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SENEGAL

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SENEGAL

In the context of the Senegal's Request for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument, 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 April 13, 2020 following discussions that ended on April 1, 2020 with the officials of Senegal on economic developments and policies underpinning the IMF disbursement under the Rapid Credit Facility and Purchase under the Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on April 7, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Senegal.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Senegal*
*Also included in Staff Report

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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International Monetary Fund
Washington, D.C.

IMF Executive Board Approves for Senegal a US$442 Million Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument

FOR IMMEDIATE RELEASE

WASHINGTON, DC – April 13, 2020

- The IMF Executive Board approves the tenth request for emergency financial assistance to help its member countries address the challenges posed by COVID-19.
- The approval of the request from Senegal will make available US$442 million to be drawn under the Rapid Credit Facility and the Rapid Financing Instrument and will provide much-needed liquidity to support the authorities' response to the crisis.
- The economic impact of the COVID-19 pandemic is rapidly unfolding, with the near-term outlook deteriorating quickly.
- The authorities have acted fast by putting in place strong measures to help contain the spread of the disease and mitigate the pandemic's impact on the economy.

The Executive Board of the International Monetary Fund (IMF) today approved the purchase under the Rapid Financing Instrument (RFI) equivalent to SDR 215.7 million (about US$294.7 million, 67 percent of quota) and a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 107.9 million (US$147.4 million, 33 percent of quota) to help Senegal meet the urgent balance of payment needs stemming from the COVID-19 pandemic.

The Covid-19 pandemic is hitting Senegal hard. The sharp global economic downturn and domestic containment measures have led to a substantial reduction in economic activity, with sectors such as tourism, transport, construction, and retail particularly hard-hit, and the pandemic in Europe is also translating into lower remittances. As a result, the short-term economic outlook has deteriorated significantly, with large uncertainties surrounding the duration and spread of the pandemic.

The authorities have acted fast to mitigate the impact of the pandemic by increasing health spending and providing targeted support to vulnerable households and firms, including trough food aid, suspension of utility bills, and targeted tax relief. IMF financing will help preserve fiscal space and catalyze further assistance from the international community, preferably in the form of grants.

The IMF continues to monitor Senegal's situation closely and stands ready to provide policy advice and further support as needed.

Following the Executive Board's discussion of Senegal, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

1. The COVID-19 Pandemic is having a severe impact on Senegal, creating an urgent balance-of-payments and fiscal financing need. To mitigate the impact of the pandemic, the authorities have acted fast by increasing health spending and providing targeted support to vulnerable households and firms, including through food aid, suspension of utility bill payments for the poorest, and targeted tax relief.

2. The IMF's emergency financing under the Rapid Credit Facility and the Rapid Financing Instrument will provide much-needed liquidity to support the authorities' response to the crisis and could catalyze further assistance from the international community, preferably in the form of grants.

3. A temporary widening of the budget deficit is appropriate to mitigate the health and economic impact of the pandemic. It is also advisable that macroeconomic policies continue to be guided by the objectives of the current Policy Coordination Instrument (PCI) to the extent possible. Once the crisis abates, a gradual return to the budget deficit target of 3 percent of GDP, in line with regional fiscal rules, is necessary to preserve external and debt sustainability.

4. Additional concessional donor support will be critical to close the remaining financing gap, ease the adjustment burden, and preserve Senegal's impressive economic achievements. Ensuring that disbursed funds are used in a well-targeted, cost-effective and transparent manner remains imperative.

INTERNATIONAL MONETARY FUND

SENEGAL

April 7, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

KEY ISSUES

Context: The COVID-19 pandemic has weakened the macroeconomic outlook for Senegal's economy. Containment measures to avoid the propagation of the virus, lower external demand, reduced remittances, and the sudden stop of travel and tourism are having a significant impact on growth and generating an urgent budgetary and balance-of-payments (BOP) needs. The authorities have taken strong actions to address the pandemic by declaring a state of emergency, closing schools, suspending flights, banning public gatherings, and imposing a curfew. They are implementing a comprehensive plan to upgrade the health system and contain the economic impact, including by setting up a national solidarity fund and providing targeted support to vulnerable households and firms.

Request for Fund support. The authorities are seeking financial assistance under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) for a total of SDR 323.6 million (100 percent of quota) to address the urgent budgetary and external financing gaps arising from the economic impact and mitigation efforts to the COVID-19 pandemic. The RCF/RFI is expected to catalyze support from other external partners to finance the remaining needs.

Economic policies.

- **Fiscal policy:** Accommodate a widening of the fiscal deficit to 5.6 percent of GDP, prioritize health spending and containment efforts, and provide targeted support to vulnerable households and firms. Develop a plan to bring the deficit back to at least 3 percent of GDP once the crisis abates.
- **Monetary policy:** Stand ready at the regional level to provide liquidity to the financial system, while ensuring availability of transparent information on eligible collateral.
- **Financial stability.** Closely monitor the impact of the economic downturn and loan restructuring on banks' balance sheets and take action as needed to ensure financial stability and healthy credit supply.

Staff supports the authorities' request for a disbursement under the Rapid Credit Facility and purchase under the Rapid Financing Instrument (RFI) in light of the urgent balance of payment need. Senegal is assessed as having sustainable debt and adequate capacity to repay the Fund. The main risk in the short term is a more extensive global and domestic COVID-19 outbreak, which could lead to a much steeper economic decline in 2020 and more gradual recovery thereafter.

Approved By
Annalisa Fedelino (AFR) and Ana Corbacho (SPR)

Discussions were held remotely on April 1, 2020. The mission comprised Corinne Deléchat (head), Bruno Versailles, David Stenzel (AFR), Etienne Yehoue (SPR), and Alexandra Fotiou (FAD), assisted by Cemile Sancak (Resident Representative), Saidou Ba and Abdoulaye Fame (local economists). Hilary Devine (research officer), Naa-Kwaakai Quartey and Jacques Treilly (HQ administrative assistants), Bintou Wane (local administrative assistant) also contributed to this report. Mr. Oumar Diakité (OED) participated in the policy discussions.

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CONTEXT

1. Macroeconomic performance was favorable prior to the COVID-19 pandemic. In January, the Executive Board approved a new three-year Policy Coordination Instrument focusing on private sector-led and inclusive growth, consolidating macroeconomic stability, and transparent management of expected hydrocarbon revenues. Growth in 2019 is estimated to have reached 5.3 percent, weaker than the initially expected 6 percent as volatile rain affected agricultural output. Inflation remained low averaging 1 percent, aided by declining food prices (-0.2 percent). The current account deficit is estimated at around 9 percent at end-2019, broadly unchanged from 2018. Public debt remains sustainable.

2. Fiscal performance. Based on preliminary data, the deficit in nominal terms was in line with the supplementary budget as well as the PCI's quantitative target. However, the downward revision in nominal GDP for 2018 led the fiscal deficit as a share of GDP to be marginally larger than the WAEMU convergence criterion at 3.1 percent. For the period January 1–March 17, domestic revenue was 0.1 percent of GDP ahead of projections while expenditure was broadly in line with projections.

3. Performance under the PCI-supported program has been strong. Based on preliminary information, all end-December 2019 quantitative targets (QTs) were met except the one for the ceiling public contracts signed by single tender. The continuous reform target (RT) regarding the retail fuel and electricity price adjustment mechanism was automatically met as international oil prices declined, and the recurring RT on quarterly reports on the cooperation between the customs and tax administrations were both met. Progress was being made towards the end-June RTs, though the coronavirus outbreak re-prioritization of government actions may delay implementation of some reforms.

4. Senegal is starting to feel the brunt of the COVID-19 pandemic as global economic conditions deteriorate and the virus propagates in the country. There have been 226 confirmed cases of COVID-19 as of April 6 in the country. The authorities have taken drastic measures to prevent the outbreak, including the closure of schools and universities, domestic and international travel restrictions, and cancellation of public events. A strategic plan to fight against COVID-19 is being implemented to: i) enhance testing and treatment capacity, ii) strengthen preventive measures, and iii) intensify communication. Its implementation is costed at about FCFA 70 billion (0.5 percent of GDP).

IMPACT OF THE PANDEMIC AND OUTLOOK

5. The virus has given rise to an urgent BOP need. Compared to the pre-pandemic baseline, real GDP growth has weakened significantly, to an estimated 3 percent (from an earlier projected 6.8 percent) (Text Table 1). The balance of payments position is also being severely impacted, with an estimated BOP financing need of about CFAF 366 million (2.5 percent of GDP). The main channels of impact on the economy are:

- **A sudden stop of travel and tourism.** 1.6 million visitors came to Senegal in 2018 and, according to the government, associated revenues are about 5.5 percent of GDP and tourism-related jobs account for 9 percent of total formal employment. The sudden stop of all international travel will weigh on services exports (expected to decline by 25 percent y/y) and related economic activities. The impact will be particularly severe on hotels, restaurants, and domestic and international transportation.
- **Lower external demand.** Sharply lower growth in Senegal's main trading partner countries will reduce export demand, with exports expected to grow significantly slower than initially envisaged, reducing the exports-to-GDP ratio by about 1 percentage point of GDP.
- **Global supply disruptions.** A disruption of global supply chains could affect the implementation of investment projects. In addition, some imported consumption goods cannot be easily substituted by domestic production, potentially creating price pressures, although weaker aggregate demand is expected to keep overall consumer price inflation in check.
- **Reduced remittances.** Remittances amount to 10 percent of GDP and are an important source of household income. A significant share of these transfers comes from countries particularly affected by the virus, notably France, Italy and Spain. Lower source country growth is expected to reduce remittances by about 1.5 percent of GDP.
- **Tighter external financial conditions.** Eurobond spreads have increased by 280 basis points since the beginning of the year and it is expected that net capital inflows will be lower than expected (by 0.4 percent of GDP).
- **Improved terms of trade.** While gold exports receipts could profit from somewhat higher prices, the main impact comes from the oil price decline. Imports of petroleum products amounted to about 8 percent of GDP in 2019. Based on current assumptions, lower prices could reduce the import bill for oil by about 3 percent of GDP.
- **Domestic containment measures.** The state of emergency, nighttime curfew, closure of entertainment venues, cancellation of events, prohibition on mass gatherings and additional precautions will negatively affect economic activity. In the unfortunate event of the virus spreading further, these effects could be compounded by workforce shortage and higher mortality.

Text Table 1. Senegal: Revised macroeconomic framework, 2019–22

	2019	2020		2021		2022	
	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	EBS/19/125	Proj.
Real GDP (percent change)	5.3	6.8	3.0	7.0	5.5	8.4	8.0
CPI inflation, average (percent)	1.0	1.5	2.0	1.5	1.9	1.5	1.5
Net lending/borrowing, including grants (percent of GDP)	-3.9	-3.0	-5.6	-3.0	-3.3	-3.0	-3.0
Current account balance (percent of GDP)	-9.1	-10.7	-11.3	-10.5	-11.4	-7.7	-8.5

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

6. The 2020 fiscal deficit is expected to increase temporarily from 3.2 (planned in the budget)[1] to 5.6 percent of GDP shifting the debt trajectory upwards but keeping debt sustainable. Taxes related to petroleum products (equal to about 15 percent of total tax revenues) and international trade are projected to decline by about FCFA 300 billion (2.1 percent of GDP) in the wake of the substantial decline in world oil prices and COVID-19 driven closure of borders. As Senegal is currently keeping domestic fuel prices fixed above world prices, the drop in world prices is estimated to bring about savings of 0.9 percent of GDP, recorded through oil importers paying more taxes and the state-owned electricity company (SENELEC) needing less subsidies to keep electricity tariffs below cost-recovery levels. The authorities' preliminary fiscal plans to confront the COVID-19 pandemic are costed at about 1.7 percent of GDP (Text Table 2). This is the sum of the direct measures to support the health sector (0.5 percent of GDP), tax measures (0.15 percent of GDP), and spending measures (1.05 percent of GDP).

7. Financial sector risks from the pandemic will depend on the duration and scale of the shock. The banking system enters the crisis with broadly adequate capital levels, while NPLs have remained stable through 2019. However, credit to particularly affected sectors (tourism, trade and transport) account together for almost one third of total credit outstanding and a majority of loans are short term, heightening liquidity pressures and rollover risks.

8. The outlook for 2020 and beyond remains highly uncertain and subject to significant downside risks. The economic outlook is predicated on the assumption that the pandemic would subside during H2 2020. Assuming that temporary shocks dissipate, the economy would start to recover in 2021, with growth gradually accelerating to about 5 ½ percent. The main risk in the short term is a more extensive domestic COVID-19 outbreak in Senegal, which could have severe health and human consequences and lead to a steeper economic decline in 2020. A more protracted or recurrent pattern of the pandemic at the global or regional level will further deepen and delay the economic recovery. A prolonged global economic slowdown accompanied by depressed commodity prices could delay planned investments to develop Senegal's hydrocarbon resources and affect medium-term growth.

POLICY DISCUSSIONS

The authorities' immediate priority is to limit the impact of the pandemic and support vulnerable households and firms. They have moved decisively in setting out an economic support package. Staff will work with the authorities to finalize the package and estimate its cost.

A. Fiscal Policy

9. The authorities intend to allow the fiscal deficit to increase to accommodate the impact of the pandemic while reprioritizing spending. The authorities are prioritizing

[1] At the time of the PCI request, nominal GDP was projected to be 5 percent higher than in the current macro-framework, so that the same nominal deficit increased from 3.0 to 3.2 percent of GDP.

expenditures to the health sector and the most vulnerable households and sectors, while savings of about CFAF 125 billion (about 1 percent of GDP, excluding savings related to the oil price decline) are being considered on non-essential current and capital expenditures, with the latter likely to be hit by the COVID-19 induced reduction in imports and mobility. In addition, the authorities' intention to maintain domestic fuel prices fixed at their current level will help, as lower global oil prices are expected to generate important fiscal savings. The authorities plan to transparently reflect this modified fiscal outlook in a revised budget in the coming weeks.

10. The authorities have announced a package of measures to support the most vulnerable segments of the population and the most affected sectors (Text Table 2). A first set of measures to combat the direct effects of COVID-19, notably linked to the needs of the health sector and estimated at CFAF 73 billion (0.5 percent of GDP) was announced mid-March. Beyond health, the authorities' priorities are first to enhance resilience and social cohesion by implementing fiscal measures targeting the most vulnerable and affected households and firms, with in particular an amount of CFAF 69 billion allocated to provide urgent food aid, and, second, to ensure availability and distribution of essential goods and medical supplies, while maintaining macroeconomic stability. Key fiscal measures envisaged by the authorities are as follows:

- On the tax side, the package includes measures which aim at improving liquidity and the balance sheets of enterprises through: i) option for firms to delay payments related to VAT suspension;[2] ii) writing-off up to 75 percent of firms' outstanding and overdue taxes as of end-2019 (which was expected to be recovered slowly), and iii) targeted liquidity support to the most affected sectors (hotels, restaurants, transport) and SMEs by postponing tax payments due.
- On the expenditure side, expenditure reallocation and savings on fuel subsidies will allow to support particularly hard-hit sectors of the economy and households, including through food aid and cash transfers to vulnerable households, and expediting payments of unmet obligations. On cash transfers, the authorities plan to leverage the existing "*bourses familiales*" program by first extending support beyond the current 300,000 beneficiary households to the full 580,000 households registered as vulnerable, and, with World Bank support, to further extend this support to a total of 1 million households including those newly affected by the pandemic. The national solidarity fund would additionally be used to support the most affected sectors of the economy in a transparent manner by taking over some operating costs of companies in difficult situation such as social security fees, or utility bills, with the aim of preserving jobs.

11. The government will set up a national solidarity fund (*fonds de riposte et de solidarité—Fonds FORCE COVID-19*) of up to FCFA 1,000 billion (7 percent of GDP), financed by a mix of donor contributions, voluntary donations from the private sector, and the budget.[3] The Fund will be used to support vulnerable households and firms.

[2] VAT is suspended for new companies until they start operating and is then due over 12 months, with a possibility now to defer these payments over 36 months.

[3] The FORCE COVID-19 Fund is a vehicle to receive additional emergency support, which will all be channeled to a special account at the BCEAO. It also tracks budgetary savings from expenditure reallocation. All official support and modifications to the budget will be reflected in a revised 2020 budget.

Text Table 2. Senegal: Fiscal Impact of COVID-19 in 2020

	LFI 2020	Current	Diff.
In FCFA billion			
Revenue (incl. grants)	**3,122**	**2,808**	**-314**
Taxes	**2,675**	**2,370**	**-304**
Of which: impact of lower world oil prices			*11*
Of which: impact of lower trade			*-204*
Of which: impact of lower growth			*-91*
Other taxes	41	41	0
Grants	**293**	**314**	**21**
Non-Tax Revenue	**154**	**124**	**-30**
Expenditure	**3,574**	**3,626**	**51**
Expense	**2,131**	**2,288**	**156**
Of which: other savings in current expenditure			*-20*
Of which: electricity subsidy bill -- impact of lower world oil prices			*-42*
Of which: COVID-19 health action plan			*73*
Of which: spending on social safety net programs			*121*
Of which: other economic support measures			*35*
Net acquisition of non-financial assets	**1,443**	**1,338**	**-105**
Of which: savings in capital expenditure			*-105*
Balance	**-452**	**-817**	**-365**
Financing	**452**	**451**	
Financing Gap		**366**	
Prospective RCF/RFI		263	
Prospective financing from Development Partners		0	
Residual Financing Gap 1/		**103**	
In % of GDP			
Balance	**-3.1**	**-5.6**	**-2.5**
Balance (using nominal GDP of PCI Request)	-3.0		
Financing Gap		**2.5**	
Residual Financing Gap 1/		**0.7**	

Source: Ministry of Finance and Budget, Ministry of Economy and Planning, IMF staff estimates.
1/ To be filled by Development Partners (WB, AfDB, EU, AFD, etc).

Text Table 3. Senegal: Financing Gap, 2020

CFAF billion	2020
1. Financing gap	**366**
2. IMF financing	**263**
percent of quota	*100*
3. Residual financing gap (1-2-3)	**103**
Share of Fund financing (percent)	**72**

Source: IMF staff calculations.

12. **Staff projects that the fiscal deficit would increase to 5.6 percent of GDP, which is 2.5 percentage points higher than the financing foreseen in the 2020 budget**. The RCF/RFI disbursement would cover about 70 percent of this gap (Text Table 3). The authorities and staff have reached out to other development partners, including budget support partners such as the World Bank, African Development Bank, the European Union, and bilateral partners such as France, Germany and Japan. All have indicated that they are considering either additional concessional budget support loans or grants to fill the financing gap, and that they would firm up

amounts and timetables in the coming days/weeks. While recognizing that the current fiscal expansion is necessary and well-justified, staff encourages the authorities to reach understanding with the WAEMU authorities on this temporary deviation from the fiscal deficit convergence criterion.

13. In the current highly uncertain environment, the probability of adverse fiscal risks materializing is high, even though proposed measures carry low risk. Proposed measures as shown in Text Table 2 are directly related to increased health costs or linked to giving relief to vulnerable households and firms. To limit future risks, these measures need to be devised such that they are easy to roll back once the pandemic is over. More broadly, fiscal risks will increase as economic activity declines, notably in those sectors that are expected to be hard hit, such as transportation, with important contingent liabilities in the 100 percent government-owned Air Sénégal. Fiscal risks could also materialize in relation to citizens or companies not being able to physically pay taxes, although Senegal has made good progress in developing e-filing and e-payment systems with the majority of large enterprises making use of these. Staff will explore with the authorities' potential fiscal measures and financing options in the case that Senegal's economic situation substantially deteriorates from the current baseline.

14. Senegal's public debt is expected to remain sustainable in the medium-term (see accompanying paper). With a higher fiscal deficit due to the COVID-19 pandemic, public debt is expected to temporarily increase to over 65 percent of GDP in 2020, before reverting to a downward trajectory thereafter. This is predicated on an unwinding of the fiscal stimulus to engineer a return to the program's fiscal deficit path in line with the WAEMU commitments, and continued prioritization of concessional external financing. The authorities are also considering delaying or canceling planned external borrowing for lower-priority projects to allow more space for additional budget support in the short term. Such policies will allow total public debt to stabilize below 60 percent of GDP in medium term, with the risk of debt distress remaining moderate.

B. Providing Liquidity and Safeguarding Financial Stability

15. On March 21 the BCEAO adopted important measures to preserve financial stability and provide additional liquidity. Staff welcomes the measures, as additional liquidity to banks will, by extension, support bank clients stretched by the COVID-19-related fall in revenues. The policy measures include:

- An increase in liquidity provision to banks, by a weekly amount of CFAF 340 billion;
- Extending the collateral framework to access the BCEAO's refinancing to include CFAF 1,050 billion of debt of prequalified companies.
- An allocation of CFAF 25 billion to the trust fund of the West African Development Bank (BOAD) to increase the amount of concessional resources available to eligible member states;
- In cooperation with banks, the establishment of a framework to support firms with repayment difficulties. Banks are also encouraged to make use of the resources available on the special window for refinancing credit granted to SMEs.

- The initiation of negotiations with mobile money issuers in order to reduce transaction costs and encourage people to make greater use of digital means of payment to limit contacts and travel.

16. The economic downturn and heightened uncertainty are expected to weigh on bank balance sheets. Nonperforming loans could increase, and liquidity constrained households and enterprises may face challenges to make debt payments on time. Staff advised to closely monitor the banking system's health and ensure adequate liquidity provision. The authorities are envisaging to leverage existing schemes to support credit supply. They are encouraging banks and micro-finance institutions to stand ready to restructure loans—including by extending their maturity—on a temporary and time-bound basis.

ACCESS AND CAPACITY TO REPAY THE FUND

17. The authorities are requesting a disbursement under the RCF combined with a purchase under the RFI equivalent to 100 percent of quota (SDR 323.6 million or about US$442 million) under the exogenous shock window. Senegal meets the eligibility requirements for support under the RCF/RFI. The pandemic is expected to generate extensive economic damage in the short term. The qualification criteria for the Fund's emergency financing through RCF/RFI are met as the large financing gaps, if left unaddressed, would result in significant economic disruption, and the balance-of-payments need is expected to be resolved within one year with no major policy adjustments. As normally the case for currency union members, the RCF/RFI disbursement will be on-lent to the government to provide financing for pandemic-related spending. Under blending rules one-third of access is to be provided under the RCF (33.3 percent of quota or SDR 107.87 million); and two-thirds under the RFI (66.7 percent of quota or SDR 215.73 million).

18. The proposed total access of 100 percent of quota is about 72 percent of the estimated financing gap. Based on initial discussions with development partners, the authorities consider that the remaining financing gap could be filled by grants and highly concessional loans, but stand ready to adjust policies as needed. The authorities' macroeconomic policies remain guided by the objectives of the PCI. The first PCI review was scheduled to be completed by end-June 2020 but may be delayed depending on the evolution of the pandemic, as well as to allow focusing the authorities' attention and human resources on urgent policies to mitigate the health and economic impact of the crisis. Staff is confident that the authorities will cooperate with the Fund and pursue economic policies appropriate for addressing the impact of the virus, based on the country's track record of strong economic policies and excellent relations with the Fund.

19. Senegal is assessed as having sustainable debt and adequate capacity to repay the Fund. The January 2020 assessment showed debt to be sustainable with a moderate risk of debt distress. The preliminary DSA update using the revised baseline including the COVID-19 pandemic's impact shows that this overall assessment remains unchanged but that the space to absorb shocks in the short term has further narrowed. Senegal's capacity to repay is good. Repayments to the Fund will remain at its peak under 10 percent of total projected external debt service (Table 9), and Senegal has a strong commitment to sound macroeconomic policies under the existing Policy

Coordination Instrument. The BCEAO has only one recommendation outstanding from the 2018 safeguards assessment. The outstanding recommendation relates to the strengthening of the risk management function, which is in process. The assessment found that overall the central bank has maintained a strong control culture.

STAFF APPRAISAL

20. The Covid-19 pandemic is having a severe impact on Senegal. The short-term economic outlook has deteriorated rapidly owing to the sharp deterioration in global economic conditions and the impact of domestic containment measures.

21. Senegal is facing urgent external and fiscal financing needs. Addressing the pandemic and the associated external shocks has increased immediate external and fiscal financing needs. While subject to an unusual degree of uncertainty, staff's revised macroeconomic outlook indicates additional fiscal and external financing needs of 2 ½ percent of GDP.

22. Staff welcomes the authorities' swift response to contain and mitigate the spread and impact of the virus. Health spending to prepare for a spread of the virus should be prioritized as well as spending for containment measures. To mitigate negative effects on the economy, targeted support to the most vulnerable households and those sectors most affected is appropriate. The temporary loosening of the fiscal stance is well-justified. Staff welcomes the authorities' commitment to return to a budget deficit within the 3 percent of GDP target, in line with WAEMU fiscal criteria, as conditions normalize.

23. The authorities remain committed to medium-term fiscal and debt sustainability. The authorities are seeking grants and concessional resources from development partners to address the fiscal pressures from security-related costs, health spending and to safeguard debt sustainability. A revised DSA baseline including the impact of the COVID-19 pandemic on the Senegalese economy confirms that debt remains sustainable even under the more negative outlook compared to before the COVID-19 pandemic.

24. Staff supports the authorities' request for a disbursement under the Rapid Credit Facility and a purchase under the Rapid Financing Instrument for a total amount of SDR 323.6 million (100 percent of quota). Staff's support is based on the urgent balance of payments needs arising from the severe impact of the pandemic, the authorities' existing and prospective policies to address this external shock, along with their strong track record which will mitigate risks for the Fund. In light of the urgent balance of payment need, staff will discuss with the authorities if there is a need to postpone discussions for the first review under the PCI given the severity of the shock, aiming for completion before September 30, 2020.

Table 1. Senegal: Selected Economic and Financial Indicators, 2018–22

	2018	2019		2020		2021		2022
	Prel.	EBS/19/125	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
	(Annual percentage change)							
National income and prices								
GDP at constant prices [1]	6.4	6.0	5.3	6.8	3.0	7.0	5.5	8.0
Of which: Non-hydrocarbon GDP	6.4	6.0	5.3	6.8	3.0	7.0	5.5	6.8
Of which: Hydrocarbon GDP	…	…	…	…	…	…	…	…
Of which: Non-agriculture GDP	6.0	6.0	5.8	6.6	2.7	7.0	5.7	8.3
GDP deflator	-0.5	1.1	1.7	1.1	2.0	1.8	1.7	1.4
Consumer prices								
Annual average	0.5	1.0	1.0	1.5	2.0	1.5	1.9	1.5
End of period	1.1	2.0	0.6	1.5	1.9	1.5	2.0	1.1
External sector								
Exports, f.o.b. (CFA francs)	17.8	13.8	13.5	13.8	-3.7	13.4	12.3	27.1
Imports, f.o.b. (CFA francs)	16.0	7.8	9.4	11.4	-7.9	10.8	13.2	9.5
Export volume	8.3	12.0	15.0	13.6	2.0	12.0	12.8	36.7
Import volume	8.3	7.5	14.6	10.3	1.4	12.3	13.2	10.4
Terms of trade ("–" = deterioration)	1.5	1.4	3.4	-0.8	4.0	2.6	-0.4	-6.2
Nominal effective exchange rate	4.1	…	-1.3	…	…	…	…	…
Real effective exchange rate	1.7	…	-4.5	…	…	…	…	…
	(Changes in percent of beginning-of-year broad money)							
Broad money	14.2	9.1	8.2	6.6	2.9	…	4.1	…
Net domestic assets	4.8	4.9	7.5	9.1	7.4	…	5.7	…
Credit to the government (net)	1.5	3.4	1.7	3.0	7.0	…	1.4	…
Credit to the economy (net)	1.4	4.4	6.1	6.6	1.5	…	5.6	…
	(Percent of GDP, unless otherwise indicated)							
Government financial operations								
Revenue	18.8	20.3	20.2	20.7	19.3	21.5	19.5	20.3
Grants	2.0	1.9	1.6	1.9	2.2	1.9	2.0	1.9
Total expenditure	22.4	24.0	24.1	23.7	25.0	24.5	22.8	23.3
Net lending/borrowing (Overall Balance)								
excluding grants	-5.6	-5.7	-5.5	-4.9	-7.8	-4.9	-5.3	-5.0
including grants	-3.6	-3.7	-3.9	-3.0	-5.6	-3.0	-3.3	-3.0
Net lending/borrowing (Overall Balance, excl. SENELEC operation)	-3.6	-3.0	-3.2	-3.0	-5.6	-3.0	-3.3	-3.0
Primary fiscal balance	-1.7	-1.8	-1.9	-0.9	-3.5	-1.1	-1.2	-1.1
Savings and investment								
Current account balance (official transfers included)	-8.8	-9.2	-9.1	-10.7	-11.3	-10.5	-11.4	-8.5
Current account balance (official transfers excluded)	-9.2	-9.4	-9.5	-10.9	-11.6	-10.9	-11.7	-8.8
Gross domestic investment	32.5	30.7	33.4	32.2	30.4	35.2	33.3	33.4
Government [2]	6.3	7.5	7.3	7.7	8.0	8.5	7.9	8.6
Nongovernment	26.2	23.2	26.1	24.5	22.4	26.8	25.4	24.7
Gross national savings	23.7	21.5	24.3	21.5	19.1	24.7	21.9	24.9
Government	5.0	7.9	6.6	8.6	5.8	8.9	6.1	7.1
Nongovernment	18.7	13.7	17.7	12.9	13.3	15.8	15.7	17.8
Total public debt [3]	62.1	63.7	64.2	61.9	67.4	60.8	67.6	66.5
Domestic public debt [4]	13.9	10.2	11.2	10.0	13.3	9.8	13.7	14.7
External public debt	48.1	53.5	52.9	51.9	54.2	51.0	53.9	51.8
Total public debt service [3]								
Percent of government revenue	42.8	29.8	27.6	29.8	31.2	22.8	28.5	28.6
Memorandum items:								
Gross domestic product (CFAF billions)	12,907	13,983	13,815	15,085	14,516	16,421	15,580	17,074
of which non-hydrocarbon (CFAF billions)	12,907	13,983	13,815	15,085	14,516	16,421	15,580	16,798
Gross domestic product (USD billions)	23.2	…	23.6	…	…	…	…	…
Share of hydrocarbon in total GDP (%)	…	…	…	…	…	…	…	1.6
National Currency per U.S. Dollar (Average)	555	…	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, 2018–22

	2018	2019		2020		2021		2022
	Prel.	EBS/19/125	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
	(Billions of CFAF, unless otherwise indicated)							
Current account	-1,131	-1,284	-1,262	-1,612	-1,636	-1,731	-1,781	-1,451
Balance on goods	-1,787	-1,865	-1,860	-2,023	-1,605	-2,173	-1,838	-1,524
Exports, f.o.b.	2,247	2,388	2,551	2,716	2,457	3,079	2,759	3,508
Imports, f.o.b.	-4,034	-4,253	-4,411	-4,739	-4,062	-5,252	-4,597	-5,032
Services (net)	-154	-311	-287	-560	-687	-802	-803	-695
Export	789	782	782	823	582	878	813	969
Import	-943	-1,093	-1,070	-1,383	-1,269	-1,680	-1,616	-1,664
Incomes (net)	-334	-384	-385	-463	-463	-410	-498	-825
Credits	239	226	218	243	229	218	242	260
Debits	-573	-610	-603	-706	-692	-628	-740	-1,084
Of which: interest on public debt	-203	-242	-235	-281	-274	-258	-273	-282
Current transfers (net)	1,144	1,275	1,270	1,434	1,119	1,655	1,357	1,593
Private (net)	1,109	1,246	1,248	1,407	1,098	1,601	1,336	1,558
Public (net)	35	30	22	28	21	54	22	35
Of which: budgetary grants	39	20	31	21	33	44	34	36
Capital and financial account	1,598	1,528	1,507	1,495	1,035	1,655	1,718	1,679
Capital account	245	253	221	273	273	285	292	312
Private capital transfers	11	15	15	15	15	10	15	16
Project grants	237	240	208	260	261	279	279	298
Debt cancellation and other transfers	-3	-2	-2	-2	-2	-3	-2	-2
Financial account	1,354	1,275	1,286	1,221	761	1,370	1,426	1,367
Direct investment	442	523	513	718	665	773	784	756
Portfolio investment (net)	898	21	61	115	-40	56	160	146
Of which : Eurobond issuance	1,185	0	0	0	0	131	131	0
Other investment	13	731	712	388	136	541	482	465
Public sector (net)	57	835	610	447	-13	528	244	238
Of which : disbursements	320	1,005	780	869	408	832	548	552
program loans	40	285	263	82	-78	81	88	87
project loans	281	401	392	501	426	426	400	405
other	0	319	125	286	60	325	60	60
amortization	-263	-170	-170	-422	-422	-304	-304	-314
Private sector (net)	-44	-104	102	-59	149	13	239	226
Errors and omissions	42	0	-93	0	0	0	0	0
Overall balance	509	243	151	-117	-601	-76	-63	228
Financing	-509	-243	-151	117	235	76	63	-228
Net foreign assets [1]	-364	-243	-302	117	235	76	63	-228
Net use of IMF resources	-19	-13	-13	-3	-3	0	0	0
Purchases/disbursements	0	0	0	0	0	0	0	0
Repurchases/repayments	-19	-13	-13	-3	-3	0	0	0
Other	-345	-230	-289	120	238	76	63	-228
Deposit money banks	-145	0	151	0	0	0	0	0
Financing Gap					366			
Prospective RFI/RCF					263			
Residual Financing Gap	0	0	0	0	103	0	0	0
Memorandum items:								
Current account balance (percent of GDP)								
Including current official transfers	-8.8	-9.2	-9.1	-10.7	-11.3	-10.5	-11.4	-8.5
Excluding current official transfers	-9.2	-9.4	-9.5	-10.9	-11.6	-10.9	-11.7	-8.8
Gross domestic product	12,907	13,983	13,815	15,085	14,516	16,421	15,580	17,074

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, 2018–22

	2018	2019		2020		2021		2022
	Prel.	EBS/19/125	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)							
Current account	-8.8	-9.2	-9.1	-10.7	-11.3	-10.5	-11.4	-8.5
Balance on goods	-13.8	-13.3	-13.5	-13.4	-11.1	-13.2	-11.8	-8.9
Exports, f.o.b.	17.4	17.1	18.5	18.0	16.9	18.8	17.7	20.5
Imports, f.o.b.	-31.3	-30.4	-31.9	-31.4	-28.0	-32.0	-29.5	-29.5
Services (net)	-1.2	-2.2	-2.1	-3.7	-4.7	-4.9	-5.2	-4.1
Export	6.1	5.6	5.7	5.5	4.0	5.3	5.2	5.7
Import	-7.3	-7.8	-7.7	-9.2	-8.7	-10.2	-10.4	-9.7
Incomes (net)	-2.6	-2.7	-2.8	-3.1	-3.2	-2.5	-3.2	-4.8
Credits	1.9	1.6	1.6	1.6	1.6	1.3	1.6	1.5
Debits	-4.4	-4.4	-4.4	-4.7	-4.8	-3.8	-4.8	-6.4
Of which: interest on public debt	-1.6	-1.7	-1.7	-1.9	-1.9	-1.6	-1.8	-1.7
Current transfers (net)	8.9	9.1	9.2	9.5	7.7	10.1	8.7	9.3
Private (net)	8.6	8.9	9.0	9.3	7.6	9.7	8.6	9.1
Public (net)	0.3	0.2	0.2	0.2	0.1	0.3	0.1	0.2
Of which: budgetary grants	0.3	0.1	0.2	0.1	0.2	0.3	0.2	0.2
Capital and financial account	12.4	10.9	10.9	9.9	7.1	10.1	11.0	9.8
Capital account	1.9	1.8	1.6	1.8	1.9	1.7	1.9	1.8
Private capital transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Project grants	1.8	1.7	1.5	1.7	1.8	1.7	1.8	1.7
Debt cancellation and other transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	10.5	9.1	9.3	8.1	5.2	8.3	9.2	8.0
Direct investment	3.4	3.7	3.7	4.8	4.6	4.7	5.0	4.4
Portfolio investment (net)	7.0	0.1	0.4	0.8	-0.3	0.3	1.0	0.9
Of which : Eurobond issuance	9.2	0.0	0.0	0.0	0.0	0.8	0.8	0.0
Other investment	0.1	5.2	5.2	2.6	0.9	3.3	3.1	2.7
Public sector (net)	0.4	6.0	4.4	3.0	-0.1	3.2	1.6	1.4
Of which : disbursements	2.5	7.2	5.6	5.8	2.8	5.1	3.5	3.2
program loans	0.3	2.0	1.9	0.5	-0.5	0.5	0.6	0.5
project loans	2.2	2.9	2.8	3.3	2.9	2.6	2.6	2.4
other	0.0	2.3	0.9	1.9	0.4	2.0	0.4	0.4
amortization	-2.0	-1.2	-1.2	-2.8	-2.9	-1.9	-2.0	-1.8
Private sector (net)	-0.3	-0.7	0.7	-0.4	1.0	0.1	1.5	1.3
Errors and omissions	0.3	0.0	-0.7	0.0	0.0	0.0	0.0	0.0
Overall balance	3.9	1.7	1.1	-0.8	-4.1	-0.5	-0.4	1.3
Financing	-3.9	-1.7	-1.1	0.8	1.6	0.5	0.4	-1.3
Net foreign assets [1]	-2.8	-1.7	-2.2	0.8	1.6	0.5	0.4	-1.3
Net use of IMF resources	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Purchases/disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases/repayments	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Other	-2.7	-1.6	-2.1	0.8	1.6	0.5	0.4	-1.3
Deposit money banks	-1.1	0.0	1.1	0.0	0.0	0.0	0.0	0.0
Financing Gap					2.5			
Prospective RFI/RCF					1.8			
Residual Financing Gap	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0
Memorandum items:								
Gross domestic product	12,907	13,983	13,815	15,085	14,516	16,420.6	15,580	17,074

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,[1] 2018–22

(Billions of CFAF)

	2018	2019		2020		2021		2022
	Prel.	EBS/19/125	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
				(CFAF Billions)				
Revenue and Grants	**2,425**	**2,833**	**2,789**	**3,122.0**	**2,808**	**3,537**	**3,039**	**3,458**
Taxes	1,990	2,400	2,410	2,675	2,370	3,059	2,594	2,981
Hydrocarbon taxes	…	…	…	…	…	..	…	4
Non-hydrocarbon taxes	1,990	2,400	2,410	2,675	2,370	3,059	2,594	2,976
Direct taxes	648	746	760	785	740	920	703	890
Taxes on goods and services	1,016	1,269	1,247	1,412	1,276	1,593	1,475	1,630
Taxes on international trade and transactions	290	345	366	437	313	501	372	412
Other taxes	36	39	38	41	41	45	44	48
Grants	256	271	225	293	314	312	312	332
Budget	20	31	17	33	54	33	33	33
Projects	237	240	208	260	261	279	279	298
Other revenue	179	162	154	154	124	167	133	146
Expenditure	**2,896**	**3,349**	**3,326**	**3,575**	**3,627**	**4,026**	**3,546**	**3,973**
Expense	1,865	2,061	2,166	2,132	2,289	2,312	2,128	2,272
Compensation of employees	682	744	733	818	818	887	851	933
Use of goods and services	306	389	281	312	377	476	311	340
Interest	256	278	271	324	317	301	316	328
Subsidies	130	292	297	189	267	163	142	105
Grants (current excl. FSE)	207	212	364	315	286	261	307	336
Social benefits	7	25	15	31	31	53	34	45
Other expense	278	121	204	158	193	172	168	184
Net acquisition of nonfinancial assets [2]	1,030	1,295	1,160	1,443	1,338	1,713	1,418	1,700
Domestically financed	513	655	560	666	652	1,009	739	997
Externally financed	518	641	600	762	687	705	679	703
Net lending/borrowing *(Overall balance)*	-470	-523	-537	-453	-818	-489	-507	-515
Net lending/borrowing *(Excl. SENELEC one-of operation)* [3]	**-470**	**-423**	**-437**	**-453**	**-818**	**-489**	**-507**	**-515**
Transactions in financial assets and liabilities (Financing)	**-470**	**-523**	**-537**	**-452**	**-452**	**-489**	**-507**	**-515**
Net acquisition of financial assets	166	-36	-73	-130	-93	0	0	0
Domestic	166	-36	-73	-130	-93	0	0	0
Currency and deposits	166	-36	-73	-130	-93	0	0	0
Other accounts receivable	0	0	0	0	0	0	0	0
Foreign	0	0	0	0	0	0	0	0
Net incurrence of liabilities	636	487	464	322	360	489	507	515
Domestic	-326	-167	-173	-40	-47	148	133	179
IMF and SDRs	-19	-13	-13	-3	-3	0	0	0
Debt securities (net)	-183	1	1	159	159	194	191	226
Loans	-48	-55	-12	-47	-82	-33	-44	-47
Other accounts payable [4]	-75	-100	-100	-121	-121	0	0	0
Foreign	962	647	637	352	406	341	374	336
Debt securities (net)	905	14	54	141	134	78	163	132
T-bills and bonds issued in WAEMU	-280	14	54	141	134	-54	32	132
Eurobond	1,185	0	0	0	0	131	131	0
Loans	57	641	582	221	272	263	210	203
Program loans	40	285	263	82	197	81	88	87
Project loans	281	401	392	501	426	426	400	405
Nonconcessional loans	0	125	125	-65	-65	60	60	60
Other	-263	-170	-197	-297	-286	-304	-337	-349
Other accounts payable	0	0	0	0	0	0	0	0
Financing Gap					**366**			
Prospective RFI/RCF					263			
Residual Financing Gap					103			
Memorandum items:								
Total Financing (deficit +nonbudgetary additional borrowing)	545	623	637	574	939	489	507	515
Clearance of unmet obligations	…	100	100	113	113	124	124	112
Hydrocarbon revenues [5]	…	…	…	…	…	..	…	5
Nominal GDP	12,907	13,983	13,815	15,085	14,516	16,421	15,580	17,074

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] 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.

[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] 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,[1] 2018–22

(Percent of GDP)

	2018	2019		2020		2021		2022
	Prel.	EBS/19/125	Prel.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)							
Revenue and Grants	**18.8**	**20.3**	**20.2**	**20.7**	**19.3**	**21.5**	**19.5**	**20.3**
Taxes	15.4	17.2	17.4	17.7	16.3	18.6	16.6	17.5
Hydrocarbon Taxes	..	...	...	...	...	..	...	0.03
Non-Hydrocarbon Taxes	15.4	17.2	17.4	17.7	16.3	18.6	16.6	17.4
Direct Taxes	5.0	5.3	5.5	5.2	5.1	18.6	4.5	5.2
Taxes on goods and services	7.9	9.1	9.0	9.4	8.8	9.7	9.5	9.5
Taxes on international trade and transactions	2.2	2.5	2.6	2.9	2.2	3.0	2.4	2.4
Other taxes	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Grants	2.0	1.9	1.6	1.9	2.2	1.9	2.0	1.9
Budget	0.2	0.2	0.1	0.2	0.4	0.2	0.2	0.2
Projects	1.8	1.7	1.5	1.7	1.8	1.7	1.8	1.7
Other revenue	1.4	1.2	1.1	1.0	0.9	1.0	0.9	0.9
Expenditure	**22.4**	**24.0**	**24.1**	**23.7**	**25.0**	**24.5**	**22.8**	**23.3**
Expense	14.5	14.7	15.7	14.1	15.8	14.1	13.7	13.3
Compensation of employees	5.3	5.3	5.3	5.4	5.6	5.4	5.5	5.5
Use of goods and services	2.4	2.8	2.0	2.1	2.6	2.9	2.0	2.0
Interest	2.0	2.0	2.0	2.1	2.2	1.8	2.0	1.9
Subsidies	1.0	2.1	2.1	1.3	1.8	1.0	0.9	0.6
Grants (current excl. FSE)	1.6	1.5	2.6	2.1	2.0	1.6	2.0	2.0
Social benefits	0.1	0.2	0.1	0.2	0.2	0.3	0.2	0.3
Other expense	2.2	0.9	1.5	1.0	1.3	1.0	1.1	1.1
Net acquisition of nonfinancial assets [2]	8.0	9.3	8.4	9.6	9.2	10.4	9.1	10.0
Domestically financed	4.0	4.7	4.1	4.4	4.5	6.1	4.7	5.8
Externally financed	4.0	4.6	4.3	5.0	4.7	4.3	4.4	4.1
Net lending/borrowing *(Overall balance)*	-3.6	-3.7	-3.9	-3.0	-5.6	-3.0	-3.3	-3.0
Net lending/borrowing *(Excl. SENELEC one-of operation)* [3]	**-3.6**	**-3.0**	**-3.2**	**-3.0**	**-5.6**	**-3.0**	**-3.3**	**-3.0**
Transactions in financial assets and liabilities (Financing)	**-3.6**	**-3.7**	**-3.9**	**-3.0**	**-3.1**	**-3.0**	**-3.3**	**-3.0**
Net acquisition of financial assets	1.3	-0.3	-0.5	-0.9	-0.6	0.0	0.0	0.0
Domestic	1.3	-0.3	-0.5	-0.9	-0.6	0.0	0.0	0.0
Currency and deposits	1.3	-0.3	-0.5	-0.9	-0.6	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	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
Net incurrence of liabilities	4.9	3.5	3.4	2.1	2.5	3.0	3.3	3.0
Domestic	-2.5	-1.2	-1.3	-0.3	-0.3	0.9	0.9	1.0
IMF and SDRs	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Debt securities (net)	-1.4	0.0	0.0	1.1	1.1	1.2	1.2	1.3
Loans	-0.4	-0.4	-0.1	-0.3	-0.6	-0.2	-0.3	-0.3
Other accounts payable [4]	-0.6	-0.7	-0.7	-0.8	-0.8	0.0	0.0	0.0
Foreign	7.5	4.6	4.6	2.3	2.8	2.1	2.4	2.0
Debt securities (net)	7.0	0.1	0.4	0.9	0.9	0.5	1.0	0.8
T-bills and bonds issued in WAEMU	-2.2	0.1	0.4	0.9	0.9	-0.3	0.2	0.8
Eurobond	9.2	0.0	0.0	0.0	0.0	0.8	0.8	0.0
Loans	0.4	4.6	4.2	1.5	1.9	1.6	1.3	1.2
Program loans	0.3	2.0	1.9	0.5	1.4	0.5	0.6	0.5
Project loans	2.2	2.9	2.8	3.3	2.9	2.6	2.6	2.4
Nonconcessional loans	0.0	0.9	0.9	-0.4	-0.4	0.5	0.4	0.4
Other	-2.0	-1.2	-1.4	-2.0	-2.0	-1.9	-2.2	-2.0
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap					**2.5**			
Prospective RFI/RCF					1.8			
Residual Financing Gap					0.7			
Memorandum items:								
Total Financing (deficit +nonbudgetary additional borrowing)	4.2	4.5	4.6	3.8	6.5	3.0	3.3	3.0
Clearance of unmet obligations	...	0.7	0.7	0.7	0.8	0.6	0.8	0.7
Hydrocarbon revenues [5]	...	...	...	...	...	...	...	0.0
Non-hydrocarbon taxes / non-hydrocarbon GDP	...	...	...	...	...	...	...	17.4
Nominal GDP	12,907	13,983	13,815	15,085	14,516	16,421	15,580	17,074

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] 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.

[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

[5] 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, 2018–21

	2018	2019		2020		2021
	Act.	EBS/19/125	Proj.	EBS/19/125	Proj.	Proj.
			(Billions of CFAF)			
Net foreign assets	1,820	2,063	1,971	1,946	1,736	1,673
BCEAO	1,167	1,410	1,469	1,293	1,234	1,172
Commercial banks	653	653	501	653	501	501
Net domestic assets	3,769	4,025	4,162	4,547	4,582	4,916
Net domestic credit	4,746	5,155	5,157	5,701	5,639	6,049
Net credit to the government[1]	471	651	560	822	956	1,037
Central bank	-174	-151	-191	-23	162	162
Commercial banks	644	802	751	845	794	875
Other institutions	2	2	2	2	2	2
Credit to the economy	4,275	4,504	4,597	4,880	4,682	5,013
Shares and other equity	-717	-769	-749	-829	-787	-845
Other items (net)	-260	-362	-245	-325	-269	-288
Broad money	5,255	5,731	5,687	6,107	5,850	6,089
Currency outside banks	1,190	1,414	1,302	1,507	1,474	1,535
Total deposits	4,065	4,317	4,385	4,601	4,376	4,554
Demand deposits	2,418	2,637	2,666	2,810	2,743	2,855
Time deposits	1,647	1,680	1,718	1,791	1,633	1,700
Non-liquid Liabilities	334	357	446	386	468	500
			(Change in percentage of beginning-of-period broad money stock)			
Net foreign assets	11.1	4.6	2.9	-2.0	-4.1	-1.1
Net domestic assets	4.8	4.9	7.5	9.1	7.4	5.7
Net credit to the government[1]	1.5	3.4	1.7	3.0	7.0	1.4
Credit to the economy (net)	1.4	4.4	6.1	6.6	1.5	5.6
Broad money	14.2	9.1	8.2	6.6	2.9	4.1
Memorandum items:			(Units indicated)			
Velocity (GDP/broad money; end of period)	2.5	2.4	2.4	2.5	2.5	2.6
Nominal GDP growth (percentage growth)	5.9	7.2	7.0	7.9	5.1	7.3
Credit to the private sector (percentage growth)	4.9	6.0	6.7	9.3	2.1	8.0
Credit to the private sector/GDP (percent)	29.4	28.8	29.3	29.2	28.5	28.6

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, 2011–19

	2011	2012	2013	2014	2015	2016	2017	2018 [1]	2019	2019
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	June	Dec
Solvency ratios										
Regulatory capital to risk weighted assets	15.7	16.7	18.3	17.0	19.1	14.5	13.6	11.8	13.2	
Tier I capital to risk-weighted assets	15.5	17.0	17.9	16.4	16.3	13.8	13.2	11.4	12.7	
Provisions to risk-weighted assets	9.2	10.7	11.2	13.5	16.0	13.6	11.6	8.9	9.4	
Capital to total assets	9.9	9.8	10.3	9.0	8.3	7.2	7.6	7.9	8.4	
Composition and quality of assets										
Total loans to total assets	61.1	62.5	61.2	59.5	55.5	53.6	60.5	61.3	62.63	
Concentration: loans to 5 largest borrowers to capital	74.6	66.4	58.0	54.7	46.4	63.7	71.6	69.2	71.8	
Sectoral distribution of loans [2]										
Agriculture	2.3	2.1	1.6	2.1	2.6	2.2	2.4	2.4	2.3	
Extractive industries	1.1	0.8	0.8	0.9	0.8	0.8	0.8	1.2	1.2	
Manufacturing	23.8	24.9	22.9	22.7	21.1	18.7	17.2	15.3	16.2	
Electricity, water and gas	1.9	2.2	1.7	2.0	1.8	1.7	2.1	2.1	3.2	
Construction	5.4	5.1	6.5	7.1	3.9	4.9	5.7	4.5	5	
Retail and wholesale trade, restaurants and hotels	24.9	24.6	25.4	24.0	25.4	25.3	23.1	26.0	24.4	
Transportation and communication	8.2	7.1	8.1	7.8	10.0	12.0	12.9	12.8	11.8	
Insurance, real estate and services	6.1	6.3	6.3	6.7	7.0	7.1	8.6	7.5	7.9	
Other services	26.3	26.9	26.7	26.8	27.5	27.2	27.2	28.2	28	
Gross NPLs to total loans	15.9	16.4	17.5	18.6	19.3	18.0	16.2	13.1	13.6	13.9
Provisioning rate	54.0	55.4	53.5	57.5	57.7	62.5	59.7	68.1	63.4	62.0
Net NPLs to total loans	8.0	8.1	9.0	8.8	9.2	7.6	7.2	4.6	5.4	5.8
Net NPLs to capital	49.7	51.4	53.3	58.5	61.4	56.4	57.7	38.7	40.1	
Earnings and profitability [3]										
Average cost of borrowed funds	2.2	2.4	2.2	2.2	2.2	2.3	2.4	2.2	…	
Average interest rate on loans	9.2	9.2	9.3	8.4	8.2	8.4	8.6	7.6	…	
Average interest margin [4]	7.0	6.8	7.1	6.2	6.0	6.1	6.2	5.4	…	
After-tax return on average assets (ROA)	1.8	1.0	1.1	0.3	0.8	1.0	1.7	0.7	…	
After-tax return on average equity (ROE)	14.7	9.9	10.5	3.6	9.0	13.0	19.9	7.2	…	
Noninterest expenses/net banking income	56.4	57.9	57.7	59.6	61.0	57.7	58.0	57.3	…	
Salaries and wages/net banking income	24.3	23.7	25.6	25.4	26.1	25.0	24.9	26.8	…	
Liquidity										
Liquid assets to total assets	31.0	32.3	30.5	28.9	27.4	26.8	28.3	31.8	31.4	
Liquid assets to total deposits	43.7	45.5	45.4	42.9	39.7	40.6	41.8	47.9	46.0	
Total loans to total deposits	94.3	97.1	100.7	99.1	90.6	91.5	99.1	101.6	100.6	
Total deposits to total liabilities	70.9	70.8	67.1	67.2	69.0	66.0	67.6	66.3	68.2	
Sight deposits to total liabilities [5]	35.8	37.0	37.3	35.0	38.3	37.8	37.5	37.1	38.7	
Term deposits to total liabilities	35.2	33.9	29.7	32.3	30.6	28.2	30.1	29.2	29.5	

Source: BCEAO.

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

[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: External Financing Requirements and Sources, 2019–22
(Billions of CFAF)

	2019	2020	2021	2022
	Est.	Proj.		
External Financing needs	**1556**	**1449**	**1767**	**1731**
Current account balance (excluding grants)	1311	1684	1830	1503
Repayment to the IMF	13.1	2.6	0.0	0.0
Change in net foreign assets	138	-238	-63	228
Errors and Omissions	93	0	0	0
External Financing sources [1]	**1556**	**1083**	**1767**	**1731**
Capital transfers	221	273	292	312
Foreign direct investment (net)	513	665	784	756
Portfolio investment (net)	61	-40	160	146
Other investment (net)	712	136	482	465
Grants	49	48	49	52
Financing gap	**0**	**366**	**0**	**0**
Expected financing	**0**	**263**	**0**	**0**
IMF (RCF-RFI) [2]	0	263	0	0
Residual gap	**0**	**103**	**0**	**0**

Sources: Senegalese authorities; and IMF staff estimates and projections.
[1] Excluding expected financing related to the COVID-19 pandemic.
[2] Assumes access of 100.0 percent of quota in April 2020 as one-time disbursement.

Table 9. Senegal: Indicators of Capacity to Repay the Fund, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
IMF obligations based on existing credit											
(SDR millions)											
Principal	3.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest	0.17	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
IMF obligations based on existing and prospective credit											
(SDR millions)											
Principal	3.24	0.00	0.00	53.93	107.87	64.72	21.57	21.57	21.57	21.57	10.79
Charges and interest	2.48	2.34	2.34	2.24	1.30	0.26	0.08	0.08	0.08	0.08	0.08
	2.31	2.26	2.26	2.16	1.22	0.18	0.00	0.00	0.00	0.00	0.00
Total obligations based on existing and prospective credit											
SDR Millions	5.7	2.3	2.3	56.2	109.2	65.0	21.7	21.7	21.7	21.7	10.9
CFA francs	4.6	1.9	1.9	45.3	88.2	52.6	17.5	17.5	17.5	17.5	8.8
Percent of government revenue	0.2	0.1	0.1	1.1	1.9	1.0	0.3	0.3	0.3	0.2	0.1
Percent of exports of goods and services	0.2	0.1	0.0	0.7	1.2	0.7	0.2	0.2	0.2	0.2	0.1
Percent of debt services	0.6	0.3	0.3	6.9	8.6	6.4	1.7	1.5	1.4	1.6	0.8
Percent of GDP	0.0	0.0	0.0	0.2	0.4	0.2	0.1	0.1	0.1	0.1	0.0
Percent of quota	1.8	0.7	0.7	17.4	33.7	20.1	6.7	6.7	6.7	6.7	3.3
Net use of IMF credit (SDR millions)											
Disbursements	323.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	5.7	2.3	2.3	56.2	109.2	65.0	21.7	21.7	21.7	21.7	10.9
Memorandum items:											
Nominal GDP (billions of CFA francs)	14,516	15,580	17,074	19,536	21,635	23,367	25,390	27,739	30,013	32,675	35,692
Exports of goods and services (billions of CFA francs)	3,039	3,572	4,477	6,419	7,141	7,920	8,497	9,252	8,833	9,670	10,631
Government revenue (billions of CFA francs)	2808.4	3039.3	3458.3	4093.3	4632.5	5086.2	5637.2	6175.0	6644.3	7187.1	8018.2
Debt service (billions of CFA francs)	738.1	682.4	718.2	661.8	1020.7	819.9	1040.8	1132.5	1210.7	1080.2	1056.7
IMF Quota (SDR millions)	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	324.6
CFA francs/SDR (period average)	813	808	807	807	808	809	809	809	809	809	809

Source: IMF staff projections.

Annex I. Letter of Intent

Dakar, Senegal
April 7, 2020

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

Dear Managing Director:

1. The COVID-19 pandemic is already having a significant impact on Senegal's economy both in terms of the rapid deterioration of global economic conditions as well as the spread of the coronavirus in the country, creating an urgent balance-of-payments’ need. Real GDP growth projections will be revised downwards from 6.8% to 3% due to lower external demand, with a substantial impact on travel and tourism, a sharp fall in remittances and a decline in global trade due to the disruption of supply chains. National containment measures applying to the whole country will have an even greater impact on economic activity (see below). These negative shocks will offset the gains resulting from the improvement in the terms of trade, mainly due to the sharp fall in global oil prices. Public finances are under pressure due to the expected loss of tax revenues owing to lower imports combined with health and other additional expenditure to fight the pandemic, estimated at around 0,5% of GDP. The residual need for urgent financing balance of payments support resulting from the shocks is estimated at about CFAF 366 billion, or 2 ½ percent of GDP.

2. The Government has drawn up a Strategic Plan to combat COVID-19, the first phase of which was financed exclusively by domestic resources to the tune of six billion four hundred and forty million five hundred eighty-four thousand six hundred fifty (6,440,584,650) CFA francs and resulted in the establishment of an operational emergency mechanism. The second phase, with an estimated cost of sixty-four billion seven hundred and fifty million eight hundred and sixty-two thousand eight hundred and thirty (64,750,862,830) CFA francs, is primarily aimed at strengthening Senegal's capacity to respond to the epidemic through:

- the detection of suspected and confirmed cases;
- the rapid isolation of such cases;
- strengthening the means of prevention and control of infection in healthcare structures and in the community;
- intensifying communication on the risk of infection and increasing community participation in response measures;
- coordinating the response efforts to the pandemic.

3. The financing of this plan will be ensured by the Response and Solidarity Fund to battle the effects of COVID-19 (FORCE-COVID-19), which will benefit from an appropriation of CFAF 1 trillion through a budget refocusing effort and support from Development Partners and the private sector. Broader measures to support the economy are envisaged under FORCE-COVID-19, including emergency food aid to one (1) million vulnerable households at a cost of sixty-nine billion (69,000,000,000) CFA francs, as well as targeted measures to support businesses operating in the sectors most affected by the crisis as well as SMEs. These measures include selected write-offs of tax debt or the deferment of some tax payments. Additionally, companies that commit to retaining their employees will benefit from discounts on deductions made on wages and social security contributions.

4. The measures announced by the BCEAO on March 21, 2020 will also help support the country's economic base while preserving the stability of the financial sector by expanding available liquidity to banks at preferential conditions, developing a framework to support companies experiencing difficulties using special loan refinancing windows and a mechanism to delay loan reimbursement deadlines in cooperation with banks, and expanding mobile money options while reducing their cost.

5. To meet the country's significant budgetary and external financing needs, the Government of Senegal is requesting emergency financial assistance from the IMF under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument equal to 100% of our quota, amounting to SDR 323.6 million (approximately CFAF 265.8 billion). We request that the funds be disbursed as direct budget support to the Ministry of Finance and Budget, and that the disbursement be made to the Treasury account at the Banque des États de l'Afrique de l'Ouest (BCEAO). The BCEAO's latest safeguards assessments was finalized in 2018 and remains valid. The Government also requests that the full amount of this support be made available immediately, following approval of this request by the IMF's Executive Board.

6. Additional financing is expected from multilateral and bilateral development partners, which would allow to close the identified financing gap in 2020..

7. Senegal continues to satisfactorily implement the economic program supported by the Policy Coordination Instrument (PCI). Preliminary data suggest that the program's quantitative targets for end-December 2019 have been met, with the exception of the target on the share of government contracts using sole sourcing. The government also continues to make progress on structural reforms, including the medium-term revenue strategy, a draft of which was the subject of a workshop led by IMF staff and is currently being finalized, as well as the legal framework for transparent and sustainable management of expected oil and gas resources..

8. With respect to the economic outlook, the Government remains firmly committed to the objectives set out in its PCI-supported economic program. Despite the inevitable deepening of the budget deficit in 2020, the government remains mindful of the need to avoid fiscal imbalances that could jeopardize macroeconomic stability and inclusive growth, and it is committed to complying with the WAEMU convergence criterion on budget deficits as early as 2021, provided that the current

crisis situation normalizes. This commitment, together with a prudent debt policy, will keep the risk of external debt distress at a moderate level, as assessed by the Joint World Bank-IMF Debt Sustainability Framework. To this end, the government is considering the following measures:

- prioritizing of compulsory expenditure such as salaries and social security contributions as well as the Government's financial commitments;
- streamlining current expenditure with measures to suspend the acquisition of vehicles, the freezing of expenditure on missions, staff training, conferences, conventions and seminars, supplies, etc.;
- delaying the launch of new projects and programs; and
- using the savings generated by the reduction in subsidies to the energy sector in the fight against the pandemic.
- Flexible procedures for mobilizing funds to fight against the pandemic were adopted with the opening of a special BCEAO account in the name of the General Treasurer, dedicated to the financing of operations to combat COVID-19.
- A decree was issued for a simplified procurement procedure as part of the implementation of the COVID-19 Response Plan, taking into account the sense of urgency and in compliance with the provisions on procurement.
- A supplementary budget will be drafted before the end of the ordinary session of the National Assembly (June 30, 2020).
- The Government will maintain a prudent borrowing policy. In particular, the Government commits to maintaining a focus on concessional borrowing and to streamlining the debt plan for 2020 by postponing or canceling non-essential projects.

9. The Government intends to continue its dialogue with the IMF on the country's temporary balance-of-payments difficulties and will not unilaterally take any measures to exacerbate them, including by introducing or intensifying exchange and trade restrictions and other measures or policies that would compound these difficulties.

10. I authorize the IMF to publish this Letter of Intent and its Staff Report upon receipt of the request for disbursement under the RCF/RFI.

Sincerely yours,

/s/

Abdoulaye Daouda Diallo
Minister of Finance and of the Budget

SENEGAL

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT——DEBT SUSTAINABILITY ANALYSIS[1]

April 7, 2020

Approved By
Annalisa Fedelino and Ana Corbacho (IMF), and Marcello Estevão (IDA)

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

Risk of external debt distress:	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Some scope to absorb shocks*
Application of judgment	*No*
Mechanical risk rating under the external DSA	*Moderate*
Mechanical risk rating under the public DSA	*Moderate*

Senegal's debt is assessed to remain sustainable with a moderate risk of debt distress (external and overall) using the post COVID-19 pandemic scenario as baseline, in line with the previous Debt Sustainability Analysis (DSA) of January 2020. However, the country's space to absorb shocks—previously deemed limited in the short term—has somewhat narrowed compared to the previous DSA. The macroeconomic framework reflects currently available information. However, risks are heavily tilted to the downside: a more extensive global and domestic COVID-19 outbreak could lead to a much steeper economic decline in 2020 and more gradual recovery thereafter.

[1] This DSA has been prepared following the revised LIC-DSA framework. It updates the previous Joint DSA (IMF Country Report No. 20/11). Senegal's debt carrying capacity, calculated based on the April and October 2019 WEOs and the 2018 CPIA, is classified as strong. 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.

1. This DSA updates the joint World Bank-IMF analysis of January 2020 using the post COVID-19 pandemic as baseline. [2] It uses the same debt stocks for 2018 and 2019 as in the previous DSA, with a much-revised macroeconomic environment reflecting the impact of the COVID-19 pandemic as used in the staff report for the 2020 RCF/RFI. Compared with the previous DSA, the pandemic is reflected as a one-time large shock leading to a significant decline in GDP and a widening of the fiscal and current account deficits. GDP is expected to rebound in 2021 as the situation is assumed to normalize in H2 2020.

2. The main revisions to the macroeconomic assumptions can be summarized as follows:

- The authorities have revised ***GDP growth*** in 2019 down to 5.3 percent from 6 percent in the last DSA. For 2020, staff's preliminary assessment is that growth will decline to 3 percent in 2020 compared to 6.8 percent in the previous DSA. The economy is assumed to gradually recover starting in 2021 with a growth rate of 5.5 percent (7 percent in previous DSA) and remaining high over the medium-term. Over the long run, real GDP growth is projected to converge to about 5.1 percent over 2025-39 as in the last DSA.
- The ***public sector deficit*** is estimated at about 5 percent of GDP in 2019 compared to 4.7 in the previous DSA and to widen sharply to 6.9 percent of GDP in 2020 owing to revenue losses and additional expenditures to fight the pandemic.
- The ***current account deficit*** stood at 9.1 percent in 2019 (broadly the same as in the previous DSA) and is projected to widen to 11.3 percent of GDP in 2020. The negative impact of the crisis on goods and services exports, as well as remittances, is only partly offset by savings on oil imports. Over the long term, the average current account deficit is projected to decline to about 1.5 percent of GDP (slightly higher than the 1.2 percent in the last DSA) (Text Table 1).
- The realism tools do not flag any serious issues.

3. 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. The projected large financing gaps related to the COVID-19 epidemic are assumed to be filled mostly with grants and highly concessional loans. The authorities are also considering delaying some planned project and their related loan disbursements. The initial 2020 financing plan did not envisage any Eurobond issuances, but relies on net issuances of about 1 percent of GDP in the regional WAEMU market. On March 21, the BCEAO announced a series of measures to enhance liquidity provision and current projections assumes this financing will materialize, noting however it could be at risk in case of a more prolonged crisis. The average maturity of new external debt is assumed close to 18 years, with 6-year grace period and an average interest rate of 4 percent, broadly unchanged compared to the previous DSA. New medium- and long-term domestic debt has an average maturity of 5 years, with 3-year grace period.

[2] See IMF Country Report No. 20/11.

4. An analysis of the impact of the COVID-19 on debt sustainability indicates that the risk of debt distress remains moderate. The assessment is unchanged relative to the previous DSA. All external debt indicators remain below the relevant indicative threshold under the new baseline except the debt service-to-exports ratio which now peaks at 24 percent in 2020 (22.7 percent in the January DSA).[3] However, a further shortfall in export receipts than currently envisaged in 2020 could push the PV of external debt-to-export ratio above its threshold. Total public sector debt now peaks at 67 percent of GDP in 2020 (against 62 percent previously forecasted) before resuming a downwards trajectory. Stress tests also indicate that external and public debt would remain sustainable over the projection period (Appendix Tables 1 and 2 and Figures 1 and 2). However, Senegal's space to absorb shock has narrowed compared to the previous DSA. (Figure 7).

5. Debt is projected to remain sustainable over the medium term supported by the authorities' strong commitment to maintaining macroeconomic stability and fiscal discipline under the PCI and the WAEMU convergence criteria. The authorities remain firmly committed to their reform objectives supported by the PCI and to returning as soon as possible to the pre-crisis fiscal path anchored by the WAEMU convergence criteria. The projected large financing gaps related to the COVID-19 epidemic are assumed to be filled mostly with highly concessional loans and possibly grants, which would partly displace lower priority externally financed projects and related disbursements. Senegal has access to international capital markets but was not considering any Eurobond issuance in 2020.

6. 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 could further lower GDP and export receipts in 2020 and weaken the expected recovery thereafter. 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 this could jeopardize planned investments in hydrocarbon production and significantly alter the medium-term outlook.

[3] The one-time breach of the external debt service to exports ratio is automatically discounted from the analysis according to the LIC-DSF guidance note.

Text Table 1. Senegal: Evolution of Selected Macroeconomic Indicators, 2019–22

	2019	2020	2021	2022	Med. term[1]	Long term[2]
Real GDP growth						
Current DSA	5.3	3.0	5.5	8.0	6.8	5.1
Previous DSA	6.0	6.8	7.0	8.4	7.9	5.1
Overall fiscal deficit (percent of GDP)						
Current DSA[3]	5.0	6.9	4.6	4.3	4.6	3.4
Previous DSA[4]	4.7	4.1	4.1	4.1	4.0	2.4
Current account deficit (percent of GDP)						
Current DSA	9.1	11.3	11.4	8.5	7.8	1.5
Previous DSA	9.2	10.7	10.5	7.7	7.6	1.1
Exports of goods and services (percent of GDP)						
Current DSA	24.1	20.9	22.9	26.2	26.7	31.4
Previous DSA	22.7	23.5	24.1	26.9	26.4	31.3

[1] Defined as the first 5 years of the projection period. For the current DSA update, the medium term covers the years 2019-2024.

[2] Defined as the last 15 years of the projection period. For the current DSA update, the long term covers the years 2025-2039.

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

[4] Overall fiscal deficit of Central Government.

Figure 1. Senegal: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2019-29

Customization of Default Settings		
	Size	**Interactions**
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 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 for 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	4.0%	4.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6

* 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: Senegal authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are 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.

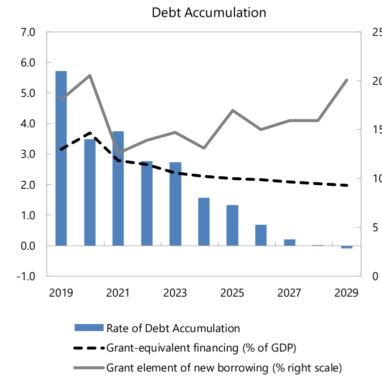
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

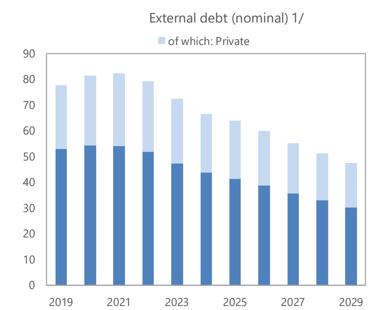
Table 1. Senegal: External Debt Sustainability Framework, Baseline Scenario, 2016-39

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	55.1	62.0	68.3	77.5	81.3	82.2	79.2	72.3	66.4	47.4	26.8	**52.6**	**66.9**
of which: public and publicly guaranteed (PPG)	31.5	38.9	48.1	52.9	54.2	53.9	51.8	47.3	43.6	30.2	19.1	**29.9**	**43.9**
Change in external debt	-2.1	6.9	6.3	9.3	3.8	0.9	-3.0	-6.9	-5.9	-3.7	-1.4		
Identified net debt-creating flows	-0.9	-0.3	-0.7	1.9	4.5	2.3	-1.9	-8.3	-6.1	-2.8	-2.5	**3.1**	**-2.2**
Non-interest current account deficit	2.7	6.1	6.8	6.7	8.7	8.8	5.8	1.2	0.5	1.1	0.4	**5.4**	**3.4**
Deficit in balance of goods and services	11.0	13.8	15.0	15.5	15.8	16.9	13.0	7.3	6.6	3.6	2.8	**14.1**	**8.7**
Exports	21.5	21.9	23.5	24.1	20.9	22.9	26.2	32.9	33.0	29.6	31.0		
Imports	32.5	35.7	38.6	39.7	36.7	39.9	39.2	40.2	39.6	33.2	33.8		
Net current transfers (negative = inflow)	-9.4	-9.4	-8.9	-9.2	-7.7	-8.7	-9.3	-9.4	-9.2	-8.5	-7.7	**-9.5**	**-8.9**
of which: official	-0.4	-0.4	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3		
Other current account flows (negative = net inflow)	1.2	1.6	0.6	0.4	0.6	0.5	2.1	3.3	3.0	6.1	5.3	**0.8**	**3.6**
Net FDI (negative = inflow)	-1.3	-2.4	-3.4	-3.7	-4.6	-5.0	-4.4	-4.2	-4.0	-2.9	-2.6	**-1.9**	**-3.9**
Endogenous debt dynamics 2/	-2.3	-3.9	-4.0	-1.1	0.4	-1.5	-3.3	-5.3	-2.6	-0.9	-0.3		
Contribution from nominal interest rate	1.4	1.2	2.0	2.4	2.6	2.7	2.7	2.4	2.6	1.7	0.9		
Contribution from real GDP growth	-3.4	-3.7	-3.6	-3.6	-2.2	-4.1	-6.0	-7.7	-5.1	-2.6	-1.2		
Contribution from price and exchange rate changes	-0.4	-1.4	-2.5	...	...	...	...	...	...	...	...		
Residual 3/	-1.2	7.1	7.0	7.4	-0.7	-1.4	-1.1	1.4	0.3	-1.0	1.1	**0.4**	**0.3**
of which: exceptional financing	2.3	0.6	1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	43.4	48.4	49.6	49.2	47.2	43.5	40.6	28.3	17.5		
PV of PPG external debt-to-exports ratio	...	...	184.4	200.6	237.0	214.6	180.0	132.4	123.1	95.5	56.5		
PPG debt service-to-exports ratio	10.4	8.9	16.3	14.9	24.3	19.1	16.1	10.3	14.3	11.2	5.9		
PPG debt service-to-revenue ratio	12.0	7.8	15.6	13.6	20.4	17.4	16.2	12.6	17.5	12.2	6.7		
Gross external financing need (Billion of U.S. dollars)	0.9	1.5	1.8	1.8	2.6	2.5	2.0	0.5	0.9	1.4	0.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.4	7.4	6.4	5.3	3.0	5.5	8.0	11.2	7.9	5.6	4.7	**4.8**	**6.2**
GDP deflator in US dollar terms (change in percent)	0.7	2.7	4.1	-3.7	1.6	2.8	1.9	3.2	2.9	3.1	2.7	**-1.3**	**2.1**
Effective interest rate (percent) 4/	2.7	2.4	3.6	3.6	3.5	3.5	3.6	3.5	3.9	3.6	3.5	**2.3**	**3.7**
Growth of exports of G&S (US dollar terms, in percent)	1.8	12.2	19.2	4.0	-9.2	18.8	25.9	43.8	11.5	9.5	7.5	**4.9**	**11.5**
Growth of imports of G&S (US dollar terms, in percent)	-1.8	21.3	19.6	4.4	-3.2	17.7	8.3	17.5	9.5	5.2	9.1	**3.5**	**7.1**
Grant element of new public sector borrowing (in percent)	...	...	...	18.1	20.5	12.6	13.9	14.7	13.1	20.0	18.2	**...**	**16.1**
Government revenues (excluding grants, in percent of GDP)	18.5	25.1	24.5	26.3	24.9	25.2	26.1	26.9	27.0	27.1	27.3	**18.1**	**26.5**
Aid flows (in Billion of US dollars) 5/	0.9	1.0	1.0	0.7	0.8	0.6	0.7	0.7	0.8	1.0	1.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.2	3.7	2.8	2.6	2.4	2.3	2.0	1.7	**...**	**2.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	31.2	38.5	33.8	37.7	41.7	39.0	54.4	53.1	**...**	**41.9**
Nominal GDP (Billion of US dollars)	19	21	23	24	25	27	29	34	37	57	120		
Nominal dollar GDP growth	7.1	10.3	10.8	1.4	4.6	8.4	10.1	14.7	11.0	8.9	7.4	**3.4**	**8.5**
Memorandum items:													
PV of external debt 7/	...	...	63.5	73.0	76.7	77.5	74.6	68.5	63.4	45.5	25.2		
In percent of exports	...	...	270.0	302.5	366.5	337.9	284.4	208.4	192.1	153.7	81.3		
Total external debt service-to-exports ratio	14.6	14.8	18.7	18.4	30.0	24.7	20.7	13.5	18.0	14.4	7.5		
PV of PPG external debt (in Billion of US dollars)			10.1	11.4	12.2	13.2	13.9	14.7	15.2	16.0	21.0		
(PVt-PVt-1)/GDPt-1 (in percent)				5.7	3.5	3.7	2.8	2.7	1.6	-0.1	0.6		
Non-interest current account deficit that stabilizes debt ratio	4.9	-0.8	0.5	-2.6	4.9	7.9	8.9	8.1	6.3	4.9	1.8		

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





Sources: Senegal 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.

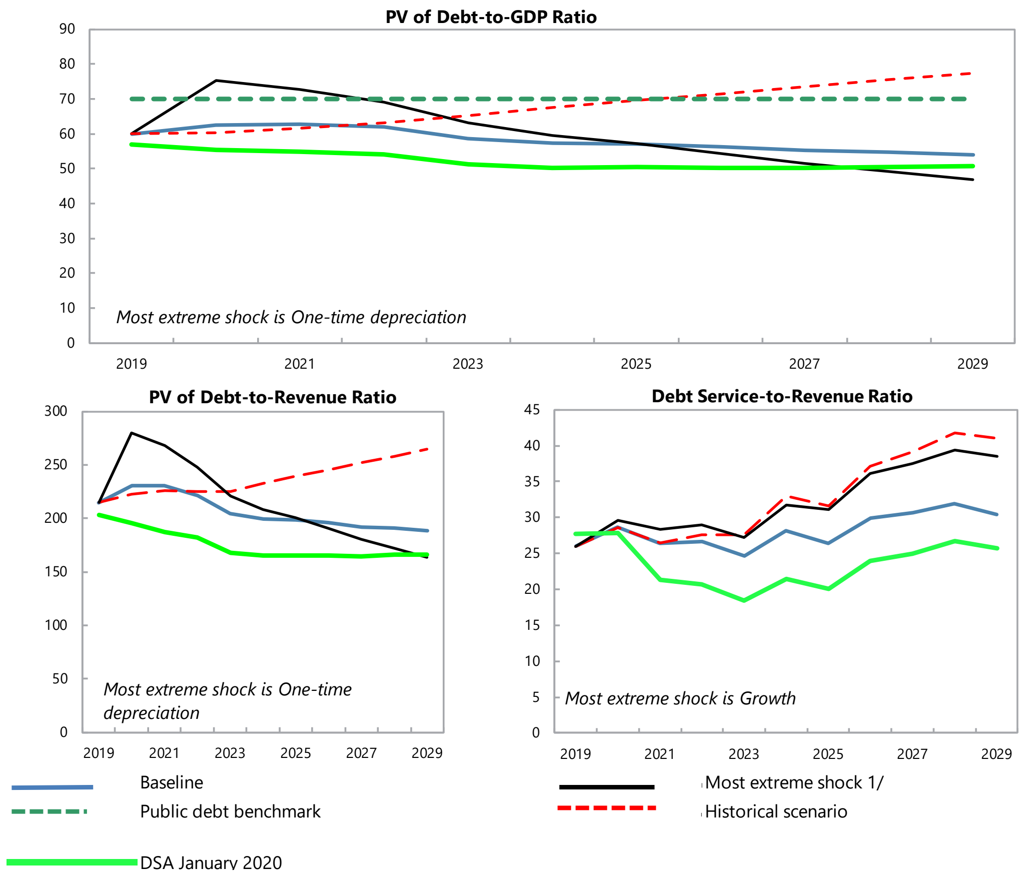
5/ Defined as grants, concessional loans, and debt relief.

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.

Figure 2. Senegal: Indicators of Public Debt Under Alternative Scenarios, 2019-29



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	45%	45%
Domestic medium and long-term	50%	50%
Domestic short-term	6%	6%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.0%	4.0%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	2%	2%

* 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: Senegal authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. 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.

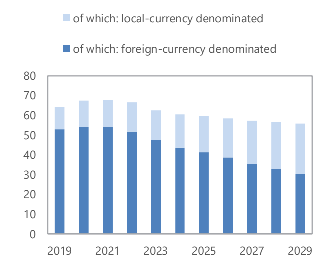
Table 2. Senegal: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-39

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	47.5	61.1	62.1	64.2	67.4	67.6	66.5	62.5	60.3	55.9	63.2	41.6	61.5
of which: external debt	31.5	38.9	48.1	52.9	54.2	53.9	51.8	47.3	43.6	30.2	19.1	29.9	43.9
	16.1	22.2	13.9	11.2	13.3	13.7	14.7	15.1	16.7	25.7	44.1		
Change in public sector debt	3.0	13.6	1.0	2.1	3.3	0.2	-1.1	-4.0	-2.2	-0.8	1.2		
Identified debt-creating flows	1.2	-4.7	2.9	2.7	3.8	0.2	-1.1	-4.0	-2.1	-0.8	1.2	2.3	-0.4
Primary deficit	1.6	0.7	2.2	3.0	4.7	2.5	2.4	2.1	1.6	1.3	2.4	2.5	2.1
Revenue and grants	20.7	27.2	26.5	27.9	27.1	27.2	28.0	28.7	28.7	28.7	28.7	20.2	28.3
of which: grants	2.2	2.2	2.0	1.6	2.2	2.0	1.9	1.8	1.7	1.6	1.3		
Primary (noninterest) expenditure	22.3	27.9	28.8	30.9	31.8	29.8	30.4	30.7	30.3	30.0	31.1	22.8	30.3
Automatic debt dynamics	-0.4	-5.3	0.6	-0.3	-0.9	-2.3	-3.5	-6.1	-3.7	-2.1	-1.3		
Contribution from interest rate/growth differential	-1.4	-2.4	-2.0	-1.5	0.2	-2.0	-3.6	-5.6	-3.3	-1.2	-0.7		
of which: contribution from average real interest rate	1.2	0.8	1.7	1.7	2.1	1.5	1.4	1.2	1.2	1.8	2.0		
of which: contribution from real GDP growth	-2.7	-3.3	-3.7	-3.1	-1.9	-3.5	-5.0	-6.7	-4.6	-3.0	-2.8		
Contribution from real exchange rate depreciation	1.0	-2.9	2.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.8	18.2	-1.9	0.6	-1.6	-0.3	0.1	-0.5	-0.4	-1.0	-0.5	2.0	-0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	58.9	60.0	62.6	62.8	61.9	58.6	57.3	54.0	61.6		
PV of public debt-to-revenue and grants ratio	...	...	222.2	214.8	230.9	230.4	221.0	204.3	199.6	188.2	214.7		
Debt service-to-revenue and grants ratio 3/	35.6	26.0	39.6	26.0	28.7	26.4	26.6	24.6	28.1	30.3	37.8		
Gross financing need 4/	7.3	6.3	12.7	10.2	12.4	9.7	9.8	9.1	9.6	10.0	13.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.4	7.4	6.4	5.3	3.0	5.5	8.0	11.2	7.9	5.6	4.7	4.8	6.2
Average nominal interest rate on external debt (in percent)	3.1	2.7	4.1	4.2	3.9	3.8	3.8	3.7	3.8	3.8	3.6	2.6	3.9
Average real interest rate on domestic debt (in percent)	5.2	4.1	5.2	4.1	4.4	3.9	4.3	2.8	3.2	2.8	3.3	4.7	3.4
Real exchange rate depreciation (in percent, + indicates depreciation)	3.3	-9.8	7.0	...	...	...	...	...	...	...	...	3.0	...
Inflation rate (GDP deflator, in percent)	1.0	0.6	-0.5	1.7	2.0	1.7	1.4	2.9	2.7	3.1	2.7	0.6	2.5
Growth of real primary spending (deflated by GDP deflator, in percent)	10.6	34.3	9.7	13.1	5.8	-1.1	10.2	12.5	6.2	5.8	4.7	8.9	6.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.4	-12.9	1.3	0.9	1.4	2.3	3.5	6.1	3.7	2.2	1.3	-4.3	2.6
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/



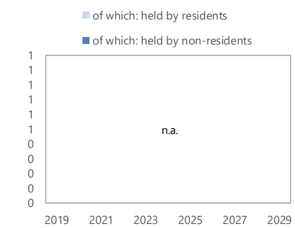


Table 3. Senegal: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019-29

(Percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	48	50	49	47	44	41	39	36	33	31	28
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	48	50	51	54	**61**	**68**	**75**	**78**	**83**	**89**	**93**
B. Bound Tests											
B1. Real GDP growth	48	51	53	50	47	43	41	39	36	33	30
B2. Primary balance	48	50	50	48	44	42	40	37	34	32	29
B3. Exports	48	54	**56**	54	50	46	44	42	38	35	32
B4. Other flows 3/	48	53	**56**	54	50	46	44	42	38	35	32
B5. Depreciation	48	**63**	**56**	53	49	46	44	41	37	35	32
B6. Combination of B1-B5	48	**58**	**60**	**58**	53	50	48	45	41	38	34
C. Tailored Tests											
C1. Combined contingent liabilities	48	52	52	50	46	44	42	40	37	34	32
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	48	**55**	55	53	49	46	44	41	37	34	31
Threshold	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio											
Baseline	201	237	215	180	132	123	114	108	100	105	96
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	201	237	223	206	185	206	220	232	**250**	**303**	**315**
B. Bound Tests											
B1. Real GDP growth	201	237	215	180	132	123	114	108	100	105	96
B2. Primary balance	201	239	219	184	135	126	117	111	103	108	99
B3. Exports	201	**276**	**291**	**244**	179	167	155	148	137	142	129
B4. Other flows 3/	201	**253**	**245**	206	151	141	131	125	115	120	109
B5. Depreciation	201	237	192	161	119	110	102	97	89	94	86
B6. Combination of B1-B5	201	**273**	**241**	222	163	152	141	134	124	129	117
C. Tailored Tests											
C1. Combined contingent liabilities	201	**251**	227	191	140	132	124	118	110	116	107
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	201	237	215	181	134	125	115	109	100	104	95
Threshold	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio											
Baseline	15	**24**	19	16	10	14	10	12	12	14	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	15	**25**	20	18	13	20	16	21	**22**	**27**	**25**
B. Bound Tests											
B1. Real GDP growth	15	**24**	19	16	10	14	10	12	12	14	11
B2. Primary balance	15	**24**	19	16	10	14	10	12	12	14	11
B3. Exports	15	**27**	**24**	21	13	18	13	16	16	19	15
B4. Other flows 3/	15	**24**	20	17	11	15	11	13	13	16	13
B5. Depreciation	15	**24**	19	15	10	14	10	12	12	12	10
B6. Combination of B1-B5	15	**26**	**22**	19	12	16	12	14	15	17	14
C. Tailored Tests											
C1. Combined contingent liabilities	15	**24**	20	16	11	15	11	13	13	14	12
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	15	**24**	20	17	11	17	15	16	13	12	9
Threshold	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio											
Baseline	14	20	17	16	13	17	13	15	15	15	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	14	21	18	18	16	**25**	20	**26**	**27**	**29**	**27**
B. Bound Tests	14	20	17	17	14	20	15	18	18	18	14
B1. Real GDP growth	14	21	19	17	13	19	14	16	16	16	13
B2. Primary balance	14	20	17	16	13	18	13	15	15	15	12
B3. Exports	14	21	18	17	14	19	14	16	16	17	14
B4. Other flows 3/	14	20	18	17	14	18	14	16	16	17	14
B5. Depreciation	14	**26**	22	19	15	21	16	18	18	17	14
B6. Combination of B1-B5	14	22	20	19	15	20	15	17	18	18	15
C. Tailored Tests											
C1. Combined contingent liabilities	14	20	18	17	13	18	13	16	16	15	13
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	14	20	18	17	14	21	19	20	16	13	9
Threshold	23	23	23	23	23	23	23	23	23	23	23

Sources: Senegal 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, 2019-29

(Percent of GDP, unless otherwise indicated)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	PV of Debt-to-GDP Ratio										
Baseline	60	63	63	62	59	57	57	56	55	55	54
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	60	60	62	63	65	67	70	72	73	75	77
A2. Alternative Scenario :[Customize, enter title]	57	56	55	54	51	50	50	50	50	51	51
B. Bound Tests											
B1. Real GDP growth	60	66	70	70	68	68	70	70	71	72	72
B2. Primary balance	60	63	65	64	60	59	59	58	57	56	55
B3. Exports	60	65	68	67	64	62	62	60	59	58	57
B4. Other flows 3/	60	66	70	69	65	63	63	62	60	59	58
B5. Depreciation	60	75	73	69	63	59	57	54	51	49	47
B6. Combination of B1-B5	60	61	63	61	58	56	55	54	53	52	51
C. Tailored Tests											
C1. Combined contingent liabilities	60	69	69	68	64	63	62	61	60	59	59
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	63	63	62	59	58	57	56	55	54	54
Public debt benchmark	70	70	70	70	70	70	70	70	70	70	70
	PV of Debt-to-Revenue Ratio										
Baseline	215	231	230	221	204	200	199	196	192	191	188
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	215	223	226	225	225	232	239	245	252	258	264
A2. Alternative Scenario :[Customize, enter title]	26	28	23	24	20	21	21	25	26	26	25
B. Bound Tests											
B1. Real GDP growth	215	241	254	250	237	237	242	244	245	248	251
B2. Primary balance	215	234	238	228	210	205	204	201	197	196	193
B3. Exports	215	238	251	240	221	216	214	211	206	203	199
B4. Other flows 3/	215	243	256	245	226	220	218	215	210	206	202
B5. Depreciation	215	280	268	248	221	208	200	190	180	172	164
B6. Combination of B1-B5	215	226	230	219	201	195	193	189	184	181	177
C. Tailored Tests											
C1. Combined contingent liabilities	215	256	255	244	225	219	217	214	209	207	204
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	215	231	231	222	206	201	200	196	192	190	187
	Debt Service-to-Revenue Ratio										
Baseline	26	29	26	27	25	28	26	30	31	32	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	26	29	26	28	28	33	32	37	39	42	41
A2. Alternative Scenario :[Customize, enter title]	26	28	23	24	20	21	21	25	26	26	25
B. Bound Tests											
B1. Real GDP growth	26	30	28	29	27	32	31	36	37	39	39
B2. Primary balance	26	29	27	27	25	29	28	31	31	33	31
B3. Exports	26	29	27	27	25	29	27	31	32	33	32
B4. Other flows 3/	26	29	27	28	25	29	27	31	32	34	32
B5. Depreciation	26	30	31	30	27	32	29	33	33	34	32
B6. Combination of B1-B5	26	28	27	27	25	28	26	30	30	31	30
C. Tailored Tests											
C1. Combined contingent liabilities	26	29	29	28	26	33	32	32	32	34	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	26	29	27	28	26	32	32	35	31	30	28

Sources: Senegal authorities; and staff estimates and projections.

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

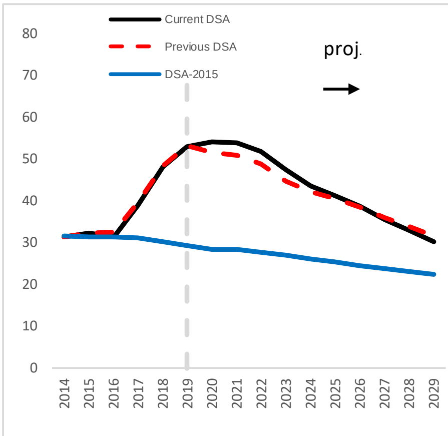
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

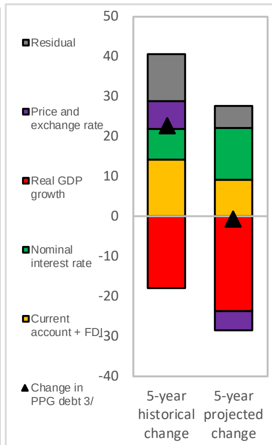
Figure 3. Senegal: Driver of Debt Dynamics—Baseline Scenario, 2014-29

External debt

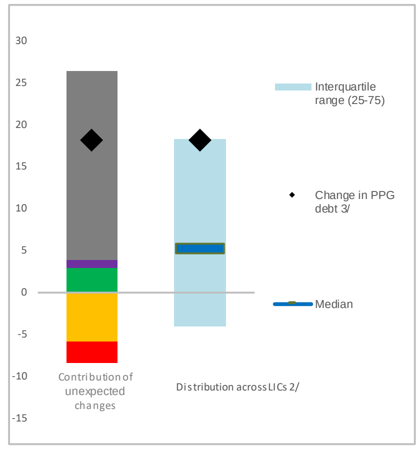
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

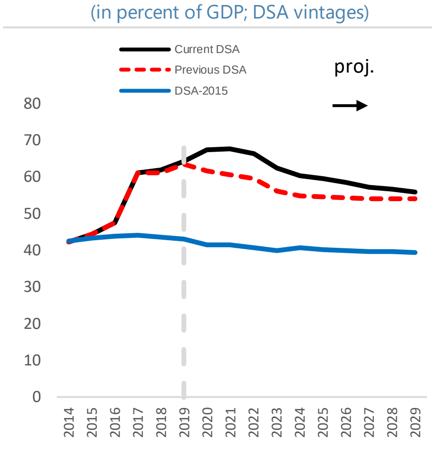


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

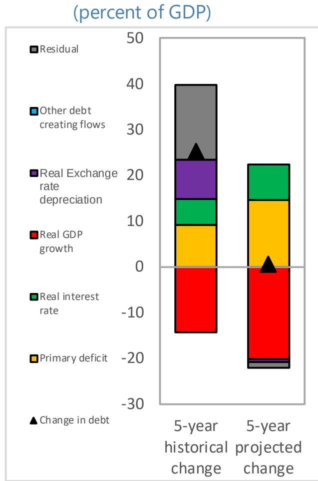


Public debt

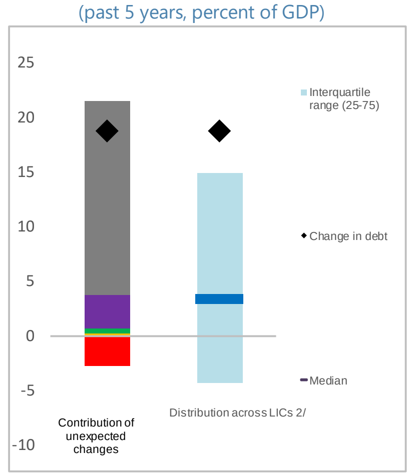
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



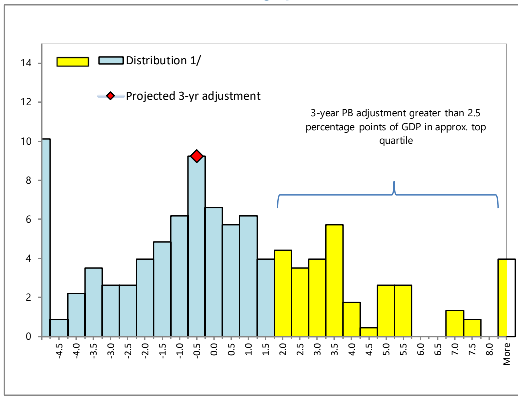
1/ Difference between anticipated and actual contributions on debt ratios.

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.

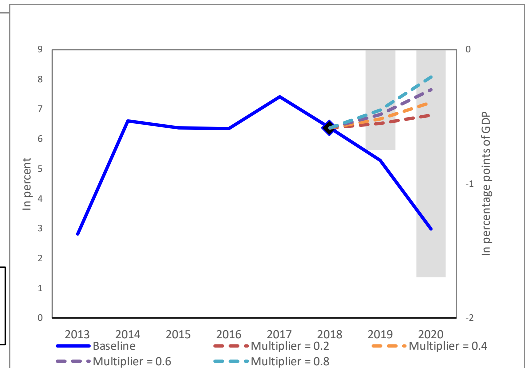
Figure 4. Senegal: Realism Tools, 2013-24

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



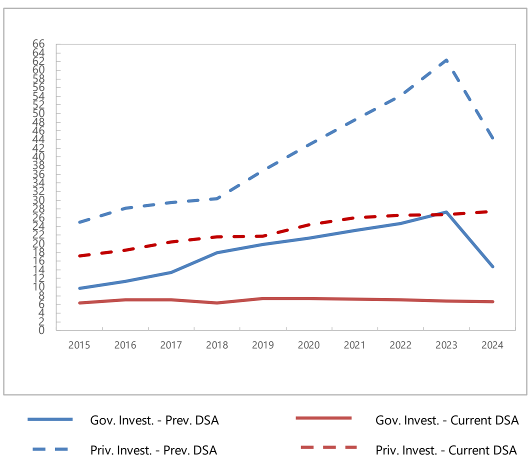
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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
(% of GDP)



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

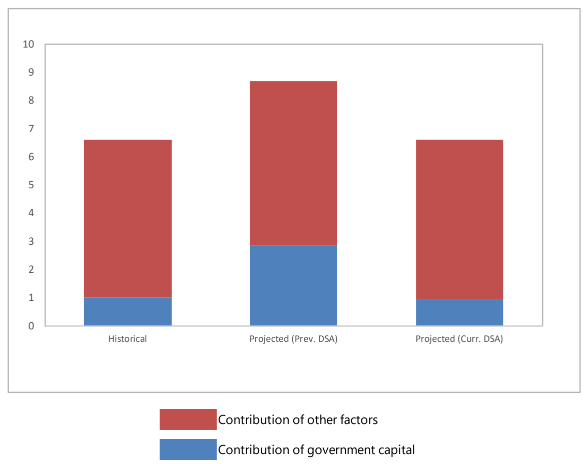
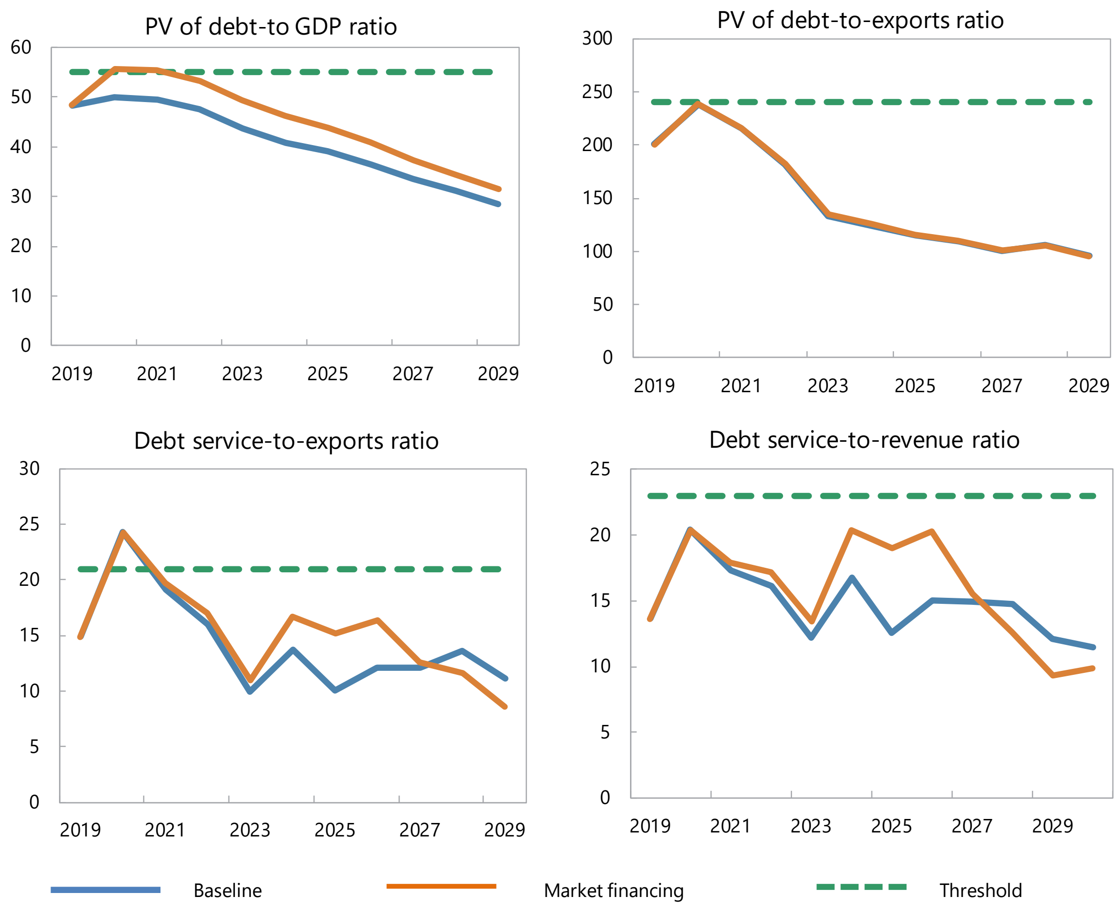


Figure 5. Senegal: Market-Financing Risk Indicators, 2019-29

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	12	470
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: Senegal authorities; and staff estimates and projections.

Figure 6. Senegal: Qualification of the Moderate Category, 2019-29[1]

Sources: Senegal 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.

Statement by Mr. Mohamed-Lemine Raghani and
Mr. Oumar Diakite on Senegal Executive Board Meeting
April 13, 2020

On behalf of our Senegalese authorities, we would like to thank the Executive Board, Management and Staff for their support to Senegal's efforts to respond to the exogenous shock created by the Covid-19 outbreak. The authorities appreciate staff's dedication and policy advice in this difficult time of global public health crisis. The Covid-19 pandemic will generate substantial fiscal and balance of payments needs and have an adverse impact on growth which could erode the hard-won economic gains of recent years. The authorities have taken decisive measures to contain the pandemic and alleviate the shock on vulnerable populations and on the economy.

To address the important budgetary and external financing needs, Senegal is requesting an urgent disbursement under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) to the tune of 100 percent of quota (SDR 323.6 million). This will help the authorities to cope with the spread of the coronavirus in the country and the deterioration of global economic conditions while catalyzing external financial assistance from partners.

The economic impact of the Covid-19 pandemic

The pandemic is already taking a significant toll on the Senegalese economy. Real GDP growth is projected to drop in 2020 from 6.8 percent to 3 percent due to the decline in external demand which will have a substantial impact on travel, hotels and tourism. Furthermore, the sharp drop in remittances from Senegalese working in countries hard hit by the pandemic, and the disruption of global supply chains will negatively impact the economy. The strong measures taken by the authorities to contain the outbreak will also weigh heavily on economic activity. These include a nightly curfew which will affect many businesses, restrictions on all international travels, and the cancellation of public events and mass gatherings.

These negative shocks, the substantial increase in health spending and other expenditures to fight against the pandemic, associated with the projected loss of tax revenue, are putting a considerable pressure on public finances, and the financing of the balance of payments needs is estimated at around CFAF 366 billion or 2.5 percent of GDP.

The Government's Policy Response to the Pandemic

Fiscal measures

The authorities have prepared a health response plan against the Covid-19 pandemic whose first phase enabled the establishment of an operational emergency system financed exclusively from domestic resources up to CFA 6,4 billion. The second phase estimated at CFA 64,7 billion aims to strengthen Senegal's capacities to deal with the pandemic through the detection of suspicious and confirmed cases, the rapid isolation of patients, and the strengthening of prevention and control of the infection in health facilities and in the community. In addition, measures will be taken to intensify communication on the risk of infection, promote the participation of populations in enforcing the response measures, and improve the coordination of the stakeholders in the fight against the pandemic.

The authorities' plan will be financed through a national solidarity fund (*Fonds de riposte et de solidarité contre les effets du Covid-19, FORCE COVID-19*) which will be endowed with public and private resources, and support from development partners. Broader measures to support the economy are envisaged under the Economic and Social Resilience Program (*Programme de Résilience économique et sociale*), including emergency food aid to one million vulnerable households amounting to CFA 69 billion, as well as targeted support to firms and small and medium enterprises (SMEs) operating in the sectors most affected by the crisis. The measures envisaged include selective write-offs of tax debt recorded on December 31, 2019, and deferring the payment of certain taxes. In addition, the firms that commit to retaining their employees will benefit from discounted deductions from wages and social security contributions.

Monetary and financial sector measures

The measures announced by the regional central bank (BCEAO) on March 21, 2020 will also help to support economic activity while maintaining the stability of the financial sector. The BCEAO will aim at increasing the liquidity available to banks on preferential terms, developing support mechanisms to companies in difficulty through a dedicated refinancing instrument, postponing deadlines for loan repayment in collaboration with banks, and extending the availability of digital means of payment while reducing their cost.

Performance under the PCI-Supported Program and outlook

The authorities continue to satisfactorily implement their economic program supported by the Policy Coordination Instrument (PCI). Preliminary data suggests that the quantitative targets at end-December 2019 have been reached with the exception of the target on the share of government contracts using sole sourcing. Progress is also being made on structural reforms, notably with regard to the medium-term revenue strategy and the legal framework for the transparent and sustainable management of oil and gas resources.

The authorities are keen to resume as soon as possible the solid growth performance achieved in recent years and continue implementing far-reaching reforms under the "Plan Senegal Emergent" (PSE phase II). In this regard, they remain firmly committed to meeting the targets set in their economic program supported by the PCI. Despite the widening of the fiscal deficit in 2020, they remain mindful of the need to avoid excessive fiscal imbalances that could compromise macroeconomic and financial sector stability. To this end, they intend to implement a prudent fiscal policy while addressing the public health crisis. The measures include the prioritization of essential expenditures such as salaries and social security contributions, suspending the acquisition of means of transportation, missions, staff training and conferences. Furthermore, the implementation of new programs and projects will be delayed, and the savings generated by lower subsidies to the energy sector will be used to finance the fight against the pandemic. The Government will also continue to prioritize concessional borrowing and streamline the 2020 debt plan to postpone or cancel non-essential projects.

Conclusion

The Senegalese authorities need to address urgently the substantial financing gaps stemming from the public health shock while remaining determined to achieve the objectives of the program supported by the PCI. In this regard, as soon as the situation normalizes, they will continue to pursue the WAEMU convergence criteria and implement the structural reforms aimed at achieving strong and inclusive economic growth.

Given the authorities' strong commitment to pursue prudent policies to maintain macroeconomic stability and preserve debt sustainability, we would appreciate Directors' favorable consideration of their request for urgent financing assistance under the RFI and the RCF.