

SENEGAL

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOW INCOME

LOCAL CURRENCY: WEST AFRICAN CFA FRANC (XOF)

POPULATION AND GEOGRAPHY

Area: 196 710 km² (2017)
Population: 15.851 million inhabitants (2017), an increase of 3.0% per year (2010-2015)
Density: 81 inhabitants / km² (2017)
Urban population: 46.7% of the national population (2017)
Urban population growth: 3.8% (2017 vs 2016)
Capital city: Dakar (18.4% of the national population)

ECONOMIC DATA

GDP: 54.7 billion (current PPP international dollars), i.e. 3 450 dollars per inhabitant (2017)
Real GDP growth: 7.2% (2017 vs 2016)
Unemployment rate: 6.8% (2015)
Foreign direct investment, net inflows (FDI): 532.3 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (% GDP): 24.0%
HDI: 0.505 (low), rank 167 (2017)
Poverty rate: 38% (2011)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Republic of Senegal is a unitary country with a multi-party presidential regime. The current constitution was adopted in 2001. Amendments were made in 2016, including the reduction of the presidential term from 7 to 5 years and the creation of the High Council of Local and Regional Authorities (HCCT), which replaced the senate. Legislative power is vested in the National Assembly, the sole chamber of the Senegalese Parliament, established by the 1960 Act No. 60-44. Deputies are elected for five-year terms using a mixed voting system in 53 electoral districts corresponding to the 45 departments of Senegal and 8 constituencies abroad. The last parliamentary elections were held on 30 July 2017. Local elections (regional, municipal, rural) were held in 1996, 2002, 2009 and 2014 and are scheduled to take place in December 2019.

Since its independence in 1960, Senegal has implemented a progressive decentralization policy that has taken place in 3 phases. In the first phase, the 1972 Law 72-25 established rural communities. The second phase started in 1996 with the enactment of the Local Government Code and Law 96-07, which regulated the transfer of powers to three tiers of local government (regions, municipalities and rural communities). The 2001 Constitution further reinforced local government by stipulating that "the territorial authorities are freely administered by elected assemblies"; and that "their organization, their composition and their functioning are determined by law." Local governments were reinforced in 2006 with the National Local Development Program, which incorporated a community-driven approach to development (CDD). Under the CDD the Government updated the legal, regulatory and organizational framework, set up an operational mechanism to finance participatory local development, and developed guidelines for local governments and communities.

With the approval of Law n° 2013-10 of 28 December 2013 on the General Local Government Code, the country entered Phase III of decentralization. Phase III aims to harmonize the decentralization and local governance efforts. The 2013 General Local Government Code, which replaces the 1996 Code, defines the legal, institutional and financial framework of Phase III. The second stage of Phase III of decentralization plans to strengthen the financing of local authorities and allow departments to raise local taxes, correct territorial distortions by reforming the grants system, transfer more responsibilities to local governments and improve coordination between water, electricity and telephone concession companies and local authorities.

TERRITORIAL ORGANISATION

2016	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Communes (<i>Gox</i>) 5 cities (<i>Rewu Taax</i>) 121 urban municipalities 46 sub-district municipalities 385 rural municipalities		Departments	
	Average municipal size: 28 457 inhabitants			
	557		45	602

OVERALL DESCRIPTION. Under Phase III of decentralisation, according to the 2013 General Code, local government in Senegal comprises 45 departments and 557 municipalities (Art. 1). The 2013 Code which replaced the 1996 Code led to the suppression of regions as local government bodies, at the same time that it granted departments local government status. Municipalities are further classified into 126 urban municipalities, 46 sub-district municipalities and 385 rural municipalities.

As regards the deconcentrated state administration, the country is divided into regions, departments and districts, all headed by officers appointed by the President of the Republic (Governor for the region, Prefect for the department and Sub-Prefect for the district). The country is divided into 14 administrative regions, each subdivided into 3 or 4 departments, which are themselves subdivided into a variable number of districts.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. Municipalities are self-administered by local councils elected by universal suffrage. The council of each local government shall elect an executive body, the composition of which must be in accordance with the provisions contained in the 2013 General Code. Local governments may undertake, in accordance with the modalities provisioned for in the existing decrees on the matter, cooperation actions between themselves, with the State or any other appropriate structure in order to promote and coordinate development actions in specific fields (Art. 16). Likewise, local governments may cooperate with the State so as to put forward initiatives of public interest (Art. 17).

DEPARTEMENTS. Departments are administered by a directly elected departmental council, made up by councillors elected for 5-year terms (Art 20). The departmental council is the body responsible for decision-making and may propose the municipalities within its jurisdiction actions to favor the coordination of local investments and development measures. New departments may only be created by decree and if the territorial extension of existing departments is to be modified, it has to be done following a consultation called by the Minister of Local Governments. The consultation needs to have the approval of the departmental council.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The 2013 General Local Government code builds up on the 1996 Local Government Code and Law No. 96-07, which outlined the transfer of competences to regions, urban and rural municipalities. The 2013 Code clarifies the distribution of responsibilities between the central and local government units, now comprised of departments, urban and rural municipalities. Both departments and municipalities have clearly outlined competences in matters of environmental preservation and natural resources management, health and wellbeing, youth, sports and leisure, culture, education, planning and urbanism. The General Code establishes that the transfer of responsibilities must be accompanied by the necessary resources to carry out such responsibilities. In order to ensure community participation, it requires the local executive body to establish a community consultation framework on plans for local development projects, implementation agreements, and other local concerns.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	STATE LEVEL	MUNICIPAL LEVEL
1. General public services	Public buildings and equipment	Administrative services (marriages, births, etc.)
2. Public order and safety	Fire Fighting	Municipal police; Urban signalization
3. Economic affairs/transport	Agriculture and rural development; Support for local businesses; Departmental tourism	Urban roads; Public parks; Local tourism
4. Environmental protection	Environmental conservation; Soil and groundwater protection; Climate protection; Sanitation	Parks and green spaces
5. Housing and community amenities	Construction/renovation; Management	Construction/renovation; Street lighting; Urban planning
6. Health	Hospitals	Primary health care (health centers); Preventive health
7. Recreation, culture & religion	Departmental museums; Cultural heritage	Sports; Libraries; Local museums
8. Education	Secondary and higher education	Pre-primary and primary education
9. Social protection	Elderly people; People with disabilities (benefits and services); Social development	Social protection of children and young people; Family support services

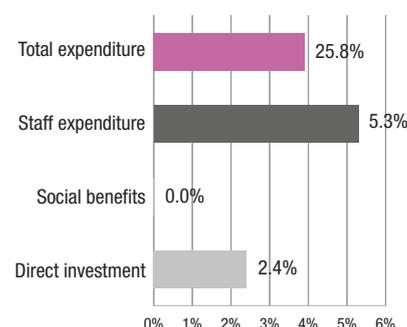
SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: departments and municipalities.	SNA 2008	Availability of fiscal data: Medium	Quality/reliability of fiscal data : Medium
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GENERAL INTRODUCTION. The provisions relating to the finances of local authorities are set out in Title 4 of Law No. 2013-10 of 28 December 2013 on the General Local Government Code. The execution of local government budgets in 2017 shows an improvement in the role played by local authorities in public finances compared to previous years: In 2017, local revenues increased by 29% compared to 2016, while expenses increased by 45%. This increase is partly due to a stabilization of Phase III of decentralization and a better understanding by local actors of local tax policy. However, this general improvement should not mask the disparities between local authorities. Indeed, nearly 49% of local revenues are collected by local authorities in the Dakar region, where 50% of local expenditures are also made. Pending the completion of studies on local tax reform under the second stage of Phase III of decentralization, the State increased its transfers to local authorities by 13% in 2016 compared to 2015. However, the figures decreased by 0.5% in 2017 compared to 2016. The reform of the General Tax Code (CGI), which provides for a local economic contribution (CEL), should have a positive impact on local authorities' budgets in the coming years.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2017	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	37	1.1%	100%	25.8%
Inc. current expenditure	27	0.8%	74.2%	
Staff expenditure	9	0.3%	24.4%	5.3%
Intermediate consumption	4	0.1%	11.2%	
Social expenditure	0	0.0%	0.0%	0.0%
Subsidies and current transfers	0	0.0%	0.0%	
Financial charges	4	0.1%	12.1%	
Others	10	0.3%	26.4%	
Incl. capital expenditure	10	0.3%	25.8%	
Capital transfers	1	0.0%	3.2%	
Direct investment (or GFCF)	8	0.2%	22.7%	2.4%



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EXPENDITURE. In 2017, despite a 45% increase over the last year, the level of local government spending remains low compared to public spending: it represents just over 1% of GDP and less than 4% of Senegal's total public spending. 74% of local expenditures are operating expenditure, while slightly less than 24% are spent on investment. Compared to the previous fiscal year, only two lines of expenditure have experienced decreases, both related to the payment of financial charges. The largest decrease was in the repayment of debt charges, which decreased by almost 50% due to the repayment method, which is based on the constant amortization of loans with declining interests.

INVESTMENT. As a general rule, investments are of a social nature in local and regional authorities. However, variations are to be noted if it is a rural commune where investments go towards basic needs (water, tracks, electrification, health, education), or an urban commune where investments go towards urban infrastructures aimed at reducing deficits and requalifying the urban landscape (shopping centres, buildings for service use, car parks, hospitals, etc.). For large cities, the regulatory framework allows, under certain conditions, to experiment with innovative financing tools through financial markets and international cooperation in general.

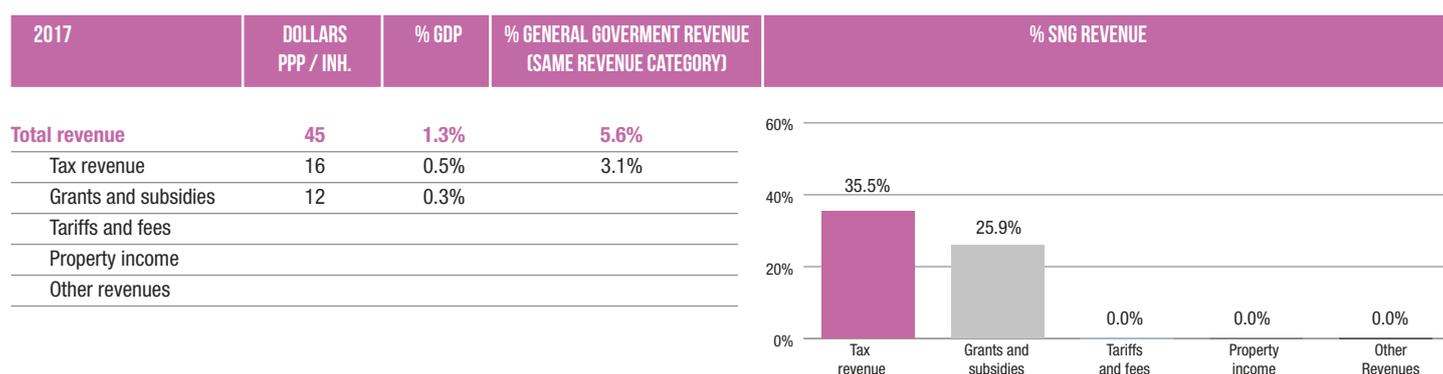
In 2017, investments carried out at the local level increased by 57.2% with respect to 2016. This strong growth is mainly due to the investments in road infrastructure (which alone stand for 40.5% of local investment) and health. Investments in education, youth and sport have also increase significantly by 47.7% compared to the previous year. The increase is partly due to the financial support for infrastructure development provided by the African Development Bank and implemented by the municipalities under the National Local Development Programme (PNDL).

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Disaggregated data by economic function is only available for local capital investments.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. Local authorities derive their financial resources from various sources, namely locally-raised revenues and transfers allocated to them by the State or other public bodies in the form of assistance funds. In FY 2017, local revenues increased by approximately 29% compared to FY 2016, but still represent only about 1.3% of GDP and 5.6% of total revenues at the general government level. According to the nomenclature used in the multi-year fiscal and economic programming document, operating revenues represented 70% of total local revenues, while the remaining 30% corresponded to investment revenues.

TAX REVENUE. In FY 2017, tax revenues amounted to 35.5% of local revenues, partly due to the good performance of taxes on the contribution of patents, built property and the domestic waste collection tax. CIT includes contributions from patents and commercial activity. The contribution of patent to local revenues by patents represents almost 28% of operating revenues and 65% of investment revenues, while the collection of tax on commercial activities increased by approximately 15% compared to FY 2016. The second largest sources of revenue for local governments in FY 2017 were personal income tax, which rose by 62% over the previous year, and built property tax, which increased five-fold.

GRANTS AND SUBSIDIES. The State of Senegal contributes funds to local authorities mainly through two instruments, the Local Government Endowment Fund (FDD) and the Capital Investment Fund (FECL). In FY 2017, local governments were allocated PPP \$102 109 065 and 93 637 133 PPP, respectively through the FDD and FECL. Resources are also allocated to local authorities under (i) the transferred Consolidated Investment Budget (BCI), in particular in the fields of education and health, and (ii) rebates from the annual vehicle or motor vehicle tax and the property appreciation tax. Two criteria are used for the allocation of the FDD: (1) a compensation criterion - at least 82% of the total amount of the fund is distributed among local authorities according to the cost of the charges resulting from transferred powers; (2) a criterion relating to support for regions to enable them to respond to requests from local authorities.

The FECL has resources from a VAT levy, the rate of which (around 2%) is set yearly by the Finance Act. It allocates two types of funds: an ordinary assistance fund, namely general-purpose equipment provisions allocated to local authorities, and a special assistance fund to enable local authorities to finance either the counterpart requested by decentralization support projects or to cover capital investments initiated by the State itself.

In the context of Phase III of decentralization, local authorities call for (i) an increase in VAT rates to 20% and 10% for the FDD and FECL respectively, due to the increase in the number of local authorities, the change in the status of rural communities and district municipalities and the transfer of new powers, and (ii) the refocusing of these two funds for the sole benefit of local authorities.

According to the Ministry of Local Governance, Development and Spatial Planning (MGLDAT), from 2019 onwards, transfers under the FDD and FECL should increase by about PPP \$4.5 million per year.

OTHER REVENUES. Disaggregated data on tariffs and fees are not available. Tariffs and fees relate to water supply, electricity, transport and telecommunications. There is also an advertising tax and a fuel tax. The level of autonomy of local authorities is low. It is the State that determines the tax base and collects taxes before making the transfers in the form of rebates.

Regarding income from assets, the main categories of assets generating income are municipal taxes, operating revenues and public revenues. Local authorities have a medium level of autonomy in this respect; they manage these revenues autonomously, based on the principle of legality control.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	3	0,1%	1.0%	100%
Financial debt*				

* Currency and deposits, loans and bonds

FISCAL RULES. In Senegal, as in all WAEMU countries, the financial regime of local authorities is based on the principles of budgetary law defined in the directives on the transparency code, the finance laws and the general regulations on public accounting of WAEMU. The State exercises legality control over all their operations. Due to the principle of cash register unity, the authorization of the Minister of Finance is required for the opening of private accounts outside the public treasury by local authorities.

DEBT. In 2017, the total amount of outstanding debt of local authorities amounts to just over 50 million PPP dollars, which represents 0.1% of GDP and 1% of public debt.

For a local authority to be able to borrow, it is required that its own revenues cover its current expenses (operating expenses and outstanding debt). There is no restriction on the choice of lenders. Borrowings are made in XOF currency and those made in foreign currency are supervised by WAEMU. Both types of transactions are permitted. Local authorities also have non-institutional debts to the Municipal Development Agency.

At the national level, Dakar is the first and only city to have experienced the preparation of a bond issue in 2015. This bond issue was finally cancelled at the request of the State.

Since 2012, the government has set up new Guarantee Funds to support private investment, such as the Priority Investment Guarantee Fund (FONGIP) and the Sovereign Investment Support Fund (FONSIS).



Lead responsible: UCLG
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Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: Ministry of Economy, Finance and Planning (2018) Document de Programmation budgétaire et économique pluriannuelle (DPBEP) 2019-2021 // General balance of consolidated accounts of local authorities.

Other sources of information: Ministry of Local Government (2015) Lettre de Politique sectorielle de Développement de la Gouvernance locale, du Développement et de l'Aménagement du Territoire 2015 – 2020 // World Bank (2018) Systematic Country Diagnostic of Senegal // World Bank Group (2017) Economy Profile of Senegal. Doing Business 2018 // Cities Alliance and UCLGA (2018) Assessing the institutional environment of local governments in Africa.