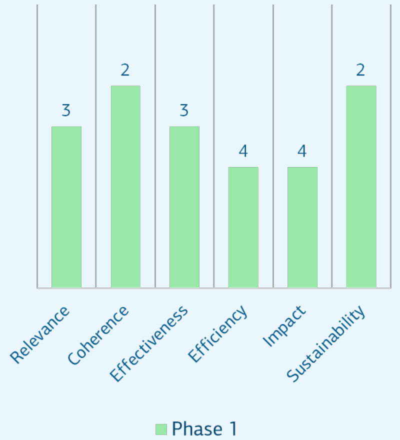
Bank aus Verantwortung

Ex-post evaluation
Corona emergency aid Force COVID-19, Senegal

Title	Corona emergency aid Force COVID-19
Sector and CRS code	Multisectoral, CRS code: 43010
BMZ number	BMZ No. 2020 68 278
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Recipient and executing agency	Republic of Senegal, represented by the Ministry of Economy, Planning and Cooperation
FC financing volume and instrument	EUR 100 million (grant)
duration	10/2020-12/2022 **Reporting year** 2024 **Year of random sample** 2024

Overall rating

moderately successful



1: very successful – **6:** completely unsuccessful

Project objectives and implementation

The FC project co-financed the Senegalese government's coronavirus emergency aid programme (Programme de Résilience Économique et Social, PRES). The objective at the outcome level was to ensure that micro, small and medium-sized enterprises (MSMEs) in the sectors most affected by the pandemic made use of the financing instruments of the third axis of the PRES, while ensuring the transparent implementation of the PRES. At the higher level of development policy, the objective was to contribute to preserving jobs and thus stabilising the economy and maintaining the state's capacity to act during the crisis.

Key findings

The project achieved considerable partial success. It is rated as "partially successful" for the following reasons:

- The relevance of the FC programme stemmed from the lack of access to finance for MSMEs, which made it particularly difficult for them to obtain urgently needed loans to preserve jobs during the COVID-19 crisis. Coherent donor coordination reduced transaction costs and improved the implementation of the government's crisis response programme.
- Despite meeting the indicators, the financing mechanism missed an opportunity because the potential of Senegalese services to support MSMEs was not fully exploited (effectiveness).
- The credit offerings of the financing mechanism were not sufficiently tailored to the needs of MSMEs in the informal sector (97% of Senegalese companies), in which established banks play virtually no role. The fact that a large part of the credit volume was processed through established banks rather than microfinance banks tended to detract from the efficiency of the financing mechanism.
- The FC project helped to preserve over 17,000 jobs, thereby contributing to poverty reduction and maintaining the capacity of the Senegalese state to act (impact).

Conclusions

- The use of partner systems does not automatically guarantee the use of instruments best fitted to support target groups..
- A cost-benefit analysis should be an integral part of the design of subsidised financing lines.
- As crisis instruments, taylor-made loans are less costly than subsidies and thus play a forward-looking role in efficiently managing external shocks.

Contents

List of abbreviations

AfD	Agence Française de Développement
AfdB	African Development Bank
AK	Final inspection
ANSD	Agence Nationale de la Statistique et de la Démographie
APBEFS	Association Professionnelle des Banques et des Etablissements Financiers du Sénégal
APSFD	Association Professionnelle des Systèmes Financiers Décentralisées du Sénégal
ARMP	Authorité de Régulation des Marchés Publiques
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BCI	Banque pour le Commerce et l'Industrie
BIS	Banque Islamique du Sénégal
BMZ	Federal Ministry for Economic Cooperation and Development
BNDE	Banque National de Développement Économique
DAC	Development Assistance Committee
DER/ FJ	Délégation générale à l'Entrepreneuriat rapide des Femmes et des Jeunes
DeVAL	German Institute for Evaluation
EIB	European Investment Bank
EPE	Ex-post evaluation
EU	European Union
EUR	Euro
FC	Financial cooperation
FC E	FC Evaluation
FIMF	Fonds d'Impulsion de la Microfinance
FONGIP	Fonds de Garantie des Investissements Prioritaires
GDP	Gross domestic product
GIZ	German Society for International Cooperation
HDI	Human Development Index
ISSAI	International Standards for Supreme Audit Institutions
IWF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
MSME	Micro, small and medium-sized enterprises
SME	Small and medium-sized enterprises
MEPC	Ministère de l'Economie, du Plan et de la Coopération
MFB	Microfinance banks
MMFESS	Ministère de la Microfinance et de l'Economie sociale et solidaire
MP	Module proposal
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PA	Project appraisal
PCR	Final completion report
PFM	Public Financial Management
PP	Project proposal
PRES	Programme de Résilience Economique et Social
SDG	Sustainable Development Goals
SFD	Systèmes Financiers Décentralisés
TC	Technical cooperation
UEMOA	Union Economique et Monétaire des Etat de l'Afrique de l'Ouest
USD	US dollar
WB	World Bank

Overview

General conditions and classification of the project

The COVID-19 crisis, which was declared a pandemic by the World Health Organisation, hit Senegal hard and caused gross domestic product (GDP) growth to slump from an originally expected 6.8 per cent to just 1.3 per cent in 2020. In addition, there was a sharp increase in the budget deficit to 6.1%. The government-imposed curfews brought business activities to a standstill, combined with the threat of massive job losses. The risk of negative social impacts from impending insolvencies and unemployment was high.

Around 97% of Senegalese companies operate in the informal sector and are therefore not covered by social security systems. The decline in economic activity led to a drop in tax revenues, while at the same time the COVID crisis required additional spending, particularly in the health sector. This resulted in a financing gap of around 3% of GDP and jeopardised the government's ability to act. COVID crisis required additional expenditure, particularly in the health sector. This led to a financing gap of around 3% of GDP and jeopardised the state's ability to act. To cushion the negative effects of the pandemic, the Senegalese government adopted an emergency aid programme (Programme de Résilience Économique et Social, PRES) at the beginning of April 2020 with four pillars and a planned volume of 1 trillion FCFA (approx. 1.5 billion EUR):

Axis 1: Strengthening the health system (77.8 billion FCFA, approx. 116.6 million euros)
Axis 2: Strengthening the social resilience of the population (103 billion FCFA, approx. 157 million euros),
Axis 3: Macroeconomic and financial stability to support the private sector (741.6 billion FCFA, approx. 1.1 billion euros),
Axis 4: Securing the supply of oil, medical equipment, medicines and food (77.6 billion FCFA,
approx. EUR 118.3 million).

German support focused primarily on the third axis of the PRES, for which four measures were planned to support the private sector:

a) tax breaks amounting to around 241.6 billion FCFA (approx. 368.3 million euro),
b) a financing mechanism also amounting to around FCFA 200 billion (approx. EUR 305 million),
c) repayment of domestic debt amounting to 200 billion FCFA (approx. 305 million euros), and
d) a financing line of 100 billion FCFA (approx. 152 million euros) to support the economic sectors hardest hit by the pandemic (transport and tourism sectors and educational institutions).

The German contribution focused in particular on pillar 3 and the financing mechanism (3 b.), as this played an important role in preserving jobs and incomes for broad sections of the population. The German contribution tied in with the reform partnership agreed between Senegal and Germany by the Federal Ministry for Economic Cooperation and Development (BMZ) in November 2019. The reform partnership aimed to remove barriers to investment in order to strengthen investment in the private sector.

Brief description

The German coronavirus emergency aid was set up with a FC grant of EUR 100 million. The disbursement of this sector budget support was linked to the satisfactory implementation of a donor matrix developed for the policy dialogue on the PRES. The FC programme was not assigned to any development cooperation programme, but indirectly ensured the continuation of the reform partnership by strengthening the Senegalese government's capacity to act.

In coordination with the other donors, the FC funds were to be used primarily for Axis 3. The measures under this axis were aimed at supporting private companies, especially micro, small and medium-sized enterprises (MSMEs), which were particularly affected by the crisis, so that they could survive financially and resume their business activities in a subsequent recovery phase. The measures focused on preserving jobs and preventing insolvencies by providing liquidity to cover companies' priority expenses (salaries).

Breakdown of total costs

To finance the PRES emergency programme, the Senegalese government established the "Fonds Force COVID 19" with a planned volume of 1 trillion FCFA (approx. EUR 1.5 billion) by Decree No. 2020-884 of 1 April 2020. However, a total of only 789.58 billion FCFA (approx. EUR 1.2 billion) was mobilised for the PRES coronavirus emergency aid programme in 2020, of which 740 billion FCFA (EUR 1.1 billion) was spent. In addition to German FC, the EU contributed the equivalent of around EUR 124 million, the World Bank (WB) EUR 92 million, the International Monetary Fund (IMF) EUR 405 million, the African Development Bank (AfDB) with EUR 88 million and the Agence Française de Développement (AfD) with EUR 50 million. The Senegalese government contributed FCFA 102.2 billion (approx. EUR 156 million) to the fund. This represented around 13% of the total financing.

The total financing for the PRES was paid into Senegal's overall budget via a supplementary budget and was therefore subject to the general procedures of Senegalese financial management. The fund did not have its own legal personality. It was a special account ("Compte spécial fonds coronavirus") set up by the Ministry of Finance and managed by the Central Bank of West African States (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO). The FC funds were approved in accordance with the FC TC guidelines for urgent needs (para. 47); in accordance with BMZ regulations for budget financing, no appraisals of the use of FC funds were carried out.

	Inv. (plan)	Inv. (actual)
Investment costs (total) in EUR million	1500	1100
Own contribution in EUR million	156	156
External funding in EUR million	1344	944
of which BMZ funds in EUR million	100	100

Table1: *Breakdown of costs*

Map of the project region

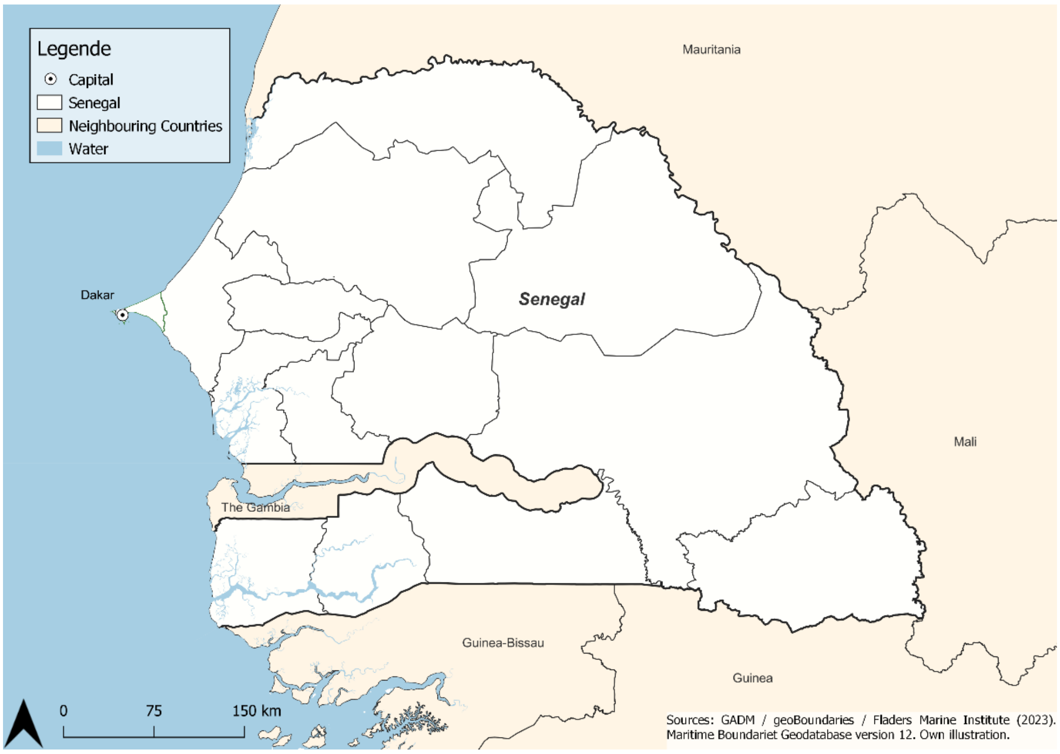


Figure1: *Project region Senegal*
Source: *Own illustration.*

Project-specific strengths and weaknesses of the project

The strengths include in particular:

- The relevance of the project was high and stemmed from the previously inadequate access to finance for MSMEs, which made it particularly difficult for them to obtain urgently needed loans to continue employing their staff during the COVID-19 crisis. The project addressed this obstacle.
- The Court of Auditors' report contributed significantly to the accountability and transparency of the use of PRES funds. The overall rate of misuse of funds was less than 0.5%. By issuing specific recommendations addressed to individuals and initiating a judicial investigation of several responsible parties, the Court of Auditors acted courageously and embarrassed the government. The opportunity to strengthen the institution of the Court of Auditors as an independent appraisal body was seized.
- The repayment rate of 85% achieved by the FIMF's microfinance programme *Programme d'Appui Sectoriel Microfinance* proves that even small microfinance banks (MFBs) can operate profitably. However, the close monitoring of the sometimes inexperienced MFB and the end borrowers, who do not always have reliable creditworthiness data, implied high administrative costs.

The weaknesses include in particular:

- Given that the majority of Senegalese companies operate in the informal sector and have no customer history with established banks, the weighting of the financing mechanism focused on in indicator 1 was not appropriate (100 billion FCFA, approx. EUR 150 million for SMEs via the formal banking system and only FCFA 5.5 billion approx. EUR 6.8 million for micro-enterprises via MFB). Micro-enterprises and SMEs that do not have access to the formal banking system were given far too little consideration by the financing mechanism. However, given the urgency of drawing up the PRES and auditing this FC programme during the coronavirus crisis, this lack of prior analysis is understandable due to time constraints.
- The organisational and implementation structure of the financing mechanism was set out in writing in various agreements. However, implementation did not always adhere to the principles laid down in the agreements. This led in some cases to double financing and financing of enterprises that did not belong to the priority sectors.
- Due to the limited selection of state institutions and support programmes, the potential of Senegalese services for MSME support structures was not fully exploited. In order to reach all sub-segments of the MSME sector, institutions offering tailor-made credit products for women and young entrepreneurs, as well as innovative, low-threshold products (e.g. digitally implemented nano-loans), should have been taken into account.

General conclusions/lessons learned

- The effectiveness of emergency aid could have been significantly increased by conducting a prior needs analysis in the individual sub-segments of MSMEs, but this was not possible due to time constraints (the need to respond quickly during the pandemic).
- Concerted action by donors led to a stronger negotiating position in the *policy dialogue* with the Senegalese government and resulted in improved terms and conditions.
- The costs of the emergency aid programme have contributed to a sharp increase in Senegal's debt ratio since 2019 (in 2024: 84.3% of GDP). Repayment-related measures such as the financing mechanism were less costly than subsidies and can therefore play a forward-looking role in coping with external shocks.

Assessment according to OECD DAC criteria

Relevance

1. Alignment with policies and priorities

On the Senegalese side, the PRES emergency aid programme formed the strategic framework for the FC programme. The establishment of a COVID-19 fund to finance the emergency aid programme with funds from the state, private donations and donors was broadly in line with the IMF's recommendations. The aim of the fund was to finance expenditure related to the fight against the pandemic and to support economic sectors particularly hard hit by the crisis. Detailed action planning formed the basis for transparency and reporting.

The PRES emergency aid programme was in line with the *Plan Sénégal Emergent* II *growth strategy* for 2019-2023 launched by the Macky Sall government (2012-2024). As the engine of the economy, the private sector played a key role in achieving the strategic goal (8% economic growth).[1]

On the German side, the strategic framework was provided by the BMZ's Corona Emergency Programme, in particular its fields of action 5 ("Securing companies in key sectors") and 6 ("Corona emergency aid for the direct financing of national programmes").[2] Funding approaches as a means of ensuring the business viability of companies in order to prevent insolvency and massive job losses were key components of action area 5 of the Corona Emergency Programme. The FC programme also supported the projects of the German-Senegalese reform partnership by supporting the private sector and thus prioritising the reform agenda agreed within the framework of the reform partnership.

The PRES – and thus also the co-financing FC module – is linked to several of the 2030 Agenda goals (*Sustainable Development Goals*, SDGs). In particular, it contributes to the following goals: SDG 1: End poverty in all its forms everywhere; SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

As co-financing for the overall PRES programme, the FC project was in line with the principles of modern development cooperation advocated by the German government as a co-signatory to the Paris, Accra and Busan decisions (alignment with partner priorities, donor harmonisation, use and strengthening of partner systems).

2. Alignment with the needs and capacities of stakeholders and beneficiaries

In accordance with indicator 1 (MSMEs benefit from one or more financing mechanisms set up under the PRES), the FC project aimed above all to ensure that MSMEs from the most affected sectors made use of the financing mechanisms of the third axis of the PRES. The sectors listed as "severely affected" by the Senegalese Ministry of Economy, Planning and Cooperation (*Ministère de l'Economie, du Plan et de la Coopération*, MEPC) included transport, tourism, trade, agriculture, livestock, fisheries, education, culture and youth.

In the following, the financing mechanism implemented by the MEPC, the responsible agency, will be examined in detail, as the coronavirus emergency aid was intended to focus on this according to the indicator in the module proposal (utilisation by at least 10,000 MSMEs). In fact, there was only one financing mechanism in the third axis of the PRES (see item 3 b) in Table 5). Disaggregated data on the supported business segments (large enterprises, SMEs, micro-enterprises) were available for this financing instrument. The results of the other three financing instruments of the third axis of the PRES (tax breaks, repayment of domestic debt and the financing line for the tourism and transport sector and for educational institutions), which were the responsibility of the respective sectoral ministries, are illustrated separately as a package at the end of the chapter on effectiveness.

With one exception, a partial measure relating to tax breaks, no disaggregated data was available on the business segments receiving support.

In general, providing Senegalese companies with urgently needed liquidity can be appraised as appropriate. According to a study conducted by the Senegalese statistics authority (*Agence National de la Statistique et de la Démographie,* ANSD) in November 2020, 92.5% of Senegalese companies reported being affected by the crisis. The majority of companies (70.6%) reported a loss of revenue of more than 25%. Almost half of the affected companies (48.6%) confirmed that the crisis had affected their permanent employees.[3]

[1] IMF 2019: 13.
[2] BMZ Corona Emergency Programme 2021: 23-25.
[3] Comité de Suivi 2021: 14.

The **financing mechanism** gave companies access to subsidised loans. The provision of government guarantees amounting to 40% of the total loan amount was also intended to incentivise banks to engage in lending.

A management committee (*comité de gestion*) chaired by the MEPC (Private Sector Promotion Department, *Direction du Secteur Privé*) assumed the role of the credit committee, i.e. was ultimately responsible for deciding on the granting of loans. The management committee included several ministries with links to MSMEs, including the Ministry of Microfinance (*Ministère de la Microfinance et de l'Economie Sociale et Solidaire*, MMFESS), the Ministry of Trade and SMEs (*Ministère de commerce et des PME*, MCPME), the Ministry of Industrial Development and Small and Medium-sized Industries (*Ministère pour le developpement industriel et les petites et moyennes industries*, MDIPMI), as well as the banking association and the Agency for the Development and Management of SMEs (*Agence de Developpement et Encadrement des PME*, ADEPME).

The Senegalese Banking Association (*Association Professionelle des Banques et des Etablissements Financiers du Sénégal*, APBEFS) was responsible for setting the terms and conditions of the financing mechanism and designing the eligibility criteria for using the mechanism.[4] In addition to the banking association and the Ministry of Economy, the donor community was also involved in the negotiations on the terms and conditions, advocating for greater social compatibility. According to the module proposal, these negotiations were crucial for the successful operationalisation of the financing mechanism.

In the financing mechanism of the third axis of the PRES, financing windows were set up for three business segments (large enterprises, small and medium-sized enterprises (SMEs) and micro-enterprises). According to the national definition, large enterprises are those with an annual turnover of more than 2 billion FCFA (over 3 million EUR). Approximately 400 companies in Senegal belong to this segment. Small and medium-sized enterprises (SMEs) have an annual turnover of 100 million FCFA - 2 billion FCFA (150,000 EUR - 3 million EUR), while the annual turnover of micro-enterprises is less than 100 million FCFA (less than 150,000 EUR). Approximately 300,000 companies are classified as MSMEs, and it is estimated that around 90% of these companies operate in the informal sector and generate less than 100 million FCFA, meaning they belong to the micro-enterprise segment. These companies are not formally registered and do not pay taxes. Their actual number is difficult to determine, partly because in Senegal the term for SMEs, "*Petites et Moyens Entreprises*, PME", usually includes micro-enterprises, for which no separate data is available. Companies in the informal sector are at the lower end of the scale in terms of size, generate low profits and tend to be active in labour-intensive sectors, with crafts predominating. Informal enterprises often lack the commercial expertise to set up an accounting system and are rarely able to prepare business plans that are convincing to banks, meaning that they have little chance of obtaining loans from formal banks. As a result, the formal banking sector plays virtually no role in the informal sector.

The number of jobs in Senegal is difficult to determine as there are no central statistics covering all aspects of the labour market. According to estimates, MSMEs account for 42% of employment and contribute 33% to total economic output.[5] These are often one-person businesses. Companies that pay full taxes and are therefore classified as part of the formal sector create around 245,000 jobs.[6]

As the outcome indicator for this FC project focused exclusively on MSMEs, the financing window for large companies is not taken into account below.

The financing window for SMEs, amounting to around EUR 152 million, was to be handled by formal banks. A state guarantee fund, Fonds de Garantie des *Investissements Prioritaires* (FONGIP), under the supervision of the Ministry of Economy (MEPC), was responsible for implementing this window, including default guarantees.[7] The use of the financing mechanism was subject to certain criteria, e.g. the assurance by companies that they would continue to pay at least 70% of the salaries of their employees who were unable to work productively due to the crisis ("short-time workers"). Audited balance sheets for the last three years had to be provided to prove a coronavirus-related loss of revenue of at least 33%. The use of other credit lines under the PRES was excluded. The interest rate for end customers for this financing window was very low in 2020 at 3.5%, compared to the average interest rate of 14.25% charged by the six Senegalese commercial banks participating in the financing mechanism.[8]

The financing window for micro-enterprises was set up through the **FONGIP** microfinance programme **"*Kiiraaye* Liggeey"** (English: Health, Work) in the amount of 5 billion FCFA (approx. 7.6 million euros).[9] The terms and conditions of the FONGIP programme, 1.5–2% for microfinance banks (MFBs) and ≤ 9% for end borrowers, also ensured preferential loans. The normal interest rates of the MFB were comparable to those of established commercial banks.

On the other hand, the ***Fonds d'Impulsion de la Microfinance* (FIMF)**, which is under the authority of the Ministry of Microfinance and Social Economy (*Ministère de la Microfinance et de l'Economie Sociale et Solidaire*, MMFESS), received

[4] "Framework Agreement between the Republic of Senegal and the Professional Association of Banks of Senegal (APBEFS)"
[5] GIZ 2021.
[6] Victor Ndiaye (performance group) speaks of 12,000-14,000 companies that can be classified as part of the formal sector. Lejecos, 15 January 2024.
[7] "Framework Agreement between the Republic of Senegal and the Professional Association of Banks of Senegal (APBEFS) of 29 April 2020" and "Addendum between the MEPC and FONGIP of 29 April 2020"
[8] Central Bank of West African States (BCEAO) 2023: p. 4 (maximum interest rate, maximum lending rate, including CBAO: 15%, BIS 15%, ECOBank 15%, BNDE 12.1%, BCI 13%, BGFI 13%).
[9] Agreement on the Management of the COVID-19 Response Refinancing and Financial Guarantee Fund for Small Businesses (TPE) between MEPC and FONGIP, dated 5 May 20220.

approximately EUR 830,000 for the refinancing of particularly small MFIs. The FIMF's terms and conditions (0% for MFIs and ≤ 3% for end borrowers) were particularly favourable. The eligibility requirements for this segment were also low: end borrowers needed a bank account with an MFI and a commitment to spend the loans granted on investment activities.

Financing window	Implementation	Credit volume	Interest rate	Loan coverage in %	Repayment	Extension period
SME	MEPC/ FONGIP via formal banks	100 billion FCFA (152,4 million EUR)	3,5 %	40 %, from 19.08.2020 60%	3-6 years	1 year
Micro-enterprises	MEPC/ FONGIP via MFB	5 billion FCFA (7,6 million EUR)	MFB: 1,5-2 % micro-enterprise: ≤ 9 %	80 %	MFB: 3-5 years micro-enterprise: 2 years	MFB: 1 year micro-enterprise: 1 year
Micro-enterprises	MMFESS/ FIMF via small MFB	550.000 FCFA (830.000 EUR)	MFB: 0 % micro-enterprise: ≤ 3 %	N/A	MFB: 2 years micro-enterprise: 2 years	MFB: 6 month

Table 2*: Terms and conditions of loans for MSMEs (= SMEs and microenterprises)*

Overall, the terms and conditions of the financing windows for SMEs and micro-enterprises can be described as highly favourable compared to the usual interest rate of around 15% charged by Senegalese commercial banks, and therefore appropriate in the context of the coronavirus crisis.

The fact that the majority of Senegalese companies (around 97%) operate in the informal sector, where the formal banking system plays hardly any role, the weighting of the loan volumes of the individual financing windows (100 billion FCFA for SMEs and only 5.5 billion FCFA for micro-enterprises), but nevertheless geared towards the few companies operating in the formal sector, strongly suggests that the mechanism was not based on a detailed needs analysis, as a range of subsidised loans geared to the needs of those involved should have been more focused on companies in the informal sector with no experience of financing from established banks. Based on various surveys of MFIs and end borrowers in the run-up to the emergency programme, both FONGIP and FIMF had requested higher credit volumes for their respective microfinance programmes. Similarly, in a needs analysis, the umbrella organisation of MFIs had already pointed out the difficult situation faced by MFIs as a result of the pandemic (declining repayment rates, declining lending business, increase in non-performing loans, which led to liquidity bottlenecks).[10]

The challenges in designing the financing windows were related to the structural problems of the credit market in Senegal. In 2019, the credit ratio in Senegal was just under 30%.[11] Lending through formal banks was therefore not very widespread even before the pandemic.[12] It is often too time-consuming and expensive for established commercial banks to process applications from MSMEs, especially as many small businesses in Senegal do not have reliable financial data.

MFBs are often perceived as appropriate instruments for reaching the informal sector and are considered to be primarily responsible for increasing financial inclusion in Africa.[13] Therefore, the financing window for micro-enterprises that worked with MFIs would probably be better suited to absorb a significantly higher proportion of credit volumes than the 5.5 billion FCFA (approx. 8.5 million euros) that were available. Similar to commercial banks, MFIs calculate default risk and determine financing conditions that do not differ significantly from those of established banks. In contrast to the latter, however, they are often perceived as "partnership banks" that help find solutions despite formal procedures and require less creditworthiness data than established banks. A greater weighting of credit volumes towards the financing window for micro-enterprises would have enabled more small businesses in the informal sector to obtain low-threshold credit offers through MFIs.

3. Appropriateness of design

In principle, coronavirus emergency aid is an FC instrument for crisis response that requires particularly urgent intervention by the partner country. This instrument serves to support affected countries in immediately addressing the health, social, and economic consequences of the COVID-19 pandemic. The partner country is provided with short-term countercyclical funds to maintain its capacity to act and respond to the crisis and to promote macroeconomic stabilisation. The FC funds are allocated to

[10] APSFD 2020: 19.
[11] Credit ratio: Loans to domestic companies and economically independent persons as a percentage of GDP; in comparison, South Africa 2019: 117% (trading economics)
[12] IMF 2029: p. 15 "One indication of this (constraints to private sector growth, author's note) is that deposit growth has outpaced credit growth in recent years."

[13] GIZ 2021: p. 1 Financial inclusion: All people and businesses have access to affordable financial products and services.

the national budget without any FC-specific control over the use of funds. According to the BMZ, this is a variant of budget support and is declared as "sector budget support". The disbursement of budget support was linked to the satisfactory implementation of the donor matrix developed for the policy dialogue.

The PRES donor matrix consisted of three thematic pillars (transparency/financial management, economic measures and social measures) with a total of 14 indicators. The indicators of the FC programme were based on the first and second thematic pillars of the donor matrix. **The first pillar of the donor matrix** focused on transparency and financial management with indicators 1 and 2 (regularity of the use of funds), 3 and 4 (transparency) and 5 and 6 (control). Indicator 2 of the German contribution, "The appraisal of the Force COVID-19 Fund using international standards for performance appraisals (ISSAI 3000) yields a largely satisfactory result," reflected the objective of this pillar of the donor matrix.

Outputs A and B of the FC programme also focused on transparency and accountability. Output A ensured transparency in the design of business support measures, in particular communication on the terms and conditions of the financing mechanism. Output B related to the subsequent accountability requirements, disclosure and appraisal of the processes applied in relation to the use of funds from the entire Force COVID-19 Fund.

The second pillar of the donor matrix focused on support programmes for Senegalese economic actors with indicators 7 (public/private dialogue), 8 and 9 (transparency and accountability of economic support measures), and 10 (support programmes for the target group of MSMEs). Indicator 1 of the German FC contribution, "MSMEs benefit from one or more financing mechanisms established under the PRES", reflects indicator 10 of the donor matrix. This was also recorded in a disbursement note for the BMZ prepared after the programme review. The target value of the outcome indicator for the FC programme was 10,000 MSMEs. Whether this figure was appropriate proved questionable in retrospect, but the subsequent insertion of a different figure would have been arbitrary. In any case, given the considerable differences in size among companies in the MSME segment, it would have been helpful to divide indicator 1 into SMEs and micro-enterprises. However, this was not possible at the time the MP was prepared, as no detailed information on the design of the financing mechanism was available.

In this evaluation, the objectives of the FC programme were adjusted at the outcome and impact levels, as the original outcome objective of the module proposal (“Mitigating the COVID-19 crisis on the most affected economic sectors through efficient and transparent implementation of *the Programme de Resilience Economique et Social,* PRES”) was <u>not usage-related</u>. In this case, the contribution of the FC programme to its effects was difficult to trace. In addition, this objective did not fit with indicator 1 (at least 10,000 MSMEs benefit from one or more financing mechanisms set up under the PRES). Therefore, the objective was specified at the usage-related outcome level for this evaluation. In the revised wording ("Use of financing instruments from the third axis of the PRES by MSMEs from the most affected sectors with transparent implementation of the PRES "), the contributions of the FC programme can be traced more clearly and better verified by the two indicators selected for appraisal.

The wording of the impact objective in the module proposal ("The project contributes to job preservation, social development and overall economic stability, and poverty reduction") ignored one of the main objectives of the BMZ's Corona Emergency Programme, namely "*preserving the state's capacity to act in the crisis*", so we expanded this aspect in the evaluation: The FC programme contributes to stabilising the economy *and maintaining the state's capacity to act in the crisis* by preserving jobs.

The chain of effects is now more plausible: the co-financing of the third pillar of the PRES and communication in advance of the planned measures to support economic actors particularly affected by the crisis (output A) lead, under defined conditions (the political situation otherwise remains stable), to the desired result at the outcome level: "Use of financing instruments from the third axis of the PRES by MSMEs from the most affected sectors with transparent implementation of the PRES." Output B ensures the appraisal of the use of funds for the entire PRES. In summary, the emergency aid programme is expected to preserve jobs and prevent insolvencies. The expected preservation of jobs will also contribute to social development, poverty reduction, overall social stability and the preservation of the state's capacity to act (impact target).

4. Adaptability – response to change

Reactions to change are not known.

Rating summary of relevance: moderately successful (3)

The objectives and activities of the FC project were largely in line with the priorities of the Senegalese government and the objectives of the BMZ's Corona Emergency Programme. In general, the design of the FC project was relevant as it provided rapid support during the Corona crisis through co-financing of the national PRES programme. The minimum requirements contained in the joint donor matrix enabled a balance between the emergency aid nature of the project (i.e. the speed of implementation of the funds) and the legality and transparency of policy implementation. However, the weighting of the available credit volumes was not well adapted to the needs of the majority of Senegalese companies (around 97% of which operate in the informal sector). The concept of a financing mechanism to secure liquidity was fundamentally very relevant, but its specific design can only be considered appropriate to a limited extent. We therefore assess the relevance of the FC programme as limited success.

Coherence

5. Internal coherence

The FC programme, which co-financed the entire PRES, was consistent with Action Area 5 of the BMZ's Corona Emergency Programme, which aims to protect companies in key sectors by providing liquidity.[14]

Senegal is part of the G20 investment partnership "*Compact with* Africa" and the partner countries implementing the Marshall Plan with Africa. The reform partnership (with the aim of promoting private sector investment) was agreed between Senegal and Germany by the BMZ in connection with the Marshall Plan for Africa in 2019. The reform partnership projects included the German Society for International Cooperation (GIZ) project "Supporting the investment capacity of micro, small and medium-sized enterprises (06/2020 -05/2024)", which was still in the development stage in 2020. The GIZ special initiative "Training and Employment" (running from 2019 to 2025), which operates under the brand name *"Invest for Jobs*", focused on improving employment opportunities and preserving jobs through job partnerships and support for small and medium-sized enterprises.

The FC project was consistent with the above-mentioned TC projects. However, as this FC programme is not a reform project but merely a measure to alleviate liquidity bottlenecks in a crisis situation with an urgent appraisal in accordance with Article 47 of the FC/TC guidelines, there were no explicit links to other German development cooperation projects in terms of content.[15]

6. External coherence

In addition to the German FC, the EU, the World Bank and the IMF, the European Investment Bank (EIB), the African Development Bank (AfDB) and the French Development Agency (AfD) were involved in financing the PRES. Funds for the financing mechanism of the third axis of the PRES were provided by the EU and the EIB in addition to KfW.[16]

Overall, the cooperation between the donors was concerted and contributed significantly to the rapid mobilisation of PRES funds and their concrete implementation. Under the leadership of the EU and the IMF, a common understanding of the critical aspects of the emergency aid programme was first developed, on the basis of which the joint donor matrix was drawn up. As part of the appraisal of the *public financial management* (PFM) system, risks identified in advance were addressed through targeted advisory measures. For example, the EU and IMF supported the Ministry of Finance on issues of internal and external financial control and budget transparency. The mobilisation of own revenues, an essential component for ensuring macroeconomic stability, was addressed by the IMF. As part of the policy dialogue, regular high-level discussions at embassy level with the Senegalese Ministry of Finance were introduced for the first time and concretised at the technical level through exchanges in various thematic groups ("public finances", "health"). At the suggestion of the donors, a monitoring and follow-up committee (*Comité de Suivi*) was also set up to improve the transparency of the emergency aid programme. Comprising 24 members from politics and society, this committee monitored the implementation of all PRES measures. In addition to the report by the Court of Auditors (outcome indicator 2 of the FC programme), the final report of this committee was an essential source for donors for the appraisal of the implementation of individual measures.

Overall, the donor community succeeded in setting minimum requirements for accountability (e.g. ex-post control of expenditure), efficient use of funds and the social orientation of the programme without undermining its rapid implementation. The close monitoring of the partner by the donor community therefore had a risk-reducing effect on the implementation of the PRES.

Output A of the FC programme (communication in the run-up to the financing mechanism) was mainly implemented through negotiation processes between the donors, the banking association and the Senegalese government regarding the terms and conditions. This made it possible, at least to some extent, to strike a balance between greater consideration of the social component on the one hand and the economic interests of the banks on the other.

Following the publication of the Court of Auditors' report on the use of PRES funds in December 2022, donor cooperation focused on the timely processing of the complaints listed in the report and the legal and administrative disciplinary measures that had been initiated. As the donor matrix had proven successful as a coordinating tool for sectoral issues in the implementation of the PRES, further issues (revenue from the oil and gas sector, climate, social reforms) were integrated into the existing matrix from mid -2021 onwards.

Rating summary of coherence: successful (2)

The donor community approach proved successful. The donors' strengthened negotiating position made it possible to strike a balance between social acceptability and economic efficiency in the terms and conditions of the financing mechanism. Overall,

[14] BMZ 2021: 23.
[15] During the COVID period, German development cooperation was limited to the cooperation priority area of "renewable energies" (with the exception of the reform partnership). No new commitments were made during this period.
[16] The 2020 Senegalese budget statement made no reference to the EIB's contribution of 6.5 billion CFA francs (approx. 9.9 million euro). According to the Court of Auditors, the funds were used in 2022 for the production of yellow fever vaccines (Cour des Comptes 2022: p. 42).

joint financing was a starting point for improved donor harmonisation against the backdrop of development policy cooperation that had been suspended for many years.

Effectiveness

7. Achievement of objectives

The objective adjusted within the framework of the EPE was: " Use of financing instruments from the third axis of the PRES by MSMEs from the most affected sectors with transparent implementation of the PRES." The achievement of the objective at the outcome level can be summarised as follows:

Indicator	Status at time of review	Target value at EPE (review)	Actual value at PCR	Actual value at EPE
(1) SMEs benefit from one or more financing mechanisms set up under the PRES	0	10,000	A few hundred Target value not achieved	**Financing mechanism: 11,755** [17] **Other financing instruments for axis 3:** [18] **Tax relief: 51**[19] **Financing line: 2,237**[20] Total: 2,288 Target value achieved
(2) The appraisal of the Force COVID-19 fund, conducted in accordance with International Standards on Auditing (ISSAI 3000), yielded a largely satisfactory result.	No appraisal	Appraisal available, with essentially satisfactory result	Appraisal available, with essentially satisfactory result Target value achieved	Appraisal by the Court of Auditors from December 2022 available, with a largely satisfactory result[21] Target value achieved

***Table2** : Outcome target achievement*
***Source**: Own illustration.*

Indicator 1

A total of approximately 11,755 MSMEs received subsidised loans under the financing mechanism of the third axis of the PRES, including 69 SMEs and 11,686 micro-enterprises. Through the FONGIP microfinance programme *"Kiiraay Liggeey"*, approximately 9,805 micro-enterprises received loans, including 7,354 enterprises run by women. Through the FIMF's *Programme d'Appui au Secteur de Microfinance,* 1,833 loans were granted to micro-enterprises.

[17] FONGIP database, FIMF Annual Report 2020, Monitoring Committee Report (p. 93)
[18] No disaggregated data was available on the companies supported by the other financing instruments of Axis 3 of the PRES. Only in the case of a sub-measure of tax relief was a distinction made between large companies, SMEs and micro-enterprises receiving support. In the case of the financing line, information was available that 2,237 beneficiaries in the informal sector had received loans. The total number of companies supported by the other financial instruments of Axis 3 is likely to be over 10,000, the majority of which are large enterprises.
[19] Monitoring Committee Report 2021: p. 92
[20] Cour des Comptes 2022: pp. 151-161 (Addition of the beneficiaries companies and actors in the informal sector listed in the Court of Auditors' report. No total number was given.)
[21] Cour des Comptes 2022

Financing window	MFB	Loans available	Loans approved	Guarantees approved	Administrative costs	Beneficiary companies	Jobs preserved	Repayment rate (as of 5 December 2024)	Implementation rate
SME	-	100 billion FCFA (152,4 million EUR)	6,8 billion FCFA (10,4 million EUR)	1,7 billion FCFA (2,6 million EUR)	0 %	69	4.621	92,4% (maturity until 2027)	6,8 %
Microenterprises (FONGIP)	44	5 Mrd. CFA frans (7,6 Mio. EUR)	3,8 Mrd. FCFA (5,9 Mio. EUR)	N/A	Approx. 3 %	9.803	10.036	31,4 % (MFB) (maturity until 2026)	100 %
Microenterprises (FIMF)	21	550 million FCFA (838.000 EUR)	455 million FCFA (693.643 EUR)	N/A	Approx. 9 %	1.883	2.422	85% (MFB) (term ended in 2023)	100%
Total	**65**	**105,5 billion FCFA (160,9 million EUR)**	**11 billion CFA fracs (16,9 million EUR)**			**11.755**	**17.079**		**10 %**

Table 4: *MSMEs financed*

The figure of "a few hundred" companies determined in the final appraisal of 16 March 2023 was based on the official report of the Court of Auditors of 12 December 2022. Here, the chapter on the financing mechanism of the third axis of the PRES only mentioned the results of the regular audit of the financing window for large enterprises and the financing window for SMEs.

The results of the financing window for **micro-enterprises** were not included in the Court of Auditors' report. However, in an interview on 29 November 2024, the Court of Auditors confirmed that it had audited the regularity of the disbursement of funds (4.2 billion FCFA) by FONGIP and FIMF to MFB.[22] According to the Court of Auditors, the appraisal of payments made by the MFB to end borrowers was waived (due to a lack of available documents at the time of the appraisal). During the mission, the results of the microfinance window for micro-enterprises on the part of FONGIP and FIMF were confirmed. Overall, the financing mechanism is estimated to have preserved over 17,000 jobs in MSMEs.[23] Overall, indicator 1 shows that its target has already been exceeded with a total expenditure of EUR 16.9 million (around 17% of FC financing).

Indicator 2

On 12 December 2022, the Senegalese Court of Auditors published the official appraisal report on the PRES coronavirus emergency aid programme on its website. The report was based on intensive research carried out between October 2021 and July 2022. The 180-page report was based on the methodological principles of *International Standards for Supreme Appraisal Institutions* (ISSAI) 300 and 400 and examined, on a risk-based approach, whether the implementation of the emergency aid programme complied in all material respects with the applicable legal requirements and the principles of economy and efficiency.[24] Any objections were documented together with the responses of the authorities concerned and analysed in detail. The overall implementation rate of the PRES emergency aid programme was 74%. In terms of PRES fund management, the shortcomings, misuse and misappropriation identified amounted to only around 0.4% of the total amount. The implementation of the PRES was therefore assessed as essentially satisfactory. The Monitoring Committee shared this appraisal in its final report of March 2021.[25] The report by the Senegalese Public Procurement Regulatory Authority (*Autorité de Régulation des Marchés Publiques*, ARMP) also contributed to the appraisal that the PRES's fund management was "essentially satisfactory". The ARMP examined the award of contracts under axes 1 ("health sector") and 2 ("social protection") of the PRES worth around EUR 320 million. Complaints regarding fraudulent activities and double payments accounted for less than half a per cent.[26]

[22] Interview with the Senegalese Court of Auditors (Jean Christophe Diatta and Ibrahima Gaye) on 29 November 2024
23 Sources: SMEs: FONGIP database. Monitoring Committee report (p. 93) and Court of Auditors report (p. 149)
Micro-enterprises FONGIP: FONGIP database
Microenterprises FIMF: FIMF Annual Report 2020
[24] and Standards for the legality and regularity appraisal: ISSAI 400 and ISSAI 300 for the performance appraisal
[25] Monitoring Committee: 2021 "Public report on the activities of the Monitoring Committee for the implementation of the operations of the Response and Solidarity Fund against the effects of Covid-19"
[26] ARMP report from December 2021: "Evaluation of the regularity of expenditure made by a sample of authorities in the context of the fight against COVID-19". The ARMP is responsible for the supervision and ex-post control of public procurement. The organisation of the procurement system and ex-ante appraisals are the responsibility of the Central Procurement Department of the Ministry of Finance (*Direction Centrale des Marchés Publiques*, DCMP).

8. Contribution to the achievement of objectives

Indicator 1

Overall, the implementation of the financing mechanism shows a rate of 68.9 % (financing window for SMEs 6.8%, financing window for micro-enterprises 100%).[27] The share of loans in **the SME financing window** varied by sector: the transport sector received the largest share (37.1%), followed by manufacturing, especially food production (32%).[28] The repayment rate in the SME financing window was 92.4%. As the term does not end until 2027, based on current repayment behaviour, it is assumed that the rate will be 100%. According to the FONGIP database, 4,621 of the 17,079 jobs created were in the SME segment.

The reasons for the low implementation rate in the SME financing window (6.8%) can be found on both the supply and demand sides. The lack of a needs analysis has already been addressed in the chapter on relevance. Ministries with SME relevance and SME support institutions were represented in the management team. However, it is questionable whether sector and needs analyses by these institutions were incorporated into the design of the financing mechanism. The Court of Auditors' assessment that sector analyses were not sufficiently taken into account in the design of the PRES and the financing mechanism, and that the allocation decisions therefore lacked a sound basis, is plausible. Another reason for the low implementation rate for SMEs is the preferential interest rate of 3.5%, which was not profitable for formal banks. These were therefore correspondingly selective in their lending. The Monitoring Committee's report considered it a "weakness of the mechanism" that only "bankable projects" (*projets* bancables) were financed under the financing mechanism.[29]

For some companies, the eligibility criteria (proof of a 33% loss of income) were too high a hurdle. The earmarking of funds (continued payment of wages) did not coincide with the priorities of those companies that did not want to go into debt in order to secure jobs during the crisis. In a survey conducted by the Senegalese Statistical Office, over 70% of the companies surveyed reported a loss of revenue of only 25% or more.[30] The Central Bank's (BCEAO) directive to banks and microfinance banks to postpone loan maturities due to the pandemic has also led to increased liquidity for companies, thereby reducing the need for further loans.[31]

In **the financing window for micro-enterprises,** the implementation rate in both microfinance programmes (FONGIP and FIMF) was around 100%. Data on the sectoral focus of the supported MFI (or end borrowers) was not available for this financing window. FONGIP and FIMF were able to draw on established customer relationships with MFIs, enabling them to reach microenterprises that already had a bank account with relative ease. The number of enterprises supported in this segment, in which traditional banks play virtually no role, was correspondingly high.

Of the total of 294 MFIs, only 65 were supported under the financing mechanism due to a lack of financial resources. The Monitoring Committee confirmed in its report that demand for MFI refinancing in Senegal was much higher.[32]

Indicator 2

The Court of Auditors' report made a significant contribution to creating transparency regarding the use of PRES funds and provided the basis for a social dialogue on government interventions during the pandemic.[33] According to the Court of Auditors, one of the main causes of the comparatively low level of misuse of funds (approx. 0.4%) was the lack of strategic focus in fund management at the level of the sectoral ministries. The Ministry of Finance and the executive ministries acted independently of each other, and decentralised actors were excluded from key spending decisions.[34] Furthermore, contrary to the government's announcements, there was no management structure (*conseil stratégique*) for the entire PRES. Decisions were made by the cabinet (*conseil des ministres*) without prior analysis of sectoral plans.

The report by the Court of Auditors (Chamber of Budget and Finance, *Chambre des affaires budgétaires et financières*) was an ambitious, comprehensive and, for the most part, comprehensible appraisal (177 pages instead of the usual 60 pages). The Court of Auditors' achievement was all the more significant given that other reports (e.g. those by NGOs) were not fully usable due to their poor quality. Non-governmental organisations (NGOs) such as LegsAfrica and *ONG* 3D took up the report's criticisms and helped to bring the issues of public finances and debt management more into the public eye.[35]

[27] The implementation rate of the financing mechanism determined by the Court of Auditors of 6.3%, which only takes into account the results of the financing windows for large enterprises (5.8%) and SMEs (6.8%), increases to 68.9% when the results of the two microfinance programmes are included.
[28] Cour des Comptes 2022: p. 149 (with the 18 large enterprises)
[29] Comité de Suivi 2021: p. 90
[30] Comité de Suivi 2021: p. 17
[31] In addition to these measures, the BCEAO granted deferrals on outstanding debt of more than 300 billion CFA francs. (Comité de Suivi 2021: p. 89)
[32] Comité de Suivi 2021: p. 97
[33] "Protests by the opposition continued until 2023, partly because embezzlement went unpunished and the political elite enjoyed widespread impunity." Evaluation of the report by the Senegalese Court of Auditors on the PRES (programme de Résilience Economique et Social) coronavirus emergency aid programme Lisa Steinacher, KfW 2023
[34] Cour des Comptes 2022: p. 100
[35] The NGO Legs Africa called for greater parliamentary control over the debt situation: "For example, a citizen observatory on debt with powers of ex ante and ex post control. Public finances are the main area of concern. Despite indicators pointing to moderate risk, the debt sustainability analysis (DSA) remains within the low to moderate range, while being classified as 'borderline'. LegsAfrica 2020: p. 19 and NGO 3D: Transparency and credibility of Covid response in Senegal 2021

Not all of the findings automatically led to allegations of corruption. Some appraisal findings pointed to the challenges involved in implementing such a large and complex public programme (see administrative costs of the FIMF microfinance programme). Even though the Court of Auditors' recommendations usually pointed to the right solution, the implementation of these recommendations would have caused considerable challenges.

Since the majority of donors did not carry out their own evaluations or appraisals of the results of their budget support programmes, their expectations of the Court of Auditors' report may have been too high. In fact, it was not possible to verify the proper implementation of all individual donor measures on the basis of the report alone. Overall, the Court of Auditors took its task seriously and acted courageously by issuing recommendations, some of which were specific and addressed to individuals and by initiating a judicial investigation against ten officials. The Court of Auditors' report embarrassed Macky Sall's government and confirmed the institution's status as an independent auditing body.

9. Quality of implementation

The management committee, with FONGIP as its executive arm, acted autonomously and independently of the implementation of the other axes and measures of the PRES. The technical implementation of both financing windows was consistently rigorous: companies were informed about the PRES support measures via the establishment of a platform (https://covid19.economie.gouv.sn). An online registration system was created for the SME financing window, on the basis of which the management team evaluated funding applications in a timely manner. At eight days, the average processing time was extremely fast. FONGIP used the existing platform www.kiiraay.fongip.sn to forward funding applications to the management committee for decision-making. The FIMF chose an equally efficient option, which involved the MFB sending applications directly to the management committee. Payments to the six participating banks were made by the Ministry of Finance in tranches corresponding to the amount of the approved loans. As the implementation of the financing mechanism fell significantly short of expectations in the first few months, the MEPC sought dialogue with the commercial banks and was thus able to improve the conditions accordingly. On 19 August 2020, the MEPC increased the quota of state guarantees for SME loans from 40% to 60%.

In the context of the implementation of the SME financing window, the Court of Auditors found violations of the framework agreement: for example, seven SMEs that received support were not from priority sectors.[36] The Court of Auditors also documented double financing amounting to 50 million FCFA (approx. 76,200 euro) for three companies and criticised the lack of coordination between the credit support programmes of the third axis of the PRES. The companies had already taken out loans from a PRES financing programme administered by the Ministry of Tourism.[37]

The implementation of the financing window for micro-enterprises (*Kiiraaye* Liggeey programme) was carried out in accordance with the agreement between the MEPC and FONGIP of 5 May 2020 and without any objections from the Court of Auditors.

The implementation of the FIMF microfinance programme (*programme d'Appui au Secteur de Microfinance)* was criticised by the Court of Auditors for its high administrative costs of around 9% and for missing receipts amounting to 11.2 million FCFA (around 17,000 euros). As the administrative costs contravened the instructions of the Ministry of Finance, the Court of Auditors initiated legal proceedings against the director of the FIMF.[38]

Although the choice of institutions entrusted with implementing the microfinance window (FONGIP, FIMF) can generally be considered appropriate, it must be noted that this very limited selection meant that the potential of Senegalese services for MSMEs could not be fully exploited. In order to reach all sub-segments of the MSME sector, institutions such as the *Délégation générale à l'entrepreneuriat des femmes et des jeunes* (General Delegation for Women and Youth Entrepreneurship) should have been considered with tailor-made credit offers (e.g. for women) or innovative, low-threshold offers (e.g. nano-loans from 10,000 FCFA, approx. EUR 15) have to be taken into account.[39] The implementation rate of the financing mechanism could probably have been significantly increased through a diversified design with mutually complementary support instruments outside the formal banking system.

Appraisal of the third axis of the PRES

The third axis, which was the focus of Germany's contribution, had the lowest implementation rate of all PRES axes at 57.3%, with the financing mechanism under 3 b) bringing up the rear at 12.5% in the chart below. Of a total of 25 billion FCFA (38.1 million euros), 11 billion FCFA (16.9 million euros) were paid out to MSMEs and 14 billion FCFA (21.3 million euros) to large enterprises.[40] It can be assumed that the remaining FC funds were used in the other axes of the PRES with unmet needs, primarily in those listed below. As the sector budget support was untied funding that was included in the Senegalese budget, the

[36] Court of Auditors 2022: p. 20
[37] Court of Auditors 2022: p. 148
[38] Cour des Comptes 2022: p. 94 The Ministry of Finance had prohibited administrative costs in the context of PRES implementation.
[39] From 2018 (the year it was founded) to June 2023, the Délégation générale à l'Entrepreneuriat rapide des femmes et des jeunes (DER/FJ) granted a total of 492,997 loans with a volume of 111.8 billion CFA francs.
[40] Cour des Comptes 2022: p. 149.

recipient cannot provide individual evidence of the use of the FC funds (use of the national budget framework), which also precludes the FC from carrying out accounting checks on the use of funds.

	Measures taken by the Axis 3 of the PRES	Funds planned in billion FCFA	Funds disbursed in billion FCFA	Implementation rate in %
a)	Tax breaks	241	59.7	24.7
b)	Financing mechanism	200	25	12.5
c)	Repayment of domestic debt	200	269.5	134.7
d)	Financing line for companies in the tourism and transport sectors and educational institutions	100	70.7	70.6
Total		**741**	**424.9**	**57.3**

Table 5: *PRES Axis 3 measures: Macroeconomic and financial stability to support the private sector (741.6 billion FCFA, approx. 1.1 billion euros)*[41]

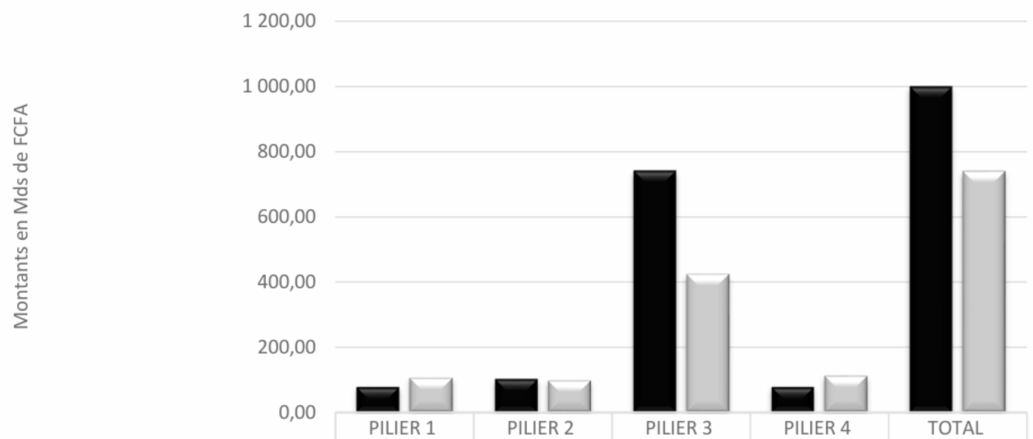
a) **Tax relief** measures had an implementation rate of 24.7%. These were a package of measures introduced by the tax authorities for businesses affected by the pandemic, consisting of VAT refunds, partial refunds of the 2019 tax burden and reimbursements of employee social security contributions. As with the financing mechanism, it became apparent that the complexity of the tax relief offers would have required communication tailored to the target audience. For example, VAT refunds totalling 48.8 billion FCFA (around 75 million euros) were claimed by only 173 companies.[42] Partial refunds totalling 6.9 billion FCFA (10.5 million euros) benefited only 82 companies. A total of 89 companies benefited from the reimbursement of employee social security contributions amounting to FCFA 3.9 billion (EUR 5.9 million): 89% large companies, 8% SMEs and 3% micro-enterprises.[43]

c) The **repayment of domestic debt** had an implementation rate of 134%. The settlement of payment arrears by the state was relatively straightforward, but not all outstanding claims by companies were settled.

d) The **financing line for the transport and tourism sector and for educational institutions** (implementation rate 70.7%) was able to reach not only formal players in the tourism sector but also the informal sector through established instruments such as the *Crédit hôtelier touristique* (CHT). Tour guides and artisans, for example, received loans of 500,000 FCFA (approx. 7,600 euro) per person. A total of 1.1 billion FCFA (approx. 1.6 million euros) was spent on the informal sector via the CHT credit line.[44] As part of the support for the transport sector, formal aviation companies and suppliers, as well as transport sector associations, received loans amounting to 4.6 billion FCFA (approx. 7 million euros). Small interest groups (*Groupement d'Intérêt Economique*, GIE) also benefited from this.[45] Like the financing mechanism, this line of financing was the responsibility of a management committee, in this case under the supervision of *the Ministère pour le Tourisme et le Transport* (Ministry of Tourism and Transport). The success of this offer was due in no small part to the fact that it was possible to draw on established instruments. In addition, the ministry was given sufficient leeway to ensure that offers were demand-oriented and that all players in the sector were taken into account. Neither the Court of Auditors' report nor the Monitoring Committee's report provides an official total number of economic actors who are beneficiaries of the funding line. However, if we add up the formal and informal companies that benefited from the respective credit lines and subsidies of the funding line, we can assume that there were probably more than 10,000 companies, the majority of which were large companies.[46]

The overall implementation rate of the PRES was 74%. While axes 2 (strengthening the social resilience of the population) and 3 remained below target, expenditure in axes 1 (strengthening the health system) and 4 (securing the supply of oil, medical equipment and food) exceeded the target. The implementation of the PRES was therefore appraised as satisfactory by the Court of Auditors and the Monitoring Committee.

[41] Report of the Monitoring Committee (Comité de Suivi) 2021: p. 87.
[42] Cour des Comptes 2022: p. 139.
[43] Report of the Monitoring Committee 2021: p. 92.
[44] Cour des Comptes 2022: p. 152
[45] Cour des Comptes 2022: pp. 153/154
[46] Cour des Comptes 2022: pp. 151–161



	PILIER 1	PILIER 2	PILIER 3	PILIER 4	TOTAL
Montant prévisionnel alloué	77,80	103,00	741,60	77,60	1 000,00
Montant alloué selon le PLR 2020 (2)	105,17	97,22	424,97	112,72	740,09

Figure 2: *Budget estimates and budget implementation for the four axes of the PRES for 2020*[47]
Quelle: *PLR data and report of the Monitoring Committee*

Support measures for both the formal and informal sectors are spread across all axes, resulting in an overall positive picture with regard to support for MSMEs, especially micro-enterprises in the informal sector. Adequate and tailor-made measures, mostly subsidies or cash-for-work offers, were provided to MSMEs (see chapter on overarching political impact) through the respective sectoral ministries. The responsible sectoral ministries, e.g. the *Ministry of Labour, Employment,* Social Solidarity *and* Social Protection, the *Ministry of Crafts and Informal Sector Transformation* (*Ministère de l'Artisanat et de la Transformation du Secteur* Informel), the *Ministry of Fisheries* and *Maritime Economy (Ministère de la Pêche et de l'Economie Maritime) and the Ministry of Women, Family, Gender and Child Protection (Ministère de la Femme, de la Famille, du Genre et de la Protection des enfants*) drew on established relationships with stakeholders in the sector. This made it possible to tailor measures, set low eligibility thresholds and communicate the measures effectively. The *"leave no one behind"* principle at the heart of these measures is evident in the fact that marginalised groups without social influence were also provided with support: For example, the Ministry of Justice distributed 35,000 FCFA (54 euro) in three tranches to a total of 1,511 prison inmates nationwide, and the *Ministry of Mines and Geology* conducted a detailed needs analysis for gold miners, on the basis of which support measures were designed.

In general, tailored measures, low-threshold eligibility criteria coupled with effective communication enabled a high implementation rate. This was particularly the case for axes 1 and 4, where implementation far exceeded planning. Axis 3, which featured packages of measures with relatively high eligibility criteria such as the financing mechanism, fell far short of the original approach in terms of implementation. However, given the tight budgetary situation in Senegal, instruments such as the financing mechanism and the financing line (especially the CHT for hotels and tourism) are certainly justified. If designed appropriately, they could represent an efficient alternative to expensive subsidies and thus ease the burden on the budget. The high repayment rate in the SME financing window and in the FIMF-operated window for micro-enterprises within the financing mechanism indicate that crisis response programmes can indeed be designed to achieve sustainability.[48]

In addition, tailor-made financing instruments have the significant advantage of supporting the numerous informal enterprises in their transition to formality through the process of borrowing (including opening a bank account and formalising their accounting). The transition of informal enterprises to formality is one of the key challenges in the area of private sector support in Senegal.

10. Unintended effects (positive or negative)

No unintended effects are known.

Rating summary of effectiveness: moderately successful (3)

More than 10,000 MSMEs benefited from the PRES's FC co-financing through various financing instruments. However, due to the above-mentioned supply and demand constraints, the focus on the financing mechanism intended during the detailed planning of

[47] Cour des Comptes 2021: p. 42
[48] The high repayment rate is also due to the careful (restrictive) selection of financing applications by the Management Committee and must be seen as a strength of the instrument, especially when compared to the handling of COVID SME loans in an international context. In comparison, US SME loans during the COVID period: Approximately 17% (more than 200 billion US dollars) were granted to actors with potentially fraudulent intentions, according to the Small Business Administration (New York Times International, Nov. 2024: p. 7)

the PRES was only implemented to a very limited extent, with only approximately EUR 16.9 million of the total EUR 100 million in FC funds being spent.

However, the overall analysis of the PRES based on the reports of the Court of Auditors and the *Comité de Suivi* showed that MSMEs also benefited from the other axes of the PRES and that the rate of misuse of funds for the programme as a whole was less than 0.5%.
The Court of Auditors' report contributed significantly to the accountability and transparency of the use of PRES funds and led to a public debate in Senegal about government interventions during the pandemic. Overall, we appraise the effectiveness of the FC programme as moderately successful.

Efficiency

11. Production efficiency

Supporting businesses to preserve jobs is generally considered one of the most efficient measures for strengthening the economy and maintaining macroeconomic stability in times of crisis. Within the framework of the BMZ's Corona Emergency Programme, job preservation programmes were one of the most widely used instruments at the target group level. The evaluation of the Corona Emergency Programme by the German Institute for Evaluation (DEval) generally assessed the Corona Emergency Programme as "suitable for an economically efficient crisis response". The DEval evaluation also took into account the distribution channels used within the framework of the programme when assessing economic efficiency: compared to multilateral organisations, bilateral state organisations (GIZ and KfW) had lower organisational costs in relation to the funds used and thus enabled a comparatively cost-efficient crisis response.[49] The use of budget support in combination with the BMZ's procedural simplifications for the emergency procedure (V1077 "Procedural simplifications COVID-19 pandemic", TC 47 of the LL/emergency procedure) enabled further efficiency gains in the form of time savings.

In principle, the BMZ's decision to set up the Corona Emergency Programme in countries where German development cooperation was already active increased efficiency. Although the reform partnership focusing on promoting the private sector was still in its infancy in Senegal at the time of the Corona crisis, it was nevertheless a suitable starting point for the FC programme. The concerted and targeted donor coordination with regard to the entire PRES contributed to savings in transaction costs and thus also to efficiency gains through the use of a uniform implementation structure – in comparison to individual donor interventions.

The measures under the SME financing window were implemented quickly (from May to September 2020). The majority of the 69 loan transactions were processed by a single bank (*Banque Nationale pour le Développement Economique*, BNDE), which also contributed to efficiency gains. By the end of August 2020, 75% of the requests from the BNDE had already been processed. The concentration of companies in the capital (64 of the 69 companies were based in Dakar) facilitated rapid implementation.[50]

A comprehensive business profitability calculation for the implementation of this financing window cannot be carried out within the scope of this EPE, partly because insufficient data is available. Thanks to the temporary coordination structure (management committee), which was dissolved after the end of the PRES, administrative costs were low at 3%. The online registration procedure also contributed to the efficient achievement of objectives.

The measures of the financing window for micro-enterprises were **implemented** quickly in both microfinance programmes (from June to August 2020). In the programme implemented by FONGIP, the administrative costs amounted to in accordance with the MEPC agreement of 5 May 2020. The fact that the locations of the 44 refinanced MFIs were spread across 11 regions of Senegal speaks for efficient implementation.

As already described, the FIMF microfinance programme had high administrative costs of around 9% . Although the repayment rate of 85% speaks for the effort invested in selecting and advising the 21 MFIs spread across all regions of the country, the disproportionately high costs reduce the efficiency gains. As discussed in the section on effectiveness, the FIMF could have granted *significantly* more loans to informal micro-enterprises if the available credit volumes had been better adapted to demand. This also reduced the efficiency gains.

12. Allocation efficiency

A microeconomic profitability calculation for the financing mechanism has been dispensed with, as the microeconomic benefits of the measures under the Corona emergency programme cannot be quantified. A cost-benefit analysis of the financing mechanism is not available. The decision to design the financing mechanism entirely as a credit facility (without the use of

[49] German Institute for Development Evaluation (DEval) 2024: p. 24

[50] The remaining companies: Saint Louis (1), Thies (2), Ziguinchor (2)

grant-type instruments) was taken by the Senegalese government against the recommendations of the donors. In view of the tight budgetary situation (and the revelations on debt statistics in November 2024, see chapter on sustainability), this decision contributed to efficiency gains. As no data on the effects and cost-benefit of the financing mechanism are available, it can only be assumed that, in contrast to the costly and sometimes untargeted subsidies and grant measures of the other axes of the PRES, the mechanism was an efficient instrument.

The disproportionate weighting of the available credit volume was already suspected in the chapter on relevance. The different implementation rates (6.8% in the SME segment and 100% in the microenterprise segment)
confirmed this assumption and showed that for the majority of Senegalese MSMEs, the hurdle of applying for credit through a formal banking system was too high. An alternative design of the FC programme would have shifted the credit volume in favour of the financing window for micro-enterprises and integrated more low-threshold credit offers via MFB.

Rating summary of efficiency: moderately unsuccessful (4)

Although the FC programme aimed to achieve efficiency gains by choosing established structures with largely established customer relationships, these gains could only be realised to a limited extent during implementation because the weighting of the individual financing instruments did not match the needs of the majority of companies in Senegal. Processing via established banks was detrimental to allocation efficiency. In our view, it would have been more efficient to process the loans via MFB on a low-threshold basis. For these reasons, we rate the criterion of efficiency as rather unsuccessful.

Impact

13. Overarching developmental changes

The impact-level objective was "The FC programme contributes to preserving jobs and thus to stabilising the economy and maintaining the state's capacity to act in the crisis".

The following indicators were used to measure the impact objective:

Indicator	Status at time of review	Target value at EPE (review)	Actual value at PCR	Actual value at EPE
(1) The unemployment rate in Senegal will fall by 0.2% in 2022 compared to 2020 by 0.2%.	Unemployment rate in 2020: 3.4%	Unemployment rate in 2022 ≤ 3.2%	N/A	Unemployment rate in 2022: 3.0%, unemployment rate in 2024 2.8 %[51] Target value achieved
(2) Senegal's GDP will grow by 5% in 2021 compared to the previous year.	GDP growth in 2020: 1.3%	GDP growth in 2021: ≥ 5%	N/A	GDP growth in 2021: 6.5 % [52] Target value achieved

Table*3 : Impact target achievement*
Source*: Own illustration.*

14. Contribution to overarching intended developmental changes

Indicator 1: The **unemployment rate** rose from 2.8% in 2019 to 3.4% in 2020 and 2021. In 2022, the unemployment rate in Senegal was 3.0%, down 0.4% compared to 2020. This positive trend continued in the following years: in 2023, the rate was 2.9% and in 2024, it was 2.8%. The recovery in domestic demand after the end of restrictive COVID-19 protection measures in early 2021 was possible in part because many companies were able to retain their workforce beyond the crisis, especially in the tourism, catering and transport sectors.[53]

According to the FONGIP database and the FIMF website, a total of 12,458 jobs were preserved under the financing window for **micro-enterprises**. Approximately 65 MFIs were refinanced under the financing mechanism, thereby indirectly preserving jobs in these institutions. According to reports from the Monitoring Committee and the Court of Auditors, in addition to the MEPC, 15 other ministries implemented support measures under the PRES that contributed to preserving jobs in the informal sector. The

[51] IMF
[52] www.WKO.at
[53] Comité de Suivi 2022: p. 123

Ministry of Crafts and the Informal Sector (*Ministère de l'Artisanat et de la transformation du secteur informel*) supported the highest number of micro-entrepreneurs with 189,000 beneficiaries, followed by the Ministry of Culture and Communication (*Ministère de la Culture et de la Communication*) with 21,000 beneficiaries and the *Délégation générale à l'Entrepreneuriat rapide des Femmes et des Jeunes* (DER/FJ) with 5,000 beneficiaries.[54]

Overall, it can be assumed that, in conjunction with the other PRES measures, the 17,079 jobs preserved under the financing mechanism made a valuable contribution to preventing insolvencies and redundancies. However, it can be assumed that more jobs could have been saved if the weighting of the credit volume between the two financing windows (SMEs and micro-enterprises) had been shifted more in favour of micro-enterprises. Nevertheless, the preservation of employment generally helped to prevent a significant slump in tax revenues in 2020. From 18.4% in 2019, tax revenues fell to only 17.4% in 2020 and stabilised at 17.5% in 2021. In 2022, tax revenues rose to 18.7%.[55] The project thus contributed to the recovery of the economy and the stability of society as a whole.[56]

Indicator 2: The FC programme also achieved its development policy objectives in terms of the second indicator. Real GDP growth was 6.5% in 2021. In 2022, the Senegalese economy was once again severely affected by the effects of the war in Ukraine and the overall geopolitical context. Government spending related to COVID-19 relief measures and other subsidies for struggling economic actors was financed by external mobilisations (Eurobonds, regional market), which exacerbated the budget deficit of recent years.
Low economic growth in the following years (only 4.1% in 2023), caused by various factors (security situation in the region, domestic political tensions, postponement of hydrocarbon production), did not help to ease the budgetary situation. After reaching a record high in 2022 (9.7%), inflation was reduced to 1.5% in 2024,
but the postponement of planned oil and gas extraction dampened the optimistic outlook for the year. Of the projected 8.3% economic growth, only 4.5% was achieved in 2024.[57]

The appraisal of the public finances of Macky Sall's second government by the Financial Supervisory Authority (*Inspection Générale des Finances*) in November 2024 revealed irregularities in the debt statistics. The budget deficit, which was reported to average 5.5% in the period 2019-2023, was in fact 10.4% of GDP, almost double the reported figure. The IMF is currently considering reclassifying Senegal's over-indebtedness from "moderate" to "elevated", partly because there is little room for manoeuvre in the budget.[58] The target of achieving the maximum budget deficit of 3% set by the West African Economic *and Monetary* Union (*Union Economique et monétaire des Etats de l'Afrique de l'Ouest*, UEMAO) has been postponed to 2027. Similarly, the government debt ratio (excluding public enterprises), which was calculated by the previous government at 73.6% (EUR 21 billion) at the end of 2023, was actually 83.7% (EUR 24 billion). Following these revelations, donors decided to suspend budget support for the time being.

An important issue for Senegal in terms of debt reduction remains the medium-term shift from costly energy subsidies to targeted support measures for businesses and vulnerable households.

In 2023, the Senegalese government continued to support households and businesses with untargeted and costly subsidies for electricity and petrol in order to mitigate the effects of crises and external shocks. This reflected a large part of the measures implemented under Axis 2 of the PRES: 950,000 households benefited from the partial coverage of their electricity and water bills.[59] The financing mechanism of Axis 3 of the PRES can be a forward-looking, efficient alternative to subsidies, as an adapted design of the financing windows can contribute to cost-effective crisis management.

15. Contribution to overarching unintended developmental changes

Expenditure related to the COVID-19 crisis increased Senegal's debt. Media reports of misuse in the implementation of the emergency aid programme have reduced the population's trust in the state.

Rating summary of impact: moderately successful (3)

During the COVID-19 crisis in 2020, the Senegalese government succeeded in creating sufficient fiscal space to finance economic recovery measures by rapidly mobilising funds.
The pandemic-induced rise in unemployment was effectively contained by the financing mechanism in conjunction with measures from other pillars of the PRES, and the state's capacity to act was maintained by short-term GDP growth in 2021. In the long term, however, the country will have to strive for macroeconomic stability and reduce its debt ratio, which has increased as a

[54] Since 2018, the *Délégation générale* has been offering tailored financing measures for women and young entrepreneurs, particularly those in the arts and crafts, agriculture and tourism sectors.
[55] Trading economics.com
[56] Comité de Suivi 2022: p. 123
[57] IMF 2023a: p. 13
[58] IMF 2023: p. 12
[59] Expenditure under Axis 2 of the PRES (Renforcement de la résilience sociale des populations): 2.8 billion CFA francs to cover water bills, 15 billion CFA francs to cover electricity bills for particularly vulnerable households.

result of the emergency aid programme, among other things. The overarching developmental impact of this FC programme is therefore considered to be limited.

Sustainability

16. Capacities of beneficiaries and stakeholders

The Senegalese government's emergency aid programme is a short-term support programme for an acute crisis situation. The appraisal was carried out in accordance with paragraph 47 of the FC/TC guidelines, so a sustainable improvement in the capacities of the beneficiaries and stakeholders was not a priority.

17. Contribution to supporting sustainable capacities

Nevertheless, a contribution was made to supporting the sustainability capacities of the actors involved. Above all, the financing mechanism alone made it possible to preserve over 17,000 jobs, thereby preventing a slump in economic activity. In addition, the shortcomings of the PRES were analysed (reports by the Court of Auditors, the Monitoring Committee, the Procurement Regulatory Authority and various NGOs) and suggestions for improvement were documented. It is therefore likely that future measures to promote MSMEs will be more closely tailored to the needs of Senegalese companies. However, some of the prerequisites relevant to MSME promotion (such as the participation of target group-oriented and decentralised actors in decision-making bodies and the willingness to use substantial subsidies for companies in the informal sector) depend on the political will of the respective decision-makers.

PFM weaknesses (expenditure management, procurement) identified in the Court of Auditors' report have been addressed, at least in part, by the government through appropriate measures (e.g. new procurement rules).[60]

Following the report on the emergency aid programme, the Court of Auditors' Budget and Finance Chamber focused on external financing and published the appraisal report "*L'audit du rapport sur la situation des finances publiques, Gestion de 2019-2024*" in February 2025, which focused in particular on donor financing and the debt situation in Senegal. In view of the latest findings on the actual level of public debt, this new focus by the Court of Auditors is relevant.[61] Against the backdrop of years of suspended development cooperation, the joint activities to finance, implement and ensure the transparency of the emergency aid programme also represented a gain in expertise for the donor community. There is much to suggest that the programme will have a sustainable impact, for example the continuation of the donor matrix as a structuring element of the policy dialogue with the government.

18. Durability of impacts over time

The MSME support programmes and financial inclusion measures launched during Macky Sall's government began to take effect in 2021. Newly introduced credit bureaus were able to increase their activities, and in 2024 the BCEAO reported positively on developments in MFB in terms of total deposits and lending in the African Economic Union (UEMOA) region. Senegal occupies a leading position in this regard.[62]

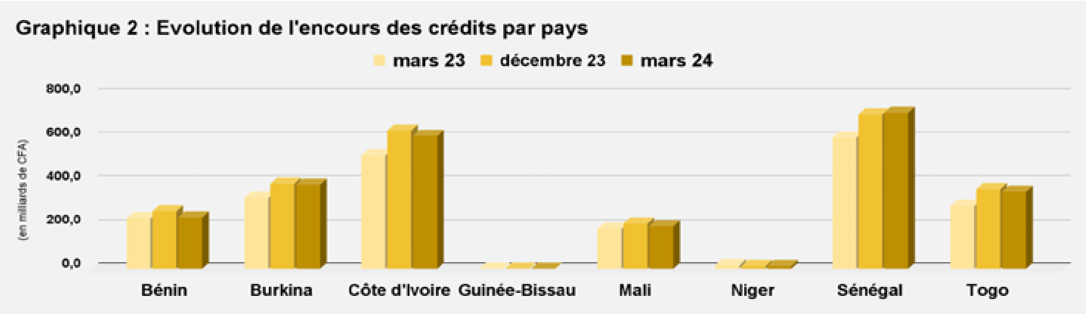


Figure 3: *Credit development by UEMOA country*
Source*: BCEAO*

The ratio of domestic lending to the private sector rose steadily in Senegal from 2021 onwards, reaching a high of almost 31% in 2022. The non-performing loan (NPL) ratio fell from 3.9% to 3.4% in 2023.[63] However, it would be premature to speak of an

[60] IMF 2023: p. 13
[61] In an interview on 29 November 2024, the Budget and Finance Chamber team confirmed that it had acquired extensive technical expertise, particularly with regard to performance audit methods, compliance audits, various risk-based methods and selected areas of public finance (e.g. disbursement procedures).
[62] BCEAO 2024: p. 2
[63] Compare Germany 2023: 2.2%

incipient transformation of the credit market. Structural problems remain:
The government's continuous borrowing in the form of securities limits the possibilities for private debt (*crowding-out effect*).[64]

The resilience of the banking sector to external shocks and its successful adaptation in 2023 to the Basel II/III standards with a liquidity ratio of 106% (higher than the regulatory minimum of 75%) does not necessarily mean that banks are more willing to grant loans to MSMEs.[65] At the end of 2024, one of the challenges facing private sector financing in Senegal was to manage the wide range of MSME support services in a clear, transparent and efficient manner.
Complementary credit offerings (preferably with their own risk assessment) would be advantageous. The IMF recommended introducing cost-benefit analyses for subsidised financing lines and better monitoring new costly instruments such as the *Délégation générale à l'Entrepreneuriat rapide* (DER).[66] The "National Strategy for Private Sector Development" (*Stratégie nationale de développement du secteur privé)* presented in early 2024 is ambitious and aims to create 3 million new jobs by 2035 by formalising 300,000 businesses and creating 300 internationally active leading companies.[67] At the time of the EPE, however, it was not yet clear to what extent the measures introduced by Macky Sall's government to promote the private sector would be continued by the new government under Diomaye Faye. However, the new government has also expressed its willingness to give priority to promoting the private sector.

Rating summary of sustainability: successful (2)

An emergency aid programme such as the PRES is not capable of resolving existing structural problems in the Senegalese credit market and private sector promotion. Nevertheless, the PRES emergency aid programme, co-financed by FC funds, is estimated to have saved over 200,000 jobs during the pandemic, of which over 17,000 were saved by the financing mechanism alone.[68] In addition, the shortcomings of the financing mechanism were analysed and it is likely that future measures to promote MSMEs will be implemented in a more needs-oriented manner. Following the publication of the Court of Auditors' report, the issue of public debt also became the focus of public
and was also the subject of further appraisals by the Court of Auditors. It remains to be seen whether this will contribute to a more responsible approach to public debt.

Overall, we appraise the sustainability of the FC programme as comparatively successful, given the surprising structural effects achieved despite the low level of entitlement under an emergency aid programme that was not designed for sustainability.

Overall assessment: moderately successful (3)

The relevance of the FC programme stems from the lack of access to financing mechanisms for MSMEs, which made it particularly difficult for them to obtain urgently needed loans during the COVID-19 crisis in order to continue employing their staff.
COVID-19 crisis to obtain urgently needed loans to continue employing their staff.
The FC programme addressed this obstacle. However, the design of the measure, which was largely geared towards the formal banking sector, failed to take into account the reality of around 97% of companies operating in the informal sector in Senegal. This was not surprising given the urgency of the programme review, which was carried out without a prior cost-benefit analysis.

Good donor coordination within the framework of the policy dialogue minimised the risks of the overall implementation of the PRES, but had only a limited influence on the choice of funding instruments. Thus, despite the indicators being met, the financing mechanism on which the FC intervention focused is considered a missed opportunity. At the same time, it can be assumed that, unlike the many cost-intensive subsidies of the PRES, the mechanism, due to its revolving factor, can be an efficient measure for overcoming crises.

The FC project helped to preserve over 17,000 jobs. Preserving employment prevented a substantial slump in tax revenues in 2020 and 2021, thus having a stabilising effect on the economy as a whole. Although the Senegalese government's emergency aid programme was a short-term crisis support programme that did not include any structural measures, it achieved sustainability effects, including the preservation of jobs and the prevention of insolvencies, the preservation of the state's capacity to act, the establishment of a concerted donor dialogue with the Senegalese government, and the strengthening of the institution of the Court of Auditors as an independent appraisal body.
However, the high costs of the emergency aid programme also contributed to the deterioration of the country's debt situation, meaning that Senegal will have to strive for greater macroeconomic stability in the medium term.

[64] Globalfinance (gfmag.com)
[65] IMF 2023: p. 2 and p. 64 (The solvency ratio of banks was 13.4% in 2023, also above the minimum of 11.5.)
[66] IMF 2019: p. 15
[67] mgaye@lequotidien.sn January 2024
[68] The total number of jobs created across all axes, as listed in the Comité de Suivi report, including those created through subsidies to individual actors in the informal sector such as craftsmen and tourist guides, is approximately 200,000.

Contribution to Agenda 2030

The FC module is linked to several of the Agenda 2030 goals. In particular, it contributes to the following SDGs: SDG 1: End poverty in all its forms everywhere; SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Universal applicability, shared responsibility and accountability

The partner's existing systems and structures were used to their full extent. With the help of the donor matrix, the donor community succeeded in setting minimum requirements for accountability, efficient use of funds and the social orientation of the programme without undermining its rapid implementation.

Interplay between economic, environmental and social development

As the FC programme was designed as part of an emergency aid programme to mitigate the short-term effects of the pandemic, the focus was not on supporting sustainable capacities. However, it can be assumed that some of the actors involved have gained extensive technical and organisational expertise and that future MSME support measures will be more closely aligned with the needs of Senegalese companies.

Inclusiveness / Leaving no one behind

The FC programme did not address gender potential. Nor did the financing mechanism make any distinction between women-led and men-led enterprises. Other PRES measures, however, particularly those of the Ministry of Women's Affairs and the *Délégation Entrepreneuriat Rapide Femmes/Jeunes*, focused specifically on women-led enterprises.

Methodology

Evaluation methodology

The ex-post evaluation follows the methodology of a rapid appraisal, i.e. a data-based, qualitative contribution analysis, and represents an expert opinion. The project is attributed effects based on plausibility considerations, which are based on a careful analysis of documents, data, facts and impressions. Where possible, this also includes the use of digital data sources and modern techniques (e.g. satellite data, online surveys, geocoding). The causes of any contradictory information are investigated, attempts are made to resolve them, and the assessment is based on statements that are confirmed by several sources of information (triangulation), where possible.

The analysis of the effects is based on assumed causal relationships, documented in the impact matrix developed during the project appraisal and updated during the ex-post evaluation, if necessary. The evaluation report sets out arguments as to why certain influencing factors were identified for the effects observed and why the project under review probably made a certain contribution (contribution analysis). The context of the development measure is taken into account in terms of its influence on the results. The conclusions are put into relation to the availability and quality of the data basis. An evaluation concept serves as the reference framework for the evaluation.

The method offers a balanced cost-benefit ratio for project evaluations, on average, with a balance between knowledge gain and evaluation effort, and allows for a systematic assessment of the effectiveness of DFG projects across all project evaluations. Individual ex-post evaluations cannot therefore meet the requirements of a scientific assessment in the sense of a clear causal analysis.

The main objective of the evaluations (knowledge interest) is to measure impacts, provide accountability, promote transparency and enable institutional learning.

Type of evaluation:

Trip to the project area

Non-public (internal) documents

Internal project documents: module proposal, final review, reporting, back to office reports.

Directory of public sources

Framework Agreement between the Republic of Senegal and the Professional Association of Banks and Financial Institutions of Senegal (APBEFS) (2020): Framework Agreement. 29 April 2020.

Autorité de régulation des marchés publics (ARMP) (2021): "Evaluation de la régularité des dépenses faites un échantillon d'autorités contractantes dans le cadre de la lutte contre le COVID-19".

Central Bank of West African States (2024): "Situation of Microfinance in the WAEMU as at 31 March 2024".

Federal Ministry for Economic Cooperation and Development (BMZ) (2021): "Implementation of the Corona Emergency Programme".

Comité de Suivi (2021): "Public Report on the Activities of the Committee Monitoring the Implementation of Operations of the Response and Solidarity Fund against the Effects of COVID-19".

Cour des Comptes (2022): appraisalof the management of the fund for response and solidarity against the effects of COVID-19 (FORCE COVID) management 2020 and 2021.

German Institute for Development Evaluation (DEval) (2024): "Evaluation of the Corona Emergency Programme of BMZ"

Microfinance Impulse Fund (FIMF) (2020): Annual Activity Report 2020.

German Society for International Cooperation (GIZ) (2021): "Sector Brief Senegal: Microfinance".

German Society for International Cooperation (GIZ) (2022): "Access to finance for small and medium-sized enterprises".

International Monetary Fund (IMF) (2023): "Country Report No. 23/30".

International Monetary Fund (IMF) (2023a): "Country Report No. 23/435".

International Monetary Fund (IMF) (2019): "Country Report No. 19/27".

Legs Africa (2020): "Capitalisation Report on Citizenship & Inclusive Governance in the Context of COVID-19".

Ministry of Economy, Planning and Cooperation (MEPC) (2020): Draft agreement between the MEPC and FONGIP on the management of the COVID-19 refinancing and financial guarantee fund for very small enterprises (VSEs). 5 May 2020.

ONG 3D & International Budget Partnership (2021): "Transparency and credibility of COVID Response in Senegal".

Le jecos (Le journal de l'Economie Sénégalaise) (2024): 'The new strategy for SMEs in Senegal'.

Data sources and analysis tools

On-site data collection, partner monitoring data, partner monitoring data, media reports

Project sites visited

Rabat

Interview partners and modality (in person, virtual/by telephone, in writing)

Programme sponsor: Ministry of Economy, Planning and Cooperation, KfW Office in Dakar, representatives of bilateral organisations, the Senegalese Banking Association, the Senegalese Court of Auditors and the Guarantee Fund for Priority Investments.

The analysis of the impacts is based on assumed causal relationships, documented in the impact matrix developed during the project appraisal and updated during the ex-post evaluation. The evaluation report sets out arguments as to why certain influencing factors were identified for the impacts observed and why the project under review probably made a certain contribution (contribution analysis). The context of the development measure is taken into account in terms of its influence on the results. The conclusions are put into relation to the availability and quality of the data basis. An evaluation concept serves as the reference framework for the evaluation.

On average, the method offers a balanced cost-benefit ratio for project evaluations, with the knowledge gained and the evaluation effort being in equilibrium, and allows for a systematic appraisal of the effectiveness of FC projects across all project evaluations. Individual ex-post evaluations cannot therefore meet the requirements of a scientific assessment in the sense of a clear causal analysis.

The following aspects limited the evaluation

The implementation of the FC programme had already been carried out four years ago and was not implemented by the current government in 2020. As a result, many of the responsible actors were no longer in their positions at the time of the mission, which made it difficult to identify suitable interview partners. In particular, it is regrettable that no interview could be organised with the SME Directorate of the Ministry of Economy, which was responsible for implementing the financing mechanism.

Assessment methodology

A six-point scale is used to assess the project according to OECD DAC criteria, with the exception of the sustainability criterion. The scale values are as follows:

Level 1 Very successful: results significantly above expectations

Level 2 Successful: results fully in line with expectations, without significant shortcomings

Level 3 Moderately successful: results below expectations, but positive results predominate

Level 4 Moderately unsuccessful: significantly below expectations and negative results dominate despite recognisable positive results

Level 5 Unsuccessful: despite some positive partial results, the negative results clearly dominate

Level 6 Highly unsuccessful: the project is useless or the situation has deteriorated

The overall rating on the six-point scale is based on a project-specific weighting of the six individual criteria. Levels 1–3 of the overall rating indicate a ‘successful' project, while levels 4–6 indicate an ‘unsuccessful' project. It should be noted that a project can generally only be classified as "successful" in terms of development policy if both the achievement of objectives at the outcome level (effectiveness) and impact level, as well as sustainability, are rated at least as "moderately successful " (level 3).

Imprint

Responsible: Evaluation Department of KfW Development Bank

FZ-Evaluierung@kfw.de

KfW Bankengruppe
Palmengartenstraße 5-9
60325 Frankfurt am Main, Germany