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July 20, 2020

The Acting Chair's Summing Up
Senegal—First Review Under the Policy Coordination Instrument and Request for Modification of Quantitative Targets
Executive Board Meeting 20/78
July 17, 2020

Executive Directors noted the strong impact of Covid-19 on Senegal. There is a risk that the crisis, if left unaddressed, could increase social tensions and unravel development gains made over the last decade. With this, Directors welcomed the authorities' forceful response to the pandemic with a focus on strengthening the health sector, supporting vulnerable households, and stabilizing the economy.

Directors agreed with the expansionary fiscal stance in the revised budget for 2020, supported by spending reprioritization, additional external grants and concessional financing, as well as the temporary suspension of debt service under the G20 Debt Service Suspension Initiative. Given the high uncertainty regarding revenue projections, they welcomed the authorities' decision to maintain a contingent spending envelope. Directors highlighted that returning to a deficit of 3 percent of GDP by 2022 as conditions normalize is essential to keep fiscal policy well-anchored, and preserve debt sustainability and regional stability.

Directors stressed the importance of ensuring full transparency and accountability of emergency spending. They welcomed the authorities' commitment to publish all related tenders, beneficiaries, audit results and quarterly budget execution reports. Directors underscored that providing timely support to the informal sector and the poor should be an essential part of an effective crisis response, including through expanding the cash transfer program and increasing the efficiency of existing support schemes for small and medium-sized enterprises.

Directors called for close monitoring of risks to financial stability. They encouraged the authorities to undertake a comprehensive diagnostic of the financial sector once the crisis abates to guide their actions. They also urged the authorities to address remaining AML/CFT deficiencies to prevent a potential gray listing by FATF.

Directors commended the authorities for the good policy implementation under the Policy Coordination Instrument notwithstanding the difficult circumstances. They welcomed the continued commitment to safeguarding macroeconomic stability and supported the streamlining of the reform agenda to allow for a continued focus on crisis-related needs.

Directors were encouraged by ongoing progress on medium-term reforms. They emphasized that further improvements in debt management, revenue mobilization, public financial management, the framework to manage hydrocarbon revenues and the business environment will pave the way for a strong, private sector-led recovery.