

REPUBLIC OF SENEGAL
MINISTRY OF ECONOMY AND FINANCE
DIRECTORATE-GENERAL FOR PUBLIC ACCOUNTING AND THE TREASURY



Financing Local Governments in Senegal

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Introduction



Talk given at the International Association of Treasury Services'
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Mr. Abdoulaye DIENG

Director-General of Public Sector Accounting and the Treasury in
Senegal

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Introduction



- Senegal has a significant tradition in decentralization.
- It is currently organized in 3 types of local governments: region, municipality and rural municipality.
- There are multiple financing sources:
 - ❖ own resources (local taxes, asset and services generated revenues);
 - ❖ transfers from the central government (decentralization fund, capital development fund for local governments, consolidated budget, decentralized investments);
 - ❖ transfers among local governments
 - ❖ provision of capital from technical and financial partners;
 - ❖ loans.

I- Local governments own resources



They comprise:

- Revenues generated by direct taxation;
- Revenues generated by indirect taxation;
- Local, public domain – specific revenues;
- Asset generated revenues;
- Service generated revenues.

1.1- Revenues generated by direct taxation



They mainly comprise local taxes collected after prior assessment

- Their tax base is established by units within the Directorate-General for Taxation and Property (FR. DGID).
- Their collection is carried out by staff hired by local governments: public sector accountants reporting to the Directorate-General for Public Sector Accounting and Treasury.
- Generally these revenues are directed to local governments, but for those that are split between the central and the local governments.

1.1- Revenues generated by direct taxation



They comprise the following:

- **personal taxes:** minimum fiscal tax (IMF), tax paid instead of the minimum fiscal tax (TRIMF), rural tax;
- **property taxes:** property tax on buildings, property tax on unbuilt land, surcharge on insufficiently built property;
- **professional taxes:** tax on patents and licensing revenues

1.1- Revenues generated by direct taxation



They also comprise the following:

- **global single tax** (global tax system set up to the benefit of the central and local governments substituting: the IMF, the tax on patent revenues, the VAT, the flat-rate tax to be paid by employers and the pub license);
- **global property tax** (special tax system set up to the benefit of the central and local governments, comprising: the tax on property income, the minimum fiscal tax, the property tax on built and unbuilt properties, the VAT and the flat-rate tax to be paid by employers (Fr. CFCE)
- **tax on refuse collection.**

1.2- Revenues generated by indirect taxation



They mainly comprise the following:

- tax on electricity used;
- tax on water;
- entertainment tax;
- advertisement tax;
- tax on night clubs;
- tax on entrance fees;
- tax on fuel distributors;
- part of the tax on real-estate gain collected by the state...

1.3- Local, public domain -specific revenues

Main revenues collected out of the exploitation of the local public domain:

- licenses to occupy areas in public markets, fairs, slaughterhouses and others;
- tax on the sale of livestock;
- impounding fees;
- parking fees;
- revenues resulting from public domain exploitation.

1.4- Asset generated revenues



They mainly comprise:

- Revenues generated by letting buildings (ballrooms, for instance) or plots of land owned by local governments:
- Revenues generated by the letting of souks, canteens, lodges slaughterhouse stalls, etc.

1.5- Services and license fees



They mainly comprise:

- revenues generated by the dispatch of administrative papers;
- revenues generated by the delivery of civil status documents.

II- Transfers from the central government



They mainly comprise:

- the decentralization fund (FDD);
- the capital development fund for local governments (FECL);
- the consolidated budget for investments (decentralized BCI)

2.1- Decentralization fund



- This is a fund set up by the Finance Law and made available to local governments in order to enable them to cope with the extra workload resulting from the transfer of competences from the central government.
- Fund distribution criteria are established and modified each year, by decree, or whenever necessary, after consultation with the National Council for the Development of Local Governments (Fr. CNDCL).
- According to the progressively transferred competences, CNDCL suggests FDD distribution criteria among local governments as well as fund allocation to deconcentrated units for the services they provide to local governments.

2.2- Capital development fund for local governments



- This is a support fund set up by the Finance Law and made available to local governments so that the latter can invest in economic, social and cultural programs
- The FECL receives some 2% of the VAT collected in the previous fiscal year by the state.
- It is annually distributed, according to national solidarity principle, and after consultation with the National Council for the Development of Local Governments, by common order passed by the Minister in charge with Finance and the Minister in charge with Local Governments.

2.3- Decentralized resources of the consolidated budget for investments



- The state also supports local governments' investment efforts making available for them a part of the internal resources of the consolidated budget for investments (BCI).
- For the time being, the funds coming from the BCI are destined exclusively to health and education.

III- Transfers among local governments



- The Local Government Code outlines transfer mechanisms among local governments.
- For the time being, this mechanism concerns only transfers from **the main city to municipalities in the neighboring area (Fr. arrondissement)**.
- This is **compulsory expenditure** for the city. The total amount is established according to the items stipulated in the decree and it is a priority element in the City's budget.

IV- Provisions of capital from technical and financial partners



- These are funds coming from lenders under the form of swap & loan agreements or donations concluded with the Government and then passed on to projects and programs implemented by local governments.
- These resources are very important for the carrying out of economic and social infrastructure at local level.

Main programs getting financing



World Bank	<ul style="list-style-type: none">• Support Program for Municipalities (Fr. PAC)• Strengthening and developing local governments' program (Fr. PRECOL)
French Development Agency	<ul style="list-style-type: none">• Support Program for Municipalities (PAC)• Support Program for Rural Municipalities in the Area of Senegal River (PACR/VFS)
African Development Bank	<ul style="list-style-type: none">• National Program for Local Development (PNDL)
European Union	<ul style="list-style-type: none">• Support Program for Local Development Initiatives (PSIDEL)• Support Program for Local Urban Development (PADELU)

Main programs getting financing



KFW	<ul style="list-style-type: none">• Support Program for Decentralization and Local Development (PRODDEL)• Local Development and Good Governance Program (Sine Saloum)
UNDP/ UNCDF	<ul style="list-style-type: none">• Support Program for Decentralization in Rural Areas (PADMIR)• Support Program for Local Development (PADEL)

The total amount of financial commitments from partners has reached some **CFA franc 218.165 bn.** since 1997 up to 2013.

V- Loans



- According to the Local Government Code, local governments can get loans.
- Article 252 of Law n°96-06 from March 22, 1996 lists loans among possible investment sources for local governments.
- The possibility for local governments to access loans directly, despite its limitations (prohibition of budget deficit financing from loans and the obligation to get a central government's representative approval for loan operations), WAS ONE of the significant innovations brought about by the 1996 reform.

Senegalese experience in relation to loans



- **Municipal Credit Institution (Fr. Crédit communal):** it was set up in 1989, for the financing of municipal investments. It was financed by the Senegalese state with the support of the World Bank.
- **Municipal Development Agency (Fr. Agence de Développement Municipal -ADM):** replaced the Crédit Communal in 1997. It provides financing to municipalities according to the following funding scheme:
 - ❖ a subvention that represents some 70% of the total amount needed;
 - ❖ a loan that amounts to 20% of the total sum;
 - ❖ and the auto-financing ratio reaches 10%.



- **Strengthening and Developing Local Governments' Program** (PRECOL). ADM is tasked with the implementation of this program, which shall rely on past experiences in order to support the development of local governments, with a financing of more than CFA 80 bn.
- For example, Dakar benefited from loans granted by the French Development Agency, the West African Development Bank, the Bank for International Settlements and by the Banking Company of West Africa.

**THANK YOU FOR YOUR
ATTENTION!**