



**SOVEREIGN DEBT, THE
SUSTAINABLE DEVELOPMENT
GOALS AND TRADE UNIONS IN
SENEGAL**



Summary Briefing – December 2023¹

Senegal is at a crossroads, with a growing public debt – but it can build a model for better discussions on public finances and investment in the SDGs in social dialogue processes.

¹ This briefing note is based on a longer background paper commissioned by the ITUC and completed by Prof Babacar Sene, Cheikh Anta Diop University, Dakar.

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INTRODUCTION: A RETURN TO THE INDEBTEDNESS OF THE 1980s AND 1990s?

Senegal, in its economic history, faced debt problems in the 1980s and 1990s. This has had adverse effects on economic growth, private investment and workers' living standards. Since the beginning of the 2000s, we have been witnessing a return to indebtedness in Senegal, with a sharp rise in the debt ratio as a result of budgetary measures taken by the public authorities to mitigate the negative repercussions of Covid-19 and geopolitical tensions affecting economic actors, including workers and the most vulnerable sections of society.

At present, Senegal's debt ratio is estimated to be close to the WAEMU and ECOWAS community target (70%) and exceeds the community standard if the liabilities of local authorities are taken into account. If there is no change in the current international context, marked by the continuing effects of the Covid-19 pandemic and the Russia-Ukraine war, which have given rise to substantial state intervention to support economic activity and, consequently, an

increase in the budget deficit, Senegal is likely to face an increase in the sovereign debt ratio and a high debt risk. Senegal's public debt ratio has risen significantly in very recent years, from 57.1% in 2019 to 68.2% in 2022, representing an increase of 11.1 percentage points.

In the context of this debt vulnerability, Senegal needs to proactively manage its sovereign debt with a view to minimising its economic and social impacts and enabling public spending to fuel an equitable economic recovery. This process must involve social dialogue with all stakeholders, not least the workers' unions, to ensure greater transparency. Trade unions must work to ensure that sustainable solutions to the debt crisis are proposed. Over-indebtedness is particularly harmful to workers if governments seek to remedy it by implementing disastrous and counter-productive austerity policies. Austerity measures have in many instances affected the collective bargaining power of trade unions, curtailed workers' rights and freedoms and reduced their incomes, as well as undermining the quality of and access to public services and limiting the funding of social protection and social security.

RECENT PROGRESS TOWARDS THE SDGs, SUCH AS DECENT WORK, INEQUALITY, GENDER AND CLIMATE, IS UNDER THREAT

Senegal has made progress towards achieving the SDGs, particularly those most closely linked to workers and trade unions, such as SDG 8 (Decent work and economic growth), as well as SDG 1 (No poverty) and SDG 10 (Reduced inequalities). Some indicators, however, deteriorated in 2019 and 2021 due to the negative effects of the Covid-19 pandemic and geopolitical tensions linked to the Russia-Ukraine war.



SDG 1: No poverty.

SDG 1 calls for the eradication of poverty in all its forms, including extreme poverty.

Estimated at 42.8% in 2011, the poverty rate in Senegal fell by five percentage points, from 42.8% in 2011 to 37.8% in 2021. Compared with the 2015 target, the current poverty rate (37.8%) would have to be reduced by 16.4 percentage points to meet the target (21.4%) set for 2030. As for the extreme poverty rate (6.8%), the rate of progress noted over the 2015-2021 period suggests that there will be no or relatively little deviation from the target for 2030.



SDG 8: Decent Work and Economic Growth.

Lasting, shared and sustainable economic growth is a prerequisite

for national prosperity. The Senegalese economy performed remarkably well over the 2014-2019 period, with an average annual growth rate of 6.2%.

In 2020, under the impact of the Covid-19 pandemic, growth slowed to 1.3%.

As regards the formalisation of the Senegalese economy, progress has been made towards achieving SDG 8, both in terms of the level of activity and the informality of employment. According to estimates by the National Agency for Statistics and Demography (ANSD), the informal sector accounted for 45.6% of GDP in 2020, compared with 46.5% in 2015, a reduction of 0.9 percentage points compared with the 2015 figure. Also, the share of informal non-agricultural employment in total employment was estimated at 92.6% for 2021, compared with 95.4% for 2017. The health crisis has highlighted the need to formalise the economy. It has in fact proved difficult, if not impossible, to support economic actors in the informal sector, given the difficulties in identifying and justifying losses due to the health crisis containment measures (DGPPE, 2022).

The measures taken by Senegal to reform the regulation and the remuneration of work also seem to have borne fruit. In 2015, the overall unemployment rate for the working population aged 15 and above was estimated at 15.7%, compared with 15.2% in 2019, a fall of 0.5 percentage points. The health crisis, however, caused unemployment to rise to 23.6% in 2021.



SDG 10: Reduced inequalities.

With the aim of increasing the incomes of the poorest 40% of the population, Senegal implemented several

programmes such as the PUDC, PUMA,

PROMOVILLES, PNBSF and CMU, with a view to contributing to the reduction of inequalities by improving access to basic social services. Substantial progress towards achieving SDG 10

can be seen in the Gini index, which went from 40.3% in 2011 to 35.1% in 2019, representing a significant reduction in inequality of 5.2 percentage points in eight years.

CHANNELS FOR TRADE UNIONS TO TAKE PART IN POLICY ON SOVEREIGN DEBT AND THE SDGs

EXISTING INSTITUTIONAL FRAMEWORK FOR PUBLIC DEBT MANAGEMENT

To modernise the legal framework for public finance management and transparency in public debt management, the Senegalese government (by Ministerial Decree 5889, dated 3 July 2008) set up a **National Public Debt Committee (CNDP)**, which is the management and coordination unit for public debt management bodies. This decree is in line with WAEMU community regulations, which recommend the institutionalisation of debt management in each member country. The committee is under the authority of the finance minister and is tasked with developing, coordinating and monitoring the implementation of national public debt and public debt management policy.

Trade unions, however, have not been included in this framework.

The failure to include trade unions accentuates information gaps and reduces unions' room for manoeuvre when negotiating with the government. Given the importance of transparent debt management and the impact it has on workers and the poor, the current

institutional framework urgently needs to be extended to include other stakeholders such as workers, trade unions and civil society. The effort to publish information on a continuous basis is not sufficient to meet the expectations of all stakeholders.

TRANSPARENCY MEASURES FOR PUBLIC FINANCE

Senegal is the first country in sub-Saharan Africa with a public financial management framework corresponding to the traditionally Francophone system to volunteer for a transparency evaluation (FTE). This assessment is conducted in line with the standards and practices defined by the IMF's Fiscal Transparency Code adopted in 2014.

Senegal has been responding to the challenge of budget transparency for several years.

- The legal framework relating to public finances has been completely modernised with the transposition of innovations arising from the directives of the West African Economic and Monetary Union (WAEMU), which are inspired by international best practice and include the adoption of a code for transparency in the management of public finances.

- In terms of data, the WAEMU directives also help to harmonise statistical data at sub-regional level, and to make them more comprehensive. Since 2017, Senegal has formalised its adherence to the Special Data Dissemination Standards (SDDS), becoming the fourth country in sub-Saharan Africa and the first in the WAEMU zone to adhere to this IMF standard.
- Finally, extensive budget documentation is made available to the public via the MEFP [Ministry of the Economy, Finance and Planning] website and the websites of the various public authorities, as reflected for instance by Senegal's good ranking in the Open Budget Index (OBI) (score of 51 in 2017, 10 points higher than the world average, and third position in sub-Saharan Africa). In addition to the various finance bills and their appendices, the country also publishes economic and financial reports, quarterly budget implementation reports as well as monthly and quarterly business reports. All these elements provide a good foundation for Senegal to continue to make progress in terms of budget transparency.

The US Agency for International Development (USAID) has launched a SUNU-BUDGET project. The aim is to increase transparency in the management of Senegal's public finances by building capacity for institutional and citizen monitoring and control of the budget. It should also give citizens access to budget information through documentation and presentation sessions. There are two components to the project: firstly, capacity-building for state and non-state actors, through workshops for all stakeholders (public servants and civil society actors). **The National Coalition for Budget Monitoring (CONASUB)** plays a central role in this component; and, secondly, citizen budget monitoring and advocacy.

Civil society organisations may ask the finance and budget minister to discuss issues relating to the government's budgetary and fiscal policies. In this context, the minister may provide explanations regarding the budget execution mechanism and the quarterly budget execution document. **The trade unions, however, are not involved in this project either.** To ensure social cohesion, it is essential that trade unions be involved in this framework for dialogue between non-state actors and the Senegalese state. Not including trade unions in this programme accentuates information gaps and reduces their room for manoeuvre when negotiating with the government.

PARTICIPATION IN SDG-RELATED PROCESSES AND MONITORING

With regard to the trade unions' contribution to dialogue and monitoring regarding SDG-related policies and to decision-making on debt and public finances, on 26 May 2015 the government of Senegal adopted a decree on the establishment of a **Harmonised Framework for Monitoring and Evaluating Public Policies (CASE)**. This harmonised framework is designed to ensure the monitoring and implementation of public policies, plans, projects and programmes and their evaluation. It is also tasked with collecting and sharing results relating to the evaluation of public policies. The Framework holds an annual meeting – a joint annual review – in which the private sector, social partners, technical and financial partners, academics, civil society representatives, trade unions, elected representatives, the Economic, Social and Environmental Council (CESE) and other stakeholders take part. For the time being, however, the discussions focus mainly on the achievement of the SDGs through the VNRs. Trade unions play a monitoring and advocacy role at this level to ensure that the government's commitments to the SDGs are

respected and that the actions implemented actually contribute to their achievement. The National Trade Union Network of Senegal on the SDGs (RSND) was set up in December 2021. Involving trade unions in the process of taking ownership of the SDGs strengthens participatory democracy and contributes to the development of more effective and inclusive policies and programmes for the well-being of the population.

INTERNATIONAL ADVOCACY FOR DEBT CANCELLATION

In 2020, with the onset of the global health crisis, many voices were calling for debt cancellation for Africa. It was against the backdrop of a global pandemic that the African Debt Cancellation Initiative (**Initiative pour l'Annulation de la Dette Africaine - IADA**) was launched, in June 2020. The IADA brought together national and international players in the political, economic and social spheres (trade unions, civil society organisations). It emerged out of the desire among Senegalese organisations and personalities to organise, together with all women and men concerned about human solidarity, joint action to secure the total cancellation of African debt in the context created by the Covid-19 pandemic.

The initiative was supported by the president of the Republic of Senegal, Mr Macky Sall. The president's representative, trade unions and other civil society organisations, as well as academics and figures from the world of culture, contributed to the debate through national and international events and advocacy for the cancellation of African debt in the context of the global health crisis.

The IADA action plan was essentially based on three objectives:

- To promote information, awareness-raising, mass communication and social mobilisation activities in Africa and throughout the world in conjunction with all social forces fighting for the cancellation of the continent's public debt using appropriate means.
- To lobby the public authorities of creditor countries and the relevant intergovernmental institutions for a 100% cancellation of Africa's public debt in the post-Covid-19 period.
- To strengthen the committee's operational and management capacity to achieve its objectives.

ROADMAP FOR MORE EFFECTIVE UNION INVOLVEMENT

In view of the shortcomings highlighted in the previous sections, this paper will seek to develop a roadmap for achieving more effective and transparent debt

management from a trade union perspective, focusing on how to strengthen the institutional framework and other priority policy issues to ensure more effective trade union involvement.

STRENGTHENING THE FRAMEWORK FOR DIALOGUE AND CONSULTATION

The trade unions' first response should focus on strengthening the framework for dialogue and consultation on short- and medium-term debt management. Based on the documentation reviewed and interviews conducted, it appears that the trade unions are not involved in the institutional framework for defining and implementing the Medium-Term Debt Management Strategy. Their absence from this framework is highly prejudicial to workers. While they are consulted on the monitoring of public policy implementation, the specific issue of public debt is not explicitly included within this framework. This issue of workers' union representation should be dealt with either at the level of the National Public Debt Committee (CNDP), which is the management and coordination unit for public debt management bodies, or at the level of the Harmonised Framework for Monitoring and Evaluating Public Policies (CASE). This discussion is essential and should lead to a consensus on debt management strategy, which will enable Senegal to manage its sovereign debt proactively, with a view to minimising its economic and social impacts and enabling public spending to fuel an equitable economic recovery. In this respect, the trade unions must work to ensure that sustainable solutions to the debt crisis are proposed. Over-indebtedness hits workers particularly hard, through the austerity policies prescribed by governments. In many cases, these policies have affected trade unions' collective bargaining power, curtailed workers' rights and freedoms and reduced their earnings, as well as undermining the quality of and access to public services and limiting funding for social protection and social security.

Strengthening the institutional framework by ensuring trade union participation will have to be undertaken both nationally and within

the wider WAEMU community, including the lobbying of the WAEMU and national parliaments by workers' unions to press for improvements to the legal framework for debt management. Advocacy initiatives should be conducted together with other trade unions in the WAEMU zone to develop the WAEMU community regulation that recommends the institutionalisation of debt management in each country (Regulation 09/2007/CM/UEMOA on the reference framework for public debt policy and management).

The establishment of a debt observatory involving trade unions, members of civil society and the state should provide a framework for dialogue and consultation. This observatory could be inspired by CONASUB or even incorporated within this structure. The idea is to set up a coalition for a citizen debt audit and a citizen budget.

PRIORITY POLICY ISSUES FOR MORE EFFECTIVE TRADE UNION INVOLVEMENT

In addition to trade union representation within debt management frameworks, other priority policy issues for trade unions need to be addressed. Among the most important are transparency in debt management, the strengthening of regional and global cooperation between trade unions, communication on the trade union response to debt management and the mobilisation of financial resources to implement the roadmap.

Transparency in debt management

As indicated above, Senegal has made significant efforts to improve the transparency of debt management, particularly in terms of transposing WAEMU regulations and publishing debt information. Transparency should not, however, be limited solely to the publication of debt statistics and should also include

citizen and trade union scrutiny through the observatory.

Strengthening regional and global trade union cooperation

The global debate on debt in developing countries and the reform of the international financing architecture is an opportunity for trade unions to put forward their case. The aim is to tackle the issue of debt in a way that promotes decent work for all. If this contribution is to be heard and effective, it must be made at regional and global level through mobilisation and enhanced cooperation between all trade unions. Trade union solidarity should be a key component of this struggle.

Trade unions and civil society organisations must be involved in debt resolution frameworks in developing countries. The international community must develop a broader framework to allow trade unions and CSOs to take part. Discussions on integrating these organisations

should be held as part of the new international debt resolution architecture.

Trade union capacity building

The interviews conducted revealed the need for trade union capacity building to enable them to make themselves better understood. Capacity building is one of the concerns raised by Senegalese trade unions. Debt issues are often highly technical and multidisciplinary. It is essential that all these actors be brought together to work in unison to create a synergy.

Mobilisation of financial resources to implement the roadmap

Implementing the trade union response will require the mobilisation of human and financial resources. Ingenuity will be required to mobilise these resources. International cooperation in action can facilitate the mobilisation of both human and financial resources.

CONCLUSION

Senegal's return to indebtedness over the past two decades is an undeniable reality and a response to the need to finance development, such as the major projects included in the PSE [Plan for an Emerging Senegal]. This re-indebtedness has been accompanied by a transformation of the public debt profile and a diversification of external creditors. The current trend in public debt is marked by an upward trajectory, with a public debt ratio close to the

WAEMU community standard or slightly above it if local authority debt is included. Added to this is the fact that the latest assessments arising from the debt sustainability analysis conducted by the World Bank and the IMF suggest that Senegal's external debt is sustainable, and that the overall risk of external and public debt distress is moderate, but the country has limited scope for dealing with new shocks in the short term, all of which adds to the concern surrounding Senegal's debt.

In the context of this debt vulnerability, Senegal will have to manage its sovereign debt proactively to minimise its economic and social impacts and enable public spending to fuel an equitable economic recovery. This approach must involve social dialogue with all stakeholders, in particular the workers' unions, to ensure greater transparency in the debt management strategy. Trade unions must work to ensure that sustainable solutions to the debt crisis are proposed.

Viewed from this trade union perspective, the main recommendations formulated and to be implemented in the short and medium term as part of a roadmap are as follows:

- Strengthen the institutional framework of the medium-term debt management strategy by including workers' unions and other civil society organisations as stakeholders in the dialogue on Senegal's debt;
 - Pursue the transparency initiated in the management of public finances and incorporate a debt dimension;
 - Set up a debt observatory involving trade unions, members of civil society and the state. This observatory could be inspired by CONASUB or even be integrated into this structure.
 - Strengthen regional and global cooperation between trade unions on issues relating to debt and the reform of the international financial architecture;
 - Build the capacity of trade unions to deal more effectively with issues relating to public debt in general and Senegal's debt in particular;
 - Improve communication on trade union responses for effective and transparent debt management.
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ITUC
International Trade Union Confederation

info@ituc-csi.org

www.ituc-csi.org

Phone: +32 (0)2 224 0211

Boulevard du Jardin Botanique, 20
1000 Brussels, Belgium

Publisher responsible in law:
Luc Triangle, General Secretary

