long-term risks	DDP	Yes
Medium-term debt strategy	Long-term risks	DDP	Yes
PLF	State-owned enterprises	DGB	Yes
Actuarial study of the National Retirement Fund (FNR)	Liabilities	FNR	No
Report of the Banking Commission	Fiscal risks	BCEAO	Yes
Annual Report of the BCEAO	Fiscal risks	BCEAO	Yes
EITI reconciliation report	Natural resources	EITI	Yes
State-owned enterprises management report / Financial statements	State-owned enterprises	Public enterprises	No

Source: Authorities.

3.1. Fiscal Risk Disclosure and Analysis

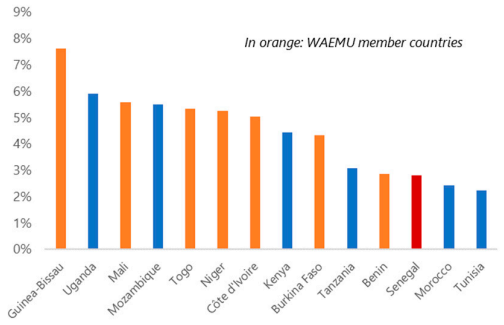
3.1.1.	Macroeconomic risks	Not met

89. Sensitivity and alternative scenario analyses are published only for public debt (not for other macroeconomic and fiscal indicators). The *Report on Public Debt Sustainability Analysis* (DSA) is based on a range of scenarios, including one known as the historical scenario and one extreme scenario, in accordance with the methodology developed by the IMF. It is the only document produced by Senegalese authorities to contain quantitative analysis of the impact of a modification of the macroeconomic environment on a fiscal aggregate. Thus, neither the DPBEP, nor the REF contain sensitivity or alternative scenario analyses. The *Plan Senegal Émergent* (PSE) does address, in addition to the baseline scenario (prior to the PSE), an optimistic takeoff scenario (the central scenario of the PSE) and a pessimistic scenario; however, consideration is in practice given only to the consequences of that latter scenario for financing for the Plan.

90. The volatility of the macroeconomic environment is low relative to the countries in Sub-Saharan Africa, but there are some major grounds for uncertainty. The standard deviation for nominal GDP growth over the past fifteen years has been the lowest in the sub-region (Figure 3.2). However, according to the government's DSA, even though the risk of over-indebtedness may be deemed low, if growth and the primary deficit were to return to their historical averages, the debt would exceed WAEMU's regulatory threshold of 70 percent of GDP

within 15 years. Finally, uncertainty with respect to the exchange rate, security threats and above all oil price volatility could render the macrofiscal environment unstable because of their potential impacts on economic activity, government expenditure (due particularly to the existence of administered prices for oil and electricity), and on government revenue (see 3.2.6).

Figure 3.2. Regional Comparison of the Volatility of Nominal GDP Growth Rate
(Standard deviation of growth rates, 2000-2015)



Source: World Economic Outlook of the IMF.

3.1.2.	Specific fiscal risks	Not met

91. Senegal's central government is exposed to various risks that could affect fiscal and budgetary forecasts and are not addressed in any consolidated report (Table 3.2). A non-exhaustive list of those risks includes:

- *Risks affecting government tax revenue not directly related to macroeconomic determinants*. These risks include environmental risks (see Section 3.2.7), security risks[28] or health risks;
- *Legal risks.* A certain number of litigation cases involve the central government (for instance, in the banking sector or procurement disputes[29]), but there is no consolidated overview of the whole set of these risks or any report on them published by the State Judicial Agency;
- *Risks related to the management of government assets and liabilities.* These risks include those related to holdings of financial assets of state-owned enterprises. In addition, risks related to general government liabilities may turn out to be sizeable;
- *Risks related to possible government liabilities*, especially with respect to guarantees (see Section 3.2.3) or the management of certain public entities (see Section 3.3.2);
- *Risks related to the existence of public-private partnerships (PPPs)*, for which there is no consolidated overview. The future development of PPPs will also be a source of fiscal risks over the long term (see Section 3.2.4); and
- *Risks related to the exploitation of natural resources,* whose share in the Senegalese economy is likely to grow (see Section 3.2.6).

92. With the exception of those relating to state-owned enterprises, no analytical summary of the major fiscal risks is currently published. The budget laws and the DPBEP

[28] The reader's attention is drawn to the existence within the administration of a working group on the NRBC (nuclear, radiological, bacterial and chemical) risks.

[29] According to data provided by the Government Procurement Regulation Authority (ARMP), there were 358 legal disputes in 2015, 212 in 2016, 40 in 2017, and 14 in the first quarter of 2018.

include a presentation of certain fiscal risks relating to state-owned enterprises (Section 3.3.2). Apart from that, the DPBEP mentions the impact of certain public policies on the management of IPRES' resources. Nevertheless, no consolidated report establishing the most significant fiscal risks is produced or published. That makes it harder to make qualitative or quantitative assessments of those risks.

Table 3.2 Specific Fiscal Risks

Risks	Source	Impact (CFAF)	Percentage of GDP
Government-guaranteed liabilities	Ministry of Finance	345 bn	3.6
Environmental risks	Estimate	57 bn	0.6
Debt of state-owned enterprises	Ministry of Finance	740 bn s	7.8
Extractive sector revenue	Ministry of Finance, EITI	106 bn	4.6 % (of government revenue and grants)
Discounted pension liabilities of the FNR	Ministry of Finance	2447 bn	28
Financial sector	Ministry of Finance and BCEAO	n.c.	n.c.

Source: IMF staff estimates.
1/ Amount guaranteed on December 31, 2017.

3.1.3.	Long-term fiscal sustainability analysis	Basic

93. Each year, the Public Debt Directorate produces a debt sustainability analysis report, using methodology developed by the IMF. This report is submitted to the National Public Debt Committee before being published. It shows the projected path of both the public debt and the external debt over the next 20 years based according to a baseline scenario, as well as simulations of that path based on a range of scenarios, one of which is known as the historical scenario and another as the extreme scenario. The findings of the debt sustainability analysis conducted by the authorities are in line with those produced by IMF staff, also covering 20 years.

94. Of all the social protection agencies, only the National Retirement Fund (FNR), which manages civil servants' pensions, produces an actuarial study. So far, the FNR has published such a study twice, with approximately three years in between. The latest dates back to 2016 and covers the period 2013-2050. The mission was told that a new study is near completion. The estimates refer to the FNR's revenue and expenditure over 40 years, based on a series of demographic and macroeconomic scenarios. According to the baseline scenario, FNR expenditures will slightly exceed contributions until 2022; thereafter, the FNR is projected to make a profit. The report also simulates the impact of six modifications to the retirement plan (increase in the contribution rate, increase in the retirement age, and so on) on the financial position of the FNR.

95. No actuarial studies have yet been done on the other social security agencies. Expenditures of the Social Security Fund and the IPRES, which manages private sector pensions and those of government contractual employees, together accounted for 1.2 percent of GDP in 2016. That percentage is likely to increase over the medium-to-long term: the expected ageing of the population, especially by 2030, should push health and pension expenditures upward. This highlights the importance of conducting an analysis of the long-term sustainability of social protection plans,

96. There is also room for improving existing analyses of long-term fiscal sustainability, in line with more advanced practices. The debt sustainability analysis period could be extended to 30 years and DSA could include scenarios involving the materialization of contingent liabilities for central government, such as the debt assumption from a state-owned enterprise. The actuarial study of the FNR could include an estimate and analysis of the pension liabilities so far incurred by the Fund.

3.2. Fiscal Risk Management

3.2.1.	Budgetary contingencies	Basic

97. The budget in Senegal provides for various kinds of fiscal reserves. Together, those mechanisms account for approximately 4 percent of appropriations, excluding debts. First of all, the section of the budget open to the whole government (unallocated expenses) contains a built-in reserve for provisions and contingencies. There is also a management reserve (investment spending) and a precautionary reserve (current spending). Nevertheless, those last two types of reserve are in fact budget appropriations already allocated but rendered unavailable to their end users (ministries/directorates); they are released in exchange for predetermined actions negotiated with the MEFP (e.g., conducting prior studies for investment projects). They cannot be regarded as general reserves for dealing with budgetary contingencies. The LOLF (Article 14) provides for eventually establishing general appropriations in the form of an endowment to cover accidental and unforeseen expenses, but that type of reserve is not yet in place.

98. The framework governing use of the contingency reserve lacks transparency. The reserve for provisions and contingencies amounted to CFAF 25.5 billion in 2017 (or approximately 1 percent of appropriations authorized in the initial budget law, excluding debt). The reserve is not explicitly mentioned in the budget law (e.g., in the preamble, articles or annexes) and there is no monitoring of its use in budget execution reports. Moreover, the rules governing the allocation of this reserve are not established or known in advance; how it is used depends on a decision by the MEFP. Senegal could usefully tap the framework established in other countries, to improve the mechanism for this reserve (Box 3.1).

Box 3.1. Rules Governing the Use of Budgetary Contingency Reserve in South Africa

In South Africa use of the budgetary reserve is restricted to expenses of an "inevitable and unforeseeable" nature. Usage rules define situations that do not match that requirement. Thus, the following are not inevitable and unforeseeable: (i) expenses that were known when the budget was being drawn up, but were not taken into account in that context; (ii) increases due to tariff adjustments or price hikes; or (iii) expenditures relating to increases in the provision of public utilities or the establishment of new public services.

Natural disasters linked to extreme climatic conditions constitute a good example of inevitable and unforeseeable circumstances.

Source: South African government, 2014.

3.2.2.	Asset and liability management	Not met

99. There is no document or publication on the risks associated with government asset and liability management, not even one with limited coverage. Estimates made in connection with this report point to general government liabilities equivalent to 97.2 percent of GDP at December 31, 2016 and financial assets equal to 23.2 percent of GDP. This lack of a document prevents monitoring of risks such as those associated with the numerous cases of government shares–direct, indirect or in PPPs.

100. Some public sector liabilities are granted legal and strategic exemptions. Government and state-owned enterprise debt is regulated by law.[30] However, letters of comfort, which also give rise to a government liability,[31] estimated at 1.9 percent of GDP, are not subject to any form of legal control. In addition, certain types of public debt, especially that of state-owned enterprises and extrabudgetary entities, are not covered by the Medium-Term Debt Strategy.

101. Information regarding central government financial assets is sketchy and no analysis is conducted of the risks associated with them. For example, public-private partnerships give rise to a liability on the central government balance sheet, particularly if off-setting mechanisms are in place in the event of revenue shortfalls. Conversely, they should also be accompanied with the valuation of related public capital; and the government needs to devise a strategy for the valuation of these assets. Likewise, no analysis is conducted of the risks associated with the holding of financial assets by IPRES (CFAF 193.3 billion at end-2016) or by the Deposit and Consignment Office (*Caisse des Dépôts et Consignations,* CDC) even though those two institutions have posted substantial losses[32] on their investments in recent years. Conducting such analyses

[30] Especially by the LOLF, as well as the MEFP Decree of March 14, 2016, establishing the terms and conditions for borrowing by public entities (*établissements publics*), agencies and other similar or related administrative bodies.

[31] Liabilities updated for 2018, 2019 and 2020.

[32] Thus, according to the annual public report by the Court of Accounts for 2014, IPRES had not received any dividend from its various equity shares since 2008, which induced the external auditor to request that provisions be established in respect of respect those assets. Likewise, the CDC had to deal with the very low return on its equity shares. Both institutions, moreover, invested heavily in real estate, exacerbating their cash-flow issues and diminishing the liquidity of their assets. That investment policy translated into a marked deterioration of their income account. In the case of the CDC it declined by 69 percent between 2008 and 2012, from CFAF 1.5 billion to CFAF 475 million.

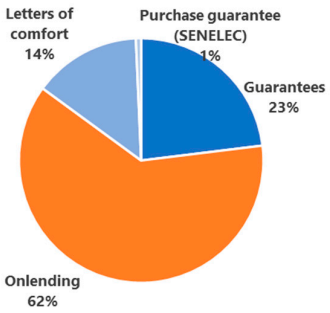
should help implement more transparent and balance sheet-oriented management of government assets.

3.2.3.	Guarantees	Not met

102. At end-2017, all outstanding debt explicitly guaranteed by the government was equivalent to approximately 3.6 percent of GDP. Those contingent liabilities are largely created by onlending (CFAF 214 billion), whereas the shares of guaranteed financing (CFAF 80 billion, for external financing alone) and of letters of comfort (CFAF 49 billion) are more limited. In addition, under a guaranteed purchase of energy contract involving SENELEC and a private third party, the government has assumed a contingent risk estimated in 2016 at CFAF 2.4 billion (Figure 3.3).

103. The rules governing the granting of government guarantees and endorsements are defined by law. Article 42 of the LOLF provides that guarantees or endorsements shall be granted by decree issued in the Council of Ministers. That also covers any guarantees granted in connection with financing for PPP. Although the net change in outstanding guarantees and endorsements is supposed to be subject to an annual ceiling established by a budget law, that practice does not appear to have been followed in recent fiscal years. There is no mandatory remuneration of guarantees.

Figure 3.3. Central Government-Guaranteed Liabilities



Source: Senegalese authorities. Calculations by IMF staff.

104. The DDP keeps track of guarantees, which are provisioned via an account for guarantees and endorsements. The LOLF provides that the provision set aside to cover repayment defaults or activation of guarantees shall amount to 10 percent of annual maturities. For several years now, that special treasury account has been allocated a lump sum in the budget law. It appears to be markedly under-provisioned given the government's liabilities.

105. There is also *ad hoc* monitoring of other contingent liabilities, such as onlending or certain letters of comfort. Onlending is especially agreed upon in connection with externally financed projects. That financing is subject to an agreement with the Minister of Finance and is handled as part of Senegal's relations with its technical and financial partners. It is monitored in the DGB by the department for external cooperation and financing, which is separate from the DDP. That makes it more difficult to consolidate all guaranteed liabilities. Furthermore, the use of letters of comfort constitutes a derogatory practice.[33] The lack of monitoring of those letters makes it impossible to gauge the extent of the government's exposure to fiscal risks.

106. Very little information is available regarding guarantees and contingent liabilities. There is no regular publication of government guarantees, their beneficiaries, or the liabilities that result from them. The same is true of onlent loans. Nevertheless, the Directorate-General of Government Accounting and Treasury (DGCPT) has access to the information (except for data on

[33] See 2.1.1.

guarantees granted via letters of comfort). Furthermore, there is very little analysis or disclosure of the likelihood of guarantees being activated, with the notable exception of the purchase guarantee involving SENELEC, which is mentioned in qualitative terms in the DPBEP and in the annex to the LFI on fiscal risks associated with public enterprises.

3.2.4.	Public-private partnerships	Not met

107. There is a dual framework for public-private partnerships (PPP) in Senegal. They come under either (i) outsourcing of public services (*délégations de service public* - DSP); or (ii) partnership contracts (CP).[34] The telecommunications, energy and mining sectors are excluded from the general regulations governing partnership contracts and remain governed by sectoral regulations. Within central government, responsibilities are divided mainly between the Ministry for the Promotion of Investment, Partnerships and the Development of Government Teleservices, through its Directorate of Financing and Public-Private Partnerships (DFPPP), and the MEFP, particularly through its Central Directorate of Public Procurement. The contracting parties must be legal entities, given the broad area covered by the laws and regulations. Thus, the central government, a subnational government, a public corporation, a government-controlled or government-owned independent company *(société nationale*) or a joint stock company in which the government owns a majority of the stock may all enter into PPPs.

108. Even though the new institutional framework for PPPs is not yet in effect, new contracts have been signed. Established in Article 1 of Law No. 2014-09, the National Committee to Support PPPs, which is the body responsible for validating project appraisals prepared by contracting authorities, for helping public sector entities prepare, negotiate and monitor public private partnerships and for publicizing and promoting them, is in fact not yet up and running. That therefore is a limit to the implementation of the framework described above and may hamper the development of PPPs in Senegal.

109. There are no documents showing general government liabilities related to PPPs, whose capital stock is equivalent to 6 percent of GDP. Some key infrastructure projects have been implemented through PPP arrangements (railroads, the concession contract for the financing, construction, servicing and maintenance of the toll highway between Dakar and Diamniadio; the container terminal at the Autonomous Port in Dakar; numerous electricity generation projects; and construction of the Blaise Diagne international airport). According to World Bank data, 14 projects have been undertaken as PPPs since 2008, the average size of which has increased over time[35] (Figure 3.4). These projects involve long-term fiscal commitments. Yet, no comprehensive analysis of those liabilities is yet available.

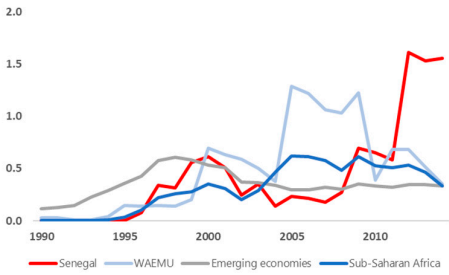
[34] Government Obligations Code (Law No. 65-51 amended by Law No. 2006-16 of June 30, 2006), Government Procurement Code (Decree 2014-1212 of September 22, 2014) and the Law on Partnership Contracts (Law No. 2014-09 of February 20, 2014 amended by Law No. 2015-03 of February 12, 2015).

[35] Particularly as regards the Blaise Diagne international airport, for which the investment totaled US$730 million in 2012. It is, nevertheless, worth noting that projects registered by the World Bank were much smaller for 2016 and 2017 (US$76 million and US$ 88 million, respectively).

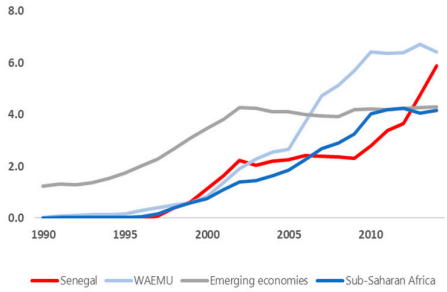
110. The dearth of information regarding the obligations taken on by the public sector in connection with PPP contracts contributes to the creation of significant fiscal risks. The size of the projects,[36] the possibility that contracts will be renegotiated and the creation of long-term liabilities (extending, for example, over 25 or 30 years) may heavily impact public finances. The lack of consolidated monitoring of these liabilities prevents any accurate assessment of the risks involved, which may be exacerbated by extensive recourse to unsolicited private sector bids (more than one third of the PPPs since 2008).

Figure 3.4. Development of PPPs

a. Investments in PPPs (nominal, % GDP)



b. Capital stock of PPPs (nominal, % GDP)



Source: World Bank data, IMF staff calculations.

3.2.5.	Financial sector exposure	Not met

111. The banking sector in Senegal, the second largest financial market in the WAMU, is characterized by a strong presence of international lending institutions, rendering it vulnerable to regional and international economic conditions. At end-2017, Senegal had 29 licensed financial institutions, including 14 international banks and 10 subregional banks. Sixteen lending institutions had balance sheets above or equal to CFAF 100 billion, including 12 with a balance sheet above or equal to CFAF 200 billion. The shareholders of credit institutions are thus for the most part international banking groups, that control more than 51 percent of the capital stock of 16 institutions. The risks incurred as a result of these foreign-held shares could be either systemic or tied to any economic and political crises that could occur in the parent companies' countries of origin.

112. The government is a direct or indirect shareholder in several banks or insurance companies. The government has a stake in seven banks, with equity shares of between 5 percent and 34 percent. The banks in which the government exercises notable influence specialize in financing agriculture, housing and small and medium-sized enterprises. For their part, IPRES and CSS also hold shares in banks (the BNDE, for instance), which boosts the participation of the public sector, without making it the majority shareholder. Finally, the government holds stock in seven insurance companies, including one in which it has a majority share (the Automobile Guarantee Fund, with 61 percent of the capital).

[36] According to World Bank data, all PPP investments taken together since 2008 amount to US$2.1 billion.

113. Other direct government liabilities in the financial sector create major fiscal risks. Through its deposit and fund management activities, as well as through its investments, the CDC (Box 3.2) forms part of the financial sector. The same holds true for the financial activities of the Postal Service, through its Poste Finances subsidiary. The CDC, the Postal Service, IPRES and the CSS are explicitly mentioned as bodies included for monitoring by the National Financial Stability Committee.[37] FONSIS conducts capital investment activities on behalf of the government and receives large budget appropriations.[38] Finally, the government stake in the capital of the BCEAO (CFAF 16.8 billion in equity shares) creates liabilities associated with a possible recapitalization in the event that the central bank were to encounter problems.

114. The development of guarantee mechanisms in the event of financial sector default also gives rise to new risks for the government, which have not yet been assessed. A Deposit Guarantee Fund[39] to protect the deposits of customers of banks and of large-scale microfinance institutions[40] and a Financial Stability Fund aimed at preventing payment defaults by States in respect of their liabilities on the WAMU financial market and on international financial markets have been established in WAMU. The possibility of setting up a resolution fund for managing institutions in default is likewise being studied. At the domestic level, a microfinance Fund is due to receive an appropriation. So far, however, none of these funds is operating and there is no explicit mechanism that could cope with risks materializing in the meantime. No assessment of the Senegalese State's exposure to risk has been undertaken, even though the stakes are high. For instance, savings deposits totaled more than CFAF 707 billion at end-2016.

115. Even though certain risks have already materialized, the government's financial sector exposure has barely been analyzed or quantified. The Senegalese government has had to intervene several times in order to recapitalize the Senegalese National Agricultural Credit Fund (CNCAS) or to sort out the Postal Service's troubled financial activities. Although stress tests have been carried out at the BCEAO level, information regarding the central government's financial sector exposure is still sketchy and fragmented, even though the context is complex and the government wishes to support financial sector development.

[37] See Article 2 of the Decree of August 21, 2013 on the establishment of a National Financial Stability Committee.

[38] CFAF 3 billion in 2014 and 2015, 2 billion in 2016, CFAF 5.5 billion in 2017 and CFAF 3 billion in the initial budget law (LFI) for 2018.

[39] Decision 088-03-2014 on the establishment of the deposit guarantee fund in WAMU of March 21, 2014.

[40] According to Article 44 of the Uniform Law (*Loi uniforme*) regulating decentralized financial systems, this refers to institutions whose business activity reaches a threshold of CFAF 2 billion in deposits or loans at the end of two consecutive fiscal years.

Box 3.2. The Deposit and Consignment Office

The CDC was established by Law No. 2006-03 of January 4, 2006. It is a special status public entity (*établissement public à statut spécial*), responsible for managing the deposits and safeguarding the securities belonging to agencies and funds bound to or requesting this management; for receiving administrative and judicial deposits and guarantees; and for managing services relating to the Funds whose management has been entrusted to it. In addition, the CDC lends support to the government with financing affordable housing (*logement social*), equipment for subnational governments, and loans to medium-sized enterprises, as a way of compensating for deficiencies in private sector financing.

According to the DPBEP, the CDC made CFAF 145 million in 2015. Its exposure level at end-2016 was high in respect of several investment and securities transactions:

- CFAF 74.9 billion in equity shares in a number of companies (CFAF 38 billion already paid up);
- CFAF 14 billion outstanding, to be recouped through buyback agreements;
- A very low level of return on the real estate projects in which the CDC has already invested a total of CFAF 33 billion.

CDC equity shares have not yet generated significant revenue. Indeed, at end-December 2015, only CFAF 20.7 million in dividends for SONATEL shares was recorded in the institution's operating account.

The CDC also has complex financial ties to numerous government entities (as a shareholder in several public enterprises,[41] managing Poste Finances deposits, as a SENELEC creditor, manager of public funds, and so on).

Published financial data on the CDC are very patchy and insufficient for risk assessment. For instance, no annual report and no information on its financial statements are published.

Source: Court of Accounts, DPBEP.

3.2.6.	Natural resources	Not met

116. Senegal possesses notable natural resources, whose contribution to the economy is still modest, but should increase in the medium term. According to the Extractive Industries Transparency Initiative (EITI), of which Senegal is a member, the country has ample and diversified resources.[42] Mining of those mineral and oil resources contributes modestly to the Senegalese economy (Figure 3.5). Nevertheless, their share in the economy should increase over the next few years.[43]

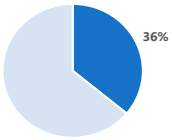
[41] As well as Air Sénégal.

[42] Oil and gas, gold, silver, phosphates, basalt, limestone, sands and other minerals.

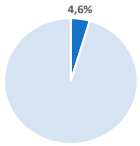
[43] According to interviews conducted by the mission, extractive industry resources could account for nearly 10 percent of fiscal revenue by 2022.

Figure 3.5. Contribution of Natural Resources to the Economy

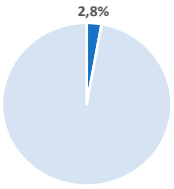
a. Contribution of the extractive sector to exports



b. Contribution of the extractive sector to current revenue



c. Contribution of the extractive sector to GDP



d. Contribution of the extractive sector to employment

Source: 2016 Reconciliation Report, EITI Senegal.

117. The Senegalese authorities do not publish statistics on their natural resource reserves and their valuation. Neither government statistics nor national accounts currently take natural resource reserves into account, nor their extraction and value expected in the medium and long term. Partial estimates, for certain minerals deposits, are provided in the EITI Reconciliation Report.[44] However, a valuation of these reserves, based on different price and extraction scenarios, is not available.

118. Budget documentation does not include any details on natural resource related revenue, even though they make a notable contribution to the economy. In particular, revenue from the extractive sector is not singled out in government accounts. The TOFE and the budget documents published by Senegal do not include classification specific to the extractive sector.[45] The contribution of extractive sector revenue to the national budget, according to the EITI Reconciliation Report amounted to CFAF 105.9 billion in 2016, that is to say, 4.6 percent of fiscal revenue and grants. The mining sector remains the main source of extractive sector revenue in the central government budget, accounting for CFAF 99.2 billion, or 94 percent of the fiscal revenue derived from the extractive sector, followed by the oil sector, which contributes CFAF 6.7 billion.

119. Relations between the public sector and the exploitation of natural resources are complex. Apart from tax revenue, these industries also contribute to pension and social security institutions (CSS and IPRES) as well as to subnational governments, through an equalization fund, and to the Sovereign Funds Strategic Investment (FONSIS). Finally, two enterprises in which the

[44] For instance, gold reserves at the Sabadola mine total 46 metric tons. In the Rufisque and Sangomar deposits, probable reserves discovered in 2014 are valued at more than one billion barrels of oil, in addition to the natural gas. The sum of natural gas reserves from two deposits are close to two billion cubic meters.

[45] Worth noting, however, is that ANSD shows certain oil tax revenue (VAT, port duties), particularly in its monthly *repères statistiques* publications.

government holds a majority of the stock, Petrosen and Miferso, and several enterprises in which the government holds a minority of the shares, also intervene in the promotion and development of oil and gas and mineral resources, respectively.

120. Management of fiscal risks associated with the development of natural resources thus appears to be largely precluded by the gaps in budgetary and fiscal monitoring. While the DPEE does provide limited assumptions regarding economic activity in the extractive sector,[46] current documentation is insufficient to determine the importance of natural resource development in the national budget. The lack of a consolidated overview of the impacts on the public sector, in a complex environment, severely hampers the ability of the Senegalese authorities to measure the fiscal risks associated with the development of those resources.

3.2.7.	Environmental risks	Basic

121. Senegal faces substantial environmental risks, some of which are likely to materialize. Today, those risks have largely been identified both by the Senegalese authorities and by international partners, particularly the World Bank.[47] The most serious risks include coastal erosion, bush fires, flooding,[48] drought and locust plagues, but there are also chemical and industrial hazards. Some of these risks, such as ongoing coastal erosion or worsening climate-related contingencies are both especially likely to occur and fraught with serious consequences. Indeed, one third of the Senegalese population is exposed to drought and 60 percent of the population lives in coastal areas.

122. Given the economic and fiscal issues associated with these risks, Senegal has developed monitoring and insurance capabilities. In 1986, the Ecological Monitoring Center (CSE) was established[49] and it participates in the assessment of environmental risks as well as in the management of risks and disasters (for example, by keeping track of bush fires). The Senegalese National Agricultural Insurance Fund (CNAAS) was established in 2008 as a licensed insurance company[50] in which the government has a minority stake.[51] The principal purpose of the CNAAS is to participate in insurance for the Senegalese agricultural sector, whereby the government also intervenes by subsidizing the insurance premium. Senegal is also a member of the Green Climate Fund. Finally, Senegal joined *African Risk Capacity* or ARC in 2011. As an international mutual insurance company, ARC enables its member states to withstand natural disasters through rapid access to compensation funds to finance the implementation of pre-

[46] See the document entitled "Economic and Financial Situation in 2017 and Outlook for 2018."

[47] https://www.gfdrr.org/index.php/senegal

[48] Between 1990 and 2018, the EM-DAT initiative at Louvain University listed 16 flooding episodes causing damage estimated at US$51 million, whereas the World Bank estimates the annual economic impact of floods as close to US$89 million.

[49] The CSE is a public service association. Under the technical guidance of the Ministry responsible for the Environment and as a legal entity, the CSE has been funded by the Government of Senegal, subnational governments, and technical and financial partners working on environmental matters.

[50] Decree N°01289 of February 10, 2009 of the Ministry of Economy and Finance.

[51] Its capital of currently CFAF 1.5 billion could soon be raised to CFAF 5 billion. Today, it is 52 percent owned by the private sector.

established emergency plans. In that way, Senegal was one of the first countries to benefit from ARC insurance coverage in 2014.

123. The risks identified and budget costs have not been quantified, as agencies have rather focused on operational responses. Disaster risk management, particularly in response to environmental risks, is focused today on bolstering operational capacities. For example, the Fire Fighting Fund, which was allocated CFAF 200 million in the initial 2018 budget mainly supports the development of civil protection facilities (in this case the Fire Brigade). Assessment of the fiscal impact of a materialization of environmental risks, including with the help of historical data, has not been carried out.

124. The economic impact and high probability of environmental hazards materializing are grounds for requiring more precise budgetary information. Coastal erosion will have a lasting impact on the Senegalese economy, especially on productive sectors relying on the marine economy. Conversely, certain risks, such as floods, may have high short-term costs.[52] Environmental risks therefore give rise to contingent liabilities, currently assessed at 0.6 percent of GDP,[53] a figure that could keep growing. The quality of fiscal information and the ability of the Senegalese government to mobilize adequate budgetary resources therefore depend on a better assessment of both short- and long-term environmental impacts.

3.3. Fiscal Coordination

3.3.1.	**Subnational governments**	**Good**

125. Subnational governments, organized administratively in accordance with act III of the decentralization process, are moderately important in public sector finance. There are 599 subnational governments in Senegal, including 42 departments and 557 communes (which include 5 major cities). The regions, as well as differences between the statutes of the communes, were eliminated as part of act III of the decentralization process. [54]A consolidated overview of subnational government finances is provided annually in the DPBEP. In 2016, subnational government expenditure amounted to CFAF 90.3 billion, or 1 percent of GDP, while revenue totaled CFAF 122.7 billion, or 1.4 percent of GDP.

126. Financial ties with central government remain substantial and complex. In 2016, transfers of fiscal resources[55] from the government to subnational governments totaled CFAF 48.5 billion, or 40 percent of subnational government revenue. That revenue derives in particular from the Decentralization Appropriation Fund (FDD), the Subnational Government Equipment Fund (FECL) and revenue transfers. Up 13 percent over 2015, these transfers are likely to continue to

[52] The flooding in Dakar and in the surrounding region in 2009 cost approximately US$104 million, or 0.7% of GDP.

[53] Estimate by the mission based on the historical costs shown in several databases (World Bank, EM-DAT, UNISDR) and the probabilities of occurrence since 2010.

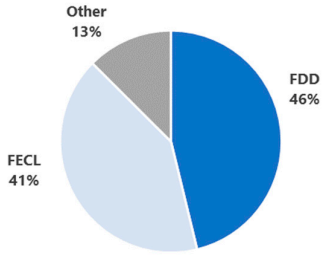
[54] See Law No. 2013-10 of December 28, 2013 on the General Code for Subnational Governments.

[55] Approved by the budget law, pursuant to Article 54 of the LOLF.

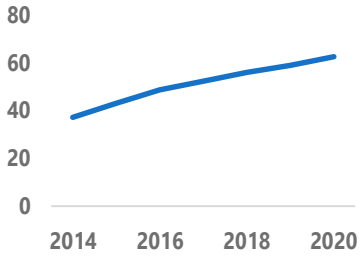
increase over the next few years, almost doubling between 2014 and 2020 (see Figure 3.6). It is to be noted that there is also an Equalization and Support for Subnational Government Fund (FPACL), which receives the portion of extractive sector revenue allocated for subnational government equipment.[56] From fiscal years 2010 to 2015, this Fund received CFAF 7.6 billion.[57] Finally, there is a Special Treasury account for loans to subnational governments (allocated CFAF 800 million in the initial budget for 2018) and a Special Treasury Account for advances to subnational governments (also allocated CFAF 800 million in LFI 2018).[58]

Figure 3.6. Central Government Transfers to Subnational Governments

a. Distribution of Transfers to Subnational Governments in 2016



b. Changes Over Time in Transfers to Subnational Governments (CFAF billion)



Source: DPBEP 2018-2020, IMF staff calculations.

127. Subnational government debt is limited by law. Subnational government borrowing is governed by Article 54 of the LOLF. In particular, that article requires the operating budget to be balanced without recourse to borrowing. The implementing regulation governing and capping the possibility of borrowing to finance subnational government investment has not yet been adopted. Nevertheless, according to Article 245 of Law No. 2013-10 of December 28, 2013 on the General Local Authorities Code, debt and guarantees remain subject to prior approval by the Minister of Finance.

128. While subnational government debt appears to be limited, debt monitoring needs to be stepped up, particularly if subnational governments are to play a more prominent role. There is currently no documentation or analysis of subnational government debt. Information on both debt and budget execution is, nonetheless, gathered at the Ministry of Finance. The Municipal Development Agency (ADM) is the body mainly responsible for organizing borrowing to finance the municipalities. At end-2016, outstanding non-institutional debt (*dettes non institutionelles*) of subnational governments with the ADM totaled CFAF 4.1 billion. However, other actors involved in lending to communes are emerging. Indeed, the city of Dakar has received loans from the French Development Agency (AFD) and Islamic Bank of Sénégal. The rise of the communes under act III of the decentralization process calls for better monitoring of the risks

[56] See Section 3.2.6 (natural resources).

[57] Decree of December 20, 2017 on distribution of the FPACL appropriation derived from annual resources from mining operations in 2010, 2011, 2012, 2013, 2014 and 2015. Actual disbursement of the funds varies according to the Treasury's constraints.

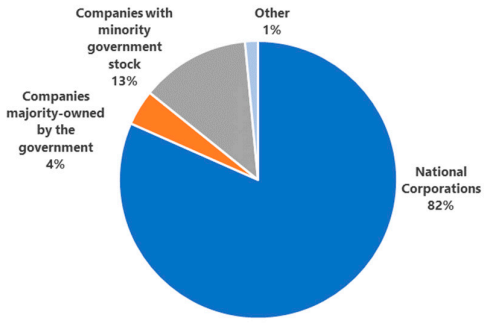
[58] These allocations have been stable in recent fiscal years.

associated with subnational government debt,[59] particularly as part of the development of the subnational finance observatory in the DGCPT.

3.3.2.	Public corporations	Basic

129. The Senegalese government owns a complex portfolio of direct and indirect equity capital shares, for which no clear consolidated accounts are yet available. There are 13 government-owned companies (*sociétés nationales*),[60] 11 companies in which the government owns a majority of the stock, 33 companies in which the government holds a minority of the stock and 3 companies governed by specific laws in which the government owns a majority of the equity capital.[61] The legal classification of these entities gives no clear indication of how they are treated in government statistics. The total subscribed capital stock is equivalent to 5.2 percent of GDP (see Figure 3.7). The *sociétés nationales* are mainly responsible for providing certain public services or managing national monopolies. There is, however, no consolidated overview of enterprises held by the public sector, while many entities also have equity shares, sometimes in the form of cross-participations.

Figure 3.7: Types of Government Participation in Public Corporations



Source: DSP, Calculations by IMF staff.

130. Management of the government portfolio, boosted by widespread performance contracts, forms part of an unpublished shareholding policy. Under the *Plan Sénégal Émergent*, the government has set ambitious goals in terms of the profitability of its equity portfolio and improved management of public corporations. Nevertheless, the portfolio management strategy of the government and its subdivisions, drawn up in 2016 and validated by the Minister of Finance has not yet been published. This strategy operationalizes the objectives of the *Plan Senegal Émergent*. In particular, it fosters the spread of performance contracts between the government and the parapublic sector (including extrabudgetary entities). By end-2016, 34 such contracts had been signed.

131. A government portfolio statement is disclosed each year, with a number of omissions. Two annual documents show the main changes to the government portfolio.

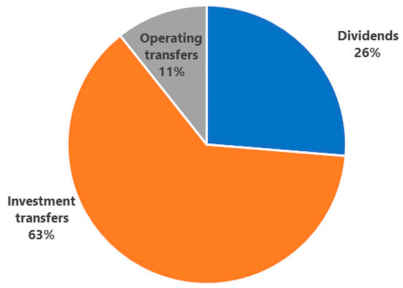
[59] Thus, subnational government debt servicing increased by 500 percent between 2015 and 2016, from CFAF 0.8 billion to CFAF 5.1 billion.

[60] As defined by Law No. 90-07 of June 26, 1990 on the organization and oversight of parapublic sector enterprises and oversight of legal entities under private law benefiting from government grants.

[61] These are the National Agency responsible for Promoting Investment and Large Works (APIX), Sovereign Funds Strategic Investment (FONSIS) and the Blaise Diagne International Airport (AIBD).

The report on the parapublic sector, published by the DSP, analyzes changes and annual performance of enterprises belonging to the parapublic sector. They are addressed again, in a condensed fashion, in the DPBEP produced by the DGB, and in the LFI. While major transfers between the government and public enterprises are recorded in the budget documents[62] (Figure 3.8), some, including taxation in particular, are left out of the analysis. Moreover, the analysis of public enterprise debt and of fiscal performance indicators is scant, or even nonexistent. The DSP has developed software for the consolidation of public enterprise balance sheets and financial statements, which should enable it to substantially enhance the content and analysis in its report (Box 3.3).

Figure 3.8. Distribution of Selected Transfers Between General Government and Public Enterprises



Source: DSP, LFI 2017, IMF staff calculations.

Box 3.3. Publication of an Annual Report on the Monitoring of Public Enterprises

Several countries produce an annual report on public enterprises and institutions

In some cases they are consolidated (as in the case of Morocco): http://www.chambredesrepresentants.ma/fr/system/files/documents/depp_fr.pdf) or split between public policy operators and non-operators (as in the case of France: report on the State as shareholder: https://www.economie.gouv.fr/agence-participations-etat/rapport-letat-actionnaire-0 and State operators: https://www.performance-publique.budget.gouv.fr/sites/performance_publique/files/farandole/ressources/2018/pap/pdf/jaunes/Jaune2018_operateurs.pdf).

In Sweden the report on State shareholdings includes for each enterprise: **(i)** the establishment of objectives (sustainable development/public policy objectives; medium-term agenda); **(ii)** assignment of individual quantified targets (profitability, capital structure and debt share, dividends); and **(iii)** information regarding risk management policy.

Source: IMF staff.

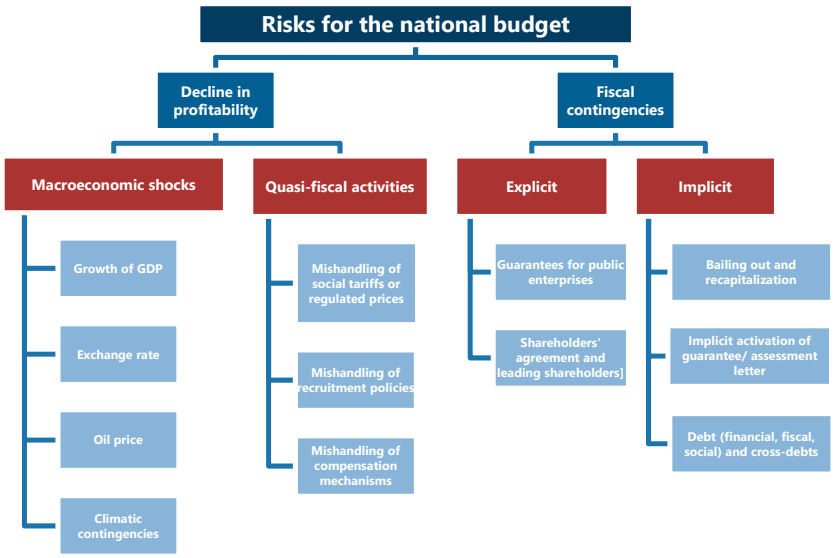
132. The analysis of public enterprise-related fiscal risks provided in the DPBEP does not allow for the consolidated overview of those risks. The main risks related to government shareholdings (debt, recapitalization and restructuring, cross-debts and guarantees) are shown but either qualitatively or individually. The document does not however specify that those are the main risks, even though, through multiple channels, public enterprises pose risks for the national budget (see Figure 3.9). The material nature of these risks is thus difficult to grasp, while certain enterprises may experience financial difficulties or their indebtedness may deteriorate or cross debts may accumulate[63] (see Figure 3.10). It is noteworthy that on several occasions in recent

[62] Subsidies and dividends, which amounted to nearly 2 percent of GDP in 2017.

[63] The total debt of a sample of public enterprises, at end-2016, totaled 7.8 % of GDP.

years, the government has chosen to convert debts into capital in order to recapitalize struggling enterprises.

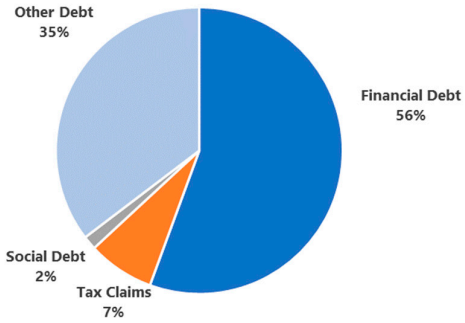
Figure 3.9. Summary of Sources of Fiscal Vulnerability for Public Enterprises



Source: IMF staff.

133. Quasi-fiscal activities, some of which are compensated, are not clearly disclosed. Certain public enterprises, especially *sociétés nationales*, conduct quasi-fiscal activities or have to operate with social tariffs or regulated prices. Some are explicitly compensated for those activities, especially via a performance contract spelling out the ways in which compensation is calculated. Disclosure of the cost of those fiscal activities is patchy and does not allow for an exact calculation.

Figure 3.10. Indebtedness of Selected Public Enterprises at December 31, 2016



Source: DSP, LFI 2017, IMF staff calculations.

Conclusions and Recommendations

134. The government in Senegal is exposed to numerous fiscal risks. The materialization of those risks could pose a threat to the achievement of macro-fiscal targets, the success of the emergence strategy and investor and market trust. It is therefore crucial, from the perspective of a successful PSE, for Senegal to acquire the analytical tools which could help ensure comprehensive identification and careful monitoring of fiscal risks, as well as transparent disclosure of those risks and of the steps taken to mitigate them.

135. Strengthening the DPBEP by adding a chapter stating and analyzing fiscal risks would be a notable step forward for Senegal. The development of that tool should be gradual and strengthened over time. In particular, the Senegalese administration has at its disposal plentiful qualitative information that could be published in the short term, while quantitative studies should be conducted over the medium term. Because of their significant size, macroeconomic risks warrant specific action as well as efforts to upgrade budgetary documentation.

136. Better handling of the reserve for provisions and contingencies could enhance its role in attenuating fiscal risks. Senegal has few explicit measures for attenuating fiscal risks, even though so much is at stake. Due to budget constraints, Senegal has little available fiscal space. For that reason, improving the manner in which the reserve for provisions and contingencies operates appears to be the most effective and operational risk mitigation option.

- **Recommendation 3.1: Fully disclose the government's strategy vis-à-vis enterprises in which it holds all or part of the capital stock or liabilities.**
    - **Publish the government shareholdings strategy.** That strategy has already been drafted and validated by the Minister of Finance. Publishing it, in line with best international practices, would enhance fiscal transparency and constitute a significant mechanism for the explanation of public policies conducted via the parapublic sector.
    - **Publish guarantee and onlending data on the DDP website**. This data is already available internally.
- **Recommendation 3.2: Enrich the 2019-2021 DPBEP by adding a chapter on fiscal risks.** Qualitative at first, that chapter, or Fiscal Risk Statement (FRS), would then gradually be enriched with quantitative analyses in the medium run. A specific Action Plan for this recommendation can be found in Annex 5.
- **Recommendation 3.3: As part of the FRS, strengthen analysis in budget documents of the impact of macroeconomic risks on public finance aggregates.**
    - Produce basic sensitivity analyses of major fiscal flow variables (revenue, expenditure, deficit) to certain key macroeconomic variables (real GDP growth, inflation, oil price per barrel, exchange rate), for publication in the DPBEP (FRS) and/or the REF.
    - Construct alternative macroeconomic scenarios (possibly starting from scenarios developed in the DSA) and show their impact on the budgetary and fiscal environment in the budget documents.
- **Recommendation 3.4: Improve handling of the reserve for provisions and contingencies**
    - Establish objective and transparent criteria for using that reserve (e.g., in the annual budget circular), targeting, as a priority, expenditures of a truly unpredictable nature.

Table 3.3. Heatmap – Pillar III (Fiscal Risk Analysis and Management)

Principle			Level of practice	Importance	Rec.
3.1. Disclosure and analysis	3.1.1	Macro-economic risks	**Not met.** Sensitivity analyses and alternative scenarios are applied only to the public debt.	**High.** The fiscal effects of macroeconomic risks, such as a recession, a sharp change in oil prices or depreciation of the exchange rate, are not well grasped and therefore not well managed.	3.2, 3.3
	3.1.2	Specific fiscal risks	**Not met.** The main specific fiscal risks are not specifically disclosed, except in the case of risks to public enterprises.	**High.** The lack of analysis of the major fiscal risks means that they cannot be effectively monitored and managed.	3.3
	3.1.3	Long-term sustainability analysis	**Basic.** Analyses of public debt sustainability over 20 years and of FNR liabilities over 40 years are published, but there are no actuarial analyses of the CSS and IPRES.	**Medium.** According to IMF estimates, retirement and health-related expenditure should amount to almost 7 percent of GDP by 2050, largely due to ageing of the population.	3.3
3.2. Management	3.2.1	Fiscal contingencies	**Basic.** A reserve for provisions and contingencies exists but is not mentioned in the budget law and the rules governing its use are not established. Its actual use is not monitored	**High.** The fiscal reserve is currently the main risk mitigation mechanism.	3.4
	3.2.2	Management of assets and liabilities	**Not met.** Not all the risks associated with general government debt have been analyzed. Certain loans are not authorized by law.	**High.** Financial liabilities and assets are estimated at 97.2 percent of GDP and 23.2 percent of GDP, respectively.	3.3
	3.2.3	Guarantees	**Not met.** There is no annual document showing government liabilities with respect to guarantees, onlending or letters of comfort.	**Medium.** Outstanding explicit government guarantees are equivalent to 3.6 percent of GDP.	3.1, 3.3
	3.2.4	Public-private partnerships	**Not met**. PPP-related liabilities (partnership contracts and public utility outsourcing contracts) are not disclosed.	**Medium.** The capital stock of PPPs is estimated at 6 percent of GDP.	3.3
	3.2.5	Exposure to the financial sector	**Not met.** General government exposure to the financial sector is not analyzed, either qualitatively or quantitatively.	**Low.** The Senegalese financial sector is dominated by foreign credit institutions and the government's explicit liabilities remain limited.	
	3.2.6	Natural resources	**Not met.** There is no general government report on reserves or fiscal revenue from the exploitation of natural resources.	**Low.** The contribution of natural resources to fiscal revenue is still limited (4.6 percent of revenue) but is likely to increase.	
	3.2.7	Environ-mental risks	**Basic.** A number of risks are analyzed here and there, but no attempt at quantification is made.	**Low.** Although they are recurrent, environmental risks currently have a limited fiscal impact, which will increase over the medium term.	3.3
3.3. Coordination	3.3.1	Subnational governments	**Good.** Borrowing by subnational governments is limited by law and there is a consolidated annual statement of their financial position and accounts.	**Low.** The impact of subnational governments within the Senegalese economy is still limited.	
	3.3.2	Public enterprises	**Basic.** The key transfers between general government and public enterprises are disclosed on an annual basis, but government shareholding policy is not published.	**High.** Public enterprises are an important part of the economy and pose substantial fiscal risks that may already have materialized.	3.1, 3.3

Annex I. FTE Questionnaire

Principle	BASIC	GOOD	ADVANCED
I. FISCAL REPORTING: Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance.			
1.1. Coverage: Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its subsectors, according to international standards.			
1.1.1. Coverage of Institutions: Fiscal reports cover all entities engaged in public activity according to international standards.	Fiscal reports consolidate all central government entities according to international standards.	Fiscal reports consolidate all general government entities and report on each subsector according to international standards.	Fiscal reports consolidate all public sector entities and report on each subsector according to international standards.
1.1.2. Coverage of Stocks: Fiscal reports include a balance sheet of public assets, liabilities, and net worth.	Fiscal reports cover cash and deposits; and all debt.	Fiscal reports cover all financial assets and liabilities.	Fiscal reports cover all financial and non-financial assets and liabilities, and net worth.
1.1.3. Coverage of Flows: Fiscal reports cover all public revenues, expenditures, and financing.	Fiscal reports cover cash revenues, expenditures and financing.	Fiscal reports cover cash flows, accrued revenues, expenditures and financing.	Fiscal reports cover cash flows, accrued revenues, expenditures and financing; and other economic flows.
1.1.4. Coverage of Tax Expenditures: The government regularly discloses and manages revenue loss from tax expenditure.	The estimated revenue loss from tax expenditures is published at least annually.	The estimated revenue loss from tax expenditures is estimated by sector or policy area, and is published at least annually.	The estimated revenue loss from tax expenditures is estimated by sector or policy area, and is published at least annually. There is control on, or budgetary objectives for, the size of tax expenditures.
1.2. Frequency and Timeliness: Fiscal reports should be published in a frequent, regular, and timely manner.			
1.2.1. Frequency of In-Year Reporting: In-year fiscal reports are published on a frequent and regular basis.	In-year fiscal reports are published on a quarterly basis, within a quarter.	In-year fiscal reports are published on a quarterly basis, within a month.	In-year fiscal reports are published on a monthly basis, within a month.
1.2.2. Timeliness of Annual Financial Statements: Audited or final annual financial statements are published in a timely manner.	Audited or final annual financial statements are published within 12 months of the end of the financial year.	Audited or final annual financial statements are published within 9 months of the end of the financial year.	Audited or final annual financial statements are published within 6 months of the end of the financial year.
1.3. Quality: Information in fiscal reports should be relevant, internationally comparable and internally and historically consistent.			
1.3.1. Classification: Fiscal reports classify information in ways that make clear the use of public resources and facilitate international comparisons.	Fiscal reports include administrative and economic classifications consistent with international standards, where applicable.	Fiscal reports include administrative, economic and functional classifications consistent with international standards, where applicable.	Fiscal reports include administrative, economic, functional and program classifications consistent with international standards, where applicable.

1.3.2. Internal Consistency: Fiscal reports are internally consistent and include reconciliations between alternative measures of summary fiscal aggregates.	Fiscal reports include at least one of the following reconciliations: (i) fiscal balance and financing, (ii) debt issued and debt holdings, or (iii) financing and the change in the debt stock.	Fiscal reports include at least two of the following reconciliations: (i) fiscal balance and financing, (ii) debt issued and debt holdings, or (iii) financing and the change in the debt stock.	Fiscal reports include all three of the following reconciliations: (i) fiscal balance and financing, (ii) debt issued and debt holdings, and (iii) financing and the change in the debt stock.
1.3.3. Historical Revisions: Major revisions to historical fiscal statistics are disclosed and explained.	Major revisions to historical fiscal statistics are reported.	Major revisions to historical fiscal statistics are reported with an explanation for each major revision.	Major revisions to historical fiscal statistics are reported with an explanation for each major revision and a bridging table between the old and new time series.
1.4. Integrity: Fiscal statistics and financial statements should be reliable, subject to external scrutiny and facilitate accountability.			
1.4.1. Statistical Integrity: Fiscal statistics are compiled and disseminated in accordance with international standards.	Fiscal statistics are disseminated in accordance with international standards.	Fiscal statistics are compiled by a specific government agency and disseminated in accordance with international standards.	Fiscal statistics are compiled by a professionally independent body and disseminated in accordance with international standards.
1.4.2. External Audit: Annual financial statements are subject to a published audit by an independent supreme audit institution which validates their reliability.	An independent supreme audit institution publishes an audit report on the reliability of the government's annual financial statements.	An independent supreme audit institution publishes an audit report stating whether the government's annual financial statements present a true and fair view of its financial position and without a disclaimer or adverse audit opinion.	An independent supreme audit institution publishes an audit report consistent with international standards which states whether the government's annual financial statements present a true and fair view of its financial position and without major qualifications.
1.4.3. Comparability of Fiscal Data: Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained.	At least one fiscal report is prepared on the same basis as the fiscal forecast/budget.	Fiscal forecast/budget and outturn are comparable plus the outturn is reconciled with either the fiscal statistics or final accounts.	Fiscal forecast/budget and outturn are comparable plus the outturn is reconciled with both fiscal statistics and final accounts.
II. FISCAL FORECASTING AND BUDGETING: Budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances.			
2.1. Comprehensiveness: Fiscal forecasts and budgets should provide a comprehensive overview of fiscal prospects.			
2.1.1. Budget Unity: Revenues, expenditures, and financing of all central government entities are presented on a gross basis in budget documentation and authorized by the legislature.	Budget documentation incorporates all gross domestic tax revenues, expenditures, and financing by central government ministries and agencies.	Budget documentation incorporates all gross domestic tax and non-tax revenues, expenditures, and financing by central government ministries, agencies and extra-budgetary funds.	Budget documentation incorporates all gross domestic and external revenues, expenditures, and financing by central government ministries, agencies, extra-budgetary funds, and social security funds.
2.1.2. Macroeconomic Forecasts: The budget projections are based on comprehensive macroeconomic forecasts, which are disclosed and explained.	The budget documentation includes forecasts of key macroeconomic variables.	The budget documentation includes forecasts of key macroeconomic variables and their underlying assumptions.	The budget documentation includes forecasts and explanations of key macroeconomic variables and their components, as well as their underlying assumptions.
2.1.3. Medium-term Budget Framework: Budget documentation includes outturns and projections of revenues, expenditures, and financing over the medium term on the same basis as the annual budget.	Budget documentation includes the outturns of the two preceding years and medium-term projections of aggregate revenues, expenditures, and financing.	Budget documentation includes the outturns of the two preceding years and medium-term projections of revenues, expenditures, and financing by economic category.	Budget documentation includes the outturns of the two preceding years and medium-term projections of revenues, expenditures, and financing by economic category and by ministry or program.

2.1.4. Investment Projects: The government regularly discloses its financial obligations under multi-annual investment projects and subjects all major projects to cost-benefit analysis and open and competitive tender.	One of the following applies: (i) the government regularly discloses the value of its total obligations under multi-annual investment projects; (ii) subjects all major projects to a published cost-benefit analysis before approval; or (iii) requires all major projects to be contracted via open and competitive tender.	Two of the following apply: (i) the government regularly discloses the value of its total obligations under multi-annual investment projects; (ii) subjects all major projects to a published cost-benefit analysis before approval; or (iii) requires all major projects to be contracted via open and competitive tender.	All of the following apply: (i) the government regularly discloses the value of its total obligations under multi-annual investment projects; (ii) subjects all major projects to a published cost-benefit analysis before approval; and (iii) requires all major projects to be contracted via open and competitive tender.
2.2. Orderliness: The powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law, and the budget should be presented, debated, and approved in a timely manner.			
2.2.1. Fiscal Legislation: The legal framework clearly defines the time table for budget preparation and approval, key contents of the budget documentation, and the powers and responsibilities of the executive and legislature in the budget process.	The legal framework defines one of the following: (i) the timetable for budget preparation and approval; (ii) the key content requirements for the executive's budget proposal; or (iii) the legislature's powers of amendment to the executive's budget proposal.	The legal framework defines two of the following: (i) the timetable for budget preparation and approval; (ii) the key content requirements for the executive's budget proposal; or (iii) the legislature's powers to amend the executive's budget proposal.	The legal framework defines all of (i) the timetable for budget preparation and approval; (ii) the key content requirements for the executive's budget proposal; and (iii) the legislature's powers to amend the executive's budget proposal.
2.2.2. Timeliness of Budget Documents: The legislature and the public are consistently given adequate time to scrutinize and approve the annual budget.	The budget is submitted to the legislature and made available to the public at least one month before the start of the financial year and is approved and published up to one month after the beginning of the financial year.	The budget is submitted to the legislature and made available to the public at least two months before the start of the financial year and is approved and published by the start of the financial year.	The budget is submitted to the legislature and made available to the public at least three months before the start of the financial year and is approved and published at least one month before the start of the financial year.
2.3. Policy Orientation: Fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability.			
2.3.1. Fiscal Policy Objectives: The government states and reports on clear and measurable objectives for the public finances.	The government states and regularly reports on a numerical objective for the main fiscal aggregates which is either precise or time-bound.	The government states and regularly reports on a numerical objective for the main fiscal aggregates which is both precise and time-bound.	The government states and regularly reports on a numerical objective for the main fiscal aggregates which is both precise and time-bound and has been in place for 3 or more years.
2.3.2. Performance Information: Budget documentation provides information regarding the objectives and results achieved under each major government policy area.	Budget documentation includes information on the inputs acquired under each major government policy area.	Budget documentation reports targets for, and performance against, the outputs delivered under each major government policy area.	Budget documentation reports targets for, and performance against the outcomes to be achieved under each major government policy area.
2.3.3. Public Participation: The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations.	Government publishes an accessible description of recent fiscal performance and economic prospects, as well as a summary of the implications of the budget for a typical citizen.	Government publishes an accessible description of recent fiscal performance and economic prospects and a detailed account of the implications of the budget for a typical citizen and provides citizens with a formal voice in budget deliberations.	Government provides an accessible description of recent fiscal performance and economic prospects, a detailed account of the implications of the budget for different demographic groups and provides citizens with a formal voice in budget deliberations.
2.4. Credibility: Economic and fiscal forecasts and budgets should be credible.			

2.4.1. Independent Evaluation: The government's economic and fiscal forecasts and performance are subject to independent evaluation.	Budget documentation includes comparisons between the government's economic and fiscal projections and those of independent forecasters.	An independent entity evaluates the credibility of the government's economic and fiscal forecasts.	An independent entity evaluates the credibility of the government's economic and fiscal forecasts, and its performance against its fiscal objectives.
2.4.2. Supplementary Budget: Any material changes to the approved budget are authorized by the legislature.	A supplementary budget regularizes expenditure exceeding the approved budget.	A supplementary budget is required prior to material changes to total budgeted expenditure.	A supplementary budget is required prior to material changes to total budgeted expenditure or substantially altering its composition.
2.4.3. Forecast Reconciliation: Budget documentation and any subsequent updates explain any material changes to the government's previous fiscal forecasts, distinguishing the fiscal impact of new policy measures from the baseline.	Differences between the successive vintages of the government's revenue, expenditure, and financing forecasts are shown at the aggregate level, with a qualitative discussion of the impact of new policies on the forecasts.	Differences between successive vintages of the government's revenue, expenditure, and financing forecasts are broken down into the overall effect of new policies and macroeconomic determinants.	Differences between successive vintages of the government's revenue, expenditure, and financing forecasts are broken down into the effects of individual policy changes, macroeconomic determinants, and other factors, such as technical or accounting adjustments.
III. FISCAL RISK ANALYSIS AND MANAGEMENT: Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.			
3.1. Risk Disclosure and Analysis: Governments should publish regular summary reports on risks to their fiscal prospects.			
3.1.1. Macroeconomic Risks: The government reports on how fiscal outcomes might differ from baseline forecasts as a result of different macroeconomic assumptions.	Budget documentation includes discussion of the sensitivity of fiscal forecasts to major macroeconomic assumptions.	Budget documentation includes sensitivity analysis and alternative macroeconomic and fiscal forecast scenarios.	Budget documentation includes sensitivity analysis, alternative scenarios, and probabilistic forecasts of fiscal outcomes.
3.1.2. Specific Fiscal Risks: The government provides a regular summary report on the main specific risks to its fiscal forecasts.	The main specific risks to the fiscal forecast are disclosed in a summary report and discussed in qualitative terms.	The main specific risks to the fiscal forecast are disclosed in a summary report, along with estimates of their magnitude.	The main specific risks to the fiscal forecast are disclosed in a summary report, along with estimates of their magnitude and, where practicable, their likelihood.
3.1.3. Long-Term Fiscal Sustainability Analysis: The government regularly publishes projections of the evolution of the public finances over the long term.	The government regularly publishes projections of the sustainability of the main fiscal aggregates and any health and social security funds over at least the next 10 years.	The government regularly publishes multiple scenarios for the sustainability of the main fiscal aggregates and any health and social security funds over at least the next 30 years using a range of macroeconomic assumptions	The government regularly publishes multiple scenarios for the sustainability of the main fiscal aggregates and any health and social security funds over at least the next 30 years using a range of macroeconomic, demographic, natural resource, or other assumptions.
3.2. Risk Management: Specific risks to the public finances should be regularly monitored, disclosed and managed.			
3.2.1. Budgetary Contingencies: The budget has adequate and transparent allocations for contingencies that arise during budget execution.	The budget includes an allocation for contingencies.	The budget includes an allocation for contingencies with transparent access criteria.	The budget includes an allocation for contingencies with transparent access criteria and regular in-year reporting on its utilization.
3.2.2. Asset and Liability Management: Risks relating to major assets and liabilities are disclosed and managed.	All borrowing is authorized by law and the risks surrounding the government's debt holdings are analyzed and disclosed.	All borrowing is authorized by law and the risks surrounding the government's assets and liabilities are analyzed and disclosed.	All liabilities and significant asset acquisitions or disposals are authorized by law, and the risks surrounding the balance sheet are disclosed and managed according to a published strategy.

3.2.3. Guarantees: The government's guarantee exposure is regularly disclosed and authorized by law.	All government guarantees, their beneficiaries, and the gross exposure created by them, are published at least annually.	All government guarantees, their beneficiaries, and the gross exposure created by them are published at least annually. The maximum value of new guarantees or their stock is authorized by law.	All government guarantees, their beneficiaries, the gross exposure created by them, and the probability of their being called are published at least annually. The maximum value of new guarantees or their stock is authorized by law.
3.2.4. Public Private Partnerships: Obligations under public-private partnerships are regularly disclosed and actively managed.	The government at least annually publishes its total rights, obligations, and other exposures under public-private partnership contracts.	The government at least annually publishes its total rights, obligations, and other exposures under public-private partnership contracts and the expected annual receipts and payments over the life of the contracts.	The government at least annually publishes its total rights, obligations, and other exposures under public-private partnership contracts and the expected annual receipts and payments over the life of the contracts. A legal limit is also placed on accumulated obligations.
3.2.5. Financial Sector Exposure: The government's potential fiscal exposure to the financial sector is analyzed, disclosed, and managed.	The authorities quantify and disclose their explicit support to the financial sector at least annually.	The authorities quantify and disclose their explicit support to the financial sector at least annually, and regularly undertake an assessment of financial sector stability.	The authorities quantify and disclose their explicit support to the financial sector at least annually, and regularly undertake an assessment of financial sector stability, based on a plausible range of macroeconomic and financial market scenarios.
3.2.6. Natural Resources: The government's interest in exhaustible natural resource assets and their exploitation is valued, disclosed, and managed.	The government publishes annual estimates of the volume and value of major natural resource assets, as well as the volume and value of the previous year's sales and fiscal revenue.	The government publishes annual estimates of the volume and value of major natural resources assets under different price scenarios, as well as the volume and value of the previous year's sales and fiscal revenue.	The government publishes annual estimates of the volume and value of major natural resource assets under different price and extraction scenarios, as well as the volume and value of the previous year's sales.
3.2.7. Environmental Risks: The potential fiscal exposure to natural disasters and other major environmental risks are analyzed, disclosed, and managed.	The government identifies and discusses the main fiscal risks from natural disasters in qualitative terms.	The government identifies and discusses the main fiscal risks from natural disasters, quantifying them on the basis of historical experiences.	The government identifies and discusses the main fiscal risks from natural disasters, quantifying them on the basis of historical experiences, and managing them according to a published strategy.
3.3. Fiscal Coordination: Fiscal relations and performance across the public sector should be analyzed, disclosed and coordinated.			
3.3.1. Subnational Governments: Comprehensive information on the financial condition and performance of subnational governments, individually and as a consolidated sector, are collected and published.	The financial condition and performance of subnational governments is published annually.	The financial condition and performance of subnational governments is published annually, and there is a limit on their liabilities or borrowing.	The financial condition and performance of subnational governments is published quarterly, and there is a limit on their liabilities or borrowing.
3.3.2. Public Corporations: The government regularly publishes comprehensive information on the financial performance of public corporations, including any quasi-fiscal activity undertaken by them.	All transfers between the government and public corporations are disclosed on at least an annual basis.	All transfers between the government and public corporations are disclosed, and based on a published ownership policy, a report on the overall financial performance of the public corporations sector is published on at least an annual basis.	All direct and indirect support between the government and public corporations is disclosed, and based on a published ownership policy, a report on the overall financial performance of public corporations sector, including estimates of any quasi-fiscal activities undertaken, is published on at least an annual basis.

Annex II. Proposed Structure of a Fiscal Risk Statement (FRS)

1. Introduction (qualitative)

- Overview and presentation of the fiscal risk management framework in Senegal
- Analysis of institutional strengths and weaknesses and presentation of fiscal risk management measures

2. Summary of specific risks (qualitative)

- List of major fiscal risks and qualitative presentation of their impact
- Explanations for possible new developments or changes to this list

3. Macroeconomic and macro-fiscal risks

- Qualitative analyses of risks derived from the global and regional economy
- (In the medium term) Quantitative analyses of deviations between macroeconomic/macro-fiscal forecasts and outturns, of fiscal sensitivity to the price of fuel and the US$/CFAF exchange rate, alternative macroeconomic scenarios and impact on the budget and the public debt.

4. Political, legal and security risks

- Qualitative analysis of political instability and insecurity risks
- Qualitative analysis of the principal legal disputes involving general government
- (In the medium term) Quantitative analyses of projects in the pipeline that are not yet included in the DPBEP and of the legal risks.

5. Public enterprises

- Overview of the interactions between the portfolio and public finance (assets and liabilities, including arrears; fiscal flows and possible explicit liabilities for the sector, such as subsidies, capital transfers, guarantees; social debts and tax debts)
- Broad qualitative and quantitative overview of risks and discussion of measures to mitigate them (in connection with the chapter on public enterprises and the report on the parapublic sector)[1]
- (In the medium-term) Sensitivity analysis of main fiscal aggregates to a limited number of identified risk scenarios (exchange rate, raw materials, etc.)

6. PPP[2]

- (In the short term) List of the key approved PPP identified
- (In the medium term) Comprehensive list of approved PPP projects
- Details of the newly approved PPPs since the previous FRS
- Cumulative multiyear liabilities of the PPP program; gross exposure from guarantees and other contingent liabilities attached to existing PPP contracts; current and projected performance indicators; tariffs and prices; risk distribution
- Qualitative discussion of fiscal risk mitigation measures.

7. Guarantees and other contingent liabilities

[1] Here reference could be made to the already existing section in the DPBEP on the fiscal risks relating to public enterprises.

[2] This section could draw on the P-FRAM analytical tool and the guide to best practices posted at: (http://www.worldbank.org/en/topic/publicprivatepartnerships/brief/ppp-tools#T1)

- Exhaustive list of guarantees and other contingent (explicit) liabilities agreed to, by beneficiary; above a certain threshold, description of the amount, and of the reason for granting the guarantee, maturity profile, history of debt or liability servicing
- Budget spending due to activation of guarantees and revenue from guarantee fees

8. Social security funds and pension systems

- Qualitative presentation of the liabilities of social security systems and pension schemes
- Presentation of the key measures affecting fiscal risks associated with these entities
- (In the medium term) Quantitative presentation and (in the case of substantial liabilities) remedial measures

9. Financial sector

- Presentation of the history of financial sector bailouts and discussion of mitigation measures already adopted or in preparation
- Presentation of guarantee mechanisms generating explicit commitments of the government vis-à-vis the financial sector
- (In the medium term) Contingent explicit liabilities, liabilities of the sector broken down into liabilities of the private sector and of partly state-owned banks; summary of financial soundness indicators (key financial indicators, such as capital adequacy and nonperforming loans ratios) drawing on existing reports

10. Environmental risks / Natural disasters

- Qualitative analysis of fiscal risks related to natural disasters
- (In the medium term) Economic costs of past natural disasters, frequency and associated fiscal costs and discussion of mitigation measures

11. Subnational, including regional, governments

- Qualitative presentation of the changing role of subnational governments
- Subnational governments' debts and possible central government liabilities
- (In the medium term) Quantitative analysis relating to subnational governments (for example, in the event of a default in respect of an investment project)

12. Long-term risks

- Presentation of the risks associated with general government indebtedness
- Presentation of the risks associated with the public debt
- (In the medium term) Presentation of the risks associated with government financial assets
- Analysis of alternative scenarios for next 10 years consistent with the DSA scenarios
- A shortened version of the already existing DSA, with analysis of debt maturity profiles

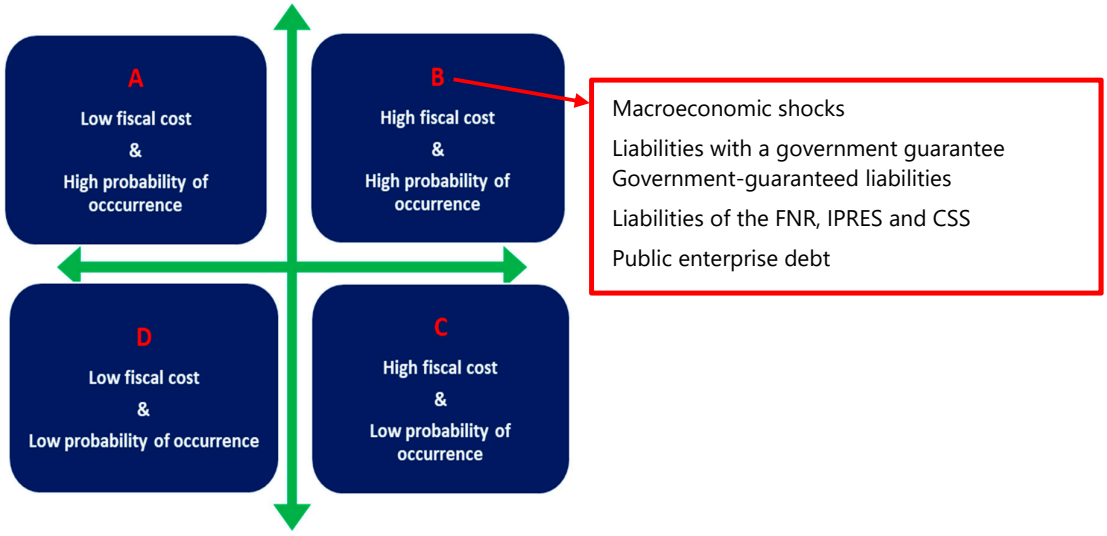
Annex III. Brief Presentation on Prioritizing Fiscal Risks and Tools for Quantitative Research

The analysis of fiscal risks essentially consists in gauging their likelihood of occurrence and their impact on the deficit and the public debt. The following methodological suggestions draw on work done by IMF economists in countries comparable to Senegal. They propose a three-stage approach: (1) identify risk factors; (2) assess the likelihood of occurrence; and (3) evaluate the potential impact on the deficit and the public debt.

Listing and prioritizing the risks

The prioritization of fiscal risks involves a trade-off between the probability of materialization of a risk and its fiscal cost. The Figure below outlines the trade-off involved. The risks shown in block B are the most important and therefore those that the Senegalese authorities need to monitor as soon as possible.

Figure. Prioritization of Fiscal Risks



Source: IMF staff.

Gauging the likelihood of risks materializing

The likelihood of a risk materializing can be gauged by using quantitative methods, any available studies, or in a more subjective manner. Most of the risks listed are recurrent and have materialized in the past. Their likelihood is therefore gauged according to their frequency, adjusted if need be by contextual factors. For instance: the frequency of climatic factors has been established by think tanks, and that frequency is increased by climate change; the Statistics Institute has good knowledge of the volatility of GDP production factors. However, in some cases, probabilities of occurrence have to be evaluated in a subjective manner using contextual information: for example, the likelihood of the government assuming the liabilities of an enterprise depends on the financial and social context.

Evaluating the impact of a risk

Two approaches to risk analysis may prove particularly useful for assessing their financial impact on the budget: (**A**) sensitivity analyses and (**B**) alternative scenarios. Conducting these analyses is a first step toward producing more elaborate analytical tools in line with best international practices.

Sensitivity analyses gauge the impact of changes in one macroeconomic variable on fiscal variables, all else being equal. To ensure effectiveness, it is best to focus the sensitivity analysis on the impact of well-known and reliable macroeconomic variables (such as the growth rate of GDP, oil prices or the US$/CFSAF exchange rate). As for the fiscal variables, the analyses should focus mainly on revenue, expenditure, the fiscal balance and the debt (including public sector liabilities). They can then gradually be expanded to cover debt servicing, the present value of the debt and stock variables (assets, liabilities, balance sheet). Finally, to ensure consistency, the timeframe for sensitivity analyses needs to be aligned with that of the DPBEP, i.e., three years.

The choice of shock assumptions in the sensitivity analyses could be guided by the following considerations:

- Shocks already simulated in the DSA could be used also in sensitivity analyses, to ensure consistency and credibility. DSA is an internationally recognized analytical tool and one that is published by the IMF on a regular basis. The DDP conducts its own DSA, based on the IMF methodology and format.
- For shocks not yet simulated in the DSA, it would be useful to base assumptions on historical values. To that end, the analysis should start by producing a table summarizing the discrepancies or historical shocks vis-à-vis the variables to be simulated.

Sensitivity analyses may be supplemented with alternative scenarios (Table below). The basic idea is to simulate the impact of a combination of shocks deviating from the core scenario envisaged in fiscal forecasts applied to the key macroeconomic variables. As with the sensitivity analyses, alternative scenario analyses should, in the short term, focus on revenue, expenditure, the fiscal balance and the public debt. They can then gradually expand to include other flow variables (debt service, financing needs) and, in the medium to long term, stock variables (liabilities, balance sheet).

The alternative scenario analyses could also initially be aligned with the DPBEP's three-year timeframe. Subsequently, when the authorities have familiarized themselves with the simulations, the timeframe would gradually be extended to 10 years, and then 30 years, which would eventually make it possible to encompass the long-term fiscal vulnerabilities associated with social security and pension issues.

The approach adopted to carry out sensitivity analyses is also suitable for alternative scenarios analyses. Here again, the aim is to describe and quantify the various mechanisms and channels through which shocks are transmitted to the outcome variables. The following Table illustrates how the outcomes of the alternative scenarios can be presented.

The alternative scenarios used for DSA could also be used for fiscal risk analysis.

Table. Alternative Scenario: Impact of Combined Shocks

		Short to medium term			*Long term*			
		2018	2019	2020	2021	...	2046	2047
ASSUMPTIONS								
Historical scenario	Macroeconomic variables at their historical average							
Extreme shock scenario	Oil price shock + CFAF/US$ exchange rate shock Oil price shock + Oil price shock Growth shock + Oil price shock							
Customized scenario	Historical scenario + debt of public enterprises Extreme scenario + debt of public enterprises							
OUTCOMES								
Baseline scenario	Fiscal balance (% of GDP) Debt (% of GDP) Present value of the debt Debt service/revenue							
Historical scenario	Fiscal balance (% of GDP) Debt (% of GDP) Present value of the debt Debt service/revenue							
Extreme shock scenario	Fiscal balance (% of GDP) Debt (% of GDP) Present value of the debt Debt service/revenue							
Customized scenario	Fiscal balance (% of GDP) Debt (% of GDP) Present value of the debt Debt service/revenue							

Source: IMF.

In the longer term, when simulation capabilities have been strengthened, the authorities could consider using probabilistic assessments. These methods, which are the most sophisticated and are used in a few developed economies such as Canada, the United States, New Zealand and the United Kingdom, make it possible to estimate the likelihood of public debt sustainability while taking into account a variety of extreme shocks impacting the economy and the fiscal response to those shocks (the maximum economically and politically feasible fiscal surplus).

Annex IV. Plan for Developing the Fiscal Risk Statement (2019-2021)

Publication of FRS officially signals the government's commitment to monitoring and managing fiscal risks. Publishing a FRS constitutes an advanced practice. It enables decision-makers, the public and the legislature to have a better grasp of risks and their potential impact on the budget. It helps boost support for mitigation policies. It reinforces the credibility of the government's macro-fiscal forecasts among creditors and across markets. When information is highly fragmented and dispersed across different reports, or when it is lacking, it becomes difficult for outside analysts to visualize the full extent of exposure to fiscal risks.

In Senegal, the FRS should first focus on the most important fiscal risks and then gradually expand to encompass all risks. Preparing a FRS will require concerted effort to develop the necessary analytical and technical skills (see the Table below). The FRS should be gradually expanded to cover all major fiscal risks and provide more detailed analysis of their potential impact. Following the presentation of each type of risk, a short paragraph explaining any mitigation measures taken or planned would be useful to convince the outside world of the government's control of the risks referred to.

Table. Distribution of Tasks in Preparing the FRS

Sections of the DRB	Origin of the data	Analysis	Drafting
Introduction			DGB, DPBEP committee
Analysis of institutional strengths and fiscal risks			DGB, DPBEP committee
Macroeconomic and macro-fiscal risks	DPEE	DPEE	DPEE, DPBEP committee
Political, legal and security risks	*Ad hoc*	*Ad hoc*	DGB, DPBEP committee
Public enterprises	DSP	DSP	DSP, DPBEP committee
Public-private partnerships	Ministries, APIX, CNAPPP	CNAPPP, DGB	DGB, DPBEP committee
Guarantees and other contingent liabilities	DDP, DGCPT	DDP, DGB	DGCPT, DPBEP committee
Financial sector	BCEAO, DGCPT	BGCPT	DGCPT, DPBEP committee
Environmental risks	Ministries (Env., Agriculture, …)	Ministries, DPEE	DPEE, DPBEP committee
Subnational governments	DSPL	DSPL	DSPL, DPBEP committee
Management of assets and liabilities	DEES	DEES, DGCPT	DGCPT, DPBEP committee
Long-term risks	DGCPT, DGB	DGCPT, DGB	DGCPT, DPBEP committee

Source: IMF staff.

While publication of a FRS is an important bridge to cross, the effort must go on in pursuit of pro-active management of fiscal risks. The path Senegal is embarking upon does not end with the identification, analysis, monitoring and publication of fiscal risks. The end-goal is to pro-actively improve management of fiscal risks, by coming up with mitigation and provisioning measures and freeing up fiscal room for maneuver, in ways that are tailored to the nature of those risks. That process, which will take time and will mobilize resources, will, in the medium term, bring about a profound change in the approach to fiscal risks and fiscal policies overall throughout the Senegalese administration.

The following Table presents a proposed three-year plan for developing a FRS in Senegal.

Action Plan for Developing a Fiscal Risk Statement

Sections of the FRS	2019 Budget	2020 Budget	2021 Budget
Introduction	Qualitative summary of the main risks addressed in the FRS	Overview and presentation of the framework for identifying, analyzing, monitoring and publishing risks in Senegal	Overview and presentation of the framework for identifying, analyzing, monitoring and publishing risks in Senegal Analysis of institutional strengths and weaknesses and presentation of fiscal risk management measures in connection with the Senegalese Action Plan
Macroeconomic risks	Quantitative analyses of macro-fiscal forecasts, of fiscal sensitivities to the oil price and the US$/CFAF exchange rate	Qualitative analysis of the risks posed by the global and regional economy Quantitative analyses of macroeconomic and macro-fiscal forecasts, of fiscal sensitivities to the oil price and the US$/CFAF exchange rate	In-depth qualitative analysis of the risks posed by the global and regional economy Quantitative analyses of discrepancies (*écarts*) in macroeconomic and macro-fiscal forecasts, of fiscal sensitivities to the oil price and the US$/CFAF exchange rate, alternative macroeconomic scenarios
Political, legal and security risks		Qualitative analysis of political instability and insecurity risks Qualitative analysis of main lawsuits	Qualitative and quantitative analysis of political instability and insecurity risks and of main lawsuits
(Nonfinancial) public enterprises	Overview of the portfolio (sectors, number of entities, assets and liabilities (including arrears) Overview of the main interactions of the portfolio with public finance (fiscal flows and possible explicit liabilities for the sector: subsidies, capital transfers, guarantees; social debts and tax debts) (Shortened version of the report on the parapublic sector)	Overview of the portfolio (sectors, number of entities, assets and liabilities (including arrears) Overview of the main interactions of the portfolio with public finance (fiscal flows and possible explicit liabilities for the sector: subsidies, capital transfers, guarantees, etc.) Summary of fiscal performances: details regarding the principal financial aggregates and financial performance indicators for the sector as a whole (Shortened version of the report on the parapublic sector) Qualitative broad overview of risks (macroeconomic shocks, quasi-fiscal activities, …) and discussion of risk mitigation measures	Overview of the portfolio (sectors, number of entities, assets and liabilities (including arrears) Overview of the main interactions of the portfolio with public finance (fiscal flows and possible explicit liabilities for the sector: subsidies, capital transfers, guarantees, etc.) Summary of fiscal performances: details regarding the principal financial aggregates and financial performance indicators for the sector as a whole (Shortened version of the report on the parapublic sector) Qualitative broad overview of risks (macroeconomic shocks, quasi-fiscal activities, etc.) and discussion of risk mitigation measures Analysis of the sensitivity of the principal aggregates to a limited number of identified risk scenarios (exchange rate, raw materials, etc.)
Public-private partnerships	List of the major approved PPP projects, quantitative data if available	Complete list of approved PPP projects, details of new PPP approved since the previous FRS, cumulative multiyear liabilities of the PPP program, gross exposure to guarantees and other possible liabilities relating to PPP contracts	Complete list of approved PPP projects, details of new PPP approved since the previous FRS, cumulative multiyear liabilities of the PPP program, gross exposure to guarantees and other possible liabilities relating to PPP contracts. Qualitative discussion of fiscal risk mitigation measures.
Guarantees and other contingent liabilities	Complete list of guarantees and other possible liabilities, of outstanding guarantees and their beneficiaries. Quantitative data if available	Complete list of guarantees and other possible (explicit) liabilities agreed to, by beneficiary Fiscal expenditure from activation of guarantees and revenue from guarantee fees	Complete list of guarantees and other possible (explicit) liabilities agreed to, by beneficiary; above a certain threshold, description of the amount, the reason for granting the guarantee, the maturity profiles and the history of the debt servicing or liability Fiscal expenditure from activation of guarantees and revenue from guarantee fees and
Social security funds and pension systems	Qualitative presentation of the liabilities of social security systems and pension schemes	Qualitative presentation of the liabilities of social security systems and pension schemes; Quantitative aggregate presentation of the principal liabilities Presentation of measures impacting associated fiscal risks	Qualitative presentation of the liabilities of social security systems and pension schemes; Quantitative disaggregated presentation of the principal liabilities Presentation of measures impacting associated fiscal risks Quantitative presentation as well as any remedial measures.
Financial sector		Possible explicit liabilities, liabilities of the sector broken down into liabilities of the private sector and of banks in which the State owns shares; summary of financial soundness indicators based on existing reports an on BCEAO stress tests Presentation of the history of financial sector bailouts and of existing guarantee and resolution mechanisms	Possible explicit liabilities, liabilities of the sector broken down into liabilities of the private sector and of banks in which the State owns shares; summary of financial soundness indicators based on existing reports an on BCEAO stress tests Presentation of the history of financial sector bailouts and of existing guarantee and resolution mechanisms; and discussion of mitigation measures already adopted or in the pipeline
Environmental risks	List of the major environmental risks and qualitative analysis	Qualitative analysis of the fiscal risks associated with natural disasters, the economic costs of past disasters, frequency and associated fiscal costs	Qualitative analysis of the fiscal risks associated with natural disasters, the economic costs of past disasters, frequency and associated fiscal costs Discussion of mitigation measures
Natural resources	Estimation of sales and of fiscal revenue derived from the exploitation of natural resources	Estimation of sales and of fiscal revenue derived from the exploitation of natural resources according to different price scenarios (in connection with macroeconomic scenarios) Estimates of the volume and value of the main reserves	Estimation of sales and of fiscal revenue derived from the exploitation of natural resources Estimates of the volume and value of the main reserves Assessment of revenue and reserves based on different price and extraction scenarios
Subnational governments		Qualitative analysis	Qualitative analysis Subnational governments' debt and possible liabilities of central government
Long-term risks	Shortened version of the existing DSA	Shortened version of the existing DSA, with analysis of debt maturity profiles	Analysis of alternative 10-year scenarios consistent with the DSA scenarios Shortened version of the existing DSA, with analysis of debt maturity profiles.