SENEGAL
CHAIRMAN’S SUMMING UP
Completion Point Document for the Enhanced HIPC Initiative

Meeting of the Executive Directors of IDA
April 15, 2004

The Executive Directors considered the President’s Memorandum and Recommendation and Completion Point Document for the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative for Senegal.

Directors commended Senegal for the substantial progress the country had made toward improving macroeconomic stability, restoring accelerated growth, and furthering poverty reduction, agreed that it had broadly met the conditions for reaching the completion point under the Enhanced HIPC Initiative, and endorsed the overall staff assessment contained in the Completion Point Document.

Directors urged staff to facilitate discussions with other creditors, including non-Paris Club creditors, to enable them to deliver their share of assistance under the Enhanced HIPC Initiative. They welcomed the decline of external debt-to-export debt-to-revenue ratios to levels below the Enhanced HIPC Initiative thresholds of 150 percent and 250 percent, respectively.

Directors commended the authorities for their generally prudent borrowing policy and sound macroeconomic management, which would allow Senegal to exit from the enhanced HIPC Initiative with improved chances of maintaining sustainable debt levels over the longer term. They emphasized the importance of keeping up the momentum on structural reforms for sustained strong output growth, and of managing the external debt policy carefully. In this regard, they noted that the debt sustainability analysis appeared overly optimistic, as Senegal remains vulnerable to external shocks. Directors underscored the importance of borrowing on concessional terms to assure sustainability of external debt. They welcomed the steady implementation of the PRSP for more than a year and the increase in poverty-related expenditures, particularly education. Directors commented on the need to align the budget and the PRSP more closely, notably by developing a Medium-Term Expenditure Framework.

Directors noted that despite these achievements, the country still faced a substantial agenda of structural and social reforms, and urged Senegal to continue reforms in key structural areas. They observed that improvements were still needed in audits, external controls, the procurement system, and tax revenue collection. Continued focus was also needed on growth enhancing policies and on privatization. Directors welcomed the Government’s decision to strengthen the public expenditure management system in order to ensure that fiscal resources, including those provided under the HIPC Initiative, are used effectively for poverty reduction. They stressed the importance of reforms to enhance budgetary allocations, as well as monitoring of poverty-related expenditures. Directors also stressed the importance of addressing governance and institutional capacity constraints in Senegal.

Looking ahead, Directors saw room for strengthening implementation of the actions included in the PRSP. They welcomed the recent completion of the first PRSP progress report, and encouraged the Government to prioritize and further define the objectives and targets for sectoral programs in health, education, and agriculture. They stressed the importance of measurable PRSP indicators. Directors also underscored the need to finalize and implement the new strategy developed by the Government in the health sector. The implementation of this strategy, they noted, was crucial for Senegal achieving its PRSP medium-term objectives and MDGs in this sector.