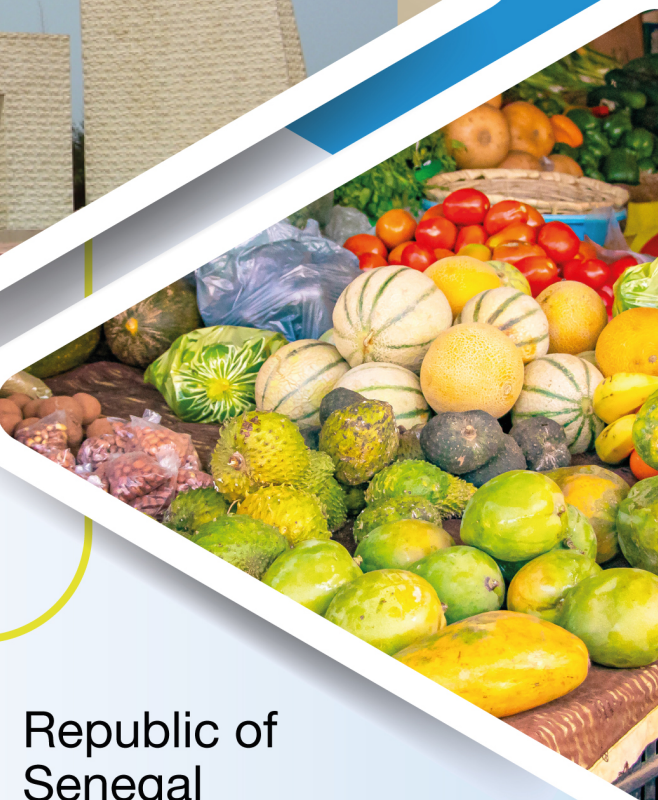




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# INFORMATION NOTE



Republic of  
Senegal

Presentation of Sovereign issuers of  
**West African Monetary Union (WAMU)**

November 2022

Quality review by **Deloitte.**



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# Summary

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## ACRONYMS

<b>AED</b>	: Arab Emirates Dirham
<b>AFD</b>	: French Development Agency
<b>AfDB</b>	: African Development Bank
<b>AIDB</b>	: Blaise Diagne International Airport
<b>AIDS</b>	: Acquired Immunodeficiency Syndrome
<b>ANPEJ</b>	: National Agency for the Promotion of Youth Employment
<b>ANSD</b>	: National Agency of Statistics and Demography
<b>AOF</b>	: French West Africa
<b>APR</b>	: Alliance For the Republic
<b>BADEA</b>	: Arab Bank for Economic Development in Africa
<b>BBY</b>	: Benno Bokk Yaakar
<b>BCEAO</b>	: Central Bank of West African States
<b>BIC</b>	: Credit Information Bureau
<b>BOAD</b>	: West African Development Bank
<b>BOS</b>	: Operational Office for the Follow-up of PES
<b>C°</b>	: Celsius degree
<b>CET</b>	: Common External Tariff
<b>CFA</b>	: African Financial Community
<b>CGI</b>	: General Tax Code
<b>CHU</b>	: University Teaching Hospital
<b>CIA</b>	: Central Intelligence Agency
<b>CNDP</b>	: National Committee on Public Debt
<b>CNY</b>	: China Yuan
<b>CSM</b>	: Superior Council of the Magistracy
<b>CST</b>	: Special contribution from the telecommunications sector
<b>CTPB</b>	: Directorate of Public Accounting and Treasury
<b>CV</b>	: Current Value
<b>DER</b>	: General Delegation for Rapid Entrepreneurship
<b>DM</b>	: Debt Management
<b>DMC</b>	: Currency and Credit Division
<b>DPEE</b>	: Directorate of Forecasting and Economic Studies
<b>DPRE</b>	: Department of Educational Planning and Reform
<b>DSF</b>	: Debt Sustainability Framework
<b>DWCPs</b>	: Decent Work Country Programs
<b>EIB</b>	: European Investment Bank
<b>ENES</b>	: National Survey on Employment in Senegal
<b>EPPB</b>	: General Directorate of Planning and Economic Policies
<b>ESEC</b>	: Economic, Social and Environmental Council
<b>ESF</b>	: Energy Support Fund
<b>EUR</b>	: Euro
<b>F</b>	: Degree Fahrenheit
<b>FDI</b>	: Foreign Direct Investment
<b>FECT</b>	: Local Authority Equipment Fund
<b>FIDA</b>	: International Fund for Agricultural Development

<b>GATT</b>	: General Agreement on Tariffs and Trade
<b>GBP</b>	: Great Britain Pound
<b>GDP</b>	: Gross Domestic Product
<b>HCCT</b>	: High Council of Territorial Collectivities
<b>HDI</b>	: Human Development Index
<b>HID</b>	: Dakar International Hospital
<b>HIMO</b>	: Program of High Intensity Workforce Investments
<b>HIV</b>	: Human Immunodeficiency Virus
<b>IBRD</b>	: International Bank for Reconstruction and Development
<b>ICPE</b>	: Instrument for Economic Policy Coordination
<b>ICS</b>	: Chemical Industries of Senegal
<b>IDA</b>	: International Development Association
<b>IFC</b>	: International Finance Corporation
<b>ILO</b>	: International Labor Office
<b>IMF</b>	: International Monetary Fund
<b>INF</b>	: Inferior
<b>IRSESSEF</b>	: Institute for Health Research, Epidemiological Surveillance and Training
<b>ISDA</b>	: International Swaps and Derivatives Association
<b>IsDB</b>	: Islamic Development Bank
<b>ISIN</b>	: International Securities Identification Numbers
<b>ISPE</b>	: Economic Policy Support Instrument
<b>JPY</b>	: Japan Yen
<b>LFI</b>	: Initial Finance Act
<b>LFR</b>	: Amended Finance Act
<b>MDGs</b>	: Millennium Development Goals
<b>MIGA</b>	: Multilateral Investment Guarantee Agency
<b>MTDS</b>	: Medium Term Debt Strategy
<b>NHPD</b>	: General Delegation for Social Protection and National Solidarity
<b>NOC</b>	: National Oncology Center
<b>OPEC</b>	: Organization of Petroleum Exporting Countries
<b>PACASEN</b>	: Support Program for Municipalities and Agglomerations in Senegal
<b>PAP</b>	: Priority Action Program
<b>PES</b>	: Plan for an Emerging Senegal
<b>PNBSF</b>	: National Family Security Grant Program
<b>PNDS</b>	: National Health Development Plan
<b>PPP</b>	: Public Private Partnership
<b>PRACAS</b>	: Program to Accelerate the Rate of Growth of Senegalese Agriculture
<b>PREAC</b>	: Business Environment and Competitiveness Reforms Program
<b>PREV</b>	: Forecast
<b>PTIP</b>	: Triennial Public Investment Program
<b>PUDC</b>	: Emergency Program for Community Development
<b>PUMA</b>	: Emergency Program for the Modernization of Border Areas and Territories
<b>RGPHAE</b>	: General Census of Population and Housing, Agriculture and Livestock

<b>SAR</b>	: African Refining Company
<b>SAR</b>	: Saudi Arabia Riyal
<b>SDGs</b>	: Sustainable Development Goals
<b>SENELEC</b>	: National Electricity Company
<b>SEZ</b>	: Special Economic Zones
<b>SFD</b>	: Decentralized Financial Systems
<b>SMEs</b>	: Small and medium-sized enterprises
<b>SMIs</b>	: Small and medium industries
<b>SOMIVA</b>	: River Valley Mining Company
<b>SUP</b>	: Superior
<b>T-bill</b>	: Treasury Bill
<b>T-bond</b>	: Treasury bond
<b>TER</b>	: Regional Express Train
<b>TMP</b>	: Weighted average rate
<b>TPS</b>	: Tax on the Provision of Services
<b>TT</b>	: Turnover Tax
<b>UC</b>	: Unit of Account
<b>UCAD</b>	: Cheikh Anta Diop University of Dakar
<b>UNAIDS</b>	: The Joint United Nations Program on HIV/AIDS
<b>UNDP</b>	: United Nations Development Program
<b>USAID</b>	: United States Agency for International Development
<b>USD</b>	: United States Dollar
<b>VAT</b>	: Value Added Tax
<b>WAAPP</b>	: West Africa Agricultural Productivity Program
<b>WAEMU</b>	: West African Economic and Monetary Union
<b>WAMU</b>	: West African Monetary Union
<b>WEO</b>	: World Economic Outlook
<b>WHO</b>	: World Health Organization
<b>WTO</b>	: World Trade Organization
<b>XOF</b>	: West African CFAF

REPUBLIQUE DU SENEGAL  
UN PEUPLE – UN BUT – UNE FOI

MINISTRE DES FINANCES  
ET DU BUDGET



DIRECTION GÉNÉRALE DE LA COMPTABILITÉ  
PUBLIQUE ET DU TRÉSOR

NT 5226

N° /MFB/DGCPT/DDP

Dakar, le

10 OCT 2022

### Attestation de l'émetteur

Je soussigné, Mamadou Moustapha BA, Ministre des Finances et du Budget, agissant au nom et pour le compte de l'État du Sénégal, atteste que les données et informations contenues dans la présente Note d'Information sont conformes à la réalité et que je n'ai connaissance d'aucune information de nature à en altérer la portée.

L'objectif visé à travers cette Note d'Information est de porter à l'attention des investisseurs sur les titres publics émis par l'État du Sénégal, toutes les informations utiles à la prise de décisions d'investissement.

Toutefois, je rappelle que les informations et analyses prospectives présentées dans ce document, sont basées sur des projections établies à partir d'hypothèses qui sont caractérisées par des incertitudes pouvant entraîner des différences entre les réalisations effectives et les performances économiques attendues.

Cette note d'information publiée sera mise à jour chaque fois que nécessaire, afin de rendre compte :

- de l'évolution de la situation économique du Sénégal ;
- de la disponibilité ou de la mise à jour des données économiques ;
- de quelques changements intervenus.

Pour le Ministre des  
Finances et du Budget  
et par Délégation  
Le Secrétaire Général  
Abdoulaye G. MBE

Senegal, whose capital is Dakar, is one of the most stable democracies in Africa. The country is located on the western most point of the African continent on the Atlantic coast with a population estimated at 17,215,433 in 2021 by the National Agency for Statistics Demography (ANSD). Senegal is the second largest economy in the WAEMU zone in terms of GDP (15,319.1 billion CFAF in 2021<sup>1</sup>) after Côte d'Ivoire.

Prior to the adoption of the Emergent Senegal Plan (PSE) by the government in January 2014, Senegal experienced a long period of relatively slow growth. The objective of the PSE was to accelerate Senegal's economic development and transform the country into an emerging economy by 2035. From 6.4% in 2015, Senegal's real GDP growth was 7.4% in 2017 and 4.6% in 2019, according to the Directorate of Forecasting and Economic Studies (DPEE). Economic activity slowed in 2020, with real GDP growth of 1.3% due to the global health crisis. The measures included in the Economic Resilience Program (PRES) coupled with the adjusted and accelerated Priority Action Plan II (PAP 2A) should lay the foundations for a rapid and consolidated recovery of the national economy. In 2021, real GDP growth reached 6.1%, an acceleration of 4.8 percentage points compared to 2020.

Senegal has managed to maintain a relatively diversified economy in the years leading up to COVID-19. The services sector (tertiary) has been the most important, contributing 51.0% to nominal GDP in 2019 due to its dynamism and continued growth. In the same year, the secondary and primary sectors accounted for 23.6% and 14.9% of nominal GDP respectively. In 2021, the tertiary sector grew by 5.7% after falling by 0.1% in 2020.

Senegal gained independence from France in 1960. The current president, Macky Sall, was elected in 2012 and was re-elected for a second term in 2019. Senegal's parliament currently comprises a unicameral chamber called the National Assembly. The Parliament has 165 seats, whose members are elected for five years by universal suffrage (105 by majority vote and 60 by proportional representation).

Republic of  
**Senegal**

Area  
**196 722 km<sup>2</sup>**



Population  
**17 215 433 Hbts**  
(source : ANSD)



Capital  
**Dakar**



Political system  
**Presidential**



Currency  
**CFAF**



Official Language  
**French**



Nominal GDP in 2021  
**15 319,1 billions CFAF**  
(source : DPPE)

- Economy based on **agriculture, fishing, tourism** and **services**
- Growth rate of real GDP in 2021 : **6.1%**
- Indebtness rate in 2021 : **67.2%**

## 1.1 Political system

The first Constitution of Senegal was adopted on 24 January 1959. It enshrined the integration of Senegal into the Federation of Mali. On 4 April 1960, in an agreement with the government of General Charles de Gaulle, Léopold Sedar Senghor obtained the independence of the Federation of Mali, which united Senegal and French Sudan (now Mali), two colonies of French West Africa (AOF). Independence came into effect on 20<sup>th</sup> June and Senegal withdrew from the federation on 20<sup>th</sup> August of the same year. Léopold Sedar Senghor became the President of the new Republic of Senegal. The constitution was amended on 7<sup>th</sup> March 1963 to establish a presidential regime.

Senegal is a Republic headed by the President, who is the head of state. The President of the Republic is elected by direct universal suffrage and a two-round majority vote. His term of office, renewable once, is now five years. His government is in principle under the supervision of the Prime Minister who is appointed by the President. Although the position of Prime Minister has been vacant since May 2019, its reinstatement announced in December 2021 saw the appointment in September 2022 of Mr. Amadou Ba as Prime Minister. Executive power is held by the government and legislative power by the parliament. Executive power is held by the government and legislative power by the parliament.

### 1.1.1 Executive power

The President is elected by direct universal suffrage with a two-round majority vote for a term that is now five years, renewable once. The current President, Mr Macky SALL, was re-elected on 24<sup>th</sup> February 2019 with 58.27% of the vote for a five-year term ending in 2024.

Under the Constitution, the President of the Republic is the guardian of the Constitution and the guarantor of the regular functioning of the institutions, independence, and territorial integrity. By virtue of the powers conferred on him, the President is the Supreme Chief of the Armed Forces.

The President chooses the members of the government on the proposal of the Prime Minister. He appoints by decree the members of the Constitutional Council, the court responsible for validating the constitutionality of laws, for a non-renewable term of six years.

The President also appoints the 80 members of the Economic, Social and Environmental Council (CESE). For the High Council of Territorial Communities (HCCT), the President appoints 70 members and the remaining 80 are elected by indirect universal suffrage. In addition, he also appoints senior civil servants.

In the event of the death or incapacity of the Head of State, the President of the National Assembly assumes the office of President of the Republic and holds presidential elections between 60 and 90 days after the Constitutional Council confirms the vacancy of the executive office.

Since its independence in 1960, Senegal has had four heads of state, all of whom were democratically elected: Leopold Sedar Senghor (1960-1980), Abdou Diouf (1981-2000), Abdoulaye Wade (2000-2012) and Macky Sall (in office since 2012).

### 1.1.2 Legislative power

The National Assembly has 165 seats. Its members are elected by universal suffrage for five years. The President of the National Assembly is elected for a five-year term by its members. The current President of the National Assembly is Mr. Moustapha Niasse, re-elected on 14 September 2017. The members of the National Assembly resulting from the new legislative election of 31 July are to be installed on 12 September 2022, after which a new bureau of the National Assembly will be elected. The National Assembly is in parliamentary session from October to June.

Parliament supervises the activities of the government through written and oral questions. It may also resort to a motion of censure on its own initiative, in which case the latter must immediately submit its resignation to the President.

The last legislative elections on 31 July 2022 were won by the ruling coalition with 49.5% of the votes cast. In total, the ruling coalition, Benno Bokk Yakar, won 82 out of 165 seats. It is followed by the Yewwi Askan Wi coalition with 56 seats and the Wallu Senegal coalition with 24 seats. The Bokk Gis Gis/liguèy coalition, the alternative for a breakaway assembly coalition (Aar Senegal) and the servants/Mpr coalition will each be represented by one deputy.

### 1.1.3 Judicial power

Senegal has inherited many of its legal texts from the French civil law system. The main sources of law in Senegal are the Constitution, international treaties, legislation adopted by Parliament and government decrees. Senegal's legal texts are published in the Official Journal of the Republic, by the General Secretariat of the Government.

Senegal's judicial system is divided into the Constitutional Council, the Supreme Court, the Court of Auditors, the High Court of Justice, and lower courts. The Constitutional Council and the Supreme Court represent the highest judicial bodies in Senegal. The Constitutional Council is responsible for protecting constitutional and legal rights, resolving conflicts between the executive and the legislature, and regulating the electoral process. Its decisions cannot be appealed.

The constitutional law in April 2016 increased the number of judges of the Constitutional Council from five to seven, appointed for six years. The Constitutional Council has the power to determine the conformity of laws with the Constitution and can veto proposed laws that are deemed to be contrary to the Constitution before they come into force.

The Supreme Court is the highest administrative and judicial court and the forum for judicial review of the activities of the President, the government, and other public bodies. It also has an advisory role, as

the President, Parliament and government may refer draft laws and regulations for legal advice.

The High Court of Justice rules on allegations of treason or breach of oath against the President and allegations of crimes or conspiracy against the security of the Republic against ministers.

## 1.2 Administrative organization

Senegal is divided into 14 regions, each administered by a governor. Each region is divided into administrative departments which are in turn subdivided into arrondissements. The administrative departments are headed by prefects and each arrondissement is presided over by a sub-prefect. Villages in rural areas and districts in urban areas constitute the smallest regions of administrative authority and are managed by village chiefs and district chiefs respectively. Governors, prefects, and sub-prefects are appointed by the President, village chiefs and neighborhood chiefs are appointed or recognized by sub-prefects and prefects respectively.

## 1.3 Geographic location

Senegal is located at the westernmost point of the Atlantic coast of the African continent. The Republic, with a surface area of 196,722 km<sup>2</sup>, is bordered to the north by Mauritania, to the east by Mali, to the south by Guinea and Guinea-Bissau, to the west by the Gambia and by the Atlantic Ocean along a 531 km coastline. The capital, Dakar, is on a peninsula on the west coast with an area of about 500 km<sup>2</sup>. The country is flat with a sandy soil not exceeding 130 meters in altitude, except for the south-eastern border near Guinea. Three major rivers cross Senegal: the Senegal River in the north (1,641 km long), the Gambia River (1,120 km long) and the Casamance River (300 km long) in the south.

The climate is tropical, hot, and humid with an average temperature of 17°C during the dry season (November to June) and 27°C during the rainy season (July to October). The landscape is characterized by three types of vegetation: forest in the south, savannah in the interior and steppe in the north.

## 1.4 Population

According to the last ANSD population census in 2013, Senegal's population was approximately 13.5 million and had an annual growth rate of 2.5%

compared to the last census in 2002. The next census is scheduled for 2023. According to the ANSD, Senegal's population was estimated at 17.2 million in 2021 and is expected to reach 17.7 million in 2022.

**Table 1. Population of Senegal in 2021**

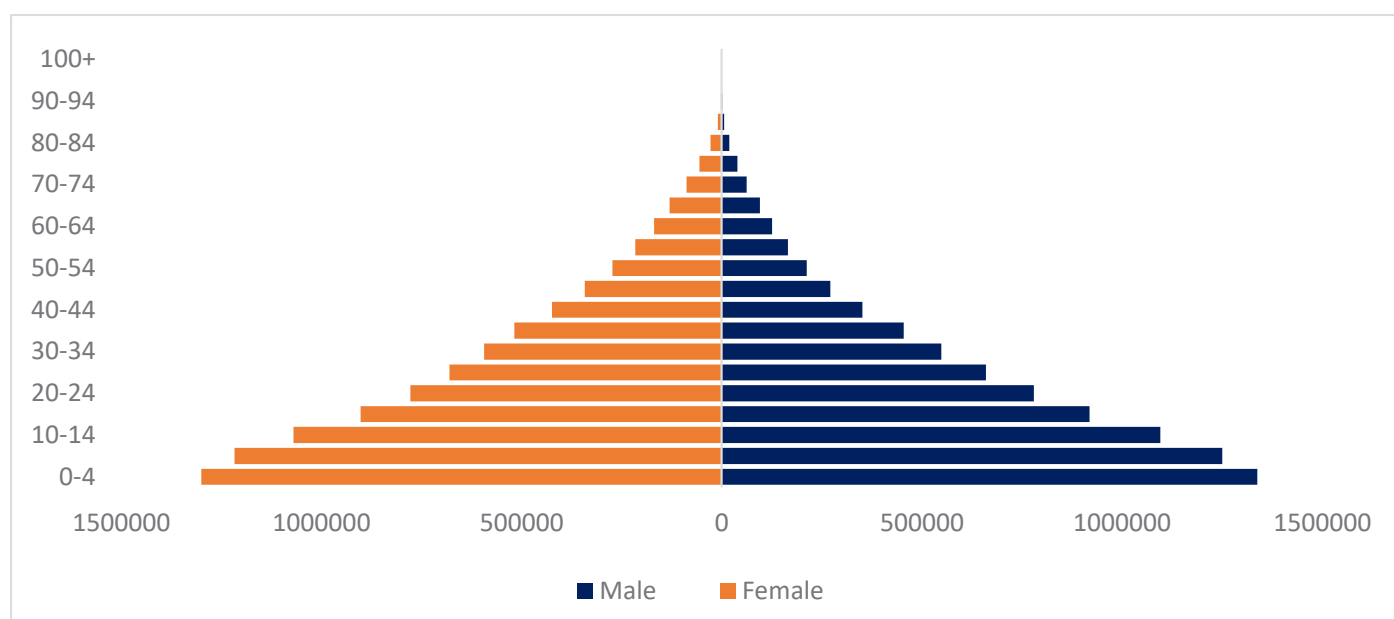
Category	2019	2020	2021	% In 2021
Urban	7 602 080	7 546 988	8 160 493	47.38 %
Rural	8 607 045	9 158 620	9 063 004	52.62 %
Male	8 068 782	8 314 250	8 566 367	49.76 %
Female	8 140 343	8 391 358	8 649 066	50.24 %
Total Population	16 209 125	16 705 608	17 215 433	-

Source : ANSD – Directory of the population of Senegal, 2021

According to ANSD data, Senegal's population has grown from 13.5 million in 2013 to 17.2 million in 2021 (according to the latest ANSD statistics). The average annual growth rate would be 3.1%. The Agency specifies that Senegal's population in 2021

will be characterized by a very young population, with more than half of the population under the age of 18. People aged 65 and over represent 3.6% of the country's total population.

**Figure 1. Age pyramid for Senegal in 2021**

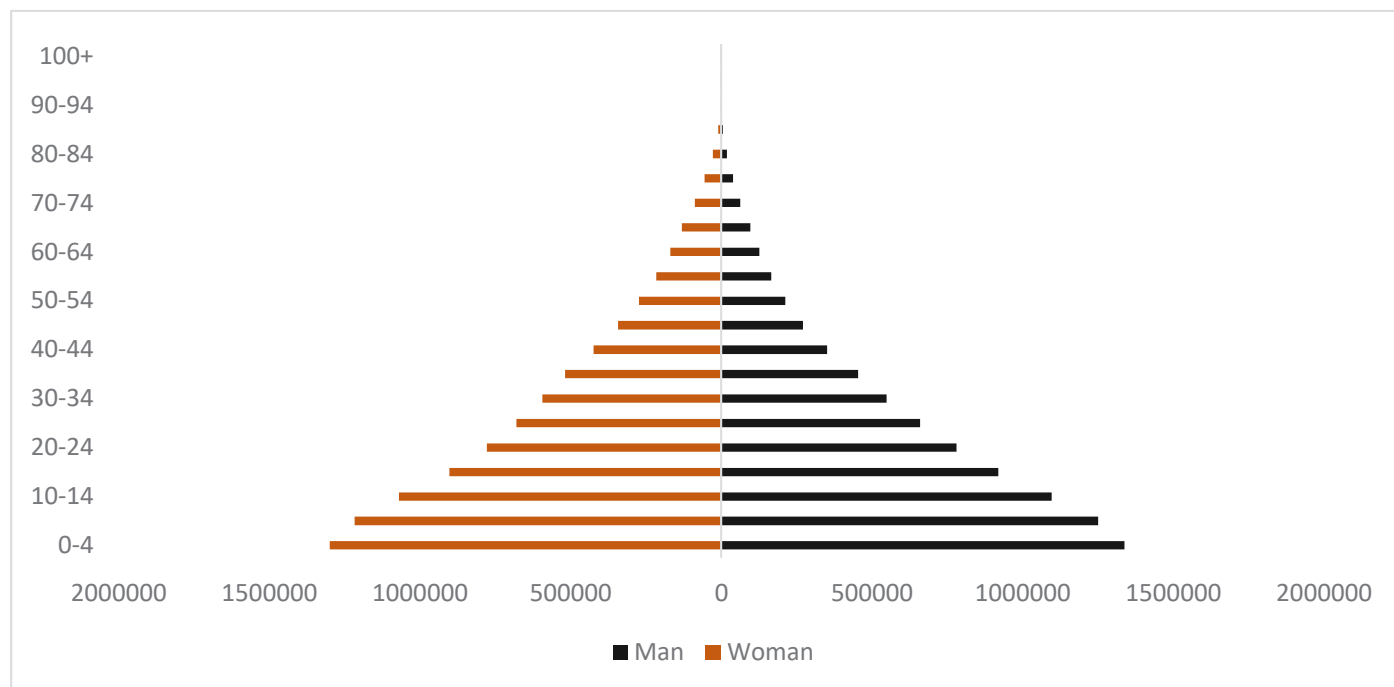


Source : [https://www.populationpyramid.net/senegal/2021/#google\\_vignette/](https://www.populationpyramid.net/senegal/2021/#google_vignette/)

According to the 2021 Senegalese population directory, the population is composed of 49.76% men and 50.24% women. However, there are some disparities in the age groups. There are more men than women in the under-23 age group: 50.9 per cent for men and 49.1 per cent for women. Women are more numerous in the age group 23 and over: 51.8% compared to 48.2% for men.

According to the ANSD, in 2021, more than half of Senegal's population lived in rural areas (52.62%) compared to 47.38% in urban areas. The population of the Dakar region was about 3.94 million in 2021, representing 22.88% of the total population.

**Figure 2. Projection of the age pyramid for Senegal in 2025**



Source : <https://www.populationpyramid.net/fr/Sénégal/>

**Table 2.**

**Population distribution by area of residence in 2020 and projections**

Indicators in % of total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Urban	46	46.2	46.5	46.7	46.9	45.2	47.4	47.6	47.8	47.9	48.2
Rural	54	53.8	53.5	53.3	53.1	54.8	52.6	52.4	52.2	52.0	51.8

Source : ANSD Population Projection Report

## 1.5 Education

The education system in Senegal is organized into two sectors:

- Formal education, which is composed of pre-school education, elementary education, general middle and secondary education, technical education and vocational training and higher education.

- Non-formal education, which includes mainly literacy.

Senegal's gross enrolment rate in primary education increased from 84.93% in 2015 to 83.01% in 2020 according to UNESCO. The gross enrolment rate for secondary education has decreased from 50.94% in 2015 to 46.56% in 2020. Higher education recorded a gross enrolment rate of 10.8% in 2015 and 14% in 2020.

Table 3.

Gross Enrollment Rates by Level of Education

Indicators (%)		2016	2017	2018	2019	2020
Gross Enrollment in elementary school	Boys	81	80.2	80.4	87.6	77.25
	Girls	89.3	92.2	92.6	76.7	88.92
Gross Enrollment Rate in Secondary school	Boys	50.7	47	45.9	-	43.1
	Girls	57.1	54.3	53.3	-	50.9
Gross Enrollment Rate in High School	Boys	13.7		15.2	15	15.7
	Girls	8.1	8.6	10.3	11.3	12.3

Source : School census 2018-DPRE/MEN  
: <http://uis.unesco.org/fr/country/sn>

Higher education has experienced significant growth in student numbers, estimated at over 160 000 in 2018. The large influx of enrolments has posed problems for public universities to accommodate the growing number of students, despite the emergence of private institutions.

Spending on the education sector has increased steadily since 2010. In 2018, 21.6% of the state budget was spent on education. The Ministry of National Education (MEN) spent 430.9 billion CFAF in 2018. However, 79.3% of its expenditure was devoted to the wage bill (mainly teachers); 17% to other operating expenses, and only 2.6% to investments. According to the World Bank, public spending on education represented 5.28% of GDP in 2019.

## 1.6 Health

The Senegalese health system is organized in a pyramid structure with three levels: central, intermediate, and peripheral. The central level corresponds to the top of the pyramid and includes the ministerial departments, and the university hospital centers. The intermediate level refers to the medical region and the regional hospital centers. The base of the pyramid structure is constituted by the health district in which the health posts and health centers are located. The number of doctors in the public sector according to the Senegalese Yearbook of Health and Social Statistics in 2016 was 1,154, nurses employed by the state 1,445 and midwives 1,524.

Table 4.

General statistics indicating the health status of the population

Indicators	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Life expectancy of men	64.4	64.8	65.3	65.8	66.2	66.7	67.1	67.6	68	68.5	68.9
Life expectancy of women	66.8	67.2	67.7	68.1	68.5	69	69.4	69.8	70.3	70.7	71.1
Total life expectancy	65.6	66	66.5	66.9	67.4	67.8	68.3	68.7	69.2	69.6	70
Infant mortality rate (0-1 year)	44.7	43.2	41.6	40.1	38.6	37.1	35.8	34.4	33.1	31.8	30.6
Infant and child mortality rate (0-5 years)	66.4	63.7	61	58.3	55.6	53.1	50.7	48.4	46.1	44	41.8

Source : ANSD and WHO

The table above shows that life expectancy in Senegal has increased from 65.6 years in 2015 to 68.3 years in 2021. This rate is projected to reach 70 years in 2025 by the ANSD. Senegal's health policy has been defined in the National Health and Social Development Plan (PNDSS) for the period from 2019 to 2028. The implementation of the PNDSS 2019-2028 is underpinned by the vision of a Senegal where all individuals, households and communities enjoy universal access to quality health and social services without any form of exclusion and where they are guaranteed an economically and socially productive level of health and well-being. The Plan aims to achieve universal health coverage in Senegal. It is based on three strategic axes and 15 intermediate results:

- **Governance and financing**

In the context of governance and financing of health and social care, the challenges can be summarized as follows:

- i) Improving the regulatory system;
- ii) Strengthening the steering and coordination of the sector, particularly at the intermediate level;
- iii) Mobilization of domestic and external resources;
- iv) Efficiency in the use of resources.

- **Health and social services offer**

The challenges for the provision of health and social care services are:

- i) Implementation of the Sector Investment Program (SIP) in accordance with the standards set by the health map;
- ii) Strengthening national and international health security;
- iii) Improving emergency management;

- iv) Improving the care of the mother-child couple and of young people;
- v) Availability of quality medicines and other health products;
- vi) Strengthening primary health care;
- vii) Strengthening health promotion and prevention;
- viii) Improving control of major endemic diseases.

- **Social protection**

In the area of social protection, the following challenges have been identified:

- i) Strengthening health insurance delivery mechanisms;
- ii) Coherence of different interventions for effective and efficient social protection;
- iii) Strengthening community participation and engagement.

According to ANSD estimates, the infant and child mortality rate (children under 5 years of age) has fallen from 66.4% in 2015 to 50.7% in 2021. This decline is partly attributable to a significant improvement in national immunization coverage, which rose from 59% of children aged 12-23 months in 2005 to 76.6% in 2018.

According to the World Bank, the maternal mortality ratio was 315 deaths per 100,000 live births in 2017, a decrease of 26.2% from 2005. However, this decline was insufficient to meet the Millennium Development Goal (MDG) of 127 deaths per 100,000 live births by 2015.

Malaria is endemic throughout Senegal and the entire population is exposed to the disease. According to the WHO, the number of deaths due to malaria has fallen from 1,275 in 2000 to 373 in 2020, which represents a 70.7% reduction thanks to the National

Malaria Control Program (PNLP). These convincing results have enabled Senegal to reach the Roll Back Malaria (RBM) targets in 2015.

AIDS is moderate and declining in Senegal. The latest UNAIDS estimates show a gradual decline in prevalence among 15-49 years old since 2005 from 0.7% to 0.3% in 2020. In Senegal, 0.4% of women and 0.3% of men aged 15-49 are HIV positive.

Like all countries in the world, the country is facing the COVID-19 pandemic with 86,111 reported positive cases, of which 84,129 have been cured, 1,966 have died and 15 are under treatment as of 31 May 2022.

## 1.7 Employment

According to the ANSD, the active population was estimated at 55.8% of the working age population in the fourth quarter of 2021. This active population varies according to place of residence, with 57.2% in urban areas compared to 54.3% in rural areas. The rate also varies by gender, with 64.5% of working-age men in the labor force compared to 48.8% of women.

According to the World Bank, the working population has varied between 3.7 million and 4.2 million over the period 2015-2020.

**Table 5. Distribution of the working population**

Indicators	2015	2016	2017	2018	2019	2020
<b>Total working population</b>	3 762 684	3 878 098	3 996 440	4 122 275	4 252 308	4 255 232
<b>Female</b>	40.2 %	40.2 %	40.3 %	40.4 %	40.5 %	40.5 %
<b>Male</b>	59.8 %	59.8 %	59.7 %	59.6 %	59.5 %	59.5 %

Source : World Bank (World Development Indicators)

The size of the informal economy in Senegal makes it difficult to account for the unemployment rate, but according to the ANSD, the unemployment rate for people of working age (15 years or older) was estimated at 24.1% in the fourth quarter of 2021, an increase of 7.8 percentage points compared to

the last quarter of 2020. It is slightly higher in rural areas, where 29.8% of the working population is unemployed, compared with 19.1% in urban areas. Unemployment is higher among women (35.8%) than among men (13.0%).

**Table 6. Unemployment Rate Indicators (In %)**

Indicators	2017	2018	2019	2020	2021
<b>Unemployment rate</b>	15.70	14.30	16.90	16.70	24.50
<b>Female</b>	22.10	24.10	27.60	26.30	35.80
<b>Male</b>	9.60	6.20	8.60	9.30	13.00
<b>Rural</b>	13.10	16.00	18.70	17.10	29.80
<b>Urban</b>	18.60	12.50	15.50	16.30	19.10

Source : ANSD (ENES)

## 1.8 Reminder of the main aggregates

### 1.8.1 Level of Development

The HDI is developed by the United Nations Development Program (UNDP) and provides a summary measure to assess long-term progress along three basic dimensions of human development: a long and healthy life, access to education and a decent standard of living.

In 2020, the value of the Human Development Index (HDI) in Senegal stood at 0.512 (for a maximum value of 1), placing the country in 168<sup>th</sup> place out of 189 countries according to the latest UNDP report. Senegal has thus dropped two places since it was ranked 166<sup>th</sup> in the last report. Nevertheless, between

1990 and 2020, the HDI value in Senegal rose from 0.376 to 0.512, an increase of 36.2%.

The GINI index measures the degree of inequality in the distribution of money income. The closer the value is to zero, the more egalitarian the distribution of income in society. Conversely, the closer the value is to 100, the more unevenly income is distributed throughout society. In view of the new dynamic set-in motion by the PES, income inequality has fallen, as shown by the GINI index, which has risen from 39.6 in 2014 to 36<sup>2</sup> in 2018 according to the Ministry of Finance. Senegal's real GDP per capita increased from 800 200 CFAF to 815 300 CFAF between 2020 and 2021. Its level is projected to reach 834 900 CFAF in 2022. Over the period 2016-2021, it grew by 9.0%.

**Table 7.** Real GDP per capita

National economy	2016	2017	2018	2019	2020	2021	2022
<b>Real GDP (in billions of CFAF)</b>	11 059.7	11 877.4	12 614.9	13 196.9	13 371.9	14 182.8	14 912.9
<b>Real GDP per capita (thousands of CFAF)</b>	747.3	778.5	802.2	814.14	800.44	823.4	840.7

Source : DPÉE, ANSD

Table 8.

Main macroeconomic aggregates (data in billions of CFAF, unless otherwise indicated)

SENEGAL	2016	2017	2018	2019	2020	2021	2022
<b>National economy</b>							
Nominal GDP	11 283.4	12 191.8	12 840.2	13 709.6	14 097.9	15 319.1	16 922.4
Real GDP growth (%)	6.4	7.4	6.2	4.6	1.3	6.1	5.1
Investment rate (% of GDP)	23.9	25.8	28.3	28.9	27.6	29.6	30.9
Annual average inflation <sup>3</sup> rate (in %)	0.8	2.2	0.5	1.0	2.5	2.2	6.0
<b>Balance of payments</b>							
Exports FOB	1 703.5	1 907.8	2 147.4	2 594.4	2 410.9	2 845.4	3 489.4
Imports FOB	2 868.2	3 476.8	4 033.8	4 282.1	4 148.9	4 709.6	5 723.4
Trade balance	-1 164.7	-1 569.0	-1 886.4	-1 687.7	-1 676.2	-1 978.9	-2 353.6
<b>Current balance</b>	-472.5	-887.2	-1 230.4	-1 112.1	-1 423.5	-1 562.7	-1 484.0
In percentage of nominal GDP (%)	-4.2%	-7.3%	-9.6%	-8.1%	-10.1%	-10.2%	-8.8%
<b>Public Finance</b>							
Revenues and grants	2 334.6	2 376.6	2 425.5	2 789.1	2 842.7	2 979.4	3 498.1
Total Expenditures	2 703.9	2 738.8	2 902.9	3 326.2	3 745.7	3 938.7	4 553.2
Budget balance	-369.3	-362.2	-477.4	-537.1	-903.0	-959.3	-1 055.1
<b>Public debt</b>							
Domestic debt	1 686.3	1 359	971.6	929.6	1 957.1	2 673.7	3 498.1
External debt	3 625.9	4 611.8	6 208.64	6 895.6	6 946.2	7 623.3	9 097.9
Public debt (% of nominal GDP)	47.1	49.0	55.9	57.1	63.2	67.2	64.6
<b>Budget deficit</b>							
In terms of value	369.3	362.2	477.4	537.1	903.0	959.3	784
In % of nominal GDP	3.3	3.0	3.7	3.9	6.4	6.3	6.2

Source : DPEE, DGCPT, BCEAO

3 Change in the GDP deflator

## 2.1 Evaluation of the Gross Domestic Product

### 2.1.1 Level of Gross Domestic Product

Senegal's nominal GDP increased from 11 283.4 billion CFAF in 2016 to 14 097.9 billion CFAF in 2020.

It is estimated at 15 319.1 billion CFAF in 2021 and could reach 16 922.4 billion CFAF in 2022.

**Table 9. Nominal GDP<sup>4</sup>**

In Billion CFAF	2016	2017	2018	2019	2020	2021	2022
					Forecast	Estimate	Forecast
<b>Nominal GDP</b>	11 283,4	12 191,8	12 840,2	13 709,6	14 097,9	15 319,1	16 922,4

Source : DPEE<sup>5</sup>

### 2.1.2 Real GDP growth

Since the implementation of the Emerging Senegal Plan in 2014 (PSE I and II<sup>6</sup>), the Senegalese economy has been on a new growth path averaging more than 6.2% over the 2015-2019 period. The real GDP

growth rate in 2020 is estimated at 1.3%<sup>7</sup>, compared with 4.6% in 2019. According to the DPEE's estimates, it will be 6.1% in 2021. Growth in activity is expected to consolidate in 2022, with real GDP growth expected to reach 5.1%.

**Table 10. Evolution of Senegal's real growth from 2016 to 2022 (in %)**

SENEGAL	2016	2017	2018	2019	2020	2021	2022
						Estimate	Forecast
<b>Real GDP</b>	6.4	7.4	6.2	4.6	1.3	6.1	5.1
<b>Primary sector</b>	5.4	11.5	8.1	4.3	12.8	-1.0	5.3
<b>Secteur secondaire</b>	3.6	7.1	6.5	5.0	-0.4	10.9	4.9
<b>Secondary sector<sup>8</sup></b>	7.6	5.8	5.4	4.3	-0.1	5.7	5.2
<b>Goods and services taxes</b>	8.1	10.9	6.9	5.6	-3.4	8.2	5.1

Source : DPEE

<sup>4</sup> Based on the new national accounts, rebased in 2014.

<sup>5</sup> According to DPEE estimates (June 2022).

<sup>6</sup> PES Phase I, PES Phase II and adjusted PES Phase II.

<sup>7</sup> This slowdown in economic activity in 2020 is linked to the Covid-19 pandemic, which has had a negative impact on the world economy and, in turn, on the Senegalese economy, resulting in the closure of borders, schools and universities, the restriction of intercity transport and the introduction of a curfew.

<sup>8</sup> Including public administration services (non-market production).

The average performance over the period 2016-2020 is largely explained by dynamic activity in the primary sector (8.4%<sup>9</sup>) and the good performance of the secondary sector (4.3%) and the tertiary sector (4.6%<sup>10</sup>). Indeed, with the implementation of the Senegalese Agricultural Acceleration Program (PRACAS) and the redefinition of its priorities<sup>11</sup> in phase 2, as well as the measures taken within the framework of the Economic and Social Resilience Program (PRES<sup>12</sup>), the primary sector has been dynamic, with a real growth rate of 12.8% in 2020, compared with 4.3% one year earlier.

This remarkable performance of the primary sector in 2020 is mainly explained by the good performance of the agriculture and related activities sub-sector, with a real growth rate of 18.8% compared with 4.2% in 2019. The fisheries and fish farming sub-sector has been the most affected in the primary sector by the Covid-19 pandemic, with a decline in activity of 8.2% in 2020<sup>13</sup>.

As for the **secondary sector**, it has suffered the full force of the Coronavirus crisis, which has finally disrupted the supply chain of goods and services. In 2020, the contraction of activity in the secondary sector by 5.4%<sup>14</sup> can be explained by the difficulties

of the construction sub-sector (-21.6%), followed by the manufacture of chemical products (-10.8%), the manufacture of agri-food products (-6.0%), petroleum refining (-4.4%) and mining and quarrying activities (-3.2%). On the other hand, the contraction of the secondary sector was mitigated by the good performance of the construction materials (+7.4%) and water, sanitation, and waste treatment (+8.5%) sub-sectors.

In the **tertiary sector**, activity grew at an average rate of 4.6% over the period 2016-2020 despite the downturn in 2020. The tertiary sector, which accounts for more than 40% of GDP, would fall by 4.4 growth points in 2020 compared to the previous year. The direct and indirect negative effects of Covid-19 have not spared any sub-sector of the tertiary sector except for specialized, scientific, and technical services (+19.8%<sup>15</sup>), public administration services (+3.6%) and health and social work activities (+2.3%).

The sub-sectors that were strongly and negatively affected were: accommodation and food services (-27.0%), transport (-17.0%), education (-12.7%), office support services (-11.4%), trade (-8.5%) and community and personal activities (-7.6%).

<sup>9</sup> Average annual growth rate over the period 2016-2020.

<sup>10</sup> These are average annual growth rates over the period 2016-2020.

<sup>11</sup> In phase II of the PRACAS, the priorities of the PRACAS have been modified and now revolve around: (i) intensification of agricultural production; (ii) water management; (iii) valorization and marketing of agricultural products; (iv) quality management and (v) research and development.

<sup>12</sup> Senegal has developed a response plan to the Covid-19 crisis, called the Economic and Social Resilience Program (ESRP), aimed at strengthening the health system, supporting the population and mitigating the negative effects of the crisis on businesses. It is divided into four (04) areas, namely (i) health, (ii) social resilience, (iii) support for the private sector and maintaining jobs, and (iv) securing the supply of basic foodstuffs, energy, hydrocarbons and pharmaceutical products. The financing of the ESRP is estimated at 1,000 billion, or 7.0% of GDP. As at 4 November 2020, disbursable expenditure is estimated at 628.4 billion. They are made up of budgetary expenditure of 558.4 billion and a cash flow operation of 70 billion.

<sup>13</sup> In conjunction with the measures taken by the Senegalese authorities, notably the closure of land, air and sea borders.

<sup>14</sup> With a real growth rate of 0.4% in 2020 compared with 5.0% in 2019, this represents a decline in activity of 5.4 percentage points (pp) in 2020. However, the continued execution of major state projects, social housing programs and the construction of an Olympic stadium and local hotels in Diamniadio in preparation for the 2022 Youth Olympic Games (YOG 2022) should bolster construction activity.

<sup>15</sup> Percentage points (pp).

Table 11.

## Evolution of the real growth rate by sub-sector (in %)

Real growth rate (%)	2016	2017	2018	2019	2020	2021 Est.	2022 Forecast.
<b>Primary sector</b>	5.4	11.5	8.1	4.3	12.8	-1.0	5.3
Agriculture and related activities	3.8	16.4	10.2	4.2	18.8	- 2.0	5.1
Livestock and hunting	8.7	3.5	3.8	3.2	4.4	2.4	5.1
Forestry, logging	3.1	2.7	1.5	5.0	1.1	3.0	3.5
Fishing and fish farming	8.5	3.8	6.9	8.3	-8.2	-3.0	9.1
<b>Secondary sector</b>	3.6	7.1	6.5	5.0	-0.4	10.9	4.9
Extractive activities	-16.2	12.5	29.6	2.2	-1.0	25.3	7.4
Manufacture of agri-food products	5.6	3.2	5.9	4.8	-1.2	8.6	4.4
Oil refining, coking,	5.2	1.2	-15.1	-5.2	-9.6	5.9	-21.6
Chemical manufacturing	21.5	4.4	15.1	6.4	-4.4	9.8	5.4
Building materials	7.3	6.4	4.2	0.3	7.8	15.3	2.7
Other manufacturing industries	5.3	7.7	2.5	3.3	1.1	7.7	4.8
Electricity and Gas	7.4	6.6	6.4	8.3	5.9	7.1	6.8
Water, Sanitation and Waste Treatment	3.0	7.6	2.7	3.3	11.8	4.2	3.9
Building	5.6	15.9	5.7	14.3	-7.2	15.6	7.3
<b>Tertiary<sup>24</sup> sector</b>	7.6	5.8	5.4	4.3	-0.1	5.7	5.2
Trade	6.1	8.5	7.4	5.4	-3.1	6.2	5.6
Transportation	4.7	7.6	6.0	7.9	-9.2	10.8	7.3
Accommodation and food services	3.7	6.2	4.3	7.2	-19.8	3.2	4.7
Information and communication	0.1	8.3	1.8	2.5	-3.4	11.6	4.9
Financial and insurance services	2.6	10.8	6.0	11.5	9.7	3.7	5.6
Real Estate Services	7.1	3.7	2.3	5.5	4.8	4.1	5.3
Specialized, scientific and technical services	36.9	2.2	6.5	-8.0	11.7	3.4	3.8
Office support services	12.5	4.2	8.6	4.9	-6.5	3.5	6.5
Public administration services	10.7	5.0	8.5	5.6	9.2	4.4	5.0
Education	1.1	2.1	2.7	3.5	-9.2	3.1	3.8
Health and social	4.5	2.4	6.3	6.0	8.3	6.9	5.8
Activities of a collective or personal nature	15.9	7.5	5.2	1.2	-6.5	10.9	5.8
Domestic services	9.4	3.7	3.7	3.5	3.5	3.5	3.6
Other services	3.4	3.4	5.2	3.1	-7.6	3.9	3.8
<b>Goods and services Tax</b>	8.1	10.9	6.9	5.6	-3.4	8.2	5.1
<b>Gross Domestic Product ( real GDP )</b>	6.4	7.4	6.2	4.6	1.3	6.1	5.1

Source : DPEE

16 Including public administration services (non-market output).

### 2.1.3 Decomposition of GDP

The current value added of the **primary sector** rose from 1 626.4 billion CFAF in 2016 to 2 286.1 billion CFAF in 2020, with an estimated value of 2 347.5 billion CFAF and 2 664.2 billion CFAF in 2021 and 2022 respectively. The share of the primary sector in GDP increased between 2016 and 2020 from 14.4% in 2016 to 16.2% in 2020. This rate would rise to 15.3% in 2021 and 15.7% in 2022.

The value added of the **secondary sector** is estimated at 3 275.0 billion CFAF in 2020 and

contributed 23.2% to GDP, compared with 23.6% in 2019. According to projections, it should reach 24.7% in 2021 and 25.5% in 2022.

Compared to other sectors, the tertiary sector has an important share in Senegal's GDP. Indeed, in 2016, it accounted for 52.0% of GDP. A slight decline was observed between 2016 and 2020: the share of the tertiary sector in GDP fell from 52.0% to 50.3%. Estimates for the years 2021 and 2022 indicate that this trend should continue, with the share of the tertiary sector representing 49.6% and 48.4% of GDP respectively.

**Table 12. Decomposition of GDP by structure (%)**

	2016	2017	2018	2019	2020	2021	2022
						Estimate	Forecast
<b>Nominal GDP</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Primary sector</b>	14.4	15.0	15.0	14.9	16.2	15.3	15.7
<b>Secondary sector</b>	23.3	23.3	24.0	23.6	23.2	24.7	25.5
<b>Tertiary<sup>17</sup> sector</b>	52.0	52.2	52.2	51.0	50.3	49.6	48.4
<b>Goods and services taxes</b>	10.3	9.6	8.8	10.6	10.3	10.4	10.3

Source : DPEE

## 2.2 Gross domestic product details

### 2.2.1 GDP in value, detail of sectors

The breakdown of GDP in value by sector in 2020 was 2 286.1 billion CFAF for the primary sector, 3 275.0 billion CFAF for the secondary sector and 7 085.2 billion CFAF for the tertiary sector.

The value added of the primary sector in GDP rose from 1 626.4 billion CFAF in 2016 to 2 286.1 billion CFAF in 2020, according to DPEE<sup>18</sup> estimates. Specifically, the agriculture and related activities sub-sector contributed 1 566.9 billion CFAF in 2020 and should contribute 1 559.0 billion CFAF in 2021 and 1 713.2 billion CFAF in 2022.

As for the forestry sector, its share is relatively smaller. In 2016, for example, its value was 51.0 billion CFAF. In 2020, it is estimated at 57.0 billion

CFAF, and in 2021, it is estimated at 59.5 billion CFAF. The fisheries sector's share of GDP was 161.2 billion CFAF in 2016, 182.0 billion CFAF in 2020 and is estimated to reach 187.3 billion CFAF in 2021.

The secondary sector contributed 2 634.0 billion CFAF to GDP in 2016, 3 275.0 billion CFAF in 2020 and is expected to contribute 3 778.6 billion CFAF in 2021. In more detail, the extractive sector<sup>19</sup> accounted for 261.3 billion CFAF in 2016, 520.0 billion CFAF in 2019 and 595.2 billion CFAF in 2020. They are in continuous progression over the period under review (2016-2020), notably an increase of 75.2 billion CFAF in 2020 compared to 2019 despite the context of the Covid-19 pandemic. Its value is projected at 762.9 billion CFAF and 919.3 billion CFAF in 2021 and 2022 respectively. This development can be explained by an improvement in phosphate, zircon, and gold production.

<sup>17</sup> Including public administration services (non-market production).

<sup>18</sup> DPEE (June 2022)

<sup>19</sup> Of which oil and gas production

The good performance of phosphate production is linked to the finalization of the investment phase in the Chemical Industries of Senegal (ICS) as well as to the strengthening of the production of the River Valley Mining Company (SOMIVA) and of LAM-LAM phosphates. The performance of zircon is linked to the exploitation of the Grande Coast and Nianfarang deposits. In addition, gold production should experience an upward trend with the operation of a new mine in the Kedougou area.

In terms of refining activities, the sub-sector accounted for a smaller share, at 63.0 billion CFAF in 2016, 44.8 billion CFAF in 2019, 3.8 billion CFAF in 2020 and 4.8 billion CFAF in 2021. The difficulties of the sub-sector are accentuated by the internal structural constraints of the African Refining Company (SAR).

Activity in the construction materials sub-sector continues to grow thanks to road and rail infrastructure works (99.7 billion CFAF in 2020 against 87.4 billion CFAF and 86.5 billion CFAF in 2016 and 2019 respectively).

As regards the construction sub-sector, there is also a continuous increase in activity over the period under review, except for 2020, rising from 305.5 billion CFAF in 2016 to 392.5 billion CFAF in 2019 and 365.2 billion CFAF in 2020<sup>20</sup>. This increase in activity is linked to private demand and public works.

In the energy sub-sector, the increase in production is also on the rise<sup>21</sup>. This increase is explained by a strong demand for electricity linked to the accelerated development of urbanization and the reforms implemented by SENELEC to increase production. Investment in new solar power plants has also helped to boost electricity production. In addition, the electricity sector would benefit from the strengthening of production facilities through the commissioning of the DIASS solar power plant (55.2 MW) and the Taïba Ndiaye wind power plant (120 MW)<sup>22</sup>. The sub-sector would also benefit from the rehabilitation and expansion of the production network as well as the development of the electricity access program, particularly in rural areas.

Finally, the agri-food sub-sector has seen a continuous increase over the period under review, rising from 1 440.2 billion CFAF in 2016 to 1 617.0 billion CFAF in 2020. The value added of the sub-sector is estimated at 1 768.1 billion CFAF in 2021 and should reach 1 991.0 billion CFAF in 2022.

The tertiary sector has contributed strongly to GDP. Between 2016 and 2020, its value added increased from 5 863.8 to 7 085.2 billion CFAF. According to DPEE forecasts, the GDP of this sector will reach 7,597.8 billion CFAF in 2021 and 8,198.6 billion CFAF in 2022.

Between 2016 and 2020, the transport sub-sector benefited from the good performance of port activities and the strengthening of air transport driven by the new Dakar International Airport (AIBD), as well as by the activities of the new airline Air Senegal. Its added value rose from 447.3 billion CFAF in 2016 to 505.6 billion CFAF in 2019. Its share is estimated at 510.1 billion CFAF in 2020, an increase of 36.8 billion CFAF compared to the previous year.

The transport sector is one of the first sectors most affected by the Covid-19 pandemic. Travel restrictions imposed by governments in response to the spread of the disease, followed by progressive decisions to close borders, have led to a significant decline in the transport sub-sector. Also, rail transport has slowed down with the extension of the work on the TER, whose commercial operation, initially planned for the first quarter of 2020, started on 27 December 2021.

The trade sub-sector reached 1 736.3 billion CFAF in 2020 compared with 1 829.2 billion CFAF in 2019, a drop of 92.8 billion CFAF. The sub-sector seems to have resisted the negative effects of the Covid-19. Its value added is estimated at 1 883.9 billion CFAF in 2021 and should reach 2 077.8 billion CFAF in 2022.

The value added of the information and communication sub-sector is estimated at 541.1 billion CFAF in 2020, compared with 547.4 billion CFAF in 2019, i.e., a drop of 6.3 billion CFAF compared with the previous year. It should reach 573.8 billion CFAF in 2021.

<sup>20</sup> This means a reduction of 27.3 billion CFAF in 2020.

<sup>21</sup> Except for 2019 when there was a decrease of 18.7 billion due to the Covid-19 pandemic.

<sup>22</sup> In Senegal, several projects have been launched in recent years to increase the capacity of the electricity sector. One of these is the construction of the Malicounda thermal power plant, which is more than 95% complete according to the National Electricity Company.

About financial and insurance services, an increase in value added of 33.0 billion CFAF is observed in 2020 (369.8 billion CFAF in 2020 against 336.8 billion CFAF in 2019). This sub-sector continues to be positively impacted by the structuring projects of

the PES<sup>23</sup> and the reform of the credit information bureaus (BIC), which will make it possible to remove the constraints of asymmetric information between credit institutions and their customers.

**Table 13. Evolution of the real growth rate by sub-sector (in %)**

Real growth rate (%)	2016	2017	2018	2019	2020	2021 Est.	2022 Forecast.
<b>Primary sector</b>	1 626.4	1 826.6	1 924.5	2 042.7	2 286.1	2 347.5	2 664.2
Agriculture and related activities	960.9	1 123.1	1 202.8	1 287.3	1 566.9	1 559.0	1 713.2
Livestock and hunting	453.4	463.5	467.9	494.6	480.2	541.6	666.2
Forestry, logging	51.0	53.9	54.2	55.9	57.0	59.5	62.3
Fishing and fish farming	161.2	186.1	199.6	204.9	182.0	187.3	222.5
<b>Secondary sector</b>	2 634.0	2 838.0	3 083.3	3 232.5	3 275.0	3 778.6	4 309.9
Extractive activities	261.3	317.9	443.5	520.0	595.2	762.9	919.3
Manufacture of agri-food products	1 440.2	1 472.2	1 538.2	1 574.0	1 617.0	1 768.1	1 991.0
Oil refining, coking,	63.0	64.8	38.9	44.8	3.8	4.9	5.0
Chemical manufacturing	49.8	30.5	67.0	64.5	38.9	45.6	51.2
Building materials	87.4	91.0	85.6	86.5	99.7	116.3	134.5
Other manufacturing industries	717.3	779.8	801.0	822.8	836.6	942.6	1 019.2
Electricity and Gas	114.6	148.4	183.2	164.5	181.3	194.3	219.9
Water, Sanitation and Waste Treatment	100.8	110.0	112.2	113.3	117.4	122.3	132.2
Building	305.5	334.8	350.9	392.5	365.2	437.8	519.3
<b>Tertiary<sup>24</sup> sector</b>	5 863.8	6 360.6	6 699.0	6 987.3	7 085.2	7 597.8	8 198.6
Trade	1 391.5	1 577.3	1 712.7	1 829.2	1 736.3	1 883.9	2 077.8
Transportation	447.3	478.0	494.7	505.6	468.8	521.4	561.4
Accommodation and food services	143.2	161.5	161.9	167.4	135.2	142.6	150.7
Information and communication	537.0	573.6	533.9	547.4	541.1	573.8	602.7
Financial and insurance services	256.9	289.6	300.9	336.8	369.8	387.2	415.0
Real Estate Services	901.4	929.4	949.4	1 009.1	1 074.9	1 165.4	1 278.0
Specialized, scientific and technical services	480.4	552.7	586.6	530.1	583.9	615.4	651.0
Office support services	196.1	204.7	221.9	232.7	219.9	231.1	246.5
Public administration services	584.4	635.8	710.3	735.8	821.3	876.0	941.4
Education	529.5	537.6	575.6	619.8	649.5	682.5	720.8
Health and social	163.0	171.7	183.2	198.4	218.7	236.2	253.8
Activities of a collective or personal nature	44.3	50.1	55.2	54.0	50.0	56.1	61.7
Domestic services	63.0	66.8	70.6	72.0	75.5	78.1	82.1
Other services	125.9	131.9	142.1	149.1	140.2	148.3	155.9
<b>Goods and services Tax</b>	1 159.2	1 166.7	1 133.3	1 447.2	1 451.7	1 595.3	1 749.7
<b>Gross Domestic Product ( real GDP )</b>	11 283.4	12 191.8	12 840.2	13 709.6	14 097.9	15 319.1	16 922.4

Source : DPEE

<sup>23</sup> The second phase of the PES, PES II.

<sup>24</sup> Including public administration services (non-market output).

## 2.2.2 PIB en composition

The primary sector contributed 14.4% to nominal GDP in 2016, 16.2% in 2020 and is expected to contribute 15.3% in 2021. As for the secondary sector, its weight fell slightly between 2016 and 2020, from 23.3% to 23.2%, with a peak of 24.0% in 2018. According to DPEE forecasts, the sector should contribute 24.7% of GDP in 2021 and 25.5% in 2022.

The tertiary sector has a significant contribution to the formation of GDP. Its contribution increased from 52.0% in 2016 to 52.2% in 2018. Since then, its share has been steadily declining and is estimated to reach 50.3% in 2020. It is also expected to decline in 2021 and 2022 to 49.6% and 48.4% respectively.

**Table 14.** Share of sectors and subsectors in GDP (%)

Real growth rate (%)	2016	2017	2018	2019	2020	2021 Est.	2022 Forecast.
<b>Primary sector</b>	14.4	15.0	15.0	14.9	16.2	15.3	15.7
Agriculture and related activities	8.5	9.2	9.4	9.4	11.1	10.2	10.1
Livestock and hunting	4.0	3.8	3.6	3.6	3.4	3.5	3.9
Forestry, logging	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Fishing and fish farming	1.4	1.5	1.6	1.5	1.3	1.2	1.3
<b>Secondary sector</b>	23.3	23.3	24.0	23.6	23.2	24.7	25.5
Extractive activities	2.3	2.6	3.5	3.8	4.2	5.0	5.4
Manufacture of agri-food products	12.8	12.1	12.0	11.5	11.5	11.5	11.8
Oil refining, coking,	0.6	0.5	0.3	0.3	0.0	0.0	0.0
Chemical manufacturing	0.4	0.2	0.5	0.5	0.3	0.3	0.3
Building materials	0.8	0.7	0.7	0.6	0.7	0.8	0.8
Other manufacturing industries	6.4	6.4	6.2	6.0	5.9	6.2	6.0
Electricity and Gas	1.0	1.2	1.4	1.2	1.3	1.3	1.3
Water, Sanitation and Waste Treatment	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Building	2.7	2.7	2.7	2.9	2.6	2.9	3.1
<b>Tertiary<sup>24</sup> sector</b>	52.0	52.2	52.2	51.0	50.3	49.6	48.4
Trade	12.3	12.9	13.3	13.3	12.3	12.3	12.3
Transportation	4.0	3.9	3.9	3.7	3.3	3.4	3.3
Accommodation and food services	1.3	1.3	1.3	1.2	1.0	0.9	0.9
Information and communication	4.8	4.7	4.2	4.0	3.8	3.7	3.6
Financial and insurance services	2.3	2.4	2.3	2.5	2.6	2.5	2.5
Real Estate Services	8.0	7.6	7.4	7.4	7.6	7.6	7.6
Specialized, scientific and technical services	4.3	4.5	4.6	3.9	4.1	4.0	3.8
Office support services	1.7	1.7	1.7	1.7	1.6	1.5	1.5
Public administration services	5.2	5.2	5.5	5.4	5.8	5.7	5.6
Education	4.7	4.4	4.5	4.5	4.6	4.5	4.3

<sup>24</sup> Including public administration services (non-market output).

Health and social	1.4	1.4	1.4	1.4	1.6	1.5	1.5
Activities of a collective or personal nature	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Domestic services	0.6	0.5	0.6	0.5	0.5	0.5	0.5
Other services	1.1	1.1	1.1	1.1	1.0	1.0	0.9
<b>Goods and services Tax</b>	<b>10.3</b>	<b>9.6</b>	<b>8.8</b>	<b>10.6</b>	<b>10.3</b>	<b>10.4</b>	<b>10.3</b>
<b>Gross Domestic Product ( real GDP )</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : DPEE

### 2.2.3 GDP by component

Domestic demand has grown significantly over the years, from 12 361.3 billion CFAF to 15 929.9 billion CFAF between 2016 and 2020, an average increase of 6.5% per year.

Total consumption follows the same trend with an average annual growth rate of 5.1%. Private consumption is more important and is growing faster than public consumption (from 8,078.2 billion CFAF in 2016 to 9,701.7 billion CFAF in 2020, an average growth of 7.0% per year).

The value of total investments has also increased: it was 2 699.9 billion CFAF in 2016 and will reach

4 155.2 billion CFAF in 2020. For the year 2021, DPEE estimates indicate total investments<sup>26</sup> of 4 804.8 billion CFAF. Private investment dominates total investment, with an investment rate of 22.5% for the private sector in 2020, compared with 7.0% for the public sector, i.e., more than three times that of the public sector.

External demand reflects a structural deficit in the trade balance<sup>27</sup>. This deficit has deteriorated over time. It rose from -1 239.6 billion CFAF in 2016 to -2 631.4 billion CFAF in 2020 despite the reduction in imports linked to the current context of the Covid-19 pandemic. The trade balance deficit is projected at -2 854.4 billion CFAF in 2021 and -3 239.0 billion CFAF in 2022.

Table 15. GDP expenditure approach

In billions of CFAF	2016	2017	2018	2019	2020	2021 ESTIMATE	2021 FORECAST
<b>Internal demand</b>	12 361.3	13 393.3	14 325.1	15 352.8	15 929.9	17 538.3	19 244.3
<b>Final consumption</b>	9 661.4	10 244.7	10 688.6	11 286.1	11 774.7	12 733.5	13 763.0
Public	1 583.2	1 662.2	1 770.0	1 920.8	2 073.0	2 234.8	2 453.7
Private	8 078.2	8 582.5	8 918.6	9 365.3	9 701.7	10 498.7	11 309.4
<b>Total investments</b>	2 699.9	3 148.6	3 636.5	4 066.7	4 155.2	4 804.8	5 481.3
Public	786.4	829.9	807.4	870.1	981.8	1 028.3	1 110.5
Private	1 913.5	2 318.7	2 829.2	3 196.6	3 173.4	3 776.5	4 370.8
<b>Net external demand</b>	-1 239.6	- 1 688.0	- 2 040.5	- 1 956.9	- 2 631.4	- 2 854.4	- 3 239.0
<b>Change in inventories</b>	139.5	462.2	530.3	287.2	770.3	602.5	879.1
<b>Acquisition of valuable objects</b>	22.2	24.2	25.3	26.5	29.1	32.7	38.0
<b>Gross Domestic Product</b>	11 283.4	12 191.8	12 840.2	13 709.6	14 097.9	15 319.1	16 922.4

Source : DPEE

<sup>26</sup> It refers to gross fixed capital formation.

<sup>27</sup> This is the balance of non-factor goods and services.

### 3.1 Recent Achievements and Completions

#### 3.1.1 Presentation of the national development plan

In 2014, Senegal adopted a new reference framework for its development policy, the Emerging Senegal Plan (PSE). The PSE is a ten-year strategy for the period 2014-2023, backed by a vision of an emerging Senegal by 2035. The PSE is operationalized through investments over 10 years, divided into two five-year phases, 2014-2018 and 2019-2023. The objective is to set the Senegalese economy on a strong, inclusive, sustainable, and job-creating growth path, while preserving the environment and natural resources.

To achieve the vision expressed in the PSE, the proposed strategy is built around three main strategic axes:

- **Axis 1: Structural transformation of the economy and growth**
- **Axis 2: Human capital, social protection, and sustainable development**
- **Axis 3: Governance, institutions, peace, and security**

The axes and objectives of the PSE are backed by the foundations of emergence, through the

reinforcement of energy supply, the establishment of structural infrastructures to support production, the improvement of the business environment, a strong impetus from the State and affirmed leadership.

The PES is supported by a Priority Action Plan (PAP), itself divided into two phases. The first phase of the PSE (PAP I), covering the period 2014-2018, achieved satisfactory results in all sectors<sup>28</sup>, and the second phase of the PSE (PAP II), covering the period 2019-2023, is a continuation of the first phase but with greater involvement of the private sector.

#### Plan for an Emerging Senegal: Phase 1 (PAP I)

The first phase of PSE implementation is the priority Action Plan (PAP I), a five-year investment plan (2014-2018) aimed at aligning the economic and social aspirations of the PSE with the development programs and projects budgeted by the Senegalese government over this period.

PAP I includes 27 major investment projects and 17 reforms over the period 2014-2018. This priority action plan is worth 9,686 billion CFAF over the period 2014-2018.

**Table 16. Breakdown of PAP I costs by strategic areas**

Strategic areas	Amount (In billions of CFAF)	Percentage
<b>Structural transformation of the economy and growth</b>	6 439	66
<b>Human Capital, Social Protection and Sustainable Development</b>	2 521	26
<b>Governance, Peace, and Security</b>	726	8
<b>Grand total</b>	9 686	100

Source : MEFP

The optimistic scenario of the PSE foresaw an average growth rate of 7.1% per year for PAP I (2014-2018), rising from 4.9% in 2014 to 8.3% in 2018.

<sup>28</sup> See, WAMU Information Notes for Senegal, 2019 Edition.

Table 17.

## PSE Baseline Scenario, Phase I (2014-2018)

Years	Economic growth (%)	Budget deficit (in billions of CFAF)	Current expenditures (in billion of CFAF)	Capital expenditures (in billion CFAF)	Total expenditures (in billions of CFAF)
2014	4.9	-5.2	1 297	987	2 284
2015	6.7	-5.1	1 352	1 208	2 560
2016	7.6	-4.9	1 400	1 420	2 819
2017	8.0	-4.5	1 450	1 630	3 080
2018	8.3	-3.9	1 502	1 847	3 349
Moyenne	7.1	-4.7			
Total			7 001	7 091	14 092

Source : MEFP

After five (5) years of implementation, the evaluation<sup>29</sup> of this first phase has identified several achievements, including the overall attainment of the set objectives<sup>30</sup>.

On the macroeconomic front, Senegal is one of the fastest growing countries in sub-Saharan Africa (annual average of 6.6% over the period 2014-2018) with low inflation (below 3%) and a deficit that has been reduced from 5.4% of GDP in 2011 to 3.7% in 2018.

In terms of social indicators, Senegal has seen an improvement in the human development index (from 0.49 in 2014 to 0.52 in 2018), increased access to basic education even if the results are weak in terms of efficiency, efforts in health with a drop in the maternal mortality rate and a 38% reduction in poverty.

In terms of governance, considerable efforts have been made to strengthen economic, political, and judicial governance, particularly in the context of the fight against corruption, budgetary transparency, the

creation of commercial courts and the strengthening of territorial governance.

### Plan for an Emerging Senegal: Phase 2 (PAP II)

To consolidate the performance recorded in the first phase, the Senegalese government has put in place the Priority Action Plan 2019-2023 (PAP II) for a total amount of 14,098 billion CFAF. It operationalizes the second phase of the PSE by aligning the strategic axes and objectives, expected effects, and identified actions with the reforms, projects, and development programs to be carried out within a sound budgetary framework over the period 2019-2023.

PAP II is structured around seven (7) sectors and priority areas. These include agriculture (horticulture and agro-industry), infrastructure (public works and construction), energy (oil, gas, and mining), industry, the digital economy, tourism, and finance. The year 2019 was marked by the beginning of the implementation of phase II of the Priority Action Plan of the PSE (PAP II).

<sup>29</sup> In 2015, the government instituted a harmonized framework for monitoring and evaluating public policies (CASE) by Decree No. 2015-679, with a view to rationalizing and harmonizing public policy monitoring mechanisms in order to facilitate the evaluation of the PSE's performance. Through the application of this framework, sectoral and regional reviews are better supervised and organized.

<sup>30</sup> Operational Monitoring Office (BOS) of the Emerging Senegal Plan (2018), "Report on the implementation of the PES flagship projects and reforms, 2014-2018".

**Table 18. Breakdown of PAP II costs by strategic axis**

Strategic areas	Amount (Total in billions of CFAF)	Percentage
<b>Structural transformation of the economy and growth</b>	8 352.1	59.2
<b>Human Capital. Social Protection and Sustainable Development</b>	4 089.6	29.0
<b>Governance, Peace and Security</b>	1 656.2	11.7
<b>Grand total</b>	14 097.9	100.0

Source : DGPPE

## Plan for an Emerging Senegal: Revised Phase 2 (PAP2A)

The consolidation of the above achievements was severely disrupted by the occurrence of the COVID-19 health pandemic, with direct and indirect negative economic and social impacts.

This new context has led the Senegalese authorities to take economic and health measures through the economic and social resilience program (PRES) and to revise the PAP II to mitigate the negative effects of the crisis.

The measures included in the PRES coupled with the Adjusted and Accelerated Priority Action Plan

(PAP2A) should lay the foundations for a rapid and consolidated recovery of the national economy and put the country on the path to emergence.

The main objectives of the PAP2A for the period 2021-2023 are to stimulate private investment, diversify growth drivers and strengthen economic resilience to achieve an average growth rate of 8.7% over the period 2021-2023.

In the scenario adopted, the implementation of the PAP2A will lead to GDP growth of around 5.2% in 2021, 6.9% in 2022 and 13.7% in 2023, i.e., Senegal's first double-digit growth rate, with the exploitation of oil and gas resources.

**Table 19. PSE Baseline Scenario, Phase II (2019-2023)**

Years	Economic growth (%)	Budget deficit (in billions of CFAF)	Current expenditures (in billions of CFAF)	Capital expenditures (in billions of CFAF)	Total expenditures (in billions of CFAF)
<b>2019</b>	5.3	-3.9	2 166	1 160	3 326
<b>2020</b>	-0.7	-6.1	2 397	1 428	3 825
<b>2021</b>	5.2	-5.0	2 239	1 595	3 834
<b>2022</b>	6.9	-4.0	2 401	1 809	4 210
<b>2023</b>	13.7	-3.0	2 638	2 217	4 855
<b>Average</b>	6.9	-4.4			
<b>Total</b>			11 841	8 209	20 050

Source : MEPC

## PAP2A cost

The overall cost of the PAP2A is estimated, for the period 2019-2023, at 14 714 billion CFAF. It has seen an increase of 616 billion CFAF, i.e., an increase

of 4.4% compared to PAP II. This figure considers the two (2) years of implementation, namely 2019 and 2020. Thus, the estimated cost for the period 2021-2023 is 12 125 billion CFAF.

28 Le Gouvernement a institué en 2015, par le décret n° 2015-679, un cadre harmonisé de suivi et d'évaluation des politiques publiques (CASE), dans l'optique de rationaliser et d'harmoniser les dispositifs de suivi des politiques publiques en vue de faciliter l'évaluation des performances du PSE. A travers l'application de ce cadre, les revues sectorielles et régionales sont mieux encadrées et organisées.

29 Bureau Opérationnel du Suivi (BOS) du Plan Sénégal Emergent (2018), « Rapport sur la mise en œuvre des projets et réformes phares du PSE, 2014-2018 ».

Table 20.

## Breakdown of PAP II costs by strategic areas, 2021-2023

Strategic areas	Total cost (In billions of CFAF)	Share (In %)
Structural transformation of the economy and growth	7 129	59
Human Capital, Social Protection and Sustainable Development	3 625	30
Governance, Peace, and Security	1 371	11
Grand total	12 125	100

Source : MEPC

As for the sectoral distribution of the cost of the PAP2A strategy over the period 2021-2023, it reveals the preponderance of the priority and sovereignty sectors.

Table 21.

## Sectoral Breakdown of the PAP2A, 2021-2023

Sectors	Cost (In billions of CFAF)	Shares (In %)
Public Administration	839	6.9
Agriculture	1 018	8.4
Handicraft	2	0.0
Trade	70	0.6
Culture. Youth and Sport	176	1.5
Community development. social and territorial equity	569	4.7
Education and Training	475	3.9
Livestock	64	0.5
Environment and sustainable development	82	0.7
Rural and agricultural hydraulics	33	0.3
Urban water and sanitation	651	5.4
Industry	1 067	8.8
Air transport infrastructure and services	117	1.0
Rail infrastructure and services	256	2.1
Marine transportation infrastructure and services	783	6.5
Road transport infrastructure and services	1 069	8.8
Energy transportation infrastructure and services	1 699	14.0
Justice	29	0.2
Mines	5	0.0
Fishing	113	0.9
Post and Telecommunications (Digital economy)	146	1.2
Health and Nutrition	1 024	8.4
Security and sovereignty	550	4.5
Tourism	353	2.9
Urban Planning and Housing	935	7.7
Grand total	12 125	100

Source : MEPC

## Expected impacts of the PAP2A

The implementation of the PAP2A should make it possible to improve certain indicators in 2023. A rapid recovery of the economy from 2021 onwards, accompanied by reforms and investments in the social sectors, agriculture, fisheries, livestock, housing, digital technology, and industry, would make it possible to achieve an average growth rate of 6.1% between 2019 and 2023.

In terms of human development, performances are expected in 2023 with an HDI of 0.54, a drop in infant mortality (27‰ in 2023), an increase in the rural electrification rate to 79.1% in 2023, and the creation of at least 200,000 jobs per year associated with the improvement of worker productivity to strengthen the inclusive nature of the growth dynamic<sup>31</sup>.

**Table 22.** Impact Indicators

	Initial situation		Targets 2023	
	Year	Value	PSE Phase II	PSE Phase PAP2A
<b>Real GDP per capita (in CFAF)</b>	2018	819 068	1 110 222	971 711
<b>HDI</b>	2018	0.51	0.50	0.54
<b>Child mortality rate</b>	2018	37	29.2	27.7
<b>Average length of schooling (years)</b>	2015	2.81	3.0	3.1
<b>Gini coefficient</b>	2011	40.2	35.8	35.7
<b>National poverty rate (%)</b>	2018	37.8	33.0	36.4
<b>Access to electricity (%)</b>	2018	69.3	85.9	85.0
<b>Access to electricity in rural areas (%)</b>	2019	53.9	81.6	79.1
<b>Renewable energy in the mix (%)</b>	2018	19.6	29.2	29.2
<b>Annual job creation</b>	2019	150 020	228 317	214 553
<b>Weight of industry in GDP (%)</b>	2017	20.6	25.0	25.9
<b>Exports per capita (CFAF)</b>	2019	122 468	220 109	246 799

Source : MEPC

## Articulation of the PES with Agendas 2030 and 2063

Senegal is committed, like the international community, to implementing the 2030<sup>32</sup> Agenda for Sustainable Development and the 2063 Agenda for Africa's Development.

In this perspective, the PSE integrates the ambitions and targets defined at continental and global level through these two agendas. This will facilitate monitoring and evaluation at all levels of projects, programs, and reforms, but will also help to optimize the resources made available under the PSE, Agenda

2030, and Agenda 2063.

These strategic frameworks place the citizen and the community at the heart of the development process with, among other things, the qualification and sustainable empowerment of youth and women as factors of inclusion, wealth creation and employment.

### 3.1.2 Recent structural reforms related to the development plan

The success of the PSE, particularly in its first phase (2014-2018), has been possible thanks to structural reforms and projects. This section presents some

<sup>31</sup> Ministry of Economy, Planning and Cooperation (2020), "Emerging Senegal Plan: Adjusted and Accelerated Priority Action Plan 2 - PAP 2A", December 2020.  
<sup>32</sup> At the heart of this agenda are the 17 Sustainable Development Goals (SDGs), which are an urgent call for all countries, developed and developing, to join in a global partnership for action. For the UN, eradicating poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality and stimulate economic growth. Combating climate change and protecting our oceans and forests are also part of the agenda.

recent achievements and completions as well as their socio-economic impacts<sup>33</sup>.

### « Development of three grain corridors » project

The ambition of the flagship project "Development of 03 cereal corridors" is to halve the trade deficit in the main cereal crops (rice, millet, and maize) with a view to long-term food self-sufficiency. The specific objectives were to achieve self-sufficiency in rice in 2017 with a production of 1,600,000 tons of paddy rice, and to replace 30-50% of wheat flour imports with local cereals.

With the effective implementation of the agricultural component of the PSE, the Program for the Recovery and Acceleration of Senegalese Agriculture (PRACAS I and II) over the 2014-2020 period, paddy rice production has recorded record growth, rising from 559,021 tons in 2014 to 1,132,795 tons in 2018, and then to 1,349,723 tons in 2020, bringing it closer to the target of self-sufficiency in rice, which was set at 1,600,000 tons in 2017.

Millet production rose from 408,993 tons to 827,601 tons, an increase of 102%, while maize production rose from 178,732 tons to 476,621 tons, an increase of 166.7%. With this performance, there is hope and optimism that food self-sufficiency will be achieved if the trend continues.

### « Integrated Industrial Platforms » project

The contribution of industrial activity to GDP has stagnated at around 22-23% for more than 10 years, with a low rate of exploitation of natural resources. To reverse this trend, the PSE has focused on the accelerated development of integrated industrial platforms designed to accommodate international industries seeking to relocate to Africa, enabling Senegal to make a quantum leap in industrialization.

Specifically, this project aims to accelerate the industrial development of Senegal through the establishment of three integrated industrial platforms before 2020. The first industrial achievement is the construction and commissioning, on 6 February

2018, of the Diamniadio International Industrial Park (PIID) on a total land area of 53 hectares at a total cost of 80 billion CFAF, entirely financed by the State of Senegal.

In relation to the Diamniadio Industrial Estate, 16 companies have started production in 2020 and 10 have launched construction work for an investment of 60 billion CFAF. The securing and acquisition of new sites in certain regions (Kaolack, Diourbel) to house industrial estates is underway. Similarly, it is planned to start work on phase 2 of the P2ID and the Regional Industrial Estates (DIR).

### « Integrated Electricity Recovery Plan » project

The energy sub-sector is at the heart of emergence and access to it is a key issue in wealth creation and the fight against poverty. The PSE has therefore set itself the ambition of achieving a recovery of the sector and providing sufficient, reliable, and low-cost electricity.

Thus, during the implementation of the Priority Action Plan (PAP I), several power plants were installed, rehabilitated, and put into service in order to, on the one hand, strengthen the energy mix and, on the other hand, instill a productive dynamic in the territories.

The years 2016 and 2017 saw the commissioning of 270 MW and 205 MW respectively, with the construction of the Mekhe (30 MW), Merina Dakhar (30 MW), Kahone (20 MW), Bokhol (20 MW), Malicounda (20 MW) and Sendou (125 MW) solar power plants. The commissioning of these new capacities has brought SENELEC's installed capacity to more than 1,100 MW<sup>34</sup> for a demand of around 610 MW.

The objective of reducing the average unit cost of production was achieved. For an expected unit cost of 56.2 F/kWh, SENELEC produced electricity at 48.0 F/kWh in 2020 compared to 63.5 F/kWh in 2019, i.e., a 24.4% decrease. This performance can be explained in part by a favorable situation resulting from the drop in oil prices, but also by a significant improvement in the situation of the generating fleet.

<sup>33</sup> Sources: MEFP (2018) and BOS (2018).

<sup>34</sup> With 19% renewable energy.

Several other reforms such as the "Accelerated Land Release" and the "Adjustment of Attractiveness Rankings" have been initiated and have contributed to the very good economic performance even if important challenges remain.

### Economic and Social Resilience Program (PRES)

To contain the effects of the pandemic, the Government has put in place an economic and social resilience plan (PRES) with a response and solidarity fund (Force COVID-19) of 1,000 billion CFAF, representing 7% of national GDP.

As a reminder, the Economic and Social Resilience Program is based on 4 pillars: (1) strengthening the health system; (2) strengthening the social resilience of the population; (3) macroeconomic and financial stability to support the private sector and jobs; and

(4) regular supply of hydrocarbons, medical products, pharmaceuticals, and essential foodstuffs.

As of 31 March 2021, an amount of 740.090 billion CFAF had been spent, i.e., an execution rate of 74%. To this should be added tax and customs measures amounting to 371.6 billion CFAF and a treasury operation, in guarantee funds, for 70 billion CFAF.

According to the results of the 2021 Joint Annual Review, the implementation of the ESRP has certainly contributed to avoiding economic recession in Senegal, with a growth rate of 1.5% in 2020. It has also helped to contain the incidence of poverty. Indeed, estimates have shown that without the implementation of the ESRP 2020, the incidence of monetary poverty would worsen by almost 2.1 percentage points, i.e., an increase of 358 000 poor individuals.

**Table 23.** Amounts budgeted, committed, and paid<sup>35</sup>

PRES axis	Initial amount	Committed amount	Paid amount	Execution rate
<b>Pilar 1</b>	77.8	112.3	105.2	135.2%
<b>Pilar 2</b>	103.0	98.0	97.2	94.4%
<b>Pilar 3<sup>36</sup></b>	741.6	367.4	425.0	57.3%
<b>Pilar 4</b>	77.6	112.7	112.7	145.3%
<b>Total</b>	1 000.0	690.4	740.1	74.0%

Source : DGPPE, RAC 2021

## 3.2 Future Achievements

This section presents some of the future achievements of the PAP 2A and the expected impacts.

### 3.2.1 The reform of the Investment Code

The Senegalese authorities have launched the reform of the Investment<sup>37</sup> Code, which has been in force for nearly twenty (20) years. This reform is part of the flagship actions of the Adjusted and Accelerated Priority Action Plan (PAP2A) which constitutes the program for the revival of the Senegalese economy to achieve the objectives of the Emerging Senegal Plan by 2023.

The reform of the investment code is one of the reform projects to be finalized during the period 2021-2022. The objective is to provide Senegal with a new investment code with simplified formalities for the benefit of investors to increase the level and impact of private investment.

One of the concrete actions to be implemented as part of this reform will consist of supporting the investor by simplifying administrative formalities for tax and customs exemptions through the project for the digital maturation of administrations provided for in the medium-term strategic revenue document (SRMT).

<sup>35</sup> As of 31 March 2021.

<sup>36</sup> Of which 371.6 billion CFAF is non-disbursable.

<sup>37</sup> As a reminder, the current Investment Code dates back to 2004, even if changes have been made through various amendments to the general tax code and the adoption of specific measures.

### 3.2.2 The structural transformation of the economy

In the implementation of the PSE, industry occupies a central place. Indeed, the establishment of industrial clusters and special economic zones remains one of the major objectives to boost and develop industrial activity. Thus, the current situation of the integrated industrial platform of Diamniadio (P2ID) has, to date, eighteen (18) companies installed including seven (07) industrial companies and eleven (11) service companies which total 791 direct jobs created and 15 857 005 980 CFAF of investment.

For the development of manufacturing activities, particularly in secondary cities, the timetable for the implementation of the Diamniadio Industrial Park and the Diass Special Integrated Economic Zone must be continued. These two major projects will support the development and urbanization process of the Dakar-Thies-Mbour Triangle and the rise of the Blaise Diagne International Airport.

The entry into service of the Regional Express Train, on the one hand, and the Ila Toubia Motorway, on the other, will open the way to new business opportunities and public-private partnerships, including in the country's other economic centers.

Finally, the discovery of offshore gas and oil off the Senegalese coast is an opportunity to accelerate the country's economic performance. The gas reserves of Large Turtle (Saint Louis) and the oil reserves of SNE-1 (Sangomar) are estimated at 560 billion m<sup>3</sup> and 530 million barrels of oil respectively. They should contribute, in the medium and long term, to a structural transformation of the economy and an improvement in the living conditions of the population.

This discovery would make it possible, among other things, to increase energy production, reduce the cost of electricity, develop oil-related jobs, increase state revenue through royalties and taxes, and reduce energy dependence. In addition, consideration should be given to addressing environmental issues and implementing policies to develop quality local content.

### 3.2.3 Access to economic infrastructure in value chains

To win the development challenge, Senegal must rely on the latest generation of infrastructure in the fields of transport, collection, storage, conservation, and processing of local products. Moreover, to take advantage of the opportunities in the sub-region, the strengthening of these infrastructures must include a component relating to the consolidation of regional integration.

Therefore, the objective is to increase the length of paved and upgraded roads from 398.5 km in 2017 to 508 km in 2023. In addition, the logistics performance index should reach 2.60 in 2023, compared to 2.32 in 2016. This effect will be achieved through, among other things: (i) the densification of production support infrastructures; (ii) the improvement of connectivity to the corridors (logistics hub); (iii) the establishment of a structured exchange network for a more balanced development of the territory in order to promote the emergence of agropastoral, mining, tourism and fisheries economic activity centers ; (iv) opening up production areas through a network of roads and rural tracks; (v) developing an integrated multimodal transport network (road, air, rail, sea and river); (vi) strengthening infrastructure for integration into the sub-regional (in particular the Dakar-Bamako railway) and international markets in order to boost trade with its main partners.

#### 3.2.4 Universal access to electricity

The Emerging Senegal Plan (PSE) has made universal access to energy a priority to reduce inequalities between rural and urban areas. The electricity sector, which is a key factor in economic activity, must become more competitive by reducing costs and increasing access, particularly in rural areas. To this end, the Energy Compact, identified in partnership with the Millennium Challenge Corporation (MCC), will develop production and supply capacities for quality electricity. It also includes reform projects to improve the legal framework and build the capacity of the sector's players, reduce the cost of the KWh and finalize the oil code.

In terms of expected results, the proportion of the population with access to electricity is expected to rise from 61.7% in 2017 to 85.9% in 2023. In terms of the energy mix, renewable energy, which was 17.23% in 2017, will increase to 29.2% in 2023. As for gas, it will enable the implementation of the "gas-to-power" strategy. It will replace fuel oil and the creation of new production capacities running on gas from 2022-2023. The positive impacts will be the availability of a competitive and low-polluting energy as well as universal access to electricity from 2025, in line with the Head of State's Vision.

### **3.2.5 Access to secure and developed land**

The development and securing of dedicated multifunctional sites are levers for attracting foreign direct investment. With a view to strengthening land accessibility and security, the State is committed to increasing the land access and security index to 0.69 in 2023 from 0.68 in 2018 through the development of parks, estates, SEZs and agropoles.

To achieve these results, a set of actions are identified. These are:

- o The gradual transformation of current rural tenure rights into real rights, which will allow a certain level of controlled land transferability, considering the need to protect pastoral, fisheries, and forestry areas;
- o Investment in land management tools by state services;
- o Finding the right balance between local government management and central government supervision of land transactions;
- o Further rationalization of urban land registration.

### **3.2.6 Transparency in the management of public resources is strengthened**

Transparency in the management of public resources is an important anchor of a comprehensive approach to good governance, especially in the context of oil and gas development to avoid the natural resource curse. Thus, the right of access to public information,

an essential pillar of open government, helps to strengthen citizens' confidence in the action of the state and thus promote the social contract.

This will be achieved by promoting accountability, institutionalizing a culture of evaluation, developing an information system within the administration that is accessible to citizens, involving local authorities in the management of natural resources, and gender-sensitive planning and budgeting. These actions will allow the score of the 'Transparency, Accountability and Corruption in the Public Sector' indicator (CPIA) to rise from 3.5 in 2017 to 3.9 in 2023. As a result, the International Budget Partnership (IBP) index will increase from 51% in 2017 to 54.2% in 2023.

### **3.2.7 Public administration is more efficient**

A modern, effective, and efficient administration remains a fundamental variable for the success of the PES. Thus, in the second phase of the PES, the efforts already made in terms of administrative reforms must be continued and consolidated by the adoption and implementation of the Public Administration Modernization Master Plan (SDMAP) through its three strategic axes, which are (i) improving the quality of services rendered to the population; (ii) renovating the administrative organization; and (iii) improving the quality of public management.

To accompany the reforms already underway and optimize their effects, the emphasis will be placed on the territorialization of public policies, budgetary and financial reforms, the modernization of human resources management and the simplification of procedures and administrative formalities. This will enable the "quality of administration" index (CPIA) to rise from 3.5 in 2017 to 3.7 in 2023 and the 'government effectiveness' index (WGI) from -0.47 in 2016 to 0.098 in 2023.

In this sense, it is essential to continue efforts to dematerialize and simplify administrative procedures, to promote Shared Services Centers, to strengthen the performance culture, to optimize administrative structures, to establish a more equitable remuneration system based on merit and competence, and to continue the professionalization of the State's human resources management.

### 3.2.8 Socio-economic integration and employment of young people

Despite the efforts and solutions made by the various governments of Senegal to the problem of youth employment, it must be noted that the gap between the supply of and demand for jobs is still significant, due to demographic growth. The lack of appropriate vocational training and work qualifications is another challenge for the employability of these young people.

In Senegal, particular attention should be paid to a group of young people who are neither in the education system, nor in employment, nor in training. This category of young people is more likely to be socially excluded and finds fewer opportunities on the labor market.

Thus, the Government of Senegal is resolutely committed, more than in the past, to accelerating development efforts to create massive jobs and reduce unemployment, particularly among young people. Thus, the Senegalese authorities have decided to set up an ambitious Emergency Program for the Employment and Socio-Economic Integration of Young People at a total cost of around 450 billion CFAF over the period 2021-2023, i.e., 150 billion CFAF per year.

The objective of this program will be to create jobs and/or improve the conditions for job creation in the short and medium term. It is structured around the following five (5) pillars: (i) special recruitment; (ii) public projects of community interest; (iii) labour-intensive public investment projects (HIMO); (iv) measures to support private initiative and (v) structural reforms.

These reform measures will focus, in particular, on finalizing the platform for pooling support and supervision structures for young people in the form of a one-stop shop called Job Center and Entrepreneurship (P2E); adapting the curricula of vocational training centers to the craft trades and speeding up the construction of new centers planned in each department; accelerating the reforms of the Compact with Africa and PREAC III to increase the productivity of the workforce and improve the business environment in Senegal, particularly in terms of vocational training, legislation and labor administration; specialization of state instruments and pooling for greater efficiency of interventions.

## 4.1. Structural elements

### 4.1.1. Description of the Franc zone

The Franc zone is characterized by four (4) founding principles. These principles were set out in the monetary cooperation agreement between the member States of the issuing area of the Bank of Central African States (BEAC) and France dated November 23, 1972, as well as in the cooperation agreement between the member countries of the West African Monetary Union (WAMU) and France dated December 4, 1973.

The 4 main principles of the Franc zone are:

- **A guarantee from the French Treasury of unlimited convertibility of the Central Bank currency:** the currencies issued by the issuing institutions of the Franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-zones, an operating account is opened with the French Treasury by each Central Bank in the zone, from which the Central Banks have an unlimited drawing right if their foreign exchange reserves are exhausted.
- **A fixed parity with the euro of 1 euro for 655.957 CFAF:** the parity of the zone's currency with the euro is fixed and defined for each sub-zone. The currencies of the zone are convertible among themselves, at fixed parities, without limitation of amounts. The switch to the euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at equivalent parity, i.e., 655.957 CFAF = 1 euro (the parity being identical for the West and Central Africa sub-zones).
- **Free and unlimited transfer of reserves:** Transfers are, in principle, free within the Zone.
- **Centralization of reserves:** governments centralize their foreign exchange reserves in their central banks, while in return for the unlimited convertibility guaranteed by France, the central

banks of the franc zone are required to deposit a portion of their net external assets (foreign exchange reserves) with the French Treasury in an operating account opened in the name of each of them. Since the September 2005 reform, the BCEAO<sup>38</sup> has had to deposit 50% of its external assets in its operating account.

A new monetary convention was signed in December 2019 by WAEMU<sup>39</sup> member States and France to reform the CFAF. It lays the foundation for member countries to join the ECO. Three decisions were taken:

- i) The name changes of the currency from CFAF to ECO, when WAEMU countries join the new ECO zone of ECOWAS
- ii) The end of foreign exchange reserves centralization at the French Treasury, closing the operations account. The reserves will be retroceded to BCEAO, which will be able to invest them at its discretion with the Central Banks or the Bank for International Settlements (BIS) and
- iii) The withdrawal of all French representatives from the decision-making and management bodies of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).

Two key pillars of monetary stability have been retained:

- i) Maintaining the fixed exchange rate against the euro (which ensures the current parity)
- ii) The guarantee of unlimited convertibility of the currency by France.

In May 2020, the bill ratifying the end of the CFAF was adopted by the French Council of Ministers. It validates the transformation of the CFAF, which will

<sup>38</sup> Central Bank of West African States (BCEAO)

<sup>39</sup> In January 1994, WAMU became the West African Economic and Monetary Union (WAEMU).

become the ECO, by maintaining a fixed parity with the Euro as well as the end of the centralization of the foreign exchange reserves of West African States with the French Treasury.

#### 4.1.2 Description of BCEAO

Article 41 of the WAEMU Treaty designates the Central Bank of West African States (BCEAO) as an autonomous specialized institution of the Union. In complete independence, BCEAO contributes to the achievement of the objectives of the Treaty.

##### Members

The eight (8) member States of WAEMU are members of BCEAO. They are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

##### Organs

The organs of the Central Bank are the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, and the National Credit Councils, one in each WAMU Member State.

##### Operation

The Central Bank, its organs, any member of its organs or staff may not seek or receive directives or instructions from Community institutions or organs, from the governments of WAEMU Member States, from any other organization or from any other person. Community institutions and bodies and the governments of WAEMU Member States undertake to respect this principle.

The primary objective of the Central bank's monetary policy is to ensure price stability. Without prejudice to this objective, the Central Bank supports the economic policies of the West African Economic and Monetary Union (WAEMU), with a view to achieving sound and sustainable growth.

##### Roles

The Central Bank has the following fundamental tasks:

- i) Define and implement monetary policy within WAEMU
- ii) Ensure the stability of WAEMU banking and financial system
- iii) Promote the proper functioning and ensure the supervision and security of payment systems in WAMU
- iv) Implement the WAEMU exchange rate policy under the conditions set by the Council of Ministers
- v) Manage the official foreign exchange reserves of WAEMU Member States.

The Central Bank may conduct, with due regard for monetary equilibrium, specific missions or projects that contribute to the improvement of the monetary policy environment, diversification and strengthening of the WAEMU financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. In this respect, it defines the monetary policy that allows it to maintain the currency's external coverage rate at a satisfactory level and to support the economic activity of member countries without inflationary pressure.

BCEAO provides a framework for the monetary policy of each member country by setting money supply and credit targets on an annual basis. Statutory advances to member States' national treasuries were suspended in 2001 and abolished as of 2010.

To conduct its common monetary policy, BCEAO relies on market mechanisms and indirect liquidity regulation instruments, in particular interest rate management and the reserve requirement system.

#### 4.1.3 Monetary policy

BCEAO has the exclusive privilege of issuing money for all the member States of the West African Monetary Union. It issues monetary signs, banknotes, and coins, which are legal tender with discharging effect in all the member States of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The Central Bank's management of member States monetary policy consists in adjusting the global liquidity of the economy according to economic trends, to ensure price stability, on the one hand, and to promote economic growth, on the other hand.

The current money and credit management system relies on market mechanisms and indirect liquidity regulation instruments, notably interest rates and the reserve requirement system.

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (weekly and monthly, respectively, for banks subject to reserve requirements) allotted at variable rates; the minimum bid rate considered by BCEAO as its key rate (currently 2.25%). Planned auctions are generally calibrated according to BCEAO's forecast of liquidity needs over the maturity of operations.
- Standing loan windows: refinancing from 1 to 7 days or 90 to 360 days against government securities and credit requests with maturities

ranging from 5 to 20 years, at the request of banks (marginal lending window). Rates at these windows are 200 basis points above the policy rate. As of June 2017, the use of the lending window was capped at two times the counterparty's equity.

The minimum bidding rate for open market operations (tenders) and the interest rate applicable to the marginal lending window (repo rate), whose levels are set by the Monetary Policy Committee, are 2,25% and 4,25% respectively, and constitute BCEAO's two main key rates.

### Money supply in Senegal

In 2021, foreign assets increased by 7.72% compared to 2020 to stand at CFAF 2022.5 billion against 1880.3 billion CFAF a year earlier. This improvement is attributable to a 51.2% increase in the central bank's foreign assets. Domestic assets stood at 4692 billion at the end of 2021, up by 3.2% compared to the previous year. This increase is linked to a rise in credits to the State from 822 billion CFAF in 2020 to 1074 billion CFAF in 2021.

**Table 24. Composition of Senegal's Money Supply**

Indicators (In Billions CFAF)	2016	2017	2018	2019	2020	2021
<b>Foreign assets</b>	1 171.1	1 296.6	1 823.8	1 972.8	1 880.3	2 022.5
<b>Central Bank</b>	738.0	789.0	1 171.1	1 471.3	1 169.4	1 348.0
<b>Credit institutions</b>	433.0	507.6	652.7	501.5	710.9	674.5
<b>Domestic assets</b>	3 271	3 549	3 769	4 025	4 547	4 692
<b>To the credit of the State</b>	434	402	471	651	822	1 074
<b>Central Bank</b>	28	-6	-174	-151	-23	165
<b>Credit institutions</b>	406	408	644	802	845	909
<b>To the credit of the economy</b>	3 666	4 209	4 275	4 504	4 880	4 728
<b>Other</b>	-236	-385	-260	-362	-325	-290
<b>Money supply (M2)</b>	4 214	4 603	5 255	5 731	6 107	6 662
<b>Currency in circulation</b>	924	1032	1190	1414	1507	1 679
<b>Total Deposits</b>	3 289	3 571	4 065	4 317	4 601	4 983

(Percentage change in the monetary base at the beginning of the period)						
<b>Net foreign assets</b>	1.2	3.5	11.1	4.6	-2	6.4
<b>Net domestic assets</b>	13.6	6.6	4.8	4.9	9.1	6.4
<b>Credit to the State</b>	6.3	-0.8	1.5	3.4	3	1.4
<b>Credit to the economy</b>	8.9	12.9	1.4	4.4	6.6	1.7
<b>Money supply (M2)</b>	13.8	9.2	14.2	9.1	6.6	8

Source : BCEAO

## 4.2 Banking system and financial markets

### 4.2.1 The banking environment

The Senegalese banking system consisted of 27 banks and 4 bank-like financial institutions. It remained resilient during the pandemic. The capitalization of the banking system remained strong, and the average capital adequacy ratio stood at 12.1% at the end of June 2021. Support measures taken by the regional central bank (BCEAO), including the provision of liquidity to banks, a 50-basis point reduction in the policy rate, an extension of the refinancing guarantee scheme and a moratorium on

bank loan repayments (which ended in December 2020), helped the financial system to withstand the shock of COVID-19.

The ratio of gross non-performing loans to total loans has been reduced from 13.3% in December 2020 to 12.9% at end-June 2021 and non-performing loans are well provisioned, with net non-performing loans accounting for 4.4% of total loans. Loans to the economy increased by 8.1% y-o-y at end-June 2021 and by 3.7% in the first half of 2021 due to an increase in medium-term loans to public entities and energy companies.

**Table 25. Aggregate balance sheet of commercial banks in Senegal**

(In billions of CFAF)	2015	2016	2017	2018	2019	2020
<b>Treasury and interbank operations</b>	907	969	809,4	937,6	938	995,4
<b>Operations with customers</b>	2 964,50	3 322,90	3980	4500	4 854	5247,3
<b>Securities and other transactions</b>	1 195,20	1 586,90	1676,1	1650	1 766	2204,7
<b>Fixed assets</b>	322,2	409	274,8	278,5	307	337,8
<b>Shareholders or associates</b>	5,5	0,9	0	0	0	0
<b>TOTAL ASSETS</b>	5 394,50	6 288,70	6740,4	7367,6	7 865	8785,4
<b>Treasury operations</b>	942,7	1 329,70	1323,8	1387,7	1 212	1520,5
<b>Operations with customers</b>	3 675,80	4 139,20	4463,1	4915,3	5 463	6087,5
<b>Securities and other transactions</b>	194,4	199,9	304,9	332	404	390,6
<b>Shareholders' equity and similar</b>	581,6	620	648,5	732,5	785	786,5
<b>TOTAL LIABILITIES</b>	5 394,50	6 288,70	6740,4	7367,6	7 865	8785,4

Source : BCEAO

The average lending rate was 5.84% in 2020. Credit costs rose slightly (+3 basis points) between 2019 and 2020. This increase is attributable to the rise in interest rates for loans of more than 10 years (+142 basis points) and for loans with a duration of between 6 and 12 months (+27 basis points).

The average lending rate was 4.65% in 2020 compared to 5.39% in 2019, a decrease of 74 basis points. In terms of maturity, lending rates with maturities between 1 and 6 months and those with maturities between 1 and 2 years increased between 2019 and 2020.

**Table 26. Lending and deposit rates (short, medium, and long term in %)**

Lending rate	2015	2016	2017	2018	2019	2020
<b>less than or equal to 1 month</b>	3.9	3.8	4	4.61	4.73	4.58
<b>more than 1 month and less than or equal to 3 months</b>	5.6	4.8	5.5	5.46	5.44	5.37
<b>more than 3 months and less than or equal to 6 months</b>	8.6	7.7	6.8	6.98	8.33	7.36
<b>more than 6 months and less than or equal to 1 year</b>	6.9	8.5	8.3	8.18	7.26	7.53
<b>more than 1 year and less than or equal to 2 years</b>	7.5	6.6	7.9	6.7	7.98	7.89
<b>more than 2 years and less than or equal to 5 years</b>	8.1	8.3	8	7.48	7.4	7.17
<b>more than 5 years and less than or equal to 10 years</b>	8.8	8.5	7.7	8.34	7.76	7.47
<b>More than 10 years</b>	4.7	4.8	5.8	5.24	4.43	5.85
<b>Total</b>	5.9	5.7	6	5.89	5.81	5.84
<b>Lending rate</b>						
<b>less than or equal to 1 month</b>	5.3	5.2	4.9	5.15	4.45	2.94
<b>more than 1 month and less than or equal to 3 months</b>	5.7	5.4	5.1	5.6	5.58	5.89
<b>more than 3 months and less than or equal to 6 months</b>	5.7	5.7	5.3	5.76	5.83	5.85
<b>more than 6 months and less than or equal to 1 year</b>	5.3	4.9	5.2	5.26	5.23	4.92
<b>more than 1 year and less than or equal to 2 years</b>	5.3	4.9	4.4	4.74	5.21	5.34
<b>Not determined</b>	5	5.9	4	5.75	5.22	5.67
<b>Total</b>	5.6	5.4	5.1	5.46	5.39	4.65

Source : BCEAO

## Microfinance

According to the BCEAO report, as of 31 December 2021, Senegal has 122 decentralized financial systems (SFD).

In Senegal, the number of members or clients rose from 3,136,000 on 31 December 2020 to 3,743,584 on 31 December 2021, an increase of 19.37%. The outstanding deposits of microfinance institutions increased from 365.3 billion CFAF on 31 December

2020 to 452.4 billion CFAF on 31 December 2021, i.e., an increase of 23.84%.

Outstanding loans held by the SFDs amounted to 433.1 billion CFAF as of 31 December 2020, compared with 516.5 billion CFAF as at 31 December 2021.

At the end of 2021, the microfinance sector showed a certain dynamism despite the effects of the COVID-19 pandemic. Indeed, the indicators of the

DFSs have shown positive developments over the period, even if the outstanding debts and operating expenses remain high and the level of liquidity low.

The delinquency rate falls to 9% at the end of December 2021 from 10% three months earlier. This improvement in the quality of the portfolio is

attributed, on the one hand, to the decline in the rate of overdue loans noted among men (0.6 percentage points) and legal entities (2 percentage points), and, on the other hand, to the restructuring of deferrals and the readjustment of collection policies. Equity capital amounted to 171 billion CFAF, an increase of 7%.

**Table 27.**

**Key figures of the microfinance sector in Senegal, as of December 31, 2021**

<b>Total number of SFDs</b>	<b>122</b>
<b>Number of deposits</b>	452.4 billion CFAF
<b>Outstanding loans</b>	516.5 billion CFAF
<b>Rate of credit in distress</b>	6.1 %
<b>Borrowings</b>	84 billion CFAF
<b>Equity</b>	171 billion CFAF

*Source : Ministry of Finance and Budget*

#### 4.2.2 Financial markets

WAEMU financial market is structured around the debt securities market (public and private bonds) and the equity market. The regional public securities market has two (2) components: the auction market and the syndication market.

The market for public securities by auction is organized and regulated by BCEAO through the UMOA-Titres (WAMU Securities Agency), while public securities by syndication, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF) and organized by the Regional Securities Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR).

##### **BRVM: Presentation and roles**

Regional Stocks Exchange (BRVM) is a specialized financial institution created on December 18, 1996, pursuant to a decision of the Council of Ministers of the West African Economic and Monetary Union (WAEMU) taken in December 1993.

BRVM is a public limited company with a community public service mission. This stock exchange is common to the 8 countries of West Africa.

BRVM/DC/BR started its activities on September 16, 1998 in Abidjan. Its main missions are the following:

- The organization of the stock market.
- Publication of stock market transactions.
- Dissemination of information on the stock market.
- Promotion and market development.

The dynamic recovery of activities within the region during the year 2021 brought a new lease of life to the sub-regional stock market, putting an end to several years of underperformance. To this end, during the 2021 trading year, the BRVM composite index rose from 145.4 points on 31/12/2020 to 202.3 points on 31/12/2021. The market capitalization of the equity market increased from CFAF 4,368 billion at the end of 2020 to CFAF 6,085 billion at the end of 2021, i.e., an increase of 39%.

As regards the market capitalization of bonds, it stood at CFAF 7 247 billion as of 31 December 2021 against CFAF 6 051 billion the previous year, an increase of 20%. This increase is the result of the continuity of the efforts of the States in the support of their respective economies in a context strongly marked previously by the consequences at the world level of the pandemic of COVID-19.

Over the period 2015-2020, the underperformance of the WAEMU stock market (BRVM) showed that the regional market had not fully resisted the general downward movement that gripped the world's financial markets. The decline in 2018 of the BRVM was particularly marked. The preferred stocks in 2015, which were oriented towards the agri-food and beverage, agro-industry, consumer, automotive and equipment sectors, and banks, fell.

The fall in prices on the BRVM could be explained on the one hand by the profit-taking of several large investors who had made significant capital gains on their investment. It also comes from the readjustment (rectification) after four (4) years of intensive rise that the market has experienced (2012 to 2015)

and on the other hand, the misunderstanding of the various splits made on the market. New investors are speculating, and most listed companies have not reacted to the fall in their capitalization.

The year 2020 negatively impacted the BRVM, as it did all financial markets, following the outbreak of the coronavirus. The regional market recorded its largest quarterly decline (-15.79% in the first quarter of 2020) in the last 10 years. However, investors showed continued confidence in the potential of the BRVM, which posted one of the best balances since 2016, despite the pandemic and the presidential election in Côte d'Ivoire. More than 35% of listed companies ended the year in the green.

**Table 28. BRVM financial market trends**

	2015	2016	2017	2018	2019	2020	2021
<b>BRVM 10 Indexes</b>	290	262	220	154	149	131	154
<b>BRVM composite Indexes</b>	304	292	243	172	159	145	202
<b>Composite market capitalization (stocks and bonds) in billions of CFA francs</b>	9 079	10 216	9 806	8 274	8 973	10 419	13 332
<b>Equity Market</b>	7 500	7 706	6 836	4 845	4 741	4 368	6 085
<b>Bond market</b>	1 579	2 509	2 970	3 430	4 233	6 051	7 247
<b>Number of listed companies</b>	39	43	45	45	46	46	46

Source : BRVM

### Market capitalization

Senegalese companies and public institutions have not used the bond market since 2018. The State of Senegal has abandoned the bond market by syndication since 2017. Issues by auction through UMOA-Titres and the BCEAO have advantages:

they are eligible for the BCEAO portfolio, they are considered in the base of banking uses and have a favorable prudential treatment. On the other hand, for issues by public offering through the CREPMF, issuance and transaction costs are often high (as this implies using a placement syndicate composed of management and intermediation companies).

Table 29.

## Bond issues by auction and syndication

	2016	2018	2019	2020	2021
<b>Sovereign/Corporate (Syndication)</b>	Sukuk 6 % 2016 - 2026				OAT 5,6 % 2021-2024 15,000 million
					OAT 5,7 % 2021-2026 18,662 million
					OAT 5,8 % 2021-2028 48,543 million
	Microcredit Senegal 6,80 % 2016 - 2026 % 3800 million CFAF	SENELEC 6,5 % 2018-2025 38,250 million CFAF CBAO 7,5 % 2018-2025 10,000 million CFAF	Housing Bank of Senegal (BHS) 6.25% 2019-2024 20,000 million CFAF		
<b>Sovereign (Adjudication)</b>	5.5% Treasury Bonds 2016-2019 33,000 million CFAF		6 % 2019 -2024 20,600 million CFAF	OAT 2020-2023 5,85 % 2020-2025 6% 75,000 million CFAF	OAT 5,6 % 2021-2024 28,284 million
	Bonds of the 6.25% 2016-2023 39,600 million CFAF		OAT 6,15 % 2019-2026 34,400 million CFAF	OAT 5,85 % 2020-2023 6 % 2020-2025 6,15 % 2020-2027 50,000 million	OAT 5,7 % 2021-2026 18,803 million
	5.9% Treasury Bonds 2016-2023 16,500 million CFAF		OAT 6 % 2019-2022 35,450 million CFAF	OAT 6 % 2020-2025 6,15 % 2020-2027 50,000 million	OAT 5,8 % 2021-2028 35,413 million
	(Sukuk) 6 % 2016-2026 156,000 million CFAF		OAT 6,15 % 2019-2026 19,550 millions CFAF	OAT 5,85 % 2020-2023 6 % 2020-2025 50,000 million	OAT 5,6 % 2021-2024 36,750 million

<b>Souverain (Adjudication)</b> (Suite)		OAT 6 % 2019-2024 19,290 million CFAF	SONATEL 6,50 % 2020-2027 100,000 million	OAT 5,7 % 2021-2026 43,050 million
		OAT 6,15 % 2019-2026 35,710 millions CFAF		
		OAT 5,85 % 2019-2022 128,900 million CFAF		
		OAT 6 % 2019-2024 21,200 million CFAF		
		OAT 6,15 % 2019-2026 49,800 million CFAF		

Source : BCEAO, CREPMF

## Stock market

Since its creation in 1998, the BRVM has only welcomed three Senegalese companies: the Bank of Africa (BOA) Senegal, the Total Senegal group and

SONATEL. The listing of major players, such as Total Senegal and BOA Senegal, has helped to boost the WAEMU financial market and to build its reputation and credibility.

Table 30.

### Evolution of listed companies' market capitalization

Market capitalization (in billions of CFAF)	2016	2017	2018	2019	2020	2021
<b>BOA Senegal</b>	112.8	60	48.4	37.02	30	28.2
<b>SONATEL Senegal</b>	2 500.00	2 350.00	1 600.00	1695	1 350	1397
<b>Total Senegal</b>	69.6	61.9	47.2	55.4	58.6	64.3

Source : BRVM

SONATEL, one of the three Senegalese companies listed on the stock exchange, is the largest and most traded stock on the BRVM. Considered to be the engine of the market, it saw its market capitalization rise from 1,600 billion CFAF in 2018 to 1,699.5 billion CFAF in 2019.

The three Senegalese companies (Sonatel, BOAS, Total Senegal), carried out a split to improve their

shares' liquidity. On 23 November 2012, the date of the split, each old Sonatel share of 140,000 CFAF was replaced by 10 new shares of 14,000 CFAF.

In 2017, BOA Senegal carried out a capital increase and a stock split (ten new shares for one old share). On 2<sup>nd</sup> November 2017, Total Senegal also carried out a stock split with the same split ratio as Sonatel and BOAS.

As the table above shows, Total Senegal and Sonatel increased slightly from 2020 to 2021 by 9.7% and 3.4% respectively, while BOA Senegal decreased by 6%.

### 4.2.3 Debt underwriting mechanisms

Any investor based inside or outside WAEMU can invest in public securities issued by way of auction or syndication. Orders are placed through authorized market participants: investment syndicate or any brokerage firms operating within the Union as part of issues by syndication, and credit institutions established in the Union or brokerage firms having an account in the books of the Central Bank as regards issues by auction. Transactions on the BRVM's stock market are made by stock exchange intermediaries, notably brokerage firms.

#### Organization of auction markets

The auction market is a segment of the public securities market, in which WAEMU member State's issue Treasury bills and bonds through an auction procedure to finance their budgets.

Unlike the syndication market, the auction market is driven by the following players:

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it issues the applicable provisions, intervenes in the organization of auctions of public securities, ensures the function of Central Depository / Settlement Bank, the clearing, settlement, and delivery of transactions among participants with an account in its books, through its electronic platform SAGETIL-UMOA<sup>40</sup>;
- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance.
- UMOA-Titres the regional agency in charge of issuing and managing public debt securities,

physically organizes issues and aids member States in mobilizing resources on the capital markets and managing their debt.

- Investors, which are credit institutions, MFIs (Micro Financing Institution), and regional financial organizations with a settlement account in the books of the Central Bank<sup>41</sup>;
- Primary dealers (SVTs), which are credit institutions and SGLs that have obtained the approval of the Ministers of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Member States Treasuries in operations on public debt securities issued on the regional market<sup>42</sup>.

Securities issued at auction are traded on the secondary market, following an over-the-counter procedure.

#### Organization of the syndication markets and subscription amounts

The WAEMU regional financial market is characterized by a mixed organization. Indeed, it is composed of a public pole made up of the Regional Council for Public Savings and Financial Markets (CREPMF) and a private pole comprising, on the one hand, central agencies such as the Regional Stocks Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR), and, on the other hand, the market participants.

CREPMF is the regulator of the WAEMU regional financial market. Its missions are, among others, to:

- Ensure the authorization and control of public offering procedures.
- Empower market management agencies and accrediting market participants.
- Approve commercial stakeholder rates.
- Regulate market operation.
- Monitor the regularity of stock market transactions.

<sup>40</sup> Automated Securities and Liquidity Management System of the West African Monetary Union.

<sup>41</sup> All other investors wishing to participate will have to go through the approved stakeholders.

<sup>42</sup> The operationalization of primary dealers within WAEMU started on March 1, 2016.

BRVM is organized in a central site based in Abidjan (Côte d'Ivoire) and represented in each member State by a National Stock Exchange (ANB). The main attributions of the BRVM are:

- Authorization of stock market participants to carry out their activities.
- Management of the market, in particular the centralization of buy or sell orders, listing management, dissemination of market information, as well as the promotion and popularization of the financial culture within WAEMU.
- Management of unsettled transactions.

The Central Depository/Settlement Bank (DC/BR) is a financial institution, whose role is:

- To proceed with the clearance of the applicants for the function of account holder.
- To ensure the settlement of negotiations and the management of the financial service of the securities.
- To ensure the maintenance of current accounts of securities opened by primary dealers (SGI) in its books.
- To ensure the safekeeping and the scriptural circulation of securities.

- To make cash payments, as settlement bank, of the balances of stock exchange transactions.

As part of organizing issues by syndication, States entrust the securities placement process to a placement syndicate, whose members are made up of primary dealers approved by the CREPMF. In addition, the issuer chooses a lead manager from among the members of the syndicate, who oversees specific missions in the issue process.

Since its inception, the main products on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitization (Sukuk debt securitization funds) have been introduced. Securities issued through syndication are traded on the secondary market on the BRVM's electronic trading platform.

### 4.3 Inflation rate

The following table shows the annual inflation rate in Senegal and the WAEMU.

**Table 31. Inflation rates in Senegal and the WAEMU (%)**

Inflation	2016	2017	2018	2019	2020	2021	2022 (Forecast)
<b>Senegal</b>	0.8	2.2	0.5	1.0	2.5	2.2	6.0
<b>WAEMU</b>	0.3	1.1	1.2	-0.7	2.1	3.6	6.2

Source : BCEAO

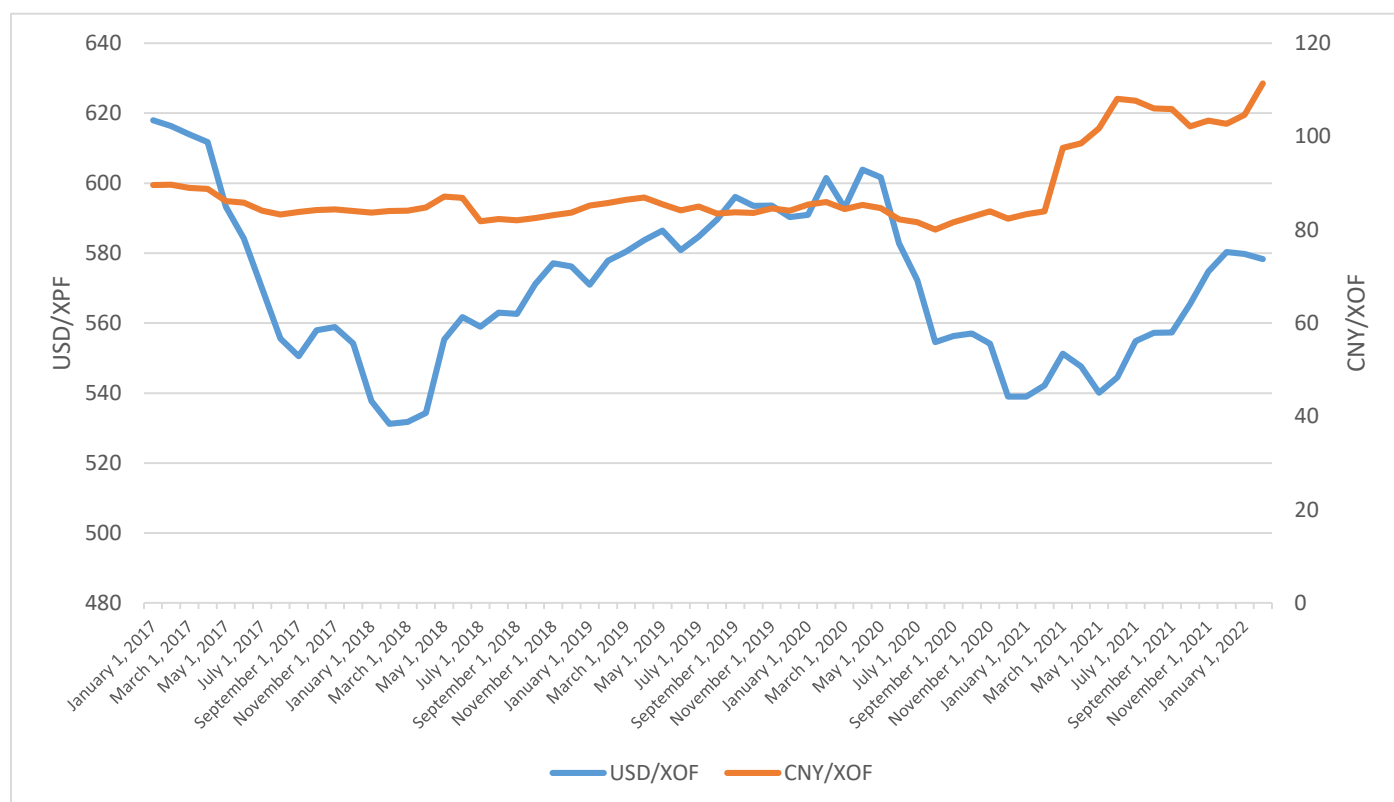
The inflation rate accelerated at the end of 2020, reaching 2.5% compared to 1.0% in 2019, according to the note on the annual evolution of the harmonized consumer price index (HICP). This evolution is mainly driven by the increase in the price of transport services, food products, services and restaurants and hotels as well as goods and services.

In Senegal, the evolution of prices was controlled during the year 2021 with inflation established at 2.2% against 2.5% the previous year.

### 4.4 Exchange rates

Due to its membership in the UEMOA monetary zone, Senegal applies an unrestricted exchange rate regime to all payments and transfers related to international transactions.

**Figure 3 : Evolution of the exchange rates of the US dollar and the Chinese Yuan against the CFAF**



Source : BCEAO

The exchange rate between the dollar and the CFAF fell between 2017 and 2022, from 1 dollar for 619 CFAF in 2016 to 1 dollar for 580 CFAF in 2022. As for the exchange rate between the Chinese Yuan and the CFAF, it rose from 1 CNY for 90 CFAF in 2017 to 1 CNY for 114 CFAF in 2022.

#### 4.5 Foreign Reserves

The foreign exchange reserves are centralized within the BCEAO and managed according to a principle of solidarity among WAEMU Member States, under the conditions set out in the operating account agreement. There is no distribution among member States.

Common reserves increased in 2020. International reserves, which stood at USD 17.7 billion at the end of 2019, reached USD 21.7 billion at the end of 2020, equivalent to 5.8 months of imports in 2021 or 77.3% of the BCEAO's demand commitments. This increase in reserves is partly explained by

the Eurobond issues by Côte d'Ivoire, Benin, and the West African Development Bank (BOAD). The SDR allocation approved in August 2021 (of about US\$2.3 billion, equivalent to about 0.6 months of 2022 imports) strengthens external reserves in 2021, as do Senegal's Eurobonds. In the medium term, coverage should contract to about 4 months of portfolio investment. The gradual return of WAEMU members' budget deficits to the regional target of 3% should support the reserve position.

Senegal's reserve assets stood at SDR 154.8 million and remained constant over the period 2015-2020. Senegal's quota increased by 100% between 2015 and 2016 but remained constant in 2017 and 2020 (SDR 323.6 million). The reserve position is the "reserve tranche" that corresponds to the amount of foreign exchange a member country can obtain from the IMF at short notice. Senegal's reserve position increased from SDR 1.9 million in 2015 to SDR 42.7 million in 2020 but remained constant in 2017 and 2019.

Table 32.

## Senegal's external reserves

(Billions of CFAF)	2015	2016	2017	2018	2019	2020
<b>Fiduciary circulation</b>	806.8	920.1	1147.6	1187	1299.3	1677.9
<b>SDR allocation (in millions of SDR)</b>						
<b>Allocations</b>	154.8	154.8	154.8	154.8	154.8	154.8
<b>Availability</b>	107.7	41.6	16.9	3.7	7.9	319.1
<b>IMF</b>						
<b>Share</b>	161.8	323.6	323.6	323.6	323.6	323.6
<b>Reserve position</b>	1.9	42.3	42.3	42.3	42.3	42.7

Source : IMF

## 5.1 Balance of payments

The current account balance is structurally in deficit over the period 2016-2020. For the year 2020, the current account deteriorated by 564.1 billion CFAF compared to 2019, reaching -1 676.2 billion CFAF, due to the direct negative effects of Covid-19, in particular the closure of land and air borders.

The trends in the current balance are essentially attributable to those of the goods and services balance. Indeed, for the year 2020, the deficit of the goods and services account deteriorated by -817.3 billion CFAF, of which -766.9 billion CFAF for the services account alone.

The primary and secondary income balances improved by 42.9 billion CFAF and 210.2 billion CFAF respectively compared to 2019, despite the context of the Covid-19 in the host countries. However, these improvements remained insufficient to offset the deterioration in the balance of services and, ultimately, the current account balance.

According to BCEAO<sup>43</sup> projections, the current account deficit should continue to deteriorate over the 2021-2022 sub-period, rising from -1 978.9 billion CFAF in 2021 to -2 353.6 billion CFAF in 2022.

For its part, the balance of the capital account, which is structurally in surplus, deteriorated in 2020, falling from 216.6 billion CFAF in 2019 to 138.9 billion CFAF in 2020, i.e., a drop of 77.7 billion CFAF compared to the previous year, in connection with an equivalent drop in transfers to the public administrations.

The financing requirement stood at -1 537.3 billion CFAF in 2020, after -895.5 billion CFAF a year earlier.

This need would be partially financed by the surplus on the financial account of 1 439.6 billion CFAF (including 1 005.2 billion CFAF in foreign direct investment). In the end, the overall balance would show a deficit of -91.5 billion CFAF in 2020.

<sup>43</sup> BCEAO (2021), « Balance of payments and international investment position of Senegal - 2020 », January 2022.

Table 33.

## Senegal's balance of payments

In billions of CFAF	2016 Real.	2017 Real.	2018 Real.	2019 Real.	2020 Real.	2021 Estimate	2022 Forecast.
<b>Current account</b>	-472.5	-887.2	-1 230.4	-1 112.1	-1 676.2	-1 978.9	-2 353.6
<b>Balance in goods and services</b>	-1 237.5	-1 688.4	-2 040.1	-1 953.6	-2 770.9	-2 970.4	-3 485.5
<b>Balance of Goods</b>	-1 164.7	-1 569.0	-1 886.4	-1 687.7	-1 738.1	-1 864.2	-2 234.0
Exports of goods FOB	1 703.5	1 907.8	2 147.4	2 594.4	2 410.9	2 845.4	3 489.4
Of which fishery products	286.1	236.4	316.5	330.8	321.5	362.1	433.7
Of which petroleum products	161.4	242.9	303.9	477.7	357.5	442.9	692.8
Imports of goods FOB	-2 868.2	-3 476.8	-4 033.8	-4 282.1	-4 148.9	-4 709.6	-5 723.4
Of which petroleum products	-637.4	-856.1	-1 254.4	-1 234.3	-1 040.8	-1 359.0	-1 971.3
<b>Balance of services</b>	-72.8	-119.4	-153.7	-265.9	-1 032.8	-1 106.2	-1 251.5
<b>Primary income balance</b>	-295.4	-341.0	-333.8	-383.8	-340.9	-372.2	-376.3
<b>Balance of secondary income</b>	1 060.4	1 142.2	1 143.5	1 225.3	1 435.5	1 363.7	1 508.2
<b>Capital account</b>	214.7	223.6	244.8	216.6	138.9	124.9	227.5
Of which capital transfers	217.4	225.8	247.8	219.7	142.0	125.7	228.2
<b>Balance of current and capital accounts</b>	-257.8	-663.6	-985.6	-895.5	-1 537.3	-1 854.0	-2 126.1
<b>Financial account<sup>44</sup></b>	-303.7	-775.8	-1 508.1	-1 036.9	-1 439.6	-1 996.2	-2 240.4
Of which direct investments	-147.3	-293.7	-441.6	-582.6	-1 005.2	-1 067.2	-1 517.4
<b>Statistical errors and omissions</b>	3.5	4.3	2.0	5.1	6.3	0.0	0.0
<b>Overall balance</b>	49.4	116.6	524.5	146.5	-91.5	142.2	114.3

Source : BCEAO

## 5.2 Regional trade

### 5.2.1 Regional trade policy

West African countries are engaged in numerous trade negotiations at the regional (integration process), bilateral (Interim Economic Partnership Agreement - IEPA) and multilateral (World Trade Organization - WTO and regional EPA) levels.

Good coordination between the various negotiations at the regional and international levels (CET; EPA; WTO; AGOA; etc.) is essential to achieving the trade performance objectives of WAEMU member States.

National and regional trade policies in West Africa depend on different spaces. Indeed, the regional negotiating space is articulated around the following elements:

- The finalization of the Common External Tariff (CET) at ECOWAS level, and thus the constitution of a Customs Union.
- A bilateral negotiation area, notably between the West African region and the EU, concerning the EPA.
- A multilateral negotiating area, which refers to the rules of the WTO, of which all West African

<sup>44</sup> Presented according to the BCEAO's analytical approach. It describes how the financing need (capacity) of the economy covered (used). The headings are foreign direct investment (FDI), portfolio investment, financial derivatives and other investment. With the methodology of the sixth edition, the sign convention of the financial account items has changed. The (-) signs correspond to increases in liabilities and/or decreases in claims. As for the signs (+), they reflect a reduction in commitments and/or an increase in receivables.

states are members (with the exception of Liberia, which has observer status). It should be noted that each country negotiates individually and that UEMOA and ECOWAS only have ad hoc observer status in the WTO Trade and Development Committee.

With regard specifically to WAEMU, it has a common trade policy based on:

- A common market set up on July 1<sup>st</sup>, 1996 for local and unprocessed products (Union products from the animal, mineral and plant kingdoms) and traditional crafts, and until January 1<sup>st</sup>, 2000 for approved industrial products. This common market was extended to all ECOWAS countries in 2004.
- A Customs Union set up on January 1<sup>st</sup>, 2000, based on a CET applicable to all WAEMU member countries, which includes four categories of products, taxed from 0 to 20%, in force until January 1<sup>st</sup>, 2015, when the WAEMU CET was replaced by the ECOWAS CET which enshrines the enlargement of the Customs Union to the 15 ECOWAS countries.
- Common rules of origin and competition, harmonization of VAT and excise duties, harmonization and mutual recognition of standards, common safeguard, and protection measures (degressive protection tax (DPT), short-term export tax (TCI), reference values and anti-dumping duty).

WAEMU also has a regional trade promotion program, "a regional strategy and a logical framework for the implementation of the WAEMU aid-for-trade program".

The overall objective of the aid for trade strategy is to enable member States to increase their exports of goods. The logical framework serves as the basis for an agenda for international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of aid for trade:

- Ensure ownership and control of trade policies and regulations by experts from member States and the Commission.
- To develop intra-regional and international trade of the member States.
- Strengthen trade-related infrastructure in the sub-region.
- Diversify and increase the production capacities of member States.
- Make essential adjustments and consider other business needs.

The needs and priorities were identified based on the Regional Economic Program (REP), which is the reference framework for the WAEMU integration process, as well as existing capacity building programs in the States.

#### • **The Common External Tariff**

Rules in force at the ECOWAS borders in terms of customs policy are those laid down by the ECOWAS Common External Tariff (CET). The applicable rules of origin are defined by the Trade Liberalization Scheme (TLS).

The CET aims to harmonize tariffs and taxes to deepen economic integration through the establishment of a customs union; provide a platform for building the common trade policy and regional trade negotiations such as the EPA; stimulate regional production and investment capacity; and consolidate the regional market.

The CET is organized around an architecture including:

- (i) A Tariff and Statistical Nomenclature (TSN) i.e., a common customs nomenclature based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO) adopted by the Community.
- (ii) A table of duties and taxes applicable to imported products which includes: the customs duty (CD), the statistical fee (SF) and the ECOWAS community levy (CL ECOWAS).

- (iii) Trade defense measures or supplementary protective measures, if any, which may generate duties that may affect the final price of products imported into the Community from third countries.
- (iv) The statistical royalty rate is set at 1% and applies equally to all imported products, whether exempt or not.
- (v) The tax base for the application of the common external tariff is ad valorem.

The tariff structure of the CET is presented in the following table:

Catégorie	Description	Rates
0	Essential social goods	0 %
1	Basic raw materials and capital goods	5 %
2	Intermediate products	10 %
3	Final consumer goods	20 %
4	Specific assets for economic development	35 %

The CET was established in accordance with the requirements of the World Customs Organization's Harmonized System and the World Trade Organization's Regional Trade Agreements (Article 24 of GATT).

- **Specific rules applicable to ECOWAS countries' foreign trade of goods**

Several trade regimes are in place within ECOWAS. The following table presents the existing regimes according to the trading partners.

PARTNERS	SPECIFIC SCHEMES
European Union (EU)	APEI. SPG. SPG+. TSA
ECOWAS	TEC. SLE
Rest of AFRICA	Bilateral agreements
USA	AGOA
ASIA	Bilateral Agreements
Other industrialized countries	Generalized System of Preferences (GSP)
Rest of the world	Bilateral agreements. GSP

Pending the implementation of the EPA, different tariff regimes apply depending on the status of countries in the framework of trade between ECOWAS and the EU:

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been provisionally applied since September 4, 2016. and Ghana's EPA has been applied

since December 15, 2016. These interim EPAs guarantee both countries full access to the European market and provide for eventual liberalization of 80% of tariff lines by Côte d'Ivoire and Ghana, spread over a period of 15 years<sup>45</sup>.

- Under the GSP, **Nigeria** benefits from a reduction in European customs duties on

<sup>45</sup> Over 11 years (2019-2029) currently for Côte d'Ivoire.

approximately 1/3 of tariff lines and a total exemption from customs duties on 1/3 of additional tariff lines.

- **Cape Verde** benefits from the GSP+ which grants an exemption from European customs duties on about 2/3 of the tariff lines.
- **The other twelve** countries (including the seven WAEMU countries besides of Côte d'Ivoire), because of their LDC status, benefit from the GSP on everything except arms, which gives them access to the European market for all their exports to the EU without duty or quota.

## 5.2.2 Regional trade in value

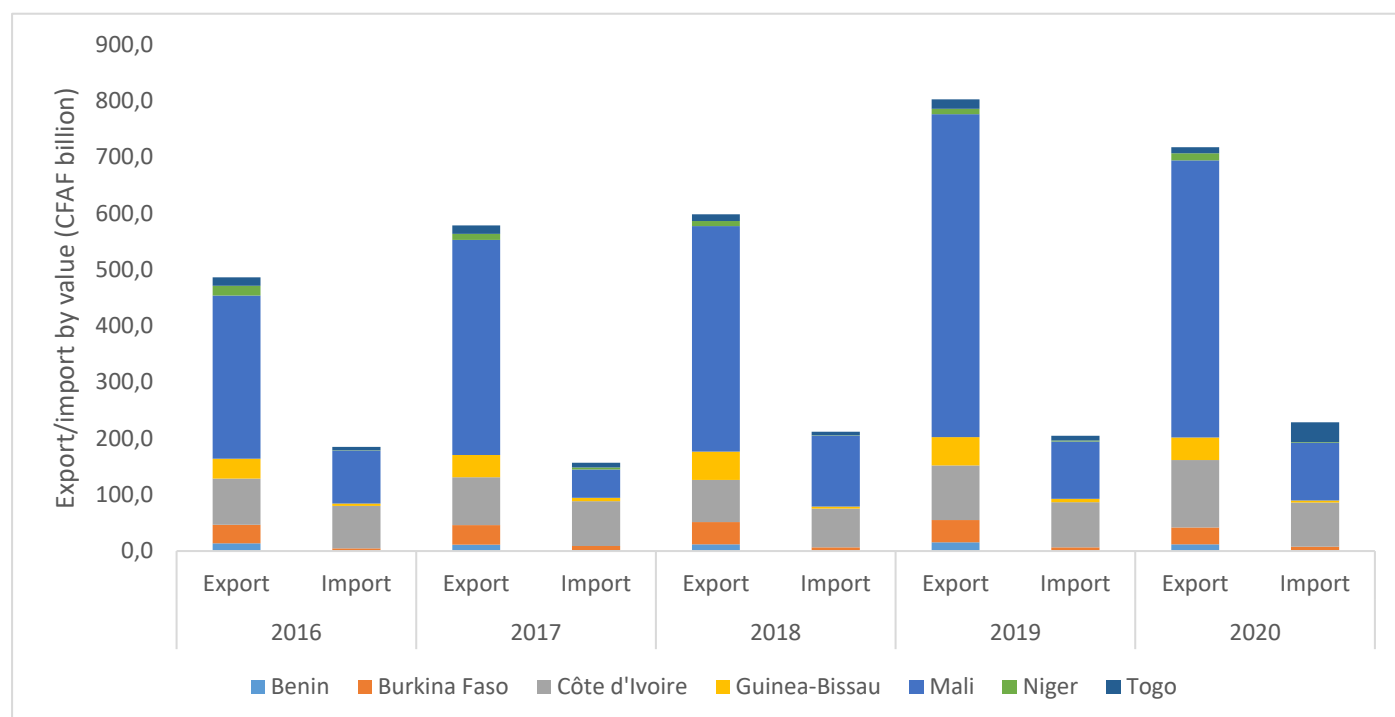
Senegal's regional trade in value terms within the WAEMU fell in 2020<sup>46</sup>, particularly for exported products, in connection with the Covid-19 pandemic. Indeed, the total value of intra-community exports fell from 802.9 billion CFAF in 2019 to 717.9 billion

CFAF in 2020, a drop of 81.2 billion CFAF. At the same time, the value of intra-community imports has increased by 24.3 billion CFAF.

In 2020, the bulk of Senegal's exports to the WAEMU went to Mali and Côte d'Ivoire. Exports to these countries amounted to 493.0 billion CFAF and 119.5 billion CFAF respectively. Exports to other countries of the Union in 2019 were 11.7 billion CFAF for Benin, 30.4 billion CFAF for Burkina Faso, 39.9 billion CFAF for Guinea Bissau, 12.2 billion CFAF for Niger and 11.1 billion CFAF for Togo.

Senegal's merchandise imports<sup>47</sup> from other WAEMU countries increased from 204.8 billion CFAF in 2019 to 229.1 billion CFAF in 2020. Senegal's main suppliers from the WAEMU in 2020 were Mali and Côte d'Ivoire, for 102.5 billion CFAF and 78.4 billion CFAF respectively. Imports from other countries of the Union are estimated at 1.1 billion CFAF for Benin, 6.6 billion CFAF for Burkina Faso, 3.4 billion CFAF for Guinea Bissau, 1.5 billion CFAF for Niger and 35.6 billion CFAF for Togo in 2020.

**Figure 4. Value of exports and imports between Senegal and the 7 other WAEMU countries**



Source : BCEAO, Sub-Regional Unit

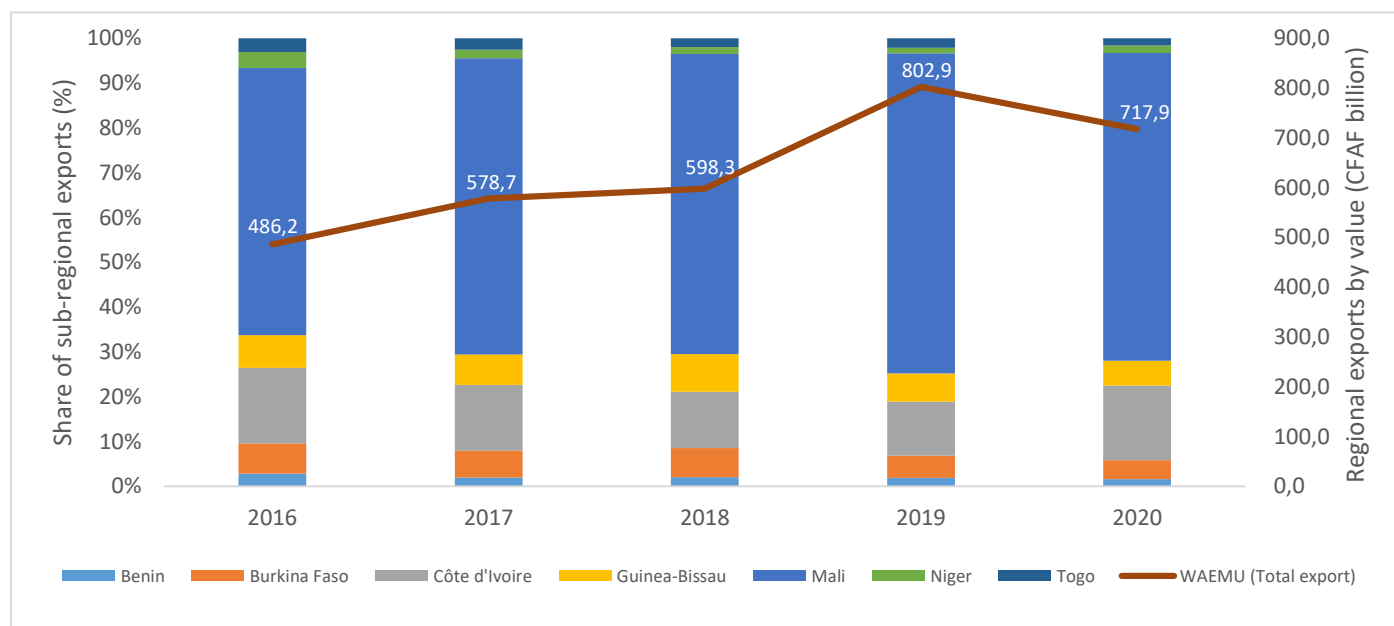
<sup>46</sup> BCEAO (April, 2022).  
<sup>47</sup> Adjusted CAF value

### 5.2.3 Regional exchanges by partner

Sub-regional trade in terms of exports to the WAEMU in 2020 is driven by Mali (68.7%<sup>48</sup>), Côte d'Ivoire

(16.6%), Guinea Bissau (5.6%) and Burkina (4.2%). The other EU countries have very low shares: Benin (1.6%), Niger (1.7%) and Togo (1.5%).

**Figure 5. Share of each WAEMU country in Senegal's exports**



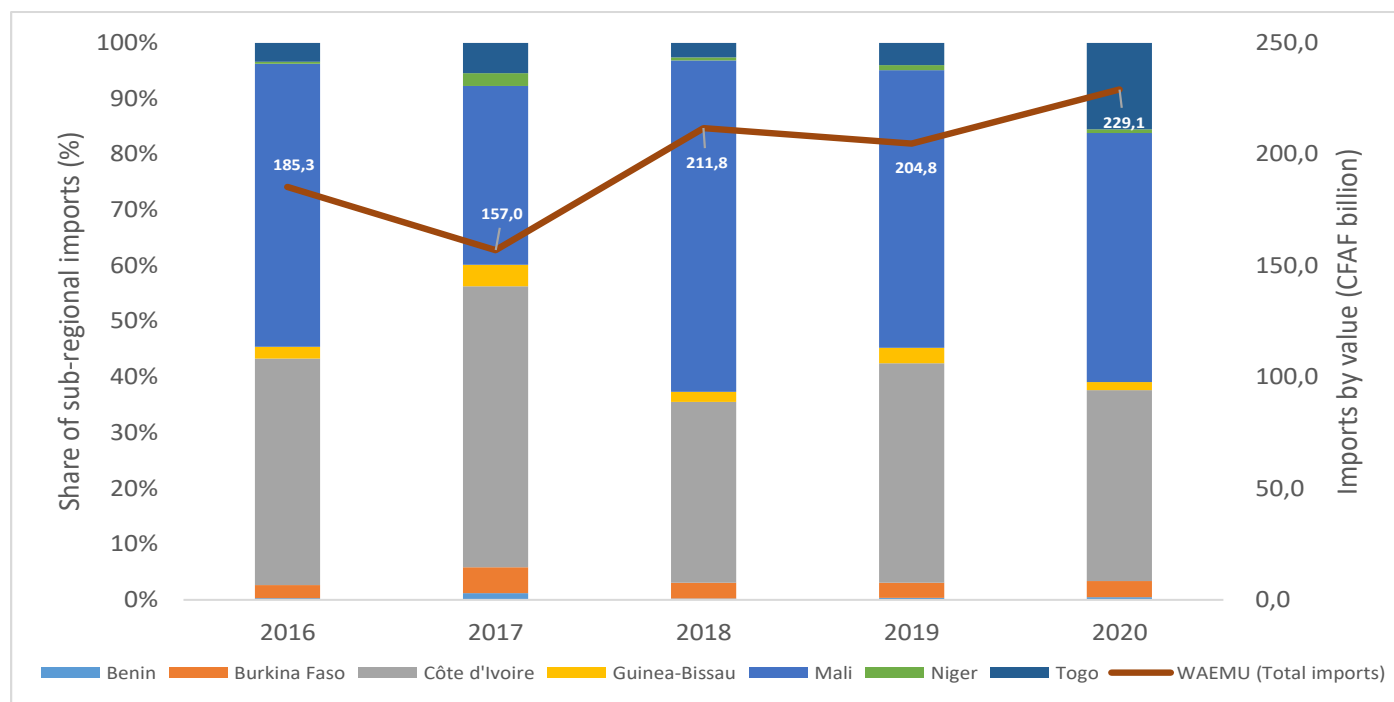
Source : BCEAO, Sub-regional Unit

In terms of merchandise imports, Senegal's main suppliers in 2020 were Mali (44.7 per cent), Côte d'Ivoire (34.2 per cent), followed by Togo (15.5 per cent), Burkina (2.9 per cent), Guinea-Bissau (1.5 per

cent), Niger (0.6 per cent) and Benin (0.5 per cent).

Ultimately, Mali and Côte d'Ivoire are Senegal's main clients and suppliers in the Union.

**Figure 6. Share of each WAEMU country in Senegal's imports**



Source : BCEAO, Sub-regional Unit

<sup>48</sup> Average share of Senegal's total exports to the WAEMU, over the 2016-2020 review period.

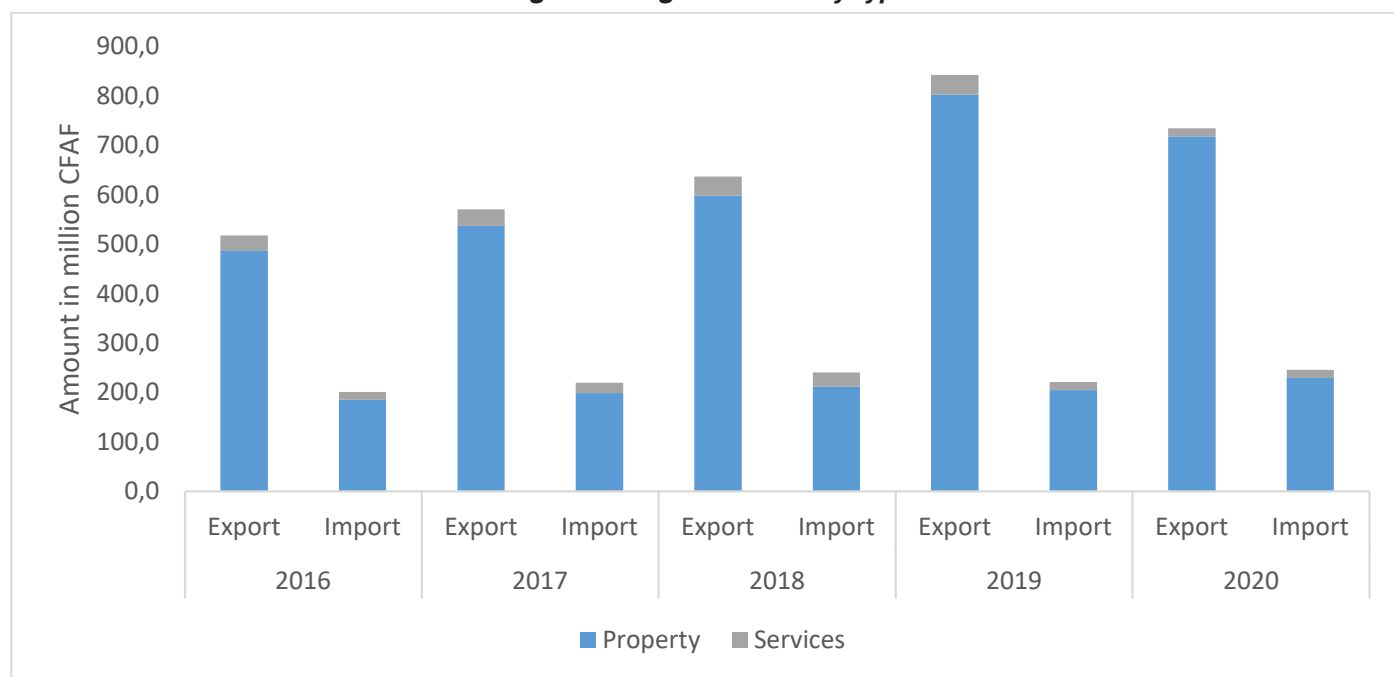
## 5.2.4 Regional trade by type

Sub-regional trade by type of product from Senegal is driven by trade in goods and a moderate contribution from services. According to the BCEAO, in 2020, exports of goods to WAEMU countries consisted mainly of petroleum products (343.9 billion CFAF),

cement and, to a lesser extent, manufactured food products.

Intra-EU tourism flows<sup>49</sup>, used to approximate Senegal's regional trade in services<sup>50</sup>, have been estimated at 17.1 billion CFAF in revenue and 16.8 billion CFAF in expenditure in 2020.

**Figure 7. Regional trade by type**



Source : BCEAO, Sub-regional Unit

## 5.3 International trade

### 5.3.1 Trade policy

Senegal has been a member of the WTO since January 1<sup>st</sup>, 1995, and a member of the GATT since September 27, 1963. Senegal is also a member of international and sub-regional organizations such as the Economic Community of West African States (UEMOA and ECOWAS), the African Union, the World Trade Organization (WTO), the World Customs Organization, the World Health Organization (WHO), the Organization of the Islamic Conference, etc.

Senegal's trade policy is determined in part by its commitments at the multilateral (WTO), regional and sub-regional (AU, ECOWAS, WAEMU) levels. It aims to "build a competitive economy that will lead to inclusive growth and create decent jobs" (WTO).

Specifically, the measures taken aim to contribute to the reduction of the trade balance deficit, the regular supply of the domestic market, the promotion of local sectors, the strengthening of the regional integration process and access to international markets, and the promotion of competition<sup>51</sup>.

Senegal also intends to take advantage of trade opportunities that exist both at the sub-regional and multilateral levels, as well as in the context of unilateral preferences granted by its trading partners. As an LDC, Senegal benefits from preferential treatment offered by the EU and the US. Other developed countries grant Senegal trade preferences in line with their national preference schemes.

The planned actions concern mechanisms to protect the national economy against unfair foreign competition, support for the development of strategic

<sup>49</sup> BCEAO and WAEMU Commission (April 2022)

<sup>50</sup> Approached by tourist flows whose data are regularly published by the BCEAO's sub-regional unit.

<sup>51</sup> MCISI (2013), Ministry of Trade, Industry and Informal Sector Strategic Policy Paper, April.

agricultural sectors, the implementation of an export promotion strategy, the development of market access conditions and the strengthening of supply capacities. Thus, as an LDC, Senegal benefits from preferential treatment offered by the EU and the US. Other developed countries grant Senegal trade preferences in line with their national preference schemes.

In the WTO negotiations, Senegal accepted the 2005 Protocol amending the TRIPS Agreement in January 2011. The country also accepted the 2014 Protocol on the Trade Facilitation Agreement in August 2016. In its WTO activities, Senegal intends to rely on its regional partners to develop a proactive sub-regional diplomacy and to advocate for fairer trade rules.

In addition, Senegal adopted a new Customs Code in 2014, repealing the 1987<sup>52</sup> Code. This reform of the legislation aims to make it more compliant with international and regional provisions, to strengthen the anti-fraud mechanism, and to reorganize the rules of customs litigation. Thus, the new code incorporates the provisions of the WTO Agreement on Customs Valuation; the International Convention on the Simplification and Harmonization of Customs Procedures (revised Kyoto Convention); the International Convention on Mutual Administrative Assistance in Customs Matters (Johannesburg Convention); and the WAEMU Customs Code.

Finally, Senegal is also engaged at the level of the African Union in the negotiations for the establishment of the Continental Free Trade Area (CFTA). On 12 March 2019, Senegal approved the ratification of the free trade agreement. The agreement provides for the elimination of customs duties on 90% of tariff lines over five (5) years for the most developed countries

and over 10 years for the least developed countries. Tariffs are to be eliminated later for 7% of tariff lines. The ZLEC has been in force since January 1<sup>st</sup>, 2021 by the countries that have ratified the agreement.

### 5.3.2 International trade by value and by destination

According to the 2020 balance of payments<sup>53</sup>, Senegal's general merchandise exports<sup>54</sup> are estimated at 1 934.5 billion CFAF in 2020, compared with 2 170.5 billion CFAF in 2019, a drop of 236.0 billion CFAF. They are mainly directed towards the African (53.1%), Asian (20.7%) and European (13.8%) continents.

The African continent, in particular ECOWAS, remains the main destination for Senegalese exports with a value of 900.2 billion CFAF (46.5%) in 2020, of which 717.8 billion CFAF (37.1%) for WAEMU countries.

The Asian continent is the second largest destination for merchandise exports, with India (172.0 billion CFAF) and China (152.1 billion CFAF) as the main clients. Sales to these two countries represented 16.8% of exports in 2020, compared with 13.7% for European Union countries.

About imports, Senegal's main suppliers remain the countries of the European Union (1 872.6 billion CFAF in 2020, or 41.5%) and Asia (24.6%), followed by Africa (14.3%) and America (7.3%). The shares of the African countries have weakened in favor of those of the European countries. Indeed, Africa's share falls from 17.0% in 2016 to 14.3% in 2020, while Europe's share increases from 45.2% to 53.3% over the same period.

<sup>52</sup> Law No. 2014-10 of 28 February 2014 on the Customs Code

<sup>53</sup> BCEAO (2021), « Balance of payments and international investment position of Senegal for the year 2020 », January 2021

<sup>54</sup> General goods do not include non-monetary gold

Table 34.

## Breakdown of trade by country

In billions of CFAF	2016		2017		2018		2019		2020	
	Value	%	Value	%	Value	%	Value	%	Value	%
<b>Exports</b>										
<b>Europe</b>	404.2	27.2%	454.0	27.4%	396.0	22.1%	329.3	15.2%	266.6	13.8%
European Union	231.2	15.6%	264.8	16.0%	302.7	16.9%	324.1	14.9%	264.4	13.7%
<b>Africa</b>	715.5	48.2%	815.6	49.2%	891.0	49.7%	1 087.8	50.1%	1 027.9	53.1%
ECOWAS	641.9	43.2%	744.5	44.9%	768.7	42.9%	960.0	44.2%	900.2	46.5%
WAEMU	486.2	32.7%	578.9	34.9%	598.2	33.3%	802.8	37.0%	717.8	37.1%
Nigeria	5.9	0.4%	12.6	0.8%	16.5	0.9%	15.0	0.7%	64.6	3.3%
Gambia	50.4	3.4%	62.8	3.8%	54.2	3.0%	45.4	2.1%	85.4	4.4%
Mauritania	45.6	3.1%	44.9	2.7%	41.9	2.3%	39.7	1.8%	40.8	2.1%
<b>America</b>	46.6	3.1%	72.6	4.4%	74.8	4.2%	84.0	3.9%	87.6	4.5%
United States	36.5	2.5%	52.9	3.2%	62.9	3.5%	77.5	3.6%	67.5	3.5%
<b>Asia</b>	306.2	20.6%	305.1	18.4%	335.8	18.7%	483.0	22.3%	400.9	20.7%
Japon	4.1	0.3%	3.2	0.2%	6.8	0.4%	9.6	0.4%	6.2	0.3%
India	122.3	8.2%	87.3	5.3%	168.3	9.4%	211.9	9.8%	172.0	8.9%
China	74.8	5.0%	77.7	4.7%	64.1	3.6%	161.9	7.5%	152.1	7.9%
Thailand	1.2	0.1%	3.3	0.2%	2.9	0.2%	0.8	0.0%	0.6	0.0%
<b>Other customers</b>	12.8	0.9%	11.8	0.7%	96.3	5.4%	186.4	8.6%	151.5	7.8%
<b>Total (FOB adjusted)</b>	1 485.3	100.0%	1 659.1	100.0%	1 793.9	100.0%	2 170.5	100.0%	1 934.5	100.0%
<b>Imports CIF</b>										
<b>Europe</b>	1 456.2	45.2%	1 827.1	46.8%	2 081.0	46.2%	2 656.2	55.6%	2 404.0	53.3%
European Union	1 239.5	38.5%	1 508.6	38.6%	1 698.0	37.7%	2 099.6	44.0%	1 872.6	41.5%
<b>Africa</b>	549.1	17.0%	654.3	16.8%	858.5	19.1%	619.8	13.0%	645.8	14.3%
ECOWAS	470.9	14.6%	555.3	14.2%	640.9	14.2%	500.7	10.5%	506.4	11.2%
WAEMU	185.2	5.7%	157.1	4.0%	211.9	4.7%	204.8	4.3%	229.1	5.1%
Nigeria	249.6	7.7%	309.4	7.9%	388.9	8.6%	245.6	5.1%	257.2	5.7%
Mauritania	5.2	0.2%	3.6	0.1%	7.0	0.2%	3.3	0.1%	8.0	0.2%
<b>America</b>	218.5	6.8%	275.0	7.0%	276.4	6.1%	283.0	5.9%	328.6	7.3%
United States	72.1	2.2%	81.4	2.1%	112.1	2.5%	93.6	2.0%	117.6	2.6%
<b>Asia</b>	949.7	29.5%	1 114.3	28.5%	1 259.9	28.0%	1 200.2	25.1%	1 110.7	24.6%
Japon	73.1	2.3%	70.2	1.8%	79.3	1.8%	82.2	1.7%	62.9	1.4%
India	245.2	7.6%	285.3	7.3%	288.8	6.4%	162.3	3.4%	192.4	4.3%
China	331.7	10.3%	380.2	9.7%	498.3	11.1%	510.4	10.7%	413.9	9.2%
Thailand	58.7	1.8%	83.4	2.1%	68.0	1.5%	68.9	1.4%	42.7	0.9%
<b>Other suppliers</b>	48.4	1.5%	35.0	0.9%	27.9	0.6%	14.8	0.3%	20.4	0.5%
<b>Total (adjusted)</b>	3 222.0	100.0%	3 905.8	100.0%	4 503.6	100.0%	4 774.0	100.0%	4 509.6	100.0%

Source : BCEAO

### 5.3.3 International trade in value and by product

Exports of goods increased between 2016 and 2020, from 1 551.3 billion CFAF to 2 261.3 billion CFAF. In 2020, Senegal's exports of goods are driven by petroleum products (357.5 billion CFAF), fishery products (277.9 billion CFAF), phosphates (151.6 billion CFAF), groundnut products (120.7 billion CFAF) and heavy minerals (116.2 billion CFAF).

The analysis of imports by product group in 2020 shows, particularly in relation to 2019, a decline in oil bills (-193.4 billion CFAF), capital goods (-182.3 billion CFAF) and intermediate goods (-24.7 billion CFAF). On the other hand, it indicates an increase in the value of food products (+85.9 billion CFAF), other consumer goods (+23.3 billion CFAF) and miscellaneous products (+11.6 billion CFAF).

**Table 35. Breakdown of trade by product groups**

In billions CFAF	2016	2017	2018	2019	2020
<b>Exports of products (FOB)</b>					
Sea salt	11.0	8.7	8.2	10.3	9.8
Heavy minerals (Zircon. Titanium etc.)	58.5	82.5	99.7	115.4	116.2
Petroleum products	161.4	242.9	303.9	477.7	357.5
Groundnut products	75.7	65.4	63.6	153.1	120.7
Phosphates	18.6	18.4	16.2	22.3	11.5
Cotton	8.6	6.5	7.0	7.0	5.8
Horticultural products	51.2	62.9	81.5	101.5	95.6
Fishing products	217.9	236.4	274.3	330.8	277.9
Cement	122.8	117.7	86.5	77.7	73.7
Phosphoric acid	115.6	96.0	157.2	195.7	151.6
Fertilizers	10.2	18.9	26.0	29.5	21.3
Manufactured products	72.2	83.6	88.8	67.9	90.2
Other export products	627.6	710.3	802.8	857.8	929.4
<b>Total (FOB unadjusted)</b>	<b>1 551.3</b>	<b>1 750.2</b>	<b>2 015.7</b>	<b>2 446.7</b>	<b>2 261.3</b>
<b>Imports (CAF)</b>					
Food products	618.4	767.7	788.1	781.3	867.2
Other consumer goods	366	410.7	440.2	458.5	481.8
Petroleum products	637.4	856.1	1 254.40	1 234.3	1040.9
Intermediate goods	644.9	777.2	932.2	964.5	939.8
Capital goods	857	974.3	961	1 184.8	1002.5
Miscellaneous products	94.7	122.7	112	150.6	162.2
<b>Total (unadjusted cash flow)</b>	<b>3 218.5</b>	<b>3 908.70</b>	<b>4 488.0</b>	<b>4 773.9</b>	<b>4 494.4</b>

Source : BCEAO

### 5.4 Foreign direct investment

Foreign direct investment (FDI) flows to Senegal resulted in a net capital inflow of 1 005.2 billion CFAF in 2020 (4.8% of GDP) compared to 582.6 billion CFAF in 2019, an increase of 422.6 billion CFAF, despite the Covid-19 pandemic.

The relatively good performance of FDI is linked, in part, to the prospects for the exploitation of oil and gas resources and new gold mines and the promotion of a business climate more conducive to private sector development.

As a proportion of GDP, net foreign direct investment flows to Senegal stood at 7.1% in 2020, compared to 4.3% last year and 1.3% in 2016.

In 2020, Foreign Direct Investment (FDI) flows to Senegal came mainly from Europe (21.0%) with a preponderance of France (14.2%), followed by the United Kingdom (6.8%) and other European Union countries<sup>55</sup>.

But the origin of FDI is increasingly widening to other countries, notably those of Asia (China and Singapore) and certain African countries (Togo and Morocco).

**Table 36. Share of FDI by country of origin**

In billions CFAF	2015		2016		2017		2018		2019 <sup>56</sup>	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Africa</b>	77.0	15.7%	179.0	30.4%	67.5	13.3%	69.8	10.4%	25.3	3.8%
<b>America</b>	32.0	6.5%	42.0	7.1%	11.3	2.2%	75.4	11.2%	15.7	2.4%
North	25.0	5.1%	29.0	4.9%	8.6	1.7%	16.3	2.4%	6.6	1.0%
Latin	8.0	1.6%	13.0	2.2%	2.7	0.5%	59.1	8.8%	9.1	1.4%
<b>Asia</b>	10.0	2.0%	13.0	2.2%	27.9	5.5%	68.2	10.2%	19.0	2.9
Lebanon	2.0	0.4%	2.0	0.3%	0.0	0.0%	13.5	2.0%	3.1	0.5%
Indonesia	0.0	0.0%	0.0	0.0%	21.0	4.1%	34.1	5.1%	8.8	1.3%
India	0.0	0.0%	0.0	0.0%	0.0	0.0%	22.2	3.3%	7.1	1.1%
<b>Europe</b>	125.0	25.6%	60.0	10.2%	199.2	39.2%	230.9	34.4%	138.9	21.0%
France	79.0	16.2%	1.0	0.2%	60.0	11.8%	78.4	11.7%	94.0	14.2%
United Kingdom	13.0	2.7%	17.0	2.9%	121.0	23.8%	121.1	18.0%	44.9	6.8%
<b>Rest of the world</b>	245.0		294.0		202.7		226.7		462.5	
<b>Total</b>	489.0	100.0%	588.0	100.0%	508.0	100.0%	671.0	100.0%	661.4	100.0%

Source : IMF

## 5.5 Regional integration

### 5.5.1 WAEMU convergence criteria

There are five WAEMU convergence criteria, divided into two ranks. These are the first-tier criteria (budget balance to nominal GDP, average inflation rate and total public debt stock to nominal GDP) which Member States are obliged to respect, and the second-tier criteria (wage bill to tax revenue and fiscal pressure).

For the first-tier criteria, Senegal has consistently met two criteria between 2016 and 2020: average inflation rate less than or equal to 3% and total public debt stock to nominal GDP less than or equal to 70%.

The criterion requiring the budget balance to nominal GDP ratio to be less than or equal to -3.0% was only met in 2017 with a ratio of -3.0%. Estimates show that this criterion would not be met in 2020 and 2021 with values of -6.4% and -6.3% respectively.

Like almost all WAEMU member states, Senegal is far from being able to meet the criterion on tax pressure, which must be greater than or equal to 20%. The average tax burden over the period 2016-2020 was 16.2%. The estimate for 2020 indicates that the tax burden would be 16.7% and estimates for 2021 put it at 17.6%.

According to the WAEMU Commission's projections, the Senegalese government's wage bill to tax revenue ratio would be respected and would reach 34.0% in 2020, with a limit set at 35%.

<sup>55</sup> BCEAO (2021)

<sup>56</sup> The consolidation of the geographic breakdown of FDI by country of origin for 2019 is underway at the BCEAO. The data shown are partial data from the IMF.

Table 37.

## WAEMU convergence criteria (In %)

	2016	2017	2018 <sup>57</sup>	2019	2020 Estimate	2021 Estimate
<b>First row</b>						
Budget balance / nominal GDP (norm≤3%)	- 3.3	- 3.0	- 3.7	- 3.9	- 6.4	- 6.3
Average annual inflation rate (≤3%) *	0.8	2.2	0.5	1.0	2.5	2.2
Total public debt outstanding in relation to nominal GDP (≤70%)	47.2	47.7	54.8	57.0	63.2	67.2
<b>Second row</b>						
Wage bill/tax revenue (norm ≤35%)	32.0	32.5	34.3	30.4	34.0	33.3
Tax pressure (standard ≥20%)	15.9	15.1	15.5	17.6	16.7	17.6

Source : DPEE, WAEMU Commission

### 5.5.2 State of play of regional integration

Trade relations with the African continent have taken place within the framework of economic integration zones. These integration zones facilitate the movement of people and goods. Senegal is a member of two integration institutions: the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS).

UEMOA comprises the eight West African countries that use the CFAF as their common currency. ECOWAS, which is larger than WAEMU, consists of fifteen West African countries. However, WAEMU is at a more advanced stage of integration than ECOWAS. Indeed, WAEMU is a customs union with the existence and application of a Common External

Tariff (CET) since 2000. In ECOWAS, work on the establishment of a CET has been finalized and its application has been effective since January 2015.

Under the PES, the government intends to deepen regional integration through the rehabilitation and development of the infrastructure network, the removal of barriers to the free movement of people, goods and services, and the development of trade.

The government also intends to strengthen EU initiatives in the areas of food security, agricultural and energy policy, and regional economic programs. Finally, for integration purposes, the government intends to improve the country's competitiveness, strengthen its position in trade negotiations, broaden the export base, and diversify trading partners.

<sup>57</sup> From 2018 onwards, the debt takes into account the broader public sector

## 6.1 Business climate

Senegal is ranked 123<sup>rd</sup> out of 190 countries in 2020 against 141<sup>st</sup> in 2019 according to the Doing Business report. This ranking reflects Senegal's commitment to improve the business climate in line with the priorities of the Emerging Senegal Plan (PSE) and its priority action plans.

Within WAEMU, Senegal is the 3<sup>rd</sup> reformer, after Côte d'Ivoire which is in 122<sup>nd</sup> place, with 5 reforms accomplished in 2019, and Togo which is in 137<sup>th</sup> place, with 6 reforms.

Senegal has facilitated the registration of property, reducing the time needed to transfer and register it. It has facilitated the enforcement of contracts by adopting a law regulating all aspects of mediation as an alternative dispute resolution mechanism. Senegal is also among the countries that have made efforts in administrative procedures and expanded the alternative dispute resolution framework for commercial disputes, including the establishment of a commercial court. Regarding electricity obtaining, it takes an average of 75 days for a permanent connection to the grid in Senegal and 86 days on average in the rest of the world.

This great improvement in the ease of doing business in Senegal is the result of four (4) key reforms. These reforms are the e-tax, i.e., the dematerialization of tax payment procedures and declarations, the reform of the contribution to the local economy, the reform of the Commercial Court and the reform of investor protection.

It should be noted that with the good performance of recent years, Senegal has the best record in the sub-region according to the Doing Business 2020 report.

For the 2021 Corruption Perceptions Index, Senegal scores 43/100 points, ranking 73<sup>rd</sup> worldwide and 8<sup>th</sup> in Africa.

Senegal has moved up three places in the rankings for 2021 and has entered the circle of the African Top 10 in the Mo Ibrahim Foundation's index with the first place for WAEMU countries and the third place for ECOWAS countries according to the latest Mo-Ibrahim Index report.

## 6.2 Financial governance

- The government reaffirms its intention to maintain the budget deficit in 2021 (excluding expenditure linked to the SDR allocation) at 5.4% of GDP.
- In 2022, the Initial Finance Act (IFA) envisages the Medium-Term Revenue Mobilization Strategy (MTRS)
- The budget includes a program for the modernization of the customs administration.
- The Program for the Modernization of the Customs Administration (PROMAD) is financed by a levy on the customs value of imports from outside ECOWAS and UEMOA eligible for the exclusion of customs and tax regimes promoting investment.
- The government will pursue a prudent debt policy to maintain debt sustainability.
- The government needs to strengthen public service delivery through increased revenue mobilization and more efficient expenditure management.
- The government will accelerate the governance reform and steering framework of the emergency program for the socio-economic integration and employment of young people to ensure its full effectiveness.

- The restructuring process of the three non-systemic banks with capital deficiencies will receive special attention from the BCEAO, the Banking Commission and the government.
- The government will ensure that the stability of the microfinance sector is maintained.
- The restructuring process of SN la Poste will continue.
- The implementation of the action plan to remove Senegal from enhanced surveillance by the Financial Action Task Force (FATF)

for strategic deficiencies in the fight against money laundering and terrorist financing (AML/CFT) continues.

### 6.3 Financial rating

Standard & Poor's rating for Senegal is B+ with a stable outlook. Moody's last credit rating for Senegal was Ba3 with a stable outlook. In general, credit ratings are used by sovereign wealth funds, pension funds and other investors to assess Senegal's creditworthiness, which has a significant impact on the country's borrowing costs.

**Table 38. Evolution of Senegal's sovereign rating**

Date	Agency	Rating	Perspective
July 1 <sup>st</sup> 2021	Bloomfield	A-	Stable
March 18 <sup>th</sup> 2022	Moody's	Ba3	Stable
August 07 <sup>th</sup> 2020	Moody's	Ba3	Negative
June 12 <sup>th</sup> 2020	Moody's	Ba3	Under review
December 06 <sup>th</sup> 2019	S&P	B+	Stable
June 15 <sup>th</sup> 2018	S&P	B+	Positive
April 13 <sup>th</sup> 2017	Moody's	Ba3	Stable
November 07 <sup>th</sup> 2014	Moody's	B1	Positive
July 05 <sup>th</sup> 2013	S&P	B+	Stable
March 09 <sup>th</sup> 2011	Moody's	B1	Stable
May 27 <sup>th</sup> 2010	S&P	B+	Negative
May 26 <sup>th</sup> 2009	S&P	B+	Stable
July 27 <sup>th</sup> 2006	S&P	B+	Negative
December 18 <sup>th</sup> 2000	S&P	B+	Stable

Source: Trading economics, Bloomfield

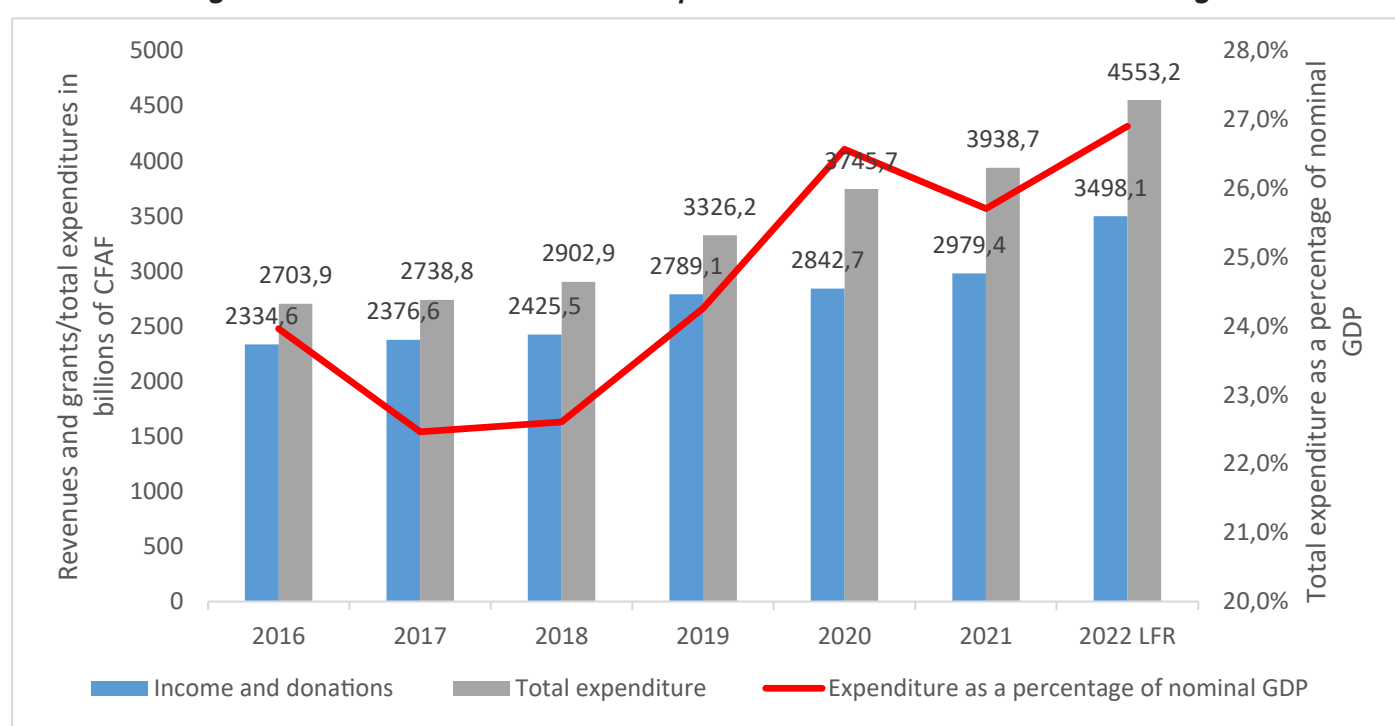
## 7.1 Budget

### 7.1.1 Expenditure income

Although Senegal's resources (revenues and grants) have increased from 2 334.6 billion CFAF in 2016 to 2 979.4 billion CFAF in 2021 and will reach 3 498.1 billion CFAF in 2022, they are not sufficient to cover all expenditure. As a result, the primary budget balance remains in deficit. This deficit, which was 181.6 billion CFAF in 2016, has increased to 657.5

billion CFAF in 2021 due to post-COVID-19 stimulus spending. It is projected to reach 705.1 billion CFAF in 2022 (LFR 2022). Expenditure as a percentage of GDP follows a relatively stable trend, with the ratio ranging from 22.5% to 26.6% between 2016 and 2021. In 2021, total expenditure increased by 5.2% due to expenditure linked to the recovery plan put in place by the government to deal with the health crisis.

**Figure 8. Evolution of the amount of expenditure and income/donations of Senegal**



Source: DPEE

### 7.1.2 Detailed presentation of expenditure and revenue

The increase in state resources between 2016 and 2021 is explained by a good collection of tax revenues, which increased by 508.1 billion CFAF. Total state resources rose from 2 334.6 billion CFAF to 2 842.7 billion CFAF between 2016 and 2020. In 2021, they are estimated at 2 979.4 billion CFAF. This upward trend is linked to the post-COVID 19 recovery context. According to the DPEE, budgetary revenue should increase by 13.1% in 2021. This is broken down into tax revenue of 2 594.1 billion CFAF and non-tax revenue of 254.7 billion CFAF. This performance on tax revenue is attributable to the

increase in direct and indirect taxes. In 2022, budget revenue is projected at 3 232.1 billion CFAF.

With regard to public expenditure, its variation has an upward trend over the period 2016-2021. This evolution is reflected in successive increases of 34.9 billion CFAF between 2016 and 2017, 423.3 billion CFAF between 2018 and 2019, and 419.5 billion CFAF between 2019 and 2020. The strong increase observed in 2019 can be explained by the State's efforts to strengthen growth-generating public investments and to meet the needs of the energy sector. Between 2020 and 2021, expenditure is expected to rise by 193.0 billion CFAF due to

spending on resilience and post-COVID recovery programs. In 2022, a considerable increase of 614.5 billion CFAF is expected according to DPEE estimates.

Overall, the primary budget deficit rose from 181.6 billion CFAF in 2016 to 657.5 billion CFAF in 2021. The 2019 budget situation is partly linked to the subsidy allocated to SENELEC in connection with the regularization of the electricity sector. The 2020 budget is linked to urgent needs due to the COVID-19 crisis. The State of Senegal let the

deficit slip because of emergency expenditure to combat the pandemic. The WAEMU commission decided to temporarily suspend the application of multilateral surveillance budgetary rules as in the euro area. In 2021, budgetary management was marked by a moderate evolution of expenses due to a lesser impact of the COVID-19 pandemic, with a reduction in current grants (transfers) and subsidies concomitant with a strengthening of investments. Overall, the primary deficit was estimated at 657.5 billion CFAF in 2021, compared with 613.4 billion CFAF in 2020.

Table 39.

Table of financial operations of the State

Senegal In billions CFAF	2016	2017	2018	2019	2020	2021	2022 LFI	2022 LFR
<b>Revenues and grants</b>	2334.6	2376.6	2425.5	2789.1	2842.7	2979.4	3461.0	3498.1
<b>Total revenues</b>	2090.3	2112.1	2169.0	2564.5	2518.2	2848.8	3165.0	3232.1
<b>Tax revenues</b>	1791.2	1844.9	1990.4	2410.0	2368.2	2594.1	3025.0	3052.1
Direct taxes	559.9	591.6	647.9	759.6	767.2	860.0	931.8	916.8
Indirect taxes	1228.7	1253.3	1342.5	1650.4	1601.0	1734.1	2045.0	2135.4
<b>Non-tax revenues</b>	124.1	127.5	178.6	154.5	150.0	254.7	140.0	180.0
Exceptional revenues	-	-	-	-	-	-	-	-
<b>Grants</b>	244.4	264.5	256.4	224.6	324.5	130.6	296.0	266.0
Budgetary	38	49.4	19.5	16.7	194.7	17.1	46.0	46.0
In capital	206.4	215.1	236.9	207.9	129.8	113.5	250.0	220.0
<b>Total Expenditures</b>	2703.9	2738.8	2902.9	3326.2	3745.7	3938.7	4245.0	4553.2
<b>Current Expenses</b>	1612.8	1661.8	1870.7	2165.9	2428.6	2484.8	2472.7	2799.4
Wages and compensation	572.3	600.0	682.0	733.3	804.1	885.8	952.0	1000.0
Transfers and other	531.3	502.4	620.0	880.4	1049.4	967.9	811.1	1063.7
Supplies and other	321.6	325.5	305.5	281.1	285.5	377.0	359.6	385.7
<b>Interest due</b>	187.7	233.9	263.2	271.2	289.5	306.5	350.0	350.0
On external debt	139.9	178.3	210.3	232.9	251.8	254.1	240.5	240.5
On domestic debt	47.8	55.6	52.8	38.3	37.7	52.4	109.5	109.5
<b>Capital Expenditures</b>	1091.1	1077.1	1032.3	1160.2	1317.2	1401.6	1772.3	1753.8
On domestic resources	654.6	620.5	514.6	560.5	758.2	771.7	942.3	1018.8
From external resources	436.5	456.6	517.7	599.8	559.0	629.8	830.0	735.0
Net loans		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Primary balance</b>	-181.6	-128.3	-214.3	-266.3	-613.4	-657.5	-434.0	-705.1

Source : DPEE

### 7.1.3 General presentation of the budget

Expenditure in the Senegalese state budget is mainly allocated to ordinary expenditure, averaging 61.2% for the years 2020 and 2021, and to investment expenditure for 38.8% over the same period. The

increase in ordinary expenditure is attributable to the rise in expenditure on supplies and maintenance, interest on the public debt and the wage bill, mitigated, however, by the contraction in transfers and subsidies.

**Table 40. Major Budget Items**

In billions CFAF	Amended Finance Act 2020		Amended Finance Act 2021		Initial Finance Act 2022	
	Amount	%	Amount	%	Amount	%
<b>Ordinary expenses</b>	2388.3	61.5	2484.8	61.0	2799.4	58.2
Public debt	306.9	7.9	309	7.6	350.0	8.2
Salaries and wages	817.7	21.1	896	22.0	1037.0	22.4
Other current expenses	1263.7	32.6	1279.8	31.4	1412.4	27.6
<b>Capital Expenditures</b>	1492.9	38.5	1591.1	39.0	1753.8	41.8
From internal resources	806.3	20.8	817.1	20.0	1018.8	22.2
From external resources	686.6	17.7	774	19.0	735.0	19.6
<b>General budget expenses</b>	3881.2	100.0	4075.9	100.0	4553.2	100.0

Source : Finance Acts

### 7.1.4 Detailed presentation of the budget by item of expenditure

Senegal's budget in 2021 is largely driven by education, land infrastructure, army, health, and

social action. It is fairly stable over the period. Variations from one year to the next are not significant. Between 2019 and 2020, the industry budget has grown strongly due to the merger with the Ministry of Oil.

**Table 41. Extract from the 2019, 2020 and 2021 Finance Acts<sup>58</sup>**

Senegal In billions CFAF	Amended Finance Act 2019		Amended Finance Act 2020		Initial Finance Act 2021	
	Value	Structure	Value	Structure	Value	Structure
<b>Education*</b>	726	38%	738	30%	809	32.0%
<b>Health and social action</b>	170	9%	222	9%	266	10.5%
<b>Housing</b>	61	3%	81	3%	72	2.9%
<b>Agriculture</b>	211	11%	141	6%	155	6.2%
<b>Fishing and maritime economy</b>	39	2%	39	2%	42	1.7%
<b>Energy</b>	297	16%	225	9%	171	6.8%
<b>Tourism</b>	16	1%	19	1%	29	1.2%
<b>Industry</b>	6	0%	225	9%	12	0.5%
<b>Employment</b>	1	0%	61	2%	65	2.6%
<b>Land transport infrastructures</b>	1.4	0%	313	13%	258	10.2%
<b>Interior</b>	116	6%	124	5%	137	5.4%
<b>Justice</b>	42	2%	43	2%	76	3.0%
<b>Army</b>	208	11%	250	10%	267	10.6%
<b>Trade</b>	9	0%	10	0%	165	6.5%
<b>Total</b>	1903.4	100%	2491	100%	2524	100%

Source : Amending Finance Act (2019 and 2020) and 2<sup>nd</sup> Amending Finance Act (2021)

<sup>58</sup> Aggregation National Education, Higher Education and Research and Vocational Training for 2019. In 2020, the Ministry of Vocational Training was merged with the Ministry of Employment.

## 7.2 Tax policies

### 7.2.1 General budget revenue broken down by source

Tax revenues increased from 2016 to 2020. They rose from 1791.2 billion CFAF in 2016 to 2368.2 billion CFAF in 2020. According to the rectifying finance law 2 of 2021, revenues would have increased to 2691.4 billion CFAF. The increases between 2016 and 2020

are explained by taxes on goods and services, income tax, profit tax, capital gains tax and foreign trade tax. In 2021, the increase is related to the resumption of post-COVID 19 activities. Between 2016 and 2021, revenues from these three tax headings accounted on average for 95.9% of total tax revenues. Taxes on goods and services accounted for an average of 52.1% of tax revenue, followed by taxes on income, profits and capital gains.

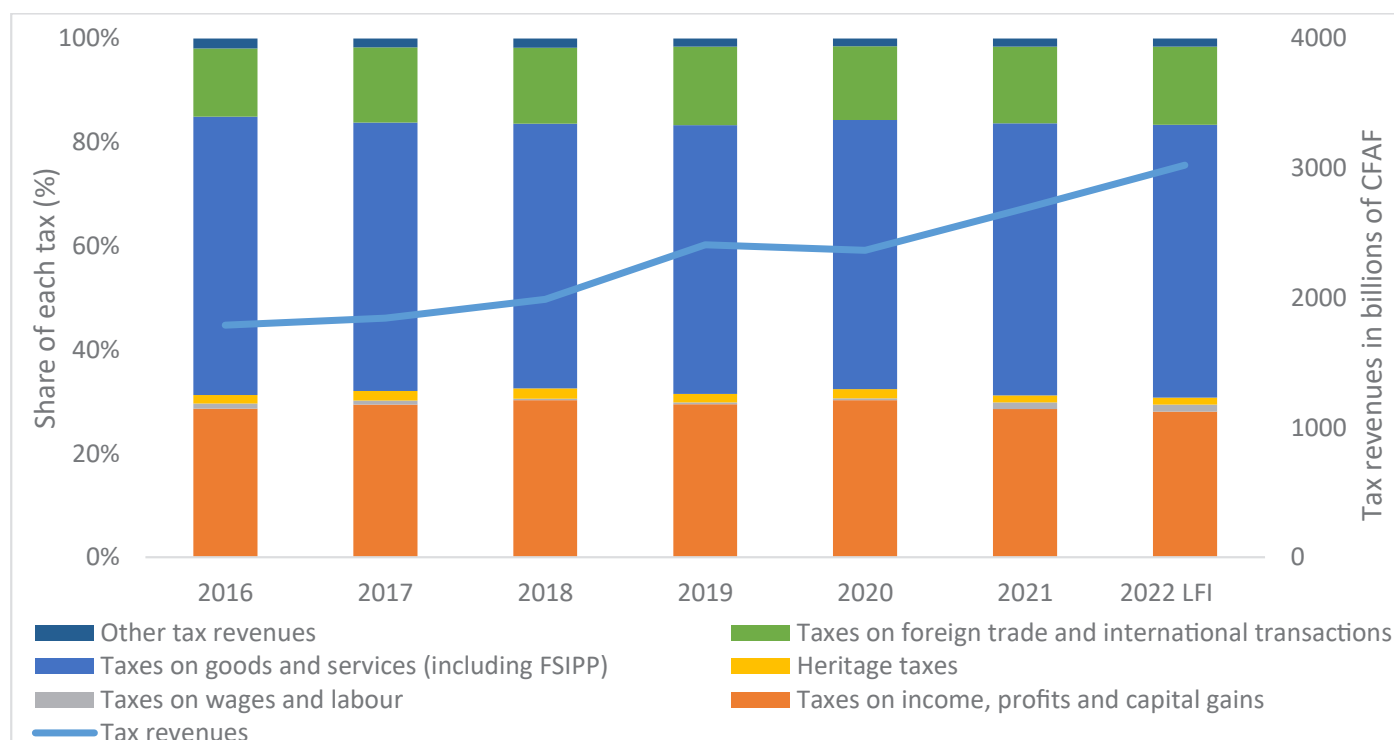
Table 42.

Detailed presentation of tax revenues

(In billions CFAF)	2016	2017	2018	2019	2020	2021	2022
<b>Tax revenues</b>	1788.6	1845	1990.4	2410.0	2368.2	2594.1	3052.1
<b>Income, profit and capital gains taxes</b>	512.9	544	603.3	710.6	717.2	771.5	833.9
<b>Taxes on wages and labor</b>	17.3	14	5.3	9.0	8.0	33.1	41.0
<b>Heritage taxes</b>	29.6	34	39.3	40.0	42.0	55.5	41.9
<b>Taxes on goods and services (including FSIPP)</b>	959.8	955	1.016.2	1.247.2	1.228.4	1.293.0	1.633.1
<b>Taxes on foreign trade and international transactions</b>	234.5	266	290.3	365.5	337.9	393.6	454.0
<b>Other tax revenues</b>	34.4	32	36.0	37.7	34.7	47.5	48.3

Source : DPEE

Figure 9. General Budget revenues by source



Source : Finance Act

## 7.2.2 Presentation of the new tax measures recently voted or under discussion and about to be voted

In 2018, the State of Senegal introduced three new taxes: the special contribution of the telecommunications sector (CST), the levy on insurance companies and the levy on consignment operations of petroleum products for bunkering ships.

According to the Amending Finance Act 2 (LFR2) 2019, the CST is payable by any operator of telecommunications networks open to the public licensed in Senegal. It is set at 4.5% of the operator's turnover excluding tax, net of interconnection charges paid to other operators of public telecommunications networks.

For the levy on insurance companies, the rate is set at 1% and applies to turnover excluding tax. The payment is made quarterly on the quarterly amount of the base. For the last tax, the levy is set at 10 CFAF per kilogram of net exported hydrocarbons.

In 2021, Senegal will introduce a new tax of 3% on imported cargoes admitted under the customs entry for consumption regime.

## 7.3 Finance Bill

In 2020, Senegal changed the rules governing the preparation of budgets. From now on, the finance law will be drawn up according to the logic of the program budget, which will highlight the means linked to the realization of the activities of the different state bodies and the justifications for the distribution of allocations in relation to the defined objectives. The transition to program budgeting should lead to greater transparency in the presentation of budgetary information.

In the 2022 LFI, overall resources are programmed at 3610.7 billion CFAF, against 3225.9 billion CFAF for the 2021 rectifying finance law (LFI), i.e., an increase of 384.8 billion CFAF in absolute value and 11.9% in relative value. These resources are mainly made up of those of the general budget, projected at 3461.0 billion CFAF, and resources of special Treasury accounts amounting to 149.7 billion CFAF. The increase in resources is driven by those of the general budget; the latter are made up of internal and external resources, estimated at 3165.0 billion CFAF and 296.0 billion CFAF respectively.

**Table 43. Balancing framework of the draft Budget 2022**

DESCRIPTION	AMOUNT	DESCRIPTION	AMOUNT
<b>GENERAL BUDGET</b>			
<b>Budgetary revenues (I)</b>	3461.0	Budgetary expenditures (II)	4245.0
<b>Tax revenues</b>	3025.0	Ordinary expenses	2472.7
<b>Non-tax revenues</b>	140.0	Financial expenses of the public debt	350.0
<b>Exceptional revenues</b>	-	Staff	952.0
<b>Grants</b>	296.0	Acquisition of goods and services	1170.7
<b>Budgetary grants</b>	46.0	Current transfers	-
<b>Project grants</b>	250.0	Capital expenditures	1772.3
		From Treasury funding	942.3
		On external financing	830.0
<b>Central Government Budget Balance (I-II)</b>	-784.0		
<b>SPECIAL TREASURY ACCOUNTS (STA)</b>			
<b>Revenue from Trust Accounts</b>	149.7	Expenditures from Trust Accounts	149.7
<b>Total revenue from Special Treasury Accounts (III)</b>	149.7	Total expenditure on Special Treasury Accounts (IV)	149.7
<b>TOTAL REVENUE FINANCE ACT (I+III)</b>	3610.7	<b>TOTAL EXPENDITURES FINANCE ACT (II+IV)</b>	4394.7
<b>OVERALL BUDGET BALANCE</b>	-784.0		

Source : LFI 2022

The internal resources of the 2022 Budget Act are programmed to increase by 14.7%, from 2,758.0 billion CFAF to 3,165.0 billion CFAF between the 2021 and 2022 Budget Acts. They are essentially made up of tax revenues for 3025.0 billion CFAF and non-tax revenues for 140.0 billion CFAF. As for external resources, they are made up of budgetary grants amounting to 46.0 billion CFAF and grants for investment amounting to 250.0 billion CFAF.

Overall, the tax burden is expected to rise to 18.4% of GDP in 2022 from 17.1% in 2021, an increase of 1.3 percentage points. This situation takes into account the expected impact of tax measures that will be implemented by the tax administration to boost revenue, including the effective reduction of tax exemptions, particularly those with no proven social impact. Overall, achieving the objectives will require a sustained expansion of the tax base.

Borrowing is programmed at 1,643.3 billion CFAF in 2022, compared with 1,353.2 billion CFAF in the 2021 Budget Bill. As for external resources allocated to investment, they are programmed at 735 billion CFAF in 2022, a decrease of 11.4% compared to the 2021 LFI.

General budget expenditure is forecast at 4,571.7 billion CFAF for 2022, an increase of 7.3% compared to the 2021 LFI and 11.7% compared to the 2021 LFR. They are mainly made up of current expenditure amounting to 2472.7 billion CFAF, investment

expenditure estimated at 1772.3 billion CFAF and expenditure on special accounts amounting to 149.7 billion CFAF.

Current expenditure is programmed at 2,799.4 billion CFAF in 2022, compared to 2,472.7 billion CFAF in the 2022 LFI and 2,484.4 billion CFAF in the 2021 LFR2. They are made up of personnel expenses for 1037 billion CFAF and interest on public debt for 350.0 billion CFAF. Other current expenditure is projected at 1412.4 billion CFAF.

Investment expenditure in the 2022 LF1 is programmed at 1753.8 billion against 1772.3 billion CFAF for the 2022 LFI and 1753.8 billion CFAF for the 2021 LFR2, driven by investments financed from domestic resources. Indeed, the latter are projected at 1018.8 billion CFAF in 2022 against a forecast of 817.1 billion CFAF for the LFR 2 of 2021 and 741 under the LFI of 2021, that is to say an increase of 24.6 compared to the LFR 2 of 2021.

As for capital expenditure from external resources, it is forecast at 735 billion CFAF, down from 95 billion CFAF in the 2022 LFI and 39 billion CFAF in the 2021 LFR 2.

However, in the LFR 1 of 2022, the overall resources are on the rise and should be established at 3647.8 billion CFAF for total expenditure estimated at 4702.9 billion CFAF.

Certain intrinsic characteristics favor Senegal's political and social stability. Firstly, the spiritual leaders (marabouts) have considerable influence over their communities (brotherhoods).

Secondly, the absence of ethnic and religious tensions that affect many African countries contributes to the country's political stability.

In this context, Senegal is relatively stable, despite the existence of domestic and regional risks to growth. These include a rise in cases of COVID-19, which could be exacerbated by new variants, increased social and political tensions, a deterioration in the region's security situation, a slowdown in the implementation of reforms due to the upcoming elections and delays in the start-up of oil and gas production. In addition, a deterioration in the terms of trade, in particular a rise in oil prices and a rapid increase in global interest rates. Senegal is vulnerable to climate change because a large proportion of the population lives in coastal areas.

### 8.1 Internal security risks

Internal security is one of the key sectors of PAP 2A within the framework of the PES. In this regard, the Senegalese police have developed several strategies for permanent surveillance and large-scale security. Two security systems are in place, codenamed "Karangué 2" and "Sentinelle". Islamist terrorist groups remain a non-negligible threat of destabilization and the attacks perpetrated in Mali, Mauritania and Burkina Faso in recent years have led France and the United States in particular to recommend increased vigilance to their nationals in Senegal. 2019 is the deadliest year on record according to figures announced by the United Nations Office for West Africa and the Sahel (UNOWAS). Nearly 4,000 civilian and military deaths were caused by terrorist attacks in the Sahel countries. The approach implemented by the Government of Senegal to contain the rising terrorist risk is based on a multidimensional approach that is economic (fight against poverty and underemployment), social (awareness-raising, sensitization and participation of the population), religious (preaching and advocacy

by religious leaders, involvement of brotherhoods), legal (reform of the Penal Code and the Code of Criminal Procedure) and security (surveillance of borders and territory, improvement of intelligence, pooling of interventions, reinforcement of operational capacities).

### 8.2 Social risks

At the social level, the country can be paralyzed by strikes or demonstrations. In March 2021, the country experienced intense demonstrations: following the arrest of a political leader, several localities in the capital and in the interior of the country experienced scenes of urban guerrilla warfare between the forces of law and order and thousands of young people demanding the release of the main opponent of the government. The arrest of the main opponent released an exasperation that had built up in the face of harsh living conditions accentuated by the Covid pandemic and its many restrictions. Fourteen (14) people were killed in the riots, the government announced, promising to implement "all necessary means to restore order".

In education, demonstrations are recurrent. Students usually demand the payment of scholarships on time, blocking the main avenue in front of the university by burning tyres. These demonstrations are suppressed by the police with tear gas.

For their part, teachers strike every year to demand that agreements signed with the state be respected. The resurgence of these strikes has a considerable impact on the timetable of the school and university year.

However, it should be noted that peaceful demonstration is a public freedom that is guaranteed by the constitution.

### 8.3 Macroeconomic risks

Although it spread relatively little in Senegal, the COVID-19 pandemic had a significant economic impact in the first half of 2020. The government adopted aggressive fiscal and monetary measures

that helped strengthen the health system and cushion the economic shock but increased the projected fiscal deficit for 2020 from 3 to about 6½% of GDP, according to the IMF. Learning from the crisis, the authorities have revised their economic development plan for 2021-2023 to build a more resilient and inclusive economy, including by improving the social safety net.

The armed conflict between two giants of the agricultural sector, Russia and Ukraine, which account for 29% of world grain exports, augurs an uncertain future for Senegal. This new crisis has caused the price of imported products (wheat, maize, barley, fertilizer, etc.) to soar, not to mention the supply difficulties since the outbreak of COVID-19.

Both countries are producers and exporters of fertilizers for modern agriculture, which is very intensive in mineral and synthetic inputs such as urea and DAP (Di-Ammonic Phosphate)<sup>59</sup>.

Senegal uses no less than 120,000 tones of various fertilizers including urea, DAP and NPK (Nitrogen, Phosphorus, Potassium) to meet the needs of an agricultural campaign in the best conditions with adequate rainfall<sup>60</sup>.

According to the regional agreement, the authorities are committed to return to the WAEMU deficit ceiling of 3 percent of GDP by 2023, which would help contain debt vulnerabilities. The risk of debt distress remains moderate but with limited scope for absorbing shocks in the short term.

### **8.3.1 Evolution of the demand perspectives of the main international partners**

Senegal has a number of regional trading partners on which its economy relies heavily. In 2019, according to the ANSD, Senegal's foreign sales are mainly directed towards the European (34.1%), African (32.1%) and Asian (24.2%) continents. The Covid-19 pandemic and the political instability and social unrest that are frequent in the West African region could lead to a reduction in demand from these partners.

Since January 2022, ECOWAS has sanctioned Mali through an embargo on trade and financial transactions, in order to oppose the junta's plan to continue ruling the country for five (5) years instead of organizing elections in just under one (1) year. However, the sanctions were lifted in July 2022.

The tourism sector is one of the five key sectors in the PES that is expected to stimulate growth in the medium and long term. However, there are a number of challenges facing tourism in Senegal, including improving the quality of service, promoting Senegal as a destination and coastal erosion.

In addition, tourism is the sector most impacted by the coronavirus. The sector is highly vulnerable to external, regional, and national risks, including the economic downturn in tourist source countries, negative perceptions of security associated with political instability in the Casamance region, potential terrorist attacks targeting tourist sites and escalating regional geopolitical risks.

### **8.3.2 International commodity prices**

With the appearance of new minerals (gold, zirconium, titanium), Senegal's exports have changed in recent years. Products such as cotton and phosphate have become less important in foreign sales, while exports are still concentrated on cement, fishery products, horticultural products, petroleum, chemicals (phosphoric acid), food products and groceries (bouillon) and groundnuts.

According to the ANSD, Senegal's FOB exports are estimated at 2,884.8 billion CFAF in 2021 compared to 2,261.3 billion CFAF in 2020, an increase of 27.57%. This increase is due to the increase in shipments of energy and lubricants (+23.3%), animal and vegetable raw materials (+39.66%) and industrial gold (+27.7%). On the other hand, the fall in external sales of finished products for agriculture (-31.62%) attenuated this upward trend in a context of economic recovery following the COVID-19 pandemic.

<sup>59</sup> Ammonium phosphate fertilizer (APF), derived from rock phosphate ore, is a product used to enrich crop soils with essential nutrients.

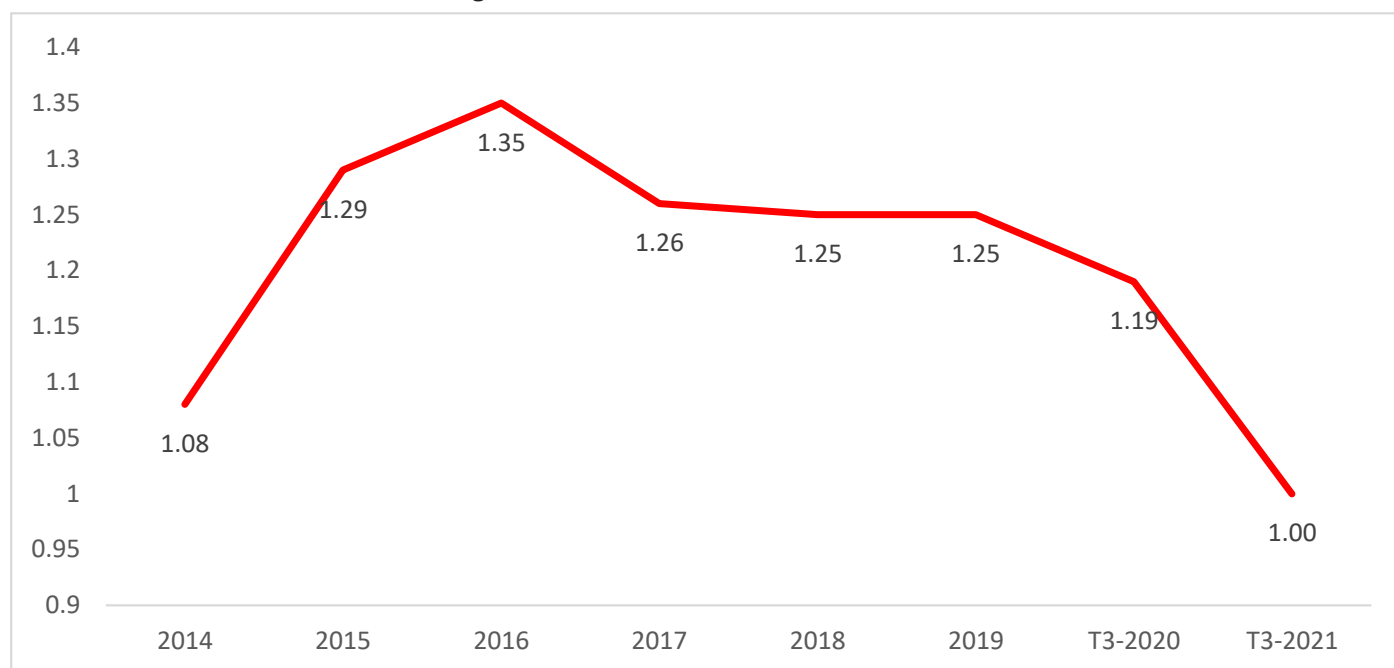
<sup>60</sup> NPK fertilizer is a classic fertilizer formula that is an abbreviation of the chemical elements of which it is composed, namely nitrogen, phosphorus, potassium.

### 8.3.3 Evolution of the terms of trade

Senegal has a number of trading partners in the UEMOA zone on which its economy relies. Political instability, social unrest and epidemics are common in the West African region, which, among other effects, could lead to a reduction in Senegal's exports. For the same reasons, imports from these countries in the sub-region could also fall. According

to the ANSD, the terms of trade were 1.00 in the third quarter of 2021, compared with 1.19 in 2020. This deterioration in the terms of trade is the result of the fall in those of "mineral products" (0.75) and "food industry products" (0.83). However, the recovery in the terms of trade of 'textiles and textile products' (1.10) and 'footwear and headgear' (1.69) has mitigated the loss of competitiveness of the products traded in the third quarter of 2021.

**Figure 10. Evolution of the terms of trade**



Source : ANSD

## 8.4 Risks to resource mobilization

### 8.4.1 Mobilization of fiscal resources

For the achievement of the second phase of the PES objectives, revenue mobilization is a risk that could compromise the sustainability of public finances. The authorities have developed a comprehensive action plan to increase tax revenue mobilization in the medium term to raise the tax-to-GDP ratio from the current 16% to 20% (WAEMU convergence criteria).

In this context, it would be important to strengthen the tax administration and carry out a tax reform that encourages private investment and introduces a set of rules limiting tax exemptions. Prudent management of recently discovered oil and gas deposits would also help to increase revenues in the long term.

### 8.4.2 External donor funding

Senegal has significant exposure to concessional public debt from multilateral institutions and foreign governments. The country benefits from grants from donors such as USAID, the World Bank, the European Investment Bank (EIB), the Islamic Development Bank (IDB), the African Development Bank (AfDB) and the French Development Agency (AFD), and international financial assistance plays a crucial role in Senegal's public finances.

The PAP2A Investment Program requires a total financing of 14,712 billion CFAF over a period of 5 years (2019/2023). According to the financial package presented by the Ministry of the Economy, the private sector will contribute 4,770 billion CFAF and the remaining 9,942 billion CFAF from development partners. Senegal could face economic difficulties if the above amounts are not mobilized.

The continuation of this aid depends on Senegal's ability to comply with certain restrictions and donor commitments, and if donors become reluctant or unable to continue to provide significant volumes of aid to the country, Senegal could face economic difficulties.

### 8.4.3 External financing through Foreign Direct Investment

Foreign Direct Investment (FDI), which mainly comprises equity capital, reinvested earnings and

other capital inflows, has yet to improve in Senegal given its political stability.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2020, Foreign Direct Investment has increased from 403 million USD in 2014 to 1,500 million USD in 2020. This increase in FDI is the result of investments in energy, both in the traditional oil and gas sector and in renewable energy. The total stock reached 8.6 billion USD at the end of 2020.

**Table 44. Evolution of Foreign Direct Investment (FDI)**

Foreign Direct Investment	2016	2017	2018	2019	2020
<b>FDI inflows (millions USD)</b>	472	588	848	983	1 481
<b>FDI stocks (millions USD)</b>	3 772	4 916	5 515	6 398	8 673
<b>Inward FDI (as % of GFCF)</b>	9.9	n/a	n/a	n/a	n/a
<b>FDI stock (as % of GDP)</b>	25	31.5	23	n/a	n/a

Source : CNUCED

Senegal was ranked 123<sup>rd</sup> in the World Bank's latest 2020 Doing Business report, indicating the need for the government to continue its efforts to reform the economic and business environment. Reforms are needed to improve the business climate and thus attract more FDI flows. The discovery of oil and gas fields holds significant resources and could lead to an inflow of FDI in the future.

### 8.5 Health risks

At the health level, the risks have repercussions that go beyond quality of life, affecting income, productivity, schooling and ultimately economic growth. Malaria is the most widespread health problem facing Senegal.

In August 2020, the Senegalese health authorities confirmed the appearance of 6 suspected cases of dengue, of which only 1 was positive. Like almost every country in the world, Senegal is among the countries affected by the Coronavirus pandemic. As of 31 May 2022, 86,111 cases have been declared

positive in Senegal, of which 84,129 have been cured, 1,966 have died and 15 are being treated.

### 8.6 Environmental risks

According to the United Nations Intergovernmental Panel on Climate Change assessment report, climate change is likely to reduce GDP growth by 2-4 percentage points across Africa by 2040 and by 10-25 percentage points by 2100. West Africa is one of the most vulnerable regions in the world, due to its long coastline and the threats posed by sea-level rise, coastal erosion and flooding, as well as the large share of the population living on agriculture and exposed to rising temperatures and changing rainfall patterns. Senegal is particularly vulnerable as 74% of its population is concentrated in coastal areas and about 75% of the workforce is employed in the agricultural sector.

The IMF states in its latest BPI report (January 2022) that by 2060, climate change is expected to affect Senegal in several ways, namely :

- i) lower rainfall (up to 16 %) ;
- ii) higher average annual temperatures (from 1.4 to 2.5° C);
- iii) longer heat waves (from 6 to 18 days on average per year) ;
- iv) longer periods of drought (up to 22 days on average per year) ;
- v) and a rise in sea level (from 17 to 45 cm).

These projections indicate that a large proportion of the population is at risk of falling into extreme poverty due to climate pressures and call for adaptation measures.

## 9.1 General description of public debt<sup>61</sup>

### 9.1.1 General overview

According to the IMF report published in June 2002 on the program supported by the Economic Policy Coordination Instrument (EPCI), Senegal's debt levels have deteriorated, although the risk of debt distress remains moderate. As at December 31, 2020, the stock of public debt was estimated at 8903.4 billion CFAF, against 7817.7 billion CFAF in 2019. Senegal's total public debt stock is estimated at 10297.4 billion CFAF at the end of 2021, i.e., an increase of 15.6%.

In 2021, Senegal carried out an issue on the Eurobond market in EUR for a total amount of 775 million EUR, i.e., 508.4 billion USD at favorable rate conditions, partly due to the international context.

The joint IMF-World Bank debt sustainability analysis in 2020 shows that Senegal's risk of debt distress has moved from low to moderate. The 2021 analysis shows that Senegal remains at moderate risk of debt distress, with very limited room to absorb shocks. The debt is vulnerable to a slowdown in economic growth and a deterioration in external demand.

The public debt-to-GDP ratio reached about 49% at the end of 2017, compared with 47.1% in 2016. This

ratio rose to 63.2% and 67.2% in 2020 and 2021 respectively. The share of external debt in total debt increased significantly from 62.3% in 2016 to 74.3% in 2021 (reclassification of BOAD debt to domestic debt). The external debt to GDP ratio rose from 49.3% in 2020 to 49.8% in 2021. As for the domestic debt stock, its weight in relation to GDP rose from 13.9% to 17.45% from 2020 to 2021 (including BOAD debt). The debt service to budget revenue ratio (excluding treasury operations) fell from 28.2% in 2020 to 25.0% in 2021.

In recent years, Senegal has received a significant increase in financing thanks to the Consultative Group, which has made a significant contribution to the PES PAP (2014-2018). Senegal has been able to mobilize external resources in excess of 2 000 billion CFAF. The trend in fundraising observed a few years ago has begun to reverse since the government set up the PES.

Domestic public debt, which had been rising rapidly, began to slow down following the change in financing strategy linked to the PES. In the wake of this, the government of Senegal carried out several issues on the Eurobond market in 2014, 2017, 2018 and 2021.

<sup>61</sup> Central government debt (the scope of the MTDS is limited to central government).

Table 45.

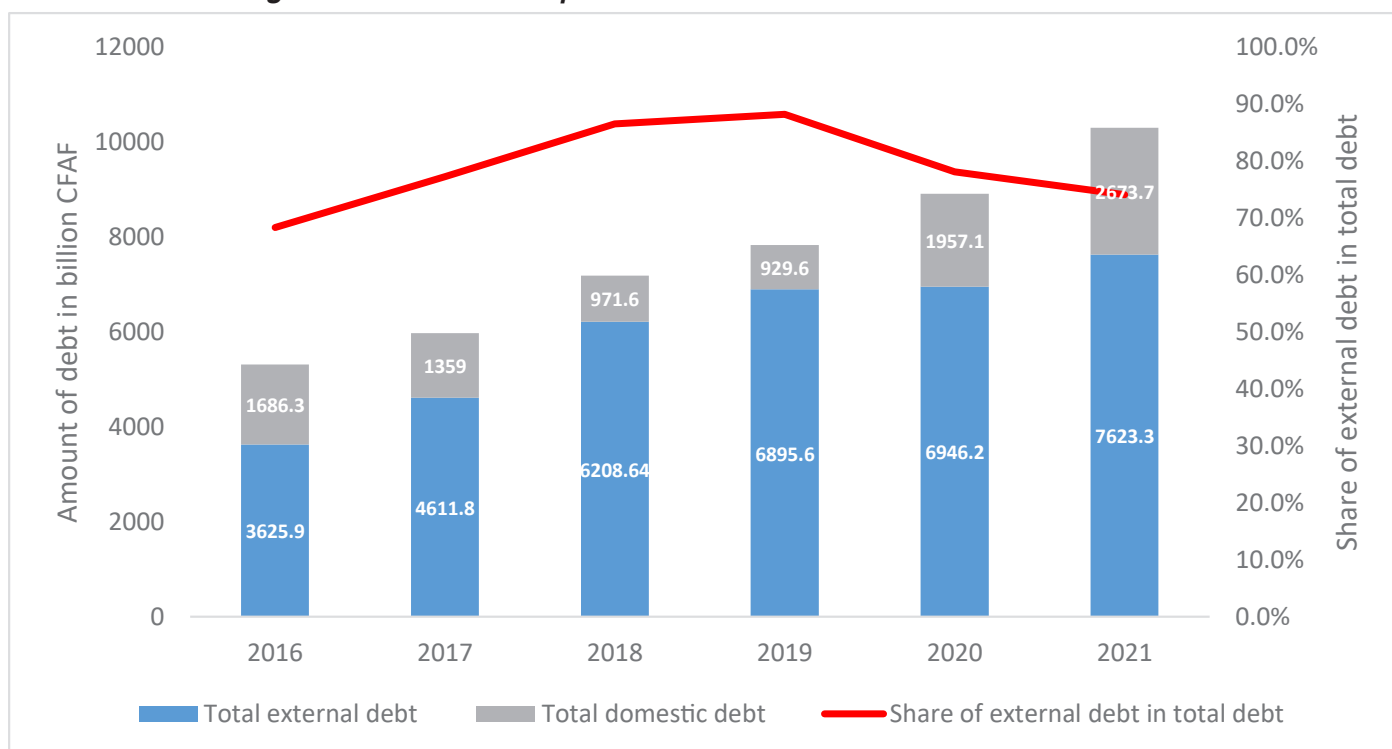
## Distribution of Senegal's public debt

[Senegal]	2016	2017	2018	2019	2020	2021
<b>Total debt (% GDP) *</b>	47.1%	49.0%	55.9%	57.1%	63.2%	67.2%
<b>Total debt (in billions of CFAF)</b>						
<b>Remaining due</b>	5312.2	5970.8	7180.2	7825.2	8903.3	10297.0
<b>Backlog</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Due</b>	593.7	719	967.2	802.3	837.4	1084.8
<b>Paid</b>	593.7	719	967.2	802.3	837.4	1084.8
<b>Total external debt</b>						
<b>Remaining due</b>	3625.9	4611.8	6208.64	6895.6	6946.2	7623.3
<b>Backlog</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Due</b>	205.8	262.3	458.2	397.1	560.6	690.7
<b>Paid</b>	205.8	262.3	458.2	397.1	560.6	690.7
<b>Total domestic debt</b>						
<b>Remaining due</b>	1686.3	1359	971.6	929.6	1957.1	2673.7
<b>Backlog</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Due</b>	387.9	456.7	509.0	405.3	276.9	394.1
<b>Paid</b>	387.9	456.7	509.0	405.3	276.9	394.1
<b>Nominal GDP (current prices)</b>	11283.40	12191.80	12840.20	13709.62	14097.92	15319.13

\*Central government debt

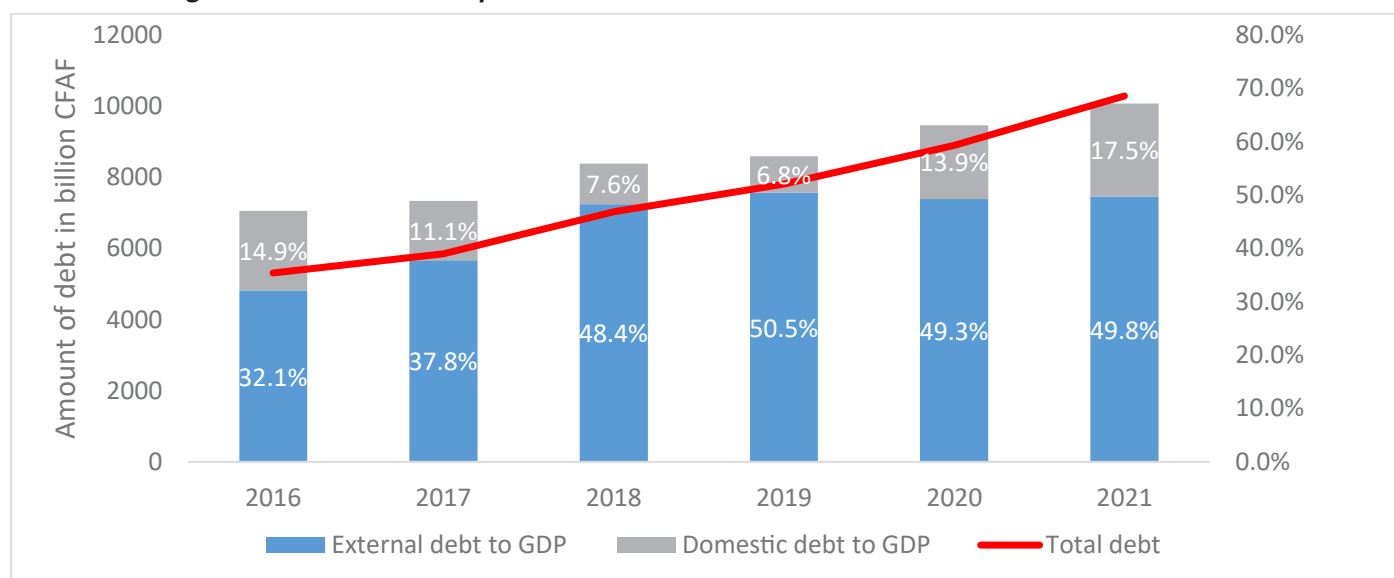
Source : DGCPT

Figure 11. Breakdown of public debt between external and domestic debt



Source : DGCPT

**Figure 12. Breakdown of public debt between external and domestic debt as % of GDP**



Source : DGCPT

### 9.1.2 Time profile of the debt to be repaid

Senegal is in debt in the medium and long term. This situation is explained by the debt strategy used in

recent years. The financing needs of the PES and the reprofiling of the debt have had consequences on the maturities of the financial resources raised from both domestic and external creditors.

**Table 46. Time Profile of Debt**

Expressed as a %	Domestic debt (2019)	External debt (2017)
Short term (< 1 year)	6.0	3,6
Medium term (1 to 5 years)	13.7	25.0
Long term (> 5 years)	80.3	71.3
Total	100	100

Source : IMF, Cbonds

**Table 47. Debt service (2016-2021)**

	2016	2017	2018	2019	2020	2021
(in billions of CFAF)						
<b>External</b>						
Principal	106.2	129.9	268.1	182.9	331.0	487.3
Interest	99.6	132.4	190.1	214.1	229.5	203.4
Total	<b>205.8</b>	<b>262.3</b>	<b>458.2</b>	<b>397.1</b>	<b>560.6</b>	<b>690.7</b>
<b>Internal</b>						
Principal	300.2	358.2	435.7	348.2	218.0	291.4
Interest	87.7	98.5	73.3	57.1	59.0	102.7
Total	387.9	456.7	509.0	405.3	276.9	394.1
<b>Total</b>	<b>593.7</b>	<b>719</b>	<b>967.2</b>	<b>802.3</b>	<b>837.4</b>	<b>1084.8</b>

Source : DGCPT

## 9.2 Debt strategy and debt sustainability

### 9.2.1 Description of the strategy

According to Regulation 9/2007/CM/WAEMU on the reference framework for public debt policy and management in WAEMU countries, states must develop a public debt strategy attached to the finance law. This strategy was reinforced by the Economic Policy Support Instrument (EPSI) signed with the IMF, which was to enable the government to strengthen its capacity to manage public debt. It is within this framework that the Senegalese government periodically draws up the Medium-Term Debt Strategy (SDMT).

Within the framework of the MTDS, the aim is to achieve the best possible combination of domestic and external debt (concessional, semi-concessional and non-concessional).

The objectives targeted in the SDMT 2021-2023 of the State of Senegal, drawn up in October 2020, are as follows:

- i) Meet the financing needs and payment obligations of the Treasury;
  - ii) Reduce external dollar financing;
  - iii) Ensure the risks associated with the public debt portfolio remain within acceptable limits;
  - iv) Ensure the financing costs are kept as low as possible;
  - v) Develop and deepen Senegal's domestic public securities market with the support of UMOA-Titres.
- ii) A prudent debt strategy favoring, within the limits of what is available, concessional resources (mainly to support investments in education and health, the strengthening of human capital and social protection), financing in euros to avoid exchange rate risk, as well as the fixing of interest rates to avoid the negative impact of the variability of rates on debt service;
  - iii) Directing commercial resources (export credits and mainly Eurobonds) to the financing of projects with proven economic profitability to increase the competitiveness of the economy;
  - iv) Strong return to the domestic market to help better manage external debt vulnerabilities;
  - v) In support of private sector financing, increased support will be provided by granting guarantees to strategic projects with proven economic and financial profitability. At this level, the strategy will consist in limiting the risks of calling on the State guarantee (financial analysis, escrow account mechanisms, etc.);
  - vi) Diversification of the investor profile (banks, insurers, fund managers, pension funds...) to ensure good management of the concentration risk that could negatively influence future (re) financing conditions.

This strategy is based on a diversification and matching of funding sources approach. The strategy is based on the following points:

- i) Covering the State's financing needs with the best cost/risk trade-off, by exploring all available financing;

The government of Senegal has set up a National Public Debt Committee (CNDP) which is the management and coordination unit for public debt management entities. The CNDP was created by ministerial order n°5889 dated 3 July 2008. This committee is under the authority of the Minister of Finance. The CNDP is responsible for developing, coordinating and monitoring the implementation of the national policy on public debt and public debt management.

The coordination committee is composed of the Minister of Finance, the Director General of Finance, the Director General of Public Accounts and Treasury, the Director General of Planning, the National Director

of the BCEAO, the Director of the DDP, the Director in charge of the budget, the Director of Money and Credit, the State Judicial Agent, the Director of the DPEE and the Director in charge of Economic and Financial Cooperation.

## Donor relations

### i) IMF

In October 2007, Senegal requested an Economic Policy Support Instrument (EPSI) from the IMF. The IMF's EPSI framework is designed for low-income countries that may not need IMF financial assistance, but nevertheless seek close cooperation with the IMF in the preparation and approval of their policy framework. Programs supported by the PSI are based on country-based poverty reduction strategies adopted in the context of a participatory process involving private entities and development partners. The initial three-year PSI for Senegal was approved in November 2007 to support the country's economic reform efforts and expired in December 2010. It was designed to consolidate macroeconomic stability, increase the country's growth potential and reduce poverty. The program focused on maintaining sound fiscal policy and improving fiscal governance and transparency. It also included measures to develop the private sector and increase the contribution of the financial sector to growth.

The IMF approved a second three-year EPSI in December 2010 to support economic reforms through reducing the fiscal deficit, increasing transparency, encouraging the private sector and strengthening the financial sector. The second EPSI was extended by one year in 2013 and expired in December 2014. The terms of the second EPSI included: (i) limiting the amount of non-preferential debt owed during the period covered by the new EPSI; (ii) restricting the use of the proceeds of this debt to non-concessional financing to be used exclusively for the extension of the Diamniadio toll motorway to the AIBD, Thiès, and Mbour; (iii) the requirement that the proceeds be placed in an escrow account from which only payments in relation to the Diamniadio toll motorway may be made and (iv) reporting and verification requirements.

Following the success of the second ISPE agreement initially concluded for three years in December 2010, which ended in December 2014, Senegal and the IMF agreed in June 2015 on a third ISPE program for the period 2015-2017, which was extended by the IMF in 2017 until 24 June 2019.

Following successful reviews of the program and the consolidation of economic performance, Senegal has concluded a new economic and financial program with the IMF called the "Economic Policy Coordination Instrument - EPCI 2020-2022" approved on 10 January 2020. The second review of the program carried out in December 2020 and published in IMF report n°21/18 of January 2021 was conclusive. This program involves the definition of a nominal public sector debt ceiling not to be exceeded with respective targets of 10 034 billion and 10275 billion in 2020 and 2021. The IMF report notes on this occasion that the 2021 budget law approved in December 2020 foresees a rebalancing of about 1½% of GDP based on the withdrawal of the COVID-19-related stimulus measures, the implementation of the authorities' medium-term revenue strategy and further rationalization of current expenditure. The IMF also notes that reforms aiming to gradually reduce fiscal spending, improve transparency in budget execution, and monitor fiscal risks are progressing.

In addition, in the context of the Covid-19 pandemic, the IMF temporarily doubled access to its emergency Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) and provided debt service relief to member countries in need. On 13 April 2020, the IMF approved Senegal's request for financial assistance and granted it 249.7 million USD under the RFI and 147.4 million USD under the RCF to help meet its urgent balance of payments needs arising from the Covid-19 pandemic. In return, the government committed, as part of the first review of the BPI that took place shortly after the approval of the RCF, to ensure transparency in emergency spending.

The third review, which took place from 6 April 2021 to 27 April 2021, focused on revising the macro-fiscal framework in order to prepare the rectifying finance law for 2021. Following the review, the IMF

announced on 29 April 2021 that the performance of the BPI-supported program remained good and that all end-2020 quantitative targets had been met, except for the target for sole-source procurement share, which exceeded the program ceiling due to the Covid-19 emergency. On 7 June 2021, the IMF Board completed the third review of the BPI-supported program and approved a Stand-By Arrangement and a Stand-By Credit Facility arrangement for SDR 453 million (about 650 million US\$ or 350 billion CFAF) for Senegal. In addition, the IMF indicated that it had reached agreement with the Senegalese authorities on economic and financial policies that would support the approval of the third review under the BPCI and allow for an 18-month financing arrangement under the SCF, for a total amount of about 650 million \$ or 350 billion CFAF. The financing arrangement would be put in place in parallel with the BPI and is tentatively scheduled for consideration by the IMF Executive Board in early June 2021. The objective of this new financing arrangement, with a requested access of 650 million USD or 348 billion CFAF (140% of Senegal's IMF quota), will be to help support the authorities' response to the health crisis and to promote a strong and broad-based employment-generating recovery. It will build on the reform objectives of the BPI and will be implemented in conjunction with the BPI. In 2021, a disbursement of 201 billion CFAF is expected, which should not lead to Senegal's authorized debt ceiling being exceeded or increase the projected stock of public debt in 2021, as it would replace issues originally planned for 2021.

Also, as part of the reallocation of SDRs, Senegal received 246.27 billion CFAF in April 2021. The additional expenditure backed by the counterpart in CFAF of the SDR allocation retroceded by the BCEAO to the Senegalese Treasury (246.27 billion) impacting the deficit is limited to 141 billion CFAF (0.9% of GDP). The government allocated these resources to cover additional urgent and specific expenditure on health and social protection (38 billion CFAF), as well as to support economic recovery by speeding up the clearance of unpaid bonds (103 billion CFAF).

The remainder (0.7% of GDP) would be used for financial operations including equity investments (9 billion CFAF), hotel loans (15 billion CFAF), settlement of the residual amount outstanding from

the securitization operation carried out in 2017 with a local bank (30 billion CFAF), the guarantee fund (2 billion CFAF), and financing of the 2022 budget (50 billion CFAF)

In January 2022, in its press release No. 22/8, the IMF indicated that the performance under the BPI remains satisfactory. Second, in parallel to the BPCI-supported program, the SBA and the EFF contribute to supporting the authorities' response to the crisis, fostering a broad-based recovery, mobilizing additional concessional financing, and strengthening the WAEMU's external position. The completion of the review of the SBA and the EFF agreement allows for the disbursement of SDR 129.4 million (about 180 million US\$).

In addition, in the context of the Covid-19 pandemic, the IMF temporarily doubled access to its emergency RCF and RFI and provided debt service relief to member countries in need. On 13 April 2020, the IMF approved Senegal's request for financial assistance and provided 249.7 million USD under the RFI and 147.4 million USD under the RCF to help Senegal meet its urgent balance of payments needs arising from the Covid-19 pandemic. In return, the government committed, as part of the first review of the BPI that took place shortly after the approval of the RCF, to ensure transparency in emergency spending.

## ii) World Bank Group

As of September 2021, the World Bank's portfolio in Senegal was distributed as follows:

- Twenty (20) investment projects worth 2.29 billion USD\$ supported by the International Development Association (IDA);
- Eleven (11) regional operations for a total of 510.0 million US\$ from IDA;
- 160 million US\$ in commitments from the International Finance Corporation (IFC);
- 305 million in gross commitments from the Multilateral Investment Guarantee Agency (MIGA).

The World Bank supports Senegal in several sectors:

- Stormwater management with the Stormwater Management and Climate Change Adaptation Project, which has protected populated areas at risk of flooding. Approximately 137,500 people have benefited directly (compared to 90,000 initially targeted) and 571 hectares (compared to 343 initially) have been protected. In 2021, the World Bank's Board of Directors approved US\$155 million in financing to support Senegal in the second phase of the Rainwater Management and Climate Change Adaptation Project;
- Water and sanitation with the Water Sector Project, the Long Term Drinking Water Supply Project and the National Drinking Water and Sanitation Millennium Program, plus the current Urban Water Supply and Sanitation Project;
- Agriculture with the West African Agricultural Productivity Program (WAPP), a regional program covering 13 countries, which has produced the following results in Senegal: 423,000 agricultural producers and processors, 38% of whom are women, benefited from the development, dissemination and adoption of improved agricultural technologies between 2012 and 2015. The WAPP supported agricultural research for climate-smart agriculture, contributing to the development of 14 new high-yielding varieties. The program also upgraded equipment and facilities at the National Specialization Centre, supported the training of young researchers and created an online platform to improve the distribution of subsidized inputs.
- Health: The World Bank supports the national plan to combat the coronavirus through the following initiatives:
  - a) In April 2020, under the COVID-19 fast-track facility, the World Bank granted the government of

Senegal a US\$20 million credit from the International Development Association (IDA).

- b) The Regional Disease Surveillance Systems Strengthening (REDISSE) project through the purchase of equipment.
- The project to support investment in maternal, child and adolescent health.
  - a) Social protection: the social safety net project, currently underway, could be mobilized to strengthen assistance to vulnerable populations during the health crisis. The disbursement amount to assist 560,000 households is estimated at 20 million USD. This project also received an additional 94 million USD in funding in June 2021.
  - b) Public Finance: The Executive Board approved a 100 million USD Development Policy Support Operation to address urgent liquidity needs.

In addition, IFC has also structured, financed (and advised the government on) an IPP project in the context of the Scaling Solar solar energy development program in which Senegal has been participating since 2016. So far, the initiative has led to the development of two solar projects that will produce about 65 MW of electricity at a very low price (less than 0.04 euro cents/kWh). MIGA has issued guarantees to support these two projects on an equity basis, in addition to the IFC loans, to provide protection against non-commercial risks.

In parallel to the IFC, MIGA provides political risk insurance services to private sector investors and creditors. These guarantees protect investors against non-commercial risks and can help them access sources of finance on improved terms and conditions. For example, MIGA's involvement has focused on the transport and finance sectors, through its support for the modernisation of the port of Dakar and the currency swap agreement associated

with the issuance of Eurobonds to the government of Senegal. Indeed, in 2020, Senegal has five outstanding MIGA guarantees totalling US\$309.6 million in the infrastructure and finance sectors (see portfolio summary report in Annex 6). By supporting wind, solar and fuel-to-gas projects, MIGA is making a significant contribution to cheaper and cleaner energy (wind and solar) in Senegal. MIGA continues to look for additional opportunities to support the PPC's activities through its political risk insurance products for FDI in Senegal. Specifically, MIGA sees opportunities in the transport sector, including ports and urban transport, and is seeking opportunities to support public sector projects in the infrastructure sector through its credit enhancement product. The Senegalese government has asked MIGA to consider supporting a major urban infrastructure project in Diamniadio.

Regarding Senegal's outward FDI, as of the end of June 2019, MIGA had US\$94.9 million in gross exposure for investments from Senegal in Sierra Leone, underscoring the growing trend of intra-regional South-South investments.

Given its increased engagement in the Africa region, MIGA established an Africa office in Dakar in October 2016. The office works very closely with the country management unit as well as the IFC's central office and has established strong partnerships with the Government of Senegal.

MIGA participates in the Country Partnership Strategy (CPS).

In November 2011, MIGA issued a \$99 million guarantee to support a US dollar cross-currency swap agreement between Standard Bank PLC and the government of Senegal, which the Ministry of Economy and Finance had entered to hedge against the foreign exchange exposure of the 2021 Eurobonds. In 2016, the guarantees in support of the Destination Inspection Project and DP World Dakar expired, and the guarantee for the Senegal cross-currency swap was terminated upon termination of the swap agreement.

On 30 July 2015, MIGA issued guarantees covering a USD 250 million EUR/USD currency swap agreement between Citibank, Société Générale and Standard

Chartered Bank and the Ministry of Economy and Finance as a hedge against the foreign exchange risk related to the 2024 Eurobonds. The MIGA guarantee covered the risk that the government would not honor its obligation under the swap agreement. Under the current transaction, the proceeds of which will be used to partially refinance the 2024 Eurobonds, subject to the success of the concurrent Tender Offer, the MIGA guarantee will be terminated in full, including the portion covered by Standard Chartered Bank. Senegal currently intends to keep the remainder of the 2024 Eurobond (after liability management) hedged against foreign exchange risk. MIGA's exposure to Senegal decreased over the period FY2013-FY2017 but remained in line with the PPS. For example, the second MIGA-facilitated cross-currency swap transaction was well aligned with the priorities of the PPS and the PES.

In terms of medium-term initiatives, the World Bank Group has put in place a five-year Country Partnership Framework (CPF) for Senegal that sets out the World Bank Group's (WBG) program for the 2020-2024 period. The framework aims to support the country on its path to middle-income status by 2035. To support the Government's ambition to promote sustainable, resilient and inclusive growth, as defined in the Emerging Senegal Plan (ESP) and the second Priority Action Plan (PAP 2A), the CPP builds on the findings of the 2018 Country Systematic Diagnostic (CSP) and the 2019 Country Private Sector Diagnostic (CPSD) and focuses on three priority areas as follows: (i) strengthening human capital to increase productivity and boost the demographic dividend; (ii) boosting competitiveness and job creation through private sector-led growth; and (iii) increasing resilience and sustainability in the face of rising risks. The strategy also includes three cross-cutting themes: (i) pushing the boundaries of digital use to support Senegal's transition to a modern and inclusive economy; (ii) promoting improved gender representation and reducing the gender gap in key indicators across all goals; and (iii) mitigating the effects of climate change.

### **iii) African Development Bank Group (AfDB)**

As of December 31, 2021, the AfDB Group's portfolio in Senegal comprised 3,128 operations for a total net volume of commitments of 1,600,961 million

Units of Account (UA), or about 1,253,798 billion CFAF. By way of comparison, as of December 31, 2017, it comprised 28 operations for a total net commitment volume of 864.07 million UA, or about 7,171,253 billion CFAF, and as of December 31, 2020, it comprised 31 operations for a volume of 1,600 million UA, or 1,253 billion CFAF.

The sectoral distribution of national projects is as follows: Transport (38%); Rural (22%); Water and Sanitation (5%); Social (12%); Governance (7%); ICT (5.1%); and Energy (7%), Industry (4%) The largest project in the portfolio in terms of amount committed is the TER approved in June 2017 for 153.70 million UA, or about 120.5 billion CFAF.

Concerning regional operations benefiting Senegal, the AfDB's public sector portfolio comprises three regional operations for a total amount of 49 billion CFAF. Their sectoral distribution is as follows Energy (51%), Agriculture/Rural (26.6%) and Transport (22.4%). These multinational projects involve Senegal as well as other countries in the region, notably Gambia, Guinea-Bissau, Guinea and Mali. The breakdown of regional operations is as follows: Energy (68%) and infrastructure (31.04%).

For the AfDB private sector window in Senegal, commitments amounted to about 191.63 million UA, or 150.05 billion CFAF (compared to 115.3 billion CFAF in 2017). As of 31 December 2020, the disbursement rate was 67.5%. There are six projects that have qualified under the private sector window including:

- Dakar-Diamniadio toll motorway (phase 1) privileged loan;
- The AIBD ;
- Sendou power plant (privileged loan and additional loan);
- Malicounda power plant ;
- Line of credit to BNDE (ADB and AGTF loan);
- The rice project of the Agricultural Company of Saint-Louis in Senegal (CASL).

In July 2019, Senegal concluded a series of transactions to hedge the foreign exchange risks associated with its Eurobond 2021 and Eurobond 2033. The hedging transactions were supported by a partial guarantee from the African Development

Bank.

#### **iv) Islamic Development Bank (IDB)**

The Islamic Development Bank (IDB) portfolio as at 31 December 2017, was valued at 532 billion CFAF. It consisted of twenty-eight projects and programs designed to finance Senegal's development. The IDB is a major donor to Senegal, which began supporting the country in 1976. In the framework of the Paris Consultative Group in December 2018, the IDB promised the State of Senegal financing for phase 2 of the PES for an amount of 871 billion CFAF.

In 2019, the IDB's portfolio was consolidated with the signing of new loan agreements for development projects. The financing agreements covered the following projects:

- 28.2 million Regional Rice Value Chain Program ;
- Rural Roads Project-PROBASE, for which the IDB is providing 17 million € in funding;
- 60.3 million National Program for the Promotion of Islamic Microfinance in Senegal (PROMISE);
- Grant of 273,000 US\$ to support the WAQF High Authority.

The IDB has granted a 162 million US\$ loan to assist the government of Senegal in its efforts to combat COVID-19.

As of 30 August 2020, the IDB Group has implemented 80 development projects in Senegal worth 2.6 billion USD. The group has completed 143 operations worth 1 billion USD. The total portfolio is 3.6 billion USD. The IDB has allocated 133 million USD to help the government of Senegal fight the pandemic. This amount is broken down as follows: 5.52 million USD to support the Institut Pasteur in Dakar, a center for the detection and the prevention of COVID-19, 43.3 million USD for capacity building of health sector actors and 84 million USD for food aid to vulnerable households.

In February 2022, the Board of Directors approved 238.2 million EUR in funding for the construction of the Dakar-Tivaouane and Saint Louis motorway.

## **v) Joint G20 initiative/ Club Paris**

On 10 June 2020, Senegal officially announced its participation in the Debt Service Suspension Initiative (DSSI) and sent official requests to its main bilateral official creditors, as well as to the Paris Club. Senegal's application was approved by representatives of Paris Club creditor countries on 21 July 2020. On 14 October 2020, Paris Club members and the G20 agreed to extend the DSFI for an additional six months, until 30 June 2021, for eligible countries that request it. Under the ISSD, the scope of eligible debt is limited to loans from governments or relevant institutions of participating creditor countries concluded before 24 March 2020.

The DSFI has been extended by six months, from 1 January to end-June 2021, and on 1 April 2021, the Paris Club recognized that the Republic of Senegal was eligible to benefit from this extension. On 7 April 2021, the G20 bilateral lenders agreed to an additional extension of the DSFI by six months until the end of December 2021. The Government has committed to use the resources freed up by this initiative to increase spending to mitigate the health, economic and social impact of the Covid-19 pandemic (as part of the Economic and Social Resilience Program - ESRP). In addition, the Government has also committed to seek debt service treatment from all its other bilateral creditors in line with the agreed ISSD roadmap and its annex.

In terms of impact, this initiative has enabled Senegal to achieve savings of 28.2 billion CFAF in 2020 (22.8 billion CFAF in principal and 5.4 billion CFAF in interest), which represents 0.2% of nominal GDP in 2020.

With the extension of the initiative until the end of 2021, the total savings from the ISSD are estimated at 71.2 billion CFAF (55.3 billion CFAF for the principal and 15.9 billion CFAF for interest and commissions). This represents 0.5% of the nominal GDP projected in the 2021 Finance Act.

The main partners involved are the G20 countries that have signed the MOU with the Paris Club, namely Belgium, South Korea, Spain, France (AFD and NATIXIS), India and other countries that are not

members of the G20 but participants, namely Saudi Arabia (the Saudi Fund), Kuwait (the Kuwait Fund for Economic Development) and the Abu Dhabi Fund. For 2021, in addition to the donors mentioned, the initiative has been extended to Turkey.

## **vi) Other landlords**

Senegal also has financing relationships with other multilateral donors such as the EIB, the International Fund for Agricultural Development (IFAD), the Arab Bank for Economic Development in Africa (BADEA), the Organization of Petroleum Exporting Countries (OPEC) fund for economic development and the West African Development Bank (BOAD), the Millennium Challenge Corporation (MCC) and the United States Agency for International Development (USAID). In 2019, the Government of Senegal concluded a loan agreement with AFD for an amount of 100 million euros to finance the TER. In 2020, PIRIOU financing for a total amount of €234.1 million was concluded with Société Générale. The financing of the Olympic stadium was concluded with Standard Chartered Bank for a total amount of 264.5 million euros.

In 2021, Senegal raised a total of 591.0 billion CFAF on the WAEMU sub-regional market (compared with 1264.3 billion CFAF in 2020). The issues were in the form of Treasury bills and bonds.

The BOAD financed, for an amount of 25 billion CFAF in 2020, the development of the Louga Ouarack road and, for an amount of 15 billion CFAF, the program to open up agricultural and mining production areas (PDZAM).

## **9.2.2 Debt sustainability according to the World Bank and IMF**

The IMF and the World Bank have developed a framework to guide borrowing decisions by low-income countries. This framework allows eligible countries to calibrate their financing needs to their current and future repayment capacity. The objective of debt sustainability analyses is to assess the level of debt needed to address risks. According to the Debt Sustainability Framework (DSF), there are four categories of public debt distress risk:

- i) Low risk: all debt indicators are below the benchmark and stress test thresholds;
- ii) Moderate risk: debt indicators are below the thresholds in the baseline scenario, but stress tests show that the thresholds could be breached in the event of an exogenous shock or abrupt change in macroeconomic policy;
- iii) High risk: at least one of the thresholds of the baseline scenario has been exceeded, but the country is not yet in debt repayment difficulties;
- iv) Over-indebtedness: the country has difficulties in repaying its debt.

The thresholds for the best performing countries are generally high.

Table 48.

Debt thresholds and benchmarks under the DSF

	PV of external debt (percentage)		External debt service (percentage)		PV of total public debt (percentage)
		Exports	Exports	Revenues	GDP
Poor policy	30	140	10	14	35
Average policy	40	180	15	18	55
Sound policy	55	240	21	23	70

Source : IMF, World Bank

### IMF/World Bank baseline scenario and financing plan

According to the Debt Sustainability Analysis (DSA) conducted jointly by IMF and World Bank staff with the collaboration of the Senegalese authorities in December 2021. The long-term macroeconomic assumptions remain broadly unchanged from the previous DSA of June 2021. The following underlying assumptions have been retained in the DSF:

- **Real GDP growth.** Senegal's real GDP growth rate is estimated at 5% in 2021, up from 3.7% at the time of the third review. This is due to the widespread recovery that is underway in Senegal, particularly in the secondary and tertiary sectors. The recovery will continue in 2022, with growth at around 5.5%. The start of oil and gas production will provide a temporary boost in 2023 and 2024, and then growth is expected to slow to 5.5% in 2026, close to its long-term average of around 5%.
- **Oil and gas.** The baseline incorporates the Sangomar Offshore Oil Field (SNE) project and the Grande Tortue Ahmeyim (GTA) gas project, which is expected to start production in the second half of 2023. In particular, the share of oil production contributing to exports has been lowered to 70% (from 100%) to take account of the 30% share that will go to the national refining company.
- **Inflation.** Inflation is projected at 2.5% in 2021 and will hover around 1.5% in the medium term.
- **Public sector deficit.** The public sector deficit, which includes the central government deficit and the financing capacity and financing requirement of public enterprises, is estimated to have reached 7.4% of GDP in 2021. This is mainly due to increasing central government budget deficits and massive investments by Petrosen. The public sector deficit is expected to stabilize at around 3% of GDP in the medium term: the central government deficit is converging towards the regional target of 3% of GDP in 2024.

- **Revenue.** Compared to 2019, central government tax revenue decreased by almost 1% of GDP due to the pandemic, to 16.7% of GDP. Non-hydrocarbon tax revenues are projected to gradually increase to 20% of non-hydrocarbon GDP by 2024, in line with the Medium-Term Revenue Strategy (MTRS) targets.
- **Current account deficit.** The baseline scenario assumes a current account deficit of 10% in 2020 and 10.6% in 2021. The deficit for 2021 is lower than the one established at the time of the third review (11.3%), which is mainly due to higher-than-expected exports. The current account deficit is expected to decline significantly from 2023 onwards, following the start of gas and oil exports.

**Table 49. Senegal's performance under the DSF (baseline scenario)**

Year	PV of external debt (percentage)		External debt service (percentage)		PV of total public debt (percentage)	Debt service (percentage)
	GDP	Exports	Exports	Revenues	GDP	Revenues
2021	49.8	228.9	23.3	17.1	64.0	24.0
2022	49.4	218.7	20.3	15.3	62.6	25.4
2023	46.2	191.8	18.6	14.7	59.5	25.1

Source : IMF

The present value of total government debt is expected to decline gradually as a result of higher growth and fiscal rebalancing. The present value of government debt to GDP ratio remains below its benchmark in the baseline scenario. The present value of debt to revenue ratio is also expected to decline gradually. Debt servicing is expected to remain high, averaging one quarter of total revenues in the coming years.

Senegal's risk of debt distress remains moderate, but the scope for absorbing shocks remains limited. According to the IMF<sup>62</sup> report published in January 2022, the DSA requires a mix of financing consistent with a prudent borrowing strategy, aiming to gradually increase the share of domestic debt and seek new external financing on concessional terms. The government of Senegal should plan for financing based mainly on concessional and semi-concessional loans (from the World Bank, the African Development Bank and other partners) and SDR-linked borrowing from the BCEAO. The SDR allocation and the 2021 Eurobond were not included in the borrowing plan of the previous DSA,

which explains the higher gross financing for 2021 compared to the previous baseline (2 061 billion CFAF versus 1 415 billion CFAF).

Furthermore, it should be noted that the State of Senegal is actively managing its debt in order to improve debt sustainability. 775 million 15-year issue in June 2021, Senegal consolidated its rate curve (with two issues) and achieved better performance than its sub-regional peers.

Also, the euro issue makes it possible to (i) consolidate the broadening of the European investor base, (ii) reduce the exposure of public finances to exchange rate risk due to the link between the CFAF and the euro, and (iii) preserve the debt's viability margins through the buyback. Indeed, by buying back 68.6% of the 2024 Eurobond, Senegal reduces the risk of refinancing its public debt in 2024. The buyback of the 2011 Eurobond, which is due to mature in 2022, would allow the definitive exit (after an initial buyback in 2018) of these securities, which carried a coupon of 8.75.

<sup>62</sup> Staff Report (Senegal) for the 2021 Article IV Consultation, Fourth Review of the Policy Coordination Instrument-Supported Program, First Reviews under the Stand-By Arrangement and the Stand-By Arrangement, and Request for Modification of Performance Criteria and Quantitative Objectives. N° 22/8

On debt sustainability, the operation makes it possible to replace, for an almost equivalent value, securities with a short residual maturity by new securities with more favorable maturity and rate conditions (15 years on average with 5.375%). Thus, the debt service linked to these new securities, which is less important, has a lower impact on the level of external debt sustainability ratios to preserve future debt margins. The 2024 peak in the sustainability profile is smoothed out.

## 9.3 External debt

### 9.3.1 Holders

Senegal's external debt is mainly composed of multilateral debt, followed by bilateral debt and commercial loans. This situation is explained by the willingness of donors to contribute significantly to the financing of the PES. External debt is largely dominated by multilateral debt, followed by commercial debt. The increase in commercial debt is explained by the issuance of Eurobonds on the international market.

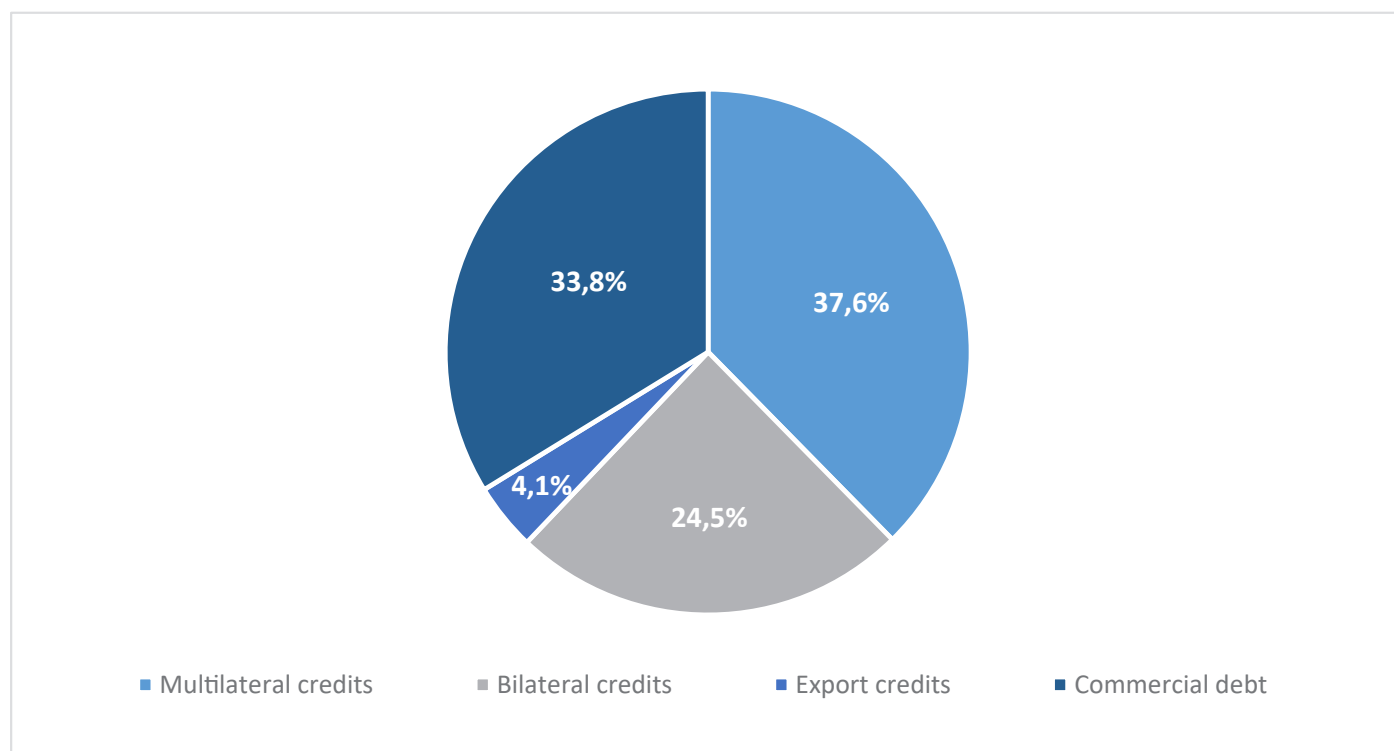
**Table 50.** Composition of Senegal's external debt

TYPES OF DEBT (in billions CFAF)	Outstanding amounts 2021
<b>Multilateral credits</b>	2869.5
<b>Bilateral credits</b>	1865.4
<b>Export credits</b>	314.3
<b>Commercial debt</b>	2574.1
<b>Total public external debt</b>	7623.1

Source : DGCPT

NB: BOAD debt is reclassified as domestic debt

**Figure 13. Distribution of external debt excluding public enterprises according to donors in 2021**



Source : DGCPT

### 9.3.2 External debt payment situation

External debt service (excluding treasury operations) amounted to 585.8 billion CFAF in 2021. This amount is mainly explained by the commercial debt.

**Table 51. Estimated external debt service according to LFR2 2021**

Status as of December 2020	Multilateral			Bilateral			Commercial			Total		
Billions CFAF	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
<b>New drawing</b>												
<b>Service Due</b>	126.6	46.4	173.0	100.3	40.0	140.3	139.8	132.6	272.5	366.8	219.0	585.8
<b>Total</b>												
<b>At maturity N-2</b>												
<b>Backlog</b>												
<b>Paid service</b>			173.0			140.3			272.5			585.8

Source : LFR 2021

### 9.3.3 Currency of the debt

Senegal is exposed to exchange rate risk linked to the US dollar and the Chinese yuan. To deal with this risk, Senegal has established a hedging strategy for certain loans taken out on the Eurobond market

(USD 500 million). Senegal signed a USD/EUR swap contract to hedge its exposure to the US dollar. The operation was carried out in agreement with the International Swaps and Derivatives Association (ISDA).

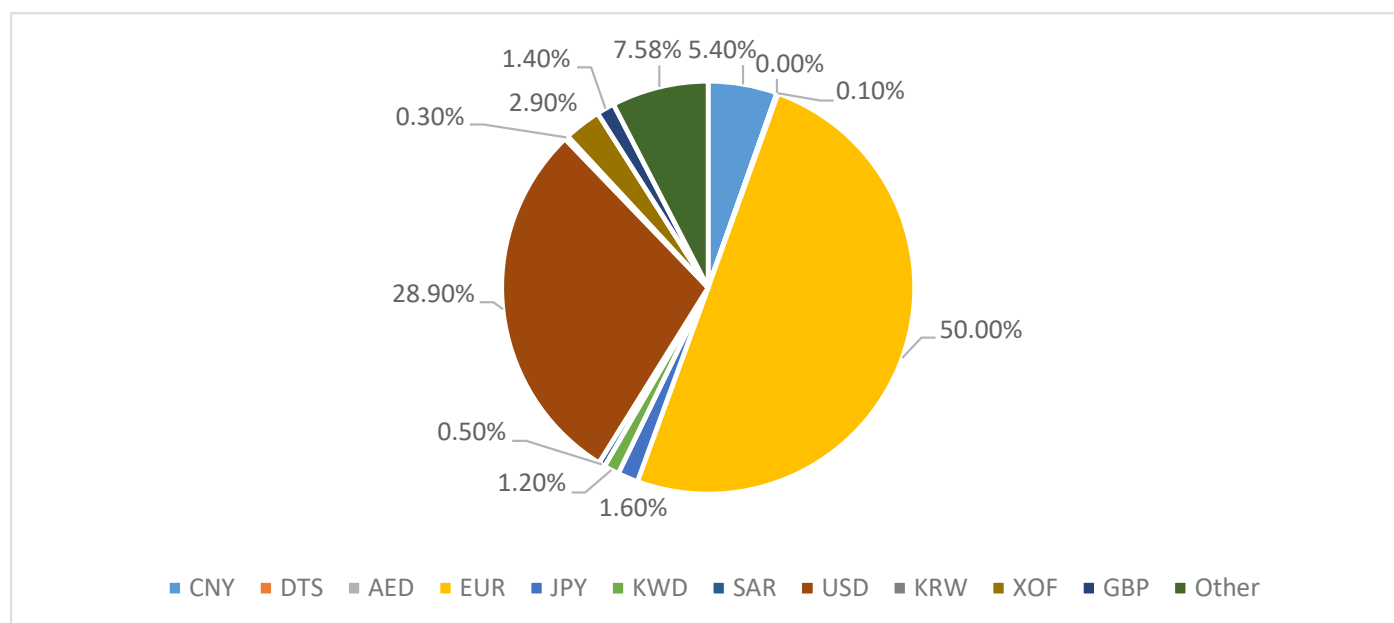
**Table 52. Currency composition of the external debt portfolio**

Currency	Total debt denominated in billions of foreign currencies	CFAF exchange rate as of December 31, 2019	Total debt in billions of CFAF	Exchange rates in EUR as of December 31, 2019	Total debt in EUR billion	Debt distribution by currency
<b>CNY</b>	4.47	83.9	374.7	0.1	0.6	5.4%
<b>DTS</b>	0.00	793.7	0.0	1.2	0.0	0.0%
<b>AED</b>	0.04	159.6	6.2	0.2	0.0	0.1%
<b>EUR</b>	5.25	655.957	3446.9	1.0	5.3	50.0%
<b>JPY</b>	21.81	5.2	113.4	0.0	0.2	1.6%
<b>KWD</b>	0.04	1934.97	85.3	2.9	0.1	1.2%
<b>SAR</b>	0.23	153.6	35.5	0.2	0.1	0.5%
<b>USD</b>	3.41	583.8	1990.5	0.9	3.0	28.9%
<b>KRW</b>	45.00	0.5	22.5	0.0	0.0	0.3%
<b>XOF</b>	202.10	1	202.1	0.0	0.3	2.9%
<b>GBP</b>	0.12	774.02	96.4	1.2	0.1	1.4%
<b>Other</b>	Na	na	522.1	na	na	7.58%

Source : DGCPT

The majority of Senegal's external debt is denominated in euros (50%). This situation can be explained by the authorities' desire to favor euro-denominated debt over the US dollar within the framework of the SDMT.

**Figure 14 : Debt distribution by currency in 2019**



Source : DGCPT

## 9.4 Domestic debt

### 9.4.1 Presentation of the situation as of 31 December 2021

In 2021, the outstanding domestic debt raised by Senegal on the domestic market is 1808.7 billion

CFAF on the WAEMU sub-regional market, of which 1758.0 billion CFAF is in Treasury bonds. These cash resources were raised to meet resilience and post-COVID recovery expenditures. Treasury bonds represent a complementary source of debt to finance infrastructure. Bonds are issued by auction via UMOA-Titres or by syndication (public offering on BRVM).

**Table 53.**

**Distribution of Senegal's domestic debt according to creditors**

Situation at 31 December 2021	Domestic debt in value terms (billion CFAF)	Domestic debt as % of total domestic debt	Domestic debt as % of nominal GDP in year 2021
<b>Total domestic debt</b>	<b>2673.7</b>	<b>100.0%</b>	<b>17.5</b>
<b>Securities</b>	<b>1808.7</b>	<b>67.6</b>	<b>11.8</b>
Treasury bills	50	1.9	0.3
Treasury bond (including OAT and Sukuk)	1758.0	65.7	11.5
<b>Bank loan (including BOAD and IMF)</b>	<b>865.0</b>	<b>32.4</b>	<b>5.7</b>

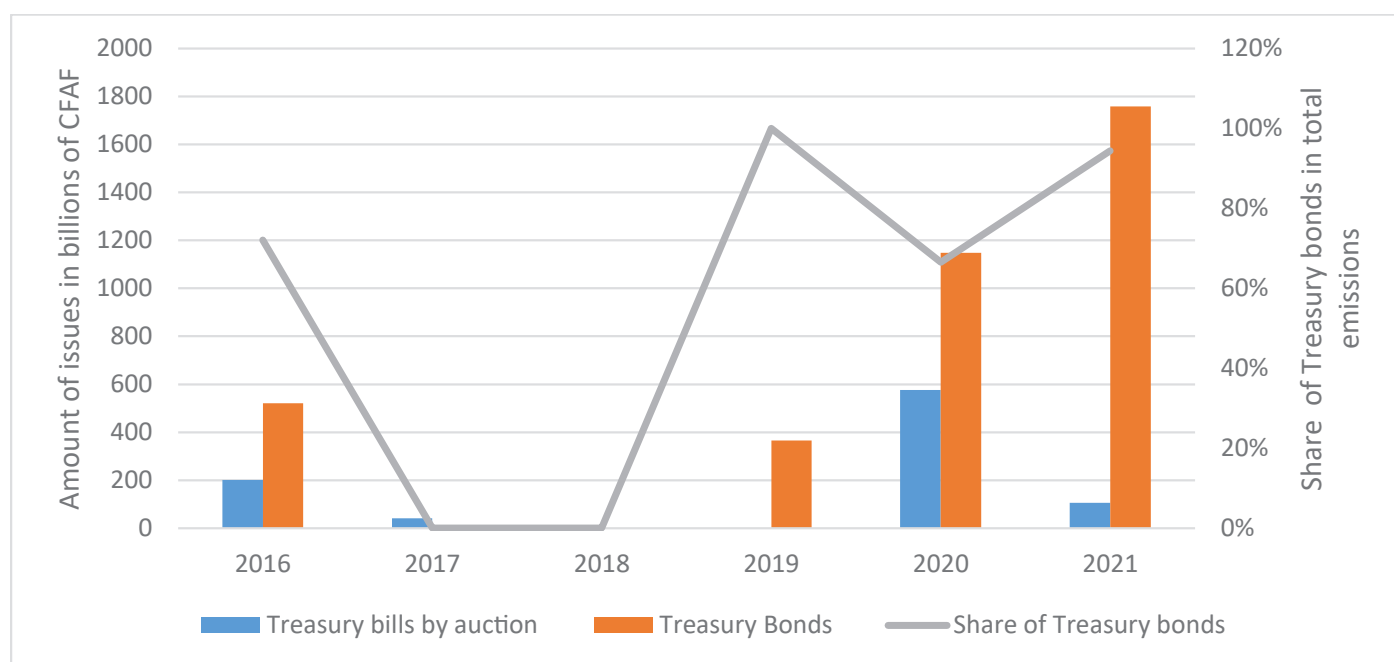
Source : DGCPT

## 9.4.2 Evolution of the composition of domestic debt over the last 5 years

Treasury bond issuance showed an upward trend between 2015 and 2016 before declining in 2017. This situation can be explained by the authorities' desire to reprofile the public debt. However, the State of Senegal did not issue any public securities in

2018. Given the very low international interest rates and global liquidity, the Senegalese government preferred to issue on the Eurobond market. However, the results of the debt sustainability analyses carried out in 2018 prompted the government to return to the regional financial market in 2019. Senegal actively returned to the market in 2020 and 2021.

Figure 15. Breakdown of domestic debt into Treasury Bonds (TB) and Treasury Bills (TB)



Source : DGCPT

## 9.4.3 Status of domestic debt payments

Senegal's domestic debt securities are held by WAEMU banks and insurance companies in WAEMU countries. Capital repayments make up the bulk of the debt service paid at the end of December 2021.

Table 54. Debt Service Due and Paid under LFR2 2021

2021	Banking sector			Non-banking sector			Total		
In billions CFAF	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
(1) Debt service due at the end of December 2021	19.5	3.4	22.9	170.7	86.6	257.3	190.0	89.8	280.2
(2) Debt service paid in the year 2021	19.5	3.4	22.9	170.7	86.6	257.3	190.0	89.8	280.2

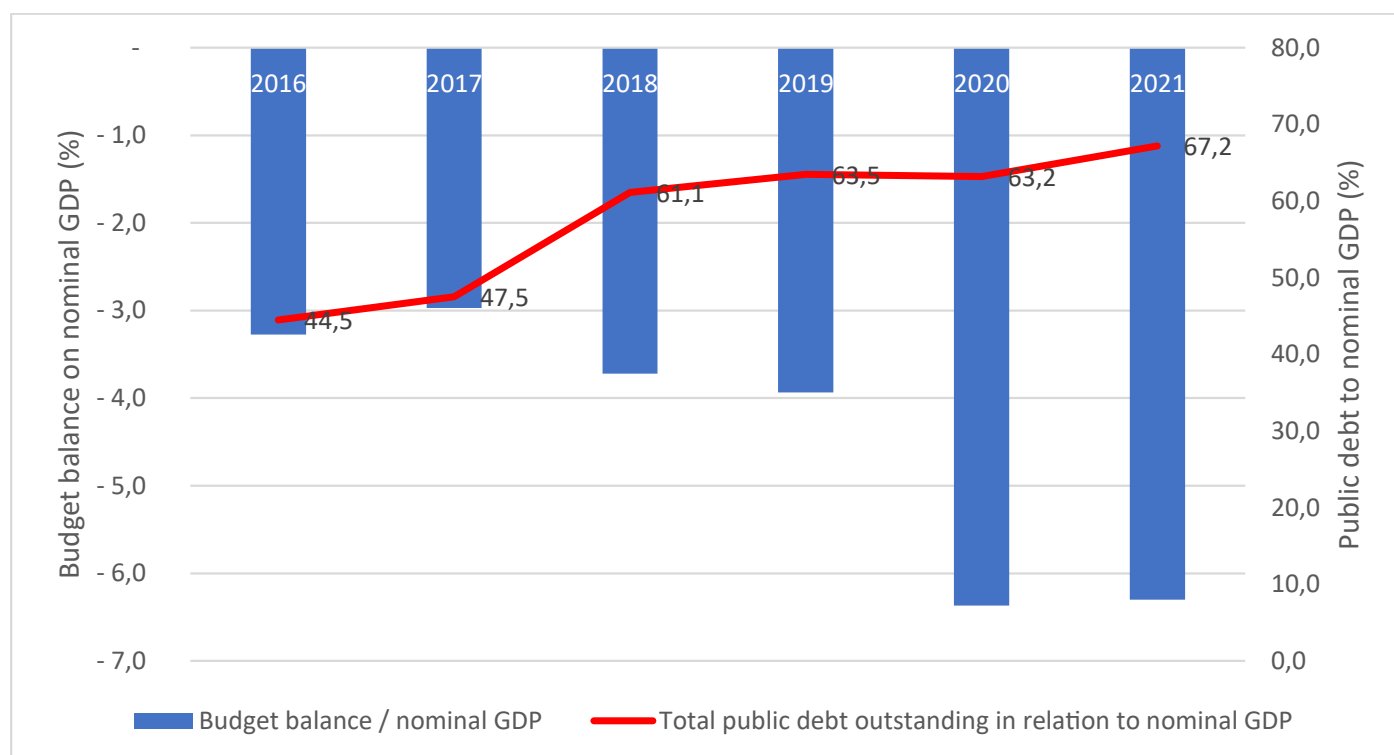
Source : LFR2 2021

## 9.5 Viability and Sustainability

The budget deficit relative to GDP deteriorated from 2016 to 2018. From 2019 onwards, it deteriorates further. The deficits in 2020 and 2021 are linked to the health crisis. Regarding the debt ratio, it has been on a rising trend throughout the period. This situation is explained by the accumulation of budget deficits after the debt relief linked to the Heavily Indebted Poor Countries and Multilateral Initiatives from which Senegal benefited in 2005 and 2006.

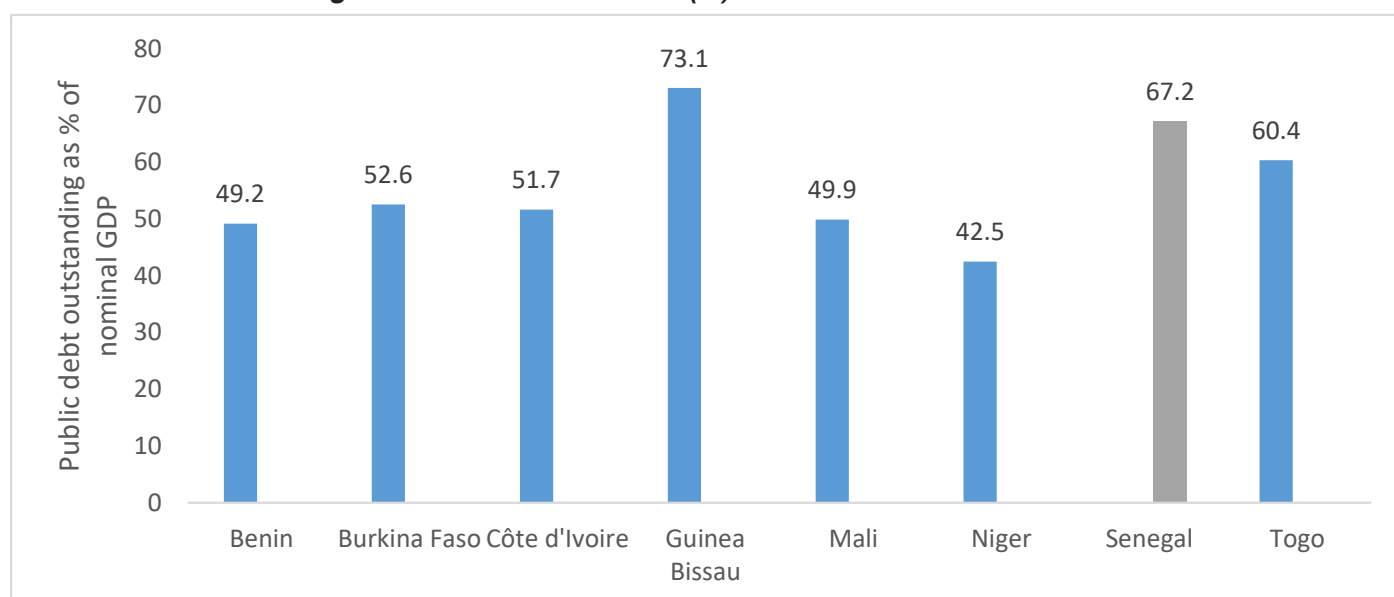
The joint analysis of the budget balance and public debt shows that the government's fiscal position is sustainable. The change of base year has made it possible to stabilize the public debt and overall budget balance to GDP ratios. A comparison of the debt ratios of the various countries reveals that Senegal is above the average of the WAEMU countries.

**Figure 16. Budget deficit to GDP and public debt to GDP ratios in Senegal**



Source : DGCPT

**Figure 17. Public debt to GDP (%) in 2021 for WAEMU countries**



Source : WAEMU Commission, DGCPT

Table 55. Senegal's issuance on the Eurobond market

Date of issue	Amount in millions USD	Rate (%)	Maturity date
2011	500	8.75	2021
2014	500	6.25	2024
2017	500	6.25	2033
2018	1200	4.75	2028
2018	1000	6.75	2048
2021	923	5.375	2037

Source : Bloomberg

Table 56. Details of securities alive as of end December 2020

Description	Identifier	Outstanding amounts (in billions of CFAF)
SN - 5.85% - 3 years - 09. December.22	SN0000001207	128.9
SN - 5.9% - 7 years - 22. March.23	SN0000000936	123.7
SN - 6.15% - 7 years - 19. October. 27	SN0000001447	73.8
SN - 6.15% - 7 years - 16. September.26	SN0000001173	55.3
SN -BT - 12 months - 15. August. 21	SN0000001413	55.0
SN - 6% - 5 years - 02. June. 25	SN0000001348	54.0
SN - 6.15% - 7 years - 09. December.26	SN0000001223	49.8
SN - 5.85% - 3 years - 19. October.23	SN0000001421	48.5
SN - 6% - 5 years - 19. October.25	SN0000001439	42.8
SN - 6% - 5 years - 07. June.24	SN0000001132	39.9
SN - 5.85% - 3 years - 06. July.23	SN0000001389	38.5
SN - 5.85% - 3 years - 13. January.23	SN0000001231	38.5
SN - 6% - 5 years - 09. March.25	SN0000001264	36.8
SN - 5.85% - 3 years - 16. September.22	SN0000001157	35.5
SN - 6.15% - 7 years - 07. June.26	SN0000001140	34.4
SN - 6% - 5 years - 27. July.25	SN0000001397	33.0
SN - 6% - 5 years - 10. February.25	SN0000001256	30.7
SN - 6% - 5 years - 15. June.25	SN0000001363	30.0
SN - 5.85% - 3 years - 02. June. 23	SN0000001330	28.5
SN - 5.75% - 3 years - 21. December.23	SN0000001504	27.5
SN - 6% - 5 years - 09. November.25	SN0000001488	27.5
SN - 5.85% - 3 years - 14. April. 23	SN0000001280	26.7
SN - 5.85% - 3 years - 15. June. 23	SN0000001355	25.0
SN - 5.8% - 3 years - 10. February. 23	SN0000001249	24.3
SN - 6% - 5 years - 14. April. 25	SN0000001298	23.0
SN - 6% - 5 years - 09. December.24	SN0000001215	21.3
SN - 6.15% - 7 years - 09. March.27	SN0000001272	18.3
SN - 6.25% - 7 years - 10. September.22	SN0000000878	12.9
SN - 6.15% - 7 years - 14. April. 27	SN0000001306	5.3

Source : UMOA-Titres

**Auction (for government securities):** an auction of securities issued by the central government. In the WAEMU area, it is organized by the BCEAO and only banks and other regional financial institutions with accounts at the BCEAO can participate. Other entities can only subscribe to auctions through WAEMU banks.

**Amortization or maturity:** the period between the disbursement of a loan and its final repayment, consisting of the grace period and the repayment period.

**Public offering:** an invitation to tender on the financial market for public securities through an IGS. It is open to all savers.

**Net external assets (NEA):** net claims or liabilities of monetary institutions (Central Bank and banks) outside of Senegal. This item corresponds to all the headings of the Central Bank's and banks' situations relating to their operations with the outside world. It is obtained by deducting from gross external assets, all external commitments, including medium and long-term commitments.

**State financing requirement:** the overall amount needed to cover the primary budget deficit and the interest and amortization charges associated with the debt.

**Treasury bills:** short-term government securities with a maturity of between 7 days and 2 years, issued by a WAEMU Member State.

**Paris Club:** an informal group of creditor countries (usually OECD countries) that meet in Paris to negotiate debt restructuring agreements with debtor countries experiencing debt service problems.

**Bilateral creditors:** governments, central banks, agencies and export credit agencies, which lend to a debtor government on an intergovernmental basis.

**Multilateral creditors:** international institutions that lend funds on concessional and/or non-concessional

terms, such as the IMF, World Bank and regional development banks.

**Loans to the economy (EC):** all loans granted to the economy by banks (refinanced or not), financial institutions (part refinanced by the Central Bank) and by the Treasury (through the acceptance of customs drafts).

**Domestic credit** = Credit to the economy + Government net position (see NGP).

**Disbursement:** payment of all or part of the amount contracted under a loan.

**Budget deficit:** difference between total revenue and total expenditure and net lending.

**Current account deficit:** current account deficit in the balance of payments.

**Primary deficit:** negative difference between revenue and expenditure, excluding interest payments.

**External public debt:** central government borrowing from non-residents.

**Domestic public debt:** central government borrowing from residents.

**Non-concessional debt:** debt contracted on market terms.

**Public debt:** sum of all central government debts (external and internal).

**Economic data:**

- **Actuals:** economic data for past years, calculated on the basis of comprehensive economic information collected on economic activity by national administrations. They should correspond more or less to the final accounts data for the year N-3;

- **Estimates:** correspond to semi-final or provisional accounts, based on the economic information of a given year. They are generally not exhaustive and/or not fully validated;
- **Economic projections or forecasts:** correspond to economic data calculated on the basis of assumptions made about the future evolution of [economic activity]. These projections may partially cover some accounts for which only provisional and/or partial data are available.

**Donation element:** difference between the nominal value (NV) and the present value (PV) of the debt service expressed as a percentage of the nominal value of the loan  $((NV-VA)/V \cdot N)$ .

**Concessional borrowing:** loans and credits that have a long amortization period and/or below-market interest rates, such that they have a grant element of at least 35%.

**Eurobond:** a foreign currency bond on the London financial market.

**Inflation:** a general rise in consumer prices. This results in a loss of purchasing power of money.

**Multilateral Debt Relief Initiative (MDRI):** an initiative launched in June 2005 to accelerate progress towards the Millennium Development Goals (MDGs).

**HIPC Initiative:** a framework adopted by the World Bank and IMF in 1996 to address the external debt problems of heavily indebted poor countries, which aims to provide sufficient overall debt relief to achieve debt sustainability.

**Money supply (MS):** all claims held by the rest of the economy on monetary institutions.

It covers monetary assets (cash in circulation + sight deposits) and quasi-monetary assets (savings accounts and term deposits).

**Treasury bonds:** medium or long-term government securities issued through auctions or public offerings.

**Contingent liabilities:** debts contracted by other public entities except central government (local authorities and para-public sector).

**Net government position (NGP):** the Treasury's net claims on or liabilities to the rest of the economy.

The government's net position is the difference between the Treasury's debts and its claims on the Central Bank, banks and individuals and companies.

By convention, a crediting PNG is preceded by a (-) sign while a debiting PNG is preceded by a (+) sign.

**Tax pressure:** the ratio of tax revenues to GDP.

**Refinancing risk:** risk related to the renewal of maturing debt. It may relate to the cost of refinancing or the inability to obtain the desired amounts.

**Interest rate risk:** interest rate risk refers to the vulnerability of the government's debt portfolio and cost of debt to high market interest rates, to the point where maturing fixed rate debt and floating rate debt are revalued.

**Foreign exchange risks:** risks related to exchange rate fluctuations.

**Debt service:** any payment to be made on account of the principal, interest and fees of a loan.

**Primary balance:** (see primary deficit).

**Public debt stock:** the amount of outstanding debt disbursements at a given date.

**Exchange rate:** the price of one currency in terms of another.

**Debt ratio:** ratio of the stock of public debt to GDP.

**Investment rate of a country's economy:** ratio that indicates the gross fixed capital formation of all economic agents (government, enterprises, households) expressed as a percentage of GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

**The terms of trade:** express for a country the ratio between the price of exports and the price of imports. They are generally calculated from price indices and indicate a change in relation to a reference year ( $T = [\text{export price index} / \text{import price index}] \times 100$ ).

The terms of trade improve over time ( $T > 100$ ) if an economy exports a smaller quantity of goods to obtain the same quantity of imported goods (in other words, the same quantities exported allow

the purchase of an increased quantity of imported goods): export earnings improve in this case. In the opposite case, the terms of trade deteriorate ( $T < 100$ ).

This price ratio thus translates the evolution of the purchasing power of exports into imports, for a given volume of trade (the structure of trade is fixed): it reflects the price competitiveness of a country (independently of the quantity effect).

# BUILDING A BENCHMARKED GOVERNMENT SECURITIES MARKET FOR DEVELOPMENT OF WAMU STATES



*Together, let's build  
the WAMU of tomorrow*



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Mali



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BCEAO Country Office - Boulevard Général De Gaulle  
PO Box 4709 Dakar - Senegal | Tel: (+221) 33 849 28 28  
[www.umoatitres.org](http://www.umoatitres.org)