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July 15, 2020

**Statement by Mr. Fachada, Ms. Mohammed, and Ms. Cruz on Senegal
(Preliminary)
Executive Board Meeting
July 17, 2020**

1. We thank staff for the report and Messrs. Raghani and Diakite for their insightful statement. Over the recent years, the Senegalese authorities' have maintained robust growth and favorable macroeconomic performance backed by a strong-track record under IMF non-financial programs. However, with the Covid-19 shock, Senegal now faces an arduous task of maintaining appropriate policy stabilization measures, whilst preserving the hard-won development gains over the last decade. Against this background, we support the completion of the first review under the Policy Coordination Instrument (PCI) and the proposed modification of the end-June and end-December quantitative targets.

2. **We commend the Senegalese authorities for their swift response to the crisis and support the *Plan Senegal Emergent* to anchor macroeconomic stability.** We are pleased that, according to staff, the RFI/RCF disbursement in April catalyzed additional support to close the 2020 financing gap and, together with the G-20/Paris Club debt service suspension initiative, provided fiscal space to respond to the shock. We take note that the fiscal deficit of 6.1 percent of GDP in 2020 is higher than anticipated at the time of approval of the PCI in January due to additional spending needs and lower revenue collections, but this temporary increase is appropriate. The authorities' commitment to returning to a deficit of 3 percent of GDP by 2022 to maintain medium-term fiscal and debt sustainability is reassuring. To this end, the finalization of the medium-term revenue strategy and the advancement in expenditure efficiency and controls are steps in the right direction. This notwithstanding, given the high uncertainty surrounding the outlook, the authorities should be prepared to explore potential fiscal measures and financing options if Senegal's economic situation deteriorates.

3. **Further improvements in the debt management strategy are vital to strengthen oversight and put debt on a downward trajectory.** The progress made towards revitalizing

the National Public Debt Committee to improve debt data reporting and oversight is welcomed. We also agree that inclusion of State-Owned Enterprises (SOEs) debt in the overall debt strategy is vital to enhance monitoring, reporting and risk management. That said, closer monitoring of SOEs is needed especially since their fiscal risks have increased due to the pandemic. Going forward, the authorities' intention to rely more on concessional borrowing is welcomed.

4. **Preserving financial stability and ensuring a smooth recovery are crucial.** We commend the Senegalese authorities and the BCEAO for their swift actions to respond to liquidity pressures in the financial system. Nevertheless, we note that the banking system is vulnerable as sectors hit hardest by the pandemic such as hospitality, transport and retail account for a significant share of total credit outstanding. Therefore, we encourage the authorities to enhance supervision of the banks and other financial intermediaries to detect early signs of distress. We take positive note of the authorities' efforts to expand access to financial services, particularly mobile banking, which can also help facilitate social distancing measures in response to the pandemic. Progress to address AML/CFT deficiencies, including banks' internal measures to improve compliance with the revamped regulatory framework, is encouraging. Nonetheless, the authorities should continue to advance their efforts on this front.

5. **Finally, we welcome the streamlined reform targets and support the necessary adjustments made to the PCI to cope with the COVID-19 pandemic and the expected recovery phase.** We take positive note that despite the crisis, reforms to address structural bottlenecks to private sector development are advancing. Nevertheless, while we believe that structural conditionality is very important and would help facilitate the recovery, the PCI in its original form had an overwhelming number of reform targets. Additionally, the revised quantitative targets for end-June 2020 and end-December 2020, as well as the new targets proposed for end-June 2021 seem appropriate.