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July 15, 2020

**Statement by Mr. Odonye and Ms. Maldi on Senegal
(Preliminary)
Executive Board Meeting
July 17, 2020**

We thank staff for a well-written report and Messrs. Raghani and Diakite for their informative Buff statement.

Covid-19 has taken a great toll on Senegal, ending its strong growth trend averaged about 6 ½ percent in 6 years. Containment measures, lower external demand, reduced remittances, and the sudden stop of travel and tourism are major pressure points. Despite the challenging situation, the Senegal authorities remain committed to the implementation of phase II of the “Plan Senegal Emergent” (PSE) supported by the Policy Coordination Instrument (PCI). They are motivated by the satisfactory program implementation and strong commitment to a reform agenda aimed at enhancing the resilience of the economy and promoting sustainable and inclusive growth. **Against this background, we support the completion of the first review under the PCI and the request for modification of related targets. We urge the authorities to implement the agreed recommendations targeted at the vulnerable sectors and a strong post-crisis recovery.**

Prudent fiscal consolidation remains critical to preserving debt sustainability and achieving inclusive economic development. In this vein, we support the authorities’ implementation of the economic and social resilience program (*Programme de Résilience Economique et Sociale*). This will contain the impact of the pandemic while striking a balance between their development goals and the temporary widening of the fiscal deficit. As emphasized in the Buff statement, the authorities’ commitment to fiscal reforms remains key, including by enhancing revenue mobilization under the recently finalized medium-term revenue strategy (MTRS). We note that contingency planning through enhanced Treasury Single Account (TSA) would be underpinned by the reprioritization of spending and control. Staff assessment also indicates that potential financing sources could come from the regional market among others. *Could staff comment on the financing capacity by the regional market if peers in the community present similar requests?* Returning to the WAEMU’s fiscal targets once the pandemic abates is key to enhance member credibility and ensure regional stability.

Further, we welcome the authorities' commitment to improve the debt management and the inclusion of SOE debts within the broader debt strategy as well as their plan to develop a framework to manage the oil and gas revenues from SOEs.

We welcome the BCEAO's swift adaptation of operating framework aimed at preserving financial sector resilience and supporting smooth recovery. In this vein, the regulator responded to liquidity pressures, supported the business sector and helped mitigate the impact of the pandemic. Nonetheless, we urge the regional authorities to continue close monitoring of banks in collaboration with the national authorities to ensure stability. To this end, we see merit in the establishment of the National Financial Stability Committee to strengthen the functioning of financial intermediaries and accelerate access to financial services, including mobile banking services.

Continuous implementation of structural reforms to promote private sector development is essential to foster economic recovery and achieve sustainable and inclusive growth. We note the authorities' commitment to advancing structural reforms through private sector-led recovery and look forward to the practical demonstration. Priority areas include financial inclusion, modernization of the legal framework for the labor market, new start-up law to support entrepreneurs, and closing gender gaps in education, as well as addressing the AML/CFT deficiencies related to banks' compliance with the revamped regulatory framework.

We wish the Senegalese authorities success in their policy endeavors.