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Focusing international financial architecture reforms on country needs: examples from Senegal

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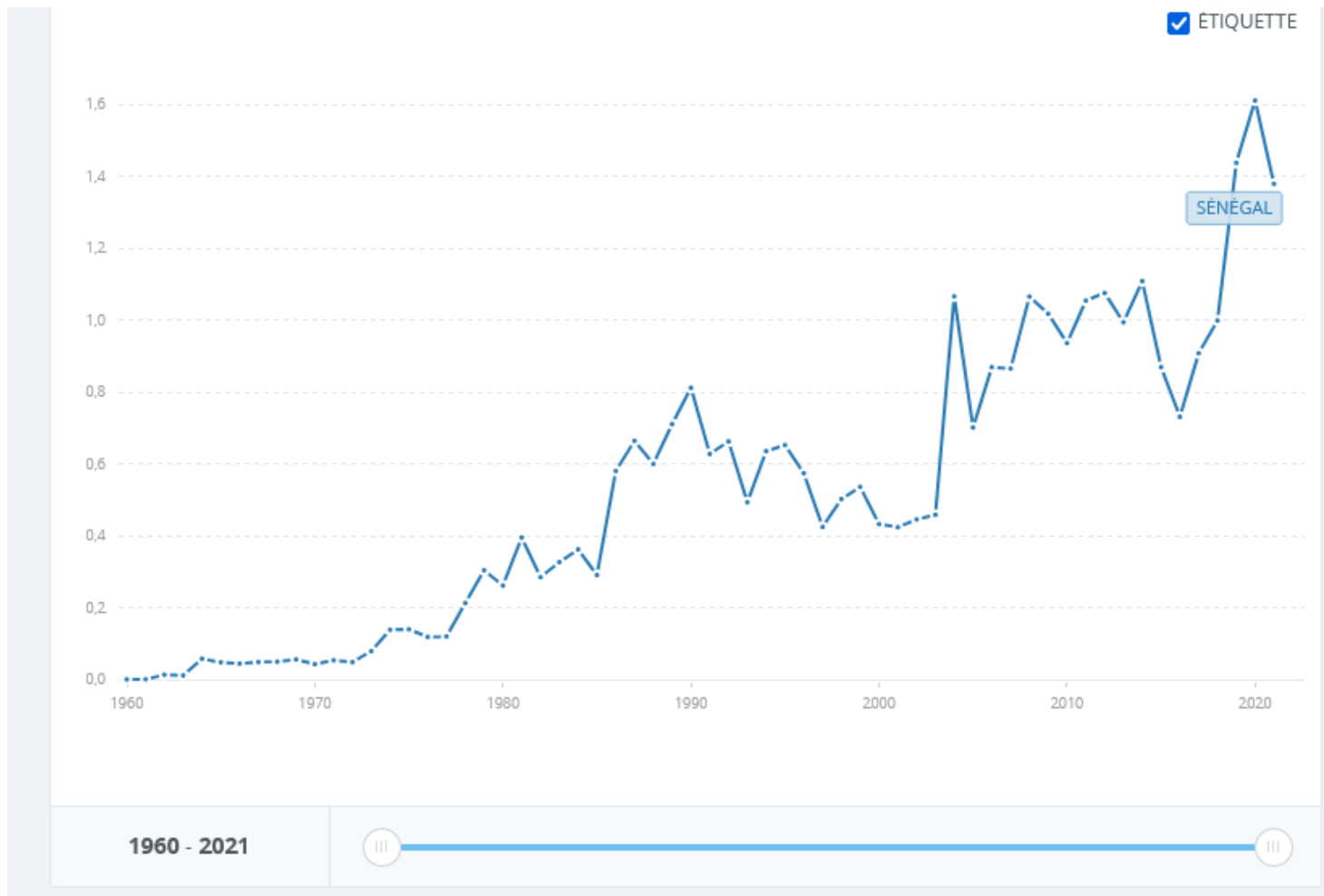
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The Summit for a New Financing Pact to be held next week in Paris is an important milestone in a reform process that has been underway for several months, with high expectations particularly from African countries and developing economies. For Senegal, for example, at a time when the country is facing a political crisis that is highlighting the challenges of a sustainable socio-economic transition, it illustrates why certain points of the reforms are crucial, and how they need to be better anchored in the realities of the country in order to support a long-term ambition.[1](#)

The challenge of securing financing

As one of the leading countries in West Africa, Senegal has benefited from a relatively positive economic dynamic over the past ten years. This has translated into growth of around 6%/year until 2020, fuelled in part by its ability to mobilise international funding via international aid to finance its national budget.

Figure 1: Net ODA for Senegal between 1960 and 2021, source OECD



The implementation of the (*Plan Sénégal émergent, PSE*)—the government's reference economic and social development vision and strategy—has formed the basis of five-year priority action plans (*Plans d'action prioritaires, PAP*), within which some 20 [flagship investment projects](#) (*Projets d'investissement phares, PIP*) have been identified for which financing is essential. These efforts at strategic, operational and financial articulation have enabled the country to mobilise more than 50 international donors (for a total volume of net official development assistance of around 1,400 million dollars, around half of which in loans, according to the OECD), attracted also by Senegal's relative stability and political openness compared with other countries in the region.

But the situation remains unstable. In addition to [ongoing political events](#), the country has also had to face the consequences of the COVID-19 pandemic and the difficulties of maintaining the positive momentum that had been set in motion (growth down to 4%) and achieving its emergence objectives throughout the country (inflation hovering around 10% and public debt on the rise). This set of factors led the government to revise its [PAP in 2020](#), indicating

additional financing requirements of €22.4 billion by 2023.

Faced with these constant pressures, Senegal needs to ensure that its financing is secure, in order to meet short- and medium-term needs, while enabling the transition to greater long-term sustainability to continue.

Several African finance ministers have already requested that at the June Summit for a New Global Financing Pact in Paris, commitments be made to provide low-cost, long-term financing, for example via the World Bank Group's International Development Association (IDA), which primarily finances the lowest-income countries. Senegal is involved in this issue, as the perspective of graduation from the category of least-developed countries to the higher category illustrates the country's economic dynamism and development progress, but also raises questions: the country would no longer have access to the same types of funds, such as those from IDA, and would benefit from fewer grants and more loans, which are granted on less advantageous terms.

Senegal's Minister of Finance Oulimata Sarr complained in Washington in April 2023 about the high cost of capital for a country like hers, faced with rising interest rates and still insufficient investment. Faced with the urgency of development for its population, the authorities did not wait for a response from the international community to explore other sources of financing: from other donors (such as China or the New Development Bank), or from the private sector (which is expected to finance one third of the total budget of the revised PAP 2020), but also by considering the exploitation of recently discovered mining and gas resources ("gas to power", or the transformation of gas into electricity, and "gas to industry", to support the development of industry); beyond the dual objective of promoting universal access to electricity and contributing to Senegal's economic development, the exploitation of these resources also aims to mobilise additional revenue for the national budget.

Such an approach raises questions in terms of sustainability and the objectives of a low-carbon economy, but also highlights the need for a systematic approach to the transformations to be carried out and the appropriate financial tools, so as not to leave parts of the transition without resources.

Anchoring efforts in existing national dynamics

The challenge of ongoing reforms is not only to have better-equipped institutions, but above all to take better account of the national realities and dynamics within which they operate. From this point of view, Senegal is equipped with multiple planning and implementation tools that need to be built on and strengthened.

In January 2023, the Ministry of the Economy, Planning and Cooperation launched a (NDP), with the aim of producing a 2024-2028 PAP and a joint financing strategy. This process, organised into thematic commissions, is due to be completed over the summer, and will mobilise all Senegalese (administration, civil society, private sector) and international stakeholders (such as donors) to identify needs, adopt a strategy and implement priority actions. One of the challenges remains to ensure coherence between sectors, between the players involved and between levels of implementation (national, regional, local). In addition to these planning tools, other sectoral strategies already exist or are being developed, such as the nationally determined contributions (NDCs) or the long-term strategies (LTS) required under the Paris Climate Agreement. To avoid operating in silos, a key challenge is to clearly anchor international commitments in national strategies, while questioning the latter in the light of the analytical work produced to establish them. Such questioning should make it possible to identify more clearly the transition pathways of priority sectors such as energy or food, which in turn can foster the development of related sectors (such as industry or agriculture). These sectoral strategies can then be supported by financing strategies that highlight the types of international financing that are appropriate for the transformations to be carried out (for example, grants for social sectors, or loans or guarantees for renewable energies). These national dynamics would

benefit from being better used during the 2023 discussions (June summit, G20 in September, Marrakech meetings, etc.) to illustrate the needs and anticipate the international institutional and structural changes capable of meeting them.

Beyond the national and international levels, the implementation of these themes at municipal and local authority level, for example, remains a major challenge in order to ensure social and environmental equity throughout the territory. Local plans do exist in Senegal, but they are sometimes conceived without the involvement of the authorities concerned, who often lack the financial and human resources to ensure that they are implemented in line with these ambitions. The civil society, for example, has set up activities to promote awareness of the challenges of development and the fight against climate change (see [ENDA](#) and [Gaïa](#)), but these are still too small to be a real driving force for change.

These efforts also raise questions of governance and the ability to monitor the implementation of these national and global objectives. With an average level of SDG achievement estimated at around [37% for 2023](#), there is still considerable room for progress. The many international donors in Senegal have their own coordination bodies (with thematic groups, but also the G50, which represents the enlarged group of international technical and financial partners, the G15 restricted to the 15 largest international donors to coordinate their interventions, and the G5 or executive committee currently chaired by Germany, which facilitates strategic dialogue with the Prime Minister and the Presidency). But they continue to maintain parallel privileged links with the authorities (which can sometimes weigh on the latter's ability to respond to multiple requests) or to operate on the margins of existing strategy tools, thus posing planning problems. The Senegalese authorities themselves face coordination challenges, in the absence of a single institution in charge of steering and monitoring, and a lack of clarity as to the clear division of roles: the Minister of Planning is in charge of the NDP, coordinated by the General Directorate of Planning and Economic Policies, but this process necessarily involves other sectoral ministries, and decision-making power remains, in the pre-electoral period, mainly articulated around the presidential team. The concept of a "country platform", which has been put forward as part of the discussions on reforms, could provide some answers, by perpetuating the process launched as part of the NDP, to foster in the longer term collaboration and synergies between the international and local players involved.

The case of Senegal illustrates one of the ultimate objectives of the reform of the international financial architecture, namely transformations at country level, responding to their needs. International discussions cannot therefore do without clear and reinforced support for existing national dynamics, to better identify multiple needs, collectively reflect on a coherent approach to finding national solutions, and feed into international discussions on the adaptations required to meet them.

¹ These elements are drawn in part from interviews conducted in Dakar between February and March 2023, as part of ongoing work by IDDRI with European think tanks SEI and IDOS on financing sustainable development from a country perspective.

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