

2020 ISLAMICITY INDICES: SENEGAL

by

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The economic and social environment in Senegal in 2020 has been severely impacted by the global Covid 19 pandemic. Recent discussions between Senegalese Government and the International Monetary Fund pointed out worrisome trends, particularly economic growth slowdown and the increase in unemployment.

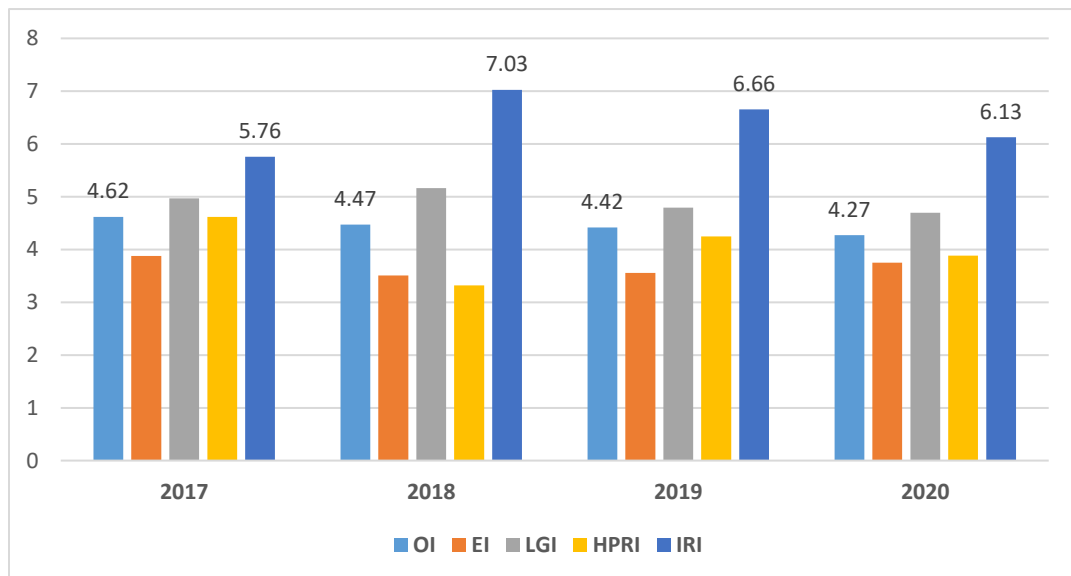
In this context, the report analyzes the evolution of the Senegal Islamicity indices in 2020 relative to 2019 in the first section. In a second section, the report presents the economic and social resilience program implemented by the Senegalese authorities to tackle these adverse dynamics.

1. Broad developments for Islamicity indices: scores and ranks in 2019

1.1. Overall Islamicity Index country score.

As evidenced in Figure 1, Senegal's Overall Index (OI) continued to deteriorate (3.39%) in 2020 relative to 2019. This pattern reflected contraction in all sub-indices except in the Economic index that improved by 5.3%.

Figure 1. Senegal Overall Index and its components



From another perspective, Senegal’s scores compare as follows to those of the Group (all countries) and best performers and to Group mean (all countries) (Table 1 and Figure 2).

Table 1. Best group performers in 2020

	OI	EI	LGI	HPRI	IRI
ALL COUNTRIES (154)	New Zealand	Netherlands	Norway	New Zealand	Iceland
OIC GROUP (57)	Malaysia	United Arab Emirates	Malaysia	Malaysia	Sierra Leone

Figure 2. Senegal scores compared to best Group performers scores

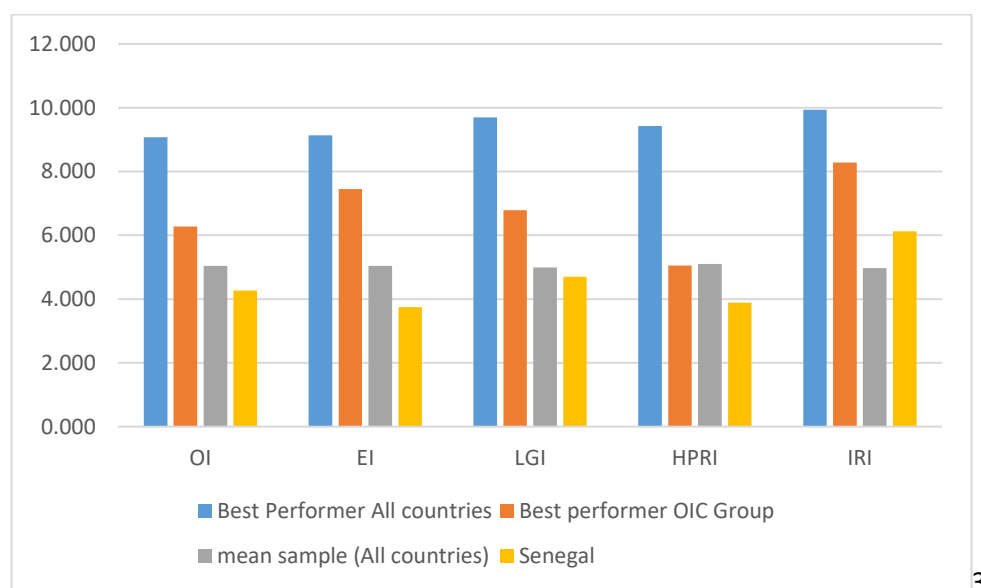


Figure 2 highlights the extent of Senegal's under-performance compared to those of best performers for the All Countries Group and the OIC Countries Group. In particular, a more detailed analysis of the data between 2019 and 2020 indicates that the country is falling further behind the best performers, except in the economic sub-component. In fact, record harvest and the government’s forceful implementation of an Economic and Social Resilience Program helped to mitigate Covid 19 hardship on the economic activities.

1.2. Islamicity Indices Ranking

The overall index (OI) rank deteriorated markedly (-9 spots), due mainly to negative evolutions in Legal ranking (-1 spot), Human ranking (-9 spots) and International Relations ranking (-10 spots). In contrast, improvement in economic ranking (+5) attenuated the negative impact of the other sub-indices of the overall index.

Table 2. Ranking Islamicity Indices 2020

	OI	EI	LGI	HPRI	IRI
Senegal Rank	91	103	76	94	46
rank changes (spots) (2020/2019)	+9	-5	+1	+9	+10

(-) improvement; (+) deterioration

2. Major developments of the macroeconomic context

According to recent official estimations, the real economic growth slowed down from 4.4 % in 2019 to 1.5% in 2020. Inflation rose from 1.0% in 2019 to 2.5% in 2020 (annual average). Financial macroeconomic imbalances worsened: (i) external current account deficit (official transfers excluded) widened from 8.4% in 2019 to 11.9% (percent of GDP) in 2020 and, (ii) net government borrowing (overall fiscal deficit) from 5.5% to 8.7%. Another major concern is still the steady rise in ratio of the total public debt to GDP to 68.7% in 2020 meaning a weak adherence to Islamic finance principles.

About social issues, recent national surveys indicate that 85 % of households and 90 % of informal sector units experienced income losses. Also children's education was hard hit by the pandemic.

3. Impact of the Covid 19 pandemic in Senegal: policy responses and outlook

The prolonged Covid-19 pandemic in 2021 with currently a surge of a third wave of the Delta variant is causing additional hardship. In particular, in March, social discontent, triggered by a political controversy but also rooted in widespread youth unemployment exacerbated by the economic downturn, led to major deadly demonstrations.

- the launch of a Covid-19 vaccination since in February 2021 that targets to vaccinate 60% of the population by the first quarter of 2022.
- the launch of an emergency youth program amounting to 3 % of GDP, spread evenly over 2021-23. The program centers on: i) hiring 65,000 workers, (ii) increasing subsidies for private sector traineeships and jobs, (iii) promoting labor intensive public work projects, (iv) enhancing technical and vocational training, and v) supporting entrepreneurship via financing options.

- the coverage of financial needs by a request of additional support from the International Monetary Fund and extended participation to the G-20 Debt Service Suspension Initiative, new Eurobond issuance.

4. Conclusion

For many developing countries, such as Senegal, the current crisis opens new opportunities to adopt an alternative socio economic model as opposed to the dominant mainstream, which tends to perpetuate the cycles of indebtedness and austerity.

Under the different paradigm of an Islamic economy, alternative economic solutions may be possible. Recent empirical research evidenced that the use of guiding principles of risk-sharing and prohibition of interest may provide the basis for a different set of policy recommendations conducive to different short and long-run effects on macroeconomic indicators. In addition, for operational purpose, the conception and estimation of the Islamicity Indices provide a more holistic benchmark for country policy institutional assessment.

Moreover, the potential of the Islamic model to offer a more comprehensive alternative to the conventional model could be better highlighted through an improvement of the formalization and quantification of the rules of conduct (individual behavior, market behavior and performance, effects of public policies) and assessment of their societal impact on social welfare.