

UNCLASSIFIED

Country Development Strategy Statement

FY 1985



Senegal

January 1983

Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE

UNCLASSIFIED

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE
A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND
USED FOR PLANNING PURPOSES IN THE FIELD AND IN
WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY
POLICY!

**

*

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

S E N E G A L
F Y 1 9 8 5

COUNTRY DEVELOPMENT
STRATEGY STATEMENT

February, 1983

Unclassified

TABLE OF CONTENTS

	<u>Page</u>
I. <u>INTRODUCTION</u>	1
II. <u>THE CURRENT STATUS OF SENEGAL'S REFORM PROGRAM</u>	4
A. Past Progress	5
B. Current Prospects	8
C. Four Essential Rural Reforms	12
III. <u>AID'S PROGRAM IN SENEGAL FOR 1983-1987: THE CDSS</u>	16
IV. <u>THE FOUR PRIORITY MEANS</u>	21
A. Policy Dialogue	21
B. Institutional Development	24
C. The Private Sector	26
D. Technology Transfer	27
V. <u>CONCLUSION</u>	28
TABLE I: Non-Project Assistance Official Flows Providing Direct Balance of Payments and Budgetary Support 1981	31
TABLE II: Non-Project Assistance Official Flows Providing Direct Balance of Payments and Budgetary Support 1982 (estimates)	32
MAP	33

SENEGAL: THE CDSS UP-DATE FOR FY 1985

I. INTRODUCTION

The Mission intends the present document to serve four functions. The first is to review Senegal's progress in implementing its economic reform plan, now entering its third year. Second, related to the reform, we will review as concisely as possible the Mission's Country Development Strategy Statement for the 1983-1987 period. Third, the present document will summarize the chief means by which the A.I.D. program will carry out the Senegal Strategy, through measures in support of policy reform, institutional development, the private sector, and technology transfer. Finally, two years after AID/W acceptance in principle of the CDSS, this paper will underscore the requirement that the Mission put new programs in place during FY 1983 in support of the Country Strategy, if the strategy is to continue to have meaning. For dialogue about policies is pointless if practical measures do not ensue, on both sides, within a reasonable period of time.

A.I.D. entered systematic policy discussions with Senegal beginning in February, 1980. Three months earlier, shortly after his arrival at post, the USAID Director proposed to Senegal's Minister of Plan and Cooperation that a joint assessment be conducted of the A.I.D. program in Senegal as it had developed in the period 1974-1979, following the great Sahelian Drought. The USAID further proposed that this review, lasting six months, should lead directly to the joint planning of U.S. economic assistance to Senegal in the five years to follow. The Minister accepted both proposals and agreed to chair, together with the U.S. Ambassador, a Joint Management Committee to supervise both the assessment and planning activities.

Both sides agreed that the joint assessment would include two elements. There would be an evaluation of four representative USAID projects, one in each of the four principal categories of AID activity in Senegal: rainfed cropping, irrigated agriculture, livestock, and village health. Each evaluation would include a beneficiary survey conducted by Senegal's National School of Applied Economics (ENEA). At the same time, an analysis would be conducted of the entire economic context in which the Government and AID operated. This latter review was principally performed on the AID side by Professor Elliot Berg of the University of Michigan. Significantly, the joint assessment came at precisely the time that the Government of Senegal was deciding the details of its short and medium-term economic reform program. Then Prime Minister (now President) Abdou Diouf introduced the general lines of this Plan de Redressement before the National Assembly in December, 1979, one month before the joint assessment began. The Prime Minister informed the World Bank of the details of Senegal's Reform Plan in October, 1980.

The Minister of Plan and the Ambassador, on behalf of their two governments, formally accepted the findings of the joint assessment in July, 1980. On the one hand, these findings emphasized the requirement that Senegal fundamentally restructure its rural policies and institutions if the country aimed to achieve a significant increase in agriculture production. On the other hand, the joint assessment also recommended ways in which the USAID program itself should be restructured to support certain of these critical reforms and to help achieve higher sustained food production. The conclusions reached by the joint assessment became the basis for the present Mission strategy, as set forth in the FY 1983 CDSS (February, 1981).

The new Mission strategy could not have been designed at a better time to ensure harmony both with the host government and with other principal donors in support of Senegal's structural reform program, the Plan de Redressement. Rarely can a policy dialogue have been more propitious, in part because it concerned the changes required in the policies and programs of both partners to the dialogue.

AID/Washington in March, 1981 accorded the CDSS an enthusiastic approval in principle and encouraged the USAID to get on with putting the new program in place. Twelve months later, in March, 1982, AID/W reviewed the Mission's CDSS Supplement, which detailed the roles of health and training programs in support of the agriculture-based strategy. With this addition, AID/W approved the Senegal CDSS in its entirety. Washington requested, however, that the Mission show conclusively, as part of its forthcoming Annual Budget Submission, that the severe economic difficulties which Senegal suffered in 1980 and 1981 had not already rendered the new Country Strategy out of date. In response, the USAID submitted in May, 1982 a ten-page single-spaced prologue to the FY 1984 ABS, reviewing the Country Strategy in the light of recent economic developments. AID/W reviewed this statement and concurred in its essential position: that events which have transpired here since the drafting of the CDSS are tending to demonstrate the essential correctness of the strategy, rather than any inadequacy. It is therefore the USAID's conviction that the implementation of the Mission plan, not its continued review, is now required if A.I.D. is to continue to encourage and influence the direction of Senegal's reform program.

By January, 1983 Senegal had reached an advanced introductory stage in the long process needed to correct the policies and institutions which had

led the country to the brink of bankruptcy by 1980. The Mission believes that the various activities it has put forward for funding can influence decisively the success of Senegal's most important reforms in the agriculture and health sectors. In the pages which follow we will review: (1) the present status of Senegal's reform program as related to general economic conditions; (2) the USAID strategy in reference both to Senegal's Reform and the economy; and (3) the four principal means the USAID has programmed to carry out the approved Country Strategy for Senegal. We are not aware, nor have we been informed, of any outstanding issues which remain concerning the Strategy itself. Our emphasis in this paper, therefore, is upon a review of the Strategy and the context which exists for the actions we are proposing.

II. THE CURRENT STATUS OF SENEGAL'S REFORM PROGRAM

In December, 1979, Prime Minister Abdou Diouf introduced the broad lines of a structural economic reform program, the Plan de Redressement. This followed months of intensive discussions within the Government and with experts of the World Bank and International Monetary Fund. Senegal's National Assembly moved quickly to accept the Plan. It was plain at that time, and abundantly clear when all the figures were in two years later, that Senegal's economy in the 1976-1980 period had commenced a steep economic nose-dive. Only tough short-term measures to balance the budget, and medium-term policy and institutional reforms to boost rural productivity, could avert a crash landing.

The seriousness of the crisis was most evident in the balance of payments figures for this period, where long-term trends and sudden shocks combined. While Senegal's exports diminished, the cost of imports rapidly accelerated. The debt service ratio went from 5.3 percent of exports to 23.0 percent in

this four year period alone. At the heart of the matter lay a stagnating agriculture economy in spite of substantial budget allocations to rural programs. The Government's entire approach to the farmer, through a complex extension, marketing, and subsidy system, required radical revision. To get farming moving, Senegal would have to work out a new set of policies and institutions to replace those which has grown up in the twenty years since Independence.

Senegal's Plan de Redressement, as spelled out in Prime Minister (now President) Diouf's letter to the World Bank President, Oct. 31, 1980, has two broad objectives: first, to stabilize the economy, with primary emphasis on reducing the gap in the balance of payments, and, second, to stimulate economic growth, with special stress on agricultural output. Diouf's Plan detailed an extensive range of specific measures which Senegal proposed to take in the short and medium term, assuming major donor support, to achieve these ends.

How well has Senegal succeeded in implementing this reform in the first full fiscal year since the submission of the CDSS in January, 1981? What major concerns remain? We will attempt to answer these questions in the rest of this section, before passing on in the next to consider AID's strategy in support of the reform.

A. Past Progress

Overall indicators for the Senegalese economy have improved since 1980/81 (Senegal's year is July 1 to June 30). In that year the deficit of the central government was 13 percent of GDP. By the end of 1981/82, with the effect of reform measures plus the help of reasonable rains and large external assistance,

the Government deficit was 11 percent of Gross Domestic Product. Similarly, the current account deficit declined from 21 percent of GDP to 16.5 percent. To achieve these successes, the Senegalese Government took measures which many other governments would not risk, particularly given the forthcoming Presidential and legislative elections in February, 1983. During this period, these measures have included: a) substantial raise in consumer prices: 25 percent for bread and sugar, 31 percent for rice, 39 percent for cooking oil, 42 percent for wheat flour and 65 percent for gasoline; b) several tax increases which, together with an improvement in tax collection, raised government revenues by 17 percent in 1981/82; c) great restraint in the public wage bill, which increased by only 7.4 percent in 1981/82, while the Government limited the increase in size of the public service to 1.4 percent. This rise contrasted with a six percent per year growth in the late seventies.

The IMF declared in October, 1982 that Senegal had satisfied all performance criteria set in the 1981/82 program. In private, IMF officials told the U.S. Ambassador, Mr. Charles Bray, that Senegal had constituted the IMF's only African success story in that year. In addition to the measures taken, rainfall in 1981/82 helped farm production levels to return to long-term trends. Public and private creditors agreed to debt rescheduling, which reduced Senegal's debt service to a tolerable 14 percent of imports. Through a combination of these debt adjustments, plus loans and other transfers, foreign assistance to Senegal in 1981/1982 surpassed \$500 million (see tables in Annex).

The stabilization portion of the Plan de Redressement was thus able to show considerable early progress. The medium-term measures aimed at

stimulating growth, however, involve far-reaching institutional reform and are more difficult to set in place. Certain early actions, however, were promising. These began in 1980 with the abolition, reported in the CDSS, of two major parastatals, both mismanaged and inefficient: SONAFOR, the state well-digging agency, employer of 600 persons, and ONCAD, with 4,000 employees. ONCAD had been at the heart of Senegal's state controlled agriculture system for 15 years. Over this time, ONCAD had accumulated responsibility for managing the country's 1700 peanut cooperatives, for the transport of peanuts from the cooperatives to the oil processing plants, for the procurement and delivery to the cooperatives of all agriculture inputs, including farm credit, and for the management of seed stocks. In addition, ONCAD had a monopoly of rice, sorghum and millet marketing. The net result was that nothing worked as it should. Seeds and fertilizer arrived late and cooperative accounts (including credit) were not maintained. The principle of local, collective responsibility for farmer debt was gravely undermined. The farm sector stagnated. Government's dissolution of ONCAD, therefore, and the establishment of a temporary institution, SONAR, to assure farmers a supply of seed and fertilizer, was a decisive step in the direction of the decentralization of Senegal's agriculture sector.

Matched with the closing of ONCAD, the Government adopted several other measures under the development portion of the Reform Plan. Private traders were permitted to assume many transport and marketing functions. In April, 1981, the Government raised agriculture producer prices across the board as an incentive to production. Peanut prices, for example, went from 50 CFA/kg to 70 CFA/kg. In another potentially significant move, the Government in 1981 began negotiations with its chief Rural Development Agencies (RDA's) to

sign three year "contract plans". This system of management contracts is designed to reduce the cost of Senegal's RDA's, while increasing their efficiency as extension agencies.

B. Current Prospects

Despite these promising beginnings, both on the stabilization and on the development sides of the Reform Program, Senegal by January 1983 still had a long distance to travel to balance its budget and to boost rural production.

While Senegal's agricultural production has returned to earlier long-term trend levels, this is not enough. World prices for vegetable oils and peanuts (the mainstay of the economy) have dropped sharply. The 1982 international price for peanut oil was only 52 percent of its 1978 level. Phosphates, one of Senegal's few natural resources, is priced internationally at only 74 percent of its 1975 level, and in a depressed market the physical quantity of exports is down as well. Although domestic grain production had returned to normal last season, "normal" left Senegal's annual import requirement at about 435,000 tons (300,000 MT rice, the rest wheat). At the same time, the terms of trade went against Senegal, as world grain prices had softened less than those of Senegal's exports, and petroleum prices remained high. Rice prices in 1982 were about 75 percent of their 1978 level.

The poor outlook for world prices of peanuts, owing to consumer shifts to sunflower seed and soybean oils and the increasing production of these alternative crops, has serious implications for Senegal. Already during the second half of 1982, the combination of the increased volume of peanut product exports and the unexpected lower prices for these products have had severe repercussions for Senegal's price stabilization fund (the CPSP). Although

total export receipts have risen, the difference between the high prices the CPSP has paid on the home market as an incentive to producers, plus the processing and shipping costs the CPSP has covered, and the low prices at which the peanuts have sold on the world market, has caused a serious drain on CPSP accounts. The deficit is likely to approach \$50 million by the end of January, 1983. This had led Senegal to exceed the credit ceilings for net claims on the Government (July 1 - December 31) as agreed under the current IMF stand-by arrangement, signed with effect from November 24, 1982.

A second important preoccupation at the end of 1982, unemployment and underemployment remained high and industrial production was far below capacity. Senegal's underlying, agriculture-based economic activity was back to normal, but this is still far below potential. There have been few innovative starts and little foreign investment in recent years. The Government's strict discipline with respect to new public employment was making the situation worse, effectively removing a traditional source of employment for the literate. The limitations on new credit creation adopted to cut inflation -- limits which are a condition of the country's continued access to major "conditional tranche" IMF resources -- weighed heavily on a banking system already carrying in its portfolio the dead weight of old government and government-guaranteed debt long overdue, including some \$300 million in debts left by ONCAD. Little new innovative investment was forthcoming.

The termination of the old small farmer credit system based on ONCAD and on the government-established "cooperatives", combined with the overall pressure of tight money, left rural credit hard to find and most farmers dependent on informal credit sources. This did not encourage investment in inputs or new techniques.

The loss of international purchasing power by the French Franc was also sharply felt in Senegal, whose currency is tied directly and tightly to the French Franc. Although some export suppliers gained, this "money illusion" was not widespread. Senegal's high import dependence made franc devaluation domestically inflationary. The impact fell particularly hard upon government agencies whose budgets had become inflexible in francs, even while the francs needed for every non-franc purchase went up by 40 percent.

When these trends are accounted for, January, 1983 projections are that the Government deficit as a percentage of GDP (about 11 percent in 1981/82) and the current account deficit as a percentage of GDP (over 16 percent in 1981/82) will decrease very little, if at all, this fiscal year. The major problem areas with respect to the stabilization side of Senegal's Reform Program are related to public finance deficit. There is strong public resistance under present circumstances (including major national elections) to large cuts in public expenditures, as well as to new revenue raising actions. Despite these objections, if it is to respect the stabilization program and the terms of the IMF stand-by, the Government must consider measures which will:

- reduce the deficit of the CPSP through a series of price increases on imported consumer goods to offset the deficit on the peanut account (e.g. rice, petroleum products, sugar);
- continue to limit increases in public sector recruitment and the wage bill;
- increase Government revenues through proposed taxes on alcoholic beverages and kola nuts and through an increased fiscal duty on imports;

- continue to decentralize the peanut sector to reduce the costs of production, marketing, processing and export to a minimum and cut out the inefficiencies associated with substantial public sector involvement in the above activities;
- reduce government subsidies for agricultural inputs (especially seeds and fertilizer) and increase private sector and farmer involvement in distribution, marketing, and storage;
- further reduce the staff of SONAR (and other parastatals) as the responsibility for fertilizer distribution is assumed by the private sector and as the farmers themselves control seed stocks;
- reschedule commercial bank debt.

With the five year elections of February 1983 approaching rapidly, the Senegalese Government found the narrow credit limits agreed upon with the IMF too tight to maintain. In allowing domestic credit creation to go over the limits it had agreed to with the IMF, the Government lost its access to the higher tranches of Fund liquidity. Discussions between the Fund and the Government are continuing, as IMF rules require. When an agreement on a plan for correcting Senegal's underlying balance of payments problem is again found, Senegal will have full access to IMF resources, including those subject to "upper tranche conditionality". Many donors, including Arab donors, and public and private creditors under the Paris and London Club debt rescheduling agreement, have formally or informally made such access a condition of continued assistance. Thus, an agreement with the IMF is very important to Senegal.

On the development side of Senegal's Reform Plan, closely monitored by the World Bank, four categories of questions were paramount by January, 1983. Upon real progress towards their resolution depended the disbursement of the second and final tranche (about \$17 million) of the \$60 million World Bank Structural Adjustment Loan of 1980. Other donors also conditioned a portion of their support on Government reforms in these four areas. Most important among these donors was France's Caisse Centrale de Coopération Economique (CCCE) and USAID.

C. Four Essential Rural Reforms

The first category of issues most directly associated with release of the second tranche of the IBRD Structural Adjustment Loan (SAL), and with the selective support of the CCCE and USAID, concerns the organization of agriculture extension. Senegal's four major Regional Development Agencies -- SAED in the Fleuve Region along the Senegal River, SODEVVA in the central Peanut Basin, SOMIVAC in the Casamance, and SODEFITEX in the Eastern Region -- are to be streamlined and reorganized through the "contract-plan" agreements, drawn up and signed with the Government for the 1981-1984 period. In addition to reining in the RDA's, the "contract-plan" method will also serve the Government as a means to reorganize and reduce the cost of the range of other state agencies operating in the rural sector: the community development service (Promotion Humaine), forestry, livestock, and the Centers for Rural Expansion (CER's). By December, 1982, only the contract-plan with SAED had been negotiated and signed. The process with SODEFITEX was far advanced, however, and the signing of the contract-plan with SODEVVA depended in large part upon related Government decisions which were required on farm credit and the supply of seed and fertilizer (see below). The deadline for the release

of the second tranche of the SAL is June 30, 1983 and will require Government's signature of at least one more contract-plan with the RDA's named above. USAID, which supports this approach, currently finances projects with SAED, SODEVA, and SOMIVAC.

Closely related to the reform of the extension agencies are three other categories of issues, all of equal interest to the World Bank, USAID, and France's Caisse Centrale.

The reform of Senegal's system for supplying the farmer with fertilizer and seed is of priority importance. By December, 1982, the Government had agreed to the distribution of fertilizer by the producer, SIES, and later through private traders. The Government also agreed to its cash sale and to the phased reduction of the current 80 percent subsidy on the price of fertilizer over a period of several years. The prospect of USAID assistance in this area (through an ESF program) helped to encourage the Government to reach this decision. SIES recently signed a contract-plan with Government to market the fertilizer, but the quantity of fertilizer to be distributed has not yet been determined. Regarding the reform of the seed supply system, to encourage farmers to take responsibility from the state for maintaining their own stocks of peanut seeds, the Government and the World Bank appeared near to agreement. Under the proposed plan, the Government would offer a bonus to more and more farmers over a period of several years to hold back a proportion of their peanut crop for seeds, until SONAR (or successor) would hold only a minimum needed to assure the quality of the national seed stock.

An issue still outstanding is the date for the dissolution of SONAR, created as a temporary institution to ensure the supply to the farmers of seed and fertilizer. Senegal's unemployment problem makes the dissolution of SONAR

and the paring down of other parastatals a political issue. The Government has agreed in principle to reduce and eventually eliminate SONAR, and has agreed to hire no new permanent staff and to reduce "temporary" contract personnel in 1982/83. Preliminary estimates, however, indicate that SONAR "temporaries" may actually have increased since July 1, 1982.

Two categories of reforms remain under the development provisions of Senegal's Plan de Redressement: rural credit and farmer organization. Both are of central concern to USAID, as well as to the World Bank and the Caisse Centrale. USAID's proposed program, Agriculture Decentralization and Credit (685-0249), is principally to support the design and implementation of reforms in these two related areas.

On March 12, 1981, Prime Minister Thiam set up an inter-ministerial working group to make recommendations on the reform of rural credit. The former system had been abolished along with ONCAD in 1980. The USAID Chief Agriculture Officer was invited to become a member of the Prime Minister's working group, with a representative of France's Caisse Centrale, which also funded technical consultants to the group. During the third quarter of 1982, the working group recommended the creation of an independent credit organization, to be named the Caisse Nationale de Crédit Agricole du Sénégal (CNCAS). The Caisse de Crédit would provide primarily medium and long-term credit to a wide assortment of rural borrowers for all types of financial needs. A document containing specific recommendations on such questions as the capitalization of the CNCAS, the way in which it will be introduced, and the interest rates it will charge is due in February, 1983.

The key to the success of the new credit system lies in the fourth and final category of rural reform: farmers organization. The ability of the

new credit organization, CNCAS, to lend to small individual farmers who cannot provide collateral essentially depends upon the success with which these small producers are organized. In the plan favored by USAID, the World Bank, and France's Caisse Centrale, the "village section" (in the Peanut Basin) and the "producer group" (in the Casamance and Senegal River Basin) are to be legally entitled to borrow on behalf of their members, who share family and traditional ties and hence are accountable to each other. An essential measure which must be taken, however, if this system is to succeed is that two or three elected officers in each village-level producer group must be trained in simple functional literacy. Proven methods for carrying out this training exist and are known and carried out in Senegal under AID's Casamance Regional Development project (685-0205). The issue in January, 1983, however, is whether legislation recently passed by the Senegalese National Assembly will prove strong enough to enable village sections and producer groups to borrow directly from the CNCAS, without passing through a cooperative. The effect such legislation will have on local vested interest groups is apparent. The strength of these groups with policy makers at the time of national elections constitutes one of many challenges the Government faces in implementing the Reform Plan.

Although the Government of Senegal had missed many deadlines in implementing its Reform, both on the side of stabilization and of development, the courage and determination of the Government is apparent in the steps already taken: the sharp reduction of subsidies on consumer commodities, the curtailing of Government employment, and the raising of producer prices. The USAID has confidence that the Government will pursue the Plan de Redressement, given adequate donor support and encouragement.

III. AID'S PROGRAM IN SENEGAL FOR 1983-1987: THE CDSS

The goal of the USAID program is Senegal's achievement of the capacity to feed its people, by domestic production and storage and by trade, even in drought years, by the close of this century. Increased agriculture production is the key in Senegal to both higher per capita income and to an improved balance of payments.

With food self-sufficiency the goal, the USAID program in Senegal has two principal emphases. The first is upon increased food production in ways favoring the maximum participation of the population, together with an accent upon the regeneration of soil and fuelwood resources required to cultivate and cook food products. USAID's second and related emphasis is upon the delivery of health and family planning services at local levels, both to increase the productivity of the farming population as well as to reduce over time the rapid annual rate of population increase, officially estimated at 2.8 percent. If unchecked, present demographic trends will push Senegal's attainment of food self-sufficiency into the far-distant future.

The CDSS marks three principal obstacles to Senegal's attainment of a reliable food supply. The first is the state of the population, with high illiteracy (70%), low primary school enrollment ratios (40%), and low life expectancy at birth (45 years). The population growth rate, while officially listed at 2.8 percent, has been estimated at as high as 3.3 percent based on an interpretation of returns from the last (1976) census. Even more worrisome than the rate of growth, however, is the extreme maldistribution of the population, with 40 percent of the total now concentrated in the 4 percent of Senegal's total area lying between Dakar and Thies. Adoption of comprehensive land use and population programs is essential.

The second principal obstacle to food self-sufficiency, the USAID believes, is Senegal's meagre natural resource base, particularly in the decreasing quality of soils. Although water is Senegal's principal natural resource limitation -- Senegal has suffered major droughts in seven of the past twelve years -- crop production on better soils would require less rain or irrigated flows. Senegal's soils are prone to various forms of degradation from region to region, and are coming under particular pressure from lack of fallow and from erosion as forest reserves are cut back for fuel. The depletion of soils is becoming a national concern in the Peanut Basin, particularly in the northern area surrounding Louga. The application of known techniques, and further research and trials, to reverse the wasting of soils is an urgent priority.

The third and final major obstacle to food self-sufficiency in Senegal, according to the CDSS analysis, is the over-centralization of Senegal's economy. This excessive central control, a feature inherited from the colonial era, was further exaggerated by post-Independence socialist strategies in both agriculture and industry. In the 1960's, as we have seen, the Government created a wide network of agriculture development agencies (the RDA's) together with a highly centralized input and produce marketing organization (ONCAD), along with a complex mechanism of guaranteed prices and input subsidies. In the 1970's, the Government went beyond agriculture and adopted a policy of direct public investment in industry, accompanied by heavy borrowing on the Eurodollar market. This policy has led to a further drain on Government resources. When the economic crisis came beginning in 1976, over-centralization became the central target, as we have seen, of the present Reform Plan. But the political roots of the system, in ideology as well as in vested

interests, run deep in Senegalese society. In sum, the CDSS considered that Senegal's failures in policy, and by extension, in institutional realms, have interacted powerfully with soil and population factors to increase the natural vulnerability of the country's agriculture base.

Towards the goal of food self-sufficiency, the Senegal CDSS sets four chief targets in agriculture:

- the progressive decontrol and commercialization of rural production (by activating farmers' groups, streamlining the RDA's, and encouraging the private sector);
- the development of more effective agronomic practices (through improved research and extension, pricing, credit, mixed farming);
- the increase of cultivated land area (in the Senegal River Basin and the Casamance Region);
- the improved management of soil and water resources (irrigated practices in the Senegal River and Casamance River basins, land reclamation in the Peanut Basin).

The CDSS also establishes a human development program to assure the support of, and to derive benefit from, the agriculture priorities. The CDSS recognizes that better nutrition, wider training, and readier access to primary health care are both the means and ends of agriculture development. The Strategy underlines the point that, whereas a demographic program is in the long run essential, the necessary foundation for establishing family planning services in Senegal is an affordable nutrition and health program within the reach of the general population. Accordingly, as the CDSS supplement (February, 1982) spells out, the U.S. will continue efforts begun in

the late seventies to establish a model, user-payer village health system in the Sine Saloum Region, coupled with agriculture activities; the Mission will continue (based on negotiations held before the joint assessment) to establish a family health program which ultimately will depend upon rural clinics; and the USAID will concentrate upon functional literacy and rural project management training in support of rural producer groups. Only very recently is Senegal beginning to show evidence of a fundamental concern with the inefficiency of its primary education system. When there is a clear Senegalese commitment to reform in this area, the USAID intends to review what assistance, if any, the U.S. should offer.

As the CDSS points out, the new USAID program will be distinguished in four principal ways from that set in place between 1974-1980.

The CDSS program, in the first place, gives a much more important place to non-project assistance. Through a PL-480 Title III program (\$7 million annually), a proposed \$25 million grant to the agriculture sector over five years, and a proposed Economic Support Fund grant (\$10 million per year for three years), the U.S. will finance essential imports and generate local currency to support food production-soils regeneration programs and food policy studies. The financing of imports will help Senegal to stabilize its balance of payments -- the major thrust of the first phase of the Reform. An imports program will also assure the United States a role in national policy discussions with the Government and with Senegal's other major donors. In FY 1983, about 50 percent of the USAID program in Senegal (including Title II and regional funds) may be in the form of non-project assistance, if the activities proposed are approved in time.

The second major difference in the new CDSS program for Senegal is the emphasis AID will place upon local producer groups and the private sector. At the same time as USAID will continue to help strengthen two or three of the RDA's as extension agencies, and by this means, increase the capabilities of rural producers, the USAID will also initiate additional means to strengthen the position of food producers and rural entrepreneurs. Under programs now in the preliminary design stage, AID will apply the local currencies generated from the non-project activities to support functional literacy training of local producer groups, to enlist the help of Private Voluntary Agencies with farmers groups and entrepreneurs, and to help the Government undertake revised credit and marketing programs on their behalf.

A third new feature of the USAID program in 1983-87 will be its greater geographic concentration. This is necessary to increase the impact of the program, bringing its health and agriculture activities into direct proximity, and to increase management efficiency. Thus, from the six regions in which USAID is currently engaged, new funding beginning in FY 1985 will be entirely focused on three regions with above-average water resources and farm production potential: the Senegal River Basin (through the OMVS programs), the Sine Saloum, and the Casamance. AID is already involved in important programs in these areas. Similarly, over the same period, USAID will reduce the number of active projects from 34 to 13, although the overall program in dollar terms is projected to substantially increase. In FY 1983, including PL 480 and regional programs, the USAID had already reduced this number to 17 activities. In FY 1984, USAID will manage only 15 projects, PL 480 and regional activities included.

The fourth and final characteristic of the CDSS program in Senegal is the degree to which it is based upon an intense and continuing collaboration with the Government itself, and with the major donors, including the IMF, the IBRD, and France, which are concerned essentially with the implementation of Senegal's Reform Plan. That the Government of President Abdou Diouf is determined to encourage a more effective coordination between all the donors appears clear from the donors conference which the Government (with close IBRD support) convened and chaired in Paris in October, 1981 and from the follow-up conferences on sectoral and project levels held throughout 1982. In 1983, the Government has enlisted the staff support of the CILSS and Club du Sahel for the next major meeting of the donors, now scheduled for April or May, to discuss Senegal's agriculture sector plans and programs.

IV. THE FOUR PRIORITY MEANS

The purpose of this section is to outline, using specific projects or proposed activities, the four principal means the USAID is using, or intends to use, to attain the targets set forth in the CDSS.

A. Policy Dialogue

Policy reform is an explicit or implicit part of every activity proposed in the Senegal CDSS. A stated intent of the Country Strategy, indeed, is to support Senegal's Reform Plan which, as we have noted, was put into action during the year in which the CDSS was prepared. The Reform Plan, particularly insofar as it aims to cut back Government controls and services and to open Senegal's economy to private firms and production incentives, sets an important part of the agenda for AID's dialogue with the Government and with other donors.

The CDSS proposes that the U.S. support both sides of Senegal's Reform Plan -- both the stabilization provisions and the development portions -- but in different ways. Towards the first, through a combination of the instruments mentioned in the previous section, including the PL-480 Title III food-import program, the development assistance grant for Agriculture Credit and Decentralization, and the proposed Economic Support Fund Grant, AID would contribute \$23 million per year over a three year period towards balance of payment relief. This support would be made conditional upon Senegal's continued agreement with the IMF on the carrying out of the Reform Program. In this general way, USAID would support stabilization efforts and policies. On the side of development reforms, the USAID program would have a much more direct influence on detailed policy decisions and implementation in the four critical areas of extension, farmer supplies, rural credit, and producer organization.

It is in this context that the USAID put forward a year ago the PID for the \$25 million Agriculture Decentralization and Credit Activity (685-0249), which proposes in part to help the Government think through and implement its reforms in agricultural credit and cooperatives, beginning with village-level sections. Similarly, partly to assist Government in the reform of fertilizer distribution using private channels, and to encourage the reduction of fertilizer subsidies, as well as to help to establish a food security system as a protection against famine, the USAID is proposing the use of ESF monies for three consecutive years. To assist the Ministry of Plan and the Ministry of Rural Development with policy decisions affecting agriculture prices, an integral part of Senegal's Reform, a portion of PL-480 Title III funds are now being used to fund U.S. and Senegalese researchers under the direction of

these ministries. This policy research would continue under a new Title III program.

While Senegal's Plan de Redressement provides the most important basis for discussions and programs with the Government in the area of policy reform, it is by no means the sole basis. The USAID is helping, or expects to help, to implement policy reform in three other areas, as well. First, in natural resources management, the CDSS proposes that the U.S. take the lead with the Government to organize a concerted multi-donor reclamation effort in the Peanut Basin over the next decade. In January, 1983, using a proposal developed by its staff environment advisor, the USAID began talks with the Government which appear likely to lead to a broad-based, multi-agency, multi-donor action to reverse the degradation of soils in Senegal's central farming area. In the Senegal River Basin, meanwhile, through the proposed Integrated Development Project (625-0621), A.I.D. will encourage an alignment of price, credit, and subsidy policies between the three OMVS member countries; and will promote incentives to farmers and entrepreneurs, to stimulate maximum production in the area over the next decade.

Finally, in the health sector, two projects are likely to hit full stride in the CDSS planning period: Family Health I (685-0217), a pioneering project, which is leading to an active family planning program in Senegal; and Rural Health I (685-0210), which is enabling the Government to test out and put in place its far-seeing policy which holds that those who benefit from health services at local levels should help to bear the costs. It is important to note with regard to both projects that Senegal is the first French-speaking West African country to introduce local financial and managerial responsibility. Senegal has also gone further than any other francophone West African country

in preparing the way for increased Family Planning services. Second phase projects are planned for both these activities in the 1983-87 planning period.

B. Institutional Development

The second major means the USAID will use to implement the Country Strategy is the development of institutions. In an important sense, the development of effective indigenous institutions is the other side of the coin of policy reform. To reform policies relating to the cooperative movement, for example, the USAID proposes through both the Agriculture Decentralization and Credit Project (685-0249) and the PVO Community and Enterprise Project (0260) to develop village-level producer groups in the Sine Saloum Region. In order to make clear the point that we wish to support PVO's, free-standing from the Senegalese government, we have proposed these as two separate activities.

To take another example of the close link between policy reform and institution building, as a necessary part of credit policy reform, the Agriculture Decentralization Project will seek to strengthen in an appropriate way Senegal's proposed private credit institution, the Caisse Nationale de Crédit Agricole. As a third example, in order to help to change Senegal's approach to agriculture research, Title III funds together with project funds (Agriculture Research and Planning, 0223) will help restructure Senegal's agriculture research institution, ISRA. These activities will play a leading role in decentralizing research facilities and in introducing (via a Title XII team from Michigan State) a farm systems research orientation. The OMVS Agriculture Research II Project (625-0605), in building up the Senegal River Basin research station at Fanaye, and the Casamance Regional Development Project (685-0205) in strengthening the research station at Djibelor, with strong links to the regional rice institute (WARDA), will also decentralize and reorient Senegal's

agriculture research system. And again, where Senegal's Reform Plan calls for the pruning back of the Regional Development Agencies to essentially their extension functions, USAID activities with SAED (the OMVS Integrated Development Project, 625-0621), with SOMIVAC (Casamance Regional Development, 0205), and with SODEVA (Cereals II, 0235), and the projected continuation of Title III all aim to accomplish this result. These institution-building activities are not only closely allied to policy reform. They are also carefully related to each other: local producer groups to farm-oriented research to extension agencies.

Similarly, in support of the Health Sector reform, the USAID Family Health Project will help to establish a private institution, ASBEF, to provide services until a public consensus develops sufficiently in Senegal to allow the public health system to become more involved.

Regarding training institutions, noting the Government's lack of commitment until now to undertake the reform of the inefficient primary school system, the CDSS prefers to support the direct, non-formal training of managers of farmer groups, in order to establish these essential units as promptly as possible. This effort will be reinforced by the Rural Management Project (0256), which will institute training in rural project management at Senegal's National School for Applied Economics (ENEA). After the USAID has helped to get a system well underway for accomplishing rural training, the Mission will review Senegal's commitment to primary school reform. In the meantime, through partial use of its regional participant training program (SMDP), A.I.D. is preparing Senegalese at Stanford University and elsewhere to plan the reform of the formal school system which one day must happen.

Institution building is perhaps the primary instrument of the USAID program and an indispensable part of executing policy reform.

C. The Private Sector

Senegal's Reform Plan, as we have seen, aims to cut back the costly and often ineffective parapublic sector and to encourage private firms and individuals to take over their functions. The new marketing arrangements for peanuts and fertilizer, and the progressive turning over of seed stocks to the farmers themselves, are important examples of this new policy. The Country Strategy proposes several new initiatives to help the indigenous private sector, especially in Mission's three geographic areas of emphasis.

At the level of the village producer, as we have seen, USAID will contribute through credit and training activities to the activation of farmers groups, the component parts of a new cooperative system. At the same time, in the Sine Saloum, the PVO Community and Enterprise Development Project (0260) will promote the growth of artisan small enterprises which service rural communities and cooperatives. In the Fleuve Region, the OMVS Integrated Development Project will support incentives to private firms and individuals to replace SAED in the performance of many necessary functions (building, maintenance, transport, and pumprepair) and in the local processing of goods harvested from project perimeters. At a higher level, the CDSS recommends the funding at the appropriate time of the Business Management School (ESGE), recently opened in Dakar for Senegalese students but soon to become a regional institution. Meanwhile, a joint AID/Embassy Economic-Commercial Unit was established in August, 1982, and is now fully staffed to work with interested U.S. private sector sources who wish to avail themselves of the opportunities available under Senegal's newly revised investment code.

The Government of Senegal, as it restrains new hiring, looks increasingly to the private sector to provide the bulk of new employment opportunities, especially for secondary and university graduates. There is a distinct, new interest among Senegalese university students in continuing for MBA's. At local levels, the entrepreneurial spirit is strong in Senegal. Nevertheless, at the present time, institutional and financial measures do not exist to give a strong basis for wide U.S. support to Senegal's rural private sector. This remains for the USAID, in FY 1983, the most difficult of the four priority approaches.

D. Technology Transfer

This fourth means which the Country Strategy will use to achieve its ends is conventionally associated with the development of institutions. We noted earlier, for example, A.I.D. support for the decentralization and on-farm orientation of Senegal's agriculture research system, directed by ISRA. The National Plan for Land Use Project (0233), operated by a Title XII University, South Dakota State, will not only prepare a national plan for Senegal using satellite technology but, in an anticipated second phase, will develop the institutional base at the University of Dakar and in the Government to keep the land-use plan up to date and to use satellite imagery for other planning purposes. In the same way, A.I.D.'s support for the development of a simple mud-and-sand cook stove, a potentially important fuel conservation measure, is being accomplished through support to an applied energy institution, CERER, which is also associated with the University of Dakar (Renewable Energy AIP, 625-0937.7).

There is a second sort of technology transfer operating under the Country Strategy, however, which is the result of several institutions working together.

A leading example is that associated with the rehabilitation of forests and regeneration of soils. In preparation for a broad-based campaign in the Peanut Basin, A.I.D. has financed three different methods of tree production in the Thies-Diourbel region: the plantation approach (Fuelwood Production, 0219), the Village Woodlot method (Africare Reforestation, 0243), and agro-forestry (Africare/Peace Corps Woodlots, 0247). These experiences will be evaluated and other research findings analyzed, from both inside and outside Senegal, prior to the launching of the campaign in FY 1984. Title III funds are expected to carry much of the U.S. share of this effort. The campaign will be waged through a consortium of Government agencies and local beneficiary groups. In much the same way, under AID-financed projects both in the Casamance and in the Bakel area of the Senegal River Basin, profound changes in technology have taken place in the past three years alone. These changes have involved the adoption of full water control techniques and new research packages. As a direct result, rice and corn yields have dramatically increased.

V. CONCLUSION

Senegal's adoption in 1980 of a short and medium term economic reform program, the Plan de Redressement, presented USAID with an unusual opportunity. Favoring the stabilization and stimulation of the economy, Senegal's plan for reform met with the Mission's complete endorsement, as well as with that of Senegal's other major donors. The USAID prepared its Country Development Strategy Statement during the first year in which the Reform was set in motion. The CDSS specifically supports the most important of Senegal's reforms in the agriculture sector, while offering general support to the macro-economic reordering. AID/W granted the CDSS provisional approval in March 1981 and final approval in March 1982.

The question of AID/W support has thus passed from the soundness of the strategy itself to the level of the review of the individual measures which the USAID is designing to meet the targets as set and approved. In the same way, the dialogue with the Government of Senegal has passed during FY 1982 from a discussion about the directions of the Reform to resolving the difficult "hows" of credit and cooperative reform, to examining detailed options for new fertilizer marketing and grain storage systems, and to exploring precise proposals for a land regeneration campaign in the beleaguered Peanut Basin.

AID is well placed to help to resolve the salient details of these vital reforms. For the policy dialogue to be translated into action, however, the USAID must be authorized to pass beyond the conceptual, PID stage of our proposed activities to engage the Government in detailed planning. For the U.S. position to have weight in these detailed deliberations, the USAID must have the assurance of important material support once AID's terms for reform are accepted. Without assurance of this support, no further dialogue is possible, no further progress can be made in the direction of policy reform.

As of the end of January, 1983, the USAID has submitted to Washington in PID-form the four principal instruments of the Country Strategy. The first, the PID for Agriculture Decentralization and Credit (0249), resided in Washington for one year, without positive or negative action. The second, the Project Assistance Initial Proposal (PAIP) for the ESF program, was cabled to Washington on November 29, 1982. The third activity, the PVO Community and Enterprise Development Project (0260), was completed in PID-form in November, 1982 and was reviewed on January 27, without approval to proceed. Finally, the inability of USDA to deliver on supplies of broken rice, specifically requested by

Senegal and promised them by USDA in August 1982 and again in writing in October, have thrown doubt on the extension of the PL-480 Title III program.

None of these critical instruments, therefore, can be assured for FY 1983. The OMVS Integrated Development Program, submitted in Project Paper form in January, 1983, is likely to undergo a lengthy review. The future of the Mission's program in the Senegal River Basin depends upon the IDP, which is carefully designed to pick up from the bilateral activities already underway there, notably at Bakel.

Nevertheless the Mission's prevailing mood in January, 1983 is one of guarded optimism. Senegal's far-reaching reform is already underway. Its pace is expected to pick up again after the character of the new Government is known following the February elections. A.I.D.'s approved Country Strategy, in coordination with other major donors, supports Senegal's reform program. The Mission has now put forward in preliminary design the major instruments it needs to carry out the CDSS. What next is required is Washington's prompt review of the program components as they are submitted, so that they may be modified as necessary, worked through in final, and put into action.

TABLE I
NON-PROJECT ASSISTANCE

**OFFICIAL FLOWS ⁽¹⁾ PROVIDING DIRECT BALANCE OF PAYMENTS
AND BUDGETARY SUPPORT**

COMMITMENTS
(millions of US \$)

DONOR	1981 AMOUNT	OBSERVATIONS
<u>OPEC:</u>		
Iraq	2.6	- Oil credit
Kuwait	110.0	- Deposit with BCEAO
OPEC Special Fund	14.0	
Saudi Arabia	50.0	- 2 tranches of \$25 m.
Sub-Total	176.0	
<u>MULTILATERALS:</u>		
EEC	32.0	
IMF	54.6	- \$48.7 m. net of repurchases.
World Bank	40.0	- Structural Adjustment Loan (first tranche)
Sub-Total	126.6	
<u>BILATERALS:</u>		
Canada	2.5	
France	15.8	
Germany	4.0	
Japan	1.7	
Switzerland	0.2	
U.S.	16.2	
Sub-Total	40.4	
T O T A L	343.0 =====	

(1) Figures include both official development assistance (grant element of at least 25%) and other official flows (grant element of less than 25%) excluding the impact of the October 1981 debt rescheduling. Categories of flows providing direct balance of payments/budgetary support include: BOP/budgetary support, import support, program grants or loans and food aid. Project aid is thus not included.

TABLE II
NON-PROJECT ASSISTANCE
OFFICIAL FLOWS ⁽¹⁾ PROVIDING DIRECT BALANCE OF PAYMENTS
AND BUDGETARY SUPPORT

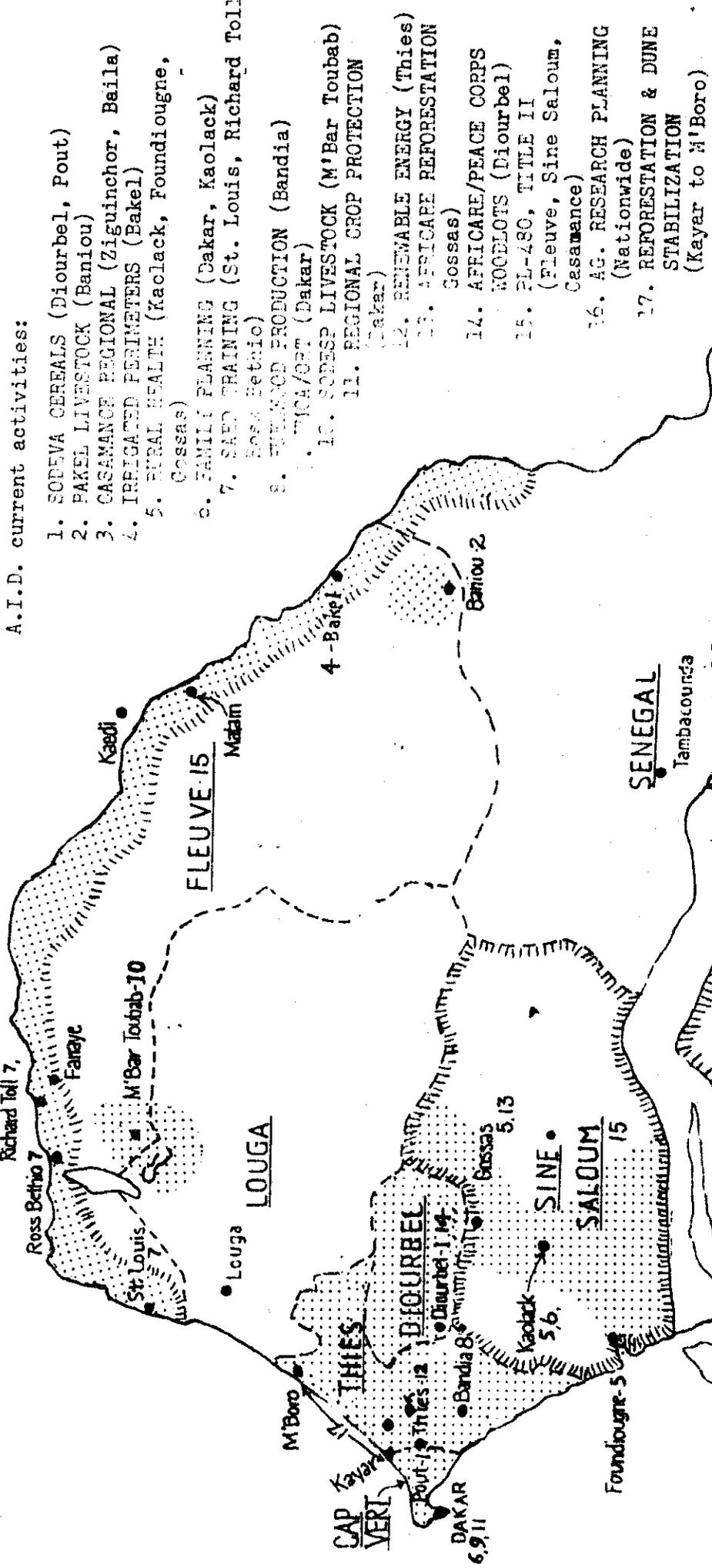
	1982 (ESTIMATES)	COMMITMENTS (millions of US \$)
DONOR	AMOUNT	OBSERVATIONS
<u>OPEC:</u>		
Oman	30.0	- Most OPEC Flows in 1982 directed to OMVS
Saudi Arabia	1.0	- Food aid
OPEC Fund	10.0	
Sub-Total	41.0	
<u>MULTILATERALS:</u>		
EEC	13.1	- No STABEX commitments
IMF	53.1	- \$39.1 m. net of repurchases December 1982 tranche was not released
World Bank	-	- Second Tranche of SAL delayed.
Sub-Total	66.2	
<u>BILATERALS:</u>		
Belgium	2.3	
Canada	2.5	
France	31.9	
Germany	16.1	
Japan	1.3	
U.S.	10.7	
Sub-Total	64.8	
T O T A L	172.0 ⁽²⁾	

(1) Figures include both official development assistance (grant element of at least 25%) and other official flows (grant element of less than 25%) excluding the impact of the November 1982 debt rescheduling. Categories of flows providing direct balance of payments and/or budgetary support include: BOP/Budgetary support, import support, program grants or loans and food aid. Project aid is thus not included.

(2) Figures may be underestimated since firm data for last quarter of 1982 is not available for all donors.

A.I.D. Programs in Senegal

- Current Project zones
- Boundaries of proposed A.I.D. emphasis zones
- Regional boundaries



A.I.D. current activities:

1. SODEVA CEREALS (Diourbel, Pout)
2. FAKEL LIVESTOCK (Baniou)
3. CASAMANCE REGIONAL (Ziguinchor, Baïla)
4. IRRIGATED PERIMETERS (Bakel)
5. RURAL HEALTH (Kaolack, Foundiougne, Gossas)
6. FAMILY PLANNING (Dakar, Kaolack)
7. SAED TRAINING (St. Louis, Richard Toll, Ross Bethio)
8. ADVANCED PRODUCTION (Bandia)
9. TECHNICAL/SET (Dakar)
10. SOESP LIVESTOCK (M'Bar Toubab)
11. REGIONAL CROP PROTECTION (Dakar)
12. RENEWABLE ENERGY (Thies)
13. AFRICARE REFORESTATION (Gossas)
14. AFRICARE/PEACE CORPS WOODLOTS (Diourbel)
15. PL-480, TITLE II (Fleuve, Sine Saloum, Casamance)
16. AG. RESEARCH PLANNING (Nationwide)
17. REFORESTATION & DUNE STABILIZATION (Kayar to M'Boro)