

COVID-19 – the Local Government Finance response

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Senegal

The spread of COVID-19 in Senegal started from March 3rd 2020. As of April 6, the Government of Senegal had reported 226 confirmed cases of COVID-19 which has affected 23 districts. Dakar is the most affected region with 68% of cases.

At the local level, most of the municipalities in Senegal have already initiated their response plans by mobilizing human and material resources to combat the spread of the virus.

Impact of COVID 19 on the economy of Senegal:

The government believes the following sectors will be impacted:

- **Exports** in 2020 are expected to decline by 16% compared to an increase of 9% in 2019
- **Imports** would show a sharp decline, estimated at 18% in 2020 compared to an increase of 6% in 2019
- **Remittances**, which account for more than 10% of the GDP of the Senegal, or XOF 1,300 billion, (USD 2.2 billion), would experience a decline of nearly 30% as a result of the drop in economic activity in the European Union (on the basis that the confinement does not last in Europe)
- **Other sectors** such as fishing, livestock, and construction and public works are also affected by the pandemic.

Sectors most affected (loss of turnover)

- **Accommodation and Restauration**
Restauration: XOF 56 billion (USD 93M)
Hotels: XOF 40 billion losses of Income (USD 66M)
- **Commerce**
XOF 50 billion, (USD 83M)

- **Transportation**
Air transport: XOF 34.3 billion, (USD 57M)
Land transport: XOF 24.3 billion, (USD 40M)
- **Education**
XOF 1.3 billion, (USD 1.3M)

Pillars of the Economic and Social Resilience Program

The government of Senegal has defined an **Economic and Social Resiliency Program** with 4 pillars of actions to respond to this crisis.

- Strengthening the health system,
- Strengthening the social resilience of the population,
- Macroeconomic and financial stability to support,
- Support to the private sector and maintaining jobs, Regular supply of hydrocarbons, medical and pharmaceutical products and basic necessities.

Implementation of these pillars can be accelerated through the local government finance system. The specific measures are:

Health Sector measures:

- Detection of suspected and confirmed cases
- The rapid isolation of such cases
- Strengthening the means of prevention and control of infection in health structures and in the community
- Intensifying risk communication on infection and the participation of populations in response measures
- Coordination of the response to the epidemic

An envelope of XOF 64.4 billion, (USD 106M) is devoted to the health sector for the strengthening of its capacities.

Social Resilience measures:

- **Food:**
- Distribution of food stamps:
- Envelope of XOF 69 billion, (USD 114M) devoted to the purchase of food for 1 million households including Daraas the traditional Quranic schools that rigorously target the poorest people.

- Food kit of basic necessities (pasta, rice, soap, sugar) for an amount of XOF 66,000, (USD 110) per household

Support to the Diaspora:

- Allocations totaling XOF 12.5 billion, (USD 21M) will be made to consulates and embassies outside Senegal, which will be responsible for the distribution and monitoring of the funds. This will help the diaspora that has been deeply affected by the pandemic.

Payment water and electricity bills:

- Support for the vulnerable populations of the entire social bracket of about XOF 15.5 billion, (USD 25.7M) and XOF 3 billion, (USD 4.9M) for two months, respectively for electricity bills.
- Beneficiaries Social section 975,522 households for electricity 670,000 households for water.

Economies Alliance (ADEL) which is a capital investment company with strong roots at the local level as they are supporting municipalities, project developers and local savers are supporting nine local authorities in which ADEL-SAS intervenes to implement locally these COVID19 responses.

Macroeconomic and financial stability measures:

Taxation

- Partial forgiveness of the tax debt recognized as at December 31, 2019 owed by companies and individuals, for a total amount of XOF 200 billion, (USD 331M)
- General time limit for payment of suspended VAT recovered by customs and services 12 to 24 months
- Tax rebates and tax suspensions for companies that keep their workers in the country activity or to pay more than 70 of the wages of employees laid off from work

Clearance of domestic debt

- XOF 302 billion, (USD 500M) devoted to payments due to state suppliers. This will be critical to keep local value chains going.

Specific measures for the sectors most affected

Funding

- Establishment, in partnership with the banking sector (BCEAO and commercial banks), of a mechanism to provide funding for companies affected by the crisis to enable them to access the resources to meet urgent needs.

This mechanism should enable the banks to inject a significant financing envelope for the benefit of these enterprises of the order of XOF 200 billion, (USD 331M) in the form of treasury or investment credits with interest rate and maturity conditions taking into account their situations.