INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/435

SENEGAL

December 2023

FIRST REVIEWS UNDER THE EXTENDED FUND FACILITY, THE EXTENDED CREDIT FACILITY, AND THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENTS, REQUESTS FOR MODIFICATION OF THE QUANTITATIVE PERFORMANCE CRITERIA REPHASING OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SENEGAL

In the context of the First Reviews Under the Extended Fund Facility, the Extended Credit Facility, and the Resilience and Sustainability Facility arrangements, Requests for Modification of the Quantitative Performance Criteria and Rephasing of Access, 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 December 13, 2023, following discussions that ended on October 24, 2023, with the officials of Senegal on economic developments and policies underpinning the IMF arrangements Under the Extended Fund Facility, the Extended Credit Facility, and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on November 29, 2023.
- **A World Bank Assessment Letter for the Resilience and Sustainability** prepared by the staff of the IMF and the World Bank
- A **Statement by the Executive Director** for Senegal.

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.

PRESS RELEASE

PR23/445

IMF Executive Board Completes the First Review of the Arrangements Under the Extended Fund Facility, the Extended Credit Facility, and the Resilience and Sustainability Facility for Senegal

FOR IMMEDIATE RELEASE

- *The International Monetary Fund (IMF) Executive Board completed the first review of the Arrangements under the Extended Fund Facility (EFF), the Extended Credit Facility (ECF), and the Resilience and Sustainability Facility (RSF) for Senegal, providing the country with access to SDR 210.36 million (about US$ 279.31 million).*
- *The Senegalese economy continues to face headwinds. Some of the downside risks identified at the time of the program request are materializing, leading to a downward revision of growth and higher inflation projected for 2023/24. Near-term risks remain titled to the downside, but medium-term prospects remain favorable with appropriate policies and the start of hydrocarbon production.*
- *The authorities are implementing the structural reforms agreed under the program, including steps to strengthen revenue administration and public financial management, enhance governance and improve the anti-corruption frameworks. Reforms agreed under the RSF are being implemented steadily.*

Washington, DC – December 13, 2023: The IMF Executive Board completed today the first review of the Senegalese authorities' economic program under the EFF, the ECF, and the RSF Arrangements. The completion of the reviews enables the immediate release to Senegal of about US$ 214.86 million (SDR 161.82 million) under the combined ECF/EFF and about US$ 64.45 million (SDR 48.54 million) under the RSF.

The Senegalese economy continues to face headwinds as it recovers from the COVID-19 pandemic. The country is confronted with multiple shocks, including: (i) the halt of the cereal export agreement between Russia and Ukraine; (ii) the recent imposition of restrictions on rice exports by India; (iii) the appreciation of the U.S. dollar; (iv) increasingly stringent regional and global financial conditions; and (v) instability in some neighboring countries.

Performance under the ECF/EFF/RSF has been satisfactory. All quantitative performance criteria and indicative targets but one for end-June 2023 under the ECF/EFF were met. Four out of six structural benchmarks for the first review of the EFF/ECF program have been implemented, while the remaining two were implemented with small delay. The authorities are also advancing reforms to enhance the governance of public funds, increase transparency, and step-up their anti-corruption framework. The implementation of reforms under the RSF is advancing as planned, supporting Senegal's effort to build resilience to climate change.

The 2024 budget law approved by the National Assembly, aligns with the agreed-upon deficit target of 3.9 percent of GDP, which underpins policy commitments to support fiscal consolidation and debt sustainability. The fiscal stance embedded in the budget law reflects a

700 19th Street NW
Washington, DC 20431
USA

steadfast increase in tax revenue to 20 percent of GDP by 2025, and a gradual phasing out of untargeted energy subsidies with a commitment to limit them to 1 percent of GDP in 2024.

Medium-term growth prospects appear more favorable with the oil and gas production set to start in mid-2024, provided appropriate policies are implemented. However, this outlook remains subject to uncertainty and risks are titled to the downside. These include the possibility of a protracted war in Ukraine, an exacerbation of the conflict in the Middle East, higher commodity prices, and tighter financial conditions. Heightened political instability and increased political polarization ahead of the presidential election could further strain the economy. Senegal remains vulnerable to the impacts of climate change.

At the conclusion of the Executive Board’s discussion, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

“Despite facing multiple shocks, Senegal has had a satisfactory performance under the ECF/EFF and RSF arrangements. However, the materialization of some initially identified downside risks during the program request has led to a downward revision of near-term growth and an upward revision of near-term inflation.

“The containment of growing debt vulnerability and the establishment of a downward trajectory for public debt hinge on the successful implementation of a fiscal consolidation strategy aiming for a fiscal deficit of 3 percent of GDP by 2025. Accelerating the medium-term revenue strategy to bolster revenue mobilization, particularly through the reduction of tax expenditures and the broadening of the tax base, is essential. On the expenditure side, a priority is the gradual elimination of untargeted energy subsidies, accompanied by measures to reprioritize spending while safeguarding the most vulnerable. Strengthening the institutional framework for setting energy prices is equally crucial. Prudent public debt management and restricting the borrowing capacity of public sector entities, extending beyond the central government, are vital to mitigate risks to debt sustainability.

“Significant progress has been achieved in implementing structural reforms. It is imperative to sustain the momentum of these reforms, encompassing the reinforcement of governance, enhancement of transparency, improvement of the business environment, and addressing weaknesses in the financial sector to foster more inclusive and private sector-led growth. Urgent attention should be given to rectifying deficiencies in the AML/CFT framework to minimize risks to the financial sector and facilitate an exit from the FATF's grey list.

“Performance under the RSF arrangement was satisfactory. The authorities should maintain the reform momentum and continue to strengthen climate mitigation and adaptation policies, which is essential for catalyzing new investments from donors and the private sector.”

Table 1. Senegal: Selected Economic and Financial Indicators

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
				(Annual percentage change)						
National income and prices										
GDP at constant prices	6.5	4.0	5.3	4.1	10.6	8.3	10.2	5.2	5.1	5.3
Of which: Non-hydrocarbon GDP	6.5	4.0	5.3	4.1	6.0	5.4	6.0	6.0	6.0	6.0
GDP deflator	1.8	8.6	3.2	5.3	2.0	3.7	2.0	2.0	2.0	2.0
Consumer prices (annual average)	2.2	9.7	5.0	6.5	2.0	3.9	2.0	2.0	2.0	2.0
External sector										
Exports, f.o.b. (CFA francs)	26.3	25.5	15.7	-1.2	25.6	31.5	24.8	6.6	7.6	10.1
Imports, f.o.b. (CFA francs)	17.1	42.4	2.0	-3.2	0.7	6.7	9.2	7.6	8.1	9.3
Export volume	12.7	-5.1	17.5	-1.8	27.1	26.6	26.5	6.3	6.6	7.1
Import volume	11.3	7.9	6.8	-0.3	3.5	0.9	7.6	7.5	7.5	7.5
Terms of trade ("–" = deterioration)	6.5	0.2	3.2	3.6	1.7	-1.8	-2.8	0.2	0.4	1.2
Nominal effective exchange rate	1.0	...	...	...	...	...	...	...	...	...
Real effective exchange rate	-1.9	...	...	...	...	...	...	...	...	...
				(Changes in percent of beginning-of-year broad money)						
Money and Credit										
Broad money	15.4	21.6	20.0	17.0	...	10.7	...	...	...	...
Net domestic assets, *of which*	14.5	24.5	23.1	10.9	...	17.7	...	...	...	...
Credit to the government (net)	6.6	13.0	-0.9	-0.9	...	9.0	...	...	...	...
Credit to the economy (net)	7.0	11.2	15.1	15.0	...	10.1	...	...	...	...
Central government operations										
Revenue	19.5	19.9	21.5	21.2	21.8	22.0	22.5	23.1	23.3	23.4
Grants	0.9	0.8	1.6	1.5	1.2	1.4	1.2	1.2	1.2	1.2
Total expenditure	25.8	26.6	26.4	26.1	25.7	26.0	25.5	26.1	26.3	26.4
Net lending/borrowing (including grants)	-6.3	-6.6	-4.9	-4.9	-3.9	-3.9	-3.0	-3.0	-3.0	-3.0
Primary fiscal balance	-4.3	-4.4	-2.2	-2.3	-1.5	-1.2	-0.7	-0.7	-0.7	0.0
Savings and investment										
Current account balance (official transfers included)	-11.2	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Gross domestic investment	35.4	46.6	42.5	44.2	36.4	39.3	37.1	35.6	35.3	35.1
of which: Central Government	6.9	5.5	5.7	5.4	7.3	6.4	6.2	6.3	6.3	6.3
Gross national savings	24.3	26.9	29.2	29.7	30.3	30.4	32.3	31.0	30.9	30.8
of which: Central Government	4.9	6.2	5.0	4.9	5.5	5.8	6.4	6.4	6.7	6.7
Public sector debt										
Total public debt	73.3	76.0	77.7	79.6	73.2	72.5	67.4	67.2	67.0	65.5
Domestic public debt [1]	16.1	19.6	18.5	20.8	16.8	16.8	14.7	15.8	17.2	18.3
External public debt	57.2	56.4	59.3	58.7	56.5	55.7	52.7	51.4	49.8	47.1
Total public debt service (percent of revenue)	28.6	30.7	32.5	32.2	26.1	27.4	31.5	31.8	30.7	31.7
Memorandum items:										
Gross domestic product (CFAF billions)	15,288	17,268	18,770	18,930	21,176	21,258	23,886	25,624	27,473	29,835
of which non-hydrocarbon (CFAF billions)	15,288	17,268	18,767	18,930	20,171	20,722	22,503	24,383	26,363	28,807
Gross domestic product (USD billions)	27.6	...	...	...	...	...	...	...	...	...
Share of hydrocarbon in total GDP (percent)	...	...	0.0	0.0	4.7	2.5	5.8	4.8	4.0	3.4
National currency per U.S. dollar (average)	554	...	...	...	...	...	...	...	...	...
WAEMU gross official reserves (billions of $US)	24.2	18.4	...	15.5	...	15.4	17.0	19.0	22.2	25.6
(percent of broad money)	34.1	24.9	...	18.7	...	16.9	17.1	17.6	19.2	20.6
(months of WAEMU imports of GNFS)	5.1	4.2	...	3.2	...	3.0	3.1	3.3	3.7	4.1

Sources: Senegal authorities; and IMF staff calculations

INTERNATIONAL MONETARY FUND

SENEGAL

November 29, 2023

FIRST REVIEWS UNDER THE EXTENDED FUND FACILITY, THE EXTENDED CREDIT FACILITY, AND THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENTS, REQUESTS FOR MODIFICATION OF THE QUANTITATIVE PERFORMANCE CRITERIA AND REPHASING OF ACCESS

EXECUTIVE SUMMARY

Context. The Senegalese economy continues to face headwinds. Despite the difficult socio-economic environment, the authorities remain committed to the program objectives. Some of the downside risks identified at the time of the program request have materialized, leading to a downward revision of near-term growth. Inflation is projected to decline more gradually than anticipated. While near-term risks remain titled to the downside, with appropriate policies and the start of hydrocarbon production, medium-term prospects are favorable.

Program Implementation. Performance under the ECF/EFF/RSF has been satisfactory. All quantitative performance criteria and indicative targets but one for end-June 2023 under the ECF/EFF were met. Four out of six structural benchmarks for the first review of the EFF/ECF program have been implemented, while the remaining two were implemented with delay. The two reform measures (RMs) under the RSF have been completed.

Enterprise risks appear manageable and unchanged since program approval. With respect to financial risks, Senegal's capacity to repay the Fund remains adequate while the country remains at moderate risk of debt distress with limited buffers to absorb large new shocks. Efforts to address this risk include a commitment to the downward debt trajectory in the medium term and a demonstrated track-record in repaying Fund's obligations. Risk mitigants have remained significant since program approval, supported by even phasing, satisfactory program implementation, and a stable socio-political environment so far in the run-up to the 2024 Presidential elections. Business risks to program implementation —including policy slippages, regional insecurity spillover, and tighter financial conditions—are manageable, backed by a strong government engagement with the Fund. In the event that such risks materialize, keeping the program on-track would require proactive adjustments in macroeconomic policies, in consultation with Fund staff. Reputational risks are manageable considering the broadly positive media coverage at the time of the program approval, thanks in part to the swift response to the COVID crisis.

Staff views. Staff supports the authorities' requests for: (i) completion of the first reviews under the ECF/EFF/RSF, (ii) modification of a quantitative performance criterion, and (iii) addition of a quantitative performance criteria. Staff also supports the request for rephasing and the addition of four new structural benchmarks, to strengthen Senegal's structural reform agenda, and the rephasing of two existing structural benchmarks, to better align program design with the authorities' reform plans and capacity development needs.

Approved By
Montfort Mlachila (AFR) and Boileau Yeyinou Loko (SPR)

Discussions were held in Dakar (October 12-24, 2023). The mission comprised Mr. Gemayel (head), Messrs. Nshimiyimana, Patenema, and Rosa, and Ms. Saliba (all AFR); Ms. Caselli (FAD); and Mr. Ungerer (SPR). The mission was assisted by Mr. Koulet-Vickot (Resident Representative), Messrs. Ba and Fame (local economists), and Ms. Wane (Res Rep office manager). Ms. Bah (OED) and World Bank staff joined the mission. The mission met with His Excellency, President Macky Sall; Mr. Amadou Ba, Prime Minister; Mr. Mamadou Moustapha Ba, Minister of Finance and Budget; Mr. Nobert Toé, Vice-Governor of the BCEAO; the finance commission of the national assembly; and other senior government and BCEAO officials. Staff also had productive discussions with development partners. Ms. Bentum, Ms. Pilouzoue and Ms. Derrouis (all AFR) contributed to this report.

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ANNEXES

APPENDIX

CONTEXT

1. The Senegalese economy continues to face headwinds as it recovers from the COVID-19 pandemic. The country is confronted with multiple shocks, including: (i) the halt of the cereal export agreement between Russia and Ukraine; (ii) the recent imposition of restrictions on rice exports by India; (iii) the appreciation of the U.S. dollar; (iv) increasingly stringent regional and global financial conditions, which have raised concerns about potential constraints on funding availability; and (v) instability in some neighboring countries, which has created additional uncertainty and weighed on economic activity.

2. The country is gearing up for the February 2024 presidential elections amidst several uncertainties. For the first time in its history, Senegal will hold an election where the incumbent president will not be a candidate on the ballot. More than 200 candidates have filed applications for the presidency. In December, the Constitutional Court will validate these applications, concluding the sponsorship collection phase that began in October.

3. Despite the difficult socio-economic environment, the authorities remain committed to the program objectives. They intend to execute the 2023 budget and submit to parliament a 2024 budget law consistent with the policy objectives agreed during the June 2023 ECF/EFF and RSF program requests. They also intend to implement the structural reform measures agreed under the program.

RECENT DEVELOPMENTS

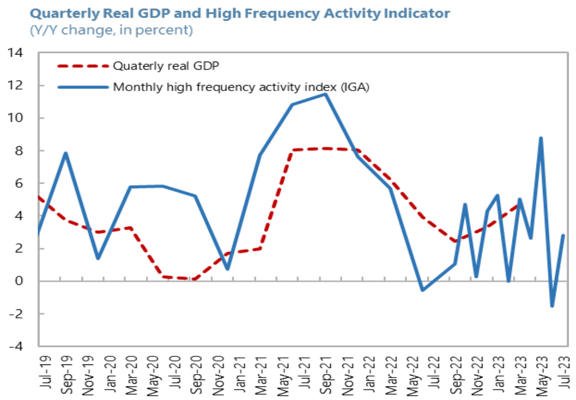
4. Economic activity was weaker than anticipated during H1-2023 (Text Figure 1). Real GDP grew by 4 percent during H1 (y/y) falling short of expectations, mainly as a result of a deceleration in the service and commerce sectors, which reflects the impact of the tense socio-political environment observed earlier this year, as well as a slowdown in key manufacturing domains such as the agri-food manufacturing products (-7.4 percent) and textile related production (-19.6 percent).

5. Inflation is declining more slowly than anticipated (Text Figure 2). After peaking in November 2022 (+14 percent), headline inflation has been coming down, on the back of lower food and energy prices but core inflation is proving sticky. At end-October, inflation stood at 2.4 percent Y-o-Y while core inflation fell to its lowest level in over a year, dropping to 2.9 percent.

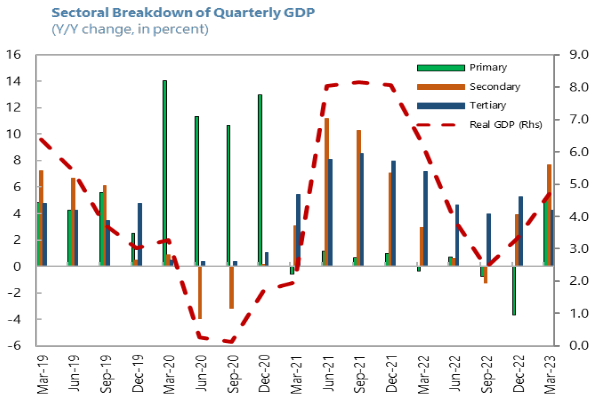
6. The external position strengthened during H1-2023. Despite weaker exports of goods due to the underperformance in key sectors (including phosphoric acid and fish products), the current account deficit narrowed by 23 percent at end-June compared to the same period in 2022, reflecting – among other factors - strong growth in remittances (+38 percent) and tourism (+32 percent). Continued support from foreign direct investment and external borrowing by the government were key factors in financing the current account deficit.

Text Figure 1. Recent Economic Developments

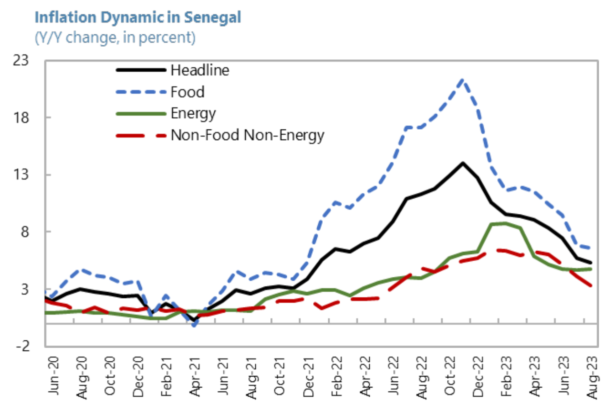
The growth rebound in 2023Q2 was sluggish....



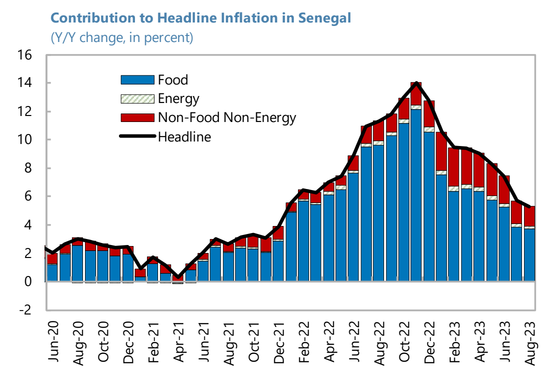
.... due to slowdown in Secondary and tertiary sector activities



Inflation is easing in 2023...



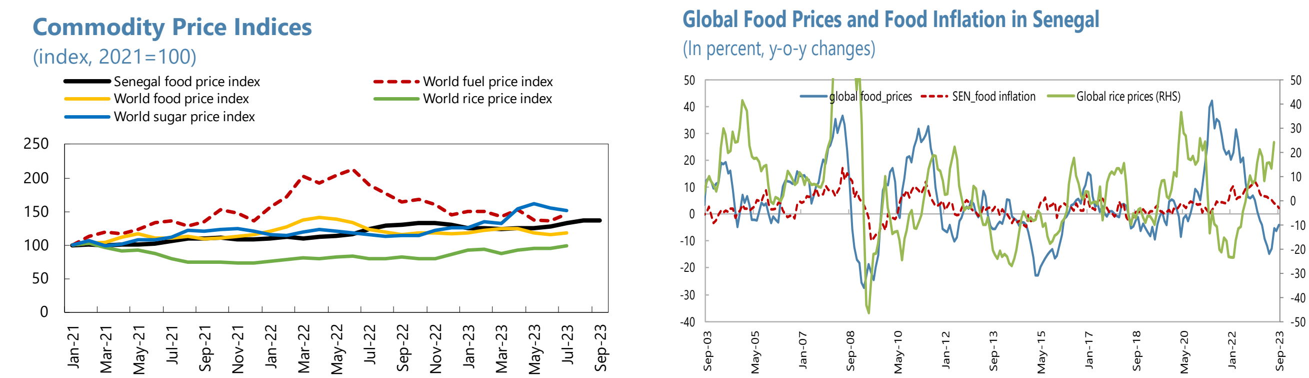
...largely driven by moderating food prices but remains way above target.



7. **Budget execution through end-September 2023 was consistent with the end-year program targets** (Text Table 1). Revenue collection and expenditure execution were broadly in line with program targets: tax revenue collection reached 70.5 percent of the annual target while total expenditure was executed at 75 percent of the annual projections (split equally between recurrent and investment spending).

8. **Public debt has increased during the first half of 2023**. The outstanding debt of the central government (excluding treasury operations) reached 71.0 percent of GDP, an increase by 2.8 percentage points of GDP relative to end-2022. The stock of public sector debt, including state-owned enterprises, stood at 77.9 percent of GDP, an increase of 1.9 percentage points relative to end-2022. Key debt drivers were the fiscal deficit and accelerated government borrowing to increase cash buffers (¶15).

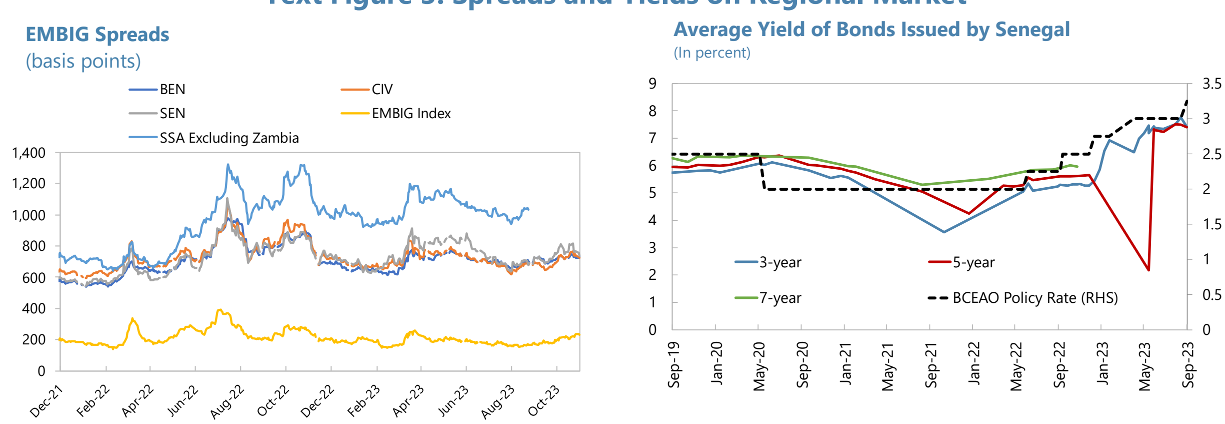
Text Figure 2. Commodity Price Indices
(Index, 2021=100)



9. The banking sector remains sound (Table 7)**.** As of end-August, shareholder's equity increased by 13.4 percent; tier-1 capitalization increased by 11.1 percent and stood at 12.7 percent, comfortably higher than the 7.5 percent prudential norm; nonperforming loans (NPLs) declined from 11.3 to 9.9 percent; and the liquidity ratio stood at 106 percent, well above the regulatory minimum requirement of 75 percent.

10. Financial conditions have eased somewhat since the first half of 2023. The BCEAO purchase of CFAF 2 trillion in sovereign debt securities from the banking system has slightly relaxed financial conditions in the regional market. However, average yields for Senegal's sovereign bonds issued during January-September 2023 have increased, relative to the same period in 2022 (up to 6.49 percent from 4.96 percent), while maturities have shortened considerably (down to 2.67 years from 5.28 years). On the other hand, Senegal's EMBIG spreads have narrowed since the peak observed in February 2023, reflecting better market sentiment (Text Figure 3). In June, S&P reconfirmed Senegal's B+ rating with a stable outlook.

Text Figure 3. Spreads and Yields on Regional Market



Sources: Bloomberg; Agence UMOA-Ttres; BCEAO.

PERFORMANCE UNDER THE ARRANGEMENTS

11. Program performance under the ECF/EFF and RSF through end-June was satisfactory (MEFP ¶¶13,14,15):

- All the end-of-June performance criteria were met (Table 9).
- Two out of three indicative targets (ITs) were met. The IT on the ceiling on total public sector debt was missed, reflecting the government's decision to accelerate external and domestic borrowing to build up cash buffers ahead of potentially more restricted financial conditions around the 2024 election period (Table 9).
- Four SBs were met, while the remaining two SBs —bolstering the authority of the existing Office of the National Anti-Corruption Authority (OFNAC) and enhancing the assets declaration system—were met with a one-month delay due to leadership changes within the OFNAC and the government reshuffle in October. (Table 10).
- The two reform measures (RMs) under the RSF were implemented (Table 11).

POLICY DISCUSSION

Discussions focused on appropriate policies to (i) build fiscal resilience through fiscal consolidation and ensure debt sustainability (Pillar 1), (ii) enhance fiscal governance and curb corruption (Pillar 2), and (iii) lay the groundwork to support structural transformation and strengthen social safety nets (Pillar 3).

A. Outlook and Risks

12. Some of the downside risks identified at the time of the program request have materialized:

- **Growth projections** for 2023 and 2024 were revised down to 4.1 percent and 8.3 percent, respectively, reflecting several factors, including: (i) the tense socio-political environment in the first half of 2023, which led to disruptions in retail and hospitality services, decreased consumer spending, and deterred investment, adversely impacting the commerce and services sector, (ii) a slowdown in the secondary sector, particularly in mining industries, and (iii) the postponement of oil and gas production to the second half of 2024.
- **Headline inflation.** Higher global and domestic prices of key staples are also weighing on the outlook. Consequently, inflation projections for 2023 and 2024 have been revised upwards to 6.5 (from 5) percent and 3.9 (from 2) percent, respectively.
- **The projected current account deficits** for 2023 and 2024 have been revised upward, primarily due to weaker-than-expected export growth in 2023 and delayed hydrocarbon exports in 2024. Nonetheless, the start of hydrocarbon production is still expected to be a key contributor to a pickup in exports growth in 2024. Frontloading of government borrowing into 2023 contributes to increased external financial inflows in 2023, but a downward revision of inflows for 2024.

Text Table 2. Senegal Baseline Macroeconomic Framework, 2022–28

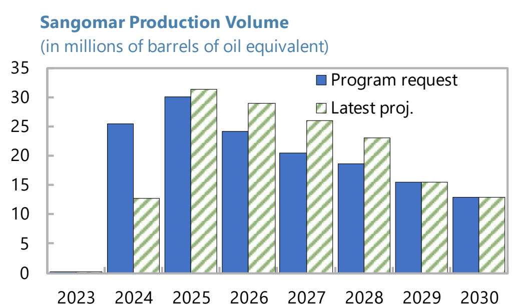
	2022	2023		2024		2025	2026	2027	2028
	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Proj.			
Real GDP (percent change)	4.0	5.3	4.1	10.6	8.3	10.2	5.2	5.1	5.3
Of which: Non-hydrocarbon GDP	4.0	5.3	4.1	6.0	5.4	6.0	6.0	6.0	6.0
CPI inflation, average (percent)	9.7	5.0	6.5	2.0	3.9	2.0	2.0	2.0	2.0
Net lending/borrowing, including grants (percent of GDP)	-6.6	-4.9	-4.9	-3.9	-3.9	-3.0	-3.0	-3.0	-3.0
Current account balance (percent of GDP)	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Gross Debt Public Sector (percent of GDP)	76.0	77.7	79.6	73.2	72.5	67.4	67.2	67.0	65.5

Sources: Senegalese authorities; and IMF staff calculations.

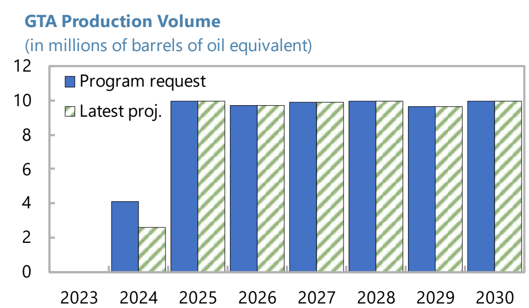
13. The balance of risks to the outlook remains tilted to the downside (Annex I). Externally, the prolonged war in Ukraine and the recent conflict in the Middle East could lead to reduced external demand, higher commodity prices, tighter financial conditions, and a further appreciation of the US dollar. Regionally and domestically, heightened political instability and increased political polarization ahead of the presidential elections could further strain the economy. Hydrocarbon revenue in the medium- and long-term may turn out lower-than-projected if global transition to net zero accelerates. Additionally, Senegal remains vulnerable to the impacts of climate change. On the upside, higher oil and gas prices could stimulate investment in the hydrocarbon sector and boost overall growth. Moreover, once phase 2 of the two large active hydrocarbon fields (GTA and Sangomar) reach the final investment decision point, oil and gas production and exports could increase significantly.

Text Figure 4. Implications of the Revised Hydrocarbon Production Profile on the Macro Framework

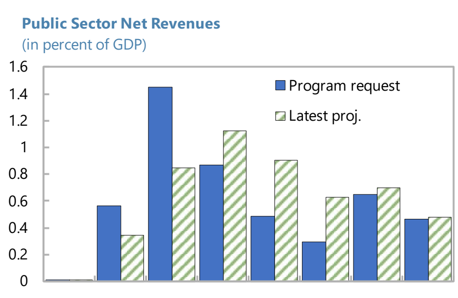
Oil production is expected to be delayed in the Sangomar field….



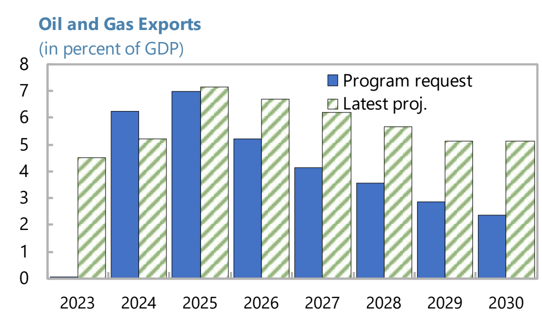
…as well as in the GTA field….



…reducing oil revenue in 2024-25…



…and lowering oil and gas exports in 2024 relative to earlier projections.



B. Building Fiscal Resilience (ECF/EFF Pillar I)

Fiscal Policy for The Remainder of 2023

14. The authorities have reaffirmed their commitment to keeping the fiscal deficit within the program target of 4.9 percent of GDP for 2023 (text table 1). Despite recent social unrest and a downward revision of the growth forecast, they remain confident in achieving the program's revenue targets. To ensure robust revenue collection, they are implementing additional measures, including the execution of the cross-debt agreement with SENELEC, the state-owned electricity company. Contingent spending budget lines related to budgetary reserves (around 0.4 percent of GDP) will not be executed to compensate for higher energy subsidies,[1] which now account for 3.1 percent of GDP (+0.1 percentage point of GDP) as well as other recurrent expenditures.

15. To ensure debt service payments around the 2024 presidential elections amidst uncertain financial conditions, the authorities have been proactively building up precautionary liquidity buffers. They are raising an amount equivalent to approximately 3.2 percent of GDP, including through syndicated commercial loans from international banks and issuance on the regional financial market (text table 3). The amount of over-financing is calibrated to cover debt service payments during January-April 2024. Staff concurred with the overfinancing strategy, which effectively represents a financing shift between 2023 and 2024, and therefore constitutes a debt management operation with no material impact on the debt level or the DSA. The authorities agreed with staff on the need to implement additional safeguards for these resources: (i) a new performance criterion (PC) on the government's deposits at the BCEAO for end-2023 was added to ensure that these resources are not utilized this year, (ii) adjustors for the existing PC on the present value of new external public sector borrowing will accommodate over-borrowing in 2023 but symmetrically lower the ceiling in 2024 to ensure that over-borrowing is used to replace borrowing in 2024, and (iii) the 2024 budget law specifically stipulates that the budget execution will reflect a commensurate under-borrowing.

Fiscal Policy for 2024

16. The 2024 draft budget law, submitted to the National Assembly (prior action), aligns with the agreed-upon deficit target of 3.9 percent of GDP (Text Table 5) and underpins policy commitments to support fiscal consolidation and debt sustainability. It maintains the consolidation effort initiated in 2023, aiming to gradually achieve the regional convergence criterion of 3 percent of GDP by 2025. The authorities remain steadfast in their commitment to raising tax revenues in accordance with their medium-term revenue strategy (MTRS) objective of reaching 20 percent of GDP by 2025. This strategy will primarily focus on rationalizing tax expenditures and VAT exemptions. The budget also reflects the authorities' commitment to containing energy subsidies to

[1] To reduce 2024 carryovers, given higher-than-budgeted 2023 energy subsidies, authorities agreed with staff to cover an additional CFAF 40 bn (0.2 percent of GDP) through the 2023 budget, bringing total 2023 energy subsidy payments to CFAF 596 bn (3.15 percent of GDP).

approximately 1 percent of GDP. The fiscal deficit financing will rely on the continued strong budget and projects loans from partners as well as the use of the 2023 over-financing.

Text Table 3. Senegal: Government Financing Table for 2023 and 2024

	2023		2024	
	bn CFA	% GDP	bn CFA	% GDP
Financing need (A)	**2658.9**	**14.0**	**2136.7**	**10.1**
Central Government fiscal deficit	935.9	4.9	838.5	3.9
Amortization	1269.6	6.7	1248.2	5.9
OPEX	30.0	0.2	50.0	0.2
On-lending to SOEs	277.8	1.5	0.0	0.0
Clearance of late payments	145.6	0.8	0.0	0.0
Financing sources (B)	**3263.7**	**17.2**	**1531.9**	**7.2**
External borrowing	1945.2	10.3	1159.5	5.5
Donor budget support	796.7	4.2	550.5	2.6
IMF	431.1	2.3	338.1	1.6
WB	185.0	1.0	107.9	0.5
BAD	110.6	0.6	49.0	0.2
AFD	52.5	0.3	30.4	0.1
Japan	17.5	0.1	25.0	0.1
Project loans	435.6	2.3	445	2.1
External general commercial borrowing	712.9	3.8	164.0	0.8
Domestic borrowing	1318.5	7.0	372.4	1.8
Change in government deposits (over-financing) (C=B-A)	**604.8**	**3.2**	**-604.8**	**-2.8**

Memo: Excludes issuance/amortization of short-term treasury bills. External debt definition based on currency-basis. BOAD loans are classified as external.

17. Staff and the authorities agreed on the key measures required to strengthen the fiscal consolidation objectives outlined in the 2024 budget.

- **Tax revenues.** A combination of tax policy and administrative measures will increase the tax-to-GDP ratio by 1.1 percentage points to 19.7 percent of GDP (Text table 4). Rationalizing tax expenditures, such as unwinding the suspension of taxes and customs duties imposed in 2023 to alleviate the cost-of-living crisis (0.7 percent of GDP), is expected to generate the majority of the anticipated revenue from tax policy measures. Revenue administration measures include initiatives to broaden the tax base, enhance digitalization, strengthen cooperation between tax and customs administrations, and reinforce tax controls.

Text Table 4. Senegal: Revenue Measures and Expected Fiscal Yield in 2024 Budget

Measures	Expected yield: In billion of CFAF	Expected yield: In percent of GDP
Unwinding the suspension of taxes and customs duties measures put in place in 2023 to alleviate the cost-of-living crisis	140.0	0.66
Rationalization of tax expenditure including VAT exemptions	100.0	0.47
VAT on online transactions and sales/ introduction of a VAT on digital transactions	15.0	0.07
Re-instate the import duties on smartphone devices	19.3	0.09
Other tax policy measures in 2024 budget law (additional tax on alcoholic beverages, expansion of the tax base of tobacco etc.)	20.0	0.09
Tax administration measures (measures to expand the tax base, digitalization, strengthen collaboration betwenn DGD and DGID, Institution of the single window for vehicle clearance at the customs, tighter tax controls).	15.0	0.07
Total expected fiscal yield	**309.3**	**1.45**

- **Spending:** Primary recurrent spending is projected to decline by 1.6 percentage points of GDP to 14.7 percent of GDP in 2024. This reduction is primarily driven by a fall in energy subsidies to around 1 percent of GDP. Staff urged the authorities to stand ready to increase energy prices in 2024, as needed, in case the 2024 energy subsidy envelope is insufficient. Public wage expenditures and spending on goods and services are expected to remain at around 6.8 percent and 2 percent of GDP, respectively. The savings from lower energy subsidies will be redirected to expand social protection programs and increase priority public investments, with a focus on reducing disparities between cities and rural areas, acquiring agriculture inputs, improving access to water and electricity, and expanding transport networks. (MEFP ¶26)

- **Financing:** The Government financing needs in 2024 are projected at 10.1 percent of GDP, driven by the budget deficit and amortizations. These needs are expected to be covered by: (i) Government deposit drawdowns (2.8 percent of GDP), including the unwinding the over-financing from 2023; (ii) continued significant budget support from partners (2.6 percent of GDP); (iii) project borrowing (2.1 percent of GDP); (iv) external commercial borrowing (0.8 percent of GDP); and (v) regional CFA commercial borrowing (1.8 percent of GDP)(text table 3).

Text Table 5. Senegal: 2024 Budget Projections

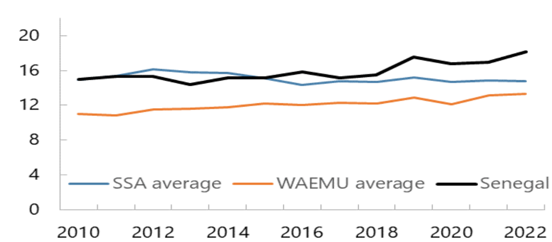
	IMF CR 250/23		2024 budget	
	In billion CFAF	In percent of GDP	In billion CFAF	In percent of GDP
Revenues and Grants	**4,621**	**21.8**	**4,682**	**22.0**
Tax revenues	4,123	19.5	4,180	19.7
Nontax revenues	239	1.1	210	1.0
Grants	259	1.2	292	1.4
Budget	15	0.1	36	0.2
Projects	244	1.2	257	1.2
Expenditure	**5,452**	**25.7**	**5,521**	**26.0**
Compensation of employees	1,482	7.0	1,442	6.8
Use of goods and services	345	1.6	428	2.0
Current transfers	1,054	5.0	1,249	5.9
Energy subsidies	153	0.7	215	1.0
Interest	507	2.4	578	2.7
Net acquisition of nonfinancial assets	2,064	**9.7**	1,823	8.6
Domestically financed	1,249	5.9	1,122	5.3
Externally financed	815	3.8	702	3.3
Overal balance	**-831**	**-3.9**	**-838**	**-3.9**
Non-hydrocarbon primary balance	**-444**	**-2.1**	**-310**	**-1.5**
Memorandum items:				
Nominal GDP	**21,176**		**21,258**	
Hydrocarbon revenues	**120**	**0.6**	**50**	**0.2**

Tax Policy and Administration Measures

Tax Policy

18. Progress has been made in implementing tax policy and administration reforms outlined in the program, supporting the Medium-Term Revenue Strategy (MTRS). The Minister of Finance and Budget has signed a decree strengthening the Legislation and International Cooperation Directorate to oversee domestic tax policy **(structural benchmark, September 2023)**. The 2024 draft budget law includes a provision for automatic transmission of

Text Figure 5. Tax Revenue
(Percent of GDP)



Sources: World Economic Outlook; IMF staff calculations.

electricity and water companies' client data to the tax department, enhancing real estate tax compliance **(structural benchmark, October 2023)**. The authorities have identified the tax expenditures equivalent to CFAF 148 billion as part of a plan to rationalize tax expenditures by at least CFAF 100 billion annually over the next two years **(structural benchmark, November 2023).** Progress is noted in the full implementation of prepayment for income taxes levied at customs, with an inter-departmental working group defining technical mechanisms and drafting a decree expected to be signed by December 2023 **(structural benchmark, December 2023).** Additionally, efforts are underway to broaden the tax base by adding 25,000 taxpayers **(structural benchmark, December 2023)**, including centralized third-party data and registration at the Ziguinchor tax service center.

19. The 2024 budget includes strong tax policy and revenue administration measures, in line with the program (MEFP ¶24). Key measures include:

- Reactivating suspended tax and customs duty relief measures: These measures were implemented in 2023 to mitigate the impact of the cost-of-living crisis. Their reinstatement is expected to generate revenue equivalent to approximately 0.7 percent of GDP on an annual basis.

- Reducing tax expenditures by at least 0.5 percent of GDP: this aligns with the tax rationalization plan approved in November 2023.

- Reinstating import duties on smartphone devices: This measure is expected to generate additional revenue equivalent to 0.1 percent of GDP. The tax was previously abolished in 2008 following the introduction of a new domestic tax on the use of the public telecommunications network (RUTEL);

- Implementing a VAT on digital services (TVA numerique) (**New structural benchmark, end-December 2023**): The authorities have committed to finalize the technical preparation required for the effective implementation of this new tax by the end of December 2023.

- Implementing other tax policy measures included in the 2024 budget law: These measures include an additional tax on alcoholic beverages and an expansion of the tobacco tax base.

- Advancing tax administration reforms: These reforms aim to (i) broaden the tax base, (ii) enhance the digitalization, (iii) strengthen collaboration between tax and customs administrations, and (iv) promote the widespread adoption of a single window for vehicle clearance.

20. The authorities remain committed to implementing the energy subsidies reform roadmap, which was adopted in January 2023. This roadmap is centered on two main pillars: firstly, better reflecting international prices into domestic ones by gradually phasing out untargeted subsidies; secondly, improving targeted transfers to protect the most vulnerable from the effect of rising energy prices. Reforms in these areas are progressing steadily:

- An independent committee has been established to determine and publish final consumption prices for fuel and electricity **(structural benchmark, November 2023)**. To ensure that international price fluctuations are accurately reflected in domestic prices, the government has pledged to uphold the committee's pricing decisions (MEFP ¶14).

- A comprehensive review of the current pricing formula for petroleum products (gasoline and diesel) is underway to ensure that pump prices accurately reflect international market developments. This revision will encompass: (i) a thorough examination of the various components of the price structure; (ii) a reevaluation of the reference price; (iii) the implementation of a gradual price adjustment mechanism to minimize abrupt price swings; and (iv) a reassessment of the frequency of price adjustments **(structural benchmark, December 2023)** (MEFP ¶16). The authorities have sought technical assistance from the IMF in this area.

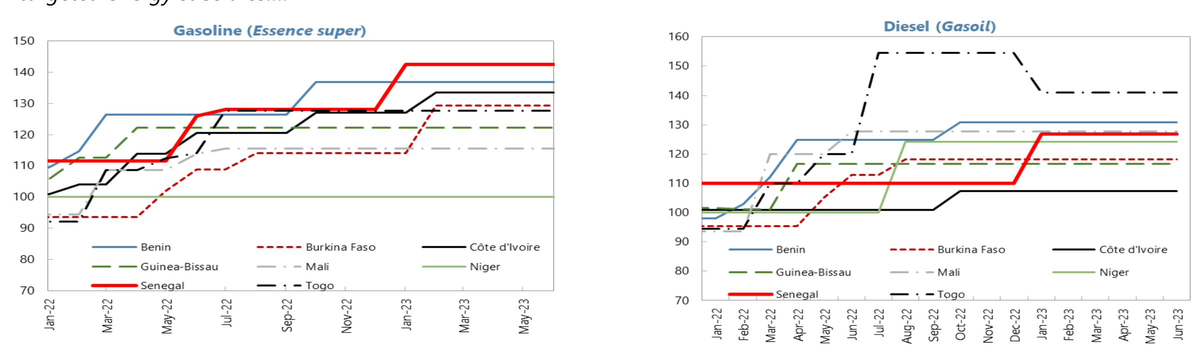
- The government is committed to proposing and introducing a new electricity tariff structure that incorporates a social tariff specifically designed for vulnerable groups (**new structural benchmark, September 2024**) (MEFP ¶29). The authorities have also requested technical assistance from the World Bank to finalize an audit of the electricity company (SENELEC) (**new structural benchmark, May 2024**), which will help obtain an updated assessment of the sources and structure of both variable and fixed costs in the electricity sector (MEFP ¶29).

Text Figure 6. Pump Price Adjustments in WAEMU Countries

(Price levels in CFAF)

Gasoline prices was increased beginning of 2023 to reduce untargeted energy subsidies….

…as was Diesel's price ….



Public Financial Management

21. The authorities concurred with staff that strengthening governance of public funds and enhancing public financial management is key to ensure value for money.

- After the December 2022 Court of Accounts audit report on the use of COVID-19 funds was published, authorities implemented an action plan to rectify the identified flaws in public financial management (PFM). Criminal proceedings have been launched against individuals and companies involved in the misappropriation of COVID-relief funds; these cases are still awaiting resolution in the judicial system.

- Progress has been made towards the gradual elimination of treasury deposit accounts (comptes de dépôts) used by central government entities without legal personality. This initiative aims to strengthen internal control and enhance transparency (**structural benchmark, end-June 2024**) (MEFP ¶30). The government has confirmed that no additional funds will be allocated to these accounts.

- The authorities have also started to reclassify investments previously executed through capital transfers (chapter 6 of the budget nomenclature) as investments executed by the central government (chapter 5) through the normal budget circuit, which brings about stronger internal controls (**structural benchmark, end-December 2023**). Consequently, an additional CFAF 98.7 billion has been allocated to domestic investments conducted through the regular budget procedure (MEFP ¶30).

- The ongoing consolidation of central government bank accounts with commercial banks into the TSA is advancing (MEFP ¶30). The testing phase for the TSA management software (SIGCDD), which is intended to take over crucial banking functions formerly managed by commercial banks, is currently underway. After a benchmarking mission slated for the end of 2023, a new roadmap will be formulated to bring back all public entity funds into the TSA.

Public Sector Debt Strategy

22. The outlook for debt sustainability remains unchanged. Relative to the program request, the authorities have revised downwards the reported stock of 2022 public sector debt. While the government over-financing will temporarily drive up the 2023 public sector debt stock above the level projected, unwinding this over-financing towards reducing new borrowing needs in 2024 is expected to keep the public sector debt trajectory—from 2024 onwards—at similar levels as agreed at the time of the program request. Despite higher external financing in 2023 and increased global interest rates affecting external debt service, the higher projected global export prices for key commodities are expected to assist in meeting these debt service requirements.

23. The authorities acknowledge that Senegal's margin to remain classified as a moderate risk of debt distress has narrowed. In response, they have agreed upon additional measures to ensure that the public sector debt continues on a downward trajectory. These measures include the government (i) adopting a more active and forward-looking approach to debt management in state-owned enterprises (SOEs), (ii) setting indicative debt stock ceilings for the 16 largest SOEs, and (iii) implementing thorough monitoring of the top six SOEs through a committee led by the Minister of Finance. The authorities are steadfast in their commitment to expeditiously advance additional reforms aimed at bolstering debt management. These initiatives include (i) enhancing SOE sector transparency through publication of financial statements (**new structural benchmark, end-December 2024**), (ii) adopting a regulation on SOE on-lending, (iii) strengthening the functions of the National Public Debt Committee, and (iv) implementing the action plan recommended by the audit of its computerized public debt management platform (MEFP ¶33).

C. Enhancing Governance and AML/CFT (ECF/EFF Pillar II)

24. Staff underscored the significance of ongoing enhancements in fiscal governance and curbing corruption (MEFP ¶35)**.** In August 2023, the government ratified a law establishing a dedicated Financial Prosecutor's Office to tackle economic and financial misconduct. Two major reforms were also implemented, albeit with a one-month delay due to changes in the OFNAC leadership. Proposed amendments were submitted to the National Assembly in November to (i) fortify the existing anti-corruption entity (OFNAC) (**structural benchmark, end-October 2023**) and (ii) refine the assets declaration law to amplify its effectiveness (**structural benchmark, end-October 2023**).

25. The authorities are determined to finalize the reforms needed to exit the Financial Action Task Force's (FATF) grey list, although the process is taking longer than initially anticipated. The government reports actively working on addressing key outstanding weaknesses related to the operationalization of the beneficial ownership (BO) registry, the effective implementation of a targeted financial sanctions regime, and the training of supervisors for designated Non-Financial Business or Profession (DNFBPs) (MEFP ¶34). The exit from the grey list is now expected in June 2024.

26. The authorities are committed to advancing their initiatives to enhance financial information and public accountability. To this end, they have strengthened the information system of the main extra-budgetary entities and are now committed to publishing a table of public sector financial operations of the previous year no later than November 30 of each year. Furthermore, the government will ensure the publication of financial statements certified by all public entities and companies that have borrowed on the regional or international market following the format agreed under the program (**structural benchmark, end-November 2024**).

27. The authorities have made significant strides in establishing the foundation for the management of hydrocarbon revenues in anticipation of the start of oil and gas production. They have successfully concluded the development of the legal and institutional framework pertaining to the management of oil and gas revenues and are committed to the full enforcement of the corresponding legislation, as stipulated in Law No. 2022-09. Within this framework, two implementation decrees have been adopted to clarify the institutional structure governing the Stabilization Fund (issued in September 2023) and the Inter-generational Fund (issued in October 2023). Furthermore, the authorities have initiated the formulation of an investment strategy that will dictate the utilization of resources from the intergenerational fund.

D. Building Socioeconomic Resilience (ECF/EFF Pillar III)

28. The authorities and staff agreed on the importance of sustaining structural reforms to drive economic transformation and enhance productivity. To this end, the authorities are committed to finalizing two key reforms:

- Centralized land management system (LMS): The authorities have cancelled the contract with the original developer of the centralized land management system and initiated a new procurement process. As an intermediary step toward the full deployment of the system, the authorities will deploy the functionalities of the LMS which will manage the most usual procedures such as the creation and delivery of the cadastral number of the plot, establishment of the inventory, processing of requests for statements of real rights and delivery of extracts plan (new **structural benchmark, November 2024)** (MEFP ¶44).

- Collateral register: The authorities have developed a roadmap to establish an online-accessible collateral register that combines data on both movable and immovable collateral. The initial step is to establish a committee to complement the existing movable collateral register with the mortgage register. The committee will then undertake and finalize an inventory of all collaterals (both movable and non-movable assets), paving the way for the final step of making the collateral register available online (**new structural benchmark, November 2024**) (MEFP ¶45).

29. Efforts to strengthen social safety nets should continue. To mitigate the impact effects of the increase in fuel and electricity prices at the beginning of 2023, the government already increased the amount of the quarterly cash transfers (Programme des Bourses Familiale) from CFAF 25,000 to CFAF 35,000 and expanded the number of recipients bringing the amount devoted to the social protection from CFAF 35 to 49 billion (MEFP ¶50). In 2024, the social protection allocation in the budget has further increased to CFAF 54 billion. However, additional efforts are still needed to improve targeting and the efficiency of the disbursement process. To advance work in this area, the authorities are committed to expanding the Single National Registry (RNU) to one million households by end-2024 and to fully digitalize the payment system. Progress has been made in this regard, including updates to the targeting committee and the training of supervisors this year. Despite some observed delays, authorities are determined to complete the expansion in 2024. Furthermore, the digitalization platform is prepared for digital payments but awaits full adoption by La Poste (MEFP ¶51).

30. The government is committed to completing the restructuring process for the two banks facing difficulties (MEFP ¶49). In the case of the first bank, the State has become a shareholder, securing a 63.4 percent public stake through an approved recapitalization plan by the UMOA Banking Commission. The recapitalization is expected to be finalized by end-2023. As for the second bank, the state and the primary shareholder will inject new capital to reduce the primary shareholder's stake to 30 percent, with the state taking a 30 percent stake. Changes to the voting structure are pending approval from the Banking Commission, with a review scheduled for December 2023. Staff emphasized that the state's involvement in these banks should be temporary and accompanied by efforts to improve governance.

31. The government is actively restructuring Société Nationale La Poste (SN La Poste), the national postal service. Key measures include: (i) recapitalizing SN La Poste with CFAF 139.4 billion, Poste Finance with CFAF 10 billion, and Express Mail Service with CFAF2.6 billion; (ii) implementing a hiring freeze from 2023 and a targeted personnel transition plan for 2025; and (iii) transforming Poste Finance into a postal bank, supported by a feasibility study.

32. The authorities and staff agree on the imperative of reforms to mitigate gender disparities. Senegal has actively implemented gender budgeting since 2016 (Annex III). The gender dimension is meticulously integrated into the entire budgetary process, with budgetary laws incorporating a specialized report that evaluates the impact of fiscal decisions on gender inequality across ministries. The government is firmly committed to implementing pivotal reforms in this area (MEFP ¶48). These reforms include: (i) increasing social spending on programs tailored for young girls and women; (ii) removing barriers to girls' education, particularly by facilitating the transition from primary to secondary education; and (iii) providing training and financial opportunities to female entrepreneurs.

E. Building Resilience to Climate Change

33. The authorities are making substantial progress in implementing the reform measures outlined in the RSF to enhance resilience to climate change (text table 7):

- *Reform measures (RMs) associated with the first review have been implemented.* The authorities have enacted the Public Investment Management (PIM) decree, incorporating climate considerations for all public investment projects at each stage of project development (RM1, completed by end-October 2023). Additionally, they have adopted a strategy for environmentally friendly public transport, reflected in the 2024 budget law (RM2, completed by end-November 2023), which are estimated to reduce emission of C02 by about 146.000 tons annually. For the first time, the authorities have prepared a Green Budget (Annex II), appended to the 2024 budget law, delineating how the budget process enhances resilience to climate change, particularly through greener public transportation, an important step in the right direction. Later reforms under the RSF (in particular RM9 and RM10) will support further advancement in this area by providing a shared approach to climate impact evaluation as key to ex-ante project assessment.

- *Progress towards completing the reform measures associated with the second review is on track.* The authorities are actively engaging relevant ministries and civil society to define the parameters of the National Development Strategy (Plan Senegal Emergent (PSE-PAP3 2023-2027)). A significant focus of PAP3 will be on climate adaptation and mitigation priorities. Simultaneously, the authorities have initiated the process to conclude Senegal's National Adaptation Plan, aligning it with PAP3. Progress is also being made in fully implementing the new Urban and Construction codes, taking climate change into account. The draft codes were submitted to the National Assembly in October 2023, and the implementation decrees are expected to be finalized by the end of April 2024, in close collaboration with the World Bank. The authorities are also laying the groundwork to update the National Determined Contribution (NDC) in time for the COP 30 in Brazil in 2025.

- *The authorities intend to leverage Technical Assistance (TA) support from the IMF and the WB to ensure the robust implementation of the reform measures under the RSF.* Specific TA needs have been discussed with staff, and a framework has been agreed upon to guide targeted support from the IMF and the WB across the various areas covered by the RSF (Annex III).

34. Recently, the authorities have entered into a Just Energy Transition Protocol (JETP) with the G7, signaling a commitment to provide substantial resources for enhancing climate resilience. Senegal, in collaboration with international partners (Germany, France, the European Union, the United Kingdom, and Canada), has initiated the JETP to bolster its endeavors in achieving universal access to energy and transitioning towards a low-carbon, resilient, and sustainable energy while Senega seeks to use domestic natural gas for electricity generation, based on less polluting technologies, in the transition phase. Anticipated contributions from international partners and multilateral development banks are expected to reach Euro 2.5 billion over an initial period of 3-5 years. This collaborative effort aims to elevate the proportion of renewable energies in the Senegalese electricity mix to 40 percent by 2030.

35. The Fund is supporting Senegal in scaling up climate finance in the context of the RSF. A joint Fund/Senegal roundtable was convened in Dakar on November 14, which aimed at catalyzing climate finance. The roundtable was attended by several multilateral organizations and private sector entities who have expressed interest in collaborating with Senegal in expanding green- and climate-related financing. Some of the proposed options included establishing a Green Investment Facility, issuing a Green Bond with De-risking Support, and exploring Debt-for-nature Swaps. The Senegalese government from its part outlined ongoing climate change-related reforms, emphasizing the government's commitment to integrating green and climate financing into their strategic priorities. Three working groups were established to come up with concrete proposals to accelerate financing for renewable energy, adaptation priorities, and climate mitigation with the aim of announcing them by the time of the Spring Meetings.

Text Table 7. Senegal: RM Info Chart

	ECF/EFF/RSF 1st Review	ECF/EFF/RFS 2nd Review	ECF/EFF/RSF 3rd Review	ECF/EFF/RSF 4th Review	ECF/EFF/RSF 5th Rev.
Pillar I: Supporting Senegal's Climate Change Mitigation Goals	**RM2**: Adopt at the Council of Ministers the implementation plan for the strategy for greener public transport and reflect it in the 2024 PIP budget of the Ministry of Transport, in line with the objectives of the NDC MET		**RM5**: Adopt an electricity tariff adjustment plan based on the result of the financial audit of Senelec conducted with the support of the World Bank, phasing out electricity subsidies		
Pillar II: Accelerating Senegal's adaptation to climate change		**RM3**: Adopt Senegal's PAP III (Country Development Strategy) at the Council of Ministers, which fully reflects the Senegal's National Determined Contribution (NDC) In progress **RM4**: Submit to National Assembly laws that establish the Urban Code and the Construction Code to improve urban planning thereby mitigating the impact of erosion coastal and urban flooding. In progress		**RM7**: Publicly disseminate key information on climate risks by the National Committee on Climate Change. **RM8**: Approve an inter-ministerial decree that defines the roles and responsibilities and the procedures allowing each actor to assume their role and responsibility for water, including the steps to take to be accountable account for their actions.	
Pillar III - Integration of climate change considerations into the budget process	**RM1**: Adopt and publish a PIM decree integrating climate considerations at each step of the project development (appraisal, selection, external audit etc.). MET		**RM6**: Integrating natural disasters risks as part of the Risk Statement Annex included in the 2025 budget law		**RM9**: Approve by the Minister of Finance the modification of the permanent directives for the preparation of the budget to fully reflect the priority public investments **RM10**: The Minister of Finance will issue a binding instruction to all Ministers engaged in large public investment program to ensure that all PI include the climate impact assessment

PROGRAM MODALITIES

36. The financing arrangements under the ECF/EFF/RSF continue to provide critical support to Senegal's external sustainability. The ECF and EFF arrangements, jointly with budget support from partners, are expected to close external financing gaps (Table 2 and Table 14). Budget support from partners is broadly in line with the levels estimated at time of the program request. Senegal's annual contribution targets to regional reserves have been rephased, reflecting the 2023 government over-financing, which increases the reserves contribution in 2023 but decreases it in 2024. The cumulative reserves contribution targeted under current program period, while remaining in line with what is needed to achieve program objectives, has been revised down, reflecting the delay in hydrocarbon exports and weaker than expected other exports in 2023 among other factors (table 14). The program, including a rephasing of availability dates for disbursements, is fully financed, with firm commitments for the next 12-months and good prospects for the remainder of the program (Text table 3). In addition, the RSF will support Senegal towards financing prospective BoP needs stemming from long-term structural challenges related to the impact of climate change on the economy, substituting for more expensive financing. The EFF/ECF/RSF arrangements will continue to go towards budget support.

37. The authorities have requested for modification of the quantitative performance criteria. Under the request, the 2023 over-financing is accommodated through the introduction of an adjustor to the debt-related performance criterion and indicative target. To provide additional safeguards on the use of the 2023 over-financing towards meeting 2024 government financing needs, a new performance criterion is introduced setting a floor on government deposits at the BCEAO. To ensure coherence between the government deficit PC and the public sector debt IT, an adjustor for budget grant shortfalls is added to the public sector debt IT. The authorities have requested to change the QPC on non-hydrocarbon primary balance for end-December 2023 and end-June 2024 to mainly reflect the change in budget support grants. Program targets have been set until end-December 2024.

38. Four new SBs are proposed, and two SBs are re-phased. These will cover (i) a financial audit of Senelec to better understand cost structure, (ii) setting up a new social tariff for electricity, (iii) expand VAT to digital services, and (iv) mandate publication of audited financial statement for public entities borrowing on the regional or international market. The two re-phased SBs cover the centralized land management system on one hand and the collateral register on the other hand.

39. The capacity to repay the Fund remains adequate but subject to risks (Table 8)**.** The total stock of debt to the Fund is elevated and expected to reach 6.6 percent of GDP (including access under the RSF) while upcoming total debt service to the Fund will peak at 4.6 percent of government revenues and 4.0 percent of exports of goods and services in 2026. Under the baseline, Senegal's capacity to repay is supported by the downward debt trajectory in the medium term with moderate risks of external and overall public debt distress, and proven track-record in repaying Fund's obligations. Debt continues to be assessed as sustainable in the medium-term.

40. Safeguards assessment. The 2023 update assessment of the BCEAO found that the institution continues to have a robust control environment with strong governance arrangements. All recommendations from the 2018 safeguards assessment have been implemented. Financial reporting and external audit arrangements remain in line with international practices.

41. Program implementation risks are sizeable, but manageable. On the domestic side, risks to program implementation could increase in case of policy slippages and political unrest in the run up to the presidential elections, and insecurity spillovers from the region. Considerable risks also appear on the external side, with the possible escalation of the war in Ukraine or in the Middle East, further global slowdown, and tighter global and regional financial conditions. If risks materialize, keeping the program on track would require proactive adjustment in macroeconomic policies in consultation with Fund staff.

STAFF APPRAISAL

42. Staff acknowledges that Senegal faces a challenging external environment, with multiple shocks directly impacting its socioeconomic fabric. Growth has been revised down, and inflation remains high. Senegal's debt margin to remain classified at a moderate risk of distress has narrowed. While the authorities' policy response is appropriate, the risks to the outlook warrant vigilance.

43. Staff welcomes the authorities' commitment to fiscal consolidation, which is essential for maintaining a sustainable debt trajectory. The authorities' fiscal stance is appropriate and will help lay the groundwork for a gradual convergence to the regional deficit target of 3 percent of GDP by 2025. Staff supports the ambitious revenue policy and administration reforms to underpin these commitments. Staff urges the authorities to contain the borrowing capacity of public sector entities beyond the central government and welcomes the decision to set specific debt limits for the large borrowing SOEs.

44. Strengthening revenue mobilization and phasing out untargeted energy subsidies are critical for fiscal consolidation and creating fiscal space for priority social and development spending. Staff welcomes the implementation of the MTRS, including commitments to reduce tax expenditures and broaden the tax base. Staff also urges the authorities to take all necessary steps to ensure that regressive energy subsidies remain within the program target. The revision of the fuel price setting formula and the establishment of the associated smoothing mechanism are key reforms in this direction.

45. Strengthening the AML/CFT and governance and anti-corruption frameworks is critical to supporting macroeconomic stability and sustainable economic growth. The adoption of the law establishing a dedicated Financial Prosecutor's Office and the submission of the law to fortify the existing anti-corruption entity (OFNAC) and enhance the assets declaration law are all welcome steps. However, Staff urges the authorities to expedite the implementation of the remaining reforms needed to exit the Financial Action Task Force's (FATF) grey list. Additionally, the authorities should continue to make steadfast progress in improving financial transparency and accountability of public entities and companies that borrow on the regional or international markets.

46. Staff commends the authorities for their progress under the RSF, including the adoption of a Green Budget, which aligns the 2024 budget law with Senegal's priorities to build climate resilience. Staff urges the authorities to maintain the reform momentum under the RSF and to strengthen climate mitigation and adaptation policies, which is essential for catalyzing new investments from donors and the private sector.

47. Based on the program performance and the authorities' commitment to medium-term fiscal sustainability, staff supports the completion of the first reviews under the ECF/EFF/RSF. Staff also supports (i) the modification of a quantitative performance criteria, (ii) the addition of a quantitative performance criterion; (iii) the request for rephasing of availability date for disbursements; (iv) the addition of four new structural benchmarks, to strengthen Senegal's structural reform agenda; and (v) the rephasing of two existing structural benchmarks, to better align with the authorities' reform plans and capacity development needs. Policies outlined in the attached LOI are adequate to achieve the program's goals.

Table 1. Senegal: Selected Economic and Financial Indicators, 2021–28

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
			(Annual percentage change)							
National income and prices										
GDP at constant prices	6.5	4.0	5.3	4.1	10.6	8.3	10.2	5.2	5.1	5.3
Of which: Non-hydrocarbon GDP	6.5	4.0	5.3	4.1	6.0	5.4	6.0	6.0	6.0	6.0
GDP deflator	1.8	8.6	3.2	5.3	2.0	3.7	2.0	2.0	2.0	2.0
Consumer prices (annual average)	2.2	9.7	5.0	6.5	2.0	3.9	2.0	2.0	2.0	2.0
External sector										
Exports, f.o.b. (CFA francs)	26.3	25.5	15.7	-1.2	25.6	31.5	24.8	6.6	7.6	10.1
Imports, f.o.b. (CFA francs)	17.1	42.4	2.0	-3.2	0.7	6.7	9.2	7.6	8.1	9.3
Export volume	12.7	-5.1	17.5	-1.8	27.1	26.6	26.5	6.3	6.6	7.1
Import volume	11.3	7.9	6.8	-0.3	3.5	0.9	7.6	7.5	7.5	7.5
Terms of trade ("–" = deterioration)	6.5	0.2	3.2	3.6	1.7	-1.8	-2.8	0.2	0.4	1.2
Nominal effective exchange rate	1.0	...	...	...	...	...	...	...	...	...
Real effective exchange rate	-1.9	...	...	...	...	...	...	...	...	...
			(Changes in percent of beginning-of-year broad money)							
Money and Credit										
Broad money	15.4	21.6	20.0	17.0	...	10.7	...	...	...	...
Net domestic assets, *of which*	14.5	24.5	23.1	10.9	...	17.7	...	...	...	...
Credit to the government (net)	6.6	13.0	-0.9	-0.9	...	9.0	...	...	...	...
Credit to the economy (net)	7.0	11.2	15.1	15.0	...	10.1	...	...	...	...
			(Percent of GDP, unless otherwise indicated)							
Central government operations										
Revenue	19.5	19.9	21.5	21.2	21.8	22.0	22.5	23.1	23.3	23.4
Grants	0.9	0.8	1.6	1.5	1.2	1.4	1.2	1.2	1.2	1.2
Total expenditure	25.8	26.6	26.4	26.1	25.7	26.0	25.5	26.1	26.3	26.4
Net lending/borrowing (including grants)	-6.3	-6.6	-4.9	-4.9	-3.9	-3.9	-3.0	-3.0	-3.0	-3.0
Primary fiscal balance	-4.3	-4.4	-2.2	-2.3	-1.5	-1.2	-0.7	-0.7	-0.7	0.0
Savings and investment										
Current account balance (official transfers included)	-11.2	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Gross domestic investment	35.4	46.6	42.5	44.2	36.4	39.3	37.1	35.6	35.3	35.1
of which: Central Government	6.9	5.5	5.7	5.4	7.3	6.4	6.2	6.3	6.3	6.3
Gross national savings	24.3	26.9	29.2	29.7	30.3	30.4	32.3	31.0	30.9	30.8
of which: Central Government	4.9	6.2	5.0	4.9	5.5	5.8	6.4	6.4	6.7	6.7
Public sector debt										
Total public debt	73.3	76.0	77.7	79.6	73.2	72.5	67.4	67.2	67.0	65.5
Domestic public debt [1]	16.1	19.6	18.5	20.8	16.8	16.8	14.7	15.8	17.2	18.3
External public debt	57.2	56.4	59.3	58.7	56.5	55.7	52.7	51.4	49.8	47.1
Total public debt service (percent of revenue)	28.6	30.7	32.5	32.2	26.1	27.4	31.5	31.8	30.7	31.7
Memorandum items:										
Gross domestic product (CFAF billions)	15,288	17,268	18,770	18,930	21,176	21,258	23,886	25,624	27,473	29,835
of which non-hydrocarbon (CFAF billions)	15,288	17,268	18,767	18,930	20,171	20,722	22,503	24,383	26,363	28,807
Gross domestic product (USD billions)	27.6	27.7	...	...	...	...	...	...	...	...
Share of hydrocarbon in total GDP (percent)	...	...	0.0	0.0	4.7	2.5	5.8	4.8	4.0	3.4
National currency per U.S. dollar (average)	554	622.4	...	...	...	...	...	...	...	...

Sources: Senegal authorities; and IMF staff calculations.

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

Table 2. Senegal: Balance of Payments, 2021–28 (Billions of CFAF, unless otherwise indicated)

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
	(Billions of CFAF, unless otherwise indicated)									
Current account	-1,710	-3,415	-2,497	-2,743	-1,289	-1,889	-1,146	-1,177	-1,202	-1,302
Balance on goods	-1,662	-2,880	-2,443	-2,714	-1,363	-1,955	-1,364	-1,526	-1,679	-1,778
Exports, f.o.b.	3,045	3,822	4,392	3,774	5,517	4,964	6,194	6,603	7,108	7,826
Imports, f.o.b.	-4,707	-6,702	-6,834	-6,488	-6,880	-6,920	-7,558	-8,129	-8,787	-9,604
Services (net)	-1,203	-1,575	-1,401	-1,360	-1,251	-1,235	-1,139	-1,099	-1,064	-1,155
Export	715	832	942	983	1,005	1,021	1,046	1,049	1,053	1,110
Import	-1,917	-2,407	-2,343	-2,343	-2,256	-2,256	-2,185	-2,148	-2,117	-2,265
Incomes (net)	-416	-625	-466	-466	-544	-588	-630	-680	-727	-784
Credits	267	320	305	305	319	319	333	346	360	374
Debits	-683	-944	-771	-771	-862	-906	-963	-1,027	-1,087	-1,159
Of which: interest on public debt	-254	-323	-298	-298	-340	-384	-375	-395	-408	-428
Current transfers (net)	1,571	1,665	1,813	1,797	1,869	1,889	1,988	2,129	2,268	2,416
Private (net)	1,583	1,699	1,767	1,767	1,882	1,882	1,993	2,135	2,274	2,421
Public (net)	-11	-35	46	30	-14	7	-5	-6	-6	-6
Of which: budgetary grants	17	23	76	60	15	36	22	24	26	28
Capital and financial account	1,979	3,380	2,633	3,369	1,541	1,266	1,304	1,573	1,696	1,767
Capital account	122	127	241	241	251	264	278	291	308	326
Private capital transfers	13	5	9	9	8	8	9	9	9	9
Project grants	114	122	232	232	244	257	269	283	300	318
Debt cancellation and other transfers	-4	-1	-1	-1	-1	-1	-1	-1	-1	-1
Financial account	1,856	3,253	2,392	3,129	1,290	1,002	1,026	1,282	1,388	1,441
Direct investment	1,292	1,651	1,226	1,403	1,057	1,255	1,154	1,201	1,249	1,315
Portfolio investment (net)	822	-63	313	752	301	-216	83	502	551	528
Of which : Private			5	5	-7	-7	13	14	14	15
Of which : Eurobond issuance	287	0	0	0	0	0	0	284	284	284
Other investment	-257	1,665	853	973	-69	-36	-211	-422	-412	-402
Public sector (net)	321	389	606	827	263	296	315	168	220	284
Of which : disbursements	586	904	1,276	1,497	825	857	793	833	871	908
program loans	70	237	359	348	254	248	111	111	111	111
project loans	516	415	436	436	571	445	572	572	589	607
other	0	251	482	713	0	164	110	150	170	190
amortization	-266	-515	-670	-670	-562	-562	-477	-666	-651	-624
Private sector (net)	-578	1,276	247	147	-332	-332	-526	-590	-632	-686
Errors and omissions	-170	0	0	0	0	0	0	0	0	0
Overall balance	99	-35	136	627	252	-624	158	396	494	466
Gross reserve accumulation targeted (/1)	…	…	490	975	413	-468	277	356	…	…
Financing gap before accounting for the IMF UCT pogram	…	…	354	348	161	156	118	-40	…	…
Net IMF UCT Financing Support	102	242	354	348	161	156	118	-40	…	…
Net financing from previous programs	102	242	89	87	-107	-104	-142	-171	…	…
Purchases/disbursements	102	242	133	131	0	0	0	0	…	…
Repurchases/repayments	0	0	44	44	107	104	142	171	…	…
New EFF/ECF	…	…	266	261	268	260	261	131	…	…
EFF	…	…	177	174	179	173	174	87	…	…
ECF	…	…	89	87	89	87	87	44	…	…
Financing Gap after accounting for the IMF UCT pogram	…	…	0	0	0	0	0	0	…	…
RSF Financing Support	…	…	40	39	80	78	78	0	…	…
Gross reserve accumulation including the IMF UCT and RSF program (/1)	201	207	530	1,014	493	-389	355	356	…	…
Memorandum items:										
Current account balance (percent of GDP)										
Including current official transfers	-11.2	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Excluding current official transfers	-11.4	-20.0	-13.8	-14.9	-6.2	-9.1	-4.9	-4.7	-4.5	-4.5
Gross domestic product	15,288	17,268	18,770	18,930	21,176	21,258	23,886	25,624	27,473	29,835

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

[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. The historical gross reserve contributon of Senegal is imputed.

Table 3. Senegal: Balance of Payments, 2021–28 (In percent of GDP)

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
	(Percent of GDP, unless otherwise indicated)									
Current account	-11.2	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Balance on goods	-10.9	-16.7	-13.0	-14.3	-6.4	-9.2	-5.7	-6.0	-6.1	-6.0
Exports, f.o.b.	19.9	22.1	23.4	19.9	26.1	23.4	25.9	25.8	25.9	26.2
Imports, f.o.b.	-30.8	-38.8	-36.4	-34.3	-32.5	-32.6	-31.6	-31.7	-32.0	-32.2
Services (net)	-7.9	-9.1	-7.5	-7.2	-5.9	-5.8	-4.8	-4.3	-3.9	-3.9
Export	4.7	4.8	5.0	5.2	4.7	4.8	4.4	4.1	3.8	3.7
Import	-12.5	-13.9	-12.5	-12.4	-10.7	-10.6	-9.1	-8.4	-7.7	-7.6
Incomes (net)	-2.7	-3.6	-2.5	-2.5	-2.6	-2.8	-2.6	-2.7	-2.6	-2.6
Credits	1.7	1.9	1.6	1.6	1.5	1.5	1.4	1.4	1.3	1.3
Debits	-4.5	-5.5	-4.1	-4.1	-4.1	-4.3	-4.0	-4.0	-4.0	-3.9
Of which: interest on public debt	-1.7	-1.9	-1.6	-1.6	-1.6	-1.8	-1.6	-1.5	-1.5	-1.4
Current transfers (net)	10.3	9.6	9.7	9.5	8.8	8.9	8.3	8.3	8.3	8.1
Private (net)	10.4	9.8	9.4	9.3	8.9	8.9	8.3	8.3	8.3	8.1
Public (net)	-0.1	-0.2	0.2	0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Of which: budgetary grants	0.1	0.1	0.4	0.3	0.1	0.2	0.1	0.1	0.1	0.1
Capital and financial account	12.9	19.6	14.0	17.8	7.3	6.0	5.5	6.1	6.2	5.9
Capital account	0.8	0.7	1.3	1.3	1.2	1.2	1.2	1.1	1.1	1.1
Private capital transfers	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	0.7	0.7	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1
Debt cancellation and other transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	12.1	18.8	12.7	16.5	6.1	4.7	4.3	5.0	5.1	4.8
Direct investment	8.4	9.6	6.5	7.4	5.0	5.9	4.8	4.7	4.5	4.4
Portfolio investment (net)	5.4	-0.4	1.7	4.0	1.4	-1.0	0.3	2.0	2.0	1.8
Of which : Private	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Of which : Eurobond issuance	1.9	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.0	1.0
Other investment	-1.7	9.6	4.5	5.1	-0.3	-0.2	-0.9	-1.6	-1.5	-1.3
Public sector (net)	2.1	2.3	3.2	4.4	1.2	1.4	1.3	0.7	0.8	1.0
Of which : disbursements	3.8	5.2	6.8	7.9	3.9	4.0	3.3	3.3	3.2	3.0
program loans	0.5	1.4	1.9	1.8	1.2	1.2	0.5	0.4	0.4	0.4
project loans	3.4	2.4	2.3	2.3	2.7	2.1	2.4	2.2	2.1	2.0
other	0.0	1.5	2.6	3.8	0.0	0.8	0.5	0.6	0.6	0.6
amortization	-1.7	-3.0	-3.6	-3.5	-2.7	-2.6	-2.0	-2.6	-2.4	-2.1
Private sector (net)	-3.8	7.4	1.3	0.8	-1.6	-1.6	-2.2	-2.3	-2.3	-2.3
Errors and omissions	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.6	-0.2	0.7	3.3	1.2	-2.9	0.7	1.5	1.8	1.6
Gross reserve accumulation targeted (/1)	...	...	3	5.2	1.9	-2.2	1.2	1.4	...	...
Financing Gap before accounting for the IMF UCT program	...	...	2	1.8	0.8	0.7	0.5	-0.2	...	...
Net IMF UCT Financing Support	0.7	1.4	1.9	1.8	0.8	0.7	0.5	-0.2	...	...
Net financing from previous programs	0.7	1.4	0.5	0.5	-0.5	-0.5	-0.6	-0.7	...	...
Purchases/disbursements	0.7	1.4	0.7	0.7	0.0	0.0	0.0	0.0	...	...
Repurchases/repayments	0.0	0.0	0.2	0.2	0.5	0.5	0.6	0.7	...	...
New EFF/ECF	...	...	1	1.4	1.3	1.2	1.1	0.5	...	...
EFF	...	...	1	0.9	0.8	0.8	0.7	0.3	...	...
ECF	...	...	0	0.5	0.4	0.4	0.4	0.2	...	...
Financing Gap after accounting for the IMF UCT pogram	...	...	0	0.0	0.0	0.0	0.0	0.0	...	...
RSF Financing Support	...	...	0	0.2	0.4	0.4	0.3	0.0	...	...
Gross reserve accumulation including the IMF UCT and RSF program (/1)	1.3	1.2	2.8	5.4	2.3	-1.8	1.5	1.4	...	...
Memorandum items:										
Current account balance (percent of GDP)										
Including current official transfers	-11.2	-19.8	-13.3	-14.5	-6.1	-8.9	-4.8	-4.6	-4.4	-4.4
Excluding current official transfers	-11.4	-20.0	-13.8	-14.9	-6.2	-9.1	-4.9	-4.7	-4.5	-4.5
Gross domestic product	15,288	17,268	18,770	18,930	21,176.4	21,258	23,886	25,624	27,473	29,835

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

[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. The historical gross reserve contributon of Senegal is imputed.

Table 4. Senegal: Central Government Operations, GFSM 2001 Classification, 2021–28
(Billions of CFAF, unless otherwise indicated)

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
Revenue and Grants	**2,978**	**3,444**	**4,029**	**4,014**	**4,621**	**4,682**	**5,370**	**5,909**	**6,410**	**6,977**
Taxes	2,593	3,136	3,517	3,518	4,123	4,180	4,792	5,258	5,742	6,296
Direct taxes	860	1,103	1,150	1,150	1,358	1,433	1,650	1,809	1,921	2,103
Taxes on income, profits, capital gains	771	1,011	1,061	1,062	1,238	1,318	1,509	1,656	1,755	1,922
Taxes on payroll and workforce	33	39	41	41	46	45	49	53	57	62
Taxes on property	55	53	47	47	75	70	93	101	109	119
Taxes on goods and services	1,293	1,500	1,753	1,753	2,070	2,048	2,392	2,598	2,900	3,192
Taxes on international trade and transactions	393	488	559	559	631	639	638	730	789	856
Other taxes	47	44	55	55	64	60	113	122	132	144
Grants	131	146	308	292	259	292	292	307	326	346
Budget	17	23	76	60	15	36	22	24	26	28
Projects	114	122	232	232	244	257	269	283	300	318
Other revenue	255	162	204	204	239	210	286	344	343	334
Expenditure	**3,944**	**4,589**	**4,948**	**4,950**	**5,452**	**5,521**	**6,093**	**6,675**	**7,227**	**7,862**
Expense	2,537	3,310	3,516	3,587	3,388	3,698	3,948	4,309	4,596	4,980
Compensation of employees	908	1,135	1,310	1,310	1,482	1,442	1,672	1,794	1,896	2,059
of which: youth employment program	22	32	37	37	...	...	...	...		
Use of goods and services	355	332	289	359	345	428	462	504	544	596
Interest	307	384	502	502	507	578	556	592	629	695
Subsidies	236	792	659	699	259	321	236	280	301	325
of which: energy subsidies	145	692	556	595	153	215	117	126	136	146
Social benefits	23	26	52	52	57	60	64	69	74	81
Other expense	184	149	170	170	209	210	218	252	274	272
Net acquisition of nonfinancial assets	1,406	1,279	1,433	1,363	2,064	1,823	2,146	2,366	2,631	2,882
Domestically financed	776	742	765	695	1,249	1,122	1,305	1,511	1,741	1,957
Externally financed	630	537	668	668	815	702	841	855	889	925
Net lending/borrowing *(Overall balance)*	**-965**	**-1,145**	**-920**	**-936**	**-831**	**-838**	**-724**	**-766**	**-816**	**-886**
Primary balance	**-659**	**-761**	**-417**	**-433**	**-324**	**-260**	**-167**	**-174**	**-187**	**-191**
Non-Hydrocarbon Primary Balance	**-659**	**-761**	**-420**	**-435**	**-444**	**-310**	**-342**	**-432**	**-404**	**-343**
Transactions in financial assets and liabilities (Financing)	**-965**	**-1,145**	**-920**	**-936**	**-831**	**-838**	**-724**	**-766**	**-816**	**-886**
Net acquisition of financial assets	402	91	310	915	0	-555	0	0	0	0
Domestic	402	91	310	915	0	-555	0	0	0	0
Currency and deposits	386	58	0	605	0	-605	0	0	0	0
Other accounts receivable	16	33	310	310	0	50	0	0	0	0
Foreign	0	0	0	0	0	0	0	0	0	0
Net incurrence of liabilities	1,366	1,236	1,229	1,851	831	284	724	766	816	886
Domestic	220	662	10	-23	-72	-125	-24	-45	54	83
IMF and SDRs	102	242	89	87	-107	-104	-142	-171	-131	-93
Debt securities (net)	140	442	74	75	40	13	145	151	185	175
Debt securities (net, without RSF)	140	442	114	114	120	91	224	151	185	175
Loans	-23	-86	-7	-39	-5	-33	-27	-25	0	0
Other accounts payable	1	63	-146	-146	0	0	0	0	0	0
Foreign	1,146	574	954	1,612	635	148	487	681	763	803
Debt securities (net)	825	185	308	747	292	-164	87	507	536	512
T-bills and bonds issued in WAEMU	538	185	308	747	292	-164	87	223	252	228
Eurobond	287	0	0	0	0	0	0	284	284	284
Loans	321	389	646	866	343	312	400	174	226	291
Program loans	70	237	399	387	334	265	196	117	118	118
o/w IMF RSF	...	...	40	39	80	78	78	0	0	0
Project loans	516	415	436	436	571	445	572	572	589	607
Nonconcessional loans	0	251	482	713	0	164	110	150	170	190
Other	-266	-515	-670	-670	-562	-562	-477	-666	-651	-624
Other accounts payable	0	0	0	0	0	0	0	0	0	0
Financing Gap covered by IMF ECF/EFF	**0**	**0**	**266**	**261**	**268**	**260**	**261**	**131**	**0**	**0**
ECF			89	87	89	87	87	44	0	0
EFF	...	...	177	174	179	173	174	87	0	0
Additional Financing										
RSF	...	...	40	39	80	78	78	0	0	...
Exceptional Financing[1]	0	...	...	...	...	...	...	...	...	
Memorandum items:										
Clearance of unmet obligations (pre-2020)	133	16	...	...	...	...	...	...	...	...
Hydrocarbon revenues		0	3	1	120	50	174	258	217	152
Nominal GDP	15,288	17,268	18,770	18,930	21,176	21,258	23,886	25,624	27,473	29,835

Sources: Ministry of Finance; and IMF staff calculations.

[1] Suspended debt service under the debt service suspension initiative (DSSI).

Table 5. Senegal: Central Government Operations, GFSM 2001 Classification, 2021–28 (In percent of GDP)

	2021	2022	2023		2024		2025	2026	2027	2028
	Act.	Est.	IMF CR 23/250	Proj.	IMF CR 23/250	Proj.	Projections			
Revenue and Grants	**19.5**	**19.9**	**21.5**	**21.2**	**21.8**	**22.0**	**22.5**	**23.1**	**23.3**	**23.4**
Taxes	17.0	18.2	18.7	18.6	19.5	19.7	20.1	20.5	20.9	21.1
Direct Taxes	5.6	6.4	6.1	6.1	6.4	6.7	6.9	7.1	7.0	7.0
Taxes on goods and services	8.5	8.7	9.3	9.3	9.8	9.6	10.0	10.1	10.6	10.7
Taxes on international trade and transactions	2.6	2.8	3.0	3.0	3.0	3.0	2.7	2.8	2.9	2.9
Other taxes	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5
Grants	0.9	0.8	1.6	1.5	1.2	1.4	1.2	1.2	1.2	1.2
Budget	0.1	0.1	0.4	0.3	0.1	0.2	0.1	0.1	0.1	0.1
Projects	0.7	0.7	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1
Other revenue	1.7	0.9	1.1	1.1	1.1	1.0	1.2	1.3	1.2	1.1
Expenditure	**25.8**	**26.6**	**26.4**	**26.1**	**25.7**	**26.0**	**25.5**	**26.1**	**26.3**	**26.4**
Expense	16.6	19.2	18.7	18.9	16.0	17.4	16.5	16.8	16.7	16.7
Compensation of employees	5.9	6.6	7.0	6.9	7.0	6.8	7.0	7.0	6.9	6.9
of which: youth employment program	0.1	0.2	0.2	0.2	...	...	...	...	...	
Use of goods and services	2.3	1.9	1.5	1.9	1.6	2.0	1.9	2.0	2.0	2.0
Interest	2.0	2.2	2.7	2.7	2.4	2.7	2.3	2.3	2.3	2.3
Subsidies	1.5	4.6	3.5	3.7	1.2	1.5	1.0	1.1	1.1	1.1
of which: energy subsidies	0.9	4.0	3.0	3.1	0.7	1.0	0.5	0.5	0.5	0.5
Social benefits	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other expense	1.2	0.9	0.9	0.9	1.0	1.0	0.9	1.0	1.0	0.9
Net acquisition of nonfinancial assets	9.2	7.4	7.6	7.2	9.7	8.6	9.0	9.2	9.6	9.7
Domestically financed	5.1	4.3	4.1	3.7	5.9	5.3	5.5	5.9	6.3	6.6
Externally financed	4.1	3.1	3.6	3.5	3.8	3.3	3.5	3.3	3.2	3.1
Net lending/borrowing *(Overall balance)*	**-6.3**	**-6.6**	**-4.9**	**-4.9**	**-3.9**	**-3.9**	**-3.0**	**-3.0**	**-3.0**	**-3.0**
Primary balance	**-4.3**	**-4.4**	**-2.2**	**-2.3**	**-1.5**	**-1.2**	**-0.7**	**-0.7**	**-0.7**	**-0.7**
Non-Hydrocarbon Primary Balance	**-4.3**	**-4.4**	**-2.2**	**-2.3**	**-2.1**	**-1.5**	**-1.4**	**-1.7**	**-1.5**	**-1.2**
Transactions in financial assets and liabilities (Financing)	**-6.3**	**-6.6**	**-4.9**	**-4.9**	**-3.9**	**-3.9**	**-3.0**	**-3.0**	**-3.0**	**-3.0**
Net acquisition of financial assets	2.6	0.5	1.7	4.8	0.0	-2.6	0.0	0.0	0.0	0.0
Domestic	2.6	0.5	1.7	4.8	0.0	-2.6	0.0	0.0	0.0	0.0
Currency and deposits	2.5	0.3	0.0	3.2	0.0	-2.8	0.0	0.0	0.0	0.0
Other accounts receivable	0.1	0.2	1.7	1.6	0.0	0.2	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	8.9	7.2	6.6	9.8	3.9	1.3	3.0	3.0	3.0	3.0
Domestic	1.4	3.8	0.1	-0.1	-0.3	-0.6	-0.1	-0.2	0.2	0.3
IMF and SDRs	0.7	1.4	0.5	0.5	-0.5	-0.5	-0.6	-0.7	-0.5	-0.3
Debt securities (net)	0.9	2.6	0.4	0.4	0.2	0.1	0.6	0.6	0.7	0.6
Debt securities (net, without RSF)	0.9	2.6	0.6	0.6	0.6	0.4	0.9	0.6	0.7	0.6
Loans	-0.2	-0.5	0.0	-0.2	0.0	-0.2	-0.1	-0.1	0.0	0.0
Other accounts payable	0.0	0.4	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	7.5	3.3	5.1	8.5	3.0	0.7	2.0	2.7	2.8	2.7
Debt securities (net)	5.4	1.1	1.6	3.9	1.4	-0.8	0.4	2.0	2.0	1.7
T-bills and bonds issued in WAEMU	3.5	1.1	1.6	3.9	1.4	-0.8	0.4	0.9	0.9	0.8
Eurobond	1.9	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.0	1.0
Loans	2.1	2.3	3.4	4.6	1.6	1.5	1.7	0.7	0.8	1.0
Program loans	0.5	1.4	2.1	2.0	1.6	1.2	0.8	0.5	0.4	0.4
o/w IMF RSF			0.2	0.2	0.4	0.4	0.3	0.0	0.0	0.0
Project loans	3.4	2.4	2.3	2.3	2.7	2.1	2.4	2.2	2.1	2.0
Nonconcessional loans	0.0	1.5	2.6	3.8	0.0	0.8	0.5	0.6	0.6	0.6
Other	-1.7	-3.0	-3.6	-3.5	-2.7	-2.6	-2.0	-2.6	-2.4	-2.1
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap covered by IMF ECF/EFF	**0.0**	**0.0**	**1.4**	**1.4**	**1.3**	**1.2**	**1.1**	**0.5**	**0.0**	**0.0**
SBA/SCF	0.0	0.0	...	...	...	...	...	...	...	...
SBA/SCF Augmentation	...	0.0	...	...	...	...	...	...	...	...
ECF	...	...	0	0.5	0.4	0.4	0.4	0.2	0.0	0.0
EFF	...	...	1	0.9	0.8	0.8	0.7	0.3	0.0	0.0
Additional Financing										
RSF	...	...	0	0.2	0.4	0.4	0.3	0.0	0.0	
Exceptional Financing[1]	0	...	...	...	...	...	...	...	...	...
Memorandum items:										
Clearance of unmet obligations (pre-2020)	0.9	0.1	...	...	...	...	...	...	...	...
Hydrocarbon revenues	...	0.0	0.0	0.0	0.6	0.2	0.7	1.0	0.8	0.5
Non-oil tax to non-oil GDP ratio	...	18.2	18.7	18.6	19.8	19.9	20.5	20.5	21.0	21.3
Nominal GDP	15,288	17,268	18,770	18,930	21,176	21,258	23,886	25,624	27,473	29,835

Sources: Ministry of Finance; and IMF staff calculations.

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

Table 6. Senegal: Monetary Survey, 2020–24

	2020	2021	2022	2023		2024
	Act.	Act.	Est.	IMF CR 23/250	Proj.	Proj.
			(Billions of CFAF)			
Net foreign assets	1,905	2,004	1,975	2,181	2,601	1,978
BCEAO	1,194	1,329	1,115	1,321	1,742	1,118
Commercial banks	711	675	860	860	860	860
Net domestic assets	5,096	6,022	7,827	9,487	8,823	10,660
Net domestic credit	6,103	6,971	8,754	9,969	10,039	12,016
Net credit to the government[1]	1,435	1,859	2,817	2,673	2,733	3,673
Central bank	74	326	736	459	519	1,358
Commercial banks	1,361	1,533	2,078	2,213	2,213	2,315
Other institutions	2	2	2	2	2	2
Credit to the economy	4,668	5,112	5,939	7,296	7,306	8,343
Shares and other equity	-771	-861	-974	-1,057	-1,068	-1,199
Other items (net)	-236	-88	-150	576	-148	-158
Broad money	6,389	7,370	8,961	10,756	10,504	11,606
Currency outside banks	1,529	1,855	2,147	2,824	2,758	3,048
Total deposits	4,860	5,516	6,814	7,931	7,746	8,558
Demand deposits	2,984	3,392	4,458	5,188	5,067	5,599
Time deposits	1,876	2,124	2,356	2,743	2,679	2,960
Non-liquid Liabilities	611	656	840	912	920	1,031
			(Change in percentage of beginning-of-period broad money stock)			
Net foreign assets	-1.2	1.6	-0.4	-2.3	7.0	-5.9
Net domestic assets	16.4	14.5	24.5	23.1	11.1	17.5
Net credit to the government[1]	15.4	6.6	13.0	-0.9	-0.9	9.0
Credit to the economy (net)	1.2	7.0	11.2	15.1	15.256	9.9
Broad money	12.3	15.4	21.6	20.0	17.2	10.5
Memorandum items:			(Units indicated)			
Velocity (GDP/broad money; end of period)	2.2	2.1	1.9	1.7	1.8	1.8
Nominal GDP growth (percentage growth)	2.8	8.4	13.0	8.7	9.6	12.3
Credit to the private sector (percentage growth)	2.2	10.3	22.2	20.8	21.0	15.4
Credit to the private sector/GDP (percent)	29.3	29.8	32.3	35.9	35.6	36.6

Sources: BCEAO; and IMF staff calculations.

[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 Sector Indicators for the Banking Sector, 2015–22

	2015	2016	2017	2018 [1]	2019	2020	2021	2022
	December							
Solvency ratios								
Regulatory capital to risk weighted assets	19.1	14.5	13.6	10.5	13.1	11.9	12.0	12.5
Tier I capital to risk-weighted assets	16.3	13.8	13.2	11.4	12.4	11.3	11.3	11.5
Provisions to risk-weighted assets	16.0	13.6	11.6	8.9	10.7	9.8	8.7	9.0
Capital to total assets	8.3	7.2	7.6	7.9	7.1	7.1	6.6	5.6
Composition and quality of assets								0.0
Total loans to total assets	55.5	53.6	60.5	61.3	62.6	59.5	56.4	55.9
Concentration: loans to 5 largest borrowers to capital	46.4	63.7	71.6	69.2	87.4	77.8	76.6	87.0
Sectoral distribution of loans [2]								
Agriculture	2.6	2.2	2.4	2.4	2.3	2.2	2.5	3.2
Extractive industries	0.8	0.8	0.8	1.2	1.4	1.5	1.2	1.2
Manufacturing	21.1	18.7	17.2	15.3	16.0	15.0	14.1	16.5
Electricity, water and gas	1.8	1.7	2.1	2.1	3.0	2.8	4.2	4.1
Construction	3.9	4.9	5.7	4.5	6.9	4.3	5.0	4.2
Retail and wholesale trade, restaurants and hotels	25.4	25.3	23.1	26.0	23.2	22.6	21.5	22.0
Transportation and communication	10.0	12.0	12.9	12.8	11.6	11.9	10.1	8.6
Insurance, real estate and services	7.0	7.1	8.6	7.5	7.5	6.9	7.6	7.5
Other services	27.5	27.2	27.2	28.2	28.2	32.8	33.8	32.8
Gross NPLs to total loans	19.3	18.0	16.2	13.1	13.9	13.3	11.5	9.3
Provisioning rate	57.7	62.5	59.7	68.1	61.5	66.7	68.2	72.4
Net NPLs to total loans	9.2	7.6	7.2	4.6	5.9	4.9	4.0	2.7
Net NPLs to capital	61.4	56.4	57.7	38.7	51.5	41.1	33.8	27.4
Earnings and profitability [3]								
Average cost of borrowed funds	2.2	2.3	2.4	2.2	0.50	0.40	2.00	2.0
Average interest rate on loans	8.2	8.4	8.6	7.6	7.90	7.20	6.90	6.6
Average interest margin [4]	6.0	6.1	6.2	5.4	7.40	6.80	4.90	4.6
After-tax return on average assets (ROA)	0.8	1.0	1.7	0.7	1.23	1.00	1.43	1.3
After-tax return on average equity (ROE)	9.0	13.0	19.9	7.2	12.62	11.10	16.77	15.8
Noninterest expenses/net banking income	61.0	57.7	58.0	57.3	60.19	62.34	58.66	54.0
Salaries and wages/net banking income	26.1	25.0	24.9	26.8	25.28	26.91	25.64	24.5
Liquidity								
Liquid assets to total assets	27.4	26.8	28.3	31.8	27.0	24.1	22.7	24.8
Liquid assets to total deposits	39.7	40.6	41.8	47.9	34.5	34.5	34.5	35.1
Total loans to total deposits	90.6	91.5	99.1	101.6	97.4	93.7	88.8	85.0
Total deposits to total liabilities	69.0	66.0	67.6	66.3	70.3	69.8	68.9	70.5
Sight deposits to total liabilities [5]	38.3	37.8	37.5	37.1	40.3	39.4	40.4	42.3
Term deposits to total liabilities	30.6	28.2	30.1	29.2	30.0	30.4	28.6	28.2

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: Capacity to Repay, 2023–2033

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
IMF obligations based on existing credit											
(SDR millions)											
Principal	27.0	129.5	176.8	211.8	165.4	101.6	88.7	62.3	34.8	28.8	14.4
Charges and interest	9.1	31.8	24.1	16.4	8.8	5.2	4.1	3.2	2.2	1.3	0.4
IMF obligations based on existing and prospective credit 1/											
(SDR millions)											
Principal	27.0	129.5	176.8	211.8	165.4	128.5	167.8	199.0	202.0	201.4	187.0
GRA	27.0	129.5	156.4	159.1	100.7	58.4	80.9	116.9	125.9	125.9	116.9
PRGT	0.0	0.0	20.4	52.7	64.7	70.1	86.9	82.1	76.1	75.5	70.1
RST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	22.1	37.0	48.4	60.6	61.0	57.7	54.9	50.0	44.0	38.5	33.0
Total outstanding Fund credit based on existing and prospective drawings											
SDR Millions	1224.3	1515.5	1759.4	1709.4	1544.0	1415.5	1247.7	1048.7	846.8	645.4	458.4
GRA	765.8	852.1	911.5	860.2	759.6	701.1	620.2	503.4	377.5	251.7	134.8
PRGT	409.9	517.7	605.2	606.5	541.8	471.6	384.7	302.6	226.5	151.0	80.9
RST	48.5	145.6	242.7	242.7	242.7	242.7	242.7	242.7	242.7	242.7	242.7
CFA francs	1018.9	1223.6	1414.2	1376.8	1246.6	1149.1	1012.9	851.4	687.4	524.0	372.2
Percent of GDP	5.4	5.8	6.0	5.4	4.6	3.9	3.2	2.5	1.9	1.4	0.9
Percent of quota	378.3	468.3	543.7	528.2	477.1	437.4	385.6	324.1	261.7	199.4	141.7
GRA	236.7	263.3	281.7	265.8	234.7	216.7	191.7	155.6	116.7	77.8	41.7
PRGT	126.7	160.0	187.0	187.4	167.4	145.7	118.9	93.5	70.0	46.7	25.0
RSF	15.0	45.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Net use of IMF credit (SDR millions)											
Disbursements	372.1	420.7	420.7	161.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	49.0	166.4	225.2	272.4	226.3	186.3	222.7	249.0	246.0	239.9	220.0
Percent of government revenue	1.2	3.6	4.2	4.7	3.5	2.7	2.9	3.1	2.8	2.5	2.2
Percent of exports of goods and services	1.0	2.7	3.2	3.6	2.8	2.1	2.4	2.5	2.3	2.1	1.8
Percent of external debt service	4.8	15.0	19.7	17.1	13.7	11.0	14.3	15.0	12.7	11.7	10.9
Memorandum items:											
Nominal GDP (billions of CFA francs)	18,769	21,099	23,709	25,430	27,267	29,616	31,515	33,742	36,047	38,515	41,188
Exports of goods and services (billions of CFA francs)	5,007	6,146	7,145	7,598	8,115	8,880	9,250	9,902	10,633	11,461	12,321
Government revenue (billions of CFA francs)	4013.1	4577.6	5323.0	5842.1	6384.4	6957.2	7568.9	8136.9	8674.3	9428.2	10227.9
External Debt service (billions of CFA francs)	1024.4	1107.3	1145.5	1593.2	1647.3	1700.5	1556.4	1660.3	1943.7	2049.1	2017.2
IMF Quota (SDR millions)	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6	323.6
CFA francs/SDR (period average)	832	807	804	805	807	812	812	812	812	812	812

Source: IMF staff calculations.

1/ Senegal belongs to Group B for purposes of RSF interest.

Table 9. Senegal: Preliminary Performance Criteria and Indicative Targets Under the ECF and the EFF, June 2023–December 2024

	2023				2023		2024		2024
	Jun. QPC				Dec. QPC Target		Jun. QPC Target		Dec. QPC Target
	Program	Adj. Prog.	Actual	Status	Program request	Proposed	Program request	Proposed	Proposed
Performance criteria									
Floor on nonhydrocarbon primary balance (CFA billion)[1]	-335	-335	-334	Met	-417	-435	-335	-156	-310
Floor on nonhydrocarbon tax revenue (CFA billion)	1,602	...	1,668	Met	3,514	3,514	1,882	1,882	4,155
Ceiling on the present value of public sector external new borrowing (CFA billion)[2]	3755	...	2,403	Met	3755	3755	1,828	1,828	2,543
Ceiling on public sector external payment arrears (stock)[3]	0	...	0	Met	0	0	0	0	0
Ceiling on public sector domestic payment arrears (stock)[3]	0	...	0	Met	0	0	0	0	0
Floor on deposit of the Central Government at the BCEAO (CFA billion)	...	...	...	...	...	626.7	...	22.0	22.0
Indicative Targets									
Ceiling on total nominal public sector debt (CFA billion)[4]	14,591	...	14,802	Not met	14,591	14,591	15,507	15,507	15,564
Floor on social expenditures (percent of total spending)	40	...	43	Met	40	40	40	40	40
Ceiling on the stock of government amounts payable (CFA billion)	40	...	33.3	Met	40	40	40	80	80
Memorandum items:									
Budget grants	...	...	16.4	...	76	60	...	...	36
Shortfall in program grants relative to program projections (CFA billion)	...	...	...	...	18.8	18.8	15.2	15.2	15.2
Ceiling on the share of the value of public sector contracts signed by single tender (percent)	15	...	49.8	...	15	15	15	15	15
Ceiling on spending through simplified procedures for non-personalized services (percent)	2	...	0.03	...	2	2	2	2	2
Net Domestic and Regional Financing of the Government	...	...	...	...	340.2	340.2	...	...	300

Sources: Senegalese authorities; and IMF staff calculations.

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

[2] Contracting basis. Cumulative since the beginning of the calendar year. US$ debt converted at program exchange rate at the end of the year. Adjustors will be applied to reflect 2023 over-financing towards 2024 debt service, increasing the ceiling in 2023 and lowering the ceiling in 2024.

[3] Continuous performance criterion.

[4] US$ dette convertie au taux de change du programme à fin décembre 2022. Des ajustements seront appliqués pour refléter le surfinancement de 2023 envers le service de la dette de 2024 et pour refléter les insuffisances des subventions budgétaires..

Table 10. Senegal: Prior Action and Structural Benchmarks for the First (*), Second, and Third Review

#	Description	Justifications/Rationale	Target dates	Status
	Prior Action			
	Submit to the National Assembly the 2024 budget law reflecting a deficit target of 3.9 percent of GDP		5 days before the board meeting	Met
	Structural Benchmarks			
	First Review			
1	Strengthen the Legislation and International Cooperation Directorate at the DGID through a ministerial decision by giving it the mandate to coordinate all issues relating to domestic tax policy	Ensuring consistency and strategic alignment with international standards	September 2023	Met
2	Reinforce the legal obligation for public service companies and certain public entities to automatically communicate all information about their customers (identities, nature of accounts, and addresses of customers) to the tax authorities in order to improve the tax compliance of these customers	Improving tax compliance through better data accuracy and transparency	October 2023	Met
3	Submit to the National Assembly a draft law amending the existing law creating the anti-corruption body (OFNAC), which strengthens its powers and prerogatives, according to the details provided in paragraph 33 of the Memorandum of Economic and Financial Policies	Strengthening the institutional framework against corruption, promoting good governance and public trust	October 2023	Not met, implemented with delay
4	Submit to the National Assembly a draft law amending the existing law on assets declaration to strengthen its effectiveness, according to the details provided in paragraph 34 of the Memorandum of Economic and Financial Policies	Ensuring more robust compliance, aiding in the detection and prevention of financial improprieties	October 2023	Not met, implemented with delay
5	Put in place an independent body with the mandate to regularly determine and publish petroleum product prices, based on the revised petroleum product pricing formula, including the frequency of adjustment and the related smoothing mechanism.	Reduce energy subsidies	November 2023	Met
6	Prepare a tax expenditure rationalization strategy/plan that clearly identifies the specific tax measures to be abolished, in particular on VAT, and from 2024 reduce them by at least 100 billion CFA francs per year over the next two years	Enabling focused tax policy that can reduce fiscal deficits and improve economic efficiency	November 2023	Met
	Second Review			
1	Broaden the tax base by increasing by 25,000 the number of taxpayers registered with the Department in charge of small and micro-enterprises	Enhancing revenue streams and fosters a more equitable tax distribution among small and micro-enterprises	December 2023	
2	Automate the tax compliance (*prélevement de conformité fiscale*) liquidation process through the issuance of a Ministerial decree	Reducing errors and increasing efficiency in tax collection	December 2023	
3	Revise and publish the current pricing formula for petroleum products (gasoline and diesel) to ensure that prices at the pump reflect developments in international markets. The revision will cover: (i) the various elements of the price structure; (ii) the reference price, (iii) a gradual price adjustment mechanism to avoid large variations, and (iv) the frequency of price adjustments.	Ensuring fuel prices accurately mirror international market trends, fostering economic stability and consumer fairness	December 2023	
4	Reclassify investments previously executed through capital transfer (chapter 6 of the budget nomenclature) as investments executed by the central government (chapter 5) through the normal budget circuit, which brings about stronger internal controls.	Promoting transparency and stronger internal controls within the government's budgetary processes	Quarterly monitoring, from end-December 2023	
5	Implement a VAT taxation system for online sales of digital goods and services	Enhancing revenue mobilization	New SB, December 2023	Proposed
6	Finalize the financial audit of SENELEC with a view to revising the maximum authorized revenue (*RMA*) formula with a view to better understanding the structure of Senelec's variable and fixed costs and its impact on the cost of electricity production	Clear understanding of the SENELEC's cost structure and its impact on electricity production costs, thereby enhancing operational efficiency and ensuring fair pricing strategies	New SB, May 2024	Proposed
	Third Review			
1	Gradually eliminate the treasury deposit accounts (*comptes de depot*) used by public entities without legal personality (*services non-personnalisés de l'État*) to strengthen internal control and improve the transparency of public finances	Strengthen internal control and enhance transparency	June 2024	
2	Propose a new electricity tariff structure by introducing a social tariff applicable to the vulnerable segment of the population	Ensuring equitable access to essential services while addressing socio-economic disparities	New SB, September 2024	Proposed
3	Finalize an inventory of movable and immovable collaterals with the aim to put in place a collateral register (combining data on movable and non-movable assets) accessible online, in collaboration with BCEAO	Facilitating secure transactions and improves financial transparency	New SB, November 2024	Proposed
4	Deploy the functionalities of the land management system (LMS) which will manage the most usual procedures (creation and delivery of the cadastral number of the plot, establishment of the inventory, processing of requests for statements of real rights, delivery of extracts plan) with the aim of having the full LMS in place before the end of 2025	Enhancing efficiency and reducing the potential for disputes or fraud	New SB, November 2024	Proposed
5	Publish certified financial statements of all public entities and companies having borrowed on the regional or international market following the format retained within the framework of the program	Enhancing transparency and accountability	New SB, November 2024	Proposed

Table 11. Senegal: RSF Reform Areas and Reform Measures, 2023–25

#	Focus	Area	Measures	Target dates	Status
Pillar I - Supporting Senegal's Response to Climate Change					
RM2	M	Support decarbonization	(i) Adopt at the Council of Ministers an implementation plan for the strategy for greener public transport and (ii) reflect it in the 2024 PIP budget of the Ministry of Transport, in line with the objectives of the NDC.	End-November, 2023	**MET**
RM5	M	Support decarbonization	Adopt an electricity tariff adjustment plan based on the results of the financial audit of Senelec, which is conducted with the support of the World Bank, with the aim of phasing out electricity subsidies by 2025. *The plan should restore cost recovery (operating and capital costs) by the end of 2025 and set annual targets to gradually achieve full cost recovery by the end of 2025. Each annual target should reflect a cost recovery higher, compared to 2023, for 2024 and 2025 respectively.*	End-June, 2024	
Pillar II - Accelerating Senegal's adaptation to climate change					
RM3	A	Climate response: strategy and costs	Adopt Senegal's PAP III (Country Development Strategy) at the Council of Ministers, which should fully reflect the Senegal's National Determined Contribution (NDC) . *This should include the list of priority adaptation and mitigation projects of the NDC, the estimated costs, the financing mobilization strategy and the implementation modalities, including an implementation timetable.*	End-April 2024	
RM4	A	Protection of coastal zones	Submit to the National Assembly two laws that establish (i) the Urban Code (CU) and (ii) the Construction Code (CC) to improve urban planning, thereby mitigating the impact of coastal erosion and urban flooding, and approve the related implementation decrees.	End-April, 2024	
RM7	A	Climate Risk Impact Assessment	Publicly disseminate key information on climate risks by the National Committee on Climate Change. *Meeting this RM will require the adoption by the Council of Ministers a decree that strengthens the role of the National Committee on Climate Change by (i) determining its composition and functioning; and (ii) establishing the regular collection and analysis of information.*	End-December, 2024	
RM8	A	Agriculture and Water Resources Management	Approve an inter-ministerial decree that defines the roles and responsibilities and the procedures allowing each actor to assume their role and responsibilities for water, including the steps to take to be accountable for their actions.	End-March, 2025	
Pillar III - Integration of climate change considerations into the budget process					
RM9	A, M	PFM	(Ministry of Finance to (i) develop guidelines for climate budget tagging (deadline end-2024); and (ii) to issue in the budget call circular directives in order to fully reflect the priority mitigation and adaptation public investments (end-2025) *To this end, the government should include in the budget, information on all climate change mitigation and adaptation projects. Projects identified in the public investment plan in the budget documents should be clearly labeled to indicate that they have a strong climate change mitigation and adaptation component, with an accurate assessment of their expected impact. To ensure rigorous monitoring, a decree signed by the Ministry of Finance should require an assessment of the impact these projects, with a reference to the stated objectives,*	End-September 2025	
RM10	A, M	PIP	The Minister of Finance will issue a binding instruction to all Ministers engaged in large public investment program (PIP) to ensure that all public investments and PPP projects executed or supported by the State budget will include as part of documents required for the appraisal (i) a technical assessment of the impact of the investment on adaptation to climate change (both in the pre-feasibility study, if any, and in the feasibility study), and: (ii) the climate implications of the project, i.e. say the impact on GHG emissions. The concerned ministers include: Minister of Infrastructure and Land Transport; Minister of Agriculture, Rural Equipment, and Food Sovereignty; Minister of Water and Sanitation; Minister of Health, and Social Action; Minister of Environment and Sustainable Development; Minister of Urban Planning, Housing, and Public Hygiene.	End-September, 2025	
RM1	A, M	Budget presentation	Adopt and publish a PIM decree integrating climate considerations at each step of the project development (appraisal, selection, external audit etc.)	End-October 2023	**MET**
RM6	A, M	Budget presentation	Assess and quantify disaster-related fiscal risks as part of the Risk Statement Annex included in the 2025 budget law	End-September, 2024	

(1) A =Adaptation ; M = Mitigation

Table 12a. Senegal: Current Schedule of Disbursements/Purchases and Timing of Reviews Under ECF/EFF Arrangements, 2023–26

Availability Date	Condition for disbursement	Disbursement (SDR million) EFF	ECF	Total	% of quota EFF	ECF	Total
June 21st, 2023	Executive Board approval of the ECF/EFF arrangements	107.87	53.93	161.80	33.33	16.67	50.00
Dec 21st, 2023	Observance of PCs for end-June2023, QPCs, and completion of the first review	107.87	53.93	161.80	33.33	16.67	50.00
June 21st, 2024	Observance of PCs for end-December 2023, QPCs, and completion of the second review	107.87	53.93	161.80	33.33	16.67	50.00
Dec 21st, 2024	Observance of PCs for end-June 2024, QPCs, and completion of the third review	107.87	53.93	161.80	33.33	16.67	50.00
June 21st, 2025	Observance of PCs for end-December 2024, QPCs, and completion of the forth review	107.87	53.93	161.80	33.33	16.67	50.00
Dec 21st, 2025	Observance of PCs for end-June 2025, QPCs, and completion of the fifth review	107.87	53.93	161.80	33.33	16.67	50.00
May 21st, 2026	Observance of PCs for end-December 2025, QPCs, and completion of the sixth review	107.85	53.95	161.80	33.33	16.67	50.00
	Total access	**755.07**	**377.53**	**1132.60**	**233.4**	**116.6**	**350.00**

Source: IMF staff estimates

Table 12b. Senegal: Current Access Under the Resilience and Sustainability Fund

Availability date	Millions of SDRs	Percent of	Conditions for Access
December 21st, 2023	24.27	7.5	Completion of RSF review of reform measure 1 implementation
December 21st, 2023	24.27	7.5	Completion of RSF review of reform measure 2 implementation
June 21st, 2024	24.27	7.5	Completion of RSF review of reform measure 3 implementation
June 21st, 2024	24.27	7.5	Completion of RSF review of reform measure 4 implementation
December 21st, 2024	24.27	7.5	Completion of RSF review of reform measure 5 implementation
December 21st, 2024	24.27	7.5	Completion of RSF review of reform measure 6 implementation
June 21st, 2025	24.27	7.5	Completion of RSF review of reform measure 7 implementation
June 21st, 2025	24.27	7.5	Completion of RSF review of reform measure 8 implementation
December 21st, 2025	24.27	7.5	Completion of RSF review of reform measure 9 implementation
December 21st, 2025	24.27	7.5	Completion of RSF review of reform measure 10 implementation
Total	242.70	75	
Memorandum item:			
Quota	323.6		

Source: IMF staff estimates

Table 12c. Senegal: Proposed Schedule of Disbursements/Purchases and Timing of Reviews Under ECF/EFF Arrangements, 2023–26

Availability Date	Condition for disbursement	Disbursement (SDR million) EFF	ECF	Total	% of quota EFF	ECF	Total
June 26th, 2023	Executive Board approval of the ECF/EFF arrangements	107.87	53.93	161.80	33.33	16.67	50.00
Dec 13th, 2023	Observance of PCs for end-June2023, QPCs, and completion of the first review	107.87	53.93	161.80	33.33	16.67	50.00
June 13th, 2024	Observance of PCs for end-December 2023, QPCs, and completion of the second review	107.87	53.93	161.80	33.33	16.67	50.00
Dec 13th, 2024	Observance of PCs for end-June 2024, QPCs, and completion of the third review	107.87	53.93	161.80	33.33	16.67	50.00
June 13th, 2025	Observance of PCs for end-December 2024, QPCs, and completion of the forth review	107.87	53.93	161.80	33.33	16.67	50.00
Dec 13th, 2025	Observance of PCs for end-June 2025, QPCs, and completion of the fifth review	107.87	53.93	161.80	33.33	16.67	50.00
May 13th, 2026	Observance of PCs for end-December 2025, QPCs, and completion of the sixth review	107.85	53.95	161.80	33.33	16.67	50.00
	Total access	**755.07**	**377.53**	**1132.60**	**233.4**	**116.6**	**350.00**

Source: IMF staff estimates

Table 12d. Senegal: Proposed Access Under the Resilience and Sustainability Fund

Availability date	Millions of SDRs	Percent of Quota	Conditions for Access
December 13th, 2023	24.27	7.5	Completion of RSF review of reform measure 1 implementation
December 13th, 2023	24.27	7.5	Completion of RSF review of reform measure 2 implementation
June 13th, 2024	24.27	7.5	Completion of RSF review of reform measure 3 implementation
June 13th, 2024	24.27	7.5	Completion of RSF review of reform measure 4 implementation
December 13th, 2024	24.27	7.5	Completion of RSF review of reform measure 5 implementation
December 13th, 2024	24.27	7.5	Completion of RSF review of reform measure 6 implementation
June 13th, 2025	24.27	7.5	Completion of RSF review of reform measure 7 implementation
June 13th, 2025	24.27	7.5	Completion of RSF review of reform measure 8 implementation
December 13th, 2025	24.27	7.5	Completion of RSF review of reform measure 9 implementation
December 13th, 2025	24.27	7.5	Completion of RSF review of reform measure 10 implementation
Total	242.70	75	
Memorandum item:			
Quota	323.6		

Source: IMF staff estimates

Table 13. Senegal: Debt Holder Table

	Debt stock (end of period)			Debt Service					
		2022		2023	2024	2025	2023	2024	2025
	(m USD)	% total debt	% GDP		(m USD)			% GDP	
Total (/1)	21,172	100.0	76.0	2,882	2,866	3,781	9.2	8.1	9.5
Central Government	19,020	89.8	68.2						
State-owned enterprises (SOEs)	2,152	10.2	7.7						
External	15,712	74.2	56.4	1,700	1,796	1,877	5.4	5.1	4.7
Multilateral Creditors	6,517	30.8	23.4						
IMF	991	4.7	3.6						
World Bank	2,975	14.1	10.7						
ADB/AfDB/IADB	1,161	5.5	4.2						
Other Multilaterals	1,390	6.6	5.0						
of which BID	577.9	2.7	2.1						
of which BOAD	302	1.4	1.1						
Bilateral Creditors	2,766	13.1	9.9						
Paris Club	1,019	4.8	3.7						
of which AFD	871.7	4.1	3.1						
of which ICO (Spain)	40.4	0.2	0.1						
Non-Paris Club	1,747	8.3	6.3						
of which EXIMCP (China)	1233.3	5.8	4.4						
of which EXIMINDE (India)	124.3	0.6	0.4						
Bonds (Eurobonds)	4,045	19.1	14.5						
Commercial/Other international creditors	1,270	6.0	4.6						
of which SCBANK	351.3	1.7	1.3						
of which SGCIB	351	1.7	1.3						
SOEs	1,115	5.3	4.0						
Domestic	5,460	25.8	19.6	1,182	1,070	1,904	3.8	3.0	4.8
Held by residents									
Held by non-residents									
T-Bills	108.70	0.5	0.6						
Bonds	3,811	18.0	13.7						
Loans	437	2.1	1.6						
SOEs	1,037	4.9	3.7						
Memo items:									
Collaterized debt (/2)									
o/w related									
o/w unrelated									
Contingent liabilities	1766								
o/w: public guarantees	1766								
o/w: other explicit contingent liabilities (/3)									
Nominal GDP	27,744			31,407	35,450	39,963			

1/ As reported by Senegalese authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as in the DSA.
2/ Debt is collaterized when the creditor has the right over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collaterization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collaterized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collaterized Transactions: Key considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.
3/ Includes other one-off guarantees not included in public and publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Source: IMF staff estimates

Table 14. Senegal: External Financing Table

(bn CFA)	2022	2023	2024	2025	2026	2027	2028
Financing Requirements (A)	**3952**	**3473**	**2487**	**1645**	**1866**	**1879**	**1954**
Current account deficit (excl. budget grants)	3438	2803	1925	1168	1201	1228	1330
Government external debt amortization (/1)	515	670	562	477	666	651	624
Financing Sources (B)	**3657**	**3691**	**1641**	**1668**	**2125**	**2233**	**2278**
Capital inflows to the private sector (net)	2680	1555	932	621	605	629	642
Government external commercial borrowing (/1)	251	713	164	110	434	454	474
Eurobonds	0	0	0	0	284	284	284
Non-concessional FX loans	251	713	164	110	150	170	190
Project grants and loans from donors	537	668	702	841	855	889	925
Other (/2)	189	755	-157	95	231	260	236
Change in FX reserves without budget support (C=B-A)	**-296**	**218**	**-846**	**23**	**259**	**354**	**323**
Targeted change in FX reserve to support regional external buffers (D) (/3)		**975**	**-467**	**280**	**360**		
Financing gap before accounting for any budget support (E=D-C)		**757**	**379**	**258**	**101**		
Budget support from other donors (F)	**261**	**408**	**223**	**140**	**141**	**143**	**146**
Grants	23	60	36	22	24	26	28
Loans	237	348	187	117	117	118	118
Change in FX reserves including existing budget support (G=C+F)	**-35**	**626**	**-623**	**162**	**400**	**497**	**469**
Financing gap including existing budget support (H=D-G)		**348**	**156**	**118**	**-40**		
IMF Financing	**242**	**348**	**156**	**118**	**-40**	**-131**	**-93**
Disbursements from existing programs	**242**	**131**	**0**	**0**	**0**	**0**	**0**
Proposed IMF EFF-ECF program disbursements (I=H)		**261**	**260**	**261**	**131**		
EFF		174	173	174	87		
ECF		87	87	87	44		
Repayments	**0**	**44**	**104**	**142**	**171**	**131**	**93**
Change in FX reserves including proposed IMF UCT program (J=G+I)	**208**	**975**	**-467**	**280**	**360**	**366**	**376**
Financing gap including existing budget support and proposed new UCT program (K=D-J)		**0**	**0**	**0**	**0**		
Proposed IMF RSF Program (L)		**39**	**78**	**78**	**0**		
Change in FX reserves including proposed IMF UCT+RSF program (M=J+L))	**208**	**1014**	**-389**	**359**	**360**	**366**	**376**
Memo items:							
IMF EFF-ECF program (m SDR)		324	324	324	162		
IMF RSF program (m SDR)		49	97	97	0		
Share of financing gap covered by the existing and new IMF UCT program (%)		52	69	101	129		
Share of budget support provided by the IMF UCT and RSF programs (%)		51	60	71	48		
Imputed gross official reserves without programs (months of imports) (/4)	4.5	4.6	3.3	3.2	3.3	3.4	3.4
Imputed gross official reserves with existing budget support (months of imports) (/4)	4.5	5.1	4.1	4.1	4.3	4.4	4.5
Imputed gross official reserves with new UCT program only (month of imports) (/4)	4.5	5.6	4.7	4.8	4.9	4.9	4.8
Imputed gross official reserves after RSF (month of imports) (/4)	4.5	5.7	4.8	5.0	5.1	5.1	4.6

Sources: Senegalese authorities; and IMF staff calculations.
(/1) excludes WAEMU regional market securities
(/2) includes net government WAEMU regional issuances
(/3) The program targets for Senegal to contribute to regional reserve accumulation

(/4) Reserve coverage for Senegal is imputed based on WAEMU reserve coverage at end-22. Reserve coverage projections assume Senegal's reserve contribution is matched by the WAEMU region.

Source: IMF staff estimates

Annex I. Risk Assessment Matrix[2]

Risks	Likelihood	Policy Response
Conjunctural risks		
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	High	Strengthen automatic pass-through of global commodity price changes; in the energy sector, in particular, stick to the roadmap to gradually eliminate untargeted subsidies and provide targeted support to the vulnerable; ensure food supply through forward-looking planning.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.	Medium	Limited policy space to cushion the economic impact on key commodities (related to energy and food) will require careful spending prioritization and sustained revenue mobilization efforts.
U.S.: Amid tight labor markets and/or commodity price shocks, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction, and "hard landing."	Medium	
Europe: Intensifying fallout from the war in Ukraine, recurrent energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns, and housing and commercial real estate market corrections.	Medium	
China: Sharper-than-expected slowdown in the property sector, unexpected fiscal tightening due to local government financing stress and decline in investment, and/or rising geopolitical tensions disrupt economic activity.	Medium	
Conjunctural risks		
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	Medium	Ensure transparency and effectiveness of fiscal measures and social spending. Expand and better target the social safety net
Structural risks		
Deepening geo-economic fragmentation. Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High	Boost resilience of economy and key supply chains, including through diversification and more effective coordination at the regional level.
Extreme climate events. Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth.	Medium	Invest in climate adaptation and improve shock response mechanisms to cope with floods and droughts.

[2] [1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex II. Gender and Green Budgeting in Senegal—A Primer

Senegal has made strides to enhance its gender budgeting, to inform the gender process reflecting the government priority to enhance gender equality. The authorities have also recently included a Green Budget Annex to the budget law, to highlight the strategic priorities in the area of building resilience to climate change and describe how the budget process supports these priorities. This note summarizes the key features of these advancements.

A. Gender Budgeting

1. **Over the last year, the Senegalese government has been making significant strides towards gender equality and harnessing the socio-economic benefits of a gender-inclusive society.** The policy reform agenda in this area was guided by Senegal's National Development Plan (PSE) backed by a set of five-years implementation plans (PAPI-III) with the last covering the period 2019-2023. Priorities related to gender inclusion were also aligned with the SDG goal.

2. **Further, under the current IMF-supported programs (ECF/EFF/RSF), the government commits to more ambitious gender policies.** Notably, the authorities agreed to enhance public spending on gender-targeted programs and promote women's representation. The focus is on ensuring gender equality in public policies, eradication of discrimination against women, and boosting their economic participation.

3. **The Gender Budget document along with the Budget Law was presented to the National Assembly and became a pivotal event in the budget calendar.** Initiated in 2016, the integration of gender perspectives into public policies has allowed Senegal to gain considerable experience. By 2020, all ministerial departments were involved. The General Directorate of the Budget 2024 provides an overview of the government's social commitments and the tangible results achieved. It also highlights necessary adjustments to address gender-related challenges in the country's development.

4. **Seeking to incentivize female entrepreneurship, amendments to the public procurement code have been enacted.** The Gender Budget's intent is to align fiscal benchmarks with gender-responsive policy goals. It stipulates that firms under female proprietorship are to be allocated 2% of public contracts—envisioning an escalation to 8 percent in subsequent phases. The 2024 Budget Law main projects with a strong gender focus reflect the government's commitment to bridging the gender gap.

5. **Senegal has made notable progress in gender equality in political representation compared to other SSA and WAEMU nations. Notably, Senegal occupies the 4th position on the global scale, boasting a representation of 44.2 percent women in its primary parliamentary assembly**, as indicated in the 2022 report (Les femmes au Parlement en 2022: Regard sur l'Année Ecoulée).

B. Green Budgeting

6. The Government has developed a new standard document, called "Green Budget", to highlight the link between strategic priorities to respond to climate change and the budget preparation and execution process. The first "Green Budget" has been annexed to 2024 budget law. This document, intended to be simple and accessible to citizens, rests on a new identification of budgetary expenditure according to their impact on the environment and their ability to support actions to build resilience to climate change.

7. Part IV of the Green Budget describes how tax and expenditure policies help support the transition to a greener economy. The first section describes the tax policy, part of the General Tax Code, which specifically responds to the priority to provide incentives for climate-considerate decisions. The second section highlights how the public investment program embedded in the 2024 budget relates to priorities highlighted in the NCD but presenting the climate-sensitive budget allocations for projects and programs in the following areas: (i) livestock; (ii) biodiversity and preservation of the environment; (iii) support to agriculture; and (iv) green transport.

8. The Green Budget is intended to be a working document, open to further improvements. The authorities are planning to enhance the methodology for defining climate-sensitive investment, strengthen the requirements for ex-ante and ex-post assessment (including in the project proposal), based on this methodology. Reforms in this are part of Pillar 3 of the RSF.

Annex III. Reform Measures Under the RSF and TA Cooperation

#	Focus	Area	Measures	Target dates	Diagnostic/key document reference	RSF Technical Assistance Deliverables and Cooperation Framework		
						TA need	TA/advisory lead	RM expected output
Pillar I - Supporting Senegal's Response to Climate Change								
RM2	M	Support decarbonization	(i) Adopt at the Council of Ministers an implementation plan for the strategy for greener public transport and (ii) reflect it in the 2024 PIP budget of the Ministry of Transport, in line with the objectives of the NDC.	End-November, 2023	Senegal's Development Strategy (PSE); Green Budget Annex to the 2024 Budget Law; Senegal's National Determined Contribution	Ensure alignment with the National Determined Contribution.	WB	Green Transport capacity increases
RM5	M	Support decarbonization	Adopt an electricity tariff adjustment plan based on the results of the financial audit of Senelec, which is conducted with the support of the World Bank, with the aim of phasing out electricity subsidies by 2025.	End-June, 2024	Senelec' s Forthcoming Financial Audit; Authorities' RoadMap for Phasing Out Untargeted Energy Subsidies	Ensure that the financial audit supports better undertaking of Senelec cost structure and inform the process of setting tariffs closer to cost recovery.	WB and IMF (FAD)	New electricity tariff approved
Pillar II - Accelerating Senegal's adaptation to climate change								
RM3	A	Climate response: strategy and costs	Adopt Senegal's PAP III (Country Development Strategy) at the Council of Ministers, which should fully reflects the Senegal's National Determined Contribution (NDC) .	End-April 2024	Senegal's NDC (Jan 2021); World Bank: Project Information Document (PID) # 31932	Ensure the pillar on building resilience to climate change and support decarbonization is well articulated and properly costed, consistent with the NDC	WB and IMF	Senegal's PAPIII approved
RM4	A	Protection of coastal zones	Submit to the National Assembly two laws that establish (i) the Urban Code (CU) and (ii) the Construction Code (CC) to improve urban planning, thereby mitigating the impact of coastal erosion and urban flooding.	End-April, 2024	Senegal's NDC; UNDP National Adaptation Plan Project Document	Revise the implementation decrees.	Urban Code: WB; Construction Code: GCA, consulting with the WB and the IMF	Codes and implementation decrees finalized
RM7	A	Climate Risk Impact Assessment	Publicly disseminate key information on climate risks by the National Committee on Climate Change.	End-December, 2024	Senegal's NDC; UNDP National Adaptation Plan Project Document	Define governance, specific output, and response framework related to disseminating climate risk information.	CGCA, consulting with the WB and IMF	Geotagged climate data disseminated
RM8	A	Agriculture and Water Resources Management	Approve an inter-ministerial decree that defines the roles and responsibilities and the procedures allowing each actor to assume their role and responsibilities for water, including the steps to take to be accountable for their actions.	End-March, 2025	Senegal's NDC; UNDP National Adaptation Plan Project Document	Provide relevant best international standards and advise on the institutional set-up that best meets Senegal's need to enhance water management coherently with the PSE and the NDC.	CGA, consulting with the WB and IMF	Decree adopted
Pillar III - Integration of climate change considerations into the budget process								
RM9	A, M	PFM	(Ministry of Finance to (i) develop guidelines for climate budget tagging (deadline end-2024); and (ii) to issue in the budget call circular directives in order to fully reflect the priority mitigation and adaptation public investments (end-2025)	End-September 2025	C-PIMA	Finalize the procedural manual to support climate tagging.	IMF / FAD	Guidelines approved
RM10	A, M	PIP	The Minister of Finance will issue a binding instruction to all Ministers engaged in large public investment program (PIP) to ensure that all public investments and PPP projects executed or supported by the State budget will include as part of documents required for the appraisal (i) a technical assessment of the impact of the investment on adaptation to climate change (both in the pre-feasibility study, if any, and in the feasibility study), and: (ii) the climate implications of the project, i.e. say the impact on GHG emissions.	End-September, 2025	C-PIMA	Finalize instructions to reflect climate consideration in project proposal and appraisal.	IMF / FAD	Instructions issued
RM1	A, M	Budget presentation	Adopt and publish a PIM decree integrating climate considerations at each step of the project development (appraisal, selection, external audit etc.)	End-October 2023	FAD-TA green budget support documents	Finalize the decree.	IMF / FAD	Decree adopted
RM6	A, M	Budget presentation	Assess and quantify disaster-related fiscal risks as part of the Risk Statement Annex included in the 2025 budget law	End-September, 2024	FAD TA documents on Risk Statement Annex to the Budget	Finalize new part of the Risk Statement related to occurrence of climate-related and other disasters.	IMF / FAD	Risk statement expanded to include climate risks

(1) A =Adaptation ; M = Mitigation

Appendix I. Letter of Intent

Dakar, Senegal
November 29, 2023
Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Managing Director:

The political situation has eased, and Senegal is calmly preparing for the presidential election in February 2024. Economic activity has not yet returned to its pre-pandemic level as Senegal is being hit by various external and internal shocks. Against this background, growth projections for 2023 and 2024 have been revised downward. Inflation should continue to decline but is not expected to reach its target before 2025.

Despite these challenging circumstances, performance under the program supported by the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) has been satisfactory. All end-June program performance criteria and indicative targets have been met except the indicative target ceiling on outstanding public sector debt. Four of the program's six structural benchmarks at end-November have been met on time and the two SBs on governance have been met with one month delay. The two reform measures under the program supported by the Resilience and Sustainability Facility (RSF) have been implemented.

The government reaffirms its determination to strengthen the resilience of the public finances. In that respect, we confirm our commitment to support fiscal consolidation, to enhance public financial management, and to bolster the debt framework. More specifically, the fiscal deficit will be brought to 4.9 percent of GDP in 2023, as agreed under the program. The government undertakes to use liquidity reserves (CFAF 604.8 billion or 3.2 percent of GDP), which it plans to build up by the end of the year to pay financial obligations, which will fall due in the first four months of 2024 and thus reduce the resources to be raised on the financial markets in 2024.

For the 2024 fiscal year, the government has submitted to the National Assembly a draft budget law, which targets a reduction in the fiscal deficit to 3.9 percent of GDP reflecting primarily a significant reduction in tax exemptions as well as a projected decrease in energy subsidy to a maximum of one percent of GDP.

The government will continue to implement reforms to strengthen governance and to fight against corruption. Efforts are being made to complete the implementation of the remaining measures to remove Senegal from enhanced monitoring by the Financial Action Task Force (FATF) by May 2024. The law establishing a Financial Prosecutor's Office (*Parquet financier*) with special authority to deal with matters related to economic and financial crimes was passed, and the government is working on its implementation. The government has adopted and submitted to the national assembly two draft laws (i) revising the law on the creation of the National Office for Combating Fraud and Corruption (*Office national de lutte Contre la Fraude et la Corruption* – OFNAC) to strengthen this institution's prerogatives and powers and (ii) the law on the asset declaration system to ensure that its effectiveness.

The government will continue to implement reforms aimed at building a more resilient and inclusive economy. In that respect, budget allocations for programs on the reduction of gender-based inequalities and for social protection grants have been increased. The process of restructuring and recapitalizing the national company La Poste has been initiated, whereas the same process for distressed banks is nearing completion. The government will take appropriate measures to implement the centralized land management system and the collateral register available online, covering data on movable collateral and mortgages.

The government will continue to implement the RSF-supported reform agenda. The government has already produced its first "Green Budget" Annex, which is part of the draft 2024 budget law and includes a new classification of expenditures based on their climate impact. The next reform measures focus on accelerating the adaptation to climate change. In that respect, the government plans to adopt Senegal's PAP3 (The National Development Strategy), which fully reflects Senegal's National Adaptation Plan (*Plan National d'Adaptation* – PNA), and to pass new urban planning and building codes.

The key objectives of the ECF/EFF and RSF are well aligned with Senegal's Poverty Reduction and Growth Strategy, which is spelled out in the Plan for an Emerging Senegal (the country's development flagship strategic vision document) that aims to support the structural transformation of Senegal and a greener and more climate-resilient economy by promoting human capital and reducing inequalities and disparities as well as enhancing good governance and law.

In light of the accomplishments made to date under the program and the commitments set out in the Memorandum of Economic and Financial Policies, the government requests the completion of the first review of the program supported by the EFF and ECF and the disbursement of SDR 161.8 million, of which SDR 107.87 million for EFF and SDR 53.93 million for the ECF. It also requests the completion of the first review of the Arrangement under the RSF and the first disbursement of SDR 48.54 million. Lastly, the government requests a rephasing of the availability dates for disbursements under the EFF/ECF and RSF and the modification of the performance criteria for end-December 2023 and June 2024 to reflect the build-up of liquidity reserves in 2023 and recent economic developments.

We are convinced that the measures and policies laid out in the MEFP are appropriate for meeting the objectives of the ECF/EFF-supported program and RSF arrangement and stand ready to take any additional measures that might be necessary to achieve these objectives. The government is committed to consulting with the IMF in advance of any revisions to the policies contained in the MEFP, in accordance with the rules on such consultation. Moreover, we will provide Fund staff with all data and information necessary to assess the policies and measures presented in the Technical Memorandum of Understanding (TMU).

We intend to publish the IMF staff report, including this Letter of Intent and the attached MEFP and TMU. We therefore authorize Fund staff to publish these documents on the IMF website following the Executive Board approval of the first review under the ECF/EFF and RSF arrangements.

Very truly yours,

/s/

Mamadou Moustapha Ba
Minister of Finance and Budget

Attachments:

I. Memorandum of Economic and Financial Policies (MEFP) 2023–24
II. Technical Memorandum of Understanding (TMU).

Attachment I. Memorandum of Economic and Financial Policies (2023–2024)

Introduction

1. **The Senegalese economy has yet to return to its pre-pandemic trend.** Several factors continue to hamper a full economic recovery. Some are related to the consequences of the war between Russia and Ukraine especially due to the halt of the cereal export agreement between the two countries, weather events that forced India to impose bans on rice exports, and tighter regional financial conditions to fight inflation. Others are due to political instability in the region and the domestic political situation in the run-up to the presidential election in February 2024.

2. **Despite this challenging environment, the government reaffirms its commitment to continue the economic reforms agreed under the program.** Specifically, it will continue its efforts to strengthen public finance resilience by increasing domestic revenue and rationalizing expenditures, especially energy subsidies. The government will also expedite reforms to enhance governance, foster a more resilient and inclusive economy, and bolster climate change resilience.

3. **From a political standpoint, the situation has eased, and Senegal is calmly preparing for the presidential election in February 2024.** Following a political dialogue, the parties adopted consensus-based changes to the electoral code on the organization of the election. The election, which will take place without the participation of the outgoing President, should provide some democratic breathing space to the country, known to be an anchor of stability in the sub-region.

4. **This Memorandum of Economic and Financial Policies (MEFP) describes the progress made under the government's economic and financial program supported by the Extended Fund Facility (EFF), the Extended Credit Facility (ECF), and the Resilience and Sustainability Facility (RSF).** It also outlines the main objectives for the rest of 2023 and for 2024 and the outlook for the medium-term.

Economic Developments in 2023

A. Recent Economic Developments

5. **Economic activity slowed due to the socio-political situation that emerged in the first half of the year.** According to quarterly national accounts, the economy is estimated to have grown by 4 percent in the first six months of 2023, compared to the same period in 2022. This increase reflects developments in the activities in the primary (+4.2 percent), secondary (+5.1 percent), and tertiary (+4.7 percent) sectors. Cumulative economic activity in the first eight months of 2023 measured by the General Activity Index (*Indice général d'activité* – IGA), excluding agriculture and forestry, rose by 3.3 percent relative to the same period the year before. This evolution reflects developments in the tertiary (+4.0 percent) and secondary (+3.4 percent) sectors and, to a lesser extent, the primary sector excluding agriculture and forestry (+1.8 percent).

6. Inflation has eased but remains high. As of end-October 2023, consumer prices rose by 2.4 percent year-on-year. In the first ten months of 2023, inflation averaged 7.2 percent, down from 8.9 percent during the same period in 2022, primarily due to food inflation that reached 9.4 percent.

7. The external current account deficit declined by 23 percent at end-June, compared to the same period in 2022. This reflects strong growth in secondary income of 38 percent during January–June 2023, as well as services exports, which increased by 32 percent from the same period in 2022, despite weak growth in goods exports of 3 percent.

8. Public debt has increased. The central government's outstanding debt (excluding treasury operations) increased by CFAF 1,549 billion to CFAF 13,331.9 billion at end-June 2023. The stock of public sector debt, comprising SOEs' debt (CFAF 1,286.6 billion), stood at CFAF 14,618.4 billion at end-June 2023, an increase of CFAF 1,502 billion. Overall, outstanding public debt consists of 75 percent of external debt and 25 percent of domestic debt.

9. Financial conditions remain tight due to inflationary pressures in the West African Monetary Union (WAMU) member countries. In response, the Central Bank of West African States (BCEAO) continued its monetary tightening cycle, raising its key policy rate by 25 basis points in September to 3.25 percent for liquidity injection tenders and 5.25 percent for the marginal lending rate. The liquidity injection policy was adjusted, by discontinuing the fixed-rate and requested-amount tenders and reverting to the auction system on the money market. Consequently, financial conditions in the government securities market experienced a sharp increase in rates across all maturities. The weighted average rate of bills issued by the Government of Senegal stood at 5.15 percent, and that of bonds at 7.01 percent, up 209 and 163 basis points, respectively. In terms of volume, the state increased its issuances from January to August 2023 by 17.2 percent compared to the same period last year.

10. Budget execution at end-September was marked by a sharp increase in revenue and satisfactory expenditure control. Revenue mobilization totaled CFAF 2,480.5 billion, a 9.6 percent increase from the previous year, driven mainly by domestic taxes and import duties. Grant mobilization reached CFAF 119.9 billion compared to a projected annual amount of CFAF 279 billion, achieving a 43 percent execution rate. Expenditures rose to CFAF 3,702.9 billion, a 6.6 percent increase from 2022, resulting in a fiscal deficit of CFAF 952.1 billion, a slight decrease of CFAF 7.3 billion year-on-year. This deficit was financed by a net incurrence of liabilities totaling CFAF 2,055 billion and a net acquisition of financial assets totaling CFAF 1,101 billion.

11. The money supply was up by 8.2 percent at end-August 2023. This increase is driven by a 13.1percent rise in domestic claims. Net claims on the central government were up 19.0 percent, reflecting the government's greater reliance on the regional securities market. Credit to the economy grew by 10.7 percent with a focus on the "services," "trade," and "manufacturing industries" sectors. Conversely, net external assets fell by 3.1 percent, mainly as a result of the decline in the Central Bank's external position (CFAF 352.9 billion, or 27.9 percent), offset in part by the increase in the external position of other deposit-taking institutions (+CFAF 288.4 billion, or +34.1 percent).

12. The banking sector remains sound. A new bank was licensed, which increased the total number of credit institutions in Senegal to 28. The effective capital of credit institutions grew by 9.6 percent, resulting in a solvency ratio of 13.4 percent, above the minimum threshold of 11.5 percent. The non-performing loan (NPL) ratio stood at 3.4 percent at end-August 2023, down from 3.9 percent a year earlier. All but two banks fully complied with the risk coverage rule. The liquidity ratio stood at 106 percent, against the minimum requirement of 75 percent.

B. Performance Under the Program

13. All performance criteria (PCs) and indicative targets (ITs) under the program at end-June were met, except for the IT on the stock of debt:

- Quantitative performance criteria at end-June 2023. The non-hydrocarbon primary fiscal balance was CFAF -333.8 billion, compared to a floor of CFAF -335 billion. Tax revenue reached CFAF 1,668.3 billion compared to a target of CFAF 1,602 billion, CFAF 66.3 billion higher than the program target. The ceiling on the present value of new public sector external borrowing was US$2,403 million, compared to a ceiling of US$3,755 million. Moreover, no public sector external financial arrears or central government domestic arrears were recorded during the period.

- The indicative targets at end-June were all met, except for the one on public sector debt. Nominal public sector debt was CFAF 14,725.4 billion, compared to a ceiling of CFAF 14,591 billion. In addition, social expenditure as a percent of total public expenditure was 43.1 percent, above the floor of 40 percent under the program. The stock of government amounts payable (reste a payer) as of June 30, 2023, was CFAF 33.3 billion, compared to a ceiling of CFAF 40 billion.

- The memorandum item for the ceiling on the share of the value of public sector contracts signed by single tender stood at 50 percent, compared to a target of 15 percent. This excess is attributable to the two main contracts on the operation and maintenance of the Regional Express Train (*Train Express Régional* – TER), totaling CFAF 119.6 billion, and the extension of the section of the new TER line between Diamniadio and Blaise Diagne International Airport (AIBD), amounting to CFAF 108.4 billion.

14. Four of the six structural benchmarks for the first review of the EFF- and ECF-supported program have been met on time.

Tax Policy and Administration

- Reinforcement of the legal obligation for public service enterprises and certain government entities to automatically communicate all meaningful information on their customers (identity, nature of accounts, and customer address) to tax authorities to improve tax compliance among these customers. This obligation was added to the tax provisions of the draft budget law for 2024, particularly in Article 19. **This structural benchmark has been met on time.**

- The ministerial order to strengthen the Legislation and International Cooperation Directorate (*Direction de la législation et de la coopération internationale*) of the Directorate General of Taxes and Property (*Direction générale des Impôts et Domaines* – DGID) by giving it the task to coordinate all matters relating to domestic tax policy has already been signed by the Minister of Finance and Budget. **This structural benchmark has been met on time.**

- Regarding the strategy for rationalizing tax expenditures –which specifically identifies certain tax measures to be eliminated, particularly in the area of VAT, and aims to reduce them by at least CFAF 100 billion annually starting in 2024 over the next two years–the Government will implement two measures. First, it will start with the exemption of sales and services made by administrative services or bodies, except those carried out by public establishments of an industrial and commercial nature and operations similar to those carried out by private companies, even if they are provided through a public establishment. This tax expenditure, provided for in point 19 of article 361 of the General Tax Code, has an estimated budgetary cost of 147.84 billion FCFA (See *rapport d'évaluation budgétaire des dépenses fiscales*, 2021 edition, page 37). This means that its removal will, mechanically, bring in an amount close to the 147 billion FCFA. Prior to the amendment, which is expected to take place in a supplementary budget in 2024, training sessions will be organized for all individual accounting officers of the public bodies concerned, to bring them up to speed on the legal rules of VAT, which they will have to apply. Second, the General Directorate of Taxes and Lands will carry out a careful review of all headquarters agreements and special national or international agreements, providing for tax exemptions. This census work will be the subject of a report (which will be shared with the IMF) and should make it possible to identify sufficient derogatory measures whose elimination will make it possible to save at least one hundred billion francs in tax expenditure**. This structural benchmark has been met on time.**

Energy Subsidy Reform

- The creation of an independent committee responsible for regularly determining and publishing petroleum product prices, based on a revised pricing formula, as well as the adjustment frequency and related mitigation mechanism. In this regard, the government is committed to overhauling the method for setting petroleum product prices. It is within this framework that the Decree No. 20221599 of September 12, 2022, organizing the Regulatory Commission for the Energy Sector (*Commission de Régulation du Secteur de l'Energie* – CRSE) was issued. A call for applications, headed by a private firm, was launched in April 2023, and Regulatory Board members were recruited and appointed by decree before taking the oath. They were mandated with the task to independently and autonomously set the tariffs and selling prices for electricity to end consumers and to determine the selling prices of refined hydrocarbons and gas. They have all the legal guarantees for exercising their independence, pursuant to Law No. 202132 of July 9, 2021, on the creation, organization, and powers of the Regulatory Commission for the Energy Sector. This committee has been up and running since October 2023. **This structural benchmark has been met on time.**

Governance and Anti-Corruption Efforts

- The draft law amending the law on the creation of the National Office for Combating Fraud and Corruption (OFNAC). In an effort to enhance the mandate and authority of the OFNAC, a legislative proposal has been submitted to the government. This proposal has garnered significant comments that needed to be considered. Following leadership changes at OFNAC, the introduction of a revised draft law to the government has been delayed. The President of OFNAC has already finalized the draft law, considering the government's relevant observations, and has resubmitted it to the government as of November 2023. In response, the government has adopted and submitted it to the National Assembly, by November 30, 2023, one month later compared to the original timeline. **This structural benchmark has been met with delay.**

- The draft law amending the law on the declaration of assets to improve its effectiveness. This draft law has been developed in conjunction with the above-mentioned OFNAC draft law and followed the same approval process. The draft law has been also submitted to the national assembly by November 2023. **This structural benchmark has been met with delay**.

15. The two reform measures for the first review of the RSF-supported program have been implemented.

- The draft decree incorporating climate considerations at each stage of the budget process with regard to public investments has been issued (decree No. 2023-2142 of October 31, 2023), enhancing the public investment management framework (PIM) in Senegal.

- A strategy and an implementation plan for greener public transportation, reflected in the 2024 PIP budget of the Ministry of Transportation and consistent with the nationally determined contribution (NDC) objectives, has been adopted.

- Moreover, as part of the preparation of the draft budget law for 2024, the government has made efforts to identify and classify climate-related investment projects in a document annexed to the budget law entitled “Green Budget.” This document describes the issues and challenges associated with climate change, takes stock of the climate change situation in Senegal, identifies ministries’ roles by providing an overview of current initiatives and outlooks, and lists the macroeconomic and budget initiatives and measures taken for 2024. This new initiative, which will be enhanced with time, reflects the priorities given to climate issues and questions as highlighted during the budget discussions between the government and the National Assembly. It also makes a strong case for effectively taking account of NDC projects in the budget.

16. Progress has been made in implementing the structural benchmarks for end-December 2023:

- With regard to broadening the tax base by increasing the number of taxpayers registered with the Tax Services Directorate (*Direction des Services Fiscaux* – DSF) by 25,000, in charge of the micro and small enterprises, the end-of-year target is on track to be exceeded, thanks to weekly monitoring of assessment services. In the first half of 2023, 12,669 new taxpayers were registered with the DSF. In the second half of 2023, 7,721 new taxpayers were registered, totaling 20,090 new registrations. The target is expected to be surpassed with the ongoing centralized use of data from third parties, the land register, the census, and the current registration of 2,980 new taxpayers at the Ziguinchor Tax Services Center (Centre des services fiscaux – CSF). The remaining target is distributed among the CSFs, with weekly monitoring. In terms of automating the tax compliance levy process (Prélèvement de conformité fiscale – PCF), an interdepartmental working group led by the Tax Advisor to the Minister of Finance and Budget has been established. The group's goal is to define technical mechanisms and prepare the decree defining the roles and responsibilities of the various stakeholders. This group convenes every Thursday, and the decree is scheduled to be signed by December 31, 2023. Concerning the reclassification of capital transfer expenditures (Title 6) to investments executed by the government (Title 5), the credits of all entities without legal personality have been moved under Title 5. For autonomous entities with Title 6 and a treasury accounting officer, the plan involves opening a window in the budget management and information system. Here, they can specify the economic nature of the expenditure in line with the government budget nomenclature before initiating the resource mobilization procedure. This will allow for detailed accounting of capital transfers based on the economic nature of the expenditure.

- Lastly, a study is near completion on revising and publishing the current pricing formula for petroleum products (gasoline and diesel). The aim is to ensure that pump prices accurately reflect changes in international markets. Interim results expected before the end of 2023 will pinpoint the price structure parameters needing revision to better align with international market price trends.

17. The implementation of the following two structural benchmarks for end-December has been delayed:

- Setting up a centralized and integrated land management system (LMS) which will make it possible to digitize land management procedures. The failure of the first recipient of the contract, as well as the lengthy discussions with one of the technical and financial partners supporting the project (discussions around the contracting procedure), led the government to adopt a new implementation plan. Project implementation activities will resume by December 2023. Thus, by November 2024, the functionalities of the LMS to manage the most usual procedures (lot 1) will be delivered and gradually deployed at the pilot sites (**new structural benchmark, end-November 2024).** The functionalities of lot 2 will be deployed and put into service during the first quarter of 2025. The remaining functionalities (lots 3 to 5) to complete the list of land procedures as well as the LMS administration modules will be delivered gradually over the last three quarters of the year 2025, including the register of real assets guarantees.

- Setting up, jointly with the BCEAO, an online collateral register comprising data on movable collateral (movable collateral register) and mortgages. The completion of the process described in paragraph 45 will allow the establishment of the online real guarantees register no later than the end of December 2025. As an intermediary step, the authorities will finalize the inventory of movable and immovable collaterals by November 2024 **(new structural benchmark, end-November 2024).**

Short-Term Economic and Financial Program

A. Outlook for 2023 and 2024

- Economic growth projections for 2023 and 2024 have been revised downward reflecting current economic indicators and delays in oil and gas production. The growth projection for 2023 has been adjusted to 4.1 percent, down from the 6.3 percent (excluding hydrocarbons). In 2024, economic activity is anticipated to benefit from the scheduled starting of oil and gas production in the latter half of the year and increased public investment. This includes the acceleration of the second phase of the MCA-Senegal "Power to Compact" and various economic support measures. The real GDP growth rate for 2024 is projected at 9.2 percent, with 6 percent attributed to real GDP excluding hydrocarbons.

- Inflation is expected to continue its downward trend, but it is unlikely to reach its target before 2025. It is expected to reach 3.9 percent in 2024, driven primarily by the increase in food prices.

- The current account deficit is expected to drop to 15.1 percent of GDP in 2023 from 19.9 percent the year before due to a reduction in the deficit in the balance of goods and services and a consolidation of the secondary income account. Imports (5.4 percent) and exports of goods (1.3 percent) are expected to see a slight year-on-year decline owing to a slowdown in international prices. The deficit in the balance of services is expected to drop by about 10 percent reflecting the continued recovery of the travel sector and the reduction in freight costs. The primary income account deficit should rise slightly (+2.1 percent) reflecting the impact of interest payment on public debt. The secondary income account is expected to be up by 5.5 percent as a result of the consolidation of migrant remittances.

18. However, this near-term outlook is subject to uncertainties. Externally, geopolitical shocks could lead to further spikes in food and energy prices. A global economic slowdown could impact external demand. Rising interest rates and a strengthening U.S. dollar are expected to increase debt servicing costs. Additionally, deteriorating security and political situations at the regional level, domestic challenges surrounding the presidential election, and the delay in starting oil production could adversely affect the economic forecast.

Pillar 1: Strengthen the Resilience of Government Finances

Fiscal Policy

19. The government reaffirms its commitment to pursuing the fiscal consolidation policy. Despite the downward revision of economic growth, it will take all necessary steps to achieve the fiscal deficit targets of 4.9 percent in 2023, 3.9 percent in 2024, and 3 percent of GDP in 2025, as agreed under the program.

20. For 2023, the following measures are being implemented to ensure that the fiscal deficit target of 4.9 percent of GDP is reached.

Revenue

- Tax revenue mobilization is in line with the minimum target set out in the 2023 budget law. At end-September, these revenues provisionally totaled CFAF 2,480.6 billion against an annual floor of CFAF 3,517 billion, a recovery rate of 71 percent.

- Directorate General of Customs (DGD). To achieve the year-end target, the Directorate General of Customs (*Direction Générale des Douanes* – DGD) plans to take all necessary measures to recover outstanding amounts (SENELEC and contracts financed with external resources), totaling CFAF 150 billion.

- For the tax department (DGID), the recovery of the claim on the Caisse des Dépôts et des Consignations in the amount of CFAF 35 billion should offset the projected slight loss of CFAF 10.3 billion.

- As for the Directorate General of Public Accounting and the Treasury (*Direction Générale de la Comptabilité Publique et du Trésor* – DGCPT), an improvement of CFAF 26.4 billion is expected, mainly as a result of dividend performance (+CFAF 15.9 billion).

Expenditures

- The wage bill is expected to be contained within the planned annual ceiling in the amount of CFAF 1,273 billion.

- Investment expenditure execution, less than two months before the end of the fiscal year, is expected to get a boost to increase the execution rate (66 percent) notably through increased drawings on external resources, which are fairly low (59 percent).

- Energy subsidy expenditures are expected to exceed the planned budget envelope (CFAF 556 billion) by CFAF 38.9 billion due to higher-than-expected petroleum product prices and the rise in the U.S. dollar relative to the CFA franc.

21. Furthermore, the government plans to build up liquidity reserves by the end of the year to meet financial obligations in early 2024. The CFAF 604.8 billion in overfinancing projected for 2023 is earmarked for servicing debt during the first quarter of 2024. Should repurchase operations take place in 2023, this overfinancing will be reduced by an equivalent amount.

22. The government submitted a draft budget for 2024 before the National Assembly, in line with the program objectives. This draft budget reinforces fiscal sovereignty through the increased mobilization of domestic revenues and consolidates the gains made from streamlining expenditures to release the budgetary resources necessary to cover social welfare expenses and the acceleration of investment expenditures. The broad outlines of this draft budget are as follows:

Revenue

23. The aim of the budget is to achieve a tax mobilization rate of 19.4 percent of GDP in 2024, that is, a projected increase of 1.1 percentage points of GDP in tax revenues compared to 2023. The 2024 budget law provides for general budget grants and revenue in the amount of CFAF 4,693.7 billion, including CFAF 4,180 billion in tax revenue.

This very favorable progression in tax revenue should mainly result from:

- The elimination of measures to waive duties and taxes, assessed in 2023 at CFAF 103 billion for import duties and CFAF 39 billion for domestic indirect taxes, totaling around CFAF 140 billion;
- The streamlining of tax expenditures of at least CFAF 100 billion; and
- The expected impact of tax policy and administration measures, particularly (i) the taxing of imports of telephone devices, which could bring CFAF 19.3 billion, (ii) the registration of 25,000 new taxpayers registered with the Tax Services Directorate, and (iii) the ramp-up of the single window for vehicle customs clearance (*Guichet unique de Dédouanement des Véhicules* – BGDUV), in operation since early 2023, for better vehicle assessment control and better customs value governance, with a significant positive effect on revenue collection.

24. The government undertakes to implement the tax policy and administration measures also provided for in the draft budget law:

- The automation of the tax compliance liquidation process (Prelevement de Conformite Fiscale) for greater efficiency (***structural benchmark, end-December 2023***);
- The implementation of the VAT taxation system for online sales of digital goods and services (TVA numerique) through platforms domiciled abroad (**new structural benchmark, end-June 2024**);
- The increase in the rate of the additional tax on alcoholic beverages through higher taxable volumes;

- The expansion of the scope of the tobacco tax to cover any product made from tobacco and related materials, such as water pipes, pipes and their parts, pipe preparations, inhalers with or without nicotine, hookah materials, e-cigarettes, or any other device of this nature used to inhale through the mouth;

- By June 2024, carry out a study to implement an electronic invoicing system. This system aims to detect taxpayers carrying out activities without invoices, to ensure better planning of tax audits based on identified risks, to automatically detect false declarations of charges on local purchases as well as undeclared VAT invoices;

- The reactivation of taxation applicable to telephone devices included in the Common External Tariff (CET) of the Economic Community of West African States (ECOWAS). This taxation had been suspended in favor of the adoption of the law establishing the taxation of telecommunication services (RUTEL);

- Legal strengthening for delegated entities of the urban or rural public service in the water and electricity sector. These delegated entities will have the obligation to provide the tax administration, not later than January 31 of every year, with information from their client portfolios;

- The introduction of specific reporting obligations for delegated enterprises and operators of port and airport works, gaming and leisure enterprises, enterprises covered under the applicable regulations on the fight against money laundering and the financing of terrorism, and digital platform operators;

- Broadening the tax base by increasing by 25,000 the number of taxpayers registered with the Directorate in charge of small and micro-enterprises (**structural benchmark, end of December 2023**);

- The update of the mechanism for implementing action 13 of the base erosion and profit shifting (BEPS) project of the Organization for Economic Cooperation and Development (OECD) concerning the automatic exchange of country-by-country declarations subscribed by the reporting entity of a group of multinational enterprises residing in our country;

- The clarification of the scope of the notion of direct or indirect transfer applicable to the transmission of rights relating to mining titles and property and real estate rights;

- The continuation of the process to digitize customs clearance procedures by extending the GAINDE system to domestic offices with the aim of achieving digital maturity within the DGD;

- The continued operationalization of the single window for vehicle customs clearance (*Guichet unique de Dédouanement des Véhicules* – BGDUV) whose preliminary performance for the first year of operation shows satisfactory results;

- The strengthening of the Intelligence, Risk Analysis, and Valuation Directorate (*Direction du Renseignement, de l'Analyse du Risque et de la Valeur*) in its operationalization process through the implementation of its postlanding inspection program to establish better customs valuation control with a positive effect on customs revenue;

- The restoration of common law taxation on products subject to price support tax measures based on the downtrend in world prices without affecting consumer purchasing power. Such a measure could offset the loss of revenue from tax waivers, estimated to be CFAF 140 billion in 2023. The table of revenue items affected by this measure, with their quantified evaluation, will be made available to the National Assembly (as part of the Quarterly Budget Execution Report) and to the IMF by the Government.

Expenditures

25. Expenditure streamlining will undergo a significant turning point in 2024 due in particular to the implementation of the strategy to reduce energy subsidies, which are expected to decrease from 3.1 percent of GDP in 2023 to about 1 percent of GDP in 2024. The generated savings will be redirected to strengthening social welfare policies and, especially, increasing investment expenditures, which had been cut several times since 2020.

26. General budget expenditures for 2024 total CFAF 5,533.9 billion, compared to CFAF 4,965 billion for 2023, an increase of CFAF 568.9 billion (11.5 percent). The principal items are broken down as follows:

- Wage bill: up from CFAF 1,273 billion (6.7 percent of GDP) in the 2023 initial budget law (2023LFI) to CFAF 1,442.5 billion (6.7 percent of GDP) in the 2024 LFI, an increase of CFAF 169.5 billion (13.3 percent) due to the following factors:

    - impact on 2024 of the recruitment in 2023 of 1,158 public servants, including in the defense and security forces;

    - impact of the implementation of a government commitment under the April 2018 protocol, namely the hiring of 8,500 contractual teachers and professors (on the basis of hiring trends observed over the past three years);

    - payment reminders for teachers (onboarding, advancement, validation, hardship allowance);

    - payment reminders for employees in other streams (excluding teachers) and alignment of acts; and:

    - financial impact of the reclassification of decision-making teachers.

- The financial impact of the above listed items is estimated at CFAF 239.086 billion, in addition to the budgetary impact of the salaries of local embassy staff in the amount of CFAF 11 billion and transportation expenses (CFAF 200 million). Added to this are social benefit expenditures in the amount of CFAF 38 billion to cover health spending (CFAF 28 billion), disability pensions (CFAF 9.6 billion), and death benefits (CFAF 400 million).

- Goods and services acquisitions are projected to total CFAF 428.4 billion, up CFAF 32.7 billion (8.3 percent) year-on-year.

- Current transfer expenditures amount to CFAF 1,248.5 billion (5.8 percent of GDP), down CFAF 35.2 billion compared to the 2023 LFI. This decrease is mainly due to the commitment to cap spending on energy subsidies at 1 percent of GDP for 2024.

  - For social welfare, the family security grant envelope was increased to CFAF 51 billion from CFAF 35 billion in 2023 following a CFAF 10,000 increase in the social protection grant amount, but also the increase in the number of beneficiaries, the consolidation of territorial and social equity programs through higher allocations to territorial governments, higher allocations for university aid and grants, which are rising rapidly owing to the larger number of applicants, higher allocations for health facilities, social work for students and universities, and the financing of employability training programs notably through the "XËYU NDAW ÑI" program, among others.

  - The agricultural sector again received government support as part of efforts to facilitate access to agricultural inputs, farm mechanization, and crop protection totaling CFAF 100 billion. Agricultural insurance will be continued with the payment of the subsidy for agricultural insurance premiums to restore producers' productive capacity following a disaster affecting agricultural yields and production.

- Investment expenditures are projected at CFAF 1,836.3 billion (8.5 percent of GDP), up CFAF 248.1 billion from the 2023 LFI. This increase is largely due to the CFAF 214.4 billion in investments from domestic resources. Investments financed from domestic resources, up by close to CFAF 250 billion, reflect the catch-up in carrying out projects previously eclipsed by the large subsidies granted to the energy sector. Particular emphasis is therefore placed on investments in regional development plans to stimulate regional economic vitality by exploiting agroecological and tourist potential and by accelerating transportation infrastructure and services to improve mobility and strengthen trade and energy infrastructure notably with a view to enhancing rural electrification.

27. However, the execution of the 2024 budget could face fiscal risks of a primarily macroeconomic nature as well as the risk of natural disasters and health emergencies. The macroeconomic risks identified are external (prolonged war between Russia and Ukraine, higher oil and gas prices, dramatic rise in food prices, and climate change risks) and internal (food inflation, drop in rainfall affecting agricultural production, delay in oil and gas exploitation). Natural disaster and health emergency risks include floods, droughts, wildfires, agricultural crop pests, epidemics, and other health emergencies, including animal health. To mitigate these risks, the regulatory framework for fiscal risk management and provisioning was improved by way of Order No. 008655 of March 30, 2023, on the fiscal risk provisioning methodology in the budget law, and the provisions for fiscal risks were enhanced by CFAF 30.75 billion, in addition to CFAF 90 billion and CFAF 50.45 billion in precautionary and management reserves, respectively.

Financing

28. The overall financing need is CFAF 2,138.7 billion, consisting of a fiscal deficit of CFAF 840.5 billion, or 3.9 percent of GDP, debt amortization of CFAF 1,248.2 billion, and external armed forces operations (OPEX) amounting to CFAF 50 billion. This need will be covered by: (i) the expected overfinancing for 2023 in the amount of CFAF 604.8 billion; (ii) program loans in the amount of CFAF 300 billion; and (iii) project loans in the amount of CFAF 445 billion as well as other (market and bank) loans in the amount of CFAF 789 billion.

29. The government will continue to implement the roadmap for the gradual reduction of energy subsidies by 2025.

- Review of the petroleum product price structure. The study on the price structure is being finalized. The interim results expected before the end of 2023 will identify the price structure parameters requiring review for a better reflection of the trend in price developments on international markets.

- Setting up an independent committee responsible for regularly determining and publishing the prices of petroleum products (structural benchmark of end of November 2023). In keeping with its commitments, the government proceeded with the reform to establish the Energy Sector Regulatory Commission (CRSE). The Commission's mandate includes independently and autonomously setting the tariffs and prices for selling electricity to end consumers and determining the selling prices of refined hydrocarbons and gas, which the government undertakes to uphold.

- Propose the new electricity tariff structure to CRSE by introducing a social rate applicable to the vulnerable segment of the population and smoothing mechanisms to avoid high fluctuations (**new structural benchmark, September 2024**). To implement this measure, the government requested technical assistance from the IMF and the World Bank.

- The financial audit of SENELEC to revise the maximum allowable revenue formula will not be carried out by the end of 2023 because of constraints related to procurement procedures for the recruitment of an independent firm. However, the Government is committed to finalizing the financial audit of SENELEC with a view to revising the maximum authorized revenue (RMA) formula and to better understanding the structure of Senelec's variable and fixed costs and its impact on the cost of electricity production (**new structural benchmark, May 2024**). With regard to the maximum allowable revenue, the CRSE's review of the new SENELEC tariff conditions, which now cover a period of five years, is being finalized. The work is expected to lead to an improvement in the method of determining SENELEC's maximum allowable revenue.

- Strengthening of cash transfer programs to mitigate the impact of energy price increases on vulnerable households**.** The government revalued the resources devoted to the National Family Security Grant Program (*Programme national de bourse de sécurité familiale* – PNBSF) with a 7.9-percent increase in the budget envelope for cash transfers and a 12.4-percent increase in the number of beneficiaries. The government plans to continue the measures aimed at increasing the number of beneficiaries and gradually raising the transfer amount. The management mechanism is also expected to be strengthened through the digitalization of payments to beneficiaries.

- An improvement in the performance of State-owned enterprises in the energy sector and a reduction in production costs. To improve the performance of some State-owned enterprises such as SENELEC, the government put in place performance-related contracts. The government continues to take actions aimed at reducing production costs, particularly by upgrading production infrastructure, improving distribution networks under the MCC project, and controlling operating costs. Moreover, the "Gas-to-Power" strategy and the promotion of renewable energy use in SENELEC production facilities and through public lighting programs help reduce variable costs and therefore the cost of producing electricity. Emphasis will also be placed on energy efficiency and reasonable energy use by strengthening public entities responsible for energy management.

- The launching of a campaign from 2024 onwards to publicize the reform to be implemented and the expected impact on the State budget. The government launched a communication campaign summarizing all the measures implemented to gradually reduce subsidy expenditures, estimate the budgetary savings achieved, and redirect resources to other priority sectors.

Fiscal Reforms

30. The government will continue its implementation of the fiscal and financial reform management strategy in order to strengthen credibility and transparency in budget execution.

- **The reclassification of investments previously executed through capital transfers (chapter 6 of the budget nomenclature) as investments executed by the central government (chapter 5) through the normal budget circuit, which brings about stronger internal controls** ((**structural benchmark as of end-December 2023**). This reform, which seeks to improve tracking of investment expenditures carried out by agencies and similar entities will make notable progress with the 2024 budget through (i) the continuation and acceleration of the process to reclassify capital transfer expenditures as expenditures carried out directly by the government; and (ii) the improvement of the mobilization and execution mechanism for expenditures maintained as capital transfers due to the fact that related contracts are still in progress.

  For the first component, a qualitative leap was recorded with the registration under Title 5 of CFAF 98.7 billion, including CFAF 41.9 billion from transfer expenditure reclassifications and

CFAF 56.8 billion relating directly to new projects and programs. The execution of these expenses reclassified under Title 5 will be monitored monthly to anticipate possible constraints. To this end, the provisions of the instruction relating to the delegated project management agreement for State investment projects executed by delegation by agencies and similar structures, will be put in place through the circular of budget execution.

The methodology consists of reclassifying as expenditures carried out directly by the government (i) investment transfer expenditures without feasibility studies and without documented multiyear commitment forecasts and (ii) transfer expenditures concerning new multiyear projects documented by feasibility studies or any supporting document.

Conversely, projects with contracts in progress are maintained until completion. The same applies to unrequited transfers to households and public agencies in the form of aid or transfer.

In total, the budget envelope for capital transfers under the 2024 LFI is CFAF 795.4 billion, compared to the ministries' initial proposals of CFAF 894.1 billion. The proportion of capital transfer expenditures relative to total expenditures financed from domestic resources will therefore decrease from 76 percent in 2023 to 70 percent in 2024, a drop of 6 points year-on-year. Reducing this level remains a major challenge for improving the quality of public investment management. Efforts will be continued under future budgets to comply with classification standards for State investment projects in accordance with the recommendations of the PIMA and CPIMA mission.

For the reform's second component on capital transfers, a computerized budget appropriation tracking system will be put in place to align the pace of their mobilization and the physical execution of related projects and programs. Through this mechanism, the nature of the expenditures charged to transferred resources can be (i) identified ahead of time, allowing for an economic analysis of expenditures transferred to public agencies; and (ii) to monitor more specifically capital transfers for investment projects executed by agencies on behalf of the State in the same way as expenditures executed directly by the State.

- **Implementation of the recommendations contained in the audit on COVID19 spending carried out by the Court of Auditors**. The steps described below were taken to monitor the implementation of the said recommendations, once corrections have been made to certain figures contained in the 2020 draft regulatory law and following the adoption of the new public procurement code (Decree No. 20222295 of December 28, 2022, establishing the Public Procurement Code) redefining public procurement procedures.

    - For bank account closures, returns of letters sent to the ministers concerned regarding the appropriate arrangements to be made were received by the Directorate General of Public Accounting and the Treasury, the initiator.

    - The recommendations leading to legal proceedings, of which there are 12, are still pending before the judicial authorities.

- **Gradual elimination of all deposit accounts for non-personalized government entities** (**Structural benchmark, June 2024**). Besides the fact that no new allocations are made for transfer expenditures for non-personalized services, the rationalization of the existing stock began with the reclassification of 11 budget chapters, for a budget of CFAF 14.2 billion.

- **Treasury Single Account (TSA):** TSA consolidation is continuing through the legal enforceability of the Treasury's banking functions. For the implementation phase, the SIGCDD deposit account management software was rewritten and is being tested. Its rollout will considerably improve the banking services provided to the Treasury's correspondents. At the end of the benchmark mission slated to take place before the end of 2023, and bearing in mind the accomplishments made, a new roadmap will be developed to repatriate all public agency resources in Treasury accounts.

Debt Policy and Public Debt Management Reform

31. The government is determined to reduce debt-related vulnerabilities. With respect to the recently conducted debt sustainability analysis, public debt remains at moderate risk of debt distress, with limited margins to absorb any potential future shocks. Debt sustainability therefore continues to be vulnerable to a slowdown in economic growth and a deterioration in external conditions. To reduce debt-related vulnerabilities, the government plans to implement a prudent, controlled debt policy that gives preference to concessional loans, longer maturities, and lower refinancing as well as exchange and interest rate risks. To this end, the government plans to restrict other commercial loans to highly profitable projects.

32. At the same time, the government is seizing the opportunities created by green finance. Senegal has a sustainable financing framework document that serves as a guide for sustainable sovereign bond issues on international capital markets for private investors. The external review of the document carried out by Moody's found that it is aligned with international standards and market best practices.

33. To enhance debt management, the government plans to:

- Strengthen the National Public Debt Committee (*Comité National de la Dette Publique* – CNDP) by providing it with permanent secretarial services and making it mandatory for all new public sector loans to be submitted to the CNDP within at least 15 days, supported by an analysis of the costs and benefits of each project.

- Strengthen the monitoring of the indebtedness of the main companies and public enterprises in the parastatal sector. In this regard, the government will set annual indicative targets for the debt of the 16 largest companies. The monitoring of the following 6 companies will be particularly in-depth: SENELEC, SAR, the Autonomous Port of Dakar, AIBD, SONACOS, Air Senegal, and PETROSEN. To this end, a monitoring committee will be established, chaired by the Minister of Finance and Budget. This Committee, with its secretariat provided by the Directorate of the Parastatal Sector of the DGCPT, will meet at the end of each quarter to assess and analyze the governance of these public enterprises, with a particular focus on the evolution of their indebtedness. The Committee's mandate may be expanded to any other public entity of systemic importance. To enhance transparency in the sector, the government will ensure the publication of certified financial statements by all entities and public enterprises that have borrowed from the regional or international market following the format specified in the program (structural benchmark, by the end of December 2024).

- Limit lending by the government to State-owned enterprises by adopting a regulation that establishes the terms and conditions of such loans and the procedures applicable to them.

- Accelerate the implementation of the action plan stemming from the technical and functional audit of the computerized public debt management platform. The implementation of the action plan to reduce the vulnerabilities of the debt management platform (DAIDA) is ongoing so that debt data quality and integrity can be improved. Complementary modules are being consolidated, the backup system is being upgraded, access has been secured, a continuity plan has been adopted, and an intrusion protection system is in place. This work is continuing with financing from USAID. At the next stage, the government undertakes to give priority to the interoperability of the State-owned enterprise debt management platform with the DAIDA platform.

Pillar 2: Improve Governance

34. The government is determined in implementing the remaining measures to remove itself from enhanced FATF (Financial Action Task Force) monitoring. Since the adoption of the Action Plan, seven progress reports have been submitted to the International Cooperation Review Group. The seventh report underwent evaluation during a face-to-face meeting between FATF experts and the Senegalese technical delegation on September 12, 2023, in Amman, Kingdom of Jordan. As a result of these efforts, 38 measures are now deemed satisfactorily implemented. However, 11 measures remain to be executed. Six of these have been addressed with the revision of the decree on targeted financial sanctions related to the financing of terrorism and proliferation. The remaining five measures focus on the preventive program's oversight for certain Designated Non-Financial Businesses and Professions (DNFBPs), especially in the real estate sector, enhancing the collection of beneficial ownership information for small and medium-sized enterprises, and mitigating risks related to the misuse of non-profit organizations (NPOs).In line with FATF procedures, the government commits to submitting the eighth progress report by November 24, 2023, in preparation for a face--to--face meeting with the FATF’s Middle East and North Africa Task Force, scheduled for January 2024. The termination of the enhanced monitoring is anticipated to occur following the FATF’s on-site visit in May 2024.

35. The Government submitted the draft laws strengthening the prerogatives and powers of the National Office for the Fight against Fraud and Corruption (OFNAC) and the asset declaration system to the National Assembly. The progress on these drafts was delayed due to a change in OFNAC's presidency and the vacancy of the Legal Advisor to the President of the Republic, both key roles in advancing these initiatives. The new President of OFNAC, in collaboration with the Minister of Finance and Budget, managed to make sure that the revised draft law establishing OFNAC and the draft law on asset declaration were submitted to the National Assembly by November 2023, one month delay compared to the original timeline (**structural benchmark, end of October 2023)**.

36. The government adopted the law establishing a Financial Prosecutor's Office with special authority to deal with matters related to economic and financial crimes, with the adoption of Law No. 202314 of August 2, 2023, amending Law No. 6561 of July 21, 1965, on the Code of Criminal Procedure. This law establishes a judicial pool within the Special High Court (*Tribunal de grande instance hors Classe*) and the Court of Appeal of Dakar that specializes in punishing economic or financial offenses and crimes, called the Financial Judicial Pool (*Pool judicaire financier* – PJF).

37. The government undertakes to accelerate the adoption of the draft law on the General Code of Ethics and Professional Conduct for Public Officials. This draft law is underpinned by a set of principles, rules, and moral values shared by Senegalese society and is intended to guide public officials in the performance of their duties in every circumstance. It reaffirms the values of honestly, justice, commitment, loyalty, respect, and solidarity on which human resource management within the public service is based. The government plans to adopt this code by December 31, 2024.

38. The government will continue the efforts to improve financial reporting and public accountability. It strengthened the reporting system for the main extrabudgetary entities and undertakes to, from now on, publish a table of government financial operations by not later than November 30 of every year.

Pillar 3: Build a More Resilient and Inclusive Economy

The government remains committed to executing reforms designed to enhance the private sector's role in wealth and job creation, fortify the financial system, diminish gender-based disparities, and improve the social welfare system, thereby fostering socio-economic resilience.

39. The government is committed to leveraging a comprehensive legal framework to combat workplace discrimination and protect women. This includes (i) adherence to International Labour Organization Convention No. 183 on Maternity Protection (2015), (ii) Law No. 2022-02 (April 14, 2022), which enhances the protections for pregnant women under Law No. 97-17 (December 1, 1997) of the Labor Code, and (iii) Decree No. 2021-1469 (November 3, 2021), which addresses the employment of pregnant women to further combat workplace discrimination and safeguard female employees.

40. The Labor Code reform is advanced. Its primary objectives are to:

- Anchor the legislation in international labor standards (creation of unions, right to strike, requisition, non-violence and harassment, non-discrimination at work, maternity, etc.);
- Streamline social dialog bodies within enterprises;
- Preserve decent work and creating employment while promoting the country's appeal (encouraging investment, taking SME realities into account, providing structuring for artisans, promoting employment, boosting local content, overseeing technical unemployment, etc.);
- Reinforce the legal means available to labor and social security inspectors;
- Consider technological developments (telework, digitalization, and computerization of procedures, etc.);
- Incorporate into the Labor Code provisions on work provided for in other texts (social guidance law, professional training).

The preliminary draft of the new Labor Code is in the finalization phase. It will be submitted to the National Advisory Council on Labor and Social Security (*Conseil consultatif national du Travail et de la Sécurité sociale*) by December 2023, before being submitted to the government's Secretariat General.

Commercial Judicial System

41. After the creation of Dakar's commercial high court (*tribunal de commerce hors classe*) in 2018, the court undertook an ambitious program to develop a genuine digital commercial justice public service with support from financial partners. The digitalization process has been accelerated this year starting with the creation of a platform that can be used to perform some transactions online and consult information on the management of commercial disputes in a simple and secure manner. With the support of the development partner, the stakeholders (magistrate, lawyer, bailiff) benefited from capacity building for better digital access to this court. A procurement process was launched for the construction of a new commercial high court in Sébi Ponty in the Dakar Region. There are also plans to recruit a service provider for the design, production, and publication of communication material for the awareness raising media campaign for economic operators. The Ministry of Justice continues to maintain and strengthen the mechanism to secure investments through diligent and transparent management of commercial disputes in Senegal. Particular emphasis is placed on the Dakar commercial court, which alone handles two thirds of business disputes.

42. Investment code: The evaluation report was adopted by the Steering Committee in December 2021 following a review of the legal framework and the guidance note. The preliminary draft investment code is available and was validated at the technical level by the steering committee on November 23, 2022. There now remains the validation at the political level, a necessary step as it proposes a certain number of innovations in land management, the application of which will be highly dependent on the buy-in by the stakeholders (civil society, local elected officials, employers' organizations, associations representing farmers and breeders, etc.). In order to make sure that this important reform is not affected by the electoral deadline of February 2024, the government plans to launch consultations on the new Investment Code after the presidential election, the objective being, if the necessary consensus is achieved, to be able to submit the draft investment code to the National Assembly before o end-2024.

43. The government will ensure the implementation of the National Strategy for the Development of the Private Sector (*Stratégie nationale de développement du secteur privé* – SNDSP). The SNDSP, validated by the Council of Ministers on February 9, 2023, aims to accelerate the Senegalese economy’s transition to robust, sustainable, and job generating growth by focusing on strengthening the private sector. The objectives for 2035 include weaving a tighter business fabric with 300,000 formal enterprises, promoting 300 national champions, and creating 3 million formal jobs. An order (Arrete) to create steering bodies is being signed by the Prime Minister, and a Presidential Council for the formal launch of this strategy is planned.

44. The project to implement a centralized and integrated land management system (LMS) that will digitize land management procedures will be accelerated. The previous achievements of the project will allow the delivery, within short deadlines, of the main modules of the system at the end of 2024 and the rest in 2025. Thus, by November 2024, the functionalities of the LMS to manage the most usual (lot 1) will be delivered and gradually deployed at the pilot sites (**Structural benchmark, end-November 2024**). This involves, among other things: creation and delivery of the cadastral number of the plot (NICAD), establishment of the inventory, processing of requests for statements of real rights, delivery of extracts plan, processing of requests to mortgage a lease right. The functionalities of lot 2 will be deployed and put into service during the first quarter of 2025 including: the general public portal and the professional portal and certain operations on land titles (delimitation, merger, etc.). The remaining functionalities (lots 3 to 5) to complete the list of land procedures as well as the LMS administration modules will be delivered progressively over the last three quarters of 2025, including the register of real assets guarantees.

45. Setting up collaterals’ register accessible online comprising movable collaterals and mortgages, in collaboration with the BCEAO. Following a consultation with stakeholders, a roadmap was established to create the Senegalese Guarantee Register (*Registre des Garanties du Sénégal*)].

46. The decision was made to establish a committee in charge of supplementing the movable collateral register, already up and running in Senegal, with the immovable collateral register, thus making up the Senegalese Collaterals’ Register. As part of the implementation of the roadmap, it is planned that the Committee will be able to finalize the inventory of movable and immovable collaterals (**structural benchmark, end-November 2024**) already made unavailable, due to guarantees taken by the banking system and microfinance institutions. These files of inventory will have to be updated quarterly pending the full automation of the collaterals’ register.

Completion of this process will make the implementation of the collateral register possible by no later than end-December 2024.

47. The government is committed to ongoing reforms aimed at reducing gender-based inequalities. To support this initiative, budget allocations have been increased for programs specifically designed for girls and women. These programs focus on fostering women's economic independence, providing training and credit for women entrepreneurs and promoting gender equity and equality. Awareness campaigns and supportive measures, particularly in rural areas, are planned to ease the transition from elementary to secondary education. As part of these efforts, the government has set a target for girls' elementary school graduation rate at 77.7 percent in 2024, compared to 73.2 percent for boys, emphasizing its dedication to bridging the gender gap in education.

48. The government will initiate the restructuring of the national company La Poste. The restructuring measures adopted by the inter-ministerial committee and approved by the Prime Minister are now being implemented, including:

- Holding general meetings to decide on the continuation of operations;
- Recapitalizing La Poste and its subsidiaries following the arrangements currently being implemented. The amounts required for recapitalization are CFAF 139.4 billion for La Poste, CFAF 10 billion for Poste Finance, and CFAF 2.6 billion for the subsidiary Express Mail Service;
- Implementing a hiring freeze starting in 2023.;
- Drafting and adopting a negotiated severance and staff retraining plan by the Board of Directors, with the initial plan set to be finalized in 2025.Ensuring compliance with the Treasury guarantee agreement provisions, which eliminated delays in La Poste’s reimbursement of amounts borne by the Treasury on its behalf for compensation.

49. Establishing an analytical accounting mechanism to accurately determine public service remuneration, pending validation by the regulator. Additionally, the institutional evolution of Poste Finances into a financial institution, before its transformation into a postal bank, is included in these measures. A feasibility study was conducted, and a roadmap was developed in this regard. Furthermore, La Poste developed a Strategic Expansion Plan (Plan Stratégique d’Expansion – PSE), focusing on three strategic objectives: improving institutional governance within the La Poste Group, developing the service offering, and proceeding with the Group’s digital transformation. In relation to this strategic plan's implementation, La Poste receives support from the French La Poste, which facilitated a roundtable in Dakar in October 2023 for partnership development conducted.

50. The government will ensure the completion of restructuring for distressed banks.: As the financial sector's guarantor of last resort, the government is committed to implementing credible plans to restore the capital of two distressed banks. For the first bank, the government has decided to acquire a stake in the capital and has successfully united shareholders, depositors, and creditors, including some insurance companies and community institutions, around a recapitalization plan approved by the WAMU Banking Commission. The Government of Senegal agreed to convert its deposits into shares, resulting in a public stake of 63.34% in the bank's capital, thereby surpassing the voting majority threshold. This move received favorable approval from the Banking Commission, formalized in Ministerial Order No. 009923/MFB/DGSF/DMC/DRMC/PBD dated April 7, 2023, which authorized changes to the bank's shareholding structure. The recapitalization process is expected to be completed in the fourth quarter of 2023.

- Regarding the second bank, the capital increase is supported by the majority shareholder and the government, with the competent authorities regularly monitoring the scheduled actions. A capital reduction followed by an increase is planned, resulting in a 30 percent government shareholding, equivalent to CFAF 9 billion. This will reduce the majority shareholder's stake to 30 percent, below the voting majority threshold. Changes to the threshold require prior authorization from the Banking Commission. The restructuring plan will be reviewed by the Banking Commission in its December 2023 session.

51. The government intends to continue efforts to improve the social protection system. At the start of the year, the government decided to increase the amount of family grant allocations per household from CFAF 25,000 to CFAF 35,000, which meant that the budget allocation had to be raised to CFAF 51.4 billion from 35 billion initially planned. Also, beneficiaries of equal opportunities cards (*cartes d'égalité des chances* – CEC) are enrolled in the family security grant program (PNBSF), which increases the number of beneficiaries from 316,941 to 354,951,162, requiring a budgetary allocation of CFAF 52.93 billion. Regarding digitalization, the platform is already operational and used by SN la Poste to make cash payments. The General Delegation for Social Protection and National Solidarity (DGPSN) is also working with the services of the DGCPT to strengthen "Mobile" payments via the platform.

52. Regarding the Single National Register (RNU), the process of extension to 1,000,0000 households continues, the training of supervisors is being carried out, that of community relays is underway and should be completed in November 2023. This activity will be followed by the identification of new households to be registered in the register. The validation meetings are scheduled for the end of November and the lists validated by the administrative authorities are expected in December. The DGSPN, in conjunction with the ANSD, will carry out the surveys during the first quarter of 2024 with a view to registering households in the RNU database.

Pillar 4: Build Resilience to Climate Change

53. The government will continue to implement the RSF-supported reform agenda. In 2024, Senegal undertook climate-sensitive budgeting through the traceability of appropriations allocated to priority sectors, including those in the NDC, and an assessment of its implementation in the various programs. To that end, the document entitled "Green Budget" is a tool for analyzing the environmental impact for better integration of climate issues into government policy. Moreover, it appears as a new form of classification of budget and tax expenditures according to their impact on the environment and an identification of environmental government resources. Like the Gender-Based Budget Document, this document is an annex to the 2024 draft budget law.

54. The next series of reform measures for the second program review focuses on Pillar 2 (Accelerate Senegal's adaptation to climate change):

- The government has fully implemented the first two RSF reforms. It approved a ministerial decree to reflect climate considerations at each step of budget preparation and execution (***reform measure 1*** for end-October 2023) as well as a strategy for greener public transportation (***reform measure 2*** for end-November 2023), which will be reflected in the 2024 budget.

- Adopt a presidential decree ratifying the PAP3 (Country Development Strategy) for Senegal, which fully reflects Senegal's PNA (***reform measure, April 2024***). This measure is intended to ensure that strategic priorities are integrated into Senegal's long-term development planning and annual budget processes.

- Approve the urban planning and building codes. (***reform measure, May 2024***). The proposed measure will provide Senegal with an improved framework to support the urban masterplan and improved operation and maintenance of key infrastructure such as drainage. The implementing decrees relating thereto should be approved by end-May 2024.

- The Government of Senegal aims to advance the policy reforms and investments needed to strengthen its capacity to adapt to climate change. In this context, the authority undertook to finalize its first PNA, which should be ready by end September 2024.

- The government has also discussed the specific technical assistance needs that will need to be covered until the end of the program, with the assistance of the IMF, the WB and other development partners, to ensure robust implementation of the reform measures under the RSF.

55. Senegal and the group of international partners, comprising Germany, France, the European Union, the United Kingdom, and Canada, launched a Just Energy Transition Partnership (JETP) to support Senegal's efforts on universal access to energy and the consolidation of a resilient and sustainable low carbon energy system. International partners and multilateral development banks have pledged €2.5 billion in new financing for an initial period of 3 to 5 years beginning in 2023. This partnership will accelerate the rollout of renewable energies to bring the share of renewable energies in installed capacity to 40 percent of Senegal's electric power mix by 2030. By June 2024, the authorities undertake to finalize a list of projects to be implemented as part of the JETP.

Program Monitoring

56. The program will undergo semi-annual reviews and will be monitored using performance criteria, indicative targets, and structural benchmarks, as outlined in Tables 1c and 2. As part of this 1st review of the program, the government has requested modification of the quantitative performance criteria to reflect the build-up of liquidity reserves in 2023 and the recent economic developments. Definitions for these are provided in the Technical Memorandum of Understanding attached to this Memorandum. Under the RSF, monitoring will be conducted through the reform measures, which are detailed in Table 3. The program will be reviewed semiannually and will be monitored using performance criteria, indicative targets, and structural benchmarks, as shown in Tables 1 and 2. The definitions are provided in the Technical Memorandum of Understanding appended to this Memorandum. Under the RSF, monitoring will be done by means of the reform measures as detailed in Table 3.

Table 1. Senegal: Performance Criteria and Indicative Targets Under the ECF and the EFF, June 2023–December 2024

	2023				2023		2024		2024
	Jun. QPC				Dec. QPC Target		Jun. QPC Target		Dec. QPC Target
	Program	Adj. Prog.	Actual	Status	Program request	Proposed	Program request	Proposed	Proposed
Performance criteria									
Floor on nonhydrocarbon primary balance (CFA billion)[1]	-335	-335	-334	Met	-417	-435	-335	-156	-310
Floor on nonhydrocarbon tax revenue (CFA billion)	1,602	...	1,668	Met	3,514	3,514	1,882	1,882	4,155
Ceiling on the present value of public sector external new borrowing (CFA billion)[2]	3755	...	2,403	Met	3755	3755	1,828	1,828	2,543
Ceiling on public sector external payment arrears (stock)[3]	0	...	0	Met	0	0	0	0	0
Ceiling on public sector domestic payment arrears (stock)[3]	0	...	0	Met	0	0	0	0	0
Floor on deposit of the Central Government at the BCEAO (CFA billion)	...	...	...	...	...	626.7	...	22.0	22.0
Indicative Targets									
Ceiling on total nominal public sector debt (CFA billion)[4]	14,591	...	14,802	Not met	14,591	14,591	15,507	15,507	15,564
Floor on social expenditures (percent of total spending)	40	...	43	Met	40	40	40	40	40
Ceiling on the stock of government amounts payable (CFA billion)	40	...	33.3	Met	40	40	40	80	80
Memorandum items:									
Budget grants	...	...	16.4	...	76	60	...	...	36
Shortfall in program grants relative to program projections (CFA billion)	...	...	...	...	18.8	18.8	15.2	15.2	15.2
Ceiling on the share of the value of public sector contracts signed by single tender (percent)	15	...	49.8	...	15	15	15	15	15
Ceiling on spending through simplified procedures for non-personalized services (percent)	2	...	0.03	...	2	2	2	2	2
Net Domestic and Regional Financing of the Government	...	...	...	...	340.2	340.2	...	...	300

Sources: Senegalese authorities; and IMF staff calculations.

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

[2] Contracting basis. Cumulative since the beginning of the calendar year. US$ debt converted at program exchange rate at the end of the year. Adjustors will be applied to reflect 2023 over-financing towards 2024 debt service, increasing the ceiling in 2023 and lowering the ceiling in 2024.

[3] Continuous performance criterion.

[4] US$ dette convertie au taux de change du programme à fin décembre 2022. Des ajustements seront appliqués pour refléter le surfinancement de 2023 envers le service de la dette de 2024 et pour refléter les insuffisances des subventions budgétaires..

Table 2. Senegal: Prior Action and Structural Benchmarks for the First, Second and Third Reviews Under the EFF and ECF

#	Description	Justifications/Rationale	Target dates	Status
	Prior Action			
	Submit to the National Assembly the 2024 budget law reflecting a deficit target of 3.9 percent of GDP		5 days before the board meeting	Met
	Structural Benchmarks			
	First Review			
1	Strengthen the Legislation and International Cooperation Directorate at the DGID through a ministerial decision by giving it the mandate to coordinate all issues relating to domestic tax policy	Ensuring consistency and strategic alignment with international standards	September 2023	Met
2	Reinforce the legal obligation for public service companies and certain public entities to automatically communicate all information about their customers (identities, nature of accounts, and addresses of customers) to the tax authorities in order to improve the tax compliance of these customers	Improving tax compliance through better data accuracy and transparency	October 2023	Met
3	Submit to the National Assembly a draft law amending the existing law creating the anti-corruption body (OFNAC), which strengthens its powers and prerogatives, according to the details provided in paragraph 33 of the Memorandum of Economic and Financial Policies	Strengthening the institutional framework against corruption, promoting good governance and public trust	October 2023	Not met, implemented with delay
4	Submit to the National Assembly a draft law amending the existing law on assets declaration to strengthen its effectiveness, according to the details provided in paragraph 34 of the Memorandum of Economic and Financial Policies	Ensuring more robust compliance, aiding in the detection and prevention of financial improprieties	October 2023	Not met, implemented with delay
5	Put in place an independent body with the mandate to regularly determine and publish petroleum product prices, based on the revised petroleum product pricing formula, including the frequency of adjustment and the related smoothing mechanism.	Reduce energy subsidies	November 2023	Met
6	Prepare a tax expenditure rationalization strategy/plan that clearly identifies the specific tax measures to be abolished, in particular on VAT, and from 2024 reduce them by at least 100 billion CFA francs per year over the next two years	Enabling focused tax policy that can reduce fiscal deficits and improve economic efficiency	November 2023	Met
	Second Review			
1	Broaden the tax base by increasing by 25,000 the number of taxpayers registered with the Department in charge of small and micro-enterprises	Enhancing revenue streams and fosters a more equitable tax distribution among small and micro-enterprises	December 2023	
2	Automate the tax compliance (*prélevement de conformité fiscale*) liquidation process through the issuance of a Ministerial decree	Reducing errors and increasing efficiency in tax collection	December 2023	
3	Revise and publish the current pricing formula for petroleum products (gasoline and diesel) to ensure that prices at the pump reflect developments in international markets. The revision will cover: (i) the various elements of the price structure; (ii) the reference price, (iii) a gradual price adjustment mechanism to avoid large variations, and (iv) the frequency of price adjustments.	Ensuring fuel prices accurately mirror international market trends, fostering economic stability and consumer fairness	December 2023	
4	Reclassify investments previously executed through capital transfer (chapter 6 of the budget nomenclature) as investments executed by the central government (chapter 5) through the normal budget circuit, which brings about stronger internal controls.	Promoting transparency and stronger internal controls within the government's budgetary processes	Quarterly monitoring, from end-December 2023	
5	Implement a VAT taxation system for online sales of digital goods and services	Enhancing revenue mobilization	New SB, December 2023	Proposed
6	Finalize the financial audit of SENELEC with a view to revising the maximum authorized revenue (*RMA*) formula with a view to better understanding the structure of Senelec's variable and fixed costs and its impact on the cost of electricity production	Clear understanding of the SENELEC's cost structure and its impact on electricity production costs, thereby enhancing operational efficiency and ensuring fair pricing strategies	New SB, May 2024	Proposed
	Third Review			
1	Gradually eliminate the treasury deposit accounts (*comptes de depot*) used by public entities without legal personality (*services non-personnalisés de l'État*) to strengthen internal control and improve the transparency of public finances	Strengthen internal control and enhance transparency	June 2024	
2	Propose a new electricity tariff structure by introducing a social tariff applicable to the vulnerable segment of the population	Ensuring equitable access to essential services while addressing socio-economic disparities	New SB, September 2024	Proposed
3	Finalize an inventory of movable and immovable collaterals with the aim to put in place a collateral register (combining data on movable and non-movable assets) accessible online, in collaboration with BCEAO	Facilitating secure transactions and improves financial transparency	New SB, November 2024	Proposed
4	Deploy the functionalities of the land management system (LMS) which will manage the most usual procedures (creation and delivery of the cadastral number of the plot, establishment of the inventory, processing of requests for statements of real rights, delivery of extracts plan) with the aim of having the full LMS in place before the end of 2025	Enhancing efficiency and reducing the potential for disputes or fraud	New SB, November 2024	Proposed
5	Publish certified financial statements of all public entities and companies having borrowed on the regional or international market following the format retained within the framework of the program	Enhancing transparency and accountability	New SB, November 2024	Proposed

Table 3. RSF Reform Areas and Reform Measures, 2023–25

#	Focus	Area	Measures	Target dates	Status
Pillar I - Supporting Senegal's Response to Climate Change					
RM2	M	Support decarbonization	(i) Adopt at the Council of Ministers an implementation plan for the strategy for greener public transport and (ii) reflect it in the 2024 PIP budget of the Ministry of Transport, in line with the objectives of the NDC.	End-November, 2023	**MET**
RM5	M	Support decarbonization	Adopt an electricity tariff adjustment plan based on the results of the financial audit of Senelec, which is conducted with the support of the World Bank, with the aim of phasing out electricity subsidies by 2025. *The plan should restore cost recovery (operating and capital costs) by the end of 2025 and set annual targets to gradually achieve full cost recovery by the end of 2025. Each annual target should reflect a cost recovery higher, compared to 2023, for 2024 and 2025 respectively.*	End-June, 2024	
Pillar II - Accelerating Senegal's adaptation to climate change					
RM3	A	Climate response: strategy and costs	Adopt Senegal's PAP III (Country Development Strategy) at the Council of Ministers, which should fully reflect the Senegal's National Determined Contribution (NDC) . *This should include the list of priority adaptation and mitigation projects of the NDC, the estimated costs, the financing mobilization strategy and the implementation modalities, including an implementation timetable.*	End-April 2024	
RM4	A	Protection of coastal zones	Submit to the National Assembly two laws that establish (i) the Urban Code (CU) and (ii) the Construction Code (CC) to improve urban planning, thereby mitigating the impact of coastal erosion and urban flooding, and approve the related implementation decrees.	End-April, 2024	
RM7	A	Climate Risk Impact Assessment	Publicly disseminate key information on climate risks by the National Committee on Climate Change. *Meeting this RM will require the adoption by the Council of Ministers a decree that strengthens the role of the National Committee on Climate Change by (i) determining its composition and functioning; and (ii) establishing the regular collection and analysis of information.*	End-December, 2024	
RM8	A	Agriculture and Water Resources Management	Approve an inter-ministerial decree that defines the roles and responsibilities and the procedures allowing each actor to assume their role and responsibilities for water, including the steps to take to be accountable for their actions.	End-March, 2025	
Pillar III - Integration of climate change considerations into the budget process					
RM9	A, M	PFM	(Ministry of Finance to (i) develop guidelines for climate budget tagging (deadline end-2024); and (ii) to issue in the budget call circular directives in order to fully reflect the priority mitigation and adaptation public investments (end-2025) *To this end, the government should include in the budget, information on all climate change mitigation and adaptation projects. Projects identified in the public investment plan in the budget documents should be clearly labeled to indicate that they have a strong climate change mitigation and adaptation component, with an accurate assessment of their expected impact. To ensure rigorous monitoring, a decree signed by the Ministry of Finance should require an assessment of the impact these projects, with a reference to the stated objectives,*	End-September 2025	
RM10	A, M	PIP	The Minister of Finance will issue a binding instruction to all Ministers engaged in large public investment program (PIP) to ensure that all public investments and PPP projects executed or supported by the State budget will include as part of documents required for the appraisal (i) a technical assessment of the impact of the investment on adaptation to climate change (both in the pre-feasibility study, if any, and in the feasibility study), and: (ii) the climate implications of the project, i.e. say the impact on GHG emissions. The concerned ministers include: Minister of Infrastructure and Land Transport; Minister of Agriculture, Rural Equipment, and Food Sovereignty; Minister of Water and Sanitation; Minister of Health, and Social Action; Minister of Environment and Sustainable Development; Minister of Urban Planning, Housing, and Public Hygiene.	End-September, 2025	
RM1	A, M	Budget presentation	Adopt and publish a PIM decree integrating climate considerations at each step of the project development (appraisal, selection, external audit etc.)	End-October 2023	**MET**
RM6	A, M	Budget presentation	Assess and quantify disaster-related fiscal risks as part of the Risk Statement Annex included in the 2025 budget law	End-September, 2024	
(1) A =Adaptation ; M = Mitigation					

Attachment II. Technical Memorandum of Understanding

This technical memorandum of understanding (TMU) defines the quantitative performance criteria, indicative targets, and continuous targets described in the memorandum of economic and financial policies, to monitor the arrangement under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) for the period June 30, 2023-June 30, 2026. It also establishes the terms and timeframe for transmitting the information that will enable Fund staff to monitor the program. Reviews will assess quantitative performance criteria and indicative targets at the specified test dates and on a continuous basis. Specifically, the test date for the second review will be December 31, 2023 and the test date for the third review will be June 30, 2024.

Definitions

1. Unless otherwise indicated, "state" or "government" in this TMU means the central government sector responsible for finance and budget of the Republic of Senegal. It excludes the central bank and the public sector outside the central government responsible for finance and budget (paragraph 2).

2. Unless otherwise indicated, "public sector" in this TMU means the government, local governments and all majority government-owned or controlled entities[1].

3. Debt. The definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision No. 16919 (20/103), adopted October 28, 2020.

- The term "debt" will be understood to mean a direct, i.e., non-contingent, liability created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a given repayment schedule; these payments will discharge the principal and/or interest. Debts can take a number of forms, the primary ones being as follows:
- Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds (including Treasury Bills), debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the borrowed funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements.);
- Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until

[1] The notion of control refers to ultimate control. If the government controls entity A which controls entity B, then the government indirectly controls entity B.

sometime after the date on which the goods are delivered or services are provided;[2]

- Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property**.** For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- **Arrears.** Under the definition of debt above, arrears, penalties, and judicially awarded damages and interest arising from the failure to make payment under a contractual obligation that constitutes debt is debt.[3] [4]
- **Debt guarantees**. The guarantee of debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).
- **External debt.** External debt is defined as debt borrowed or serviced in a currency other than the CFA franc, regardless of the residency of the creditor, with the exception of debt with the West African Development Bank (BOAD). The BOAD debt and IMF program debt are included in external debt.

4. Program exchange rate. In the context of the program, the applicable exchange rates for the first and second review are those as of December 31, 2022. The source of information is the IMF's International Financial Statistics (IFS) database. For exchange rates not covered by IFS, mutually agreed sources for exchange rate data will be used.

QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on the Non-Hydrocarbon Primary Fiscal Balance (Program Definition)

5. Definition. The non-hydrocarbon primary fiscal balance is the difference between (i) total government revenue (including grants), excluding revenue from the exploitation of hydrocarbons and proceeds from the sale of central government's non-financial assets to public sector entities, which are normally recorded in the net acquisition of non-financial assets; and (ii) domestic government expenditure, excluding interest expenditure on domestic and external debt. The

[2] Deferred payments that comply with the respective entity's usual settlement process, which generally means deferred payments that are (i) not late and (ii) are not based on a financial contract that defers payment of an asset or service of more than 90 days, are not considered debt.

[3] Arrears that can currently be tracked and are included in debt are defined in more detail below in the Technical Memorandum of Understanding (central government domestic expenditure arrears and public sector external financial arrears).

[4] Outstanding debt at the end of June includes both short-term debt that amortizes in the same calendar year and long-term debt.

definition of revenue and expenditure is consistent with the definition provided in the 2001/14 Government Financial Statistics Manual (GFSM). Petroleum revenue paid to the government, including dividends paid by the national petroleum company (PETROSEN), and all fees and taxes paid by companies that operate oil and gas reserves in Senegal are considered revenue from hydrocarbon exploitation. Hydrocarbon revenue is recorded in the accounting system on a cash basis. Government expenditure is defined on a payment order basis accepted by Treasury, as well as those executed with external resources. This quantitative performance criterion has been set as a cumulative floor on the non-hydrocarbon primary fiscal balance since the beginning of the year.

6. Adjustment. The floor including grants is adjusted upward or downward by the amount that budget grants exceed or fall short of program projections up to a maximum amount as specified in Table 1 of the memorandum of economic and financial policies. If budget grants exceed their projected level, the floor on the non-hydrocarbon primary fiscal balance will be reduced by up to a maximum amount as specified in Table 1 of the memorandum of economic and financial policies. The adjustment will be applied with the criterion on a semiannual basis.

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

B. Floor on Non-Hydrocarbon Tax Revenue

8. Definition. Tax revenue is the sum of revenue from taxes and levies on income, profits and capital gains, wages and labor, on assets (excluding the proceeds from the sale of central government's non-financial assets to public sector entities, which are normally recorded in the net acquisition of non-financial assets); taxes on goods and services; on foreign trade and international transactions; and other tax revenue. The performance criterion excludes revenue deriving from oil and gas exploitation, as defined above. The quantitative criterion will be assessed based on data for these revenue items provided in the quarterly table of government financial operations (TOFE).

9. Reporting Requirements. Reporting requirements are the same as for the quantitative performance criterion on the non-hydrocarbon primary balance.

C. Ceiling on the Present Value of New Public Sector External Borrowing

10. Definition: The performance criterion (PC) for the present value (PV) of new external debt contracted or guaranteed by the public sector applies to all new external debt (concessional or otherwise), including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to (i) import-related trade debts with an original maturity of less than one year, (ii) rescheduling agreements and (iii) IMF disbursements.

11. For program monitoring requirements, external debt is considered contracted or guaranteed when all conditions have been met for it to enter into force, including government approval of the relevant agreement if required. For euro bond issuances, the amount considered to be arranged is the amount subscribed or purchased at the end of the subscription or purchase period as specified in the final exchange clauses.

12. The present value of new external debt is calculated by applying the PV procedure to all future debt service payments (principal and interest) based on a program discount rate of 5 percent, reflecting all of the conditions of the loan, including the maturity, grace period, payment schedule, upfront fees, and management fees. The present value is calculated using the IMF template for this type of calculation based on the amount of the loan. A debt is considered concessional if, at the date of its conclusion, the ratio between its present value and nominal value is below 65 percent (equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is less than or equal to zero, the present value is equal to the nominal value.

13. The present value (PV) of new external debt contracted or guaranteed by the public sector is valued at program exchange rates. For variable interest rate debt in the form of a benchmark interest rate plus a fixed spread, the PV of the debt is calculated based on the program benchmark rate plus a fixed spread (in basis points) specified in the loan agreement. For program purposes, the program reference rate for the six-month euro Financial Institution Repo Facility (FIRF) is 2.97 percent. The difference between the six-month US FIRF and the six-month euro FIRF is 50 basis points.

14. Adjustments for the performance criterion on the present value of new external debt: the program ceiling applicable to the present value of new external debt is adjusted upward to a maximum of five percent of the ceiling on the present value of external debt when discrepancies in relation to the performance criterion on the present value of new debt are caused by changes in the financing conditions (interest, maturity, grace period, payment schedule, initial fees, and management fees) for the debt or debts. The adjuster cannot be applied when the discrepancies derive from an increase in the nominal value of the total contracted or guaranteed debt. The ceiling for the end of December 2023 is adjusted upward by the present value of external debt contracts signed related to the overfinancing in 2023[5], with a symmetrical downward adjustment being applied to the ceilings for the end of June 2024 and the end of December 2024, meaning a reduction of the same amount of the present value of the contracted external debt. The adjustment is capped at 604.8 billion CFA francs (converted to USD at the program's exchange rate).

[5] Overfinancing in 2023. The overfinancing in 2023 is defined as a debt management operation related to the issuance of debt beyond the financing needs of 2023 to prefinance the borrowing requirement for 2024 in order to avoid interest rate spikes as the 2024 presidential elections approach.

15. Reporting requirements. The authorities will inform IMF staff of any new planned external borrowing over a 12-month horizon and the conditions for such borrowing before the loans are contracted or guaranteed by the public sector. During the program period, the government will report the present value of new public sector external borrowing, on a quarterly basis, within one month after the end of the quarter. Such data must be accompanied with (i) the IMF present value calculation tool used by the government to calculate the present value; and (ii) a summary table of all external debt issues as well as their financial conditions and procedures that were used to calculate the present value.

D. Ceiling on Public Sector External Debt Payment Arrears (Continuous)

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

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

E. Ceiling on Domestic Government Payment Arrears

18. In the context of the program, payment arrears with private nonfinancial corporations are defined as obligations to private nonfinancial corporations that remain unpaid for more than 90 days (as established by the administrative regulatory texts) after the date the treasury has accepted them (*prise en charge*). Domestic debt service arrears refer to debt service obligations (excluding the Central Bank of West African States—BCEAO) for which the actual payment date exceeds 30 days the contractual payment due date. The quantitative performance criterion for the government's domestic payment arrears (central government) will be monitored on a continuous basis.

19. Reporting requirements. The authorities undertake to report any accumulation of domestic payment arrears to IMF staff on a monthly basis.

F. Floor on the Deposits of the Government

20. Definition. The available balance of deposits and cash in the Treasury's account, including the clearing account, the ordinary account, commercial accounts, the Treasurer for Foreign Payments account, and special accounts at the BCEAO should be at least equal to the balance as of December 31,2022 (21.9 billion FCFA), increased by the amount of the expected overfinancing (604.8 billion FCFA), for a total of 626.7 billion FCFA.

21. Adjustor. The floor on the minimum balance will be reduced by the amount of debt buyback operations carried out in 2023.

22. Reporting requirement. The supporting documentation for this overall balance will be based on bank statements.

INDICATIVE TARGETS

G. Ceiling on Total Nominal Public Debt

23. Definition. Debt for this quantitative performance criterion is defined as in paragraph 3 above, comprises external and domestic debt of the public sector, and is measured at its nominal value. Debt is valued using program exchange rates. The ceiling will be monitored on a semiannual basis.

24. Adjustor. The ceiling is adjusted upwards by the amount that the budgetary grants fall short of the program's projections, up to a maximum level defined in Table 1 of the economic and financial policy memorandum. The adjustment is made on a semi-annual basis. The ceiling for the end of December 2023 is increased by the nominal value of the 2023 overfinancing, reduced by the amount of 2023 overfinancing used for the early repayment of debt service beyond 2023. The adjustment is capped at 604.8 billion CFA francs. Since the ceiling refers to a debt stock concept, there is no symmetric downward adjustment for 2023 over-financing in 2024.

Reporting Requirements

- As part of the program, the authorities will transmit quarterly to IMF staff, within six weeks after the end of the quarter in question, provisional data relating to the debts of the following public enterprises: LONASE, SN La Poste, RTS, SN PAD, SONES, SENELEC, APIX, SN HLM, SAED, SNR, SOGIP SA, SAPCO, SODAGRI, CICES, SSPP SOLEIL, PETROSEN, SIRN, SICAP, DDD, MSAD, ONFP, ONAS, CNQP, OFOR, OLAG, FONSIS, AIBD, FERA, ASER, FSE, ANAM, COUD, ACMU, CDC, Dakar Dem Dik, ITA, MIFERSO, CEREEQ, Air Senegal, SOGEPA, SAR and SONACOS. Any debt contracted during the year by a public enterprise not included in the above list and which is greater than 5 billion CFA francs, will also be communicated to the IMF within 30 days from such debt being contracted, and this public enterprise will be added to the list for future reporting.

- The stock of debt at end-December of the current and previous year of all these public enterprises, as well as information on newly contracted debt during the year and principal payments, will be communicated to IMF staff within two months after the end of the year.

- All on-lent or guaranteed debt emanating from the central administration and from which these public enterprises benefit will be communicated, as well as any on-lent or guaranteed debt benefiting enterprises in the private sector, within two months following the end of each quarter. The data made available to IMF staff will distinguish between guarantees and debt on-lent to public enterprises and those issued to private sector actors.

- All commitments by comfort letter will be communicated quarterly to IMF staff within six weeks after the end of the quarter. If some of these comfort letters are already counted in another category (for example, guarantees), this will be explicitly mentioned in the data.
- Single-tender public sector contracts.

H. Floor on Social Expenditure

25. Definition. Social spending is defined as spending on health, education, the environment, the judicial system, social safety nets, sanitation, and rural water supply, rural electrification, equipment support for vulnerable groups, and economic and social support for women and young persons (as provided in the table on social expenditure). The ceiling will be evaluated on a semi-annual basis.

26. Reporting Requirements. The authorities will report semiannual data to Fund staff within two months after each six-month period.

I. Accounts Payable, Including Domestic Payment Arrears

27. Definition. "Accounts Payable" (or "unpaid balances") include domestic payment arrears and floating debt and represent all of the central government's obligations due and pending payment. They are defined as all expenditure liquidated but not yet paid by the government accounting officer. Under the program, these obligations include (i) total payments due and unpaid to public and private nonfinancial corporations; and (ii) public domestic debt service (excluding the BCEAO).

28. Floating debt is the stock of unpaid liquidated expenditure items for which the duration overdue is below 90 days for obligations to public and private nonfinancial corporations and 30 days for debt service arrears to commercial banks, insurance companies, and other financial institutions).

29. Accounts payable are broken down by maturity and length of the period overdue (less than 90 days, 90-365 days, and more than one year for nonfinancial corporations, and less than 30 days, 30-365 days, and more than one year for financial corporations.

30. In the context of the program, the government undertakes to: (i) contain the stock of accounts payable amount to less than CFAF 40 billion in 2023, and (ii) no accumulation of new domestic arrears throughout the program period.

Memorandum Items

J. Ceiling on the Share of the Value of Public Sector Contracts Signed on a Non-Competitive Basis (in percent)

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

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

K. Ceiling on Spending Through Simplified Procedures for Non-Personalized Services (Services non-personnalisés)

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

34. Reporting Requirements. The government will report semi-annually to Fund staff the total amount of spending on transfers, and the total amount of spending for non-personalized services executed through transfers on treasury deposit accounts (*comptes de dépôt du Trésor*), within six weeks of the end of each six-month period.

L. Net Domestic and Regional Financing of the Government

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

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

M. Additional Information for Program Monitoring

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

- Three days after adoption: any decision, circular, decree, supplemental appropriation order, ordinance, or law having economic or financial implications for the current program. This includes in particular all acts that change budget allocations included in the budget law being executed (for instance: supplemental appropriation orders (*décrets d'avance*), cancellation of budget appropriations (*arrêtés d'annulation de crédit budgétaires*), and orders or decisions creating supplementary budget appropriations (*décrets ou arrêtés d'ouverture de crédit budgétaire supplémentaire*). It also includes acts leading to the creation of a new agency or a new fund.
- Within a maximum lag of 30 days, preliminary data on:
  - Tax receipts and tax and customs assessments by category, accompanied by the corresponding revenue on a monthly basis;
  - The monthly amount of expenditures committed, certified, or for which payment orders have been issued;
  - The quarterly report of the Debt and Investment Directorate (DDI) on the execution of investment programs;
  - The monthly preliminary Government financial operations table (TOFE) based on the Treasury accounts;
  - The provisional monthly balance of the Treasury accounts;
  - Reconciliation tables between the SYSBUDGEP table and the consolidated Treasury accounts, between the consolidated Treasury accounts and the TOFE for "budgetary revenues and expenditures," and between the TOFE and the net treasury position (NTP), on a quarterly basis;
  - A quarterly report on FSE operations in terms of revenues and expenditures; and
  - A monthly report on the price structure of fuel products, including an estimate of the necessary subsidy for the rest of the year based on the latest price structure; no later than 4 weeks after the publication of the price structure. If domestic prices are higher than international prices, authorities will communicate in which part of the TOFE the benefits are accounted for.
- Final data will be provided as soon as the final balances of the Treasury accounts are available, but not later than one month after the reporting of provisional data.

- Any new project or development related to climate financing or strategies for a greener economy, including steps to access ESG-related bonds or green bonds.

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

39. A monthly table from the expenditure tracking system in the financial information system, showing all committed expenditure (*dépenses engagées*), all certified expenditures that have not yet been cleared for payment (*dépenses liquidées non encore ordonnancées)*, all payment orders (*dépenses ordonnancées*), all payment orders accepted by the Treasury (*dépenses prises en charge par le Trésor*), and all payments made by the Treasury (*dépenses payées*). The monthly table of expenditure in the financial information system will exclude delegations for regions and embassies. The monthly expenditure table in the financial information system will also indicate any payments that do not have a cash impact on the Treasury accounts. The stock of accounts payable are broken down by payer and spending category, as well as by maturity and length of time overdue.

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

41. The central bank will transmit to Fund staff:

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

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

- Preliminary TOFE and transition tables with a lag of two months.
- The SYSBUDGEP budget execution table, the table for the central Government and a summary table including regions, with a lag of two weeks.

INTERNATIONAL MONETARY FUND

SENEGAL

November 29, 2023

FIRST REVIEWS UNDER THE EXTENDED FUND FACILITY, THE EXTENDED CREDIT FACILITY, AND THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENTS, REQUESTS FOR MODIFICATION OF THE QUANTITATIVE PERFORMANCE CRITERIA AND REPHASING OF ACCESS—WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

A. Senegal Vulnerability to Climate Change

1. Climate change means Senegal is already experiencing rising temperatures and erratic rainfall, weather-related hazards, and rising sea-levels. Senegal is getting warmer: since the 1950's, the country's average annual temperature has increased by nearly 2°C and there are about 50 more days with a Heat Index above 35°C and about 30 more so-called "Tropical Nights" (>20°C), two indicators of higher discomfort and lower recuperation capacity for human bodies when exposed to high temperatures.[1] Senegal is also becoming drier: isohyets[2] are migrating southward and the number of consecutive dry days is increasing (about 4 days per decade since the 1950's).[3] Sea-level rise is another marker of climate change for Senegal, increasing the risk of erosion (25 percent of the coastline threatened today) and storm surges (50 percent of the coastline threatened today). The costs of erosion for Senegal were estimated at US$ 537 million in 2017 (3.3 percent of 2017 GDP), mainly due to the loss of land and its associated value.[4] In the meantime, climatic hazards, particularly excess or lack of water, are having an increasing human and economic toll. Over the last 40 years, floods have accounted for nearly half of weather-related hazards while droughts have had the largest impact, in terms of people affected. Finally, population movements due to deteriorating environmental conditions related to climate change can be observed

[1] World Bank Climate Change Knowledge Portal: Country webpages for Senegal, consulted April 2023. https://climateknowledgeportal.worldbank.org/country/senegal

[2] A line on a map connecting points receiving the same amount of rainfall in a given period.

[3] Same as FN#1

[4] Croitoru, L., JJ. Miranda, and M. Sarraf. 2019. *The Cost of Coastal Zone Degradation in West Africa: Benin, Côte d'Ivoire, Senegal and Togo*. Washington, DC: World Bank.

(i.e., pastoralists leaving dry and depleted pastures or people relocating away from flooded coastal settlements).[5]

2. Climate change will intensify, and Senegal is particularly vulnerable given its coastal exposure and reliance on natural resources for jobs and livelihoods. Coastal zones are home to 52 percent of Senegal's population, 68 percent of its GDP, and 90 percent of its industrial facilities.[6] These areas are threatened by accelerated sea-level rise, which will intensify coastal erosion, flooding, and salinization (of water bodies and agricultural land). In Dakar alone, for instance, the population at risk of coastal flooding due to sea-level rise and extreme events is expected to increase by 20-30 percent in 2050, while economic damages could increase by 30% over the same period.[7] Inland, agriculture, which is mainly rainfed and has low productivity, is particularly vulnerable to climate change, jeopardizing the jobs of 30 percent of the working population and the livelihoods of many (including two-thirds of the poor). Warmer and drier climatic conditions will reduce the yields of many crops and negatively affect livestock. Many sectors relevant to climate action (such as agriculture, disaster-risk management, energy, human health, social protection, transport, tourism, urban planning, water, and sanitation) are also critical for growth, as highlighted in the *Plan Senegal Emergent (PSE 2014-2035)* and its *Priority Action Plan 2 – Adjusted and Accelerated (2019-2023)*. Without any action, climate change could cause Senegal's GDP to decrease by 1.3 percent by 2030 and 3.9 percent by 2050 in a 3°C scenario.[8] Further, under high climate change stress, the poverty rate could double as early as 2030, mainly due to higher food prices and reduced food production, as well as negative health impacts. Finally, worsening environmental conditions and depleted natural resources could trigger internal climate migration in Senegal up to 1 million persons by 2050, and the share of these migrants as a percentage of the total population in Senegal could be one of the highest in West Africa. The emergence of internal climate migration hotspots in Senegal – and their convergence with both impoverished areas and centers of economic growth – requires holistic and far-sighted approaches to ensure sustainable outcomes.[9]

3. Senegal's Greenhouse Gas (GHG) emissions have been gradually increasing, with a slight decoupling from economic growth overtime, but this could change with the upcoming exploitation of oil and gas resources. In 2019, Senegal emitted 29.2 million tons of CO_2 equivalent, representing less than 0.07 percent of global emissions.[10] Agriculture accounted for 42

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[5] Rigaud, KK., A. de Sherbinin, B. Jones, NE. Abu-Ata, and S. Adamo. 2021. *Groundswell Africa: Deep Dive into Internal Climate Migration in Senegal*. Washington, DC: World Bank.

[6] Senegal's country profile on the website for West Africa Coastal Areas Management Program (WACA): https://www.wacaprogram.org/country/senegal

[7] Quiroga, IA., ES. de Murieta, I. Losada, A. Toimil, S. Torres, A. Markandya et al. (2021). "Coastal flooding and erosion under climate change: risk assessment risk in Dakar". *BC3 Policy Briefs* #2021-2.

[8] World Bank. 2020. *The Next Generation Africa Climate Business Plan: Ramping Up Development-Centered Climate Action*. Washington, DC: World Bank.

[9] Same as FN#5.

[10] Global Climate Watch, consulted April 2023

percent, energy 30 percent and the other sectors (waste, and industrial processes) for the remainder in equal shares. Emissions from agriculture are expected to continue growing at the same pace while emissions from the energy sector are expected to grow exponentially, with economic and population growth and exploitation of oil and gas resources. A closer look at the energy sector reveals its high carbon dependence (comparatively to the average for Sub-Saharan Africa), highlighting scope for a clean transition for this sector. Statistics show, for instance, the predominance of oil in power production (more than 80 percent vs. 64 percent for the regional average) and the low share of renewable energy in total final energy consumption (39 percent vs. 68 percent for the regional average). In addition, it is estimated that only 24 percent of Senegal's population has access to clean fuels and technologies for cooking, with wood energy being a major cause of forest degradation in the southeast (and hence a further source of GHG emissions from forest degradation and deforestation). The exploitation of oil and gas resources expected to begin in 2024-25, might further change the context for Senegal's energy system and require additional efforts to accelerate the transition to cleaner energy.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority Areas to Strengthen Resilience

4. Senegal has made progress in climate-related policy, as reflected in the Nationally-Determined Contribution (updated in 2020), but implementation – particularly coordination, needs to be stepped up. On the adaptation front, the country released a *National Adaptation Plan* in 2006. Since then, the PSE (especially via the PSE Vert) includes climate change considerations (through a co-benefit approach) and the NDC, in its 2020 update, identifies priority directions for adaptation.[11] Sectoral adaptation plans are also being prepared (expected through 2023). To date, very few sectors have climate action plans in place and when they do, alignment with existing regulations (e.g., sectoral codes) and strategies for the sector, integration into sectoral projects and programs, and monitoring and reporting are not systematic. For successful adaptation commensurate to the challenges of climate change, there is a need to consider the cross sectoral (e.g., availability and quality of water resources and competing demands from different sectors) and long-term (e.g., shifting form a reactive to anticipative approach in disaster-risk management) dimensions of adaptation. There is also a broad need for awareness raising and capacity building on climate risks and climate adaptation solutions.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

5. On the mitigation front, the Government commits in its NDC to reducing unilaterally GHG emissions in 2025, by 5 percent, and in 2030, by 7 percent, below "business as usual", and, conditional to external support, by 23.7 percent in 2025 and 29.5 percent in 2030. Key

[11] The NDC includes three adaptation pillars (observation networks and environmental monitoring, resilience of ecosystems and production activities, and disaster risk management (with a particular focus on floods)), across seven sectors: agriculture, livestock, fisheries, coastal zones, water resources, biodiversity, and human health.

mitigation areas include carbon sequestration (via activities in forestry and agriculture), biomass energy, and energy transition (around deployment of renewable energy and energy efficiency improvements across the economy). Progress has been made on deploying renewable energy and expanding public transportation. The Government has abandoned plans to further develop coal-fired power generation and continues to pursue its gas-to-power strategy to shift its electricity production from largely heavy oil fuel to fossil gas. The upcoming exploitation of oil and gas resources will add a new dimension, which must be considered in the Long-Term Strategy under development.

D. Financial Challenges

6. The NDC measures have the potential to accelerate development, but they will require the mobilization of significant resources. Senegal's NDC estimates financial needs at US$13billion over 2020-30. Mitigation needs are about twice larger than those for adaptation. Three sectors account for 70 percent of the mitigation needs: Power Production (30 percent), Waste Management (21 percent), and Transport (18 percent). On the adaptation front, four sectors represent nearly 70 percent of financing needs: Water Resource Management (20 percent), Flood Risk Management (17 percent), Agriculture (16 percent), and Coastal Zone Management (15 percent). US$8.2billion in external support are needed over 2020-30 to implement the NDC and meet its more ambitious targets. This corresponds to financial inflows of about US$800million a year for climate action (on top of a bit less than US$500million to support unconditional climate action). For comparison, the latest climate-related development finance inflows in Senegal average US$400-500 million a year over 2018-2020, of which only one quarter is considered grant.[12] Mobilizing finance at scale to implement Senegal's NDC will thus require tremendous effort and ingenuity, across sources and instruments. Senegal has experience in accessing climate funds[13] and carbon markets. It has registered and effectively implemented the largest number of Clean Development Mechanism projects in West Africa and has already entered into a bilateral agreement with Switzerland for international emissions reductions trading under Article 6 provisions.[14] Under the Partnership for Market Implementation, Senegal is also developing a roadmap for the deployment of a carbon tax and the framework and infrastructure to enable Senegal's participation in international carbon markets. Those are encouraging perspectives, but more active engagement of private sector and financial markets will be needed to mobilize financing at scale.

[12] Source: OECD DAC. https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/climate-change.htm

[13] Senegal was among the first countries to have an accredited entity to the Green Climate Fund (GCF) and an approved project (the third one to be approved). It now can boast 13 projects (including with participation to regional initiatives) for commitments totaling US$174 million. It is also well positioned in terms of accessing the resources of other climate finance funds, such as the Adaptation Fund (3 projects).

[14] https://senegal.klik.ch/en

E. World Bank Engagement in Climate Change

7. In line with the International Development Association's priority of, addressing climate change and development together, climate action is a cross-cutting dimension of the World Bank's Country Partnership Framework (2020-24) for Senegal. The World Bank is thus actively supporting a broad range of policies and initiatives for adaptation and mitigation in Senegal along the country's NDC priorities, through a combination of lending, technical assistance, and knowledge instruments. The World Bank has also started the preparation of the Country Climate and Development Report (CCDR) for Senegal, a new core diagnostic tool to (i) analyze how the development goals of a country can be achieved in the context of climate change and the global decarbonization effort; and prioritize climate-smart interventions to improve development outcomes in key sectors. The CCDR will support Senegal in the implementation of its NDC, by identifying concrete ways to increase resilience and adaptation and reduce GHG emissions in a manner that supports development. The CCDR will also inform the next CPF for Senegal. Recent activities include:

- **Coastal resilience:** A combination of projects are working together to improve the management of coastal resources and strengthen the resilience of coastal communities, with core investments in the erosion hotspots areas of Saint Louis, Dakar, and Gorée Island. Those are the West Africa Coastal Areas Resilience Investment Project and the Saint-Louis Emergency Recovery and Resilience Project. The now-closed Senegal Tourism and Enterprise Project intervened in the touristic city of Sally to restore the beach and protect it from erosion.
- **Flood Risk Management:** A sequence of projects is working towards reducing flood risks in peri-urban areas of Dakar and improving capacity for integrated urban flood risks planning and management for selected cities in Senegal. Those are the (now closed) Flood Prevention and Drainage Project and the follow-on Stormwater Management and Climate Change Adaptation Project.
- **Social protection:** The Social Safety Net project and the Adaptive Safety Net project are helping strengthen Senegal's social protection system, in particular responsiveness in the aftermath of (climate) shocks, which is a contribution to adaptation.
- **Climate-smart agriculture:** Financing for the sector promotes the adoption of climate-smart strategies, practices, and investments as exemplified by the Agriculture and Livestock Competitiveness Program for Results, supporting access to seeds for more resilient varieties and for crop diversification as well as forage production, the Sahel Irrigation Initiative Support Project, targeting water management improvement and development of small-scale irrigation schemes, or the (regional) Sahel Pastoralism Support Project, securing access to water and pasture for herders and includes alert systems for climate-related crisis prevention across six countries (Senegal, Burkina Faso, Chad, Mali, Mauritania and Niger).
- **Sustainable energy access:** The Senegal Energy Access Scale Up Project delivers both adaptation and mitigation co-benefits as it will help make the energy system more resilient and thus avoid the power disruptions to schools, hospitals, businesses that happen during natural

hazards and as it will help populations access a reliable supply, cleaner than many back-up options.

- **Sustainable cities:** two projects are supporting transformative investments in urban mobility and waste management to accompany the rapid urbanization for cleaner, resilient, and productive cities. The Senegal Municipal Solid Waste Management Project and the Dakar Bus Rapid Transit Pilot Project are financing investments in two key sectors for mitigation as per the NDC.
- **Exploring carbon pricing:** In Senegal, the Partnership for Market Implementation is providing technical assistance to advance the understanding of carbon pricing instruments and facilitate their implementation. It will develop a roadmap for the deployment of a carbon tax and support the policy and institutional framework to enable Senegal's participation in international carbon markets based on the provisions of Article 6 of the Paris Agreement.

Statement by Mr. Sylla, Executive Director for Senegal, Mr. N'Sonde, Alternate Executive Director, and Mrs. Bah, Advisor to the Executive Director on Senegal
December 13, 2023

INTRODUCTION

1. Our Senegalese authorities are thankful to Management and Staff for their candid engagement. We also would like to express our authorities' appreciation for the fruitful discussions held in November in Dakar during the Roundtable on climate financing. The staff report fairly summarizes the essence of the discussions on the progress made, and measures required to effectively address the challenges facing the Senegalese economy and maintain it on the path to economic emergence.

2. In line with its deeply rooted democratic tradition, Senegal is preparing for the presidential election in February 2024 following the fruitful dialog among political parties on consensus-based changes to the electoral code.

3. Program performance in the period under review has been strong, and the authorities are committed to pursuing sound policies and reforms amid a challenging external environment. They request the completion of the first reviews under the Extended Fund Facility (EFF), the Extended Credit Facility (ECF), and the Resilience and Sustainability Facility (RSF). The government also requests a rephasing of the availability dates for disbursements, and the modification of performance criteria for end-December 2023 and June 2024 to reflect the build-up of liquidity reserves in 2023 and the recent economic developments.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

4. **The assessment of the first decade of implementation of the *Plan Senegal Emergent* (PSE) (2014-2023) by the Ministry of Economy, Planning and Cooperation shows improvements in most socioeconomic indicators over the period**. GDP per capita increased from $1,397 in 2014 to $1,706 in 2023, with an emerging middle class that contributes significantly to boosting demand. Relatedly, exports per capita have doubled.

5. **In such dynamic context, economic activity has continued to expand in 2023 while inflation has decelerated.** The economic growth is anticipated to reach 4.1 percent in 2023 (excluding hydrocarbons), despite the challenging global economic conditions. In 2024, the outlook is more favorable with increased public investment and the projected start of oil and gas production in the second semester of the year. In the first ten months of 2023, inflation averaged 7.2 percent, down from 8.9 percent during the same period in 2022, primarily driven by the deceleration of food product prices.

6. As of end-September, revenue collection was strong and expenditure control satisfactory. Revenue mobilization totaled CFAF 2,480.5 billion, a 9.6 percent increase from 2022, driven mainly by domestic taxes and import duties. Grant mobilization reached a 43 percent execution rate. Expenditures increased by 6.6 percent as compared to the same period in 2022. Overall, the authorities commit to keeping the fiscal deficit within the program target of 4.9 percent of GDP for 2023. The external current account deficit dropped by 23 percent at end-June compared to the same period in 2022. This reflects strong growth in secondary income of 38 percent in January–June 2023, as well as services exports, which increased by 32 percent from the same period in 2022.

7. **The authorities recognize that the outlook is subject to uncertainties stemming notably from the external environment.** Geopolitical tensions could lead to further increases in food and energy prices, while rising interest rates and a strengthening U.S. dollar could increase debt servicing costs. At the regional level, deteriorating security and sociopolitical environment could also weigh on the outlook. Domestically, challenges surrounding the February presidential election, and a delay in starting oil production could adversely affect the economic forecast. At the same time, higher oil and gas prices could stimulate investment in the hydrocarbon sector and boost overall growth. Additionally, oil and gas production and exports could increase significantly once the two large active hydrocarbon fields reach the final investment decision point.

PROGRAM PERFORMANCE

8. **The satisfactory program performance during the period under review, despite the headwinds caused by the external and domestic shocks that severely hit the Senegalese economy since the start of the pandemic, is a testimony of the authorities' commitment to the program.** All performance criteria and indicative targets at end- June have been met, except for the indicative target on the ceiling for the outstanding public sector debt. The latter was breached due to the government over-financing to cover borrowing needs in early 2024. All the six structural benchmarks for the first review have been implemented although two with delay. The two reform measures under the program supported by the RSF have also been implemented.

9. **Most importantly, the authorities reaffirm their commitment to the program objectives.** Political stakeholders, including Members of the Parliament representing the various political coalitions have been sensitized on the program objectives and the necessity to pursue the reform agenda in the longer term. In this regard, discussions were organized by the authorities during the Review mission, between the IMF country team and the Members of the Finance Commission of the Parliament which included all the political coalitions.

ECONOMIC POLICIES AND REFORMS FOR 2024

10. The authorities are determined to build a more resilient and inclusive economy and pursue the implementation of reforms to strengthen governance and achieve the RSF-supported goals, within the overall national strategy framework, including the third *Priority Action Program* (PAP III).

11. For the 2024 financial year, the draft budget submitted to the National Assembly is in line with the program objectives. It amounts to seven thousand (7.000) billion CFA francs,

which is three times the 2012 budget (around 2.300 billion CFAF). The 2024 draft budget law targets a reduction in the fiscal deficit to 3.9 percent of GDP, closer to the WAEMU threshold of 3 percent and reflecting primarily a significant decrease in tax exemptions as well as a projected decrease in energy subsidy to a maximum of 1 percent of GDP.

Fiscal Policy and Debt Management

12. **The Senegalese authorities intend to pursue their ambitious fiscal consolidation plan to converge towards the regional deficit target of 3 percent of GDP by 2025,** They remain steadfast in their efforts to strengthen public finance resilience by scaling up domestic revenue mobilization and rationalizing expenditures, especially subsidies. **On the revenue side,** the fiscal policy goals will continue to focus on enhancing revenue mobilization in accordance with the medium-term revenue strategy (MTRS) objective of reaching 20 percent of GDP by 2025. In particular, the elimination of support measures on duties and taxes will bring much-needed additional revenue.

13. **On the spending side,** rationalizing expenditures and VAT exemptions is part of the strategy to ensure that the deficit target is met while buffers are built to support high priority programs and social sector spending. Primary recurrent spending is projected to decline. The wage bill is expected to be contained within the planned annual ceiling while investment expenditure should be boosted to increase the execution rate. Energy subsidy expenditures are expected to exceed the planned budget envelope for 2023 due to the appreciation of the US dollar relative to the CFA franc and to the higher-than-expected petroleum product prices. However, they are expected to gradually decrease from 3.1 percent of GDP in 2023 to 1 percent in 2024, allowing the proceeds to be redirected to strengthening human capital, social protection and infrastructure development, and greening the economy.

14. **Senegal is currently at a moderate risk of debt distress and the authorities are strongly committed to closely manage public sector debt.** They will carefully monitor new borrowing terms, including lending by the government to state-owned enterprises, to contain the country's DSA rating at the same or a lower risk of debt distress.

Monetary and Financial Sector Policies

15. **The financial conditions in the regional market have remained tight due to inflationary pressures in the West African Monetary Union (WAMU) member countries.** Due to the monetary policy tightening cycle, financial conditions in the government securities' market experienced a sharp increase in rates across all maturities. The average yields for Senegal's sovereign bonds issued during January-September 2023 have increased from 4.96 percent to 6.49 percent. Besides, maturities have shortened significantly to 2.67 years from 5.28 years. The banking system remains resilient and profitable, with shareholder equity increasing by 13.4 percent as of August 2023. The government is committed to maintaining a sound supervision framework.

16. **The government is exploring opportunities created by green finance using Senegal's Sustainable financing framework document that serves as a guide for**

sustainable sovereign bond issues on international capital markets. The external review of the document carried out by Moody's found that it is aligned with international standards and market best practices. The authorities organized last month in Dakar a roundtable on climate finance co-chaired by IMF Management, convening multilateral organizations and private sector entities which have expressed considerable interest in collaborating with the Senegalese government to scale up green and climate financing. The options presented to the authorities include establishing a Project preparation facility, supporting private climate investments through a Green Investment Facility, providing Government infrastructure loans or guarantees in partnership with multilateral development banks, and issuing green bonds with de-risking support as well as debt-for-nature swaps.

Structural Reforms

17. **The authorities aim to implement structural reforms to foster a sustainable, inclusive, and private sector-led growth**. To this end, they intend to notably enhance social protection, reduce gender-based discrimination, and address environmental issues while strengthening the national communications networks to better interconnect the regions, and providing much-needed public service to the most isolated rural population, including water, electricity, education, and health.

18. **The authorities will pursue their efforts to improve the social safety nets.** They are expanding the number of beneficiaries and will pursue the identification of new eligible households until end-2023. The beneficiaries of the Equal Opportunity Cards have also been enrolled in the Family Security Grant program, which represents an increase of about 11 percent of the total number of beneficiaries. Furthermore, the 40 percent increase in the amount of the Family Security Grant is effective since the beginning of 2023, which means that the budget allocation had to be raised compared to the 35 billion initially planned. The platform created to allow *SN La Poste* to make cash payments to the beneficiaries is already operational and the authorities are redoubling efforts to reinforce mobile payments via the platform. The process of extension to 1,000,0000 households registered in the Single National Register (RNU) is underway. The training of supervisors and community relays have been completed at end-November. The lists of beneficiaries are expected to be validated by the administrative authorities by end-December.

19. **With the newly adopted *2024 Gender-based Budget* annexed to the 2024 Budget Law, the government has stepped up efforts to continue increasing spending on programs for girls and women, including those aimed at eliminating gender disparities and barriers to female education**. Budget allocations have been increased for programs specifically designed for girls and women, focusing on fostering women's economic independence through training and access to credit and raising awareness, particularly in rural areas. In doing so, Senegal confirms its leadership position in the reduction of gender- based inequality in the subregion.

20. **On energy, Senegal's strategy is based on the Gas to Power plan to provide by 2025 affordable energy to all the Senegalese population, while respecting the principles**

of social and environmental responsibility. The current energy production, with a capacity of 1789 MW, is based on fossil fuels (oil products and coal) at about 70% and renewables (solar, wind and hydraulic) at around 30%. The cost of generating electricity is high with a strong dependence on costly imports and volatile oil prices. The recent gas discoveries allow for a re-design of the energy production scheme to address the country's overreliance on fossil fuels and support the progressive elimination of energy subsidies. Additionally, the authorities have committed in June 2023 during the Paris Summit to establishing by 2030 an energy mix with a 40% share of renewables, under the Agreement of the Just Energy Transition Partnerships (JETP). The JETP will provide financing and help Senegal accelerate its transition to clean energy over the years.

The RSF-supported Reform Agenda

21. **The evaluation of the PAP II and the diagnostic work as part of the development of the PAP III revealed Senegal's growing vulnerability to climate change, leading the authorities to further escalate climate issues in government priorities for the years to come.** To this end, the very first "Green Budget" was designed by the authorities for 2024.

22. **In Senegal, climate change affects mainly the primary sector (agriculture, livestock, fisheries, and forestry) and tourism**. The country is notably experiencing rising temperatures, volatile rainfall, extreme weather events, and coastal erosion. Considering its high vulnerability to climate change and the heavy reliance of the Senegalese population on the primary sector for jobs and livelihoods, the authorities plan to accelerate the implementation of their ambitious climate strategy and meet their commitments under their Nationally Determined Contributions (NDC). The actions envisaged include mitigation and adaptation measures, as well as steps to mainstream climate considerations into the budget process.

23. **Key mitigation measures have been introduced to attenuate the country's vulnerability to climate change**. These include the adoption of a greener public transportation strategy. In addition, the authorities commit to revising the Petroleum Code and finalize a new Environment Code in collaboration with the World Bank, to minimize greenhouse gas emissions throughout the life cycle of oil and gas projects. In this regard, they are committed to overcome the ongoing challenges in preparing related projects and mobilizing the funding announced in the National Climate Policy.

24. **The authorities will implement reform measures aimed at integrating adaptation priorities into Senegal's long-term development planning and annual budgeting**. They intend to establish the regular collection, analysis, and dissemination of key climate risk information to support the expansion of the agricultural insurance program. They will also introduce measures to improve urban planning and maintenance of key infrastructure, to mitigate the impact of coastal erosion. Other measures will be implemented to enhance drainage systems and contain urban flooding. The authorities will also implement measures to support water security and meet the current challenges of water resources management, notably addressing the inefficient use on water resources in the agricultural sector.

25. **To mainstream climate change into the budget process, the Government will implement important measures, including the modification of the standard budget preparation guidelines and the selection criteria for public investments to incorporate climate considerations and integrate the associated risks**. The government has undertaken in 2024 climate sensitive budgeting through the traceability of appropriations allocated to priority sectors, including those in the NDC, and an assessment of its implementation in the various programs. The 2024 "Green Budget", appended to the Budget Law for that year, is a tool for analyzing the environmental impact of better integrating climate issues into government policy. It constitutes a new form of (i) classification of budget and tax expenditures according to their impact on the environment and (ii) identification of environmental government resources.

Conclusion

26. The Senegalese authorities have consistently shown commitment in implementing the transformative reforms needed to support an inclusive, greener, and more sustainable growth, while remaining vigilant on the sustainability of public finances. They highly value the IMF engagement in the country as the ECF/EFF arrangements are providing much-needed support to the Government in the current shock-prone environment while the RSF help deliver on a longer-term climate-related agenda.

27. The first reviews of the arrangements have shown strong program performance. Against this backdrop and the authorities' unfaltering commitment to their policy and reform programs, we would appreciate Executive Directors' support for the completion of these reviews. We would also welcome the approval of the authorities' requests for a rephasing of the availability dates for disbursements under the EFF/ECF/RSF and the modification of performance criteria for end-December 2023 and June 2024 to reflect the build-up of liquidity reserves in 2023 and recent economic developments.