

SU/22/88

June 22, 2022

The Acting Chair's Summing Up
Senegal—Fifth Review Under the Policy Coordination Instrument,
Second Reviews Under the Stand-By Arrangement and the Arrangement Under
the Standby Credit Facility, and Requests for Augmentation of Access, Waiver of
the Nonobservance of a Performance Criterion, and Modification of
a Performance Criterion and Quantitative Targets
Executive Board Meeting 22/57
June 22, 2022

Executive Directors welcomed the resilience of the Senegalese economy and the robust recovery in 2021. They also commended the authorities for their broadly satisfactory performance under the program, including their strategy to address the spillovers from the war in Ukraine while safeguarding debt sustainability. Noting the increasing challenges, particularly from higher and volatile energy and food prices and rising food insecurity, Directors emphasized the importance of continued commitment to reforms to maintain macroeconomic stability, rebuild buffers, and achieve inclusive and sustainable growth. Accelerating the vaccination campaign also remains a priority.

Directors agreed with the recalibration of the fiscal stance to accommodate targeted and temporary measures that mitigate the impact of soaring food and energy prices. They cautioned that the narrowing fiscal space and rising debt vulnerabilities call for steadfast implementation of the medium-term fiscal consolidation strategy anchored by the regional fiscal deficit target. Important elements of this strategy are domestic revenue mobilization, prudent debt management and SOE reforms. Enhanced fiscal transparency, governance and procurement would also be important.

Directors underscored the importance of a gradual phasing out of energy subsidies accompanied by improvements in social safety nets. In that context, Directors welcomed the recent selective increase in electricity and fuel prices, carefully designed to protect the vulnerable. Directors also encouraged the prompt development of a new fiscal framework to manage prospective oil and gas revenues.

Directors agreed that the financial system remains overall sound. They urged timely implementation of corrective measures for the three undercapitalized banks and the postal group. Directors also stressed the need to expeditiously implement measures to address deficiencies in the AML/CFT framework.

Directors emphasized the importance of improving the business environment and addressing youth unemployment, which are critical to generating high and inclusive growth. They also stressed the need to address climate adaptation needs.