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SENEGAL

January 2021

SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF QUANTITATIVE TARGETS—PRESS RELEASE; AND STAFF REPORT

In the context of the Second Review Under the Policy Coordination Instrument and Request for Modification of Quantitative Targets, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on November 16, 2020 with the officials of Senegal on economic developments and policies underpinning the IMF arrangement under the Policy Coordination Instrument. Based on information available at the time of these discussions, the staff report was completed on December 18, 2020.
- A **Debt Sustainability Analysis Update**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.

PRESS RELEASE

PR21/7

IMF Executive Board Completes Second Review Under the Policy Coordination Instrument for Senegal

FOR IMMEDIATE RELEASE

- *Despite the challenges posed by the COVID-19 pandemic, performance on end-June PCI objectives has been broadly satisfactory and the program remains on track.*
- *With a broad-based recovery starting in the second half of 2020 and favorable perspectives for end-year agricultural production, the contraction initially expected for the full year will likely be avoided. This momentum should carry over to 2021, with growth projected at about 5 percent.*
- *The 2021 budget approved in December 2020 balances support for the recovery and a gradual fiscal consolidation aimed at returning to the regional deficit anchor of 3 percent of GDP by 2023.*

Washington, DC – January 12, 2021: The Executive Board of the International Monetary Fund (IMF) completed the second review under the Policy Coordination Instrument (PCI) for Senegal. [1] The Executive Board's decision was taken without a meeting. [2]

The PCI for Senegal was approved on January 10, 2020 (see Press Release No. 20/06). The program supports the authorities' development objectives under the "Plan Senegal Emergent" and focuses on three main pillars: (i) achieving inclusive and private sector-led growth; (ii) consolidating macroeconomic stability through prudent fiscal policy and sound debt management; and (iii) managing prospective oil and gas revenues in a sustainable and transparent manner.

Although the pandemic has remained fairly contained in Senegal, its economic impact has been severe through the first half of 2020. Strong fiscal and monetary policy support have helped bolster the health system and cushion the economic shock but led the projected 2020 fiscal deficit to increase from 3 to about 6 ½ percent of GDP. The IMF disbursed US$442 million (100 percent of quota) under the RCF/RFI in April to support the pandemic response. Drawing lessons from the crisis, the authorities have adjusted their economic development plan for 2021-23 to build a more resilient and inclusive economy, including by upgrading the social safety net.

The 2021 budget approved in December 2020 envisages a consolidation of about 1½ percent of GDP, underpinned by the withdrawal of COVID-19 stimulus, implementation of the authorities' Medium-Term Revenue Strategy, and further current spending rationalization. In line with regional understandings, the authorities are committed to return to the WAEMU fiscal deficit target of 3 percent of GDP by 2023, which would help contain debt vulnerabilities. Public debt remains at moderate risk of debt distress with limited space to absorb shocks in the near term.

Reforms to gradually reduce tax expenditures, enhance budget execution transparency and monitor fiscal risks are advancing. The authorities are also finalizing the revised legal framework for PPPs and the legal framework for the management of hydrocarbon revenue, which should be aligned with international best practices.

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[1] The PCI is available to all IMF members that do not need Fund financial resources at the time of approval. It is designed for countries seeking to demonstrate commitment to a reform agenda or to unlock and coordinate financing from other official creditors or private investors. (see https://www.imf.org/en/About/Factsheets/Sheets/2017/07/25/policy-coordination-instrument).

[2] The Executive Board takes decisions without a meeting (based on lapse-of-time procedures) when it is agreed by the Board that a proposal can be considered without convening formal discussions.

Senegal: Selected Economic and Financial Indicators, 2019–24[1]

	2019	2020	2021	2022	2023	2024
	Prel.	Proj.	Proj.	Projections		
National income and prices						
GDP at constant prices [1]	5.3	-0.7	5.2	6.0	11.9	8.7
Of which: Non-hydrocarbon GDP	5.3	-0.7	5.2	6.0	7.3	7.2
Of which: Hydrocarbon GDP	…	…	…	…	…	44.0
Of which: Non-agriculture GDP	5.8	-1.4	5.3	6.2	12.6	9.0
GDP deflator	1.7	2.1	1.7	1.7	1.5	1.8
Consumer prices						
Annual average	1.0	2.0	2.0	2.0	1.5	1.5
End of period	0.6	1.4	2.6	1.7	1.3	1.7
External sector						
Exports, f.o.b. (CFA francs)	12.3	-5.1	8.9	15.0	67.7	16.1
Imports, f.o.b. (CFA francs)	4.7	1.5	4.6	9.7	19.3	8.7
Export volume	12.8	-2.5	13.0	12.7	88.4	15.6
Import volume	9.0	9.4	7.9	10.1	14.7	7.8
Terms of trade ("–" = deterioration)	3.7	4.8	-0.5	2.5	-14.4	-0.4
Nominal effective exchange rate	-1.3	…	…	…	…	…
Real effective exchange rate	-2.1	…	…	…	…	…
Broad money	8.2	9.4	9.1	8.6	…	…
Net domestic assets	7.5	8.8	5.3	5.1	…	…
Credit to the government (net)	1.7	7.5	1.5	1.5	…	…
Credit to the economy (net)	6.1	1.9	5.0	4.8	…	…
Government financial operations						
Revenue	20.2	21.1	20.6	20.9	21.7	21.9
Grants	1.6	3.2	2.2	2.3	1.9	1.7
Total expenditure	24.0	27.6	25.5	24.9	24.7	24.9
Net lending/borrowing (Overall Balance)						
excluding grants	-5.5	-9.7	-7.1	-6.3	-4.9	-4.7
including grants	-3.8	-6.5	-4.9	-4.0	-3.0	-3.0
Net lending/borrowing (excl. one-off operations.)	-3.1	-6.4	-4.8	-4.0	-3.0	-3.0
Primary fiscal balance	-1.9	-4.3	-2.7	-1.9	-0.9	-0.9
Savings and investment						
Current account balance (official transfers included)	-7.5	-10.9	-10.7	-10.6	-4.6	-3.6
Current account balance (official transfers excluded)	-7.7	-12.3	-11.2	-11.3	-5.0	-3.8
Gross domestic investment	31.7	30.7	33.9	34.3	35.7	33.5
Government [2]	7.3	8.8	9.2	8.3	8.9	9.4
Nongovernment	24.4	21.9	24.8	26.0	26.8	24.2
Gross national savings	24.1	19.8	23.2	23.7	31.1	29.9
Government	6.6	6.6	6.7	7.0	9.1	10.3
Nongovernment	17.6	13.2	16.5	16.6	22.0	19.6
Total public debt [3]	64.1	67.6	68.2	68.1	63.7	61.0
Domestic public debt [4]	10.9	12.2	12.7	13.9	14.3	15.3
External public debt	53.2	55.3	55.5	54.3	49.5	45.7
Total public debt service [3]						
Percent of government revenue	22.9	23.7	24.2	27.1	24.6	28.5
Memorandum items:						
Gross domestic product (CFAF billions)	13,815	14,006	14,991	16,154	18,347	20,313
of which non-hydrocarbon (CFAF billions)	13,815	14,006	14,991	16,154	17,260	18,718
Gross domestic product (USD billions)	23.6	…	…	…	…	…
Share of hydrocarbon in total GDP (%)	…	…	…	…	5.9	7.9
National Currency per U.S. Dollar (Average)	586	…	…	…	…	…

Sources: Senegal authorities; and IMF staff estimates and projections.

[1] Based on new national accounts rebased to 2014.

[2] Reflects reclassification of public investment.

[3] Starting in 2017 debt level, debt service and government revenue include preliminary data covering the broader public sector.

[4] Domestic debt includes government securities issued in local currency and held by WAEMU residents.

SENEGAL

December 18, 2020

SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF QUANTITATIVE TARGETS

EXECUTIVE SUMMARY

Context. Although the pandemic has remained fairly contained in Senegal, its economic impact has been severe. Strong fiscal and monetary policy support has helped bolster the health system and cushion the economic shock, with additional fiscal spending exceeding 3 percent of GDP. The IMF disbursed US$442 million (100 percent of quota) under the RFI/RCF in April to support the crisis response. An ambitious 2021–23 economic recovery plan aims to build a more resilient economy and support inclusive and private sector-led growth. WAEMU Finance Ministers agreed to return to the 3 percent of GDP fiscal deficit anchor more gradually (by 2023) owing to the pandemic's impact and the security challenges in the Sahel.

Outlook and risks. With a broad-based recovery starting in June 2020 and favorable perspectives for the 2020–21 agricultural season, the economic contraction of 0.7 percent expected in 2020 could be avoided. This momentum is expected to carry over to 2021, with growth projected to rebound to about 5 percent. A deeper and longer lasting pandemic at the global and regional level could however impact this favorable outlook.

Program implementation. Performance on end-June PCI objectives has been broadly satisfactory and the program remains on track. Five out of seven quantitative targets (QTs) were met; the two deviations from targets were temporary and do not compromise program objectives. Reform Targets (RTs) were also met except one.

Policy discussions. Staff and the authorities agreed on a 2021 budget balancing support for the recovery and fiscal sustainability, including a moderate loosening of fiscal targets relative to the first PCI review. Staff stressed the importance of returning to the WAEMU deficit anchor by 2023 through gradual fiscal adjustment supported by revenue mobilization, expiring COVID-19 measures, and rationalization of current spending. Limiting new SOE borrowing, enhancing debt management and ensuring adequate monitoring of fiscal risks from PPPs will be essential to maintain debt sustainability. Staff encouraged the authorities to accelerate reforms to improve the business environment and broaden the social safety net. The draft law on hydrocarbon revenue sharing provides for sound and transparent management of natural resources' wealth.

Staff supports the completion of the second PCI review as well as the authorities' request for modification of quantitative targets.

Approved By
Annalisa Fedelino (AFR) and Chad Steinberg (SPR)

Discussions were held remotely during November 3–16, 2020. The mission comprised Ms. Deléchat (AFR–head), Messrs. Rosa, Stenzel (both AFR), Ms. Fotiou (FAD), and Mr. Hart (SPR). The mission was assisted by Mr. Koulet-Vickot (Resident Representative–RR) and Messrs. Ba and Fame (RR office). Mr. Diakite (OED) also attended mission meetings. H. Devine and J. Treilly (both AFR) contributed to this report.

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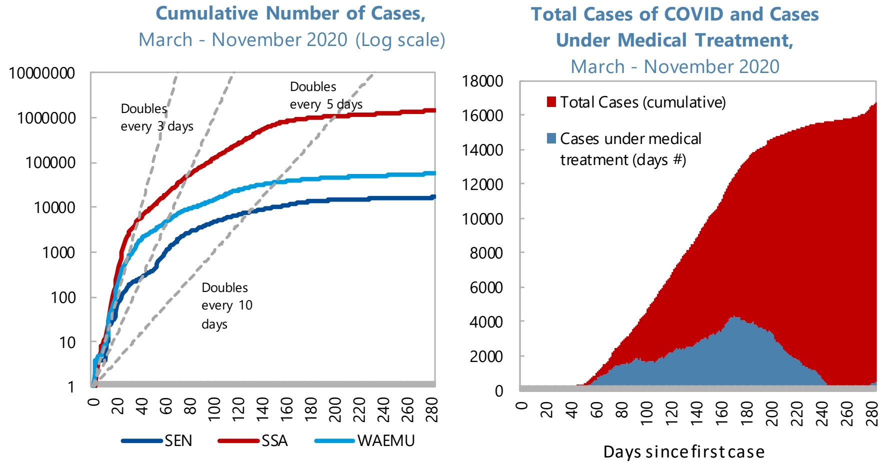
CONTEXT

Text Figure 1. Senegal: Evolution of the COVID-19 Pandemic



Source: Johns Hopkins CSSE; and IMF staff calculations.

1. **The COVID-19 pandemic has been contained but not fully eliminated.** Average weekly growth in new cases had remained low at 0.1 percent in October-November. However, an uptick in early December is being closely monitored.

2. **The pandemic is increasing poverty** (Annex I). The World Bank estimates that the poverty headcount could increase to 40 percent in 2020, up from 38 percent in 2019. About 85 percent of all households and firms suffered a reduction in their income. With livelihoods compromised by the pandemic, unprecedented numbers of young Senegalese have attempted to migrate illegally to Europe in recent months.

3. **The authorities have prepared an ambitious economic recovery plan for 2021–23** (Annex II). The plan (*Plan d'Actions Prioritaires Ajusté et Accéléré* or PAP2A) aims to support a return to strong and inclusive private sector-led growth, by accelerating structural transformation and enhancing the economy's resilience (PS ¶11).

4. **WAEMU Finance Ministers agreed to a more gradual return to the regional deficit anchor reflecting the pandemic's impact and security spending pressures.** Although the health crisis has been less severe than elsewhere in sub-Saharan Africa, containment measures have caused widespread disruptions and the Sahel security situation has sharply deteriorated. Therefore, in September WAEMU Finance Ministers postponed the return to the region's deficit anchor of 3 percent of GDP from 2022 to 2023 to support the recovery.

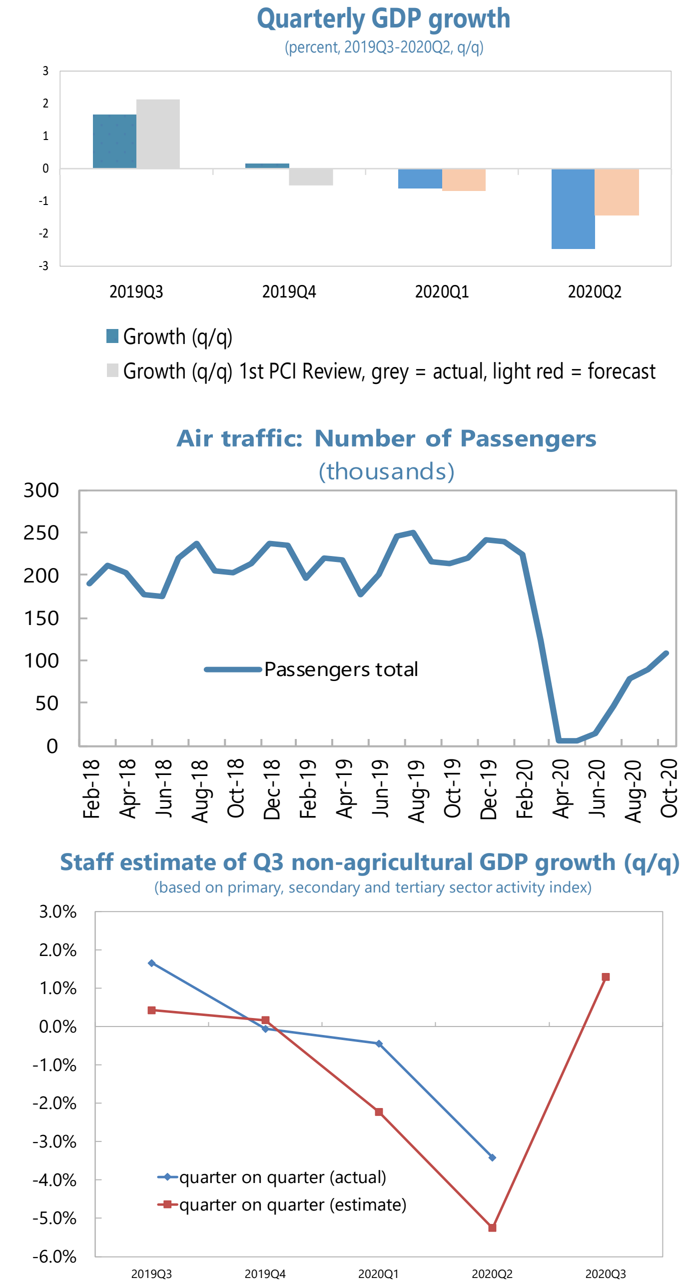
RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

5. **The pandemic took a significant toll in 2020H1 but there are signs that a robust recovery started mid-year.** According to initial estimates GDP stood 1.3 percent below its 2019 level at end-June, a stronger decline than anticipated at the time of the first review. The tertiary sector (transport, hospitality), particularly exposed to the containment measures, was hard hit (-2.8 percent y/y), but manufacturing and mining activity also dragged (-2.2 percent y/y).

6. The current account deficit widened in 2020H1. Exports of goods and services slowed markedly (-12.6%, y/y), mostly driven by lower tourism, while import demand remained robust (+7.6 percent, y/y). Remittances' inflows exceeded expectations at end-September (+4.2 percent, y/y), suggesting resilient support from the Senegalese diaspora. The current account deficit increased by 74 percent (y/y), partly financed by strong hydrocarbon-related FDI.

7. Accommodative monetary policy has helped avoid a cutback in bank lending. While credit to the economy remained almost flat (+0.1 percent in September y/y), credit to the government rose sharply (+77 percent y/y). Broad money grew 11.7 percent (y/y) along with a strong increase in deposits (+11.9 percent y/y).

Text Figure 2. Senegal: Selected Activity Indicators



Sources: ANSD, DPEE, and IMF staff estimate

8. Execution of the revised 2020 budget reflected the robust implementation of the government's COVID-19 response. As of end-September, domestic revenue has remained resilient and on track to reach end-year objectives. Domestically-financed expenditure remained strong, with 80 percent of total spending already committed and almost 100 percent of COVID-19-related expenditure executed (Text Table 1). Spending on priority projects (including health and infrastructure) relying on external concessional loans accelerated and could exceed the revised budget allocation by about CFAF 44.8 billion (0.3 percent of GDP), which would be absorbed mostly by savings on domestically-financed investment and expected relief on interest payments under the DSSI.

Text Table 1. Senegal: Execution of COVID-19 Spending Measures
(CFAF billions)

COVID-19 Fund Measures	As appears in COVID-19 Fund	As allocated in the 2020 revised budget	Executed as of September 2020	Budgetary Impact 1/
COVID-19 support measures	804	809	762	448
Pillar I - COVID-19 health action plan	79	108	88	79
Pillar II - Social safety net (food kits, utility subsidy, diaspora)	103	104	98	103
of which utility bills	19	19	18	19
of which food aid	69	69	63	69
Pillar III - Economic support (tax rebate, direct aid,..)	345	349	337	145
of which direct support to affected firms	100	107	107	100
of which tax debt cancellation 2/	242	242	Ongoing	0
Pillar IV - Securing of key supplies	78	34	34	34
Accelerated payment of pre-2020 unmet obligations	200	214	205	87

Source: Ministry of Finance and Budget, Ministry of Economy and Planning, IMF staff estimates.

1/ Reflects the net impact of the emergency resources allocated by government to cope with the impact of the pandemic (COVID-19 Fund, first column) in the revised 2020 budget (second column), relative to the original 2020 budget.

2/ Reflects partial forgiveness to companies of outstanding tax debts. To date only a few eligible companies have requested cancellation of their tax debts.

9. Performance on end-June PCI objectives has been broadly satisfactory and the program remains on track (PS ¶9, Appendix I. Tables 1a and 2). Five out of seven quantitative targets (QTs) were met. The ceiling on the overall fiscal deficit was missed by 0.2 percent of GDP, owing to robust implementation of the COVID-19 response and a delay in exceptional donor support. The ceiling on the share of single-sourced procurement contracts was exceeded by a significant amount as COVID-19-related procurement was allowed by decree to follow simplified procedures. Both deviations do not compromise program objectives. As corrective measures, the authorities reduced non-essential spending in order to meet the end-December program deficit targets and repealed the decree on COVID-19 procurement in September. Reform Targets (RTs) on finalization of the Medium-Term Revenue Strategy (MTRS), undertaking studies on the expenditure chain and overcoming obstacles on girls' education, and the establishment of the National Public Debt Committee (CNDP) were met. The RT on the financial inclusion strategy was not met due to pandemic-related delays and has not been reset as conditionality was streamlined in the 1st PCI review. The strategy should nonetheless be finalized by end-year.

OUTLOOK AND RISKS

10. The pandemic's economic impact could be partly mitigated by strong prospects for the 2020–21 agricultural season. Staff projects GDP to decline by 0.7 percent (+1.1 percent in 1st PCI review), owing to the larger-than-anticipated GDP decline in 2020H1. This decline could however be mitigated if the recovery initiated in Q3 continues, and if agricultural production exceeds expectations, which is now likely given abundant rainfall and higher government subsidies for agricultural inputs.[1] The recovery is expected to strengthen in 2021 with growth projected at

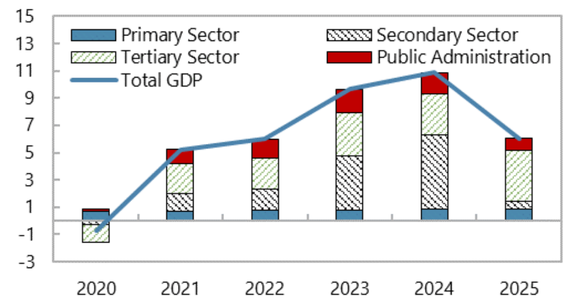
[1] Agricultural production for each calendar year happens mainly in Q4, with spillovers in Q1 of the following year. Final production numbers are not available until early February of each year.

around 5 percent (PS, ¶7). Growth over 2022-25 remains projected at 8 percent on average, consistent with pre-crisis rates, while the onset of hydrocarbon production in 2023 will provide an additional boost (Text Figure 3).

11. Compared with the 1st PCI review, the pandemic will have a deeper impact on the fiscal and external outlooks. The fiscal deficit is projected at about 6 ½ percent of GDP in 2020 (6.1 percent of GDP previously), owing to the lower nominal GDP and the delay of a large budget support grant to early 2021. It is projected to decline to 4.8 percent of GDP in 2021 (excluding forthcoming and potential DSSI debt service relief), to accommodate foreign-financed investments in health, agriculture and transportation. The deficit would gradually converge to the WAEMU criterion of 3 percent of GDP by 2023. Provided there are no additional fiscal pressures in other WAEMU countries, the regional market can accommodate sovereign funding demand in 2021 without crowding the private sector out. WAEMU reserves would stabilize at about 4 months of imports in the medium term. The current account deficit in 2020–21 is projected to hover around 11 percent of GDP due to weaker growth in Senegal's trading partners and reflecting large imports ahead of hydrocarbon production (Text Table 2).

Text Figure 3. Contributions to GDP Growth: Supply Side

(Percent)



Sources: Senegalese authorities; and IMF estimates and projections

Text Table 2. Senegal: Key Macroeconomic Indicators 2020–23

	2020		2021		2022	2023
	EBS/20/119	Proj.	EBS/20/119	Proj.	Proj.	Proj.
Real GDP (percent change)	1.1	-0.7	4.0	5.2	6.0	11.9
Of which: Non-hydrocarbon GDP	1.1	-0.7	4.0	5.2	6.0	7.3
CPI inflation, average (percent)	2.0	2.0	2.0	2.0	2.0	1.5
Net lending/borrowing, including grants (percent of GDP)[1]	-6.1	-6.5	-4.5	-4.9	-4.0	-3.0
Current account balance (percent of GDP)	-8.8	-10.9	-10.2	-10.7	-10.6	-4.6
Gross Debt of Public Sector (percent of GDP)	68.6	67.6	70.4	68.2	68.1	63.7

Sources: Senegalese authorities; and IMF staff estimates and projections.

[1] Includes savings from interest payment relief under the DSSI

12. Risks to the outlook remain tilted to the downside. On the upside, recent high frequency data and favorable prospects for agricultural output point to a possibly stronger 2020 outturn. On the downside, the nascent recovery could be compromised by the impact of the pandemic's resurgence in Europe and a possible 2nd wave in Senegal. This could further weaken firms' and households' balance sheets with negative impacts on banks. Fiscal pressures and socio-political tensions in other WAEMU countries could affect prospects for external and regional market financing (Table 9 and PS ¶8).

13. Staff's alternative scenario therefore assumes a slower economic recovery, lower external demand, and further delays in hydrocarbon production (Annex III). The room for further fiscal support to boost demand in that scenario would be limited given the debt sustainability outlook and potential concerns about regional macroeconomic stability. If access to financing was to worsen, options could include seeking additional concessional financing from development partners or a Fund financial arrangement. Given limited fiscal space, staff emphasized the importance of accelerating reforms to enhance revenue mobilization and spending efficiency, improve the business environment, boost confidence, and spur private investment. The authorities noted that they were optimistic that their recovery plan would support a rapid return to pre-pandemic growth rates. Staff cautioned that engineering strong private sector-led growth could take time, as scarring from the crisis may have longer-lasting effects, and that there is limited fiscal space to absorb further shocks.

POLICY DISCUSSIONS

A. Maintaining Fiscal and Debt Sustainability in COVID-19 Times (PCI Pillar II)

A Growth-Friendly Fiscal Consolidation to Support the Recovery

14. The medium-term fiscal deficit path is predicated on a gradual return to the WAEMU regional anchor by 2023. The 2021 budget envisages a consolidation of about 1 ½ percent of GDP. The authorities reaffirmed their commitment for the deficit to reach 3 percent of GDP by 2023, with annual adjustments of about 1 percent of GDP in 2022-23 (PS ¶22). This path is underpinned by the withdrawal of COVID-19 stimulus, MTRS implementation, and further current spending rationalization to support investments planned in the authorities' recovery plan.

15. The authorities are doing their utmost to reach the program's 2020 fiscal objectives. (Text Table 3). Resilient revenue collection is being supported by the resumption of fiscal and customs control measures, which were suspended during the lockdown period. However, spending execution, which was in line with the revised budget at end-September, is complicated by the delay in a 0.4 percent of GDP grant (about CFAF 50 billion) from 2020Q4 to 2021Q1.[2] The authorities noted that they would reduce non-essential spending to compensate for the difference between the latter and the program grant adjustor (CFAF 35 billion), to contain the 2020 deficit to 6 ½ percent of GDP (CFAF 907.8 bn) (PS ¶20).

[2] The World Bank made an emergency support disbursement of US$100 million in June 2020, and committed another US$180 million by year-end, as part of the effort to close the remaining financing gap, with half of this amount disbursed as a grant and the other half as a concessional loan. That second operation is the first of 2 development policy operations and is taking longer to finalize than previously envisaged.

Text Table 3. Senegal: Revised 2020 Fiscal Framework

	2019	2020		2021	
	Act.	PCI 1st rev.	Rev. Proj.	PCI 1st rev.	Proj.
In FCFA billion					
Revenues	**2,789**	**3,008**	**2,962**	**3,027**	**3,090**
Revenues (excl. grants)	2,565	2,507	2,509	2,645	2,758
Tax Revenues	2,410	2,354	2,354	2,517	2,564
(as % of GDP)	17.4%	16.8%	16.8%	16.8%	17.1%
Non-Tax Revenues	154	153	155	128	194
Grants	225	502	453	382	332
(as % of GDP)	2%	4%	3%	3%	2%
Budgetary	17	241	192	103	64
Projects	208	261	261	279	268
Expenditure	**3,317**	**3,881**	**3,870**	**3,708**	**3,822**
(as % of GDP)	24.0%	27.7%	27.6%	24.7%	25.5%
Current (excl. interest)	1,895	2,146	2,139	1,978	1,911
(as % of GDP)	14%	15%	15%	13%	13%
Personnel	733	818	818	864	905
Goods and services	281	314	306	332	316
Subsidies	297	471	472	268	273
Interest	262	307	307	287	327
of which DSSI 1/			6		10
Investment	1,160	1,429	1,424	1,443	1,584
(as % of GDP)	8.4%	10.2%	10.2%	9.6%	10.6%
Externally Financed	600	687	736	679	844
Internally Financed	560	742	688	764	740
Deficit (billion FCFA)	**-528**	**-873**	**-908**	**-681**	**-733**
(as % of GDP)	-3.8%	-6.1%	-6.5%	-4.5%	-4.9%
(as % of GDP - excl. DSSI interest spending) 1/			-6.4%		-4.8%
Financing	**528**	**873**	**908**	**681**	**733**
Domestic	-94	299	295	27	92
External	622	573	613	655	641
Of which: Exceptional financing 1/		90	30		42
on interest due 1/			6		10
on amortization due 1/			24		32
Memorandum items:					
Debt securities in regional market (excl. intra-annual)	14	200	499	515	442
Issuance	275	322	621	739	639
Amortization	-262	-122	-122	-224	-197
Nominal GDP	13,815	14,307	14,006	15,123	14,991

Source: Ministry of Finance and Budget and IMF staff estimates.

1/ Reflects suspended debt service under the debt service suspension initative (DSSI).

16. **The authorities reaffirmed their commitments regarding the transparency and governance of COVID-19 related spending** (PS ¶21). They noted that the COVID-19 Fund operations are monitored by a high-level coordination committee and technical committees, both with civil society participation. Following gathering of all procurement contracts, information on beneficial owners, purchases' certification, and on-site visits, the committee is finalizing its report. Staff welcomed progress in this area and urged the authorities to publish the report as soon as available. Staff also welcomed the continued publication of detailed quarterly budget execution reports and the prospect of a dedicated audit by the Audit Court, to be finalized during 2021H1.

17. **The draft 2021 budget aims at supporting the recovery while setting the path for convergence to the WAEMU deficit anchor by 2023** (PS ¶22).

- Tax collection is projected to increase by 0.3 percent of GDP to 17.1 percent of GDP, reflecting measures to increase the use of digital technologies, fight fraud, and encourage fiscal responsibility, but also scarring from COVID-19 on corporate and income taxes (based on 2020 income). Revenue will also be boosted by a one-off dividend from a land sale by a public entity (0.4 percent of GDP). The draft budget unwinds most of the 2020 COVID-19 tax relief, except for VAT exemptions for the tourism and media sectors, and included new fiscal measures (Text Table 4). Based on preliminary information, the net yield of the new fiscal measures is expected to be positive but relatively small (PS ¶23, ¶27). To support the private sector, the VAT refund period will be reduced to 30 days.

Text Table 4. Senegal: Tax Measures in the 2021 Budget

New tax provisions	Specific measures
Exceptional tax regime for companies in tourism and press sectors	VAT exemption
	Exemption from payment of certain indirect taxes and repayment of taxes and duties withheld from the salaries of their employees
Exceptional tax and customs preferential treatment in social housing	50% reduction in corporate tax; VAT suspension on building materials and town planning-related studies; 50% reduction in registration fees for the acquisition of land by property developers
General tax code modifications	New tax instituted on textile products: 5%
	Extension of tax rate applied on edible fats to all delicatessen products (with the exception of edible oils containing at least 60% of peanut oil). The proposed tax rates are: 15% for cold cuts; 15% for milk creams and substitutes or mixtures containing butter or cream; and 10% for other fat substances
	New tax instituted on non-recoverable plastic bags, bottles and packaging or similar materials, as follows: 300 francs per kilogram of plastic bags; 10 francs per package or packaging of less or equal 1 lt/kg; 15 francs per bottle of 1.5 liters or less; 25 francs per bottle, or packaging of any capacity greater than 1.5 liters
	Extension of real estate capital gain tax to sales (15% disposals of undeveloped or insufficiently built land, 10% on transfers of real estate law relating to state building, 5% in other cases)
	Removal of deductions on VAT incurred on provision of services
	Automatic exchange information mechanism between financial institutions and the Tax Administration
	Reduction of VAT refunds' deadlines to 30 days
	Rental value for hotels and tourist establishments to be taxed on half; buildings entered in the assets of the balance sheets of real estate companies will be taxed at 40% of their value.

Source: Ministry of Finance and Budget, Ministry of Economy and Planning.

- The 2021 budget envisages continued current spending rationalization, with a modest increase in the wage bill for new health personnel. It includes settlement of most remaining pre-2020 unpaid obligations (0.7 percent of GDP).[3] Investment will increase by 0.4 percentage points, tilted towards projects in health, agriculture and transportation with concessional external financing. For greater investment efficiency, the budget documentation includes an ex-ante cost-benefit and financial evaluation of 50 multi-year projects (29 in 2018); only 37 were deemed sufficiently mature to be included in the budget (PS ¶24).
- The overall deficit is projected at 4.8 percent of GDP, excluding prospective DSSI debt relief. Compared with the 1st PCI review, the additional financing need is covered by concessional project loans, lowering projected regional market financing by 0.4 percent of GDP. Given high

[3] The PCI request included a three-year plan to clear pre-2019 unpaid obligations, amounting to CFAF 328 billion. The authorities front-loaded repayment owing to the COVID-19 emergency and settled CFAF 200 billion in 2020.

uncertainty around the speed of the recovery and debt relief available under the DSSI (see below), the budget includes a larger precautionary reserve (0.4 percent of GDP compared with 0.2 percent in 2019-20) (PS ¶25).

Structural Fiscal Reforms to Broaden the Tax Base and Enhance Spending Efficiency

18. The MTRS aims at raising the tax-to-GDP ratio both by increasing the number of registered taxpayers and by reducing tax expenditures. With Fund TA support the authorities will finalize the matrix of priority reforms, including a timetable and potential yield of key measures by end-2020 (PS ¶26, ¶27).

- *Expanding the taxpayers' registry*. The authorities will adopt the decree aimed at raising pre-payment on income taxes at customs for unregistered importers by end-December 2020 (RT). They are also advancing with the exchange of information between the tax and customs administration, and the second biannual report has been finalized (RT, December 2020). The M-tax platform to enable tax payment by mobile phone will be fully operational by end-2020 (RT, December 2020).
- *Reducing tax expenditures (5.7 percent of GDP in 2017)*. The authorities noted that they have finalized the 2015-17 annual reports on tax expenditures and aimed at publishing them by end-2020. They will publish the 2018-19 reports by June 2021, and resume the practice of annual publication of these reports thereafter (new RT, June 2021). They also agreed to finalize a study to reduce exemptions over 2021-23, starting with the most regressive (new RT, June 2021). Ahead of that study, they will allow cement companies' tax exemptions to expire in 2021, which could yield about 0.1 percent of GDP.

19. Staff welcomes the implementation of key reforms to strengthen public financial management (PFM).

- *Use of simplified spending procedures*. The decree to limit spending eligible for simplified procedures and reduce the use of transfers to below-the-line treasury accounts ("*comptes de dépôt*") will be finalized by end-2020 (RT). The authorities have already operationalized this reduction in the 2021 budget, which limits budgetary credits for such transfers to 4 percent of total transfers (17 percent in 2019-20). These expenditures will be monitored through a reformulation of the QT on spending under exceptional procedures.[4] Staff welcomed these measures, which will allow a greater share of domestically-financed investment to be implemented under normal spending procedures (PS ¶29).
- *Program budgeting*. They authorities intend to definitely move to program budgeting, including decentralized spending authorizations ("*ordonnancement")* (PS ¶28).
- *Fiscal risks.* The COVID-19 crisis has increased fiscal risks related to SOE debts and their current

[4] Spending under exceptional procedures (excluding spending under normal and simplified procedures) has been basically eliminated. As highlighted in the audit of the expenditure chain by Fund TA, it is rather the spending under simplified procedures that needs to be contained, as it represented 65 percent of total spending in 2019. The reformulated QT thus limits transfers to below-the-line accounts of entities legally part of the central government. It will be monitored semi-annually (rather than continuous).

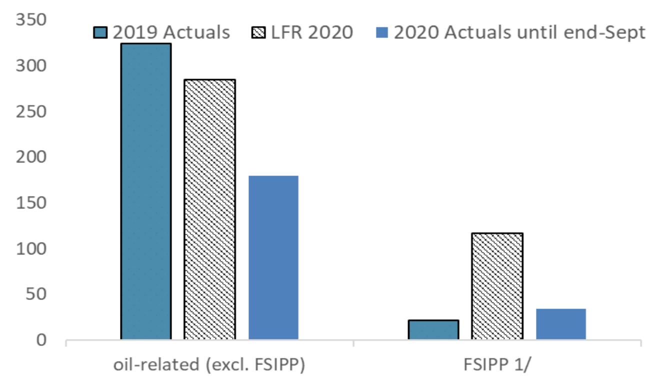
operations, though there are mitigating factors. The ambitious growth strategy of Air Sénégal has been put on hold, and direct support to the company is being strictly limited. PETROSEN has delayed efforts to finance its shares in the recently discovered oil and gas fields, and the state-owned electricity company and refinery are benefiting from lower world oil prices. With IMF TA support, the authorities are making progress in the monitoring and management of fiscal risks. They will (i) establish a database for all PPPs and power purchase agreements by June 2021 (RT); and (ii) include a fiscal risk statement as part of the 2022 budget documentation (PS ¶31, December 2021 RT).

- *Single Treasury Account*. The inventory of all public entities' accounts in commercial banks is ongoing and on track to be met (PS ¶30, December 2020 RT).

20. Staff and the authorities agreed that the windfall from lower oil prices should be fully reflected in the budget. Lower world prices, together with depressed domestic demand, reduce tax revenue from oil imports. At the same time, with domestic fuel products' prices unchanged since July 2019,[5] there are savings on subsidies to the national oil refinery (SAR), and an accumulation of revenue in the Support Fund for Fuel Products' Imports (*FSIPP*). Staff noted that the net impact for 2020 should be positive at current and projected world oil prices, as reflected in the revised budget's projections. However, FSIPP collection has so far remained well below revised budget's projections (Text Figure 4).[6] The authorities have initiated tax audits of concerned entities. They also agreed that, for greater transparency, the inter-ministerial decree governing the state's support to SAR's investment should be amended to (i) stipulate that the full amount of FSIPP revenue will be recorded as tax revenue and the support to SAR as a subsidy in the budget, and (ii) clarify that the subsidy to SAR will be defined in the budget law based on SAR's multi-year investment plan (PS ¶32).

Text Figure 4. Senegal: Oil Related Revenues

(CFAF Billions)



1/ *Fonds de Soutien aux Importations des Produits Pétroliers*.
Source: Ministry of Finance and Budget, IMF staff estimates.

Preserving Debt Sustainability and Enhancing Debt Management During the Crisis

21. Under staff's baseline scenario, Senegal's public debt is projected to remain sustainable with a moderate risk of debt distress. Public debt is projected to peak at about

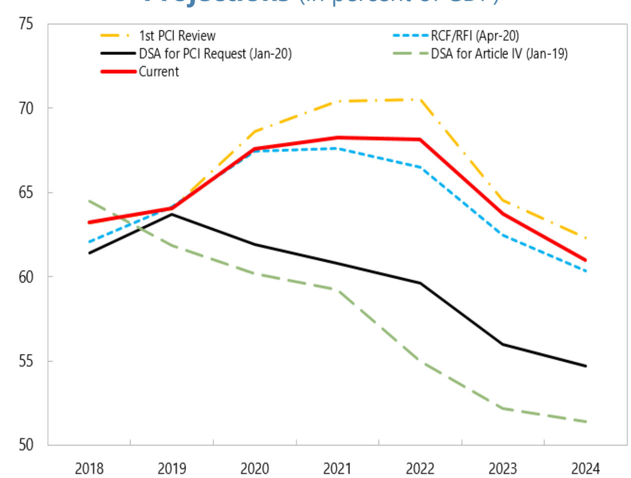
[5] See Senegal, IMF Country Report No. 20/11. Domestic fuel prices were increased in 2019 and remain well-above what would be warranted if current oil prices were fully passed through to consumers. Given those domestic prices, world oil prices below about US$60-65 per barrel eliminate the need for subsidies to the refinery and oil marketers.

[6] The FSIPP is a tax based on petroleum products' sales as declared by oil marketers and the refinery, and on the refinery's oil imports. It captures part of the wedge between world oil prices and fixed domestic prices of petroleum products. Part of the subsidy to SAR (state's support to SAR's investment program) that is calculated as a fixed share of FSIPP revenue is kept by the SAR, which declares only the FSIPP tax net of its investment subsidy.

68 percent of GDP during 2020–22, before gradually declining over the medium term (Text Figure 5 and DSA update). This represents a slower increase relative to the 1st PCI Review despite a deteriorated growth outlook, primarily owing to favorable exchange rate effects. However, the debt profile has limited space to absorb shocks in the near term and is subject to significant downside risks, including from lower growth, higher fiscal deficits, and adverse exchange rate movements. The authorities broadly shared staff's assessment and agreed on the need to contain risks, particularly in the near term. However, they also emphasized the need to make critical investments to help support robust and resilient growth.

22. Seeking concessional financing, limiting fiscal deficits, and strengthening debt management remain essential to preserving debt sustainability. Staff encouraged the authorities to limit non-concessional borrowing to priority projects with high expected returns and to continue to strengthen debt management. To that end, the CNDP is now fully operational and has begun reviewing major SOE investments. It is expected to submit to Cabinet by end 2020 a 2021–23 Medium-Term Debt Strategy, debt sustainability assessment and 2021 borrowing plan. The authorities share staff's view that additional efforts are needed to strengthen the monitoring and recording of public sector debt. This will be supported by the forthcoming audits of the debt management software and the public debt database which, following a procedural delay, are now expected to be completed in early 2021 (PS ¶34, RT, December 2020).

Text Figure 5. Senegal: Total Public Debt Projections (in percent of GDP)



Source: Senegal authorities; and IMF staff estimates.

23. Senegal will extend its participation in the DSSI into 2021. The authorities reported that a few official creditors are yet to confirm Senegal's requests for relief under the DSSI. The authorities agreed to follow up with all official creditors (PS ¶34).

B. Inclusive and Private Sector-Led Growth (PCI Pillar I)

Enhancing Resilience and Boosting Private Investment

24. The COVID-19 crisis adds urgency to boosting inclusive and private sector-led growth. The authorities' recovery plan builds on their flagship development strategy "*Plan Sénégal Émergent*" while taking into account lessons from the crisis (Annex II). The authorities will strengthen the domestic production of food and pharmaceuticals products, improve access to health and education services, and expand social safety nets. In the case of possible direct sectoral support measures, staff underscored the need to ensure their efficiency and mitigate the risk of rent-seeking through careful design. (PS ¶11-12).

25. Staff welcomed efforts to enhance the resilience of poorer households. The authorities are updating and expanding the national register of vulnerable households (RNU). They will double the number of registered households to at least 1 million by the end of 2021 (new RT). They are also considering expanding their cash transfer program and creating a new shock-response mechanism. Furthermore, they envisage additional support to households that commit to keeping girls in school, a key recommendation from the study to increase secondary school enrollment (RT, June 2020). Staff encouraged the authorities to gradually increase domestic financing for social programs and broaden their scope (PS ¶16).

26. A strong recovery will hinge on effectively supporting the informal sector and improving the business environment. Staff stressed the urgency to effectively support the informal sector – constituting over 95 percent of Senegalese firms – to secure a broad-based and strong recovery. Setting up a one-stop shop for SMEs to access government support has been delayed by the pandemic and is now envisaged for June 2021. The government is preparing proposals by end-2020 to streamline the multitude of public initiatives to support SMEs. Staff welcomed progress to tackle growth constraints supported by the G20 Compact with Africa, including: (i) the digitalization of employment contracts and elaboration of a social security code; (ii) better management of land and property rights including advances towards a digital integrated land management system; and (iii) enhanced vocational training jointly with the private sector (RT, June 2021, PS ¶14-15).

27. The new legal framework on public private partnerships (PPPs) should adequately limit fiscal risks (RT, December 2020). Staff noted that the authorities' recovery plan relies on substantial private sector participation through PPPs, and that it would be important to adequately limit related fiscal risks. The law appropriately stipulates that all projects are subject to an ex-ante evaluation and all unsolicited offers are subject to a counter-evaluation. However, the law should further strengthen the role of the Ministry of Finance at all stages of PPP approval and implementation, and should establish clearer limits on the use of simplified procurement procedures. The authorities agreed in principle with these concerns but preferred to address them in the implementing decrees (PS ¶13).

Maintaining Financial Stability

28. The impact of the crisis on banks' loan portfolios appears contained at this juncture. Non-performing loans (NPLs) edged up to 14.2 percent of total loans through September from 13.9 percent at end-December 2019. The banking system reported CFAF 74 billion of repayment moratoriums at end-September, with corresponding outstanding claims amounting to 7 percent of total credit. While the banking system's capital adequacy ratio has increased by about CFAF 20 billion boosted by capital increases, four banks and one financial institution, accounting for 8.5 percent of market share, continue to exhibit capital shortages. Several micro finance institutions are experiencing financial difficulties (PS ¶18).

29. Staff encouraged the authorities to carefully monitor financial sector risks. It cautioned that the impact of the crisis on bank loan portfolios will be quantified reliably once the situation stabilizes and exceptional policy measures are lifted. It also warned that a weaker-than-expected recovery could further worsen firms and households' balance sheets and increase NPLs. While most banks have sufficient capital buffers to withstand a deterioration in asset quality, state-owned banks with lower buffers will face additional challenges. Staff encouraged the authorities to couple any support to public institutions with efforts to sharpen and redesign their business models and governance. It called on the authorities to pay careful attention to microfinance institutions that play an important role in financial inclusion and poverty reduction.

30. The authorities have revamped the partial credit guarantee scheme to enhance its attractiveness and support the recovery. The authorities have reached agreement with the banking community on the following features of the new scheme. First, the state will partially guarantee loans of up to CFAF 300 billion (2.1 percent of GDP), equally divided between large and smaller enterprises. Second, the partial guarantee is in the form of non-remunerated deposits of 40 percent of the loan amount for large enterprises (50 percent for priority sectors) and 60 percent for SMEs (70 percent for priority sectors). Third, the lending maturity is up to 7-10 years and the interest rate cap is 5.5 percent. Staff took note of the initiative and encouraged the authorities to ensure that banks exercise due care in their credit risk assessment and to carefully monitor the associated fiscal costs and risks (PS ¶17).

31. The Financial Action Task Force (FATF) is due to assess Senegal's progress in addressing remaining AML/CFT deficiencies in 2021Q1. The authorities are confident that efforts undertaken to strengthen both the legal and regulatory framework and its effectiveness, including by enhancing risk-based supervision, as well as banks' compliance with the new regulations and measures on targeted financial sanctions related to the financing of terrorism are sufficient to avoid gray-listing. If Senegal is gray-listed however, correspondent banking relationships (CBRs) could be affected. The authorities mostly attribute recent difficulties in maintaining CBRs to business decisions based on cost-benefit analyses rather than country-specific risks.

C. Transparent and Sustainable Management of Oil and Gas Revenue (PCI Pillar III)

32. The authorities and staff discussed the prospects for the country's three major oil and gas projects. The authorities reported some delays in the GTA project as a subcontractor declared force majeure, delaying the onset of natural gas production from 2022 to 2023. The SNE oil project remains on track to start production in 2023. The third oil and gas project, Yakaar-Teranga, has yet to reach final investment decision. As this field is expected to become the main supplier of domestic gas, staff urged the authorities to continue to build capacity to negotiate complex oil and gas projects and to accelerate efforts to finalize key elements of their gas-to-power strategy (PS ¶36).

33. The authorities are finalizing the legal framework for the governance of hydrocarbon resources, supported by Fund technical assistance. Staff welcomed the progress to date, which should allow timely finalization of the law on hydrocarbon revenue sharing (RT, December 2020). Staff encouraged the authorities to define a fiscal rule anchored in a multi-year investment plan consistent with debt sustainability and absorption capacity and grounded in realistic projections of hydrocarbon revenue (PS ¶37).

PROGRAM MODALITIES AND CAPACITY DEVELOPMENT

34. The authorities request modifications to program conditionality to better align it with program objectives. Staff supports an increase of the end-2020 ceiling on total nominal debt by 1.4 percent of GDP to accommodate more resilient-than-anticipated investment in the oil and gas sector (0.9 percent of GDP),[7] additional financing needs to cover the adjusted fiscal target due to the grant shortfall (0.3 percent of GDP), and the addition of a new SOE to the debt perimeter (0.2 percent of GDP). This modification mostly reflects external developments and has no impact on the DSA rating. Staff also proposes a new memorandum item for net government financing on the regional WAEMU market to better monitor the consistency of Senegal's financing strategy with regional stability. Starting in 2021, the authorities agreed to eliminate the QT on budgetary float and to modify the QT on limiting spending through exceptional procedures.[8] A minor modification to the grants adjustor (to clarify that it applies symmetrically to grant shortfalls and surpluses) is also proposed. The authorities also agreed to new RTs to support the gradual reduction of tax expenditures and the extension of social safety nets (PS ¶38, Appendix I. Tables 1 and 2).

35. The program remains fully financed. Staff's analysis does not indicate a present or prospective balance of payments need. Senegal has access to the regional and international capital market. Fiscal financing needs in 2021 are expected to be covered by confirmed donor commitments (4.4 percent of GDP),[9] the DSSI (0.3 percent of GDP), and net securities issuance on the regional market (2.9 percent of GDP). On this basis, the authorities have not expressed interest in a Fund financing program to date.

36. Risks to the program have risen but remain manageable. The economic outlook for Senegal is contingent on the uncertain path of the pandemic and wider global recovery, while regional instability from political or security issues could exert pressure on external reserves. Should such risks materialize, a more prudent macroeconomic policy stance would be appropriate, which could be difficult politically for the authorities. Risks are mitigated by the authorities' timely and proactive response to the pandemic and strong track record in Fund-managed programs.

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[7] This reverts to the disbursement profile envisaged at the time of the PCI request. During the 1st PCI review staff had anticipated significant delays in hydrocarbon investment projects which haven't fully materialized.

[8] The amount of budgetary float has been brought under control in recent years and the QT was routinely met. Rather, a program priority is to address the budget's unfunded spending commitments (unmet obligations) mostly stemming from the under-budgeting of energy subsidies.

[9] Given the delay in the first of two World Bank budget support operations to 2021, only one World Bank disbursement is projected in 2021.

37. Capacity development (CD) remains well-aligned with program objectives. The focus of recent and upcoming CD is on the preparation of draft laws for public-private partnerships and the legal framework for management of hydrocarbon revenues, a model to forecast hydrocarbon revenues, tax and customs administration (in line with the MTRS), and strengthening public financial management in support of 2021 budget preparations.

38. The 2018 safeguards assessment found that the BCEAO has maintained a strong control culture. The BCEAO is in the process of implementing the only outstanding recommendation, relating to strengthening risk management.

STAFF APPRAISAL

39. The pandemic's trajectory has been relatively mild and an economic recovery is underway. Forceful containment measures have initially helped to limit the spread of the virus. The state of emergency has been lifted in June and schools and borders have reopened amid steadily declining case numbers. This gradual normalization is paving the way for a robust recovery, together with significant fiscal and monetary support, resilient remittances, and strong prospects for the agricultural sector due to a favorable rainy season. The policy focus is shifting from emergency measures to supporting the recovery.

40. Nonetheless, the recovery is fragile. The effects from the renewed global surge of the pandemic, weakened balance sheets of firms and households, and a deteriorating regional security situation could derail the recovery, and the authorities should prepare a contingency plan to address these risks. Room for further spending in such a scenario would critically depend on meeting revenue targets and the availability of concessional external financing to mitigate adverse effects on debt sustainability and external stability of the WAEMU region. Spending would need to be reprioritized and targeted to the most vulnerable while accelerating reforms to spur private investment could further support economic activity.

41. Execution of the revised 2020 budget is on track. The authorities are expected to meet the adjusted fiscal target of 6 ½ percent of GDP despite some grant disbursements being delayed to next year. Revenue collection is in line with expectations as of September while some non-essential spending can be delayed. COVID-19 related spending amounted to 3.2 percent of GDP and ensuring full accountability and transparency is a priority. To this end, in addition to the quarterly budget execution reports, the report of the COVID-19 monitoring committee should be promptly published once finalized, as should the dedicated audit report of the audit court.

42. The draft 2021 budget balances support for the recovery and medium-term fiscal sustainability. It appropriately targets a consolidation of about 1 ½ percent of GDP in 2021. The return to the WAEMU deficit anchor is now envisaged for 2023, one year later than previously assumed, in line with the decision by the WAEMU ministerial council. The fiscal adjustment path is underpinned by the withdrawal of COVID-19 stimulus, the rationalization of current spending and domestic revenue mobilization. Given increasing public debt levels, staff urges the authorities to strictly adhere to deficit limits, contain SOE borrowing and continue to enhance debt management.

Recourse to the regional debt market should be contained to programmed levels consistent with maintaining external stability.

43. Staff welcomes continued progress on structural fiscal reforms. The successful implementation of the medium-term revenue strategy, including by broadening the tax base and reducing regressive tax exemptions, could yield significant gains. As a start, staff welcomes the resumed publication of annual tax expenditure reports and the planned removal of exemptions for cement companies. The move to program budgeting and the reduction in the share of transfers executed through simplified spending procedures, together with progress in conducting ex-ante evaluations of public investment projects, will underpin greater spending transparency and efficiency. Staff also welcomes the authorities' plans to enhance monitoring of fiscal risks from SOEs and PPPs, and measures to increase transparency of energy-related revenues and subsidies in the budget.

44. Adjustments to the "*Plan Sénégal Émergent*" to reflect lessons from COVID-19 are consistent with a continued focus on promoting inclusive and private sector-led growth. The recovery plan sets out priorities for public investment and has high expectations to crowd in private sector participation, mainly through PPPs. However, the investment and growth targets appear optimistic and financing needs to be consistent with debt sustainability and realistic expectations of potential private sector participation. The revised PPP legal framework should minimize fiscal risks by further strengthening safeguards. An upgraded social safety net will allow for efficient and higher poverty-reducing spending and enhance resilience for future shocks.

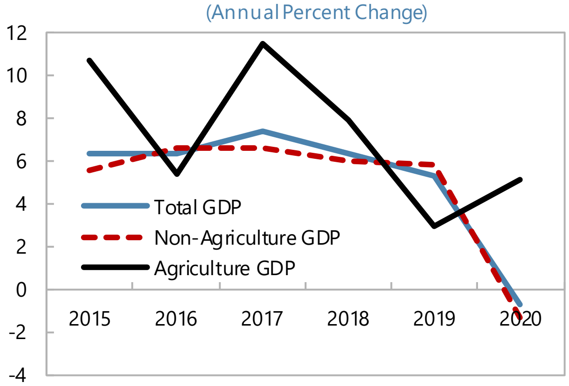
45. Staff welcomes the progress on the legal and institutional framework for hydrocarbon revenue management. It will be essential to align this framework with best international practices. The new fiscal rule should be anchored in a multi-year investment plan consistent with debt sustainability and absorptive capacity and based on realistic assumptions.

46. Based on good program performance and the authorities' strong commitment to medium-term fiscal sustainability and growth-oriented reforms, staff supports the completion of the second review. Staff supports the proposed discontinuation of the quantitative target on budgetary float, which is no longer critical to reach program objectives, the modification of the target on limiting spending through simplified procedures and the increase of the 2020 debt ceiling, as well as modifications to the QTs on central government overall net financing requirement and the floor on net lending/borrowing.

Figure 1. Senegal: Real and External Sectors, 2015–20

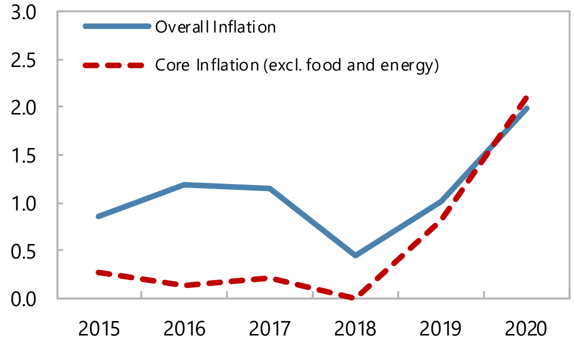
The decline in economic activity in could bring growth into negative territory…

Real GDP Growth
(Annual Percent Change)



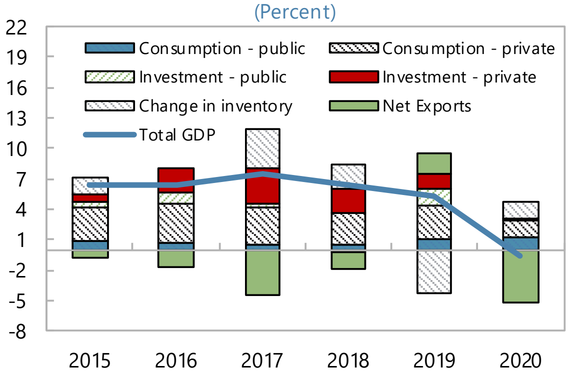
…while inflation picks up modestly, reflecting supply disruptions due to COVID-19.

CPI Inflation
(12 Month Average, Percent Change)



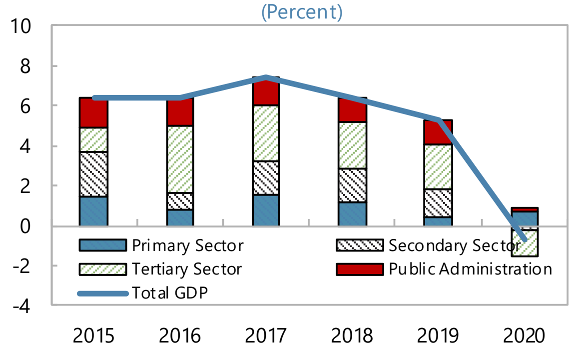
Private demand will be weak while expansionary fiscal policy provides some support to economic activity.

Contributions to GDP Growth: Demand Side
(Percent)



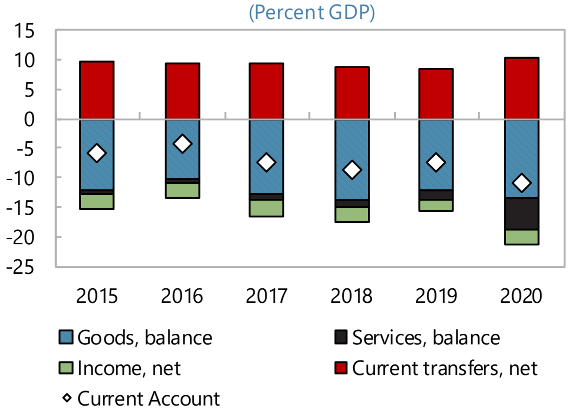
The tertiary sector has been the most affected by the COVID-19 pandemic.

Contributions to GDP Growth: Supply Side
(Percent)



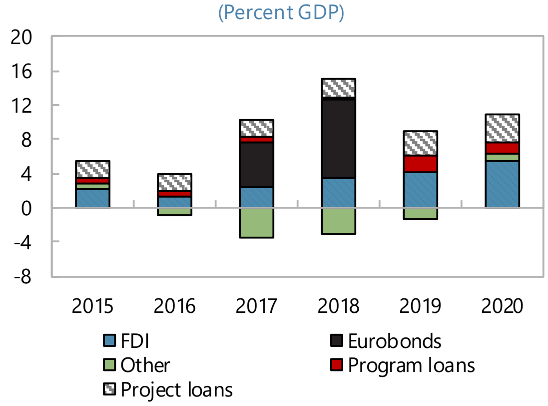
Official grants and resilient private transfers will help contain the current account deficit…

Current Account: Main Components
(Percent GDP)



…which is mostly financed by FDI and concessional financing.

Capital and Financial Account
(Percent GDP)

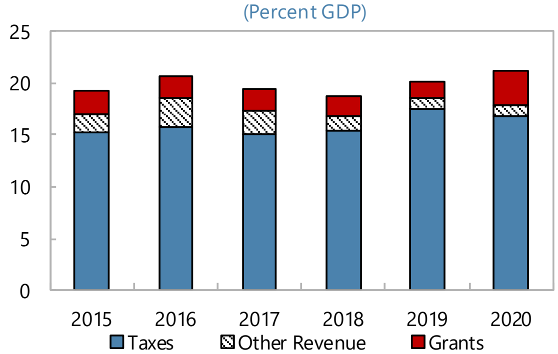


Sources: Senegal authorities; and IMF staff calculations.

Figure 2. Senegal: Fiscal and Financial Indicators, 2015–20

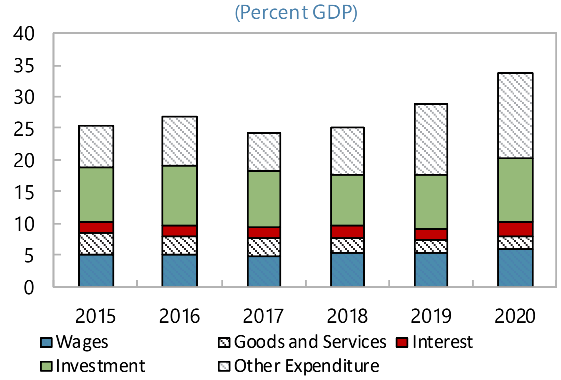
A large increase in budget grants in 2020 will help counter the decline in tax revenue...

Revenue
(Percent GDP)



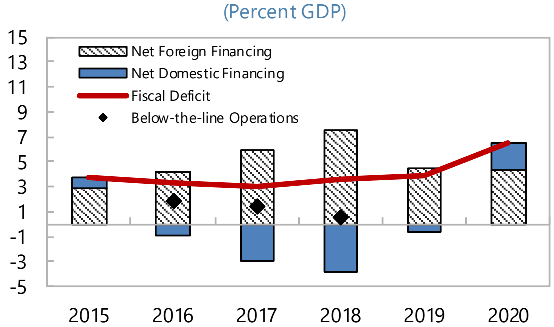
... and finance higher spending, related to the COVID-19 crisis.

Expenditure
(Percent GDP)



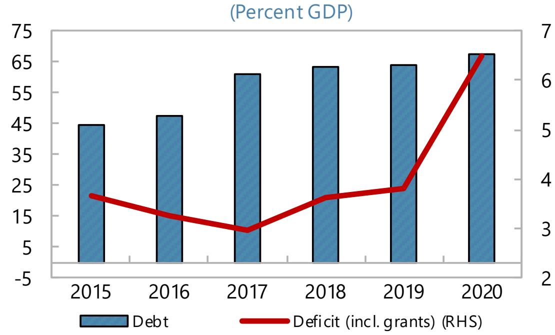
The higher fiscal deficit will be financed through a mix of domestic and external concessional financing...

Financing
(Percent GDP)



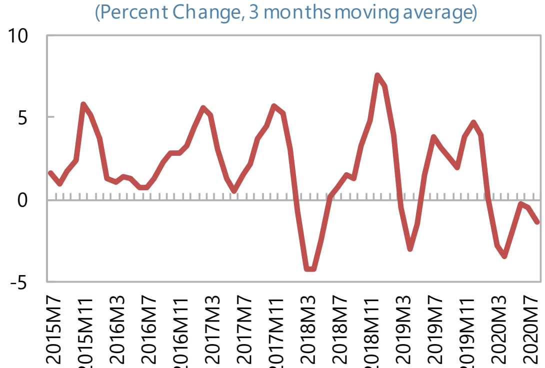
... while the debt ratio increases moderately.

Debt and Deficit
(Percent GDP)



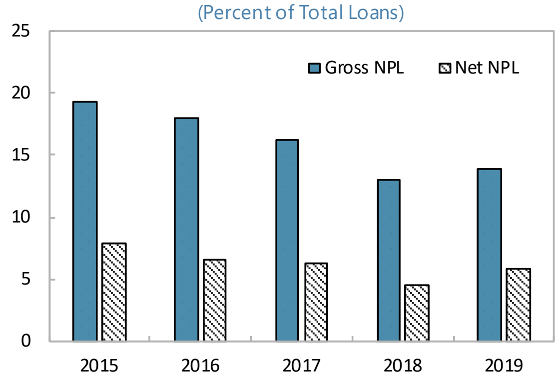
Credit growth to the private sector has moved to negative territory in 2020H1.

Credit to the Private Sector
(Percent Change, 3 months moving average)



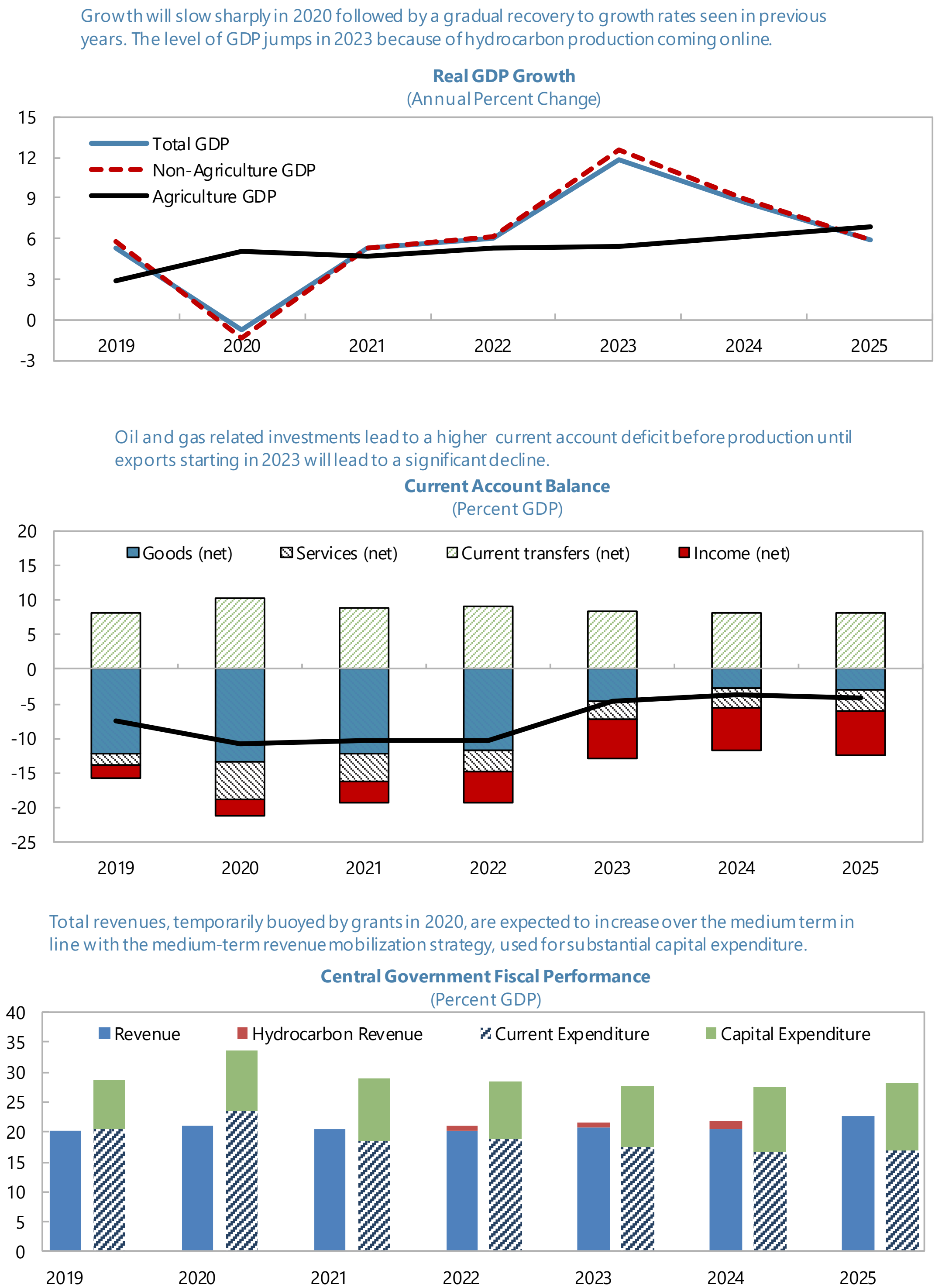
NPLs have remained stable in 2019, but are set to increase going forward due to the crisis.

Non Performing Loans
(Percent of Total Loans)



Sources: Senegal authorities; and IMF staff calculations.

Figure 3. Senegal: Outlook 2019–25



Source: Senegal authorities; and IMF staff calculations.

Table 1. Senegal: Selected Economic and Financial Indicators, 2019–25[1]

	2019	2020		2021		2022	2023	2024	2025
	Prel.	EBS/20/119	Proj.	EBS/20/119	Proj.	Projections			
				(Annual percentage change)					
National income and prices									
GDP at constant prices [1]	5.3	1.1	-0.7	4.0	5.2	6.0	11.9	8.7	6.0
Of which: Non-hydrocarbon GDP	5.3	1.1	-0.7	4.0	5.2	6.0	7.3	7.2	7.3
Of which: Hydrocarbon GDP	...	...	...	...	...	...	...	44.0	-17.0
Of which: Non-agriculture GDP	5.8	0.9	-1.4	4.1	5.3	6.2	12.6	9.0	6.0
GDP deflator	1.7	2.5	2.1	1.7	1.7	1.7	1.5	1.8	1.4
Consumer prices									
Annual average	1.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.5
End of period	0.6	2.5	1.4	0.9	2.6	1.7	1.3	1.7	1.4
External sector									
Exports, f.o.b. (CFA francs)	12.3	-11.9	-5.1	12.7	8.9	15.0	67.7	16.1	8.2
Imports, f.o.b. (CFA francs)	4.7	-8.2	1.5	12.1	4.6	9.7	19.3	8.7	8.9
Export volume	12.8	-6.3	-2.5	12.7	13.0	12.7	88.4	15.6	5.6
Import volume	9.0	0.8	9.4	16.1	7.9	10.1	14.7	7.8	7.5
Terms of trade ("–" = deterioration)	3.7	3.2	4.8	3.6	-0.5	2.5	-14.4	-0.4	1.1
Nominal effective exchange rate	-1.3	...	...	...	...	...	...	...	...
Real effective exchange rate	-2.1	...	...	...	...	...	...	...	...
				(Changes in percent of beginning-of-year broad money)					
Broad money	8.2	8.4	9.4	8.0	9.1	8.6	...	...	...
Net domestic assets	7.5	7.1	8.8	2.0	5.3	5.1	...	...	...
Credit to the government (net)	1.7	7.5	7.5	1.4	1.5	1.5	...	...	...
Credit to the economy (net)	6.1	0.5	1.9	1.7	5.0	4.8	...	...	...
				(Percent of GDP, unless otherwise indicated)					
Government financial operations									
Revenue	20.2	21.0	21.1	20.0	20.6	20.9	21.7	21.9	22.6
Grants	1.6	3.5	3.2	2.5	2.2	2.3	1.9	1.7	1.7
Total expenditure	24.0	27.1	27.6	24.5	25.5	24.9	24.7	24.9	25.6
Net lending/borrowing (Overall Balance)									
excluding grants	-5.5	-9.6	-9.7	-7.0	-7.1	-6.3	-4.9	-4.7	-4.7
including grants	-3.8	-6.1	-6.5	-4.5	-4.9	-4.0	-3.0	-3.0	-3.0
Net lending/borrowing (excl. one-off operations.)	-3.1	-6.1	-6.4	-4.5	-4.8	-4.0	-3.0	-3.0	-3.0
Primary fiscal balance	-1.9	-4.0	-4.3	-2.6	-2.7	-1.9	-0.9	-0.9	-0.9
Savings and investment									
Current account balance (official transfers included)	-7.5	-8.8	-10.9	-10.2	-10.7	-10.6	-4.6	-3.6	-4.2
Current account balance (official transfers excluded)	-7.7	-10.5	-12.3	-11.0	-11.2	-11.3	-5.0	-3.8	-4.4
Gross domestic investment	31.7	29.7	30.7	32.5	33.9	34.3	35.7	33.5	33.6
Government [2]	7.3	8.7	8.8	8.3	9.2	8.3	8.9	9.4	9.4
Nongovernment	24.4	21.0	21.9	24.2	24.8	26.0	26.8	24.2	24.2
Gross national savings	24.1	20.9	19.8	22.3	23.2	23.7	31.1	29.9	29.4
Government	6.6	7.3	6.6	6.2	6.7	7.0	9.1	10.3	10.9
Nongovernment	17.6	13.6	13.2	16.0	16.5	16.6	22.0	19.6	18.5
Total public debt [3]	64.1	68.6	67.6	70.4	68.2	68.1	63.7	61.0	59.7
Domestic public debt [4]	10.9	11.0	12.2	13.7	12.7	13.9	14.3	15.3	16.4
External public debt	53.2	57.7	55.3	57.6	55.5	54.3	49.5	45.7	43.3
Total public debt service [3]									
Percent of government revenue	22.9	23.7	23.7	22.8	24.2	27.1	24.6	28.5	24.2
Memorandum items:									
Gross domestic product (CFAF billions)	13,815	14,307	14,006	15,123	14,991	16,154	18,347	20,313	21,826
of which non-hydrocarbon (CFAF billions)	13,815	14,307	14,006	15,123	14,991	16,154	17,260	18,718	20,475
Gross domestic product (USD billions)	23.6	...	...	...	...	...	...	...	...
Share of hydrocarbon in total GDP (%)	...	...	...	...	...	...	5.9	7.9	6.2
National Currency per U.S. Dollar (Average)	586	...	...	...	...	...	...	...	...

Sources: Senegal authorities; and IMF staff estimates and projections.

[1] Based on new national accounts rebased to 2014.

[2] Reflects reclassification of public investment.

[3] Starting in 2017 debt level, debt service and government revenue include preliminary data covering the broader public sector.

[4] Domestic debt includes government securities issued in local currency and held by WAEMU residents.

Table 2. Senegal: Balance of Payments, 2019–25

(billions of CFAF)

	2019	2020		2021		2022	2023	2024	2025
	Prel.	EBS/20/119	Proj.	EBS/20/119	Proj.	Projections			
	(Billions of CFAF, unless otherwise indicated)								
Current account	-1,042	-1,254	-1,524	-1,546	-1,607	-1,718	-850	-735	-909
Balance on goods	-1,701	-1,655	-1,894	-1,841	-1,879	-1,922	-840	-540	-630
Exports, f.o.b.	2,523	2,223	2,394	2,506	2,608	2,999	5,031	5,839	6,315
Imports, f.o.b.	-4,224	-3,878	-4,288	-4,346	-4,487	-4,921	-5,871	-6,379	-6,945
Services (net)	-208	-295	-741	-514	-612	-512	-489	-584	-706
Export	818	588	540	813	740	902	968	1,089	1,166
Import	-1,027	-883	-1,281	-1,327	-1,352	-1,414	-1,456	-1,673	-1,872
Incomes (net)	-272	-362	-331	-446	-453	-748	-1,072	-1,264	-1,365
Credits	224	203	203	242	242	260	273	290	301
Debits	-496	-565	-534	-689	-696	-1,007	-1,345	-1,554	-1,667
Of which: interest on public debt	-207	-268	-237	-236	-244	-240	-287	-306	-324
Current transfers (net)	1,139	1,059	1,442	1,255	1,337	1,463	1,550	1,653	1,791
Private (net)	1,149	843	1,275	1,165	1,286	1,374	1,503	1,631	1,767
Public (net)	-10	215	166	91	51	89	47	22	24
Of which: budgetary grants	20	241	192	103	64	90	49	24	25
Capital and financial account	1,036	1,253	1,533	1,940	1,832	1,989	1,717	2,028	2,368
Capital account	222	271	271	292	281	300	320	337	357
Private capital transfers	17	12	12	15	15	16	15	14	14
Project grants	208	261	261	279	268	287	307	325	345
Debt cancellation and other transfers	-3	-2	-2	-2	-2	-2	-2	-2	-2
Financial account	815	983	1,262	1,648	1,551	1,689	1,398	1,691	2,011
Direct investment	584	502	751	767	804	844	834	871	962
Portfolio investment (net)	19	14	286	431	298	511	339	655	449
Of which: Eurobond issuance	0	0	0	0	0	0	0	208	0
Other investment	211	467	225	451	448	334	225	164	600
Public sector (net)	610	334	207	237	294	169	150	-71	211
Of which: disbursements	780	756	656	541	672	544	480	503	526
program loans	263	330	180	141	96	74	52	79	79
project loans	392	426	476	400	576	410	368	364	382
other	125	0	0	0	0	60	60	60	64
amortization	-170	-422	-449	-304	-378	-376	-331	-574	-315
Private sector (net)	-399	133	18	213	154	165	75	234	389
Errors and omissions	159	0	0	0	0	0	0	0	0
Overall balance	153	-1	8	394	225	271	867	1,293	1,458
Financing	-153	1	-8	-394	-225	-271	-867	-1,293	-1,458
Net foreign assets [1]	-304	-89	-38	-394	-267	-271	-867	-1,293	-1,458
Net use of IMF resources	-13	262	263	0	0	0	-42	-84	-51
Purchases/disbursements	0	265	266	0	0	0	0	0	0
Repurchases/repayments	-13	-3	-3	0	0	0	-42	-84	-51
Other	-291	-351	-302	-394	-267	-271	-825	-1,209	-1,408
Deposit money banks	151	0	0	0	0	0	0	0	0
Exceptional financing (DSSI)	0	90	30	0	42	0	0	0	0
Memorandum items:									
Current account balance (percent of GDP)									
Including current official transfers	-7.5	-8.8	-10.9	-10.2	-10.7	-10.6	-4.6	-3.6	-4.2
Excluding current official transfers	-7.7	-10.5	-12.3	-11.0	-11.2	-11.3	-5.0	-3.8	-4.4
Gross domestic product	13,815	14,307	14,006	15,123	14,991	16,154	18,347	20,313	21,826

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

[1] This is not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

Table 3. Senegal: Balance of Payments, 2019–25
(percent of GDP)

	2019	2020		2021		2022	2023	2024	2025
	Prel.	EBS/20/119	Proj.	EBS/20/119	Proj.	Projections			
	(Percent of GDP, unless otherwise indicated)								
Current account	-7.5	-8.8	-10.9	-10.2	-10.7	-10.6	-4.6	-3.6	-4.2
Balance on goods	-12.3	-11.6	-13.5	-12.2	-12.5	-11.9	-4.6	-2.7	-2.9
Exports, f.o.b.	18.3	15.5	17.1	16.6	17.4	18.6	27.4	28.7	28.9
Imports, f.o.b.	-30.6	-27.1	-30.6	-28.7	-29.9	-30.5	-32.0	-31.4	-31.8
Services (net)	-1.5	-2.1	-5.3	-3.4	-4.1	-3.2	-2.7	-2.9	-3.2
Export	5.9	4.1	3.9	5.4	4.9	5.6	5.3	5.4	5.3
Import	-7.4	-6.2	-9.1	-8.8	-9.0	-8.8	-7.9	-8.2	-8.6
Incomes (net)	-2.0	-2.5	-2.4	-2.9	-3.0	-4.6	-5.8	-6.2	-6.3
Credits	1.6	1.4	1.5	1.6	1.6	1.6	1.5	1.4	1.4
Debits	-3.6	-4.0	-3.8	-4.6	-4.6	-6.2	-7.3	-7.7	-7.6
Of which: interest on public debt	-1.5	-1.9	-1.7	-1.6	-1.6	-1.5	-1.6	-1.5	-1.5
Current transfers (net)	8.2	7.4	10.3	8.3	8.9	9.1	8.5	8.1	8.2
Private (net)	8.3	5.9	9.1	7.7	8.6	8.5	8.2	8.0	8.1
Public (net)	-0.1	1.5	1.2	0.6	0.3	0.6	0.3	0.1	0.1
Of which: budgetary grants	0.1	1.7	1.4	0.7	0.4	0.6	0.3	0.1	0.1
Capital and financial account	7.5	8.8	10.9	12.8	12.2	12.3	9.4	10.0	10.8
Capital account	1.6	1.9	1.9	1.9	1.9	1.9	1.7	1.7	1.6
Private capital transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Project grants	1.5	1.8	1.9	1.8	1.8	1.8	1.7	1.6	1.6
Debt cancellation and other transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	5.9	6.9	9.0	10.9	10.3	10.5	7.6	8.3	9.2
Direct investment	4.2	3.5	5.4	5.1	5.4	5.2	4.5	4.3	4.4
Portfolio investment (net)	0.1	0.1	2.0	2.8	2.0	3.2	1.8	3.2	2.1
Of which: Eurobond issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
Other investment	1.5	3.3	1.6	3.0	3.0	2.1	1.2	0.8	2.7
Public sector (net)	4.4	2.3	1.5	1.6	2.0	1.0	0.8	-0.3	1.0
Of which: disbursements	5.6	5.3	4.7	3.6	4.5	3.4	2.6	2.5	2.4
program loans	1.9	2.3	1.3	0.9	0.6	0.5	0.3	0.4	0.4
project loans	2.8	3.0	3.4	2.6	3.8	2.5	2.0	1.8	1.8
other	0.9	0.0	0.0	0.0	0.0	0.4	0.3	0.3	0.3
amortization	-1.2	-2.9	-3.2	-2.0	-2.5	-2.3	-1.8	-2.8	-1.4
Private sector (net)	-2.9	0.9	0.1	1.4	1.0	1.0	0.4	1.2	1.8
Errors and omissions	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.1	0.0	0.1	2.6	1.5	1.7	4.7	6.4	6.7
Financing	-1.1	0.0	-0.1	-2.6	-1.5	-1.7	-4.7	-6.4	-6.7
Net foreign assets [1]	-2.2	-0.6	-0.3	-2.6	-1.8	-1.7	-4.7	-6.4	-6.7
Net use of IMF resources	-0.1	1.8	1.9	0.0	0.0	0.0	-0.2	-0.4	-0.2
Purchases/disbursements	0.0	1.8	1.9	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases/repayments	-0.1	0.0	0.0	0.0	0.0	0.0	-0.2	-0.4	-0.2
Other	-2.1	-2.5	-2.2	-2.6	-1.8	-1.7	-4.5	-6.0	-6.5
Deposit money banks	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing (DSSI)	0.0	0.6	0.2	0.0	0.3	0.0	0.0	0.0	0.0
Memorandum items:									
Gross domestic product	13,815	14,307	14,006	15,123.3	14,991	16,154	18,347	20,313	21,826

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

[1] This is not indicative of the country's impact on WAEMU's aggregate external position or the pooled WAEMU reserves since the data contains intra-WAEMU flows from the current, capital and financial account.

Table 4. Senegal: Budgetary Central Government Operations, GFSM 2001 Classification, 2019–25[1]

(billions of CFAF)

	2019	2020		2021		2022	2023	2024	2025
	Prel.	EBS/20/119	Proj.	EBS/20/119	Proj.	Projections			
					(CFAF Billions)				
Revenue and Grants	**2,789**	**3,008**	**2,962**	**3,027**	**3,089**	**3,381**	**3,987**	**4,451**	**4,933**
Taxes	2,410	2,354	2,354	2,517	2,564	2,862	3,470	3,924	4,371
Hydrocarbon taxes	… …	…	…	…	…	0	104	114	140
Non-hydrocarbon taxes	2,410	2,354	2,354	2,517	2,564	2,862	3,365	3,809	4,231
Direct taxes	760	730	716	677	684	846	1,166	1,340	1,523
Taxes on goods and services	1,247	1,273	1,290	1,434	1,455	1,556	1,777	1,994	2,176
Taxes on international trade and transactions	366	313	310	365	383	416	478	534	613
Other taxes	38	39	38	41	41	44	50	55	59
Grants	225	502	453	382	332	377	356	349	370
Budget	17	241	192	103	64	90	49	24	25
Projects	208	261	261	279	268	287	307	325	345
Other revenue	154	153	155	128	194	142	161	179	192
Expenditure	**3,317**	**3,881**	**3,870**	**3,708**	**3,822**	**4,022**	**4,531**	**5,057**	**5,581**
Expense	2,157	2,453	2,446	2,265	2,239	2,483	2,654	2,867	3,106
Compensation of employees	733	818	818	864	905	975	1,107	1,226	1,317
Use of goods and services	281	314	306	332	316	371	384	425	457
Interest	262	307	307	287	327	342	383	421	461
Subsidies	297	471	472	268	273	306	224	180	188
Grants (current excl. FSE)	364	377	377	315	255	275	313	346	372
Social benefits	15	31	31	33	19	36	41	45	71
Other expense	204	136	136	166	143	178	202	223	240
Net acquisition of nonfinancial assets [2]	1,160	1,428	1,424	1,443	1,584	1,539	1,877	2,190	2,475
Domestically financed	560	742	688	764	740	843	1,203	1,501	1,748
Externally financed	600	687	736	679	844	697	675	689	727
Net lending/borrowing *(Overall balance)*	-528	-873	-908	-681	-733	-641	-544	-605	-648
Net lending/borrowing *(excl. exceptional one-off operations)* [3]	**-428**	**-873**	**-902**	**-681**	**-722**	**-641**	**-544**	**-605**	**-648**
Transactions in financial assets and liabilities (Financing)	**-528**	**-873**	**-908**	**-681**	**-733**	**-641**	**-544**	**-605**	**-648**
Net acquisition of financial assets	-73	-23	-23	0	0	0	0	0	0
Domestic	-73	-23	-23	0	0	0	0	0	0
Currency and deposits	-73	-93	-93	0	0	0	0	0	0
Other accounts receivable	0	70	70	0	0	0	0	0	0
Foreign	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	455	850	886	681	733	641	544	605	648
Domestic	-167	277	272	27	92	-27	41	7	-27
IMF and SDRs	-13	263	263	0	0	0	-42	-84	-51
Debt securities (net)	1	160	160	78	138	21	132	140	68
BOAD	-7	12	7	-19	-19	-23	-24	-24	-20
Loans	-7	-37	-37	-44	-26	-25	-25	-25	-25
Other accounts payable [4]	-100	-121	-121	0	0	0	0	0	0
Foreign	622	573	613	654	641	668	503	599	675
Debt securities (net)	13	40	339	437	304	500	356	671	466
T-bills and bonds issued in WAEMU	13	40	339	437	304	500	356	464	466
Eurobond	0	0	0	0	0	0	0	208	0
Loans	610	444	245	218	294	168	148	-73	209
Program loans	263	330	180	141	96	74	52	79	79
Project loans	392	426	476	400	576	410	368	364	382
Nonconcessional loans	125	0	0	0	0	60	60	60	64
Other	-170	-312	-411	-324	-378	-376	-333	-576	-317
Other accounts payable	0	0	0	0	0	0	0	0	0
Exceptional Financing[5]	0	90	30	0	42	0	0	0	0
Memorandum items:									
Total Financing (deficit +nonbudgetary additional borrowing)	628	994	1,099	681	733	641	544	605	648
Clearance of unmet obligations	100	113	200	124	100	74	…	…	…
Hydrocarbon revenues[6]	… …	…	…	…	…	0	130	143	175
DSSI - interest			6		10				
Nominal GDP	13,815	14,307	14,006	15,123	14,991	16,154	18,347	20,313	21,826

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] Public Investment differs from net acquisition of nonfinancial assets reported in the fiscal tables by including public spending in wages and salaries of frontline staff in education and health, both of which are considered as investment in human capital (in line with the spirit of the PSE).

[3] For 2019, reflects one-off operation to allow clearance of central government unmet obligations vis-à-vis the national electricity company SENELEC. This is mostly linked to *compensation* for subsidized electricity tariffs dating from the period 2017-2018. For 2020 and 2021, this reflects the interest part of the debt service suspension initiative.

[4] Starting in 2016, Treasury operations to finance (i) Post office operations (Poste and Poste Finance), (ii) pensions (Fonds National de Retraites), (iii) reduction of stock of comptes de depots, (iv) arrears to energy sector.

[5] Suspended debt service under the debt service suspension initative (DSSI).

[6] This is total hydrocarbon revenues accruing to the Senegalese government and is higher than what is annually included in the budget of the central government.

Table 5. Senegal: Budgetary Central Government Operations, GFSM 2001 Classification, 2019–25[1]

(percent of GDP)

	2019	2020		2021		2022	2023	2024	2025
	Prel.	EBS/20/119	Proj.	EBS/20/119	Proj.	Projections			
	(Percent of GDP, unless otherwise indicated)								
Revenue and Grants	**20.2**	**21.0**	**21.1**	**20.0**	**20.6**	**20.9**	**21.7**	**21.9**	**22.6**
Taxes	17.4	16.5	16.8	16.6	17.1	17.7	18.9	19.3	20.0
Hydrocarbon Taxes	…	…	…	…	…	0.0	0.6	0.6	0.6
Non-Hydrocarbon Taxes	17.4	16.5	16.8	16.6	17.1	17.7	18.3	18.8	19.4
Direct Taxes	5.5	5.1	5.1	4.5	4.6	5.2	6.4	6.6	7.0
Taxes on goods and services	9.0	8.9	9.2	9.5	9.7	9.6	9.7	9.8	9.97
Taxes on international trade and transactions	2.6	2.2	2.2	2.4	2.6	2.6	2.60	2.63	2.81
Other taxes	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Grants	1.6	3.5	3.2	2.5	2.2	2.3	1.9	1.7	1.7
Budget	0.1	1.7	1.4	0.7	0.4	0.6	0.3	0.1	0.1
Projects	1.5	1.8	1.9	1.8	1.8	1.8	1.7	1.6	1.6
Other revenue	1.1	1.1	1.1	0.8	1.3	0.9	0.9	0.9	0.9
Expenditure	**24.0**	**27.1**	**27.6**	**24.5**	**25.5**	**24.9**	**24.7**	**24.9**	**25.6**
Expense	15.6	17.1	17.5	15.0	14.9	15.4	14.5	14.1	14.2
Compensation of employees	5.3	5.7	5.8	5.7	6.0	6.0	6.0	6.0	6.0
Use of goods and services	2.0	2.2	2.2	2.2	2.1	2.3	2.1	2.1	2.1
Interest	1.9	2.1	2.2	1.9	2.2	2.1	2.1	2.1	2.1
Foreign	1.5	1.9	1.7	1.6	1.6	1.5	1.6	1.5	1.5
Domestic	0.4	0.3	0.5	0.3	0.6	0.6	0.5	0.6	0.6
Subsidies	2.1	3.3	3.4	1.8	1.8	1.9	1.2	0.9	0.9
Grants (current excl. FSE)	2.6	2.6	2.7	2.1	1.7	1.7	1.7	1.7	1.7
Social benefits	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.3
Other expense	1.5	0.9	1.0	1.1	1.0	1.1	1.1	1.1	1.1
Net acquisition of nonfinancial assets [2]	8.4	10.0	10.2	9.5	10.6	9.5	10.2	10.8	11.3
Domestically financed	4.1	5.2	4.9	5.1	4.9	5.2	6.6	7.4	8.0
Externally financed	4.3	4.8	5.3	4.5	5.6	4.3	3.7	3.4	3.3
Net lending/borrowing *(Overall balance)*	-3.8	-6.1	-6.5	-4.5	-4.9	-4.0	-3.0	-3.0	-3.0
Net lending/borrowing (excl. exceptional one-off operations)[3]	**-3.1**	**-6.1**	**-6.4**	**-4.5**	**-4.8**	**-4.0**	**-3.0**	**-3.0**	**-3.0**
Transactions in financial assets and liabilities (Financing)	**-3.8**	**-6.1**	**-6.5**	**-4.5**	**-4.9**	**-4.0**	**-3.0**	**-3.0**	**-3.0**
Net acquisition of financial assets	-0.5	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-0.5	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.5	-0.6	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	3.3	5.9	6.3	4.5	4.9	4.0	3.0	3.0	3.0
Domestic	-1.2	1.9	1.9	0.2	0.6	-0.2	0.2	0.0	-0.1
IMF and SDRs	-0.1	1.8	1.9	0.0	0.0	0.0	-0.2	-0.4	-0.2
Debt securities (net)	0.0	1.1	1.1	0.5	0.9	0.1	0.7	0.7	0.3
BOAD	0.0	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Loans	0.0	-0.3	-0.3	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1
Other accounts payable [4]	-0.7	-0.8	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	4.5	4.0	4.4	4.3	4.3	4.1	2.7	2.9	3.1
Debt securities (net)	0.1	0.3	2.4	2.9	2.0	3.1	1.9	3.3	2.1
T-bills and bonds issued in WAEMU	0.1	0.3	2.4	2.9	2.0	3.1	1.9	2.3	2.1
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
Loans	4.4	3.1	1.7	1.4	2.0	1.0	0.8	-0.4	1.0
Program loans	1.9	2.3	1.3	0.9	0.6	0.5	0.3	0.4	0.4
Project loans	2.8	3.0	3.4	2.6	3.8	2.5	2.0	1.8	1.8
Nonconcessional loans	0.9	0.0	0.0	0.0	0.0	0.4	0.3	0.3	0.3
Other	-1.2	-2.2	-2.9	-2.1	-2.5	-2.3	-1.8	-2.8	-1.5
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Financing[5]	0.0	0.6	0.2	0.0	0.3	0.0	0.0	0.0	0.0
Memorandum items:									
Total Financing (deficit +nonbudgetary additional borrowing)	4.5	6.9	7.8	4.5	4.9	4.0	3.0	3.0	3.0
Clearance of unmet obligations	0.7	0.8	1.4	0.8	0.7	0.5	…	…	…
Hydrocarbon revenues[6]	…	…	…	…	…	0.0	0.7	0.7	0.8
DSSI - Interest			0.0		0.1				
Nominal GDP	13,815	14,307	14,006	15,123	14,991	16,154	18,347	20,313	21,826

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] Public Investment differs from net acquisition of nonfinancial assets reported in the fiscal tables by including public spending in wages and salaries of frontline staff in education and health, both of which are considered as investment in human capital (in line with the spirit of the PSE).

[3] For 2019, reflects one-off operation to allow clearance of central government unmet obligations vis-à-vis the national electricity company SENELEC. This is mostly linked to compensation for subsidized electricity tariffs dating from the period 2017-2018. For 2020 and 2021, this reflects the interest part of the debt service suspension initiative.

[4] Starting in 2016, Treasury operations to finance (i) Post office operations (Poste and Poste Finance), (ii) pensions (Fonds National de Retraites), (iii) reduction of stock of comptes de depots, (iv) arrears to energy sector.

[5] Suspended debt service under the debt service suspension initative (DSSI).

[6] This is total hydrocarbon revenues accruing to the Senegalese government and is higher than what is annually included in the budget of the central government.

Table 6. Senegal: Monetary Survey, 2019–22

	2019	2020		2021		2022
	Act.	EBS/20/119	Proj.	EBS/20/119	Proj.	Proj.
	(Billions of CFAF)					
Net foreign assets	1,973	2,062	2,011	2,456	2,278	2,548
BCEAO	1,471	1,560	1,509	1,955	1,776	2,047
Commercial banks	501	501	501	501	501	501
Net domestic assets	4,160	4,566	4,663	4,692	4,994	5,342
Net domestic credit	5,157	5,613	5,694	5,802	6,097	6,528
Net credit to the government[1]	560	989	989	1,074	1,082	1,184
Central bank	-191	165	165	165	165	165
Commercial banks	751	824	824	909	916	1,019
Other institutions	2	2	2	2	2	2
Credit to the economy	4,597	4,624	4,705	4,728	5,015	5,344
Shares and other equity	-749	-776	-759	-820	-813	-876
Other items (net)	-247	-271	-271	-290	-290	-310
Broad money	5,687	6,167	6,222	6,662	6,790	7,372
Currency outside banks	1,302	1,554	1,568	1,679	1,711	1,858
Total deposits	4,385	4,613	4,654	4,983	5,078	5,514
Demand deposits	2,666	2,891	2,917	3,123	3,183	3,456
Time deposits	1,718	1,722	1,737	1,860	1,895	2,058
Non-liquid Liabilities	446	461	452	486	482	518
	(Change in percentage of beginning-of-period broad money stock)					
Net foreign assets	2.9	1.6	0.7	6.4	4.3	4.0
Net domestic assets	7.5	7.1	8.8	2.0	5.3	5.1
Net credit to the government[1]	1.7	7.5	7.5	1.4	1.5	1.5
Credit to the economy (net)	6.1	0.5	1.9	1.7	5.0	4.8
Broad money	8.2	8.4	9.4	8.0	9.1	8.6
Memorandum items:	(Units indicated)					
Velocity (GDP/broad money; end of period)	2.4	2.3	2.3	2.3	2.2	2.2
Nominal GDP growth (percentage growth)	7.0	3.6	1.4	5.7	7.0	7.8
Credit to the private sector (percentage growth)	6.7	0.7	2.7	2.6	7.5	7.4
Credit to the private sector/GDP (percent)	29.3	28.5	29.7	27.6	29.8	29.7

Sources: BCEAO; and IMF staff estimates and projections.

[1]Net domestic credit to the government may differ from what appears in the fiscal table, as bonds issued on the WAEMU markets are treated as external financing for the purpose of the monetary survey.

Table 7. Senegal: Financial Soundness Indicators for the Banking Sector, 2015–20

	2015	2016	2017	2018 [1]	2019	2019	2020
	Dec	Dec	Dec	Dec	June	Dec	June
Solvency ratios							
Regulatory capital to risk weighted assets	19.1	14.5	13.6	11.8	13.2	13.1	13.9
Tier I capital to risk-weighted assets	16.3	13.8	13.2	11.4	12.7	12.4	13.4
Provisions to risk-weighted assets	16.0	13.6	11.6	8.9	9.5	10.7	10.2
Capital to total assets	8.3	7.2	7.6	7.9	8.3	7.1	8.1
Composition and quality of assets							
Total loans to total assets	55.5	53.6	60.5	61.3	62.6	62.6	59.1
Concentration: loans to 5 largest borrowers to capital	46.4	63.7	71.6	69.2	72.9	87.4	71.5
Sectoral distribution of loans [2]							
Agriculture	2.6	2.2	2.4	2.4	2.3	2.3	2.3
Extractive industries	0.8	0.8	0.8	1.2	1.2	1.4	1.1
Manufacturing	21.1	18.7	17.2	15.3	16.2	16.0	16.8
Electricity, water and gas	1.8	1.7	2.1	2.1	3.2	3.0	3.0
Construction	3.9	4.9	5.7	4.5	5.0	6.9	6.8
Retail and wholesale trade, restaurants and hotels	25.4	25.3	23.1	26.0	24.4	23.2	24.0
Transportation and communication	10.0	12.0	12.9	12.8	11.8	11.6	12.3
Insurance, real estate and services	7.0	7.1	8.6	7.5	7.9	7.5	6.7
Other services	27.5	27.2	27.2	28.2	28.0	28.2	27.0
Gross NPLs to total loans	19.3	18.0	16.2	13.1	13.6	13.9	13.4
Provisioning rate	57.7	62.5	59.7	68.1	63.9	61.5	68.2
Net NPLs to total loans	9.2	7.6	7.2	4.6	5.4	5.9	4.7
Net NPLs to capital	61.4	56.4	57.7	38.7	40.1	51.5	34.2
Earnings and profitability [3]							
Average cost of borrowed funds	2.2	2.3	2.4	2.2	…	0.5	…
Average interest rate on loans	8.2	8.4	8.6	7.6	…	7.9	…
Average interest margin [4]	6.0	6.1	6.2	5.4	…	7.4	…
After-tax return on average assets (ROA)	0.8	1.0	1.7	0.7	…	1.2	…
After-tax return on average equity (ROE)	9.0	13.0	19.9	7.2	…	12.6	…
Noninterest expenses/net banking income	61.0	57.7	58.0	57.3	…	60.2	…
Salaries and wages/net banking income	26.1	25.0	24.9	26.8	…	25.3	…
Liquidity							
Liquid assets to total assets	27.4	26.8	28.3	31.8	31.4	27.0	24.5
Liquid assets to total deposits	39.7	40.6	41.8	47.9	46.0	38.5	36.3
Total loans to total deposits	90.6	91.5	99.1	101.6	100.6	97.4	96.2
Total deposits to total liabilities	69.0	66.0	67.6	66.3	68.2	70.3	67.6
Sight deposits to total liabilities [5]	38.3	37.8	37.5	37.1	38.7	40.3	40.0
Term deposits to total liabilities	30.6	28.2	30.1	29.2	29.5	30.0	27.7

Source: BCEAO.

[1] First year of data reporting in accordance with Basel II/III prudential standards and the new

[2] Declared to central risk registry.

[3] Based on semi-annual income statements.

[4] Excluding tax on bank operations.

[5] Including saving accounts.

Table 8. Senegal: Schedule of Reviews Under the Policy Coordination Instrument, 2020–22

Program Review	Proposed Date	Test Date
Second Review	By December 31, 2020	End-June 2020
Third Review	By June 30, 2021	End-December 2020
Fourth Review	By December 31, 2021	End-June 2021
Fifth Review	By June 30, 2022	End-December 2021
Sixth Review	By December 31, 2022	End-June 2022

Source: IMF.

Table 9. Senegal: Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Potential impact	Policy Response
Risks			
Unexpected shift in the COVID-19 pandemic.	**High**	**High.** The disease proves harder to eradicate (e.g., due to difficulties in finding/distributing a vaccine), requiring more containment efforts and impacting economic activity Fiscal policy response is insufficient amid dwindling policy space and concerns about debt sustainability.	Prepare for contingency scenario and flexibly adjust policy as necessary to ensure appropriate health policy response and mitigate economic damage.
Widespread social discontent and political instability.	**Medium/high**	**Medium.** Social tensions erupt as the pandemic and inadequate policy response cause economic hardship (including unemployment, higher incidence of poverty, and shortages and higher prices of essentials) and exacerbate preexisting socioeconomic inequities. Economic activity is disrupted.	Ensure transparency and accountability of the social and economic response to COVID-19.
Oversupply in the oil market.	**Medium/high**	**High**. Large energy price swings can have significant fiscal implications under unchanged retail prices. Oil and gas production in Senegal could be delayed if prices remain very low.	Consider locking in current low energy prices to remove fiscal uncertainty and strengthening automatic pass through to domestic energy prices while protecting vulnerable segments of society when prices increase.
Domestic and regional security threats	**Medium/high**	**Medium**. An increase in security concerns for Senegal would require higher security expenditures and could affect private investment.	Ensure that the multi-year budget framework allows room to address fiscal contingencies.

Source: IMF.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex I. The Socio-Economic Impact of the COVID-19 Crisis

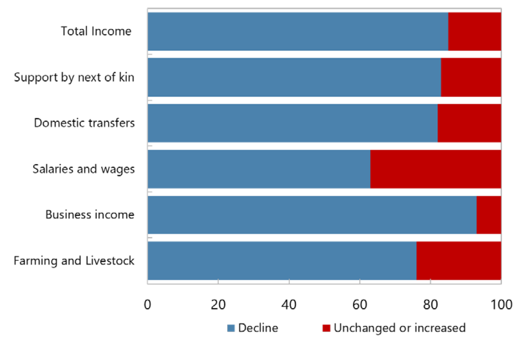
Surveys of Senegalese households, formal firms and informal production units (IPU) reveal the drastic socio-economic impact of the pandemic.[1]

- *A large majority (85 percent) of households reported a decline in their income, notably from non-agricultural activities*. A third of household heads temporarily stopped working due to the containment measures. The welfare impact was equally significant with 4/5 of households reporting they are worse-off since the beginning of the pandemic. Most households were aware of and approved the containment measures taken by the government, though the closing of markets and travel restrictions were least appreciated. Households appreciated the economic and social support measures implemented by the government, notably support to the health sector, payment of water and electricity bills for the most vulnerable families, food distributions and support to the diaspora.

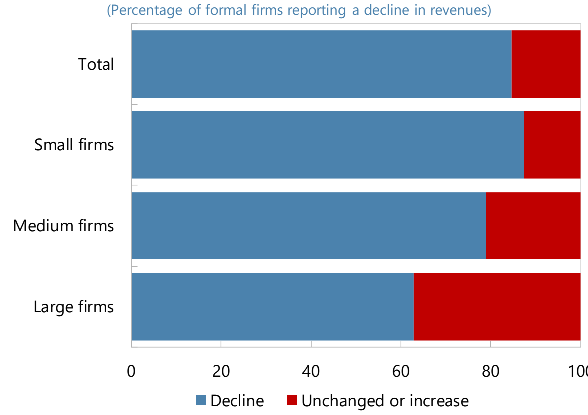
- *Most formal firms suffered a reduction in their activity*. 85 percent reported a decline in their turnover in the first 6 months of 2020. About 3/5 of formal firms reduced their activity during the crisis, and almost one tenth slashed production by more than 75 percent. A little less than a 1/3 of formal firms (27 percent) stopped their operations temporarily with hotels and restaurants

Annex I. Text Figure 1. COVID 19 Impact on Households and Firms

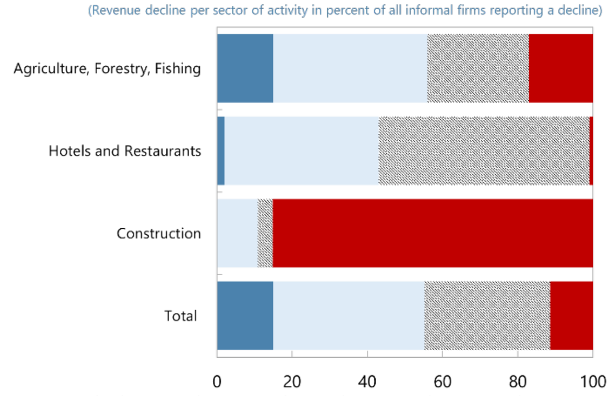
Impact of Covid-19 on Household Income
(Percentage of households with lower disposable income by revenue source)



Impact of Covid-19 on Revenues of Formal Firms
(Percentage of formal firms reporting a decline in revenues)



Informal Firms: Change in revenues due to COVID-19
(Revenue decline per sector of activity in percent of all informal firms reporting a decline)



Source: ANSD

[1] The three surveys by the "Agence Nationale de la Statistique et de la Démographie" are the « Rapport de l'enquête sur l'impact de la Covid-19 sur les Unités de Production informelles" (September 2020), the "Résumé analytique du rapport de l'enquête sur les intentions d'investissement post covid-19 des entreprises formelles" (August 2020) and the "Suivi de l'impact sur le Bien être des ménages" (September 2020). They are available at www.ansd.sn.

particularly hard-hit as half of them closed for at least some time. Over two-thirds of formal firms intend to invest post-crisis, but would need to rely on some form of government support, particularly SMEs. SMEs would welcome continued help with utility bills, and rent support, as well as access to long-term financing.

- *The revenue decline among IPUs was even more pronounced, with widespread welfare effects.* Informal firms represent 97 percent of total enterprises and 92 percent of total working age population in Senegal is engaged in informal activities. Nine out of 10 informal production units reported reduced sales, and coped through cost-reducing measures, stops in production, or seeking a loan. They were hopeful that activity would recover within a year (over 72% of UPIs), and 78% considered that the government should establish a support fund for the most affected sectors and continue to subsidize utility bills.

Annex II. The Authorities' Economic Recovery Plan

1. Supporting the nascent economic recovery is a priority. The government has lifted the state of emergency on June 30 and eased restrictions, such as limits on inter-regional travel and the suspension of international air travel. The "post state of emergency" phase is likely to be marked by elevated uncertainty about the progression of the pandemic and continued behavioral changes to reduce contacts. The policy focus is shifting from emergency support to helping the nascent recovery while managing ongoing pandemic-related risks.

2. Beyond the direct impact on well-being and poverty, the crisis has created difficult challenges for economic policy:

- The pandemic and associated confinement measures have had a particular strong impact on contact-intensive sectors, such as tourism, entertainment and hospitality. Some of these shocks could turn out to be long-lasting (at least until a vaccine becomes widely available) or even permanent (if consumer behavior changes permanently, e.g. a shift towards online services). If so, the costs of solvency and employment support for such hard-hit sectors will increase over time. The trade-off will become one of favoring reallocation of resources versus preserving existing economic relationships for a more distant future.
- The crisis has led to a reconsideration in Senegal of the importance to be autonomous in the production of essential goods, such as food or pharmaceuticals.
- The crisis has weakened firms and households' balance sheets. Weaker corporate and households' balance sheets may constrain consumption and capital spending. Firms and households with high debt must deleverage and their efforts to repair their balance sheets may impede consumption and capital spending.
- The crisis has increased banks' exposures to sovereigns. This exposure means that the Senegalese banks are highly vulnerable to fiscal shocks.
- While the impact of the crisis on banks' asset quality is not apparent at this juncture, this may change as the BCEAO normalizes its monetary and prudential policies. Increased NPLs would weigh on banks' profits and constrain bank lending.

3. The Senegalese authorities reacted swiftly to address the pandemic and its aftermath. After focusing on the emergency response, they moved towards revising the action plan implementing their flagship national development strategy "Plan Senegal Émergent (PSE)" to reflect lessons from the pandemic while preserving initial PSE objectives. This has resulted in a new adjusted and accelerated priority action plan (PAP2A). The objective remains to support strong and inclusive private sector-led growth, focusing on accelerating the structural transformation and enhancing resilience. But adjustments have been made as the virus and the resulting economic shock exposed the country's high dependence on imports of food and basic pharmaceutical products, the underdevelopment of its health and education system and the lack of a fully functional social safety net. A renewed emphasis is therefore being placed on increasing production of critical supplies, possibly leading to a reduction of imports of food (notably rice), pharmaceutical products, and health services. To boost production the authorities are planning sector-specific tax exemptions, subsidies, and an overhaul of sectoral legal and regulatory frameworks.

4. The macroeconomic assumptions underlying the recovery plan are ambitious. Under the PAP2A, real GDP growth is projected at 5.2 percent in 2021, 7.2 percent in 2022 and 13.7 percent in 2023 on the back of strong investment and the start of the oil production. The total financing need for the PAP2A is high with about CFAF 14,712 billion over 2021-2023 (105 percent of 2020 GDP), of which 39 percent is expected to come from the private sector. This would require exceptionally dynamic private investments which are expected to play an important role in large part through public private partnerships (PPPs). Nominal public investment is expected to increase by an average of 20 percent from 2020 to 2023.

5. For the plan to succeed, carefully calibrated policies will be crucial.

- Assumptions about public and private spending in the plan appear ambitious. It will be important to draw on lessons from the implementation of previous development plans and to deepen the analysis of how to implement reforms that can enhance private investment. As regards public investment, consistency of the plan with the medium-term debt strategy is essential to maintain debt sustainability.
- Specific sectoral support measures, e.g. tax exemptions or subsidies, have a long history in Senegal. Sectors for which in-depth studies/evaluations exist, e.g. for the groundnut value chain, show that those policies have had mixed success in promoting economic activity. In part, this has been attributed to the emergence of powerful, rent-extracting interest groups which undermine the efficiency of sectoral policy interventions. If the authorities want to pursue such measures, they will need to be carefully designed to ensure benefits outweigh the costs, for example through limiting their duration and ensure proper targeting. New import restrictions would be a weak policy response with negative spillovers.
- Labor market rigidities and underdeveloped capital market impede a swift reallocation of resources across sectors, while at the same time some sectors or firms may be considered strategically important, justifying direct support. However, direct support should be carefully targeted and become more selective over time. Fiscal space is limited, and any fiscal support ought to be weighed against comparative returns of other options.
- Should non-performing loans increase, and insolvencies pick up after the crisis, strengthening the efficiency of existing insolvency and debt enforcement mechanisms could help speed up debt resolution, support financial stability, and improve capital allocation.

Annex III. Alternative Scenario – A Protracted Recovery

1. **A clouded outlook.** In the baseline scenario staff expects a robust recovery in 2021 and beyond. However, the future growth path of the Senegalese economy is highly uncertain. Key downside risks that could impede a swift recovery include a resurgence of the pandemic leading to stronger mitigation measures in Senegal, the SSA region, or globally, more protracted scarring from the shock leading to lower consumption and investment, and a slow recovery of particularly hard hit sectors such as tourism and travel.

2. **A slower recovery with pressure on external and fiscal positions.** Growth would be lower as domestic and external demand will recover more slowly dampening the recovery in manufacturing and services. Also, future shocks could further delay hydrocarbon projects with production not starting before 2025. In such a scenario, growth would reach 3 percent of GDP in 2021 and then stay around 5 percent of GDP before hydrocarbon production sets in. Exports of goods and services, notably those related to travel and tourism, are assumed to remain 1 percent of GDP under the baseline scenario. A more prolonged downturn in host countries of Senegal's diaspora could also weigh on remittances, putting further pressure on the current account. Less economic activity and trade would reduce tax revenues and lead to a higher fiscal deficit as the scenario assumes unchanged fiscal policies (Text Table 1).

3. **Policy implications.** The room for further fiscal support to boost demand would be limited given the outlook on debt sustainability and potential concerns about regional macroeconomic stability. To adjust to lower fiscal revenues, consideration could be given to streamlining tax expenditures (5.7 percent of GDP in 2017), delaying investment spending (projected to grow by a nominal annual average of 12.2 percent until 2024 in the baseline), or further reducing non-essential current spending. If access to financing worsens, options include seeking additional concessional financing from partners (e.g. World Bank) or a Fund financial arrangement. Given the limited fiscal space, staff would emphasize the importance of reforms to improve the business environment, boost confidence, and spur private investment.

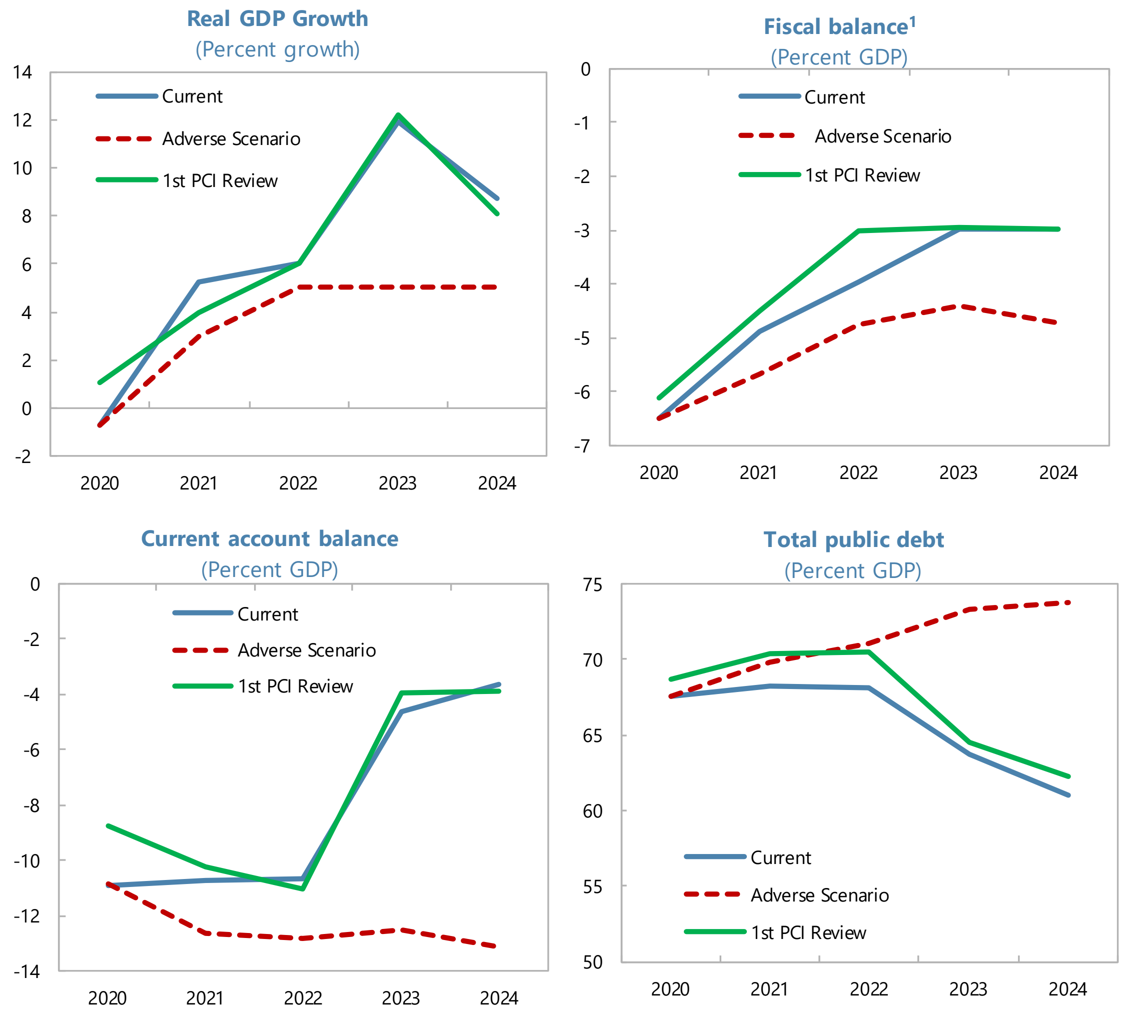
Annex II. Text Table 1. Senegal: Key Macroeconomic Indicators Baseline vs. Alternative Scenario

	2020		2021		2022		2023	
	Baseline	Alternative	Baseline	Alternative	Baseline	Alternative	Baseline	Alternative
NGDP	14,006	14,006	14,991	14,668	16,154	15,635	18,347	16,328
Real GDP growth (percent)	-0.7	-0.7	5.2	3.0	6.0	5.0	11.9	5.0
Government revenues (percent of GDP)	21.1	21.1	20.6	20.3	20.9	20.6	21.7	21.4
Government expenditure (percent of GDP)	27.6	27.6	25.5	26.0	24.9	25.4	24.7	25.8
Fiscal Balance (percent of GDP)[1]	-6.5	-6.5	-4.9	-5.7	-4.0	-4.8	-3.0	-4.4
Gross Public Debt (percent of GDP)	67.6	67.6	68.2	69.9	68.1	71.2	63.7	73.4
Current Account Balance (percent of GDP)	-10.9	-10.9	-10.7	-12.6	-10.6	-12.8	-4.6	-12.5

Source: IMF staff projections

[1] Excludes savings from interest payment relief under the DSSI and reflects unchanged policies.

Annex II. Text Figure 1. Baseline vs. Alternative Scenario



[1] Fiscal path without additional policy measures.
Source: Senegal authorities; and IMF staff estimates.

Appendix I. Program Statement

Dakar, Senegal

December 17, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Ms. Georgieva:

The impact of the COVID-19 pandemic on the Senegalese economy has been larger than expected during the first half of 2020, which led to a downward revision of the 2020 growth projection compared with the first PCI review. However, a recovery started in June with the lifting of travel restrictions and, given the favorable perspectives for the 2020-21 agricultural campaign, the contraction of approximately 0.7 percent in economic activity envisaged for 2020 could be avoided. The deterioration in economic activity might have been more pronounced without the government's rapid implementation of a series of vigorous measures in the context of the Economic and Social Resilience Program (PRES) designed to fight the pandemic, to assist the most vulnerable sectors of the population, and to support the private sector. The government will meet its commitments of accountability and transparency for the spending under this CFAF 1 trillion program.

In spite of this difficult context, implementation of the program supported by the Policy Coordination Instrument (PCI) has been sound. All quantitative targets for end-June 2020 have been met, with the exception of the floor on the overall budget balance and the ceiling on the share of the value of public sector contracts signed by single tender due to the urgent need to respond to the pandemic. All reform targets were also met, except for the adoption of the financial inclusion strategy. The government is confident that the revised 2020 budget objectives will be attained. It is determined to complete the reforms envisaged under the program for 2020, including the review of the legal framework for public-private partnerships (PPPs) and the law on the allocation and management of oil and gas revenue. The public debt audit will be completed in early 2021 as a result of delays related to procurement procedures.

Senegal's economic outlook for 2021 is favorable, despite lingering uncertainties. The government expects growth of 5.2 percent in 2021, with a contribution from all sectors. To support the economic recovery, the second priority action plan (PAP 2) of the "Plan Sénégal Émergent" (PSE) has been revised. The adjusted and accelerated Priority Action Plan (PAP 2A) is designed to address the challenges of food, health, and pharmaceutical sovereignty brought to light by the pandemic; to accelerate the structural transformation of the economy; and to strengthen the social protection system. The plan's implementation relies on a portfolio of public and private projects, as well as innovative financing mechanisms. Notably, the plan envisages the acceleration of structural reforms to promote private sector development.

At the same time, the Government reiterates its willingness to preserve fiscal sustainability. The initial budget law for 2021 reflects the commitment to gradually reduce the budget deficit over three years to the WAEMU convergence criterion of 3 percent of GDP. To that end, the government intends to broaden the tax base by reducing exemptions, and, more generally, through the implementation of all of the measures included in the medium-term revenue strategy. The government has also undertaken to strengthen debt management by making the National Public Debt Committee (CNDP) operational. Lastly, the government intends to continue the reforms designed to improve public financial management, by implementing program budgeting beginning in 2021, reducing the use of deposit accounts for non-personalized government services, and consolidating the treasury single account.

Based on the satisfactory program performance, the government hereby requests the completion of the second PCI review. The attached Program Statement updates previous statement and outlines our objectives and the economic policies that the government intends to implement during the program. The government is asking for a modification of (i) the end 2020 ceiling on total nominal public debt; (ii) the quantitative targets (QTs) on central government overall net financing requirement and on net lending/borrowing; and (iii) the QT on spending under exceptional procedures

The government is confident that the policies and measures set out in the Program Statement are appropriate for achieving the objectives of the program. In light of its commitment to macroeconomic stability, the government will take any additional measures that may be required to achieve the program objectives. It will consult with IMF staff, on its own initiative or when requested by the Managing Director, prior to the adoption of such measures, or before revising those set out in the Program Statement. Last, in accordance with the Technical Memorandum of Understanding (TMU), the government will regularly provide the IMF with any information that may be requested in the context of program monitoring and assessment.

The government hereby authorizes the IMF to publish this letter, the attached Program Statement and Technical Memorandum of Understanding, and the IMF staff report on this program.

Sincerely yours,

/s/

Abdoulaye Daouda Diallo
Minister of Finance and Budget

Attachments:

I. Program Statement 2020–22
II. Technical Memorandum of Understanding

Attachment I. Program Statement 2020–22

I. ECONOMIC DEVELOPMENTS AND OUTLOOK

1. The impact of the COVID-19 pandemic on world economic activity during the first half of the year was greater than expected, and the recovery should be less robust than had been projected. According to the IMF's latest *World Economic Outlook, October 2020*, world GDP is expected to contract by 4.4 percent in 2020, representing a downward revision of 1.4 percentage points more than the *World Economic Outlook, April 2020* had projected. Growth rates in some of Senegal's key economic partner countries were also revised downward in 2020, particularly in the Euro Area (-8.3 percent) and in the area of the West African Economic and Monetary Union (WAEMU) (+0.3 percent), Turkey (-5.0 percent), as well as China (+1.9 percent).

2. In Senegal, the economic activity indicators available at end-September 2020 indicate a sharp decline in activity during the initial months of 2020. In fact, the provisional figures summarized by the general economic activity index show a 2.7 percent decline in economic activity as compared with the same period in 2019. In the tertiary sector, transportation, hotel and restaurant, tourism, support services, and telecommunications were particularly affected by the COVID-19 pandemic. During this period, tertiary sector activity fell by 4.6 percent. By contrast, the secondary sector is recovering with an increase of 1.3 percent as a result of good performance in agrofood processing (+0.7 percent), electricity, gas and water production, and construction (+7.5 percent). As regards foreign trade, there was a slight deterioration in the trade deficit consistent with a more pronounced decline in exports than in imports. Despite the crisis, workers' remittances increased by 4.2 percent during the first nine months of 2020, reflecting the job support and social assistance programs implemented in Europe (and particularly France) which accounts for 66 percent of Senegal's inward remittances.

3. The government provided fiscal support to firms and households affected by the pandemic. At November 4, 2020, the Economic and Social Resilience Program (PRES), with an endowment of CFAF 1 trillion, registered a total of CFAF 628.4 billion in disbursable expenditure, including CFAF 558.4 billion in budget expenditure and a cash operation of CFAF 70 billion. Budget expenditure under the PRES, in the amount of CFAF 558.4 billion, is distributed as follows:

- Pillar 1 (health): CFAF 77.8 billion;
- Pillar 2 (social resilience): CFAF 103 billion;
- Pillar 3 (assistance to the private sector and job support): CFAF 300 billion divided into (i) clearing unpaid obligations in the amount of CFAF 200 billion; and (ii) support to affected enterprises of CFAF 100 billion;
- Pillar 4 (securing the supply of food, energy, and pharmaceuticals): CFAF 77.6 billion.

The PRES treasury operation involves CFAF 70 billion for the establishment of a guarantee mechanism with the financial system to benefit enterprises that have been affected by the crisis.

These expenditure items of CFAF 628.4 billion are largely covered by PRES resources. As of November 4, 2020, mobilized resources amount to CFAF 701.2 billion, equivalent to a coverage rate of 111.6 percent. From the tax standpoint as well, impacted firms' requests for VAT refunds, tax debt cancellation, and wage withholding subsidies were addressed quickly to support their cash flow and preserve jobs.

4. **The Central Bank of West African States (BCEAO) eased its monetary policy to avoid a tightening of financial conditions.** It reduced policy rates by 50 basis points, bringing the auction rate to 2 percent and the marginal lending rate to 4 percent beginning on June 24, 2020. It opened a special refinancing window at a fixed rate of 2.5 percent for Treasury bills, known as "COVID-19 bills," with a maturity of three months, renewable, subscribed by banks. These resources enabled the government to cover its financing gap pending mobilization of full support from the technical and financial partners to cover urgent expenditure under the pandemic response plan. Lastly, it increased the supply of liquidity to banks and expanded access to the refinancing facility. Accordingly, the BCEAO has been holding fixed-rate auctions at its auction windows since March 27, 2020. It has also enhanced the automation of its listing system for eligible enterprises in its portfolio and provided expanded access to its refinancing for [B]-listed enterprises with a government guarantee.

5. **The BCEAO has also taken steps to maintain financial stability and to promote the use of electronic money**. As regards financial stability, the BCEAO recommended that banks and microfinance institutions grant enterprises and individuals affected by the pandemic deferred loan maturities for a period of three months, renewable, without interest, fees, or late penalties. The measure to defer banks' claims on customers was extended until December 31, 2020. Moreover, the timetable for the transitional arrangements under Basel II and Basel III has been deferred for one year, and the prudential standards applicable to capital components in 2019 have been extended. Finally, steps aimed at electronic money issuers have been taken to encourage customers to use electronic payments in their transactions to fight the spread of the pandemic.

6. **The banking sector proved to be resilient during the first nine months of 2020.** In fact, bank assets grew by 6.3 percent, primarily as the result of increasing security holdings (+28.1 percent) related to subscribing government bonds, while loan activities to all intents and purposes stagnated (-0.2 percent). At the same time, bank financing increased by 4.1 percent, particularly in connection with a rise in deposits and borrowing. Reflecting these trends, liquidity requirements of credit institutions increased by 65.3 percent. In the microfinance sector, the indicators reflect a recovery in activity (+7.3 percent) at end-September 2020 as compared with March 2020. On the prudential front, in general, equity capital of credit institutions has been strengthened as a result of efforts to increase capital and build reserves. However, four banks and one financial institution representing 8 ½ percent market share continue to fall short of meeting the prudential norm for equity. In the microfinance sector, indicators point to a sharp deterioration in the portfolio of gross overdue claims, primarily as a result of the downgrading of deferred maturities of claims on customers to nonperforming claims. The sector expressed expectations were expressed in terms of their operating balance and the availability of long-term financing at affordable costs.

7. The economic recovery could be stronger than envisaged. Given very strong preliminary data for the agricultural campaign 2020-2021, the recession of 0.7 percent initially projected in 2020 could be avoided. Economic activity is expected to rebound in 2021 and to continue on a new growth path. This growth momentum should be supported by a more favorable domestic environment, as well as by accelerated execution of investments under phase two of the adjusted and accelerated Priority Action Plan (PAP 2A) of the "Plan Sénégal Émergent" (PSE). Accordingly, growth is expected to recover to 5.2 percent in 2021, driven by the primary (+4.7 percent), secondary (+5.5 percent), and tertiary (+4.8 percent) sectors.

8. However, these projections are subject to risks. Domestically, a delay in implementing the flagship reforms under the PAP 2A, weaker-than-anticipated involvement by private firms in growth sectors, and poor rainfall levels could negatively impact the macroeconomic outlook. Externally, the uncertainties surrounding the evolution of the pandemic with a second wave of lockdowns in partner countries, particularly in the Euro Area, could have a significant impact on activity in Senegal through a decline in external demand. Volatility in commodity prices, particularly those related to primary products and crude oil, could also affect the macroeconomic forecasts. The security situation could deteriorate in some areas of the subregion and there might be negative repercussions for the economy.

II. PROGRAM PERFORMANCE: QUANTITATIVE AND REFORM TARGETS

9. Program implementation at end-June 2020 was satisfactory (Table 1a). The quantitative targets (QTs) for tax revenue, budgetary float, and social expenditure have been met. By contrast, targets for the floor on net lending and borrowing, and government procurement arrangements without open competitive tender were not observed as a result of the urgent pandemic response. The continuous QTs for exceptional expenditure procedures and external public sector payment arrears were also observed. Reform targets (RTs) involving finalization of the medium-term revenue strategy, studies on the expenditure chain and to identify policy measures to improve secondary school enrollment and attendance, as well as the establishment of the National Public Debt Committee (CNDP), with the adoption of its manual of procedures, were also all observed. The finalization of the national financial inclusion strategy initially programmed for end-June 2020 was delayed as a result of the COVID-19 pandemic. All continuous targets continue to be met (Table 1b).

10. Significant progress has also been noted in implementing the Reform Targets programmed for end-December 2020 (Table 2).

- The RT on semi-annual reports covering exploitation of data deriving from the interconnection and exchange of information between the Directorate General of Taxes and Domains (DGID) and the Directorate-General of Customs (DGD) is on track. Some of the following activities that have been completed are indicated below:
    - Interconnection between the two systems;
    - Start of the pilot phase of the platform with test data;

  - Updating of the agreement with a draft memorandum of understanding in the pipeline;
  - Drafting by the DGID of a detailed report, in collaboration with the DGD.

- Progress made in connection with the M-tax project to enable taxpayers to file and pay their taxes by mobile telephone is satisfactory, despite the delays caused by the pandemic. The pilot phase with 50 taxpayers will begin on November 15, 2020 and the system will be made operational for all targeted taxpayers on December 15, 2020.
- The RT on the revision of the legal framework for public-private partnerships (PPPs) has been kept at end-December 2020. The draft law should be adopted by the National Assembly by the end of the current parliamentary session.
- With regard to the RT on the prepayment on income taxes at customs for unregistered taxpayers to encourage them to join the formal system, a draft decree was prepared jointly by the DGID and the DGD, and will be adopted by the end of December 2020 with implementation effective from January 1, 2021.
- A ministerial decree will update the framework for expenses eligible for simplified procedures and will limit transfers to deposit accounts for non-personalized government services excluding expenses for defense or national security to 50 percent of the total of these transfers in the 2021 budget law (RT, December 2020).
- Significant progress has been made in connection with the law on the allocation and management of hydrocarbon revenues. Finalization of the draft law is expected before end-December 2020. The Interministerial Technical Committee will continue the efforts to prepare and set up the fiscal framework during 2021 (RT, end-December 2021).

III. STRATEGIC OBJECTIVES OF OUR REFORM PROGRAM

11. The government has adopted a post-COVID-19 economic recovery plan. This adjusted and accelerated Priority Action Plan (PAP 2A) is designed to meet the challenges of food, health, and pharmaceutical sovereignty and to put the economy back on its pre-COVID-19 track. It also aims to strengthen the social protection system and to accelerate the industrial and digital transformation driven by a strong domestic private sector. To successfully promote endogenous development, the PAP 2A is supported by a portfolio of public and private projects, structural reforms, and four innovative financing mechanisms (Project preparation program, Guarantee mechanism for the formal sector, Guarantee mechanism for the informal sector, and Venture capital mutual fund).

A. Pillar I: Achieve Strong and Inclusive Growth Driven by the Private Sector

12. The COVID-19 pandemic has highlighted the pressing need to develop the private sector and to enhance the social protection system. The objective of the PAP 2A is to return to the initial growth trajectory of the Plan Sénégal Émergent (PSE), using the objective of Phase II and addressing the new challenges deriving from the crisis for true endogenous development driven by a strong private sector, with the involvement of all stakeholders. This effort will require a new approach to ignite an economic recovery from the impacts of COVID-19 by stimulating growth through creativity and private initiative. More specifically, the strengthening and promotion of sectors important for sovereignty and growth are emphasized, such as agriculture, livestock, fisheries, health, pharmaceuticals, tourism and air transportation, digital transformation, and the development of special economic zones and manufacturing hubs. This is the essence of the development of the National Private Sector Development Strategy (SNDSP) that aims to coordinate various government interventions, both financial and nonfinancial, by looking for synergies that can be developed. The SNDSP will serve as a reference framework for private sector interventions to ensure that the private sector is involved in the effective and efficient implementation of PAP 2A projects.

13. A new legal framework for public-private partnerships (PPPs) is being finalized. The draft law will repeal Law 2014-09 of February 20, 2014 on partnership agreements and Law 2004-14 of March 1, 2004 establishing the Infrastructure Council. The new legal framework introduces the following major innovations:

- Establishment of a unified and simplified legal framework for PPPs;
- Streamlining of the institutional framework;
- Implementation of tools to facilitate the rapid execution of quality projects;
- A strengthened mechanism to promote the local private sector;
- Management of PPPs with local units of government.

It takes into account concerns about adequate control of fiscal risks while ensuring legal security for investors and promoting well-balanced PPP agreements.

14. Progress has been made in implementing reforms under the Compact with Africa Initiative to increase productivity and to improve the business climate in Senegal. These reforms cover four main areas (labor legislation, access to land, financial inclusion for the support to small and medium-sized enterprises-SMEs, and vocational training). Progress in implementing these reforms is satisfactory, despite the difficulties caused by the pandemic. The preliminary draft Social Security Code was prepared by the drafting committee. Work on the digitization of labor contracts is well-advanced with the support of the Government Information Technology Agency (ADIE). The average processing time for labor contracts is now a maximum of seven days for large quantity filings, and 24 hours or 48 hours when small quantities (one or two contracts) are filed. As regards access to land, the decree establishing the mechanism to calculate the rental value for housing properties subject to the property tax for buildings (Decree 2020-765 of March 9, 2020) was adopted. The manual on property, domain, and cadastral procedures was also adopted. Finally, with regard to the improvement of vocational training, the decree on the general rules and conditions for the opening and operation of private vocational and technical training institutions was adopted by the Council of Ministers, as well as the Decree on the establishment, organization, and operation of the public-private partnership entities in vocational and technical training. In addition, Decree 2020-

1051 of May 22, 2020 on certification and Decree 2020-1050 of May 20, 2020 on continuing vocational training were adopted. The digitization of domain, property, and cadastral procedures through the establishment of an integrated, centralized land management system is in progress (RT, June 2021).

15. The Government has launched the process to enhance coordination of entities and programs to support SMEs. Consultations were initiated on the rationalization of support structures for the private sector and SMEs, as well as the pooling of their resources to make government operations to support SMEs more effective. The study on streamlining public entities supporting SMEs will be completed by the end of December 2020. Establishment of the one-stop shop adopted under the Compact with Africa was delayed as a result of the pandemic. However, the Agency for Development and Control of Small and Medium-Scale Enterprises (ADEMPE) has started the process with a view to making the one-stop shop operational by June 2021.

16. The COVID-19 pandemic has intensified the need to expand social safety nets. It is envisaged to accelerate the implementation schedule of the Project to Support Social Safety Nets (PAFS) to protect and reinvigorate the most vulnerable segments of society and to strengthen resilience by maintaining the current budget allocation earmarked for cash transfers. The possibility of expanding social safety nets in cooperation with development partners is also envisaged. The government of Senegal has updated the Single National Register (RNU), through the General Delegation for Social Welfare and National Solidarity (DGPSN), in all regions, with the exception of Kédougou and Sédhiou, where the update is in progress. With regard to the extension of the RNU, the schedule of operations aims at including at least one million households in all 14 regions of Senegal by end-2021 (RT, December 2021). The government of Senegal concurrently initiated the process of institutionalizing the RNU to provide a better framework for the mechanisms to collect, use, and share the RNU data. The draft decree on institutionalization of the RNU was forwarded to the Secretariat General of Government (SGG) for circularization (review by the various ministries involved). The government also plans to adopt a ministerial decree establishing and regulating the National Household Security Stipend Program (NBSF) and creating a new shock response program. In accordance with the recommendations of the study on mechanisms to improve secondary education and enrollment for children, the government will support households that undertake to keep girls in school for as long as possible.

17. The government revised the enterprise support mechanism (partial credit guarantee scheme) to make it more attractive. With total approved financing of CFAF 12.5 billion, the financing mechanism of the PRES allowed to maintain more than 13,000 jobs. As part of the implementation of PAP 2A, another guarantee mechanism has been established at end-November 2020, with the following changes as compared with the resilience mechanism. First, the state guarantee will cover 60 percent for SMEs and 40 percent for large enterprises, and can be increased for critical sectors. The financing can cover working capital and investment spending, and is no longer limited to wages' support. Second, a higher interest rate of 5.5 percent will be applied. Last, less restrictive eligibility conditions have been adopted to include all enterprises, whether or not they have been affected by the pandemic.

18. The BCEAO and the Banking Commission of the West African Economic and Monetary Union (WAEMU) continue to closely monitor the risks to financial stability deriving from the pandemic. In fact, the pandemic has weakened the balance sheets of enterprises and households, and led a number of them to request deferrals for their loan payments. At the end of September, nearly CFAF 74 billion in deferred loan maturities (for loans totaling CFAF 337.1 billion, equivalent to 7 percent of the outstanding loans) were granted to 1,156 enterprises and 6,292 households. If activity in some sectors does not recover quickly, these maturity extensions can be expected to affect banks' capital levels. Between end-March and end-September 2020, the ratio of gross non-performing loans increased by 30 basis points to 14.2 percent. Some banks, that account for a market share of 8 ½ percent, approached the crisis with equity levels below the regulatory minimum. Against this backdrop, the monetary and supervision authorities will closely monitor banks and microfinance institutions, and more specifically those whose financial situations are deteriorating.

19. The government will intensify its efforts to promote financial inclusion. The draft National Financial Inclusion Strategy (SIF) has been shared with stakeholders for comments prior to its adoption by the Council of Ministers. The strategy focuses on four areas: (i) expansion in the supply of financial instruments; (ii) development of digitization (infrastructures, government transactions, and economic activities); (iii) improvement in the financial awareness of the public and protection for users of financial services; (iv) favorable and effective regulatory and institutional frameworks. Moreover, as of October 31, 2020, following their inclusion in the information sharing system with the Credit Information Bureau on December 31, 2019, the utility companies declared 1,312,644 contracts covering 954,854 subscribers, in addition to 1,041,620 borrowers declared by financial institutions. The government will also put in place a collateral registry that will be accessible online, making it possible to combine data on property collateral and mortgages in cooperation with the Central Bank of West African States (BCEAO) (RT, December 2021).

B. Pillar II: Maintain Fiscal Discipline and Debt Sustainability During the Current COVID-19 Crisis

Budget Outlook for the Remainder of 2020

20. The budget objectives of the program for 2020 are still attainable, despite the delay in the disbursement of certain budget grants.

- Revenue, including grants, amounted to CFAF 1,880.51 trillion at end-September 2020, as compared with an annual target of CFAF 2,962 trillion. With regard to the revised budget (LFR), tax and non-tax revenue to be collected during the fourth quarter amounts to CFAF 695.81 billion. This objective will be reached through the resumption of tax and customs control measures, recovery of tax arrears, regularization of tax debts of government agencies, and more effective control of customs valuations. Budget grants in the amount of CFAF 122.72 billion, divided between budget grants (CFAF 43.18 billion) and capital grants (CFAF 79.54 billion) were received. Compared to the revised budget, a shortfall of approximately CFAF 50 billion is now envisaged as a result of expected delays in the disbursement of one budget support operation.

- To date, 89.1 percent of total domestic expenditures (staff, procurement of goods and services, current transfers, investments executed by the government, and capital transfers) have been committed, which is compatible with revenue collection. Overruns were observed only in externally-financed expenditure on project loans, involving priority projects financed with concessional resources from multilateral partners, primarily in the health sectors to fight COVID-19, and in infrastructure. However, these overruns are compensated by savings generated on domestically-financed investments. Projected domestic spending through the end of 2020 is in line with the revised budget's projections. Nonetheless, the extremely close monitoring of budget execution through weekly modulation meetings will allow the program budget deficit target adjusted for lower grants in the amount of CFAF 35 billion to be reached. The adjusted budget deficit is now projected at CFAF 907.8 billion.

21. The government will continue to respect its commitments to transparency and accountability in connection with anti-COVID-19 expenditure. The efforts in this area involve a number of specific reports and assessments.

- A monitoring committee has been established to implement the operations of the FORCE COVID-19 fund. This committee has conducted field missions and held working sessions with all relevant ministerial players to collect all information related to their COVID-19 activities and to ensure that the prescribed operations are carried out for the preparation of a comprehensive, detailed report. This report will be completed by the end of 2020 and published. Among other information, it will include a list of all related bids and an explanation of procurement procedures, a list of beneficiaries of public contracts, and a description of expenditure control measures.
- As part of the annual public procurement audit, the regularity of procurement procedures relating to anti-COVID-19 expenditure will be assessed.
- Reports will also be produced by the ministries and public agencies that have received allocations from the FORCE COVID-19 fund. The ministry responsible for social and local equity has already produced a detailed report on execution of all food aid, and more specifically on the targeting of the beneficiaries, contracting with suppliers, and distribution to households. The same will be true for the other agencies involved.
- Quarterly budget execution reports (RTEB) that are submitted regularly to Parliament and to the various institutions include financial data on implementation of the Economic and Social Resilience Program. These reports are published regularly online and are available to the public.
- The next budget review law for the 2020 fiscal year that will be submitted to the National Assembly by June 30, 2021 will reflect the comprehensive, detailed status of all expenditure related to COVID-19. The Audit Office will prepare a specific report on expenditure related to the COVID-19 pandemic, in connection with its report on execution of the 2020 budget law.

2021 Budget Law

22. Fiscal policy in 2021 will aim to support economic recovery while setting the fiscal course towards a more gradual return to the WAEMU deficit target, by 2023. The budget provides for increased priority investment and social expenditure, particularly in the areas of health, education, and transportation. In fact, the government aspires to promote intensive, resilient agriculture, a more inclusive health care system, and an effective education system. Accordingly, the budgets of the Ministry of Health and Social Services and the Ministry of Agriculture have increased substantially in support of the policy to strengthen food production, the health system and of economic recovery. Moreover, the livestock subsector will benefit from investments in rural areas and enhanced sanitary standards for livestock. In addition, the government will focus on developing a strong domestic private sector, strengthening the social protection system, and fostering industrial and digital transformation. The planned investments aim at reducing inter-regional inequality and promoting the emergence of new growth centers, through balanced land management and the enhancement of land potential in local areas. In support of private investment for economic recovery, the government will to strengthen the guarantee mechanism established with the financial system under the PRES.

23. Implementation of this ambitious program will require more efficient revenue mobilization. Revenue under the initial budget law (LFI) for 2021 is expected to be CFAF 3,090 billion, primarily including tax revenue of CFAF 2,5645 billion and nontax revenue of CFAF 133.5 billion. Mobilization of these resources will be facilitated with the implementation of the three focus areas of the MTRS: (i) expansion of the tax base through more effective promotion of tax compliance; (ii)enhanced digitalization; and (iii) an overhaul of governance in the revenue agencies. Against this backdrop, the tax and customs administrations intend to implement a number of administrative and tax policy measures. They will focus on modernization through the use of digital technologies for better control of the tax base; (ii) the fight against tax and customs fraud; (iii) strengthening training for tax and customs officers; and (iv) incentives for greater tax compliance.

- The tax policy measures will cover the introduction of a tax on textiles, extension of the scope of the tax on dietary fats; nondeductibility of VAT on certain services; extension of the scope of the tax on nonrecyclable plastic packaging; and the extension of the real estate capital gains tax to certain operations.
- With regard to customs measures, the Customs Directorate will continue to implement administrative measures relating to (i) control of the tax base through, *inter alia*, the increased use of digital technologies and optimized use of the inspection area for at-risk merchandise; (ii) close monitoring of the customs clearing process for high-yield products and merchandise declared to the customs authorities; (iii) more targeted surveillance of the borders to reflect new fraud patterns; (iv) an ambitious *ex-post* inspection program designed to prevent diversions to privileged destinations to benefit from exemptions granted on an *ex ante* basis; and (v) exploitation of potential revenue from niches relating to management of VAT suspended under the Investment Code.

24. As regards expenditure, the draft budget law includes reforms in accordance with the

commitments undertaken in connection with the policy coordination instrument (PCI). To that end, to determine the true level of public investment and reflect gross capital formation, the extraction of recurrent spending from capital expenditure was enhanced and extended to all non-personalized government services. This reclassification exercise consisted, with the exception of certain compulsory expenditure items, in repositioning "current transfer" budgetary credits under credits for "acquisitions of goods and services" and "capital transfer" credits under credits for "investments executed by the government." Accordingly, budgetary allocations recorded under acquisitions of goods and services increased from CFAF 311.6 billion under the initial 2020 budget law to CFAF 347.7 billion in the 2021 draft budget law, representing an increase of CFAF 36.1 billion in absolute value and of 11.6 percent in relative value, while credits recorded under investments executed by the government increase from CFAF 104.9 billion in the 2020 budget law to CFAF 367.6 billion in the 2021 draft budget law, representing a sharp increase of CFAF 183.3 billion in absolute value and of 31.8 percent in relative value. There was also a substantial increase in investments funded with external resources, from CFAF 761.6 billion in the 2020 budget law to CFAF 844 billion in the draft 2021 budget law. A major innovation was also introduced into the 2021 draft budget law involving the establishment of ceilings, by type, for all government transfers to the autonomous public entities, national institutions, and other general government services. By subjecting government transfers to specific rules, the ceilings aim at ensuring that the beneficiary entities respect the policy considerations for which they were allocated. Total budgetary expenditure reflects the expected savings in debt service as a result of debt relief in connection with the G-20 Debt Service Suspension Initiative. However, in light of remaining uncertainties related to the participation of certain bilateral lenders, the amounts that are potentially expected are included in the precautionary reserve of CFAF 66 billion.

25. The budget deficit in 2021 sets the course towards a gradual return to the WAEMU fiscal deficit target of 3 percent of GDP by 2023. More specifically, the budget deficit is expected to be reduced to about 5 percent of GDP in 2021, as against approximately 6.5 percent of GDP in 2020. This will be financed with CFAF 576 billion in project loan drawings, the bulk of which are concessional loans, and CFAF 167.9 billion in bank and nonbank financing. The government remains firmly committed to a gradual return to the regional anchor of a deficit of 3 percent of GDP by 2023, in accordance with the decision by the WAEMU Council of Ministers.

Improving Public Financial Management

26. To broaden the tax base and improve the impact of fiscal policy on income distribution, the government will undertake to rationalize VAT exemptions. Tax expenditures are still significant in Senegal, accounting for approximately 6 percent of GDP in 2017. VAT exemptions account for approximately 80 percent of total tax expenditure and do not always achieve their initial redistribution objectives as they tend to benefit more to consumers in the higher income deciles. Accordingly, the government is committed to phasing out the exemptions, beginning with the most regressive ones, while offsetting the impact of their elimination on the poorest segments of the population. To that end, a study was undertaken in the context of the medium-term revenue strategy on the possibility of eliminating certain low-impact exemption regimes for the period 2021-23 (RT, June 2021). Pending the results of this study, consultations were initiated on applying corporate income tax and local economic contributions to the cement industry beginning with the 2021 fiscal year. This reform will confirm the phasing out of special tax regimes included in cement producers' mining agreements and the concurrent application of incentives under ordinary law provided by the General Tax Code. This measure is expected to yield approximately CFAF 15 billion in additional revenue by giving companies the opportunity to benefit from the incentives under ordinary law established by the 2012 tax reform. In addition, to enhance transparency in public financial governance in accordance with Senegal's regional commitments, the government undertakes to validate and publish, by the end of 2020, the tax expenditure assessment reports for the 2015-2017 fiscal years, and to publish the tax expenditure assessment report for 2018 by June 30, 2021. At the same time, the government of Senegal undertakes to resume the practice of publishing tax expenditure reports on an annual basis for year N-2 on the website of the Ministry of Finance and Budget, beginning in 2021 (RT, June 2021), and to append these reports to the draft budget laws submitted to the National Assembly.

27. The other priority areas in the implementation of the medium-term revenue strategy are primarily aim at broadening the tax base. The completion of the draft MTRS implementation matrix including the adjustments required as a result of the impact of the COVID-19 pandemic on the reform objectives is planned by end-December 2020. This matrix, which is being prepared with the support of development partners, will serve as a framework for discussion between the donors and the revenue administration by breaking down the reforms announced in the MTRS into legislative and administrative measures, primarily involving the digitization and real-time availability of information for control and decision making support purposes. Each reform item will be included in the document with a deadline for adoption and implementation.

28. The government plans to implement program budgeting in 2021 to improve budget execution. Following the authorities' decision to move to program budgeting, the existing body of laws and regulations was profoundly adapted in 2020 to reflect the fiscal reforms. The main texts involved are provided below:

a. Organic Law on Budget Laws 2020-07 of February 26, 2020 to authorize the extension of commitment authorizations (AE) to all categories of expenditure beginning in 2020, and the entry into force of all other provisions of the Organic Law on April 1, 2020;

b. Decree 2020-1020 of May 5, 2020 on the government budget management;

c. Decree 2020-1021 of May 6, 2020 establishing a list of budget allocations and programs.

The program budgeting reform will continue and will be combined with the decentralization of spending authorizations in accordance with the Organic Law. Accordingly, each minister and institution head will be the authorizing officer for the expenditure of his or her respective department. As regards IT-systems, the 2021 draft budget law was prepared in both SYSBUDGET and the new Integrated Financial Information Management System (SIGIF). Budget execution will be recorded in both systems in parallel with the loading of the execution data from SYSBUDGET into SIGIF every month to test its robustness, so that any required adjustments can be made.

29. The government will continue its efforts to improve the efficiency and transparency of the expenditure chain. Under the PCI, the new framework for cooperation between Senegal and the International Monetary Fund (IMF), important reforms are planned, to be launched with the 2021 draft budget law. This includes, in particular, rationalization of the use of deposit accounts by reducing transfers from the government to units of government that are not legally or financially autonomous. In fact, credits for non-personalized government services that previously benefited from either current or capital transfers will be transferred, depending on the type, respectively, to government operating or capital expenditure. Accordingly, all works related to buildings, renovations, or improvements have been reclassified as investments carried out by government. This approach provides the advantage of greater transparency, as these projects will be executed with the relevant expenditure lines of the government budget nomenclature, and will be more compliant with normal expenditure chain procedures. In addition, budget entries to be implemented under the normal procedure have increased from 25.57 percent in the 2020 budget law to 40.12 percent in the 2021 draft budget law. By contrast, transfers carried out under the immediate settlement request (DMRI) procedure declined from 74.43 percent to 59.88 percent and primarily involve separate legal entities. To consolidate these reforms, a ministerial decree will update the regulatory framework for expenditure eligible to simplified procedures and will limit transfers to deposit accounts for non-personalized government services excluding defense or national security expenditure to 50 percent of the total of these transfers under the 2021 budget law (RT, December 2020).

30. The government is continuing to consolidate the treasury single account to optimize government treasury management. A circular was issued to the accounting officers, and to date, 114 responses have been received, corresponding to 250 bank accounts. Data processing is in progress to distinguish between regular accounts and project accounts financed with own resources or by technical and financial partners. This assessment will be completed by the end of December 2020 (RT, December 2020).

31. The government intends to strengthen management of fiscal risks. Methodological, technical, and institutional mechanisms for managing fiscal risks will be established, and the document on fiscal risks, including risks related to public enterprises and PPPs, will be prepared and appended to the 2022 draft budget law (RT, December 2021). Pending the establishment of a database of all PPPs and power purchase contracts, indicating their budget impact and the quantification of the key fiscal risks (RT, June 2021), the section of the 2022-24 multiannual budget and economic programming paper (DPBEP) on fiscal risks will be supplemented with a more comprehensive survey of fiscal risks and their impact, as well as the measures taken to mitigate those risks.

32. The significant decline in world oil prices in early 2020, combined with the impact of COVID-19 on demand, has affected revenues from petroleum products. Most petroleum-related revenue items will decline in 2020 compared with 2019, except for the Oil Product Import

Security Fund (FSIPP) fee, which is expected to register a significant gain over 2019 reflecting the differential between international and domestic prices of oil products. The DGID will vigorously pursue its inspection missions with the entities in the energy sector to ensure that this revenue is effectively collected. In addition, the interministerial decree governing the distribution of the FSIPP between the government and the national oil refinery (SAR) will be revised by the end of December 2020. The Decree will specify that all FSIPP revenue must be recorded in the budget and that transfers to the SAR ("*marge de soutien*") must be included as a subsidy in the budget law, and is determined on the basis of an investment program approved by the ministers in charge of finance and energy. These measures will ensure greater transparency of revenue and expenditure related to the energy sector.

Improve Debt Management and Preserve Debt Sustainability

33. Senegal's debt remains sustainable with a moderate risk of overindebtedness, although there is little scope to absorb further shocks in the short term. Public sector debt levels are expected to rise from 64.1 percent of GDP in 2019 to 67.6 percent of GDP in 2020. Central government debt service (interest and fees) is still under control, representing 10.4 percent of total budget revenue in 2020, as compared with 9 percent in 2019. This is attributable in part to the adjustment of the debt strategy, with greater recourse to concessional loans, as nonconcessional financing is increasingly being used only to finance projects having high internal rates of return. This adds to an increasingly important shift in market financing towards the regional public securities market. Moreover, implementation of the MTRS will help improve mobilization of domestic resources, that will result in reduced recourse to borrowing.

34. The government intends to strengthen debt management. The establishment and implementation of the National Public Debt Committee (CNDP) will help to improve project selection and funding under optimal conditions. Before the end of the year, the CNDP will adopt a borrowing plan for 2021 compatible with the medium-term debt strategy. In addition, debt database and software audits are in progress. The terms of reference have been validated and the budget appropriations secured to make it possible to launch the process to select an authorized international consulting firm represented in Senegal. The firm will be selected by the end of the year.

35. Senegal will continue to participate in the G-20 debt suspension initiative in 2021. This initiative enables Senegal to save approximately CFAF 29.9 billion in 2020 (24.1 billion in principal and 5.8 billion in interest). With the Initiative extended to the first half of 2021, these savings would increase to CFAF 42 billion. The government will continue its dialogue with all official bilateral lenders in order to benefit fully from the initiative.

C. Pillar III: Ensure Sustainable, Transparent Management of the Hydrocarbon Sector

36. In connection with its partners in oil projects, Senegal continues to work on the exploitation of the Grand Tortue/Ahmeyim (GTA) et Yaakar–Téranga deposits operated by BP,

as well as the Sangomar project operated by Woodside. The COVID-19 pandemic resulted in the postponement of certain works on the sites of the Grand Tortue Ahmeyim project, leading to the postponement of the start of gas production from 2022 to 2023. At end-September 2020, the execution rate of this project was 44.8 percent. However, as a result of the changes in the world environment of the hydrocarbons market, the government is continuing works with its partners to optimize phases 2 and 3 of this project. The timetable for the Sangomar project has been maintained, with the start of production planned for the first half of 2023. Last, the government intends to promote the development of the Yaakar-Téranga gas project in order to establish its "Gas-to-Power" strategy, that is designed to reduce the cost of electricity by 2023.

37. The governance framework for oil revenue is being finalized. The Interministerial Technical Committee will finalize work on the budget framework to reflect hydrocarbon exploitation by end-December 2021 (RT initially planned for end-2020, postponed until December 2021). The Law on Management and Distribution of Hydrocarbon Revenue will be finalized by end-December 2020 (RT).

IV. PROGRAM MONITORING

38. The program will be monitored using quantitative targets, continuous targets, and reform targets. Quantitative targets for end-December 2020, end-June 2021, and end-December 2021, as well as a quantitative target to be monitored on an ongoing basis, are proposed (Tables 1a and 1b). The government and IMF staff also agreed on the reform targets in Table 2. The third review should be completed by June 30, 2021; the fourth review by December 31, 2021; the fifth review by June 30, 2022; and the sixth review by December 31, 2022. Definitions are provided in the Memorandum of Understanding attached to this Statement.

Table 1a. Senegal: Quantitative Targets 2019–21

	2019				2020					2021	2021
	Dec. QT				Jun. QT			Dec. QT		Jun. QT	Dec. QT
	Prog.	Adjusted QT	Act.	Status	Prog.	Act.	Status	Prog.	Prop.	Prog.	Proposed
Quantitative Targets											
Floor on net lending/borrowing[1]	523	537	533	Met	760	789	Not Met	873	873	450	744
Ceiling on central government's overall net financing requirement[2]	623	637	634	Met	…			1,064	1,064	…	774
Ceiling on the amount of the budgetary float[3]	40	40	36.3	Met	40	37	Met	40	40	…	…
Floor on tax revenue	2,328	2,328	2,410	Met	1,059	1,148	Met	2,295	2,295	1,132	2,500
Ceiling on the share of the value of public sector contracts signed by single tender (percent)	15	15	17.3	Not Met	15	51	Not Met	15	15	15	15
Floor on social expenditures (percent of total spending)	35	35	43	Met	35	45	Met	35	35	35	35
Ceiling on total nominal public debt (CFAF billion)	9,114	9,114	8,848	Met	…			10,034	10,234	…	10,275
Ceiling on spending undertaken outside normal and simplified procedures[4]	0	0	0	Met	0	0	Met	0	0	25	43
Ceiling on public sector external payment arrears (stock)[5]	0	0	0	Met	0	0	Met	0	0	0	0
Maximum upward adjustment of the overall deficit ceiling owing to											
Shortfall in program grants relative to program projections	20		14					35	35		20
Memorandum items:											
Program grants	31		17					241	241		64
Clearance of pre-2019 comptes de dépôt stock	100		101.2					121	121		0
Net Domestic and Regional Financing of the Government											500

Sources: Senegal authorities; and IMF Staff estimates.

[1] GFSM 2001 definition. Cumulative since the beginning of the year.

[2] This QT allows for the net financing needs of the central government to be larger than the floor on net lending/borrowing to clear the pre-2019 stock of the comptes de dépôt and to make deposits for the liquidity support scheme. From 2021 onwards, it incorporates a potential additional financing need to prepay for external operations that are repayed with a delay by international organizations.

[3] To be discontinued after December 2020 as no longer critical to achieve program objectives.

[4] From 2021 onwards redefined as "Ceiling on spending through simplified procedures for non-personalized services" to target the share of simplified procedures.

[5] This constitutes a standard continuous target.

Table 1b. Senegal: Continuous Targets
• Not to impose or intensify restrictions on the making of payments and transfers for current international transactions
• Not to introduce or modify multiple currency practices
• Not conclude bilateral payments agreements that are inconsistent with Article VIII
• Not to impose or intensify import restrictions for balance of payments reasons

Table 2. Senegal: Reform Targets for 2020–21

Objective	Description	Target Date	Status
	Pillar 1 Achieving inclusive growth		
Improve the business climate	Set up a centralized and integrated land management system which will digitalize land management procedures.	End June 2021	
Promote the digitalization of administrative procedures	Implement the M-tax that enables taxpayers to file and pay their taxes by mobile phone.	End December 2020	
Invest in human capital and strengthen social protection.	**Prepare a study to identify policy measures to improve secondary school enrollment and attendance.**	**End June 2020**	**Met**
	Update and extend the existing single national registry (RNU) by identifying vulnerable households above and beyond the 558,000 households already surveyed, to include at least 1 million households by end-2021	End December 2021	New RT
Promote access to credit /financial inclusion	**Adopt a national financial inclusion strategy to boost access to financial services.**	**End June 2020**	**Not Met**
	Put in place a collateral registry that is accessible online and combines data on movable collateral (sureté meubles) as well as mortgages in cooperation with the BCEAO	End December 2021	
	Pilar II. Consolidate macroeconomic stability and improve public financial management		
Increase revenue	**Finalize a medium-term revenue strategy aimed at achieving a non-resource tax-to-GDP ratio of 20 percent by 2023.**	**End June 2020**	**Met**
	Prepare a semi-annual report on the use of information from the the interconnection and cooperation between the customs and the tax administration.	semi-annual starting with End December 2020	
	Raise prepayments on income taxes at customs for unregistered taxpayers to encourage them to join the formal system.	End December 2020	
	Publish the tax expenditure report for year N-2 annually on the website of the Ministry of Finance and Budget	Annually, end June 2021	New RT
	Finalize a study to identify a program to reduce tax exemptions over 2021-2023, starting with those that have the least redistributive impact in favor of the most vulnerable segments of the population	End June 2021	New RT
	Fully implement the decree for the mechanism to regularly revise fuel prices. If the mechanism is not used and the price adjustment is suspended, the government undertakes to include the necessary budget allocations in a supplementary budget and to settle the amounts of fuel subsidies and tariff compensation due within 90 days following validation.	**Ongoing from January 2020**	**Met**
	The inclusion in the budget of any new investment project exceeding one billion CFAF is subject to an ex-ante evaluation using cost-benefit analysis by the Ministry of Economy, Planning, and Cooperation (excluding projects affecting defense and security).	End December 2021	
	Submit to Parliament an updated PPP law specifying that all investment projects of over one billion CFAF shall be subject to a prior assessment and, in the event of unsolicited proposals, a second opinion from the Ministry of Planning.	End December 2020	
Strengthen public financial management	**Conduct a study of the expenditure chain supported by IMF technical assistance to limit the share of expenditure executed using simplified procedures and non-competitive public procurement.**	**End June 2020**	**Met**
	A ministerial decree will update the framework for expenses eligible for simplified procedures and will limit transfers to deposit accounts for non-personalized state services excluding expenses for defense and national security to 50 percent of the total of these transfers in the 2021 finance law.	End December 2020	
	Prepare an inventory of the accounts of all agencies and public establishments in commercial banks	End December 2020	
Improve cash management	Close remaining accounts of all public agencies and entities in commercial banks and repatriate the balances to the single treasury account.	End December 2022	
Strengthen debt management and contain fiscal risks	**Finalize a procedures manual for the National Public Debt Committee.**	**End June 2020**	**Met**
	External audit of the public debt database, including SOE debt.	End December 2020	
	Establish a database for all PPPs and power purchase agreements showing their budgetary impact and quantifying the main fiscal risks.	End June 2021	
	Publish a fiscal risk statement as annex to the 2022 budget law.	End December 2021	
	Pilar III. Manage the oil and gas sector in a transparent and sustainable manner		
Strengthen the legal and budgetary framework	Prepare a draft law on the allocation, management and control of hydrocarbon revenues generated based on principles which are in line with international best practices.	End December 2020	
	Adopt a new fiscal framework with a long-term budgetary anchor defined in a way that guarantees the sharing of hydrocarbon revenues with future generations and a short-term operational rule (which will exclude oil and gas revenues).	End December 2021	

Attachment II. Technical Memorandum of Understanding

This technical memorandum of understanding (TMU) defines the quantitative targets and continuous targets described in the program statement (PS) to monitor the IMF-supported program under the Policy Coordination Instrument (PCI) for the period January 10, 2020 – January 9, 2023. It also establishes the terms and timeframe for transmitting the information that will enable Fund staff to monitor the program. Reviews will assess quantitative targets as of specified test dates and on a continuous basis. Specifically, the third review will assess the end-December 2020 test date, the fourth review will assess the end-June 2021 test date and the fifth review will assess the end-December 2021 test date.

A. Definitions

1. Unless otherwise indicated, “Government” in this TMU means the budgetary central Government of the Republic of Senegal. It excludes the central bank and the public sector outside the budgetary central government (paragraph 3).

2. Unless otherwise indicated, “public sector” in this TMU means the government, local governments and all majority government-owned or controlled entities.

3. Debt. The definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.

(a) The term “debt” will be understood to mean a direct, i.e., non-contingent, liability created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a given repayment schedule; these payments will discharge the principal and/or interest. Debts can take a number of forms, the primary ones being as follows:

(i) Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds (including Treasury Bills), debentures, commercial loans, and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the borrowed funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements.);

(ii) Suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt above, arrears, penalties, and judicially awarded damages and interest arising from the failure to make payment under a contractual obligation that constitutes debt is a debt.

(c) Debt guarantees. The guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

(d) External debt. External debt is defined as debt borrowed or serviced in a currency other than the CFA franc, regardless of the residency of the creditor.

B. Quantitative Program Targets

Floor on Net Lending/Borrowing (Program Definition)

4. Definition. Net lending/borrowing, or the overall fiscal balance, is the difference between the Government's total revenue and total expenditure (costs and acquisition net of nonfinancial assets). The definition of revenues and expenditures is consistent with that in the 2001/14 Government Financial Statistics Manual (GFSM). Government expenditure is defined on a payment order basis accepted by Treasury, as well as those executed with external resources. This quantitative target is set as a floor on the overall fiscal balance as of the beginning of the year.

5. Adjustment. The floor including grants is adjusted upward or downward by the amount that budget grants exceed or fall short of program projections up to a maximum amount as specified in Table 1 of the Program Statement . If budget grants exceed their projected level, the floor on net lending/borrowing, or the overall fiscal balance, will be reduced by up to a maximum amount as specified in Table 1 of the Program Statement.

6. Reporting Requirement. During the program period, the authorities will report provisional data on the overall fiscal balance (program definition) and its components monthly to Fund staff with a lag of no more than 6 weeks after the end of the relative month. Data on revenues and expenditure that are included in the calculation of the overall fiscal balance will be drawn mainly from preliminary Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but no later than two months after the reporting of the provisional data.

Ceiling on Central Government's Overall Net Financing Requirement

7. Definition. The central Government's net overall financing requirement is defined as the sum of the following two components: i) the overall fiscal balance, as defined for the quantitative target on net lending/borrowing; and ii) the additional borrowing by the Treasury to finance accounts payable, comprising spending by ministries out of unutilized appropriations from past budgets (drawdown of the "*comptes de dépôt*"), offsets for illiquid revenues (*"recettes d'ordre"*) and other below-the-line operations. For end-December 2020 and 2021, this quantitative target would need to be lower or equal to the amount indicated in Table 1 of the Program Statement.

8. Adjustment. The ceiling is adjusted downward or upward by the amount that budget grants exceed or fall short of program projections up to a maximum amount as specified in Table 1 of the Program Statement. If budget grants exceed their projected level, the floor on net lending/borrowing, or the overall fiscal balance, will be reduced by up to a maximum amount as specified in Table 1 of the Program Statement.

9. Reporting Requirements.

- Data related to the additional borrowing by the Treasury to finance accounts payable will be sent quarterly within a period of one month from the end of the quarter. This comprises: spending by ministries out of unutilized appropriations from past budgets (drawdown of the "comptes de dépôt") and offsets for illiquid revenues ("recettes d'ordre") and for other below-the-line operations and a reconciliation between the budgetary balance (see section "Floor on net lending / borrowing" above for the definition) and the financing made available during the respective quarter.
- Data related to the overall financing requirement will be sent quarterly within a period of one month from the end of the quarter, starting from the end of December. These data must include: (i) total gross Government debt; (ii) total debt principal repaid by the Government; and (iii) all guarantees granted by the Government for domestic or external loans to its suppliers and contractors and any other public or private entity. The details regarding any Government borrowing (including amounts on-lent and any guarantee granted by the Government for domestic or external loans to its suppliers and contractors and any other public or private entity) will be reported monthly within six weeks of the end of the month. The data on borrowings will be grouped together as short-term (less than one year) or long-term (one year or more). This rule will also apply to amounts on-lent and guarantees granted by the Government for domestic or external loans to its suppliers and contractors and any other public or private entity. Data on projected principal and interest payments will be reported on a commitment and a disbursement basis.

Floor on Tax Revenues

10. Definition. Tax revenues are the sum of revenues from taxes and levies on income, profits and capital gains, salaries and labor, on assets; taxes on goods and services; on foreign trade and international transactions; and other tax revenues. The quantitative target will be assessed based on data for these revenues provided in the quarterly TOFE. Specifically, petroleum revenues are the subject of specific monitoring in connection with international price trends. These are the VAT on oil (on domestic consumption and imports), excise taxes on oil, customs duties on oil, vehicle taxes, the PSE, and the Petroleum Product Imports Security Fund (FSIPP).

11. Reporting Requirement. Reporting requirements are the same as for the quantitative target floor on net lending/borrowing.

Ceiling on The Share of The Value of Public Sector Contracts Signed by Single Tender (Percent)

12. Definition. Public sector contracts are administrative contracts, drawn up and entered into by the Government or any entity subject to the procurement code, for the procurement of supplies, delivery of services, or execution of work. Public procurement is considered "non-competitive" when the contracting authority awards the contract to the successful candidate without open competitive tender and without an open inquiry and open price. The semiannual quantitative target will apply to total public sector contracts entered into by the Government or by any entity subject to the procurement code. The ceiling on contracts executed by single tender will exclude classified purchases and fuel purchases by SENELEC for electricity production reflected in a new regulation that imposes on SENELEC to buy fuel from SAR on the basis of the current price structure. The ceiling also excludes administrative amendments. Also excluded are riders whose execution with the supplier is a necessary condition for the final delivery of goods and services which are included in the original contract provided that they comply with the provisions of the procurement code.

13. Reporting Requirements. The Government will report semi-annually to Fund staff, with a lag of no more than one month, the total amount of public sector contracts and the total value of all single-tender public sector contracts.

Floor on Social Expenditure

14. Definition. Social spending is defined as spending on health, education, the environment, the judicial system, social safety nets, sanitation, and rural water supply (as contained in the table on social expenditure). The floor will be evaluated on a semiannual basis.

15. Reporting Requirements. The authorities will report semiannual data to Fund staff within two months after each semester.

Ceiling on Total Nominal Public Debt

16. Definition. Debt for this quantitative target is defined as in paragraph 4 above, comprises external and domestic debt of the public sector (i.e. general government and public nonfinancial corporations as defined in paragraph 3), and is measured at its nominal value. The ceiling will be monitored on an annual basis. To evaluate this target, debt denominated in foreign currency will be converted at the exchange rate for the projection of the debt stock, notably for 2020 CFAF/US$ 598 and CFAF/SDR 817 and for 2021 CFAF/US$ 531 and CFAF/SDR 761.

17. Reporting Requirements. The authorities will report quarterly data to Fund staff within two months following the end of each quarter.

- As part of the program, the authorities will transmit quarterly to IMF staff, within six weeks after the end of the quarter in question, provisional data relating to the debts of the following public enterprises: LONASE, SN La Poste, RTS, SN PAD, SONES, SENELEC, APIX, SN HLM, SAED, SNR, SOGIP SA, SAPCO, SODAGRI, CICES, SSPP SOLEIL, PETROSEN, SIRN, SICAP, DDD, MSAD, ONFP, ONAS, CNQP, OFOR, OLAG, FONSIS, AIBD, FERA, ASER, FSE, ANAM, AGPBE, COUD, ACMU, CDC, Dakar Dem Dik, ITA, MIFERSO, CEREEQ, Air Senegal and SONACOS. Any debt contracted during the year by a public enterprise not included in the above list and which is greater than 5 billion CFA francs, will also be communicated, and this public enterprise will be added to the list for future reporting.
- The stock of debt at end December of the current and previous year of all these public enterprises, as well as information on newly contracted debt during the year and principal payments, will be communicated to IMF staff within two months after the end of the year.
- All retroceded or guaranteed debt emanating from the central administration and from which these public enterprises benefit will be communicated, as well as any retroceded or guaranteed debt benefiting enterprises in the private sector. The data made available to IMF staff will distinguish between guarantees and debt on-lent to public enterprises and those issued to private sector actors.
- All commitments by comfort letter will be communicated quarterly to IMF staff within six weeks after the end of the quarter. If some of these comfort letters are already counted in another category (for example, guarantees), this will be explicitly mentioned in the data.

Ceiling on Spending Through Simplified Procedures for Non-Personalized Services

18. Definition. This quantitative target is defined as the share of central government expenditures for non-personalized services executed through simplified procedures in total transfers. These procedures relate to "*Demandes de mise en règlement immédiat* » or DMRI and "*Dépenses sans ordonnancement préalable* » or DSOP.

19. Reporting Requirements. The government will report semi-annually to Fund staff the total amount of spending on transfers, and the total amount of spending for non-personalized services executed through transfers on treasury deposit accounts, within six weeks of the end each semester.

Ceiling on Public Sector External Payments Arrears (Continuous)

20. Definition. External payment arrears are defined as the sum of payments owed and not paid when due (in accordance with the terms of the contract) on the external debt contracted or guaranteed by the public sector. The definition of external debt given in paragraph 4 is applicable here. The quantitative target on external payments arrears will be monitored on a continuous basis.

21. Reporting Requirements. The authorities will promptly report any accumulation of external payments arrears to Fund staff.

Memorandum Item on Net Domestic and Regional Financing of the Government

22. Definition. Net domestic and regional financing of the government is defined on the basis of the TOFE as the sum of the net accumulation of liabilities including (i) securities issued on the regional market (WAEMU), including T-bills, T-bonds, and Sukkuk) and (ii) direct domestic loans in CFAF (including other loans and excluding the counterpart of IMF financing). The accumulation of other accounts payable does not correspond to domestic or regional financing for this memorandum item. The memorandum item will be monitored annually for the budgetary central government.

23. Reporting Requirements. Data on net domestic and regional financing will be transmitted quarterly with the TOFE and a maximum delay of two months.

C. Additional Information for Program Monitoring

24. The authorities will transmit the following to Fund staff, in electronic format if possible, with the maximum time lags indicated:

(a) Three days after adoption: any decision, circular, edict, supplemental appropriation order, ordinance, or law having economic or financial implications for the current program. This includes in particular all acts that change budget allocations included in the budget law being executed (for instance: supplemental appropriation orders (*décrets d'avance*), cancellation of budget appropriations (*arrêtés d'annulation de crédit budgétaires*), and orders or decisions creating supplemental budget appropriations (*décrets ou arrêtés d'ouverture de crédit budgétaire supplémentaire*). It also includes acts leading to the creation of a new agency or a new fund.

(b) Within a maximum lag of 30 days, preliminary data on:

- Tax receipts and tax and customs assessments by category, accompanied by the corresponding revenue on a monthly basis;
- The monthly amount of expenditures committed, certified, or for which payment orders have been issued;
- The monthly situation of checks issued by agencies from their deposit accounts at the Treasury but not paid to beneficiaries, with the dates of issuance of the checks.
- The quarterly report of the Debt and Investment Directorate (DDI) on the execution of investment programs;
- The monthly preliminary Government financial operations table (TOFE) based on the Treasury accounts;
- The provisional monthly balance of the Treasury accounts;

- Reconciliation tables between the SIGFIP table and the consolidated Treasury accounts, between the consolidated Treasury accounts and the TOFE for "budgetary revenues and expenditures," and between the TOFE and the net treasury position (NTP), on a quarterly basis; and
- A quarterly report on FSE operations in terms of revenues and expenditures;
- A monthly report on the price structure of fuel products, including an estimate of the necessary subsidy for the rest of the year based on the latest price structure; no later than 4 weeks after the publication of the price structure. If domestic prices are higher than international prices, authorities will communicate in which part of the TOFE the benefits are accounted for.

(c) Final data will be provided as soon as the final balances of the Treasury accounts are available, but not later than one month after the reporting of provisional data.

25. During the program period, the authorities will transmit to Fund staff provisional data on current nonwage noninterest expenditures and domestically financed capital expenditures executed through cash advances on a monthly basis with a lag of no more than 30 days. The data will be drawn from preliminary consolidated Treasury account balances. Final data will be provided as soon as the final balances of the Treasury accounts are available, but no more than one month after the reporting of provisional data.

26. A monthly table from the expenditure tracking system (SIGFIP, or SIGIF once it becomes operational) showing all committed expenditure (dépenses engagées), all certified expenditures that have not yet been cleared for payment (dépenses liquidées non encore ordonnancées), all payment orders (dépenses ordonnancées), all payment orders accepted by the Treasury (dépenses prises en charge par le Trésor), and all payments made by the Treasury (dépenses payées). The SIGFIP table will exclude delegations for regions and embassies. The SIGFIP table (or SIGIF once it becomes operational) will also list any payments that do not have a cash impact on the Treasury accounts. Balances outstanding are broken down by payer and spending category, as well as by maturity and length of time overdue.

27. Regarding expenditures using derogatory procedures, the authorities will report to IMF staff at the end of each quarter: (i) the status of 'waiting and provisional imputation' accounts (*comptes d'attentes et d'imputation provisoire*) showing the stock of transactions awaiting regularization from the general balan ce of accounts of the state; (ii) the status of the derogatory expenditures presented by expenditure category; (iii) the status of deposit accounts (*comptes de dépôt*) by identifying the nature of the beneficiaries ((i) agencies in the broad sense (legal entity governed by public law, or independent of the State); (ii) legal entities governed by private law (e.g. companies with public or private capital, beneficiaries of subsidies or equity); (iii) private individuals (recipients of social assistance and grants); (iv) non-personalized state services; and (v) commitments related to comfort letters. The authorities will also present an assessment of the regularization of such expenditures from one quarter to the next.

28. The central bank will transmit to Fund staff:

- The monthly consolidated balance sheet of banks with a maximum lag of two months;
- The monetary survey, on a monthly basis, with a maximum lag of two months;
- The lending and deposit interest rates of commercial banks, on a semi-annual basis; and
- Prudential supervision and financial soundness indicators for bank financial institutions, as reported in the table entitled Situation des Établissements de Crédit vis--à-vis du Dispositif Prudentiel (Survey of Credit Institution Compliance with the Prudential Framework), on a semi-annual basis, with a maximum delay of four and a half months after the closing of accounts for prudential ratios and six months for the financial soundness indicators.

29. The Government will update on a monthly basis on the website established for this purpose the following information:

(a) Preliminary TOFE and transition tables with a delay of two months;

(b) SIGFIP execution table, the table for the central Government and a summary table including regions, with a delay of two weeks;

(c) The amount of the airport tax collected, deposited in the escrow account, and used for the repayment of the loan financing the construction of the new airport, with a delay of one month. Full information on (i) the operations of the Energy Sector Support Fund (FSE); (ii) investment projects in the power sector; (iii) planning and execution of these projects; and (iv) details of financing and updated costs.

INTERNATIONAL MONETARY FUND

SENEGAL

December 18, 2020

SECOND REVIEW UNDER THE POLICY COORDINATION INSTRUMENT AND REQUEST FOR MODIFICATION OF QUANTITATIVE TARGETS—DEBT SUSTAINABILITY ANALYSIS UPDATE[1]

Approved By
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Prepared by the staffs of the International Monetary Fund and the International Development Association

Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress:	*Moderate*[2]
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited scope to absorb shocks*
Application of judgment	*No*

This Debt Sustainability Analysis (DSA) update indicates that Senegal's debt remains sustainable with a moderate risk of overall debt distress (external and public) under the current baseline, with limited scope to absorb shocks in the near term. This is in line with the previous DSA update of April 2020 that accompanied Senegal's RCF/RFI request. The moderate risk of debt distress is predicated on a gradual recovery from the pandemic-induced economic shock, continued adherence to a prudent fiscal path (in line with regional convergence criteria), and sound debt management. The outlook for Senegal remains highly uncertain and subject to significant downside risks, primarily a reflection of broader global risks related to the COVID-19 pandemic. A prudent borrowing strategy that prioritizes concessional external borrowing and domestic regional financing in line with programmed financing needs, combined with continued efforts to strengthen debt management and contain fiscal risks, will be the anchor for continued debt sustainability.

[1] This DSA was prepared jointly with the World Bank and in collaboration with the Senegalese authorities.

[2] Senegal's debt carrying capacity is classified as strong (with a CI score of 3.19 calculated based on the October 2020 WEO and the 2019 CPIA). The applicable thresholds to public and publicly guaranteed external debt are: 55 percent for the PV of debt-to-GDP ratio, 240 percent for the PV of debt-to-exports ratio, 21 percent for the debt service-to-exports ratio, and 23 percent for the debt service-to-revenue ratio. The applicable benchmark for the PV of total public debt for strong debt carrying capacity is 70 percent of GDP.

DEBT COVERAGE

1. This DSA uses a broad definition of public debt. As in the previous assessment, this DSA captures (i) the central government, (ii) para-public entities, and (iii) state-owned enterprises (SOEs), combining data provided by the authorities with information compiled by IMF technical assistance.[3]

Text Table 1. Senegal: Public Debt Coverage and Design of Contingent Liability Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

1	The country's coverage of public debt	The central, state, and local governments plus extra budgetary funds, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	0.0	
4	PPP	35 percent of PPP stock	2.1	PPP capital stock of 6 percetn of GDP is larger than 3 percent threshold
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		7.1	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BASELINE SCENARIO

2. This DSA updates the April 2020 assessment which had incorporated the initial impact of the COVID-19 pandemic into the baseline. The April DSA treated the pandemic as a one-off large shock leading to a significant decline in GDP and a widening of fiscal and current account deficits. This DSA uses the same debt stocks for 2018 and 2019 as the previous assessment but incorporates revised revenue and expenditure data on para-public entities and state-owned enterprises (SOEs) and updates the macroeconomic outlook using staff's latest baseline projections. Compared to the previous DSA, the economic downturn is more severe in 2020 and the recovery more gradual, reflecting a deeper and more long-lasting shock than initially anticipated.

3. The revised baseline macroeconomic assumptions are the following:

- **GDP growth** is projected to be -0.7 in 2020 (3 percent in the previous DSA). The economy is assumed to gradually recover starting in 2021 with a growth rate of 5.2 percent (5.5 percent in the previous DSA) and remaining high over the medium term. Long-run GDP growth projections are broadly unchanged.
- Staff estimates that the overall ***public sector deficit*** will be 7.4 percent of GDP in 2020, higher

[3] The list of SOEs covered by the DSA is provided in the Technical Memorandum of Understanding.

than the 6.8 percent of GDP anticipated at the time of the RCF/RFI. This revision reflects the larger central government fiscal deficit resulting from the crisis. This figure also reflects updated revenue and expenditure data for para-public entities and SOEs through 2018 obtained from recent IMF technical assistance missions and revisions to PETROSEN's oil and gas investment schedule to reflect a slower investment schedule due to COVID-19. The latter two revisions were net positive for the 2020 public sector deficit and somewhat offset the decline in the central government balance.

- The ***current account deficit*** is projected to be 10.9 percent of GDP in 2020 and 10.7 percent in 2021. Although larger than projected pre-crisis, this is a smaller deficit than anticipated at the time of the April DSA (11.3 percent and 11.4 percent, respectively). The difference primarily reflects a slight drop in imports due to lower petroleum prices and more resilient remittances (Text Table 1). Exports of goods and services are expected to increase significantly by 2025 (from 21 percent of GDP to 34 percent of GDP) driven by the onset of oil and gas exports which accounts for 3/4 of the increase.
- The debt service path reflects the reprofiling of **DSSI**-eligible debt in 2020 (May-December) and 2021 (January-June) on standard terms, except for the debt from creditors whose participation is still pending. This will result in slightly higher debt service over the medium term.
- Senegal's public debt profile has also benefited from favorable ***exchange rate*** movements due to the depreciation of the USD relative to the CFAF/euro peg since the previous DSA (by about 6 percent).
- A more precise calculation of the ***present value of debt service*** has resulted in a slightly lower debt service path than in the April DSA.

4. The DSA assumes a financing mix consistent with a prudent borrowing strategy, aimed at gradually increasing the share of domestic debt and seeking new external financing on concessional terms whenever feasible. Financing for COVID-19-related expenses will be filled mostly with grants and highly concessional loans. The authorities have also delayed some lower-priority projects in 2020. The prospects for domestic borrowing are further supported by the measures taken by the BCEAO to enhance liquidity in the sub-regional market. However, the lack of market depth, combined with potentially higher demand from other countries in the region, serves as a constraint on domestic borrowing.

RISK RATING AND VULNERABILITIES

5. Senegal remains at moderate risk of external and public debt distress. The current baseline remains below the thresholds throughout the forecast period, with the exception of a one-off breach in the debt service-to-exports indicator in 2020. However, under the most extreme shock scenarios, three of the four external debt indicators breach their thresholds for a significant period, pointing to potential vulnerabilities under adverse conditions. The public debt-to-GDP ratio is projected to peak at around 68 percent of GDP in 2021–22 before gradually declining over the medium term as oil and gas investments come online. This is broadly unchanged from the April DSA. The higher central government fiscal deficit and lower growth have been broadly offset by favorable exchange rate movements and updated public sector revenue and expenditure data. Total public debt would also breach the threshold under the most extreme stress test (growth shock) in the later years of the decade, which supports the view that Senegal should maintain a prudent fiscal path. Debt service is projected to be about 21 percent of total revenues and grants in 2020, before gradually rising to about 24 percent on average over the medium term due to borrowing related to the hydrocarbon sector. As such, debt service would continue to absorb a significant portion of fiscal revenues. The DSA's realism tools do not signal any signs of over-optimism in fiscal projections or large changes to investment and contributions to growth compared to previous DSAs.

Text Table 2. Senegal: Evolution of Selected Macroeconomic Indicators, 2020–23

	2020	2021	2022	2023	Med. term[1]	Long term[2]
Real GDP growth						
Current DSA	-0.7	5.2	6.0	11.9	6.2	5.1
Previous DSA	3.0	5.5	8.0	11.2	6.8	5.1
Overall fiscal deficit (percent of GDP)[3]						
Current DSA	7.4	5.8	5.2	4.0	4.8	2.7
Previous DSA	6.9	4.6	4.3	4.1	4.6	3.4
Current account deficit (percent of GDP)						
Current DSA	10.9	10.7	10.6	4.6	7.4	1.3
Previous DSA	11.3	11.4	8.5	3.7	7.8	1.5
Exports of goods and services (percent of GDP)						
Current DSA	21.0	22.3	24.1	32.7	28.1	32.2
Previous DSA	20.9	22.9	26.2	32.9	26.7	31.4

[1] Defined as the first 5 years of the projection period. For the current DSA update, the medium term covers the years 2020-2025.

[2] Defined as the last 15 years of the projection period. For the current DSA update, the long term covers the years 2026-2040.

[3] Overall fiscal deficit of General Government and Public Sector.

6. **Overall, these results suggest that Senegal has limited space to absorb shocks in the near term and reinforces the need for prudent fiscal policy and sound debt management.** The relatively high debt service levels throughout the forecast period would limit fiscal space for additional expenditures to support a robust and resilient recovery. This calls for further efforts to mobilize additional revenues and prioritize concessional borrowing.

7. **Risks to the outlook depend primarily on the depth and duration of the COVID-19 pandemic.** A deeper global slowdown combined with a prolonged outbreak in Senegal or its major trading partners could further lower GDP and export receipts in 2020 and weaken the expected recovery thereafter. Regional security risks and natural disasters could also increase fiscal pressures, contributing to a higher debt path. Lower oil prices benefit Senegal in the short term and help mitigate the current account deterioration but, should world oil and gas prices remain low for a prolonged period, could hinder planned investments in the oil and gas sector, with significant knock-on implications for the medium-term outlook.

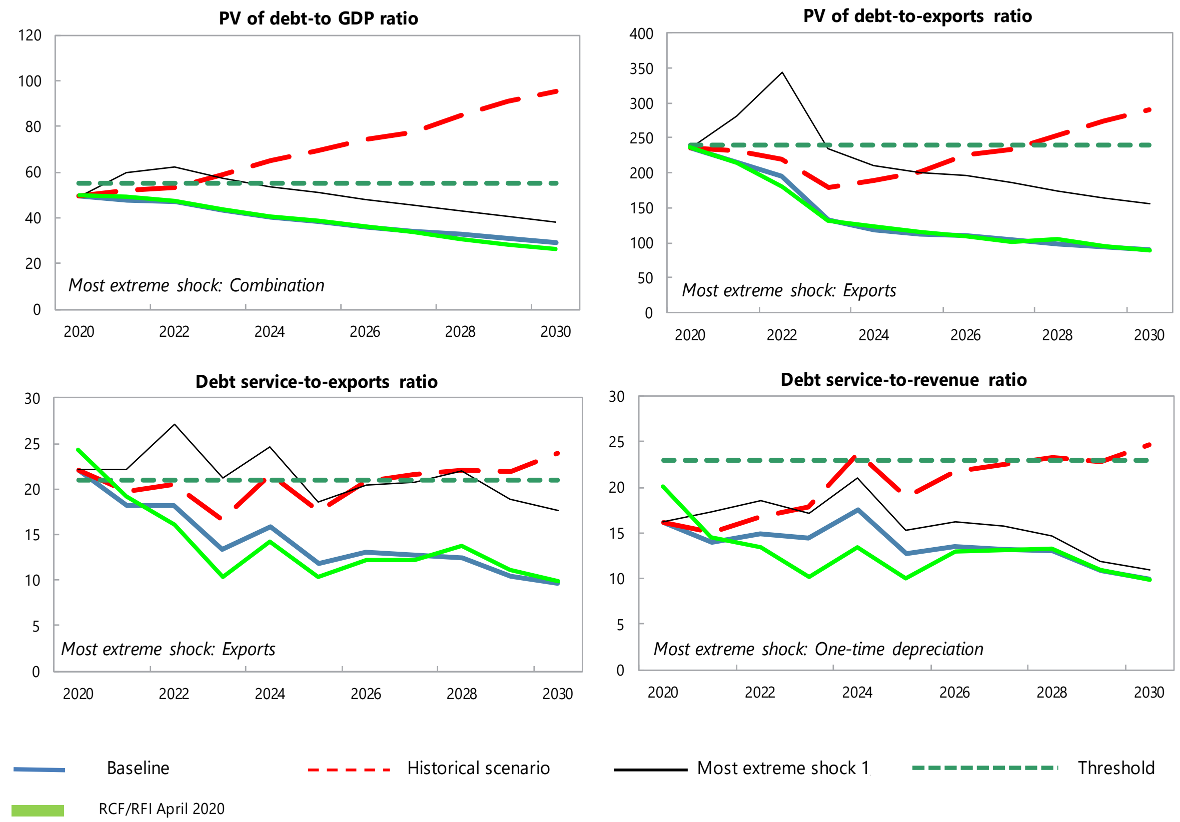
AUTHORITIES' VIEWS

8. **The authorities broadly share staff's assessment of debt sustainability.** They agree that risks to the debt profile are moderate with limited space to absorb shocks in the near term. Nevertheless, they are of the view that major investments under the PAP2A are needed to bolster the recovery and foster sustainable growth. To that end, they are developing a borrowing strategy for 2021–23 that places greater emphasis on concessional or semi-concessional external financing, as well as increased domestic borrowing to minimize foreign exchange risk. They are also seeking to strengthen oversight over public sector borrowing, including SOEs and PPPs, through the National Public Debt Committed (CNDP).

Text Table 3. Senegal: Calculation of the CI Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.753	1.45	45%
Real growth rate (in percent)	2.719	6.291	0.17	5%
Import coverage of reserves (in percent)	4.052	39.093	1.58	50%
Import coverage of reserves^2 (in percent)	-3.990	15.283	-0.61	-19%
Remittances (in percent)	2.022	10.261	0.21	6%
World economic growth (in percent)	13.520	2.928	0.40	12%
CI Score			3.19	100%
CI rating			Strong	

Figure 1. Senegal: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–30



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price 2/	n.a.	n.a.
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	4.1%	4.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	5	5

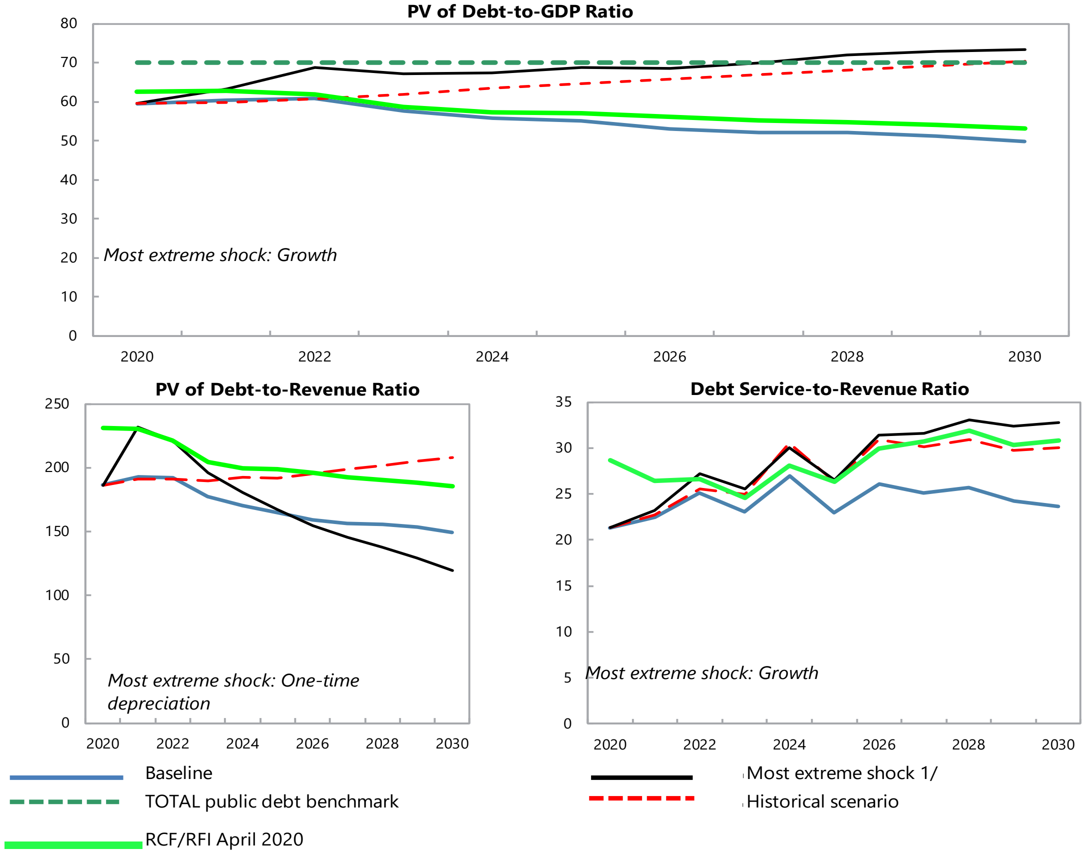
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Senegal: Indicators of Public Debt Under Alternative Scenarios, 2020–30



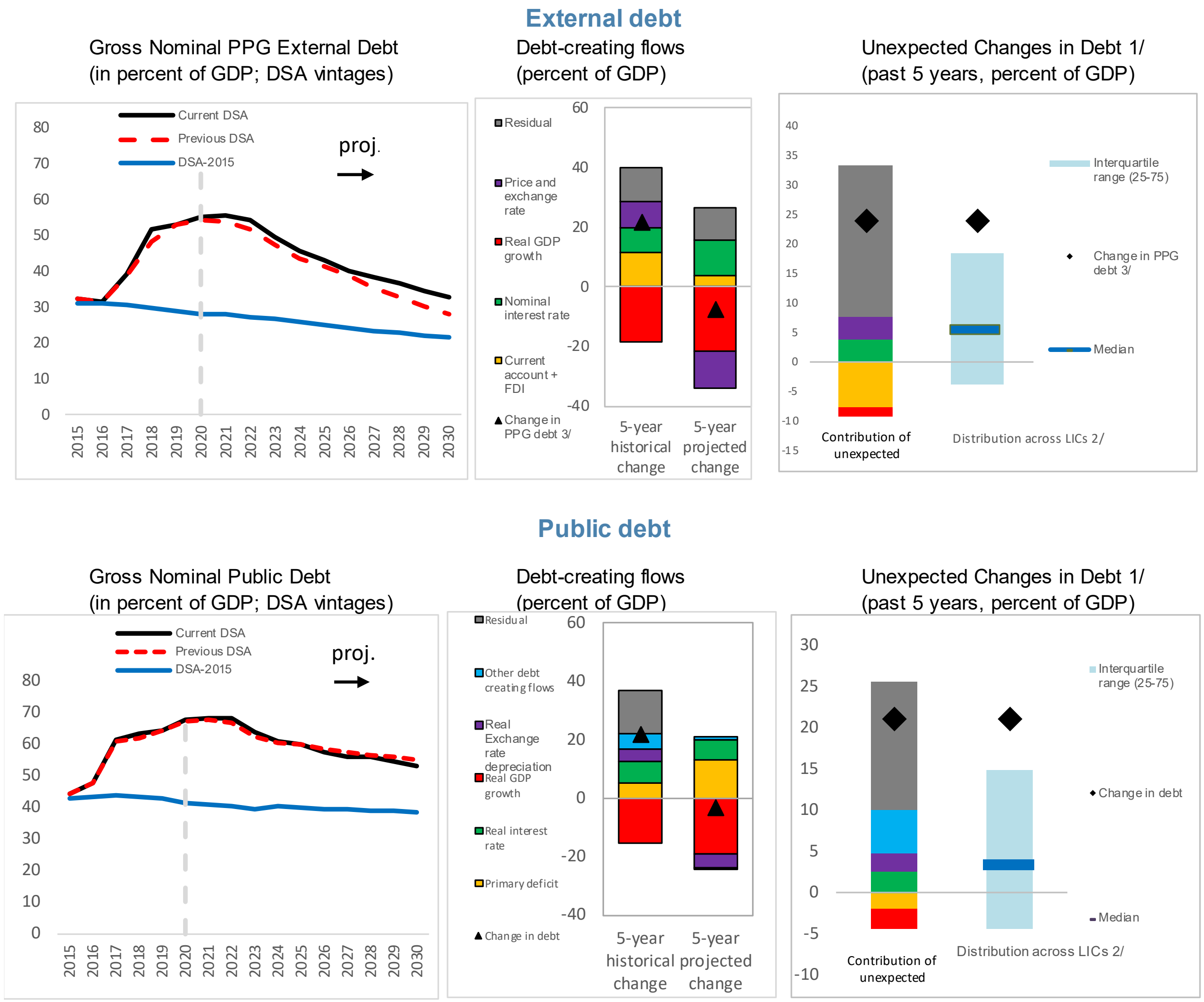
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	47%	47%
Domestic medium and long-term	48%	48%
Domestic short-term	5%	5%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.1%	4.1%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.0%	4.0%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Senegal: Driver of Debt Dynamics—Baseline Scenario, 2015–30



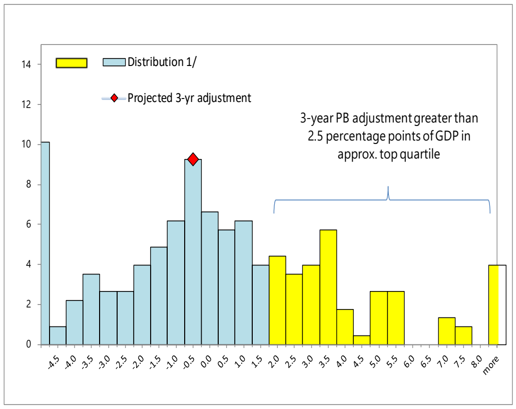
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

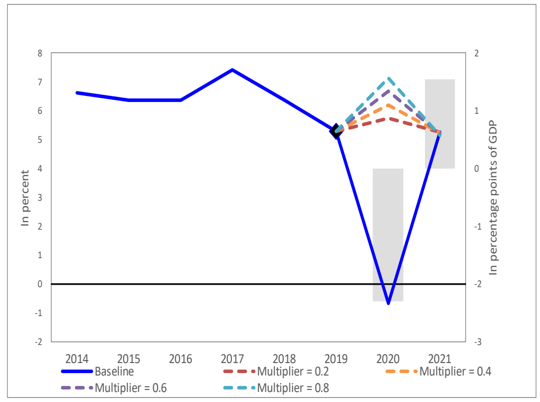
Figure 4. Senegal: Realism Tools, 2016–25

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



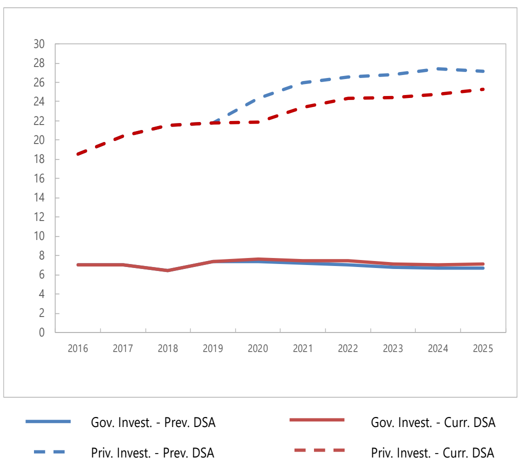
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

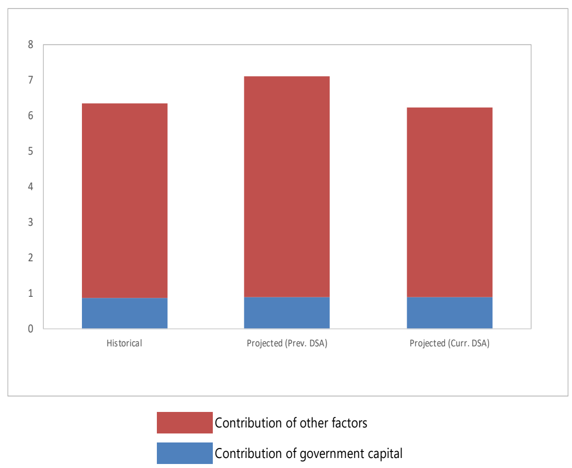
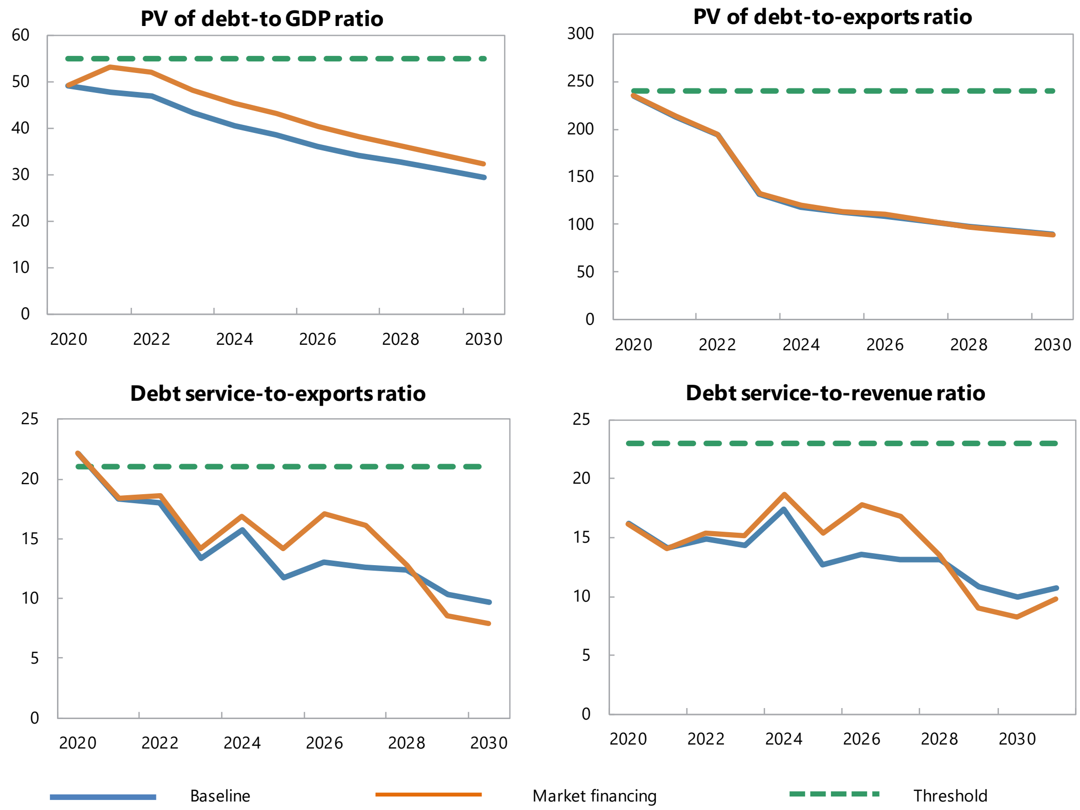


Figure 5. Senegal: Market-Financing Risk Indicators, 2020–30

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	12	405
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

Figure 6. Senegal: Qualification of the Moderate Category, 2020–30[1]

Sources: Country authorities; and staff estimates and projections.

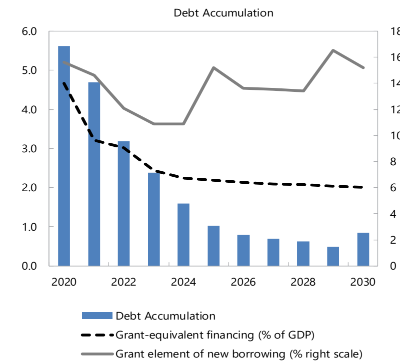
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

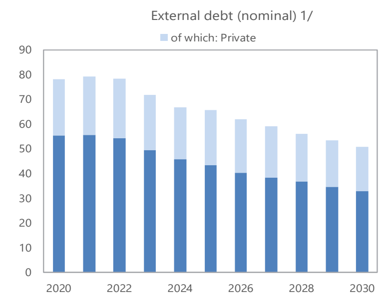
Table 1. Senegal: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(percent of GDP unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**61.7**	**71.6**	**73.8**	**78.1**	**79.1**	**78.3**	**71.8**	**66.6**	**65.5**	**50.7**	**36.6**	**56.1**	**65.5**
of which: public and publicly guaranteed (PPG)	**39.1**	**51.8**	**53.2**	**55.3**	**55.5**	**54.3**	**49.5**	**45.7**	**43.3**	**32.7**	**21.7**	**33.5**	**44.2**
Change in external debt	6.9	9.9	2.2	4.3	1.0	-0.8	-6.5	-5.1	-1.1	-2.6	-0.9		
Identified net debt-creating flows	**-0.2**	**-0.7**	**2.3**	**6.0**	**1.7**	**1.0**	**-8.1**	**-6.3**	**-3.9**	**-3.9**	**-4.9**	**2.8**	**-2.7**
Non-interest current account deficit	**6.0**	**6.6**	**5.4**	**8.8**	**8.2**	**8.1**	**2.2**	**1.1**	**1.7**	**0.1**	**-1.5**	**5.4**	**2.9**
Deficit in balance of goods and services	13.8	15.0	13.8	18.8	16.6	15.1	7.2	5.5	6.1	-0.5	-1.7	**14.2**	**6.7**
Exports	21.9	23.5	24.2	21.0	22.3	24.1	32.7	34.1	34.3	32.7	31.9		
Imports	35.7	38.6	38.0	39.8	39.0	39.2	39.9	39.6	40.4	32.2	30.3		
Net current transfers (negative = inflow)	-9.4	-8.9	-8.2	-10.3	-8.9	-9.1	-8.5	-8.1	-8.2	-7.8	-7.6	**-9.5**	**-8.4**
of which: official	-0.4	-0.3	0.1	-1.2	-0.3	-0.6	-0.3	-0.1	-0.1	-0.1	-0.3		
Other current account flows (negative = net inflow)	1.6	0.4	-0.2	0.3	0.5	2.1	3.4	3.7	3.8	8.5	7.8	**0.7**	**4.7**
Net FDI (negative = inflow)	**-2.4**	**-3.4**	**-4.2**	**-5.4**	**-5.4**	**-5.2**	**-4.5**	**-4.3**	**-4.4**	**-2.8**	**-2.7**	**-2.1**	**-4.2**
Endogenous debt dynamics 2/	**-3.9**	**-3.9**	**1.1**	**2.6**	**-1.1**	**-1.9**	**-5.8**	**-3.1**	**-1.2**	**-1.2**	**-0.7**		
Contribution from nominal interest rate	1.2	2.1	2.1	2.1	2.5	2.5	2.4	2.5	2.5	1.7	1.0		
Contribution from real GDP growth	-3.7	-3.5	-3.7	0.5	-3.6	-4.4	-8.2	-5.6	-3.7	-2.9	-1.7		
Contribution from price and exchange rate changes	-1.4	-2.5	2.7	...	...	...	...	...	...	...	...		
Residual 3/	**7.1**	**10.5**	**-0.1**	**-1.7**	**-0.7**	**-1.9**	**1.6**	**1.2**	**2.8**	**1.3**	**4.0**	**0.5**	**0.6**
of which: exceptional financing	0.6	1.1	-1.1	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**45.1**	**49.2**	**47.9**	**47.0**	**43.3**	**40.5**	**38.6**	**29.4**	**19.2**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**186.4**	**234.8**	**214.6**	**194.8**	**132.6**	**118.7**	**112.6**	**89.7**	**60.2**		
PPG debt service-to-exports ratio	**9.3**	**16.5**	**14.6**	**22.1**	**18.2**	**18.1**	**13.4**	**15.9**	**11.8**	**9.7**	**6.7**		
PPG debt service-to-revenue ratio	**7.5**	**14.0**	**12.1**	**16.1**	**13.9**	**14.9**	**14.4**	**17.5**	**12.8**	**10.0**	**6.7**		
Gross external financing need (Billion of U.S. dollars)	1.5	1.8	1.4	2.3	2.2	2.5	1.1	1.3	1.0	0.9	-1.7		
Key macroeconomic assumptions													
Real GDP growth (in percent)	7.4	6.4	5.3	-0.7	5.2	6.0	11.9	8.7	6.0	6.0	4.9	**5.1**	**5.9**
GDP deflator in US dollar terms (change in percent)	2.7	4.1	-3.7	3.8	6.9	2.5	1.9	2.1	1.5	2.3	2.1	**-1.1**	**2.7**
Effective interest rate (percent) 4/	2.5	3.8	3.0	2.9	3.6	3.4	3.5	3.9	4.0	3.5	2.9	**2.5**	**3.7**
Growth of exports of G&S (US dollar terms, in percent)	12.2	19.2	4.3	-10.7	19.9	17.4	54.4	15.8	8.1	7.0	8.3	**6.5**	**12.6**
Growth of imports of G&S (US dollar terms, in percent)	21.3	19.6	0.0	7.8	10.2	9.3	16.2	10.1	9.6	4.2	6.0	**6.0**	**7.2**
Grant element of new public sector borrowing (in percent)	...	...	...	15.6	14.6	12.1	10.9	10.9	15.2	15.2	18.0	**...**	**13.8**
Government revenues (excluding grants, in percent of GDP)	27.4	27.6	29.3	28.7	29.2	29.4	30.6	31.0	31.7	31.8	31.9	**20.1**	**30.8**
Aid flows (in Billion of US dollars) 5/	1.0	1.0	1.5	0.8	0.7	0.8	0.7	0.7	0.8	1.0	1.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.7	3.2	3.0	2.4	2.2	2.2	2.0	1.8	**...**	**2.6**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	37.5	35.6	37.7	37.5	34.1	44.2	45.4	51.8	**...**	**40.4**
Nominal GDP (Billion of US dollars)	21	23	24	24	27	30	34	38	40	59	116		
Nominal dollar GDP growth	10.3	10.8	1.4	3.1	12.5	8.6	14.0	11.0	7.6	8.4	7.1	**4.0**	**8.7**
Memorandum items:													
PV of external debt 7/	...	...	65.8	72.0	71.5	71.1	65.7	61.4	60.8	47.4	34.1		
In percent of exports	...	...	271.9	343.7	320.1	294.3	200.9	180.1	177.4	144.7	106.8		
Total external debt service-to-exports ratio	15.3	19.7	19.7	28.6	23.6	23.0	16.7	19.3	15.2	12.8	8.5		
PV of PPG external debt (in Billion of US dollars)			10.6	12.0	13.1	14.0	14.7	15.2	15.6	17.2	22.2		
(PVt-PVt-1)/GDPt-1 (in percent)				5.6	4.7	3.2	2.4	1.6	1.0	0.9	0.6		
Non-interest current account deficit that stabilizes debt ratio	-0.8	-3.2	3.2	4.5	7.2	9.0	8.7	6.2	2.8	2.7	-0.6		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

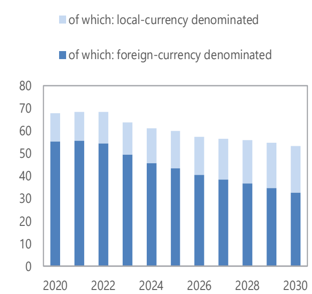
Table 2. Senegal: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

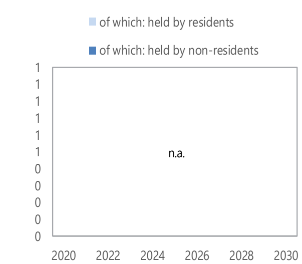
(percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**61.1**	**63.2**	**64.1**	**67.6**	**68.2**	**68.1**	**63.7**	**61.0**	**59.7**	**53.1**	**48.9**	**45.5**	**60.5**
of which: external debt	**39.1**	**51.8**	**53.2**	**55.3**	**55.5**	**54.3**	**49.5**	**45.7**	**43.3**	**32.7**	**21.7**	**33.5**	**44.2**
Change in public sector debt	13.6	2.1	0.9	3.5	0.7	-0.1	-4.4	-2.7	-1.3	-1.5	-0.2		
Identified debt-creating flows	**-6.7**	**3.0**	**2.6**	**7.2**	**1.4**	**0.2**	**-4.2**	**-2.7**	**-1.2**	**-1.5**	**-0.2**	**2.5**	**-0.5**
Primary deficit	**-2.8**	**1.8**	**2.4**	**4.7**	**3.2**	**2.7**	**1.5**	**1.1**	**0.6**	**0.4**	**0.8**	**2.1**	**1.4**
Revenue and grants	29.5	29.6	31.0	31.9	31.4	31.7	32.5	32.7	33.4	33.4	33.4	**22.1**	**32.8**
of which: grants	2.2	2.0	1.6	3.2	2.2	2.3	1.9	1.7	1.7	1.6	1.4		
Primary (noninterest) expenditure	26.7	31.4	33.4	36.6	34.5	34.4	34.0	33.8	34.0	33.8	34.2	**24.2**	**34.2**
Automatic debt dynamics	**-5.3**	**0.6**	**-0.6**	**1.6**	**-1.7**	**-2.5**	**-5.7**	**-3.8**	**-1.8**	**-1.9**	**-1.0**		
Contribution from interest rate/growth differential	-2.0	-0.9	-1.8	1.6	-1.7	-2.5	-5.7	-3.8	-1.8	-1.9	-1.0		
of which: contribution from average real interest rate	1.3	2.7	1.4	1.2	1.7	1.4	1.5	1.3	1.6	1.1	1.3		
of which: contribution from real GDP growth	-3.3	-3.7	-3.2	0.4	-3.4	-3.9	-7.2	-5.1	-3.4	-3.1	-2.3		
Contribution from real exchange rate depreciation	-3.3	1.5	1.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**1.4**	**0.6**	**0.7**	**0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**	**0.1**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	1.4	0.6	0.7	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**20.3**	**-0.9**	**-1.7**	**-3.7**	**-0.8**	**-0.3**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**0.0**	**1.2**	**-0.5**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**56.3**	**59.5**	**60.4**	**60.8**	**57.6**	**55.7**	**55.0**	**49.8**	**46.4**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**181.8**	**186.4**	**192.5**	**191.8**	**177.1**	**170.5**	**164.8**	**149.2**	**138.9**		
Debt service-to-revenue and grants ratio 3/	**23.1**	**31.9**	**21.7**	**21.3**	**22.5**	**25.1**	**23.1**	**27.0**	**22.9**	**23.7**	**23.9**		
Gross financing need 4/	5.4	11.8	9.8	12.4	10.2	10.6	9.0	9.9	8.2	8.3	8.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	7.4	6.4	5.3	-0.7	5.2	6.0	11.9	8.7	6.0	6.0	4.9	**5.1**	**5.9**
Average nominal interest rate on external debt (in percent)	2.8	4.5	3.7	3.5	3.6	3.4	3.5	3.7	3.7	3.7	3.5	**2.9**	**3.6**
Average real interest rate on domestic debt (in percent)	4.2	4.2	3.9	4.1	5.8	4.3	4.4	4.1	4.5	3.7	3.9	**4.9**	**4.2**
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	4.0	2.4	...	...	...	...	...	...	...	...	**3.0**	**...**
Inflation rate (GDP deflator, in percent)	0.6	-0.5	1.7	2.1	1.7	1.7	1.5	1.8	1.4	2.3	2.1	**0.9**	**1.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	28.8	24.8	12.0	9.0	-0.8	5.5	10.6	8.0	6.5	5.9	5.0	**10.8**	**6.0**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-16.4	-0.3	1.6	1.2	2.5	2.8	5.9	3.8	1.8	1.9	1.0	**-5.0**	**2.4**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments plus extra budgetary funds, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	49	48	47	43	40	39	36	34	33	31	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	49	52	53	**59**	**65**	**69**	**74**	**77**	**85**	**91**	**95**
A2. Alternative Scenario :[Customize, enter title]	50	49	47	44	41	39	36	33	31	28	26
B. Bound Tests											
B1. Real GDP growth	49	49	51	47	44	42	39	37	35	33	32
B2. Primary balance	49	49	49	45	42	41	38	36	35	33	31
B3. Exports	49	52	**58**	53	50	48	45	42	40	38	35
B4. Other flows 3/	49	52	**56**	51	48	46	43	41	39	36	34
B5. Depreciation	49	**60**	52	48	45	43	40	38	36	35	33
B6. Combination of B1-B5	49	**60**	**62**	**57**	53	51	48	45	43	40	38
C. Tailored Tests											
C1. Combined contingent liabilities	49	51	50	46	43	42	40	38	36	35	33
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	49	53	52	48	45	43	40	38	36	34	32
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	235	215	195	133	119	113	109	104	98	93	90
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	235	232	220	179	190	202	225	234	**253**	**274**	**291**
A2. Alternative Scenario :[Customize, enter title]	235	219	199	143	132	125	123	113	102	94	85
B. Bound Tests											
B1. Real GDP growth	235	215	195	133	119	113	109	104	98	93	90
B2. Primary balance	235	218	204	139	124	118	116	110	104	100	96
B3. Exports	235	**281**	**345**	234	210	200	195	185	173	164	155
B4. Other flows 3/	235	234	230	156	140	133	130	123	115	109	104
B5. Depreciation	235	215	174	119	106	101	97	92	87	84	81
B6. Combination of B1-B5	235	**290**	232	211	190	181	176	166	156	147	140
C. Tailored Tests											
C1. Combined contingent liabilities	235	228	208	141	127	122	120	115	108	104	101
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	235	215	195	133	120	114	110	104	98	93	89
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	**22**	18	18	13	16	12	13	13	12	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**22**	20	20	17	**22**	18	21	**22**	**22**	**22**	**24**
A2. Alternative Scenario :[Customize, enter title]	**22**	19	19	15	19	14	16	15	14	11	10
B. Bound Tests											
B1. Real GDP growth	**22**	18	18	13	16	12	13	13	12	10	10
B2. Primary balance	**22**	18	18	14	16	12	13	13	13	11	10
B3. Exports	**22**	**22**	**27**	**21**	**25**	19	20	21	**22**	19	18
B4. Other flows 3/	**22**	18	19	14	17	13	14	14	15	13	12
B5. Depreciation	**22**	18	18	13	15	11	13	12	11	9	9
B6. Combination of B1-B5	**22**	**21**	**26**	20	**23**	17	19	20	20	17	16
C. Tailored Tests											
C1. Combined contingent liabilities	**22**	18	19	14	16	12	13	13	13	11	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	**22**	18	19	14	17	14	17	16	13	9	8
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	16	14	15	14	17	13	14	13	13	11	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	16	15	17	18	**24**	19	22	22	**23**	23	**25**
A2. Alternative Scenario :[Customize, enter title]	16	14	16	16	21	15	17	16	15	12	11
B. Bound Tests	16	14	16	16	21	15	17	16	15	12	11
B1. Real GDP growth	16	14	16	15	19	14	15	14	14	12	11
B2. Primary balance	16	14	15	15	18	13	14	14	14	11	11
B3. Exports	16	14	15	16	19	14	15	15	16	14	13
B4. Other flows 3/	16	14	16	15	18	14	14	15	15	13	12
B5. Depreciation	16	17	19	17	21	15	16	16	15	12	11
B6. Combination of B1-B5	16	15	18	17	21	15	16	17	17	15	14
C. Tailored Tests											
C1. Combined contingent liabilities	16	14	15	15	18	13	14	14	14	11	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	16	14	15	15	19	15	18	17	14	9	8
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Senegal: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30
(Percent of GDP, unless otherwise indicated)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	60	60	61	58	56	55	53	52	52	51	50
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	60	60	61	62	63	65	66	67	68	69	**70**
A2. Alternative Scenario :[Customize, enter title]	63	63	62	59	57	57	56	55	55	54	53
B. Bound Tests											
B1. Real GDP growth	60	63	69	67	67	69	69	70	**72**	**73**	**73**
B2. Primary balance	60	62	65	61	59	58	56	55	55	54	53
B3. Exports	60	64	**71**	67	65	64	61	60	59	58	56
B4. Other flows 3/	60	65	69	65	63	62	60	59	58	56	54
B5. Depreciation	60	**72**	70	63	59	56	51	48	46	43	40
B6. Combination of B1-B5	60	59	62	58	56	55	53	52	52	50	49
C. Tailored Tests											
C1. Combined contingent liabilities	60	67	67	64	62	61	58	57	57	56	55
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	60	60	61	58	56	55	53	52	52	51	50
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio											
Baseline	186	192	192	177	171	165	159	156	156	153	149
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	186	191	191	189	192	192	195	199	202	205	208
A2. Alternative Scenario :[Customize, enter title]	21	24	26	24	22	16	25	24	24	21	21
B. Bound Tests											
B1. Real GDP growth	186	201	215	206	205	205	205	209	215	218	219
B2. Primary balance	186	198	205	189	181	175	169	166	165	163	158
B3. Exports	186	204	225	207	198	191	184	180	178	173	166
B4. Other flows 3/	186	206	219	201	193	186	179	176	173	169	163
B5. Depreciation	186	232	221	196	181	167	154	145	138	129	119
B6. Combination of B1-B5	186	190	196	180	173	166	160	156	155	151	146
C. Tailored Tests											
C1. Combined contingent liabilities	186	214	213	196	188	182	175	172	172	169	164
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	186	192	192	178	172	166	160	157	156	153	148
Debt Service-to-Revenue Ratio											
Baseline	21	23	25	23	27	23	26	25	26	24	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	21	23	26	25	31	26	31	30	31	30	30
A2. Alternative Scenario :[Customize, enter title]	21	24	26	24	22	16	25	24	24	21	21
B. Bound Tests											
B1. Real GDP growth	21	23	27	26	30	27	31	32	33	32	33
B2. Primary balance	21	23	26	24	28	24	29	27	27	25	25
B3. Exports	21	23	26	24	28	24	27	27	28	27	26
B4. Other flows 3/	21	23	26	24	28	24	27	27	28	26	26
B5. Depreciation	21	24	29	27	31	26	28	27	28	25	24
B6. Combination of B1-B5	21	22	26	24	28	24	27	26	26	24	24
C. Tailored Tests											
C1. Combined contingent liabilities	21	23	27	24	28	27	31	27	27	26	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	21	23	26	24	28	25	30	29	26	22	22

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.