

PROMOTING ECONOMIC DEVELOPMENT
AND EMPLOYMENT GENERATION
THROUGH DECENTRALIZATION
IN SENEGAL

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1.0 INTRODUCTION AND FRAMEWORK FOR ASSESSING DECENTRALIZATION

An increasing number of governments in African countries are seeking to decentralize their administrative structures in order to achieve the goals of economic growth and social equity more efficiently and effectively. Although the government of the Republic of Senegal (GOS) now has a highly centralized administrative system, it has enacted a number of laws since the early 1970s to decentralize administrative and fiscal responsibilities to local governments, and to regionalize some of the operations of central government ministries.

Senegal faces serious challenges in diversifying its agricultural economy and in strengthening the private sector's capacity to expand manufacturing and services. It must cope with rapid urbanization and the concentration of population and production activities in the Dakar metropolitan area, and expand employment for a rapidly growing labor force.

As the GOS attempts to recover from national economic problems and to stimulate economic growth in a more geographically dispersed pattern during the 1990s, its ability to implement decentralization policies will become more important.

Decentralization will be necessary to enable local governments to provide services, infrastructure and administrative functions that create a conducive environment for private investment and employment expansion, especially in secondary cities and market towns in areas outside of the Dakar Metropolitan Area. Deconcentration of central government operations will be crucial to facilitating private investment at the local level and in creating an administrative and legal environment that encourages rather than stifles private enterprise and investment.

This report assesses the implementation of decentralization in Senegal and suggests how the U.S. Agency for International Development Mission in Senegal (USAID/Senegal) and the Government of Senegal (GOS) can support self-sustaining local government in ways that will contribute most effectively to economic growth and employment expansion.

The structure of the report is as follows:

- Section I reviews the current economic challenges facing Senegal in the future. It explores the relationships between decentralization and economic development, presents a conceptual framework for assessing decentralization in Senegal, discusses the concept of decentralization and the various forms that it takes.

- Section II provides an overview of decentralization in Senegal and describes the legal framework and financial and service performance of local government units: communes and rural communities.
- Section III describes the GOS policy for stimulating the private sector, primarily small businesses, through the national investment code, financing institutions and technical assistance programs.
- Section IV describes other national policy factors which influence the GOS's ability to implement its decentralization program including national land policy, local development planning, and training capacities.
- Sections V and VI present recommended policy options to improve the decentralization program which target the central government, local governments and the private sector. A specific strategy is recommended for the initial phases of USAID/Senegal assistance to the GOS.

Case studies of secondary cities and towns in which data were collected on various aspects of decentralization in Senegal are attached as annexes.

1.1 The Challenges of Economic Development in Senegal

Senegal is in the midst of an extensive structural adjustment program to recover from a long period of economic stagnation. The need to stimulate economic growth, raise production and productivity, and increase incomes is paramount if the country is to tackle the serious economic and social problems that lie ahead. Four major issues must be addressed by the GOS and by USAID in the 1990s. These include: 1) stimulating economic growth and raising productivity; 2) expanding employment; 3) coping with rapid urbanization and the spatial distribution of population and economic activities; and 4) improving the quality of life for the Senegalese people.

1. Stimulating Economic Growth and Raising Productivity

Currently, Senegal ranks among those developing countries with the lowest levels of per capita Gross National Product (GNP) at about \$420 per year in 1986 dollars. A more serious problem is that the average annual rate of growth in per capita GNP has been negative (-0.6 percent) for the past 20 years. The World Bank (1987) reports that from 1960 Senegal has had the lowest growth rate of gross domestic

product of any African country except those plagued by war and serious civil strife. The annual rate of inflation averaged 9.7 percent from 1981 to 1986. As a result, average incomes for both urban and rural households are now lower in real terms than they were during the 1960s.

A wide variety of economic indicators reflect Senegal's current economic problems. The annual growth rate of GNP at market prices was only 0.6 percent from 1975 to 1980, and increased only modestly to 2.6 percent from 1980 to 1985. The annual growth rate of gross domestic investment was negative (-0.3 percent) during the first half of the 1980s as was the growth rate of gross national savings (-3.3 percent). Both the traditional economy--based largely on peanut exports, millet cultivation and cattle raising--and the modern manufacturing and service sectors have been virtually stagnant since the mid-1970s.

Senegal's external debt increased from 1.2 to 2.9 billion dollars from 1981 to 1986, and its long term public debt increased from 33 to 69 percent of GNP (World Bank, 1988).

Despite the fact that much of the labor force is engaged in agriculture, the primary sector contributes only about 21 percent of gross domestic product, while services contribute about 51 percent. Between 1960 and 1980, the contribution of agriculture to GDP dropped from about 24 percent to 21 percent. During the same period rice imports rose by more than 6 percent and wheat by 8 percent a year (Ouedraogo, 1989).

The value of major exports has been highly variable, depending on volume of production and international price levels. The value of phosphates, fish, fertilizers and salt has increased modestly during the 1980s. The value of exports for groundnuts--Senegal's principal cash crop--has fluctuated from 9.1 billion CFAF in 1981 to 54.5 billion CFAF in 1984, as have the value of cotton and petroleum exports. [See Table 1.]

From the mid-1970s, the production of many of Senegal's leading export crops, including peanuts, cotton and sugar, has been subsidized by the government. Until the mid-1980s, the government also subsidized the price of fertilizer. These subsidies to agriculture have made substantial demands on public expenditures (Abt, 1985).

Senegal's agricultural economy has been adversely affected by frequent droughts. Since 1970, seven major droughts have resulted in severe recessions, the most recent being in 1980-1981, and 1984. Although industry contributes more to GDP than agriculture, the value added by the industrial sector--primarily mining, peanut processing, energy production, construction and other manufacturing--has barely grown during the 1980s. Because a substantial portion of Senegal's industrial

Table 1
VALUE OF EXPORTS OF SENEGAL
1981-1986
(Prices in Billions of CFAF)

	1981	1982	1983	1984	1985	1986
Groundnuts	9.1	42.1	53.3	54.5	23.7	24.4
Phosphates	19.9	18.3	18.7	28.6	27.3	21.0
Fish	27.9	30.2	37.3	49.5	53.9	56.6
Fertilizers	2.6	2.2	4.1	6.7	--	--
Cotton	2.0	4.8	8.1	6.9	7.1	5.9
Salt	2.3	2.9	3.1	5.2	5.2	6.0
Petroleum	38.3	45.8	40.8	43.2	39.0	23.6

Source: World Bank (1987).

activities is in food production--fish canning, oil mills, peanut processing, and sugar and confectionery--agricultural output directly affects industrial output.

As the USAID's current Country Development Strategy Statement points out (p.36), Senegal's poor record of economic performance requires the USAID Mission to formulate "a very simple, pragmatic and measurable goal, namely, a positive per capita rate of increase in Gross Domestic Product." Both the GOS and USAID/Senegal place high priority on economic growth by raising per capita gross domestic product, expanding employment opportunities, and raising the incomes of the Senegalese people.

2. Expanding Employment

Agriculture remains the primary source of employment in Senegal. About 78 percent of the economically active population finds its livelihood in agricultural occupations, and more than 70 percent of the labor force is likely to remain in agriculture well into the 21st century (United Nations, 1988). From 1980 to 1986, however, the average annual growth rates of agricultural production barely kept pace with the average annual growth rates of the economically active population in agricultural occupations.

Expanding employment opportunities will be crucial because over the next 35 years the size of the labor force in Senegal will double from a little more than 3 million to slightly more than 7 million. The growth in the size of the labor force in manufacturing and service occupations is expected to be substantially higher than that in agriculture. The number of economically active population in nonagricultural activities is projected to increase from about 687,000 in 1990 to 2.1 million over a 35 year period. The International Labor Organization estimates that during the 1990s, the economically active population in agriculture will grow on average by 1.8 percent a year, while the labor force in nonagricultural activities will increase by about 3.1 percent a year (ILO, 1988). [See Table 2.]

Much of Senegal's population is young--about 56 percent is below the age of 20. Thus, a substantial portion of the labor force is also quite young. About 41 percent of the economically active population (those between 10 and 64 years old) is between 10 and 24 years old.

The nonagricultural economy of Senegal is dominated by tertiary activities--commerce and services--and by small scale manufacturing and processing. Much of the nonagricultural employment in Dakar and other cities and towns is in the informal sector. More than half of the labor force in Dakar, and up to 80 percent of the economically active population in other cities and towns, engage in informal sector activities (PADCO, 1984).

Table 2
GROWTH OF ECONOMICALLY ACTIVE POPULATION IN SENEGAL
1960-2025

	Economically Active Population (000s)	Economically Active Population In Agri- culture	In Non- Agriculture	Percent of Econ- omically Active Population in Agriculture
1960	1,472	1,234	238	83.8
1970	1,911	1,580	331	82.7
1980	2,641	2,128	513	80.6
1990	3,192	2,505	687	78.5
2000	3,929	2,993	936	76.1
2010	4,946	3,648	1,298	73.7
2020	6,308	4,494	1,814	71.2
2025	7,142	4,997	2,145	69.9

Source: United Nations (1988).

Despite the declining percentage of the economically active population in agricultural occupations, and the slower growth rate of the agricultural sector, the size of the agricultural labor force will double over the next 35 years. As Table 2 indicates, the economically active population that must find a livelihood in agriculture is expected to increase from 2.5 million in 1990 to about 5 million in 2025.

Thus, a large number of jobs must be created in both agricultural and non-agricultural activities over the next 35 years to accommodate the nearly 4 million people who will be added to the economically active population.

3. Coping with Rapid Urbanization and the Spatial Distribution of Economic Activities

Substantial changes will occur over the next two decades in the location of Senegal's population.

Urban population growth has been, and will continue to be, very high. From 1970 to 1975, the annual growth of urban population averaged 4 percent. It is projected to increase to 4.2 percent a year during the first half of the 1990s, and to 4.6 percent annually during the early years of the next century. Slightly less than 40 percent of Senegal's total population now lives in urban places, but within 20 years a majority of the population will live in urban areas. By the year 2025, just 35 years hence, more than 60 percent of the population in Senegal will be urban dwellers (United Nations, 1988). [See Table 3].

As Table 3 indicates, the number of people living in urban areas will nearly triple in size over the next 35 years. The urban population in Senegal will increase from approximately 2.9 million in 1990 to about 4.3 million in the year 2000, to about 11.2 million in 2025.

Preliminary analyses of Senegal's 1988 population census indicate not only an increasing concentration of people in urban places, but also an increasing concentration in the Western one-quarter of the country, in and around Metropolitan Dakar and in the Cap Vert Region. This increased concentration has occurred despite the fact that the municipality of Dakar itself has had a relatively low growth rate over the past 12 years. Nearby urban agglomerations that are part of the Dakar metropolitan area, however, have grown faster than the city itself. The town of Pikine, for example, with a population of about 624,000, grew by more than 6 percent a year from 1976 to 1988. Most of the fastest growing secondary cities and towns in Senegal are within a 150 kilometer distance from Dakar (Enders, 1989).

About 19 percent of the population lived in the Cap Vert area in 1976; but by 1988, nearly 22 percent of the total population and nearly 52 percent of the country's urban population lived there. The only other regions that had population growth rates

Table 3
PROJECTED URBAN POPULATION GROWTH IN SENEGAL
1960-2025

	Population in Urban Areas (000s)	Percent Population in Urban Areas
1960	971	31.9
1970	1,340	33.4
1980	1,982	34.9
1990	2,834	38.4
2000	4,345	44.5
2010	6,705	52.2
2020	9,653	59.3
2025	11,188	62.6

Source: United Nations (1988).

higher than the national average were three located adjacent to the Cap Vert Region--M'Bour, Thies and Djourbel (Enders, 1989).

Modern economic activities tend to be concentrated more heavily than population in the Dakar area. The government estimates that about 60 percent of modern sector jobs in Senegal are in the capital city. Although the percentage of modern sector jobs in Dakar has been declining over the past 20 years, many of Senegal's industrial activities are still concentrated in Dakar or in the surrounding Cape Vert region. In the early 1980s the Cap Vert area produced more than half of the gross domestic product. About 87 percent of Senegal's modern sector jobs, 90 percent of its industrial firms, and 90 percent of foreign businesses were located in Cap Vert (PADCO, 1984).

The geographical distribution of people and economic activities is closely related, and that relationship will become an important dimension of development during the 1990s. The GOS faces the prospect of either investing in the services and infrastructure necessary to support modern economic activities in secondary cities and towns, or accommodating in Dakar and the Cap Vert region a steady stream of migrants in search of employment.

Two factors must be considered in economic development plans in the future.

First, formal employment opportunities are not being created fast enough to absorb the labor force in Dakar and in other cities and towns in the eastern half of the country. Physical constraints, alone, such as the shortage of land suitable for development in Dakar and some secondary cities, will limit their ability to expand manufacturing and processing activities.

The large concentration of people and modern economic activities in the Cap Vert region could lead to a geographically dualistic economy over the next decade in which the eastern, northern and southern parts of the country become poorer in comparison to the western part. Clearly, the economic development that has occurred in Dakar has not "trickled down" or spread far beyond the Cap Vert region. Median household incomes in most regional capital cities are already far below those in Dakar. With the exception of Tambacounda, regional cities have median household incomes that are 25 to 58 percent lower than those in the national capital (World Bank, 1982).

There are also substantial differences in accessibility to urban centers in different regions of Senegal, despite the fact that the country has more than 14,000 kilometers of roads. Although nearly all of the arterial roads in the Cap Vert region are paved, less than 25 percent of the roads are paved in other parts of the country (Barrett, 1988). In some rural regions, farmers have difficulty bringing agricultural goods to markets in secondary cities and towns and must travel long periods of time

to use services and facilities located in urban centers.

Second, the 1988 population census indicates that despite their relative disadvantages compared to Dakar, many secondary cities and small towns in regions outside of the Dakar Metropolitan Area are growing. Although several of the country's largest secondary cities--including Thies, Kaolack, St. Louis and Louga--have population growth rates substantially lower than the national average, other secondary cities and towns are growing rapidly. The urban populations of Ziguinchor, Kolda, and Velingara in the Casamance region; Richard Toll in the Fleuve; Fatick in the Sine Saloum area, and Tambacounda in the Senegal River region all grew at a higher rate than the national average. Each of these secondary cities and towns supports nonagricultural economic activities and has important economic linkages with surrounding rural areas.

Although the growth of larger secondary cities has slowed in recent years, the 1988 census shows a considerable increase in the number and population of smaller towns. In 1966, there were only 7 towns in Senegal with a population of from 10,000 to 50,000. The number of towns in that size category increased to 20 in 1988. Among the 10 fastest growing secondary and small towns, however, 5 are within 150 kms. of the Dakar Metropolitan Area and the rest are in the Casamance Region. The slowest growing towns are in the Senegal River Valley and the peanut growing basin (Enders, 1988). [See Table 4.]

Those growing secondary cities and towns represent an opportunity to stimulate economic growth and employment in areas outside of the Dakar metropolitan area. If the government can identify the factors accounting for their growth and reinforce their expansion, secondary cities and towns with growth potential can serve as important "staging areas" for a more geographically widespread pattern of economic development in the future.

4. improving the Quality of Life for the Senegalese People.

Quality of life indicators in Senegal remain rather low. Senegal has a relatively high rate of population growth. From 1980 to 1986, population grew on average by about 2.9 percent a year and projections estimate that population will continue to grow at an average rate of 3.0 percent for the rest of this century. The total population is expected to nearly triple in size over the next 35 years from more than 6 million in 1990 to nearly 18 million in 2025.

Low levels of health and education in Senegal seriously reduce the productivity of labor. Life expectancy at birth for Senegalese is about 47 years. About 20 percent of the children under age five suffer from some degree of malnutrition. About half of the population lacks access to safe drinking water and less than half have access to sanitation services. Less than 20 percent of the population has access to electricity.

TABLE 4
POPULATION OF SENEGALESE COMMUNES, 1976 AND 1988

Commune	1976 Population (000s)	1988 Population (000s)	Annual Growth Rate (%)
Dakar	514.7	686.6	2.44
Pikine	298.7	623.9	6.31
Thies	115.3	175.5	3.57
Kaolack	104.2	152.0	3.20
Rufisque	92.7	137.2	3.32
Ziguinchor	69.6	124.3	4.94
St. Louis	88.7	115.4	2.22
Djourbel	53.8	77.6	3.10
M'Bour	37.0	76.8	6.28
Louga	38.6	52.8	2.64
Tambacounda	25.7	41.9	4.14
M'Backe	25.4	39.0	3.63
Kolda	19.0	34.3	5.08
Richard Toll	10.7	29.6	8.72
Tivaoune	17.0	27.1	3.97
Bignona	14.5	22.2	3.62
Joal-Faciout	11.2	19.0	4.53
Fatick	10.0	18.4	5.22
Bambey	9.8	17.0	4.65
Kafferine	11.4	17.0	3.34
Dagana	10.2	15.7	3.69
Vel'ingara	8.8	14.1	4.00
Sediou	9.3	13.2	2.94
Guingueneo	11.0	12.9	1.37
Mekhe	8.7	12.1	2.83
Nioro du Rip	7.9	11.8	3.40
Kedougou	7.7	11.2	3.16
Matam	9.9	10.7	0.71
Kebemer	6.8	9.9	3.18
Linguere	7.8	9.8	1.96
Khombole	6.8	9.4	2.77
Gossas	7.4	9.3	1.37
Sokone	5.8	8.6	3.31
Bakel	6.6	8.0	1.61
Podor	6.8	7.5	0.83
Oussouye	2.5	3.9	3.72
Foundiougne	2.7	3.4	1.86
SENEGAL	1,694.7	2,659.1	3.82

Source: Enders, 1989.

The adult literacy rate is about 10 percent. Only about 55 percent of the eligible age group is enrolled in primary schools and 13 percent is enrolled in secondary education (World Bank, 1988). Without a healthy, educated and productive labor force, Senegal has little hope of emerging from economic stagnation.

Clearly, the ability of the GOS to improve the quality of life depends on helping the private sector to expand employment opportunities, on promoting a geographically diffuse pattern of economic development, and on increasing household incomes in both urban and rural areas.

1.2 Framework for Assessing Decentralization

This report examines the contribution that decentralization can make to economic development and employment expansion. It focuses especially on ways of expanding production and employment opportunities in cities and towns outside of the Dakar Metropolitan area so that the incomes and living conditions of the Senegalese population can be raised in all regions of the country. Decentralization can be instrumental in allowing the public sector to create and maintain conditions that are conducive to private sector investment and production which, in turn, lead to economic growth and employment generation.

The report provides an overview of the present situation regarding GOS decentralization policy. It identifies the strengths and weaknesses of existing programs as well as obstacles to the realization of an effective system of local decision-making and resource mobilization.

Any assessment of decentralization policies, however, must recognize that decentralization is not an end in itself. In most countries, decentralization is an instrument for attaining other objectives. Attempts to determine the effectiveness of decentralization must refer to the broader economic, political and social goals that decentralization can achieve. USAID/Senegal's objective has been to "participate in a cooperative effort with the GOS and other donors to restructure the Senegalese economy and lay the groundwork for positive growth."

Adverse Effects of Centralization

Both GOS officials and those of international assistance organizations recognize that the high degree of centralization in the government and its strong intervention in the national economy have created problems in promoting economic growth. The public sector's dominant role in the economy has been a bottleneck to progress.

The public sector accounts for about half of modern sector employment in the country, and the high public wage bill absorbs about half of national budget expenditures. Assessments of government structure by international assistance organizations generally conclude that the civil service is overstuffed, underproductive, and poorly motivated (Nellis, 1986).

Policy making and program implementation in Senegal's highly centralized and compartmentalized government structure are slow and, often, ineffective. Much of the authority to take action--on both major policy issues and seemingly routine personnel actions--is centralized in the Presidency. The President of the Republic, as head of state in Senegal's parliamentary system, is responsible not only for policy guidance and direction, but also for the approval, appointment, promotion, reclassification and retirement of all civil servants down to the level of department director. Each year, the President must sign thousands of authorizations for administrative actions that in most governments are delegated to lower level officials. The President can amend or discard any regulation or procedure. As a result, conflicts over or recommendations for changes in routine administrative processes often are resolved only by actions in the Presidency.

At the same time, the government structure is also highly compartmentalized. It is composed of many ministries, agencies, departments, bureaus, commissions and institutes that operate with little coordination and cooperation. The ability of ministries and agencies to take action expeditiously is hindered further by a pervasive and hierarchical system of controls. In the tradition of French public law, the government is a vast network of units charged with regulation, verification, auditing and supervision. These controls apply both prior to and after the completion of administrative activities. Each control function is carried out by a separate organizational unit to achieve a tightly woven web of monitoring and supervision (Nellis, 1986).

The combination of extreme centralization, compartmentalization and control has led to stagnation or even paralysis in carrying out government functions and in making decisions, unless the highest executive officials take a personal interest in expediting action.

Pervasive regulation of private organizations and land ownership, a large network of public corporations and enterprises that operate much like the government bureaucracy, and strong State intervention in labor and commodity markets make expansion of productive activities difficult. The World Bank (1987:13) reports that "the strict control by the Department of Labor over hiring and layoffs, as well as the legal guarantee of virtually permanent jobs for most industrial workers, have severely constrained the efficient functioning of the modern-sector labor market." Although some changes are now being made in labor laws, the adverse effects of strong central government control are still being felt in the economy.

Increasing recognition both within and outside of Senegal of the economic and social costs of a highly centralized government structure and of a highly regulated economy has brought increasing interest in improving the implementation of decentralization policies.

Approach to Assessing Decentralization

A framework for assessing the effectiveness of GOS decentralization policy and for improving the contribution of decentralization to economic development is described in Figure 1.

The rationale for the model described in Figure 1 is that in order to increase per capita GDP, economic development must occur throughout the country in the agricultural, manufacturing and service sectors, and not only in the Dakar Metropolitan Area where much of Senegal's manufacturing capacity is now concentrated.

Local economic development depends on a healthy national economy and on national economic policies that encourage private sector investment. Such policies not only provide incentives for investment but also remove unnecessary regulatory constraints on the operations of private enterprises and informal sector activities. Widespread economic development also requires local governments to provide the social services and physical infrastructure in towns and secondary cities that allow private enterprise to operate efficiently.

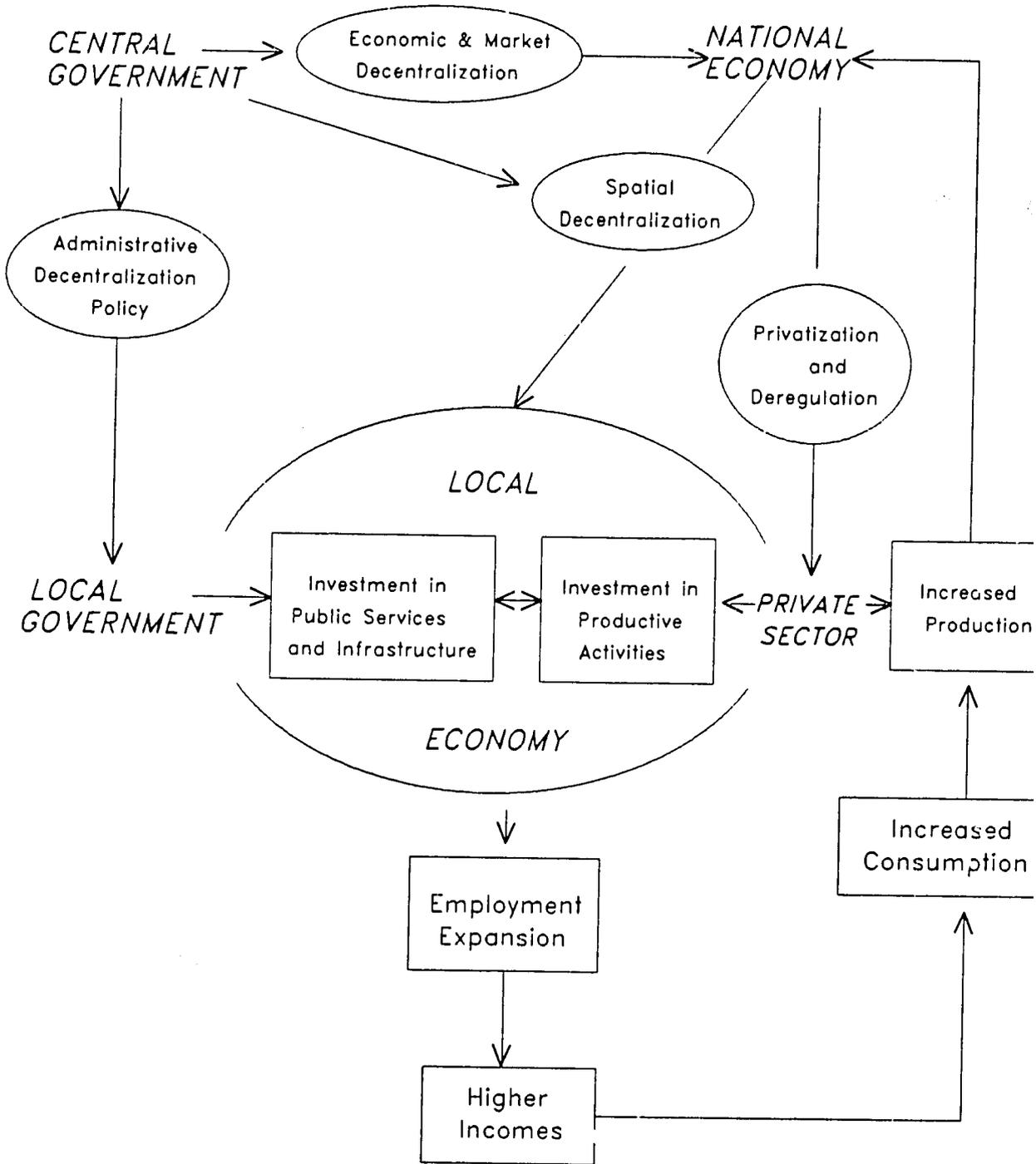
Agriculture will remain a crucial sector in Senegal's economy well into the future, even as urban population and the number of urban places grow rapidly. Therefore, local economic development depends on creating stronger economic and physical linkages between towns and cities as markets for agricultural goods, distribution points for rural products, and supply points for the agricultural inputs needed for rural development. Local economic development provides the employment opportunities that allow both urban and rural households to increase their incomes. As Figure 1 indicates, higher incomes allow higher levels of consumption and savings that can lead to higher production and increased per capita Gross Domestic Product.

1.3 Role of Decentralization in Economic Development

In order for Senegal to achieve higher levels of economic growth in the future, the government must create an environment that at least does not restrict--and ideally would encourage--the expansion of private sector investment in agriculture, manufacturing and services. The centralized system of government and the control-oriented administrative and legal processes in Senegal increase the costs of production and obstruct efficient operations in the private sector. Four types of

Figure 1

DECENTRALIZATION AND ECONOMIC DEVELOPMENT STRATEGY



decentralization can contribute to economic growth, especially at the local level, in Senegal. These are: 1) administrative decentralization, 2) spatial decentralization, 3) economic or market decentralization, and 4) privatization and deregulation.

1. Administrative Decentralization

This report focuses most heavily on administrative decentralization. Administrative decentralization can be defined as "the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non-governmental private or voluntary organizations" (Rondinelli and Nellis, 1986: 5).

Over the past two decades, the government of Senegal has attempted three major forms of administrative decentralization--deconcentration, delegation, and devolution--each with different characteristics.

Deconcentration is the redistribution of decision-making authority and financial and management responsibilities for providing urban services and infrastructure among different levels within the central government. In its most limited form, deconcentration merely shifts work from central government officials in the capital city to those working in the regions. But deconcentration also occurs when central ministries create new field offices to extend or carry out their work at the local level, or when national governments create local units of administration. Deconcentration is usually the first cautious step toward decentralization that most highly centralized governments take.

Experience in other African countries suggests that some degree of decentralization can be achieved even in highly centralized governments by deconcentrating management structure through field administration (Rondinelli and Nellis, 1986). As opposed to merely shifting work from central government offices in the capital city to those in other locations, field administration implies the transfer of some decision-making discretion to field staff, allowing them some latitude to plan, make routine decisions and adjust the implementation of central directives to local conditions. Even though field staff work within local jurisdictions that may have semi-autonomous authority, they remain under the direction and control of central ministries.

Although the GOS has established regional and departmental offices of many technical ministries and there has been some discussion about authorizing them to undertake a larger number of functions, the implementation of deconcentration is far

from complete. Decision making responsibility remains highly centralized and field offices lack the resources to carry out their functions effectively.

Governments can deconcentrate their operations by creating a system of local administration. Local administration is a form of deconcentration in which subordinate levels of government within a country are agents of the central authority, usually the executive branch. Local functions are performed under the technical supervision and control of central ministries. Local administrations may either be "integrated," wherein ministry officials and local officers work under the supervision of the local executive, or "unintegrated," wherein field staff of central ministries and administrative staff of local jurisdictions work independently of each other and are supervised by different sets of executives.

In Senegal, field staff of technical ministries are, at least theoretically, organized at the *arrondissement* level to provide technical support for rural communities through the "centres d'expansion rurale" (CER). However, insufficient staffing and strong vertical lines of authority have prevented the effective integration of deconcentrated technical staff with local administrators.

In situations where deconcentration gives field officers or local officials little discretion in decision-making, little autonomous responsibility for performing their functions and little control over resources, it may result merely in shifting workload for limited and routine activities. Until now, this seems to be what has occurred through the regionalization of technical ministries in Senegal.

Delegation is a somewhat more extensive form of decentralization. Through delegation, central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, regional development authorities, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel. They may be able to charge for their services and operate like private corporations, using business practices and procedures.

In Senegal, the government delegated responsibility for agricultural and rural development to several public authorities during the 1960s and 1970s. The National Society for the Development and Exploitation of the Senegal and Faleme River Basins (SAED), for example, was established in 1963 to provide flood controlled irrigation in the Senegal River delta. SAED worked with farmers mainly through irrigation associations to increase agricultural production, supply agricultural inputs, diversify the food products grown in the region, and improve farm management. SAED also set production quotas, helped administer price controls, prepared land and processed

some commodities. In recent years, the government has sought to change the role of public authorities such as SAED. The 1984 lettre de mission, for example, shifted SAED's role from implementing agricultural development activities and operations such as land preparation and paddy processing to planning, research and providing extension services. Operational activities are gradually being privatized (Seymour et al., 1985).

In most African countries public enterprises have been widely used, especially to provide services for which households can be charged, such as electricity, piped water, sewerage, and other utilities. Governments in African countries have created state owned enterprises or public corporations to provide public services and facilities for a variety of reasons: to control natural monopolies, to ensure adequate service provision throughout the country; to obtain more efficient services than can be provided by central bureaucracies; to assure national control over a politically important basic service; and to provide a mechanism for expanding services requiring large "lumpy" capital investments (Shirley, 1983).

Senegal has created about 180 public corporations and enterprises. Examples of delegation include SONEES, which provides water and sanitation services; SENELEC, which produces and distributes electricity; and SIAS, which is responsible for garbage collection in Dakar.

Not all of the public corporations and enterprises in Senegal have been effective and efficient in delivering services, however, and under the current structural adjustment policy the GOS, with assistance from the World Bank, is reforming some public enterprises and liquidating or privatizing others (World Bank, 1987).

The attempts to improve the operation of public enterprises have come mainly through lettres de mission for public utilities and industrial enterprises, and through contracts with rural and regional development authorities. Both of these agreements attempt to clarify the objectives, obligations and responsibilities of the government and the public corporations. In the process of preparing for contract negotiations with the government the public enterprises--many for the first time--had to engage in strategic planning, analyze the reasons for operating deficits, and develop medium and long term investment goals. The public corporations were thoroughly audited. Contract negotiations provided the opportunity for the GOS and the enterprises to assess the costs and benefits of investment plans (Shirley, 1983).

Through the contracts, the government promised to remedy many of the problems that inhibit efficient operation of public enterprises, by paying arrears, permitting them to raise tariffs and charges, and providing financial support for equipment purchases. Some of the agreements have been undermined, however, by the failure of the GOS to pay arrears and to make reliable financial commitments.

A third type of administrative decentralization is devolution. When governments devolve functions, they transfer authority for decision-making, finance and management to autonomous units of local government with corporate status. Devolution involves transferring responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. Devolution has certain characteristics. First, it requires that local government be given legal autonomy and independence and be clearly perceived of a separate level over which central authorities exercise only indirect control. Second, the local units must have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. Third, local governments must be given corporate status and the power to raise sufficient resources to perform specified functions. Fourth, devolution is an arrangement in which there are reciprocal, mutually benefitting and coordinated relationships between central and local governments; that is, the local government has the ability to interact reciprocally with other units in the system of government of which it is a part (Rondinelli and Nellis, 1986).

Senegal is relatively advanced compared to other African countries in having created communes and rural communities. Mayors and municipal councils of the communes are elected as are the presidents and councils in rural communities. Moreover, the rural communities were given responsibility for raising local revenues and for managing the community budget. But as will be seen later in this report, local governments in Senegal remain highly dependent on central government authority and lack the financial and human resources fully to carry out their missions.

2. Spatial Decentralization

Spatial decentralization is a process of diffusing urban population and economic activities geographically among settlements of different sizes to prevent or reverse high levels of concentration in one or two large metropolitan areas. Governments usually attempt to influence the process of spatial decentralization by distributing public investments in services, facilities, infrastructure and other resources in a way that will strengthen the economies of secondary cities and small towns throughout the country. Most spatial decentralization policies are aimed at achieving a more balanced pattern of urban development. They seek to build the capacities of public and private organizations in secondary cities and towns to raise their own revenues to acquire the services, facilities, and productive activities needed for economic development (Rondinelli and Ruddle, 1978).

In Senegal, the government has begun to use its resources to develop the economic capacity of secondary cities and towns. Provisions of the new GOS investment code are intended to encourage the location of industry in areas outside of the Cap Vert region. Varying periods of tax exoneration are accorded to industrial and commercial firms depending on how far away from Dakar they locate. The

government has also established industrial zones in Saint Louis, Ziguinchor, Kaolack and Theis.

Spatial decentralization is an important strategy for promoting widespread economic growth because--when they have adequate services, facilities and infrastructure--secondary cities and small towns can play important roles in rural, regional, and national development (Rondinelli, 1983). Many secondary cities and towns in Senegal, for example, serve as administrative centers. They are often convenient locations for national, regional and local government offices and for public services used by urban residents and people from surrounding rural areas. In the Department of Louga, more than one-third of the department's governmental bureaus are concentrated in the city of Louga, which also has half of the department's commercial enterprises, and nearly a quarter of the semi-public facilities (Gihring, 1986).

Most of the larger secondary cities in Senegal act as regional centers for a wide range of functions. Many towns in Senegal also offer the "economies of scale" to accommodate a variety of commercial and financial services, retail shops, recreational activities, and social and religious functions. About 27 percent of all trips made by residents of the department of Louga to engage in commercial transactions, for shopping, health care, and water are to the city of Louga. Nearly all banks, large restaurants, cinemas, bookshops, motor parks, bakeries, hardware stores and motor vehicle repair shops in the Department of Louga are concentrated in the city of Louga (Gihring, 1986).

Ziguinchor also serves as a regional marketing center. Nearly all of the goods imported into the Casamance region come through Ziguinchor and about half of the tonnage of exports--especially, groundnut oils and derivatives, rice and maize--from the region is shipped from the city (PADCO, 1984).

Kaolack is also a major agro-processing center and regional market. Heavy flows of agricultural goods come into Kaolack from the surrounding areas of Sine Saloum as well as other regions of Senegal for processing and distribution. Moreover, Kaolack is a major domestic market for agricultural goods as well as for manufactured and consumer goods. About three times as much manufactured and consumer goods flow into the city as are distributed from it (PADCO, 1984).

Most of the regional capital cities and towns in Senegal are commercial, service, handicraft and small manufacturing centers. The 1976 census of employment showed that less than one-third of the economic activities in regional capital cities were agricultural. Business and services accounted for 18 to 30 percent, handicrafts and industries accounted for 38 to 51 percent, of the economic activities in the regional capitals. The city of Louga, with a population of about 50,000, supports 13 small scale

wholesalers, 14 motor vehicle repair services, 17 cooperative organizations, 22 cottage industries, 27 carpenter shops, 34 blacksmith or metal works, 92 tailor shops, 164 small retail shops, and 192 trading stalls or shops (Gihring, 1986).

Some smaller towns in Senegal are also market centers offering a wide variety of agricultural and consumer goods and the collection, transfer, storage, brokerage, credit and financial services needed by farmers. Even small towns have sufficiently large populations and the locational advantages to foster the growth of artisan and cottage industries. These enterprises satisfy demand for low-cost manufactured goods. Many of the enterprises in Senegal's secondary cities are in the informal sector. Studies of informal sector activities in Ziguinchor indicate that food preparation and sale alone provide opportunities for more than 1,500 small scale enterprises during the dry season (Cohen 1984). About 71 percent of these enterprises were one-person vendors. Three quarters of the vendors both processed and sold food products. Rough estimates indicate that the aggregate yearly sales of street food traders in Ziguinchor in 1980 was more than US\$4.6 million. The value added from street food preparation and sale was from 32 to 49 percent of gross sales. From 20 to 25 percent of all household food expenditures were spent with street food traders in the city. Although street vendors are the primary sources of ready-to-eat products for poor households, surveys of Ziguinchor have found that street food vendors are an important source of prepared food for all income and occupational groups. About 35 percent of the street vendors' customers are children, and high school or college students. About 17 percent are housewives. An additional 24 percent are "white collar" workers. The remaining 24 percent are primarily engaged in informal sector activities or are unemployed (Cohen, 1984).

The growth of secondary cities and towns increases demand for food and agricultural products from rural areas and, thus, the growth of these urban places can be an important stimulus for commercializing agriculture and increasing food production. Most secondary cities and towns in Senegal are also sources of off-farm employment, providing jobs for urban dwellers and supplementary income for rural people.

Much of the industrial activity in secondary cities and towns in Senegal is related to agro-processing. About 46 percent of the commerce and 44 percent of the nonfarm jobs are in agroprocessing activities in the larger secondary cities. Oil mills provide off-farm employment in Kaolack, Ziguinchor and Diourbel. Sugar and rice processing activities provide employment in Richard Toll as does tomato processing in Dagana, fish processing in Saint Louis and Mbour, and shrimp processing in Ziguinchor (Government of Senegal, 1984).

Finally, intermediate towns and cities are centers of transportation and communications. They physically link people in rural areas with the services, facilities, and employment opportunities found in larger urban areas.

Of course, not all secondary cities and towns in Senegal perform all of these functions, and many do not perform them well. The ability of towns to perform a wide range of economic functions and to provide employment depends on generating sufficient agricultural surpluses and on increasing household income. One analyst notes that in Senegal "agricultural production technology is still relatively archaic and the minute effective demand for modern inputs does not encourage the establishment of local input manufacturing. With low productivity and income, there is little stimulus for the development of goods and services in the market towns" (Ouedraogo, 1989: 3).

The objective of spatial decentralization should be to distribute investments in urban services, facilities and infrastructure that support productive economic activities more widely among cities and towns with growth potential, and to strengthen local administrative capacity to raise revenues and maintain services and facilities more effectively. Although they differ conceptually and in their policy implications, spatial and administrative decentralization can and should reinforce each other, if for no other reason than that as more cities and towns grow in population and diversify economically, the more difficult and costly it becomes for the central government to provide local services and infrastructure efficiently. The need for effective local governments increases as the urban system of a country becomes more complex. Spatial decentralization policies and administrative decentralization policies must be closely linked together if either one is to be successful. Spatial decentralization creates the need for administrative decentralization, and administrative decentralization can be an instrument for promoting spatial decentralization. Often, however, policies focus on one and ignore the other.

3. Economic and Market Decentralization

Market decentralization is a process of creating conditions in which goods and services are provided primarily through the revealed preferences of individuals by market mechanisms. This is usually accomplished by policies of "economic liberalization." Through such policies, governments allow private enterprises to provide goods and services previously provided only by the public sector; deregulate the private sector by relaxing or abolishing controls over private provision of public goods and services; or offer incentives to expand private sector participation in the provision of public goods and services.

Many economists contend that under conditions of reasonably free choice, the provision of some public goods is more economically efficient when a large number of local institutions are involved than when only the central government or the public sector is the provider. A large number of providers offer citizens more options and choices. These options can be packaged as different "market baskets" of goods and services that meet the needs of different groups of users.

Market decentralization involves the enactment of policies that create the conditions allowing relatively free operation of land, capital and labor markets. These are conditions that allow people, as consumers of goods and services to act in economically rational ways to maximize their individual welfare, and allow market mechanisms to operate effectively by providing the opportunities for large numbers of institutions to provide public goods and services competitively. Under conditions of market decentralization, private firms are free from unnecessary constraints or inhibitions of public regulations and legal constraints. Economic institutions serve as channels through which people can express their preferences for goods and services.

In 1986, the GOS eliminated all restrictions other than those imposed by common law on the marketing of grains other than paddy rice. The government is also in the process of eliminating price controls on agricultural goods and food commodities (Marsden and Belot, 1987).

The government of Senegal recently revised its investment code to simplify procedures for creating private companies, amended the labor code to allow private companies to recruit and manage personnel more flexibly, relaxed price controls for manufactured goods and eliminated some restrictions on the production and distribution of consumer goods.

The concepts of administrative and market decentralization are complementary, although the latter relies heavily in its prescriptions on free operation of market mechanisms, while the former allows for a broader range of possibilities, including deconcentration of central government agencies, delegation to public and semi-autonomous enterprises, devolution to local governments and privatization or deregulation.

4. Privatization and Deregulation

Finally, the most extensive types of decentralization from the government's perspective are privatization and deregulation. Privatization is usually, but not always, accompanied by economic liberalization policies and market decentralization. It allows services to be provided by businesses, community groups, cooperatives, private voluntary associations, individuals, small enterprises in the informal sector and other nongovernmental organizations. Goods and services that can be provided on the basis of people's ability to pay--such as public transportation, electric power, piped water, or housing--can often be delivered more efficiently and effectively by the private sector than by government (Roth, 1987).

The GOS is privatizing by offering shares to preselected and limited groups of private investors in several public enterprises, including SNCDS (fish processing), COSENAM (shipping), SIV (textiles), and SISCOA (farm tools) (Vuylsteke, 1988).

Privatization can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships." Privatization can take a number of forms such as allowing private sector enterprises to provide services and facilities that had previously been monopolized by the public sector; contracting out the management of public services or facilities; financing public sector programs through the capital market and allowing private organizations to participate; transferring responsibility for providing services and facilities from the public to the private sector through divestiture.

The GOS is privatizing some public activities in agribusiness and housing by offering management contracts to private firms (Vuylsteke, 1988). And, as part of Senegal's new agricultural policy, the recent reforms of the agricultural marketing system permit greater private sector participation in the purchase of peanuts and rice from producers.

In its 1987 investment code, the GOS gives preferential treatment to small and medium scale enterprises. Development financing institutions have been created to provide credit especially for industry, tourism, and agricultural processing enterprises. SONEPI, a parastatal company, provides technical assistance to help create or expand small scale enterprises.

Deregulation is also a form of privatization. It reduces the legal constraints on private participation in services provision or allows competition among private suppliers for services that in the past had been monopolies only because of government restrictions on widespread participation.

In brief, as Figure 1 shows, administrative decentralization allows central government ministries and agencies to be more effective and responsive to local needs and allows local governments to raise the revenues required to provide, manage and maintain local services and infrastructure effectively. Economic and market decentralization policies can strengthen the national economy by encouraging private investment and efficient operation of economic activities. Spatial decentralization can provide the financial and physical resources necessary for secondary cities and market towns to perform their economic functions more effectively. Privatization and deregulation create an environment conducive for increased private sector investment and production at the local level.

In the following section, the government of Senegal's decentralization policies are described and analyzed in more detail.

2.0 DECENTRALIZATION POLICY IN SENEGAL

2.1 Overview of the GOS administrative decentralization system

Although various forms of local government and local administration have existed in Senegal since the colonial era, the current communal legislation was passed in 1966. Reforms begun in 1972 constitute the current reference point for decentralization. At that time the government noted that structures for local participation were almost nonexistent and that local administrations were more geared to applying the rules of central ministries than to creating a framework for local development. The objectives of the reform in territorial administration had three objectives (BOM, 1986).

1. integrate rural social structures consistent with political and administrative structures,
2. create an administration which was closer to the subjects of the administration, and
3. create participative structures capable of promoting development.

The current system of administration combines elements of devolution and deconcentration. Deconcentration involved the creation of regional offices of central government technical and administrative units. Devolution involved the creation of local governments, communes in urban areas and rural communities in rural areas, which have legal status and financial autonomy.

The GOS deconcentrated by establishing field offices of the Ministry of Interior Officials who are responsible for coordinating the activities of the central government in their localities and controlling the activities of the communes and rural communities. This hierarchy includes governors, prefets, and sous-prefets who report to the Direction of Territorial Administration in the Ministry of Interior. Since 1987, governors have been appointed and managed by the Presidency. This administrative hierarchy corresponds to a spatial organization of regions, departments, and arrondissements. To provide a participative structure at each level of administration, the law provides for councils composed of elected officials from local governments and some appointed representatives of other organizations. Coordinating committees were established to provide for horizontal coordination of technical ministries at each level. Figure 2 describes the relationships and responsibilities of these administrative structures and local governments.

This elaborate network of institutions for participation and coordination clearly reflects the policy concern for effective decentralization. In reality, however, regional

Figure 2
Decentralized Structures for Territorial Administration

Territorial Unit	Executive	Deliberating Body	Coordinating Body
Region	Governor (Appointed)	Regional Council (Elected officials from communes, rural communities)	Regional Development Committee
Department	Prefet (Appointed)	Departmental Council (Elected officials from communes, rural communities)	Departmental Development Committee
Arrondissement	Sous-Prefet (Appointed)	Arrondissement Council (Elected officials from communes, rural communities)	Arrondissement Development Committee
Commune	Mayor (Elected)	Municipal Council (Elected)	
Rural Community	President (Elected)	Rural Council (Elected)	
Village	Chief (Appointed)		

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offices are ineffective and compartmentalization of the administration (technical services particularly) inhibits real horizontal coordination. The regional councils review and approve local government budgets before they are officially approved by the governor and sent to the Ministry of Interior. They also review development plans for the region. Departmental councils also review development plans and determine the rural tax rate. The real effectiveness of these bodies depends on the role which the governor, prefect, and council president carve out for the councils.

2.1.1. The Legal Framework

The reforms of 1972 were implemented progressively on a regional basis to test and adapt with each experience.

The 1972 reform confirmed the existence of rural communities by making them legal entities and giving them status as local governments, with financial autonomy and certain management powers. Consequently, the distinction should be made between two types of local governments: urban communes (municipalities) and rural communities.

Municipalities and rural communities fit into the country's territorial organization within the arrondissements, which make up the departments, which in turn make up the regions. There are some exceptions, such as Saint-Louis, which is the regional seat but not the departmental seat, and Dakar, which has special status.

Urban communes are governed by Law No. 66 of June 30, 1966 establishing the Communal Administration Code (CAC), modified in 1969, 1970, 1971, 1975 and 1977. Law 66 reflects the traditional communal organization adopted in most French-speaking countries, i.e., a deliberative assembly mandated by election, the municipal council, and an entity vested with executive power, the mayor, who chiefly carries out the budget approved by vote of the Council and who represents the central government at the local government level, exercising certain prerogatives in this capacity (public order, vital statistics, for example).

One of the specific features of the 1972 reform is that it provided the cities serving as regional capitals with a Municipal administrator appointed by the central authority to perform most executive functions. These municipalities have no mayors and are considered to have special status; the municipal council in this case is headed by a president, who represents the political authorities of the city and handles vital statistics functions.

This special status is intended to prevent the excesses of the past in the

manipulation of budgets in the regional capitals. The debate over the quality of the management the administrators provide compared to that of the mayors is an important topic of discussion.

All communal activities (regardless of the status of the commune) are under the supervision of the President of the Republic, whose authority is delegated to the Minister of the Interior. The Direction des Collectivités Locales (DCL) monitors the legality and the substance of local government activities as provided by the laws.

The breadth of communal authority is a basic factor that must be understood to study the potential role of decentralization in the process of economic development and job creation.

Article 44 of the CAC stipulates that:

"The Municipal Council rules on the affairs of the commune by virtue of its decisions. Further on, it requires the Municipal Council to "ensure the best standard of living for the entire population."

This nebulous formulation is no accident. It aims to give the communes only expressed authority, that is, to perform those functions assigned to them by central government. Furthermore, Article 51 states that a municipal council's decisions concerning subjects that do not fall within its powers are not legally valid.

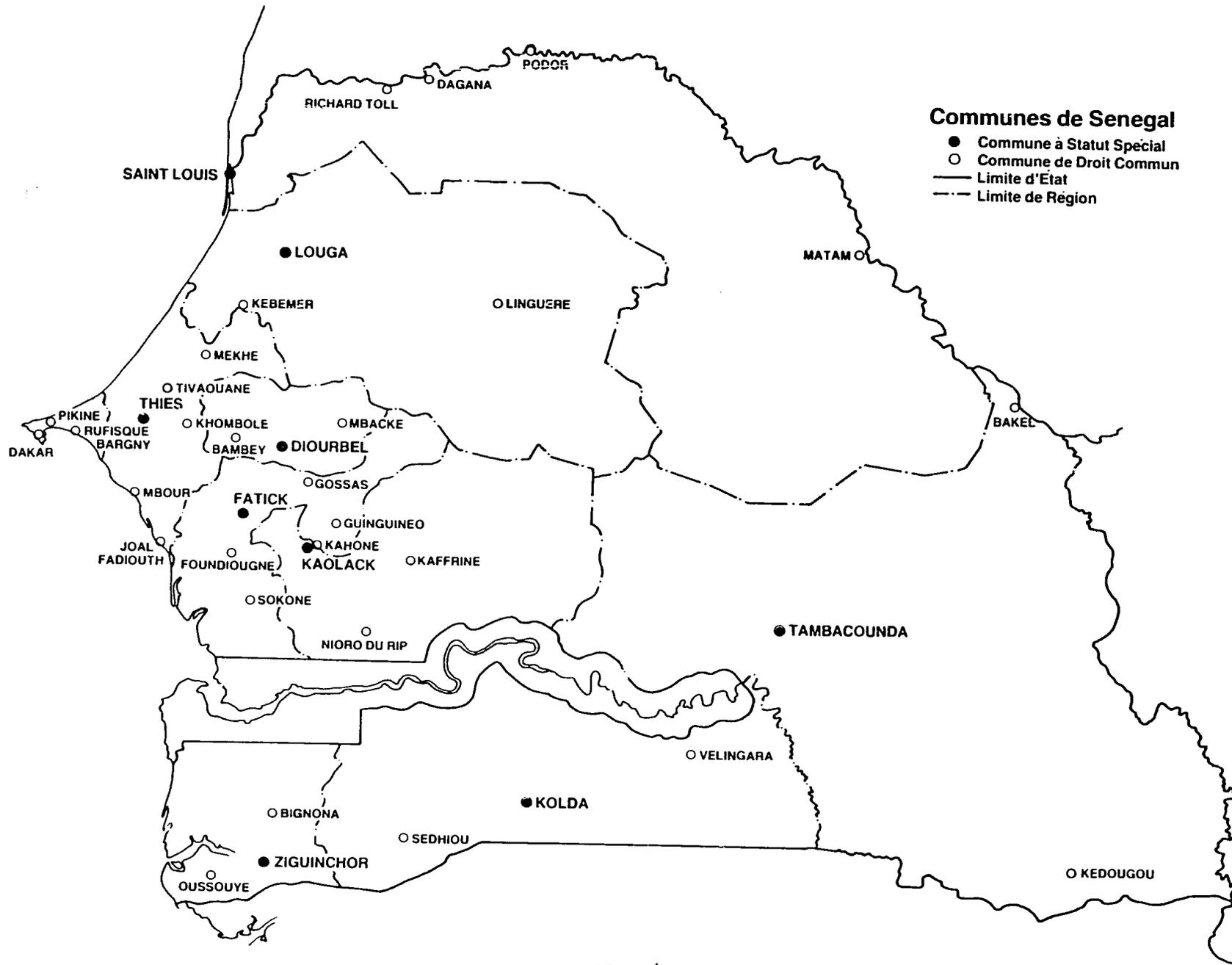
This sanction is absolute. It is not offset by granting the municipality any relative freedom within the strict bounds of its authority. Article 47 of the CAC stipulates that expressed approval from the central government is necessary for virtually all major and vital acts. These acts are stated in a two-page list, along with stipulations that leave very little leeway for those who might wish to take advantage any legal imprecision to escape the constraints.

Article 47 constitutes an exhaustive review of all management decisions that can be taken in exercising financial autonomy, ranging from the entry into farm leasing and rental contracts to investment programming, and even the power to name streets. Similar constraints exist on all communal economic and social actions.

Finally, Article 48 stipulates that the decisions of municipal councils on the subjects listed are not enforceable until they are approved by the supervisory Minister, unless the laws and regulations call for approval by another authority.

When the supervisory authority does not give its approval, or has not announced its decision within forty days, the Municipal Council must file an appeal within two months with the President of the Republic before it can exercise jurisdictional remedies.

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Map 1

Communes are thus subjected to strong supervision, because most of their acts are subject to the expressed approval of the central authority. Furthermore, the communes must file appeals through the administrative channels up to the President before jurisdictional remedies can be exercised.

According to the stipulations of the code, acts not listed in Article 47, covering minor issues, do not require expressed approval, but are not enforceable until 40 days after they are filed at the Prefecture. The acts are thus monitored by supervisory authority which can send them to a higher level.

In summary, the control exercised by the central government is primarily procedural and only partially substantive. The local government legislation does not prescribe specifically what communes should do but rather how decisions should be made and presented. This leaves considerable, albeit undefined, power to the communes.

Rural communities are governed by Law 72.25 of April 19, 1972 which gives them a more specifically defined role than that attributed to the urban municipalities.

The law stipulates the following:

The Rural Council deliberates . . . especially on the acquisition of fixed assets and equipment, projects, drawings, estimates and agreements for new construction, reconstruction, major repairs or any other investments.

The major responsibility primary authority recognized by law is to invest in infrastructure and equipment for the benefit of the community. The goals of these investments must be both social and economic, primarily including the promotion of opportunities for women and youth, sanitation, health, and anything that can foster the economic development of the community. These investments must be financed with local government resources.

The law grants explicit authority in the area of land management, especially in the transfer of "local areas" and "pioneer" zones. The Rural Councils are authorized to transfer land to members of the community, cooperatives or rural groups in order to ensure the development of the plot (see Section 2.3.1).

Rural communities have a deliberative assembly: the rural council, in which two-thirds of the members are elected by universal suffrage, and one-third by the cooperatives, for five-year terms. The president of the rural council, who must be selected from the council members elected by universal suffrage, executes the council's decisions under the supervision of the sous-prefet and serves as vital

statistics officer.

The sous-prefet is the executive of the local administration, and, in this capacity, is responsible for managing financed activities, signing contracts, entering into leases and awarding contracts, subject to the verification of the Rural Council and the supervision of higher administration. As executive, he is solely authorized to issue payment vouchers.

As is the case in other local governments, rural community funds are deposited with a Treasury accountant, who acts as rural community accountant, in addition to his other municipal or central government duties.

The rural communities are assisted in their task by the "rural expansion center" (CER), located at the arrondissement level and placed under the authority of the sous-prefet. The center is headed by a center chief and is composed of various agents provided by the main central government services involved in rural development: livestock, agriculture, fishing, health, education, social and cultural development. Central government service staff function theoretically as rural community personnel, the latter being prohibited by law to have paid personnel.

The CER's are privileged technical advisers to the sous-prefets, supplying their technical expertise to farmers for any problems related to livestock, vaccination, etc.

Generally speaking, they cooperate in designing local development projects and are responsible for their management. They are also responsible for training local officials concerning the reform and administrative procedures.

The creation of the 317 rural communities occurred from 1972 to 1984. The special status that assigned the sous-prefet the task of budget director was only considered provisional, and the question of transferring authority is currently the subject of debate. The lack of training among Rural Council members is often cited as an argument to justify delaying this transfer.

2.1.2. Local Government Operations

2.1.2.1 Organization and Personnel

Communes

The organizational structure of communes generally reflects their functional responsibilities for administration, financial management, and technical and social services. Although a standardized organizational structure has not been required by the DCL, there are similarities among communes. The principal differences are found between the special status communes where the urban administrator is chief executive

and the common law communes where the mayor is chief executive.

In the special status communes, the administrator is responsible for the execution of council decisions, administers the budget, and has decision making power in all aspects of communal operations. In most special status communes, the administrator has an assistant who oversees the daily operations of staff while the administrator is responsible for relations with the mayor and council and external agencies. In common law communes, the mayor is the municipal executive and responsible for executing council policy and managing staff operations. There is currently considerable debate over which form of executive structure is the most effective. Elected officials generally claim that a good deal of their authority is diminished by the presence of the centrally appointed administrator. The opposing argument is that the professional administrator will avoid political abuses of power that may experienced in the mayor/executive form.

All communes have a locally hired secretary general who forms the link between the executive and communal staff. As local employees, they are generally familiar with local political and social conditions and the operations of the municipality. Other elements of the communal organization include the mayor and council secretariat and the office of union representatives. As indicated in Table 5-b, administrative staff represent a small proportion of municipal staffs in the three case study communes except in Richard Toll.

The financial management function is generally carried out by the Financial Services Department, basically consisting of revenue and expenditure accounting, asset accounting, and revenue collections. Some of the municipal staff of this department are found in the Treasury offices where they are responsible for municipal accounts. The operations of this department are described in more detail in Section 2.1.2.1-D. Table 5-b indicates that slightly more than 20% of communal staff are found in financial services, a proportion which seems reasonable in relation to the importance of this function.

Technical Services departments are responsible for all public works and supporting activities such as vehicle and building maintenance. The proportion of staff in this department in two of the case study cities (45% and 48% for Kaolack and Ziguinchor respectively) would appear to reflect the importance of urban services. However, personnel recruited for other reasons are frequently assigned to this service. In fact the productive capacity of technical services is severely constrained by a lack of equipment, facilities, and personnel. The low proportion of staff in technical services in Richard Toll reflects the low level of services provided by the town, even in relation to other municipal governments in Senegal.

The larger cities have a significant number of staff in civil records departments. These personnel staff neighborhood offices in order to give the population better access to services.

The larger towns also have staff for other social services such as education and health and non-professional staff for primary schools and clinics.

Beyond the structure or composition of communal staffing, it is interesting to note the relatively low level of staff/population ratios (Table 5-c). Although it is difficult to identify an optimal staff/population ratio because of variations in service technologies, types and levels of services delivered, data from other countries in Africa indicate that the ratios in the case study towns are extremely low. For, example, in countries where similar analyses have been conducted, Côte d'Ivoire and Malawi, the ratios are 1.9 and 8.7 respectively.

The Ministry of Interior has a policy of limiting recruitment in the communes as a way of limiting the personnel component of expenditures. Communes are encouraged to keep personnel expenditures below 40% of total current expenditures and, therefore, communes have difficulty in justifying new staff positions. While personnel costs average 40% of total expenditures for all communes, many smaller communes, have significantly higher proportional personnel costs.

Senegal is relatively unique in West Africa in having a work code that applies specifically to most categories of municipal employees. The Municipal Civil Service regulations define personnel classifications, recruitment qualifications and procedures and conditions of employment. Municipal functionaires are appointed by the President (Category A) or the Minister of Interior (other categories) for permanent employment in the municipal civil service and are subjected to competitive test for recruitment. In practice, few municipal staff are hired under these regulations but are hired on a contractual basis. These municipal staff are not considered municipal functionaires and are subject to the nation labor code rather than the municipal code.

Summary of principal problems related to Communal organization and personnel

Insufficient work organization: Although municipal organizational charts describe the basic relationships of communal departments, little more explicit organization of work exists. In the communes visited during the field studies, there was no evidence of individual job descriptions indicating responsibilities and reporting arrangements. Many communal administrators appear to prefer to handle work problems as they arise, and internal communication varies considerably. In communes where dynamic administrators, particularly those with business training, have been placed, there is an attempt to have periodic meetings to discuss work problems and plans. The team attended one such meeting in Kaolack which clearly was beneficial in resolving work problems for department managers and informing them of plans in the commune.

Administrative/technical personnel imbalance: An imbalance exists between the excessive recruitment of administrative personnel and the insufficient number of qualified technical personnel. This has produced very serious problems in sanitation

Table 5a
COMMUNAL PERSONNEL
1988-89

COMMUNE\	ADMINIS- TRATION	FINANCES	TECHNICAL SERVICES	CIVIL RECORDS	HEALTH	EDUCA- TION	TOTAL
KAOLACK	22	48	100	17	23	11	221
ZIGUINCHOR	15	27	62	15	9	0	128
RICHARD TOLL	9	7	7	3	0	0	26

Table 5b
COMMUNAL PERSONNEL: COMPOSITION
1988-89

COMMUNE\	ADMINIS- TRATION	FINANCES	TECHNICAL SERVICES	CIVIL RECORDS	HEALTH	EDUCA- TION	TOTAL
KAOLACK	9.95%	21.72%	45.25%	7.69%	10.41%	4.98%	100%
ZIGUINCHOR	11.72%	21.09%	48.44%	11.72%	7.03%	0.00%	100%
RICHARD TOLL	34.62%	26.92%	26.92%	11.54%	0.00%	0.00%	100%

Table 5c
COMMUNAL PERSONNEL: EMPLOYEES PER 1000 POPULATION
1988-89

COMMUNE\	ADMINIS- TRATION	FINANCES	TECHNICAL SERVICES	CIVIL RECORDS	HEALTH	EDUCA- TION	TOTAL
KAOLACK	0.14	0.32	0.66	0.11	0.15	0.07	1.45
ZIGUINCHOR	0.12	0.22	0.50	0.12	0.07	0.00	1.03
RICHARD TOLL	0.27	0.21	0.21	0.09	0.00	0.00	0.79

and garbage collection. For example, in Richard Toll, only 27% of all personnel in the commune are assigned to the technical services. For an even more accurate measurement of the magnitude of this imbalance, it must be added that over half of this 27% is composed of unskilled laborers or tractor drivers. The technical assistant acting as an inspection agent for this city is detached by the department of Dagana public works services. The figures for Kaolack (45%) and Ziguinchor (48%) are of course much higher, but they harbor the same anomalies. For example, out of the 100 employees making up the technical services of the commune of Kaolack, 53 are unskilled laborers and 20 are drivers. Of the 62 technical service employees in Ziguinchor, 40 are laborers and 6 are drivers. In addition, the fleet of rolling stock is in poor condition and there are relatively few skilled workers and still fewer mechanics to repair this equipment, which quickly becomes unusable due to the lack of adequate and regular maintenance.

Skilled/unskilled personnel imbalance: The second type of imbalance we observed in the three communes concerns the ratio between skilled and unskilled workers. Indeed, if we disregard the Administrators (in Kaolack and Ziguinchor) and the Secretary General or the Mayor (for Richard Toll) and if we also disregard the technical services director, there are practically no skilled municipal personnel. This is also the case in other cities of the same size. With the exception of these managers or a few specialized workers, and the vital statistics officer, there are no personnel skilled and adequately trained for the required positions. For example, in the technical services, there are no middle managers or technical assistants to support the technical services director, who, except in Kaolack, is only a technician. Furthermore, there is no architect or urban planning specialist. The technical services director must manage his staff, project studies and the monitoring of the contracts entered into by the commune. Generally speaking, the technical services director is responsible for the smooth operation of all of the city's technical services.

Recruitment problems: While the Decree of 1974 specifies the general conditions for recruiting communal personnel, in reality, recruitment does not adhere to the strict rules for meeting needs defined by the various municipal services and job descriptions. The problem of recruitment was raised in all three communes visited by the RTI field team. The team was told of the "political" nature of recruitment in the past by certain administrators, mayors or municipal council presidents. According to some officials, this recruitment was done to "repay" voters or influential people and, did not correspond to a specific personnel need of the commune involved. There is also the problem of "social jobs". Unlike political jobs, these involve the practice of some administrators or mayors who "give" a job to someone in need. In one of the three cities studied, there were 9 jobs in this category, according to the personnel department director. The persons occupying these jobs were never present, except to collect their pay at the end of each month. This leads to a fourth problem related to communal personnel organization and management: performance monitoring and evaluation.

Performance monitoring and evaluation: There is no system for monitoring personnel and their performance. With the exception of Ziguinchor, where a system to check attendance has been established, we did not find any systems for monitoring and evaluating personnel performance in any of the three communes, a situation that leads to problems and abuses. In the three communes studied, some revenue collectors secretly hire "volunteers" and hold a second job. Instead of being dismissed, some workers are merely assigned to another job or municipal service. Considering the financial situation some communes are facing and the problems they have collecting their tax revenues, this type of behavior can cause serious problems.

Rural Communities

As indicated previously, rural communities are prohibited from paying staff salaries and therefore have no personnel of their own. The Sous-prefet functions as the executive of the rural communities in his arrondissement, aided by his administrative staff, if it exists. In many cases, the Sous-prefet has no assistant and only a small secretariat, therefore the administrative support of rural communities is minimal. Nevertheless it is vital, particularly as rural councilors are for the most part illiterate in French, the language of the administration. Some officials interviewed during the study expressed the desire to provide administrative staff and to vest executive responsibility in the rural councils because conflicts in priorities may arise between the sous-prefet as an official of the central government and the rural councils.

Technical support to the rural councils is provided in theory by the agents of the technical ministries transferred to the arrondissement and serving in the Centre d'Expansion Rural (CER), the technical support branch of rural communities. Although a government circular requested all appropriate ministries to transfer staff to the CER's, in fact only the Ministry of Interior has done so in a general manner. When technical staff are available, some have observed that they do not always respect the priorities and directives of the rural councils, following instead the directives and lines of authority of their technical ministries.

In addition to staffing difficulties, the CER's are experiencing serious material constraints. Office space and equipment are insufficient if not lacking altogether. Transportation, critical to serve the dispersed villages which compose each rural community, is generally not available.

The reason for prohibiting staff recruitment by rural communities was clearly to avoid creating a proliferation of small bureaucracies while at the same time to provide a mechanism for local participation in the development process. Reliance is placed instead on administrative and technical support from existing central government agencies. The Government has encountered difficulties in fully implementing this strategy thus far.

2.1.2.2. Financial Management

2.1.2.2-A Municipal Resources

Just as the communes are not masters of their responsibilities, they are not masters of their own resources. When the law established the conditions under which the decentralized local governments would exercise their status as legal entities, it gave them financial autonomy, i.e., the responsibility to prepare, adopt and execute their own budget, financed by locally-generated resources, but within the context of a strict legal framework controlled by the central government.

Various municipal resources are thus provided and organized by the communal administration code. It specifies the revenues to be generated by taxes or the public domain and the procedures for tax billing and collection.

Article 3 of the CAC states that:

"Only localities developed sufficiently to have sufficient resources of their own to balance their budgets may form communes. The Municipal Council can only approve revenues for which collection has been authorized expressly by the law or regulations."

At present, and as the result of successive improvements, the various communal resources are revenue sharing, local taxes, municipal taxes, revenues from the public domain, service fees and miscellaneous revenues.

1. Revenue sharing involves taxes levied by the central government in communal territory.

Fifty percent of the revenues from the motor vehicle sticker tax and the real estate capital gains tax are shared with the communes:

The revenue sharing rate for proceeds from fines for misdemeanors and minor infractions committed within communal territory is 60%. This revenue sharing is provided in the budget under the miscellaneous revenues item. Revenue sharing accounts for approximately 5 to 10% of municipal budget resources.

2. Local taxes were previously collected for the central government's account but are now refunded in full to the local jurisdictions in which they are collected. Local taxes constitute approximately 50% of the regular municipal revenues.

There are four local taxes.

a) The minimum tax is a per capita tax, collected on a lump-sum, individual basis from each person over 14 years of age for which the general tax code does not provide specific exemptions. The central tax services collect categories 1, 2 and 3 (4,000, 3,200 and 2,400 FCFA per capita); the communal services compile the registers and collect category 4 taxes (500 FCFA). Salaried employees and pensioners are subject to a minimum representative withholding tax (TRIMF).

b) Property tax is a levy on owners of improved and un-improved property.

The rate of this tax is 30% of the rental value for improved property, less a 40% deduction for houses and 50% for factories. The rate is 5% of market value for undeveloped property. Law 87-10 of February 21, 1987 provides an exemption for the full rental value of owner-occupied dwellings up to 75,000 FCFA per month.

c) Business tax is paid by anyone who operates a business, industry or other profession.

This tax includes a fixed fee determined according to the nature of the business (2,000 to 45,000 FCFA) and a proportional fee based on the rental value of the place of business (5 to 10%).

d) Licensing fees are professional taxes paid by anyone who sells alcoholic beverages on a retail basis (3,000 to 50,000 FCFA).

A 1972 law allows communes to levy a household garbage collection tax (TOM) also based on the rental value of improved property: 6% in Dakar and 5% in the other communes. Persons not subject to property tax pay a maximum lump-sum of 300 FCFA. Rates are approved by council votes within the maximum limits provided by law, and the tax is included in the register with the four traditional local taxes.

The special feature of these local taxes is that they are managed by the central government tax services at arrondissement (see organizational chart in section 2.1.2.2-E) level. The registers are sent to Dakar via regional inspectors to be processed at Peytavin, the sole data processing center, where the final registers are prepared.

The regional, departmental and arrondissement centers, however, lack the means of enforcement in relation to the number of potential taxpayers.

The procedures for compiling the registers, which are lengthy, complex and tedious, can only be completed by agents, who often use their own vehicles. Door-to-door surveys are onerous and the absence of an operational land register makes the task even more difficult. Consequently, Treasury agents and municipal authorities often complain about the mediocre quality of the registers.

The Treasury services in charge of collection complain about incorrect addresses and duplication, resulting in numerous incorrect or uncollectible listings. Communal authorities emphasize the decline in the accuracy of these rolls from year to year and suspect that tax authority agents carry forward certain listings without making the necessary updates.

For example, the decrease in revenues from the business tax is inconsistent with the development of some cities and with the visible increase in the number of businesspersons and small-scale manufacturers.

3. Municipal taxes

The communal administration code, allows municipalities to levy taxes in their territory according to prescribed guidelines concerning maximum limits and collection methods. Taxes must be approved by the supervisory authority. Most are indirect taxes collected as the result of a production or consumption activity occurring in the communal territory. These taxes constitute 5% to 10% of municipal revenues and include:

taxes on water and electricity consumption, advertising taxes (billboards, etc.), taxes on nightclubs, shows and entertainment, on meat inspection and stamping, food health inspections, slaughtering taxes, and finally, fuel distribution taxes.

The revenues from these taxes depend on the energy of the tax collectors and the vigilance of the communal authorities. The main problem the communes encounter is repayment of taxes on water and electricity consumption by the utility companies. SONEES and SENELEC include these taxes in their invoices to private customers and are required to pay the proceeds to the commune in return. However, in the past few years, they have been doing so without providing supporting documentation, probably to compensate for the difficulties they have in recovering payment for public consumption paid by the communes for street lighting and standpipes.

An ad hoc committee meets regularly in Dakar, but has not yet completely solved the problem.

The other indirect taxes do not generate large amounts of revenues and the communes devote their efforts to revenues from the public domain.

4. Revenues from the public domain

Communes have almost no real property of their own and thus revenues from the public domain should be negligible. However, the budget structure includes under public domain revenues, all fees and charges collected for activities taking place on a

public road or in public markets. Actual ownership of the property is not a criteria for the classification of these revenues.

Most revenues collected in this way are composed of fees for market spaces, parking on public roadways, or sanitation permits.

Revenues from the public domain are composed of rental fees for market stalls and canteens developed by the commune.

The major types of revenue from the public domain include:

- Market space fees collected on a daily basis from vendors having no permanent facilities (50 F, 100 F, etc.);
- Rental of market stalls built by the commune;
- Permits for temporary parking or use of public ways;
- Taxi fees, which are a special parking permit category;
- Service fees for the exclusive use of the public domain (provided in the nomenclature as "rentals for public ways").
- Municipal property rentals: rooms, auditoriums, etc.

All of these revenues from the public domain make up a considerable share of the communal resources (30 to 40%). These taxes sometimes turn out to be more remunerative than local taxes because they can be adjusted and updated. They are therefore more dynamic than local taxes.

However, communal authorities also report considerable tax evasion. Collectors in the markets and at the entries to cities make on occasion illegal use of unpaid workers to perform their duties.

5. Service Fees

Because the communes have limited amounts of service equipment (vehicles) and facilities, service fees are essentially composed of staking fees collected during lot development and fees for septic tank pumping by trucks belonging to the commune.

The law allows for fees on industrial and business services such as transportation and slaughter-houses, but none of the communes studied collect such fees.

6. Miscellaneous revenues

Miscellaneous revenues include the proceeds from issuing administrative and vital statistics documents. These revenues may also be classified as service fees. This category also includes revenues from fines, collected by the central government and returned to the commune.

Rural community revenues

Rural community tax revenues are composed essentially of the rural tax instituted by Law No. 72-59 of 1972, modified by Finance Law 76/77. This tax applies to all taxpayers over 14 years of age residing in the rural community. It is a lump-sum tax, the rate of which is established annually by the Departmental Council within the limits of 500 to 1,000 FCFA.

The other resources rural communities may have are minimal, consisting of the following:

- the minimum tax and TRIMF;
- the business tax;
- revenues from pound fees and charges for market and fair spaces;
- revenue sharing of fine proceeds at the level of 60%.

These "non rural tax" revenues are billed and collected under the same conditions as they are for the communes. Rural communities close to urban centers sometimes fail to recover their full share of these resources because the communal limits may be ill-defined leading to confusion in the application of these taxes.

Revenues for investment financing are provided essentially through self-financing, since practically the whole budget (90%) is devoted to capital investments.

The rural communities also have access to central government capital investment grants when 100% of the rural tax has been collected. (See section on capital financing.)

Analysis of Revenue Generation Performance

Communes

Revenue mobilization appears to vary considerably among the three municipal governments studied. Table 6 indicates that the most important resources are the local taxes, collected by the Treasury and including the business tax, head tax,

property tax, and alcohol tax. Their volume depends on different factors in each town. For example, a considerable amount of the local tax collection in Kaolack is based on arrears collected in 1986. In Richard Toll, high collections of the minimum tax are responsible for the level of local taxes. The importance of the minimum tax may be misleading as a portion of the tax paid by employees for their employees (TRIMF) is supposed to be distributed to the employees' place of residence. Richard Toll may be getting a portion of the minimum tax paid for employees at the sugar factory who actually live in other communities.

Of the local taxes, the property tax is the least productive. Although recent exoneration introduced to the property tax has greatly reduced its potential contribution as a revenue source, it remains underutilized due to poor property registration procedures, and inefficient tax mapping, administration and billing procedures. In light of its potential as a local resource, the GOS has formed a committee on property tax computerization and several donors including USAID (for Ziguinchor), the World Bank (for Dakar), and the Canadian assistance program are providing up-dated cadastres, and assistance in computerization of property records and billing procedures.

The second most important revenue source is revenues from the public domain. Revenues are derived from market fees and the rental of municipally owned market stalls. The high volume of revenues of this type in Kaolack attest to the size of the market, volume of market activities, and investment in market facilities by the commune, in addition to relatively sound collection techniques. On the other hand, Ziguinchor, which has a relatively large and well organized market place, apparently has problems in its collection procedures. The commune of Dakar in recent years has made a considerable effort to improve the inventory of market vendors and the organization of collectors resulting in significant increases in market fees. Similar efforts have not yet been made in other cities.

Table 6-c indicates that, when revenue generation is adjusted for population differences, there appears to be little relation between the size and administrative status of the commune and revenue performance. Kaolack leads the sample of three communes. Richard Toll, a young but dynamic common law commune has performed better than Ziguinchor, a larger special status commune. It would be useful to conduct the same analysis on a broader sample of communes to see if these conclusions hold true. Despite these differences, the revenue per capita is extremely low in relation to

the service and investment responsibilities of communes. Improving revenue mobilization should be a priority if communes are to be a key actor in local economic development.

Table 6a
COMMUNAL REVENUE SOURCES (CPA X 1,000)
1986-87

\SOURCE COMMUNE\	REVENUE SHARING	LOCAL TAXES	MUNICIPAL TAXES	PUBLIC DOMAINE	FEEES FOR SERVICE	MISCELL- ANEOUS	TOTAL
KAOLACK	21,500	216,300	31,700	213,200	6,800	40,200	529,700
ZIGUINCHOR	17,800	50,800	42,800	31,800	300	6,300	149,800
RICHARD TOLL (PROJECTIONS)	4,100	51,100	4,400	9,100	400	14,700	83,800

Table 6b
COMMUNAL REVENUES: COMPOSITION
1986-87

\SOURCE COMMUNE\	REVENUE SHARING	LOCAL TAXES	MUNICIPAL TAXES	PUBLIC DOMAINE	FEEES FOR SERVICE	MISCELL- ANEOUS	TOTAL
KAOLACK	4%	41%	6%	40%	1%	8%	100%
ZIGUINCHOR	12%	34%	29%	21%	0%	4%	100%
RICHARD TOLL	5%	61%	5%	11%	0%	18%	100%

Table 6c
COMMUNAL REVENUE SOURCES PER CAPITA
1986-87

\SOURCE COMMUNE\	REVENUE SHARING	LOCAL TAXES	MUNICIPAL TAXES	PUBLIC DOMAINE	FEEES FOR SERVICE	MISCELL- ANEOUS	TOTAL
KAOLACK	141	1,423	209	1,403	45	264	3,485
ZIGUINCHOR	144	410	345	256	2	51	1,208
RICHARD TOLL	124	1,548	133	276	12	445	2,539

Rural Communities

The earlier discussion of revenue sources indicated that rural community revenues come primarily from the rural tax. The data presented for the case study rural communities in Table 7 are consistent with that finding. In the table, the column marked fiscal resources includes a variety of resources such as the rural tax, the business tax, the minimum tax, and the property tax. The second column presents only the rural tax so that its impact on total revenues may be better appreciated. While the figures presented in the table are budget projections, all indications are that projections are relatively close to actual collections and therefore an acceptable replacement. Data on real collections were not available.

Collection rates of the rural tax appear to vary considerably from year to year and community to community although they are generally high. Table 8 indicates a range of 56% to 91 % in 1985-86.

Village chiefs are responsible for collecting the rural tax and receive 7% of the total recovered in their community as payment for their services. While this is an incentive for effective collection, some observers describe friction between the village chiefs and rural councils over the traditional chief's loss of land allocation authority which may counterbalance the incentive to collect the rural tax.

The public domain revenues are principally derived from market fees and from impounding stray animals. Rural communities are responsible for the construction of market facilities and may pay a portion of receipts to fee collectors, but they are not permitted to employ staff to maintain these facilities.

Overall, the total revenues per capita of the three case study rural communities are similar, showing less variation than the communes. In addition, despite their relatively low per capita level, rural communities have no administrative or service responsibilities; almost the entire budget is allocated to capital investment. On the other hand, communes are required to employ staff, provide services and maintain infrastructure, and finance capital investments, yet their total revenues are only slightly higher than those of the rural communities.

Table 7a
RURAL COMMUNITY REVENUE SOURCES (CFA X 1,000)
1987-88 PROJECTIONS

\SOURCE RUR COMM\ *****	FISCAL RESOURCES *****	(RURAL TAX) *****	PUBLIC DOMAINE *****	MISCELL- ANEOUS *****	BUDGET SURPLUS *****	TOTAL *****
NDOFFANE	9,636	8,886	1,100	1,200	0	11,936
NIAGUISSE	5,356	4,508	680	150	1,500	7,686
MBANE	17,390	14,690	2,900	600	2,000	22,890

Table 7b
RURAL COMMUNITY REVENUE SOURCES: COMPOSITION
1986-87 PROJECTIONS

\SOURCE RUR COMM\ *****	FISCAL RESOURCES *****	(RURAL TAX) *****	PUBLIC DOMAINE *****	MISCELL- ANEOUS *****	BUDGET SURPLUS *****	TOTAL *****
NDOFFANE	81%	74%	9%	10%	0%	100%
NIAGUISSE	70%	59%	9%	2%	20%	100%
MBANE	76%	64%	13%	3%	9%	100%

Table 7c
RURAL COMMUNITY REVENUE SOURCES PER CAPITA
1986-87 PROJECTIONS

\SOURCE RUR COMM\ *****	FISCAL RESOURCES *****	(RURAL TAX) *****	PUBLIC DOMAINE *****	MISCELL- ANEOUS *****	BUDGET SURPLUS *****	TOTAL *****
NDOFFANE	468	431	53	58	0	579
NIAGUISSE	462	389	59	13	129	663
MBANE	901	761	150	31	104	1,186

Table 8
Rural Tax Collection Rate 1985-86

Region	Average Collection Rate for departments
Diourbel	49%
Fatick	82%
Kaolack	91%
Kolda	90%
Lorya	57%
St. Louis	56%
Tambacounda	76%
Thies	79%
Ziguinchor	69%

2.1.2.2-B Analysis of Local Government Expenditures

Communes

The structure of communal budgets presents expenditures by type of expense and to a certain extent by service. However, given that personnel costs compose approximately 40% of expenditures but are grouped together rather than by cost center, it is difficult to obtain an estimate of the costs of services that the commune provides. Tables 9a and b present expenditures for the three case study towns in terms of total expenditures by type and the proportion of each type in relation to the total.

The administrative expenditures include many overhead costs as well as the stipends for mayors and the operation of the mayor's cabinet. It is a significant portion of total expenditures.

Utilities (water and electricity) constitute another significant and problematic element of the budget. These expenses include water consumed primarily at public standpipes and electricity for street lighting. Communes find it difficult to pay for these services and as a result have built up considerable arrears with the utility companies, SONEES and SENELEC. A ministerial committee has been established to try to find a solution to the arrears problem. The DCL is also trying to find a solution by formulating a new policy regarding public standpipes. The current policy urges

Table 9a
COMMUNAL EXPENDITURES
1986-87

EXPENDITURE	KAOLACK	ZIGUINCHR	RICH TOLL
ADMINISTRtN	110000	50000	18100
FINANCES	16500	5000	1700
TECH. SERVICES	59900	20900	8400
UTILITIES	133500	49700	5100
SOCIAL SVCS	13800	5000	2700
MISCELLANEOUS	22900	13700	4300
PERSONNEL	215900	105900	17000
INVESTMENTS	138300	1000	26500
TOTAL	710800	251200	83800

Table 9b
COMMUNAL EXPENDITURES: COMPOSITION
1986-87

EXPENDITURE	KAOLACK	ZIGUINCHR	RICH TOLL
ADMINISTRtN	15%	20%	22%
FINANCES	2%	2%	2%
TECH. SERVICES	8%	8%	10%
UTILITIES	19%	20%	6%
SOCIAL SVCS	2%	2%	3%
MISCELLANEOUS	3%	5%	5%
PERSONNEL	30%	42%	20%
INVESTMENTS	19%	0%	32%
TOTAL	100%	100%	100%

municipal governments gradually to disengage themselves from water supply by encouraging individual hook-ons. In addition, several municipal governments are exploring the possibility of installing coin operated fountains which have been successfully used in Abidjan.

Personnel costs average slightly over 30% of total operating costs, a level which seems reasonable compared to the experience of local governments elsewhere. Contractual personnel constitute 90% of personnel costs. As stated earlier, the DCL has vigorously pursued a policy of maintaining personnel costs under 40% by limiting recruitment. However, the pertinent questions are not only level of personnel but also qualifications and distribution of staff.

The investment expenditures constitute transfers from the operating budget to the capital budget and thus affect the municipality's ability to finance capital investments. DCL policy has encouraged communes to transfer at least 20% of their operating budgets to the capital budget. In fact, this figure is closer to 8%. Capital financing is described in more detail in Section 2.1.2.2-C.

The final type of expenditure that deserves attention is technical services, which includes many direct service costs such as the operation of the municipal public works workshops, gas and oil, and maintenance of buildings and public gardens. Because services such as garbage collection, road maintenance, building maintenance (including schools, and clinics) are vital to the economic and social health of the commune, it is surprising that these services do not receive a higher level of funding. Garage and workshop costs are the highest and include gas provisions for the entire fleet of municipal cars, not only those of the public works department.

Rural Communities

Because of their reliance on central government officials for administrative and technical support, rural communities devote only a small percentage of their budgets to operating expenses. In the case study communities (see Table 10), these accounted for only 7% to 15% of total expenditures. The fees paid to village chiefs for the collection of the rural tax constitute the largest single operating expense.

The remainder of the budgets are spent on capital investments of which socio-cultural, agricultural, and utility network investments predominate. Socio-cultural investments include construction, maintenance and equipment for schools and health posts primarily but also include sports facilities, youth centers, and women's groups. Agricultural investments cover a wide range of activities such as forestry projects, animal vaccination facilities, slaughter houses, and insect and weed control. Rural communities appear to spend the most resources on utility investments which include for the most part the drilling and repair of wells and water distribution systems.

Table 10a
RURAL COMMUNITY EXPENDITURES
1987-88 PROJECTIONS

EXPENDITURE * * * * *	NDOFFANE * * * * *	NIAGUISSE * * * * *	MBANE * * * * *
A. OPERATING EXP.	2,000,000	684,220	2,902,300
B. CAPITAL EXP.			
URBAN/ROADS	400,000	300,000	4,300,000
SOCIO-CULTURAL	3,100,000	1,700,000	7,587,700
AGRICULTURE	1,950,000	1,500,000	4,600,000
UTILITY NETWRKS	4,000,000	2,800,000	3,200,000
MISCELLANEOUS	400,000	0	300,000
FUND RESERVE	86,000	0	0
TOTAL	11,936,000	6,300,000	19,987,700

Table 10b
RURAL COMMUNITY EXPENDITURES: COMPOSITION
1987-88 PROJECTIONS

EXPENDITURE * * * * *	NDOFFANE * * * * *	NIAGUISSE * * * * *	MBANE * * * * *
A. OPERATING EXP.	17%	11%	15%
B. CAPITAL EXP.			
URBAN/ROADS	3%	5%	22%
SOCIO-CULTURAL	26%	27%	38%
AGRICULTURE	16%	24%	23%
UTILITY NETWRKS	34%	44%	16%
MISCELLANEOUS	3%	0%	2%
FUND RESERVE	1%	0%	0%
TOTAL	100%	100%	100%

Table 10c
 RURAL COMMUNITY EXPENDITURES PER CAPITA
 1987-88 PROJECTIONS

EXPENDITURE * * * * *	NDOFFANE * * * * *	NIAGUISSE * * * * *	MBANE * * * * *
A. OPERATING EXP.	97	59	151
B. CAPITAL EXP.			
URBAN/ROADS	19	26	223
SOCIO-CULTURAL	150	147	394
AGRICULTURE	95	129	239
UTILITY NETWRKS	194	241	166
MISCELLANEOUS	19	0	16
FUND RESERVE	4	0	0
TOTAL	579	543	1,038

Electrification projects were also proposed in the case study communities.

The volume and type of investments made in the case study rural communities suggest that these local governments provide critical resources for development. The fact that most of these investments are managed by community organizations, NGO's, and cooperatives indicates as well that the projects are meeting needs expressed by the population, even if basic needs are still far from satisfied.

2.1.2.2.-C Capital Financing

Communes have four possible resources for financing capital investments. They include:

- Sale of assets: this constitutes the weakest alternative because of the absence of communal assets.
- Loans: The municipal credit fund is still embryonic but it is expected to become operational in 1990. It will provide loans to communes (See description below.) Government loans granted to absorb utility company arrears cannot be considered investment resources.
- Capital investment grants. Senegal has a capital investment fund system, part of which is reserved for investments which requests the principal. (See the special section on capital investment funds).
- Self-financing: This is the only resource included in the budgets, and is generated by levies on regular revenues, a portion of which is earmarked for investment financing. This levying requires an equivalent decrease in operating expenditures to maintain the overall budget balance.

According to DCL directives, at least 20% of communal budgets should be set aside for capital investment. This target is rarely met because the local authorities frequently have to sacrifice part of the initially-budgeted investments to meet obligatory operating costs and because revenues which fall below projected levels.

The Local Government Capital Investment Fund

Senegal has a "Local Government Capital Investment Fund" (FECL) created by the Finance law of June 4, 1977. This fund was supposed to be financed by proceeds from sales taxes. In practice, the Fund's resources come from an annual allocation in the central government budget, 1.9 billion FCFA for the 88/89 fiscal year.

The management committee for this fund is made up of the Secretary General of the Presidency, the Minister of the Interior, the Director of Local Governments, the Comptroller, The Director of the Plan, The Treasurer General, the Budget Director, the Director of the Debt and Investment, and a representative from the Association of Mayors.

The FECL is divided into two parts: first, 1.3 billion FCFA for the capital investment fund; and second, 0.6 billion FCFA for the loan fund allocation for the Banque d'Habitat du Sénégal [Housing Bank of Senegal] for the creation of the Municipal Credit Fund.

The capital investment fund is divided into two parts:

- the regular capital investment fund, intended to subsidize communal operations,
- the special capital investment fund intended to subsidize investment programs in certain communes.

In 1988-1989 the breakdown is 300 million FCFA for the regular part and 1 billion for the special part.

The regular capital investment fund involves only urban local governments, except those in the Dakar region. It is in turn divided into three parts, corresponding to three management performance measures. For the 1988-1989 fiscal period, the following three measures were established although the actual amounts (discussed later) are the result of an interministerial decree.

- 50% or 150 million FCFA to be distributed according to the proportion of investments financed by a commune's own resources;
- 25% or 75 million FCFA to be distributed in inverse proportion to the ratio of personnel expenditures to average triennial revenues;
- 25% or 75 million FCFA to be distributed according to the relation between the amount of revenues collected and the projected figures.

The purpose of these distribution criteria is to encourage sound financial management. They favor communes that have demonstrated superior management of income and expenditures. The establishment of these criteria is relatively innovative compared to other countries in West Africa.

The special capital investment fund can involve both Dakar and the interior of the country, both urban communes and rural communities. Every year, the fund is divided into three parts:

- one part for local governments in the Dakar region (180 million in 88/89 projected but not realized as the funding was implemented too late.)
- one part for rural communities (255 million FCFA projected for FY 88/89 of which only 82% was realized.)
- one part for urban communes (565 million FCFA projected for FY 88/89 of which 76% was realized.)

Each category is distributed in the following way.

- Rural communities: any rural community that collects 100% of the rural tax is eligible for the special fund. It is granted on a lump-sum basis: 3 million in 1988/89 for 85 rural communities, including Ndofane and Niaguisse.
- Urban communes: grants are based on projects submitted by the communes. In 1988-1989, 27 communes were selected, including the following:

KAOLACK	35 million to Kaolack for the purchase of a grader and container;
ZIGUINCHOR:	30 million to complete the NEMA market;
DAGANA:	10 million for an auditorium and guest room;
MATAM:	15 million for building phase one of a road transport station;
SAINT-LOUIS:	30 million for building market stalls and canteens;
BAKEL:	20 million for a City Hall, markets and classrooms.

Although the capital investment fund is a key resource for local governments and its distribution is based on sound management incentives, there are several problems that prevent its optimal functioning. They include:

- The amount of funding allocated according to the proportion of self-financed investments is not sufficient to provide an incentive for self-financing.
- The utilization of the capital investment fund allocated to a local government is approved in the form of a special, non-budgeted authorization. The execution of this special authorization runs into Treasury liquidity problems because the corresponding grant is not actually paid, it is only available upon request for funds the accountant issues when funds are needed.
- The volume of the fund is obviously insufficient as more and more communes are applying for the special capital investment fund.

The DCL would like the fund to be increased to 2.5 billion which is greater than the amounts that have been allocated since 1980, but less than the originally projected 4 billion FCFA. This amount is seen as closer to the annual absorptive capacity of local governments.

Municipal Credit Fund

The FECL is the sole source of capital funding outside of communal self-financing. The relatively low level of funding available under the FECL has been seen as a significant constraint to the growth of local infrastructure. Commercial banks have been unwilling to lend to local governments. Under the World Bank funded Municipal and Housing Development Project, a portion of the FECL funds and funds from an IDA loan will be used to capitalize the Municipal Credit Fund. The establishment of the Fund will allow monies to be recycled thereby enlarging the volume of available credit.

The Fund will be located in and managed by the Banque d'Habitat du Senegal (BHS), which will charge interest rates based on the Central Bank's discount rate plus two points. Some of the funds transferred from the FECL would be used to pay a portion of the interest on communal loans, the remainder will be part of the Fund's permanent resources. Project requests will be reviewed according to their consistency with government development objectives, revenue generating potential (to cover recurrent costs of the investment at a minimum), financial situation of the borrower, and financial analysis of the borrowing commune (World Bank, 1988). The Municipal Credit Fund is expected to be operational in 1990.

2.1.2.2.-D Budget preparation and execution procedures

The local government budget is prepared by the executive (mayor, administrator or sous-prefet) with the support of the technical and financial services. It is approved by vote of the deliberative assembly (municipal or rural Council) and cannot be executed until it is approved by the supervisory authority, i.e., the Ministry of the Interior for all municipal budgets, and the governor of the region for all rural community budgets.

The fiscal period begins on July 1 and closes June 30 of the following year. Therefore, the entire preparatory phase including voting and approval must be completed before July 1. However, budgets are frequently not approved until after the fiscal period has begun. In this case, the commune receives authorization to commit operating expenses on a monthly basis, figured according to the average monthly extreme of the previous budget. This special procedure is called the "provisional one twelfth."

To prepare the budget, the executive must first project revenues that can be mobilized during the year based on instructions of the supervisory authority, the average of the past three known budgets. The executive must then estimate the expenditures required by law as a priority: expenditures for personnel, municipal building maintenance, finance charges, charges from prior fiscal periods, etc. He must then allocate available credit among the various identified needs, which most often exceed the resources.

These needs are voiced either by the service directors, by municipal council members as representatives of their constituencies, or by certain regional technical services based on pre-established programs.

During this allocation process, policies for the management of the local government are defined, and internal quarrels can break out when the decision is made to favor a given service or function. This is particularly the case in special status communes when latent conflicts exist between the administrator and the president of the Council. However, it must be kept in mind that the budget must in the end be submitted to the Council for approval and must be approved by the supervisory authority.

As indicated earlier municipal operating expenses are devoted primarily to personnel costs, vehicle fuel, electricity (public lighting) and water (free standpipes). Arrears have become so high that the central government has mobilized loans to allow communes to meet the late payment plans agreed upon with the utility companies.

Not all of the commune's own resources can be used to finance operations, because the supervisory authority requires that 20 to 25% be kept for capital financing.

Programmed investments essentially involve the construction and repair of markets, utility networks, the purchase of sanitation equipment, athletic and school facilities and road transport stations.

The special nature of the rural communities must be mentioned. They are required to devote virtually all of their budgets to investments (approximately 90%) with a sustained effort to provide water, education, and equal opportunities for women and youth.

The law reduced rural community operating expenses to the bare essential, since they involve only benefits paid to village leaders and tax collectors, the purchase of medical products and a few subsidies for training elected officials. Personnel expenditures, including compensation for keeping the vital statistics registers, are strictly forbidden.

During the fiscal period, any modifications to the initial budget forecast may be

made using two specific procedures: credit transfers and special authorizations.

- credit transfers make it possible to re-allocate funds among line items and give management more flexibility. These credit transfers are subject to the authorization of the authority that approved the budget, and thus go through the same channels as the original document.
- special authorizations are intended to pay for expenditures that could not be foreseen at the time of budget preparation.

Two special authorizations are generally approved each year. One concerns surplus revenues from the prior fiscal period when the final accounts are prepared, and one pertains to the use of capital investment funds the central government grants to the local government.

These special authorizations, which are approved by vote of the Council, are actually in the form of supplementary budgets, and go through the same preparatory voting and approval procedure as the initial budget.

Budget execution

Decentralized local government budgets are executed by two different agents, in a system of mutual checks and balances: the executive and the tax collector (sometimes called the public accountant).

The executive is solely authorized to issue revenue and expenditure orders which are then processed by the tax collector, who in turn is solely authorized to hold and handle funds, and thus is solely competent to handle collections and payments. These two agents are not linked by any hierarchical or supervisory channel. This is the well-known principle of separation of the executive and accountant applied in many francophone countries.

Collection of revenues

Theoretically, no revenues can be collected unless the executive has issued a revenue order to be processed by the tax collector. However, there are two major exceptions in practice.

1. Taxes billed according to a register or roll are handled directly by the tax collector, and the executive has no direct involvement in the billing procedure.
2. Most revenues are collected using tickets (markets, taxis, etc.), and revenue orders are issued when the collected money is to be deposited at the tax collection office.

Thus, the tax collector is the agent actually in charge of executing the budget as far as revenues are concerned. As soon as he assumed responsibility for orders and registers (local taxes, for example), he must make every effort to ensure that the revenues are collected, using the specific resources with which the Treasury is endowed to recover delinquent payments (liens, prosecution, etc.)

Expenditures

The executive is more directly involved in expenditures because, with few exceptions (official drawdowns from the commune account, for example), no expenditures can be made unless he has issued and signed a payment or voucher order to the tax collector.

The typical procedure for an expenditure is as follows:

- The executive prepares a commitment form (a purchase order, for example) which is first submitted for the tax collector's signature. Each form is accompanied by a commitment sheet in duplicate, which allows the tax collector to verify that the credits are available in the budget. In the executive's office, commitments are accounted for on a special credit sheet.
- After the purchase order is approved by the tax collector, it is sent to the supplier, who performs the service or delivery. The municipal accountant verifies the service performed or the delivery of merchandise, which enables the executive services to process the payment order (calculation of the exact amount due, verification of the invoice, etc.) and then to draw up the appropriate voucher, which is sent to the tax collector for verification, processing and payment.

During his verification, the tax collector exercises his prerogatives as a public accountant; he checks to ensure that the voucher has been properly issued (no errors in substance, for example), that the expenditure has been charged properly to the budget and, that credits are available. The supplier may then be paid either directly or by bank transfer.

If the supplier owes the Treasury any money (outstanding taxes, for example), the tax collector will deduct these amounts from the payment.

Some changes have been made in this routine procedure, mainly for ongoing cyclical expenditures, i.e., personnel costs, expenditures on contracts, subscriptions, leases, etc., that are covered by blanket commitments at the beginning of the fiscal period (the entry into a contract, for example) with payment being made and vouchers issued in successive installments during the fiscal period.

When the amount of the commitment is high (8 million FCFA or more), the law requires a contract by public tender, competitive bidding, or, on a more exceptional basis, by direct agreement, using a highly systematic procedure.

The executive may call upon the regional or departmental technical services for assistance in the preparation of contracts. Contracts signed by the executive on behalf of the local government must be approved by the deliberatory council and then submitted for the approval of the supervisory authority after endorsement by a regional commission, or a national commission, if the contract exceeds 20 million FCFA.

At the close of the fiscal year, the executive must submit a final account providing a condensed summary of all revenues and expenditures issued during that fiscal period. The tax collector is required to provide an accounting of all orders processed and the corresponding financial flows.

These two documents must be submitted for the approval of both the local government council and the supervisory authority. They also serve as fundamental legal documents for audits. It must be noted that these documents are often submitted late, up to 3 or 4 years after the close of the fiscal year.

2.1.2.2.-E Relations with the public treasury

Local governments funds must be deposited in the Treasury. The functions of the municipal (or rural) accountant are exercised by an agent of the Treasury, who is solely authorized to handle payments and collections concerning expenditure and receipt orders issued by the directors.

The local government tax collector has a copy of the budget, monitors the orders issued by the executive, and, in the event of non-conformity, may refuse payment or collection.

In practice, the Treasury does not create a specific accountant position to handle the funds for each local government. The tax collector's duties are assigned to a position that already exists in the central government organization, i.e., the inspector in charge of the position may be assigned several local governments, like a banker who has several customers.

Each region is headed by a regional treasurer and paymaster (TPR), to whom all accountants in the region report. These accountants are either at the department level (tax collectors) or at the commune level (municipal revenue bureaus).

Collection of municipal revenues

Until recently, the functions of the municipal tax collector were assigned either to a TPR (if the city is the seat of the region, for example, Ziguinchor) or to the departmental tax collector in other cases (for example, Richard Toll, under the Dagana departmental tax collector).

As part of its decentralization policy, the GOS proposed to establish municipal revenue bureaus in each regional capital. This reform has not yet been completed.

The benefits of this change seem obvious: the municipal tax collector can devote himself exclusively to communal revenues, and can manage the corresponding treasury. However, it is understood that, for accounting purposes, communal cash holdings fall under those of the Treasury, and funds are managed according to the principle of a unified treasury.

The municipal tax collector collects indirect communal taxes and revenues generated by the public domain. These two considerable resources constitute the cash supply of the treasury for which he is responsible, funds which he manages partially in liquid asset form and partially on deposit at a bank (most commonly postal check).

Other communal revenues, coming from local taxes and central government revenue sharing and grants, are managed by the TPR, who actually collects local taxes paid by taxpayers from the region, central government grants and revenue sharing coming most often only in the form of accounting entries, which he must request from Dakar when funds are needed.

The municipal collector in turn receives recorded notification of local taxes and central government grants and revenue sharing income, which he can then enter on the books of the commune. He does not receive the funds on deposit, but instead must request the necessary funds either from his regional treasurer or the treasurer general when he needs to make a large expenditures on behalf of the commune (wages, for example) and when he has insufficient liquid assets to do so, even though the communal account has a sufficient balance.

The municipal tax collector works with the agents provided by the commune, whom he supervises and manages.

He prepares the management account showing all credit and expenditure operations and commitments, which the Treasurer General rather than the TPR verifies.

The management of taxes are the responsibility of the TPR's according to the following two explanations provided to the mission.

- According to Treasury officials: the technical nature of these taxes is not appropriate for local management;
- According to Interior officials: they represent an important asset for the central treasury.

Availability of funds

Local authorities and the supervisory authorities in Dakar complain that liquid resources are not available to honor payment vouchers, even if the local government account has a sufficient amount of funds.

Considering the financial problems the central government is experiencing, the cash holdings generated by the collection of local taxes can sometimes be used to pay charges against the central government budget, especially if the needs are pressing, such as for salaries and pensions.

The central government's financial needs also account for the non-transfer of funds the central government has allocated to the local governments.

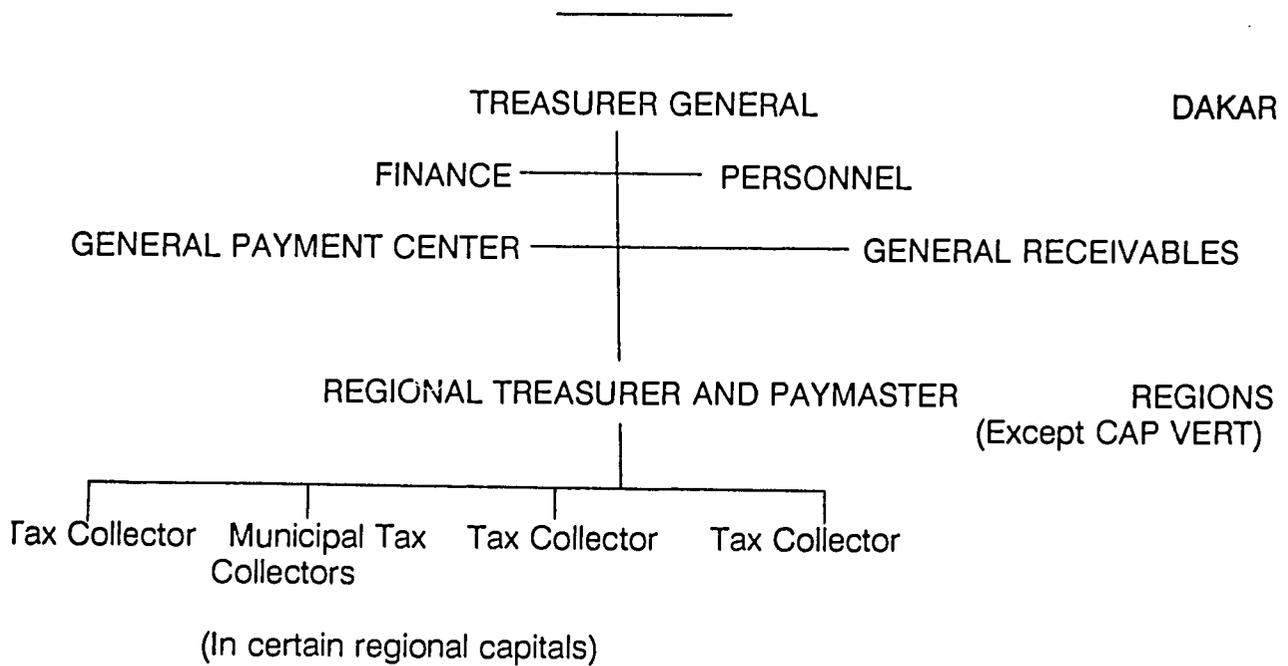
However, the system does not always act against communal interests. Until recently, the communes of Senegal had deficits, and could not have survived without the overdraft facilities made available by the Treasury.

The overdraft facility was discontinued and the supervisory authority has since that attempted to prevent personnel expenditures from consuming the budget.

Moreover, a special effort seems to have been made in recent years to collect local and municipal taxes, especially arrears, more effectively. A sustained effort was also made to pay municipal vouchers through calls for funds.

Figure 3

ORGANIZATIONAL CHART OF THE TREASURY



2.1.2.3 COMMUNAL SERVICES

As indicated in the section on the legal framework for local governments, the role of communes--other than assuring a high quality of life for the population--is poorly defined. Despite this vagueness, municipal governments take the initiative in providing a variety of basic urban and development oriented services through infrastructure provision and service operations. Most of these are provided solely by communal staff and funding, although some services are performed in collaboration with other agencies, generally of the central government.

In providing these services, communes pursue specific social, health, and economic development objectives in addition to the general goal of improving the well-being of the population. The range of objectives and services reflects the fundamental role of local governments in providing services in urban areas. Whether or not these services are currently provided efficiently and effectively, they are critical to the attractiveness of the urban area for private investment and hence employment generation.

Although the service aspect of municipal management constitutes the "raison d'être" of local governments, it is the least well developed and least supported by legislation and by the central government. Legislation is clear about financial and administrative responsibilities, and the DCL is staffed to provide oversight in these areas. There are no standards for service provision, however, and technical assistance is not available.

This section describes communal involvement in basic urban services, economic development related services, and social and educational services. Other administrative functions such as civil records, are not discussed in this section even though they are important to the community and consume communal resources.

Basic urban services

Basic urban services include garbage collection, road maintenance, sanitation, water and electricity for which communes have either direct or indirect responsibility.

Most communes have some sort of garbage collection service although it generally falls far short of an adequate level. A variety of vehicles are used in the collection process including dump trucks, compactors, bin collectors, and tractors and wagons. This equipment is generally in poor condition because little maintenance is performed and equipment is retained long beyond the normal operating life of vehicles. Although frequent collection may take place in the center of towns, residential areas, and particularly low income areas, are poorly served. Technical service departments

have no planned collection routings to optimize collections and frequent equipment failures make collection an ad hoc operation.

Communes are also responsible for maintaining landfills. However, none of the towns visited have operational landfills. They use instead roadside dumps or vacant lots in or near town. The environmental degradation resulting from this practice is significant and no doubt causes health problems to the neighboring population. Inadequate garbage collection is closely linked to poor drainage and poor road conditions. Uncollected garbage accumulates in drainage ditches preventing water runoff and facilitating conditions for the spread of disease.

In Dakar, the Urban Community of Dakar, has a contract with S.I.A.S. for garbage collection and landfill management. SIAS was created in 1984 as a parastatal agency for this purpose. SIAS officials indicate that, in light of the failure of local governments to address the problem, they have been asked to assume responsibility for garbage collection in the regional capitals starting in 1989.

Garbage collection is one of the most vital urban services and reflects the communes' ability to provide basic services. Because of existing shortcomings, the potential for innovative solutions would appear to be great. Alternative organizational and technological solutions include privatization to medium scale business, organization of neighborhood groups paid by the task (e.g. volume of waste collected), and development of low intensity collection techniques. Promising solutions could be tested as pilot projects and disseminated by the DCL or through other channels.

Communes are responsible for the maintenance of all roads except national thoroughfares in their jurisdiction. By most accounts, their ability to carry out this function is negligible because paved and dirt roads are generally in poor condition. Lacking equipment to conduct periodic maintenance, municipal councils have the option of requesting assistance from the regional office of the Public Works Ministry (usually provided for the cost of fuel for the heavy equipment) or contracting out the service to private contractors. Collaboration with TP, the lowest cost alternative, is reported to be poor.

Public water standpipes are provided by SONEES at communal request. Communes have traditionally provided water at no cost to consumers. As a result, public standpipes have become popular among consumers but have become an equally expensive item to the communes. Many communes have enormous arrears with SONEES. A 1987 study estimated total arrears due to SONEES by communes at 1.2 billion francs (Ministry of Plan, 1987). As discussed in the section on expenditures, current policy is to encourage individual hook-ons and some communes are investigating coin operated standpipes as an alternative.

Sanitation services are largely undeveloped in Senegalese towns. Ninety-five

percent of sewer collectors (operated by SONEES) in Senegal are located in Dakar, other towns rely on septic tanks or open storm drains. Some towns operate vacuum tank trucks for septic tank emptying, a service also provided by a few private entrepreneurs. In some of the larger towns, SONEES is supposed to maintain the large combined storm and sewer collectors because the communes lack the required heavy equipment to perform the service. In Kaolack, SONEES appeared to be unable to provide the service. Lack of proper sewage collection and treatment pose enormous environmental health risks for urban populations and for the natural environment. Low cost alternatives such as small bore or shallow sewerage systems are worthy of study.

Local governments have traditionally played only a minor role in housing provision. The majority of public housing programs have been carried out by the Office d'Habitation à Loyers Modérés (OHLM) and the Société Immobilière du Cap Vert. Private developers remain responsible for the majority of housing, assisted recently by the BHS. Communes have typically provided lots in subdivisions for private development. However, the land tenure system (described in Section 2.3.1) has hindered any substantial level of activity. For example, only four of the 82 capital projects presented for funding by the Local Government Capital Investment Fund in 1987-88 concerned lot development. The commune of Ziguinchor attempted recently to put together a package of communal and BHS funding for housing development in that town. Given the economic impact of housing activity and the substantial demand for housing in Senegal, increased municipal promotion of lots for development would both promote employment and satisfy an important demand for a basic service.

Public lighting is another basic service provided by communes through the electricity utility, SENELEC, which installs the light poles. SENELEC has difficulty, however, collecting payments from communes for electric bills.

Economic development-related services

Historically, communes have not been encouraged to engage directly in profit-making activities either solely or in joint ventures with the private sector. Active communal involvement in economic development is limited to the provision of infrastructure for private sector activities. The facilitative role is vital for economic activity and it is the most appropriate role for local governments.

The issues involved in providing infrastructure to promote private sector activities are the appropriateness of the infrastructure design and location, and the ability of local government to provide maintenance. The capacity to plan investments that respond to the needs of the private sector requires some mechanism for ongoing public consultation with the private sector. The principal types of infrastructure provided by local governments for economic activities include markets, transport

stations, slaughter houses, commercial, industrial or artisans zones, and traveller's facilities.

Public markets provide one of the key locations for the exchange of agricultural products, small manufactured items and finished goods in secondary cities, towns, and villages. Wholesale, retail, bulking and debulking activities are conducted in or on the periphery of markets. Market facilities frequently are a hub around which a variety of other economic activities revolve. Communes and rural communities are universally responsible for the construction and maintenance of facilities ranging from simple hangars to complexes of hangars, stalls, and storage facilities. Most of these facilities focus on retail activities, while wholesaling takes place in shops at the edge of market facilities.

In general, public markets neither satisfy the large demand for trading space nor provide suitable conditions for exchanges. In Kaolack the commune rents stalls to individuals for 5,000 CFA per month. Many renters in turn sub-rent their stalls for considerably more, indicating unsatisfied demand for space. However, many merchants in the markets complain about over crowding, unsanitary conditions, and the lack of security in the market. Clearly if these facilities are to meet the needs of merchants and promote commercial activities, a variety of improvements are necessary.

Of the case study cities, only in Kaolack was there some form of wholesale market for the assembly and debulking of agricultural produce. In view of the important role of urban areas in the assembly and distribution of agricultural products, it would seem that the construction of wholesale markets would be a worthwhile investment. In Tunisia, for example, communes build wholesale markets and auction the management responsibility to private entrepreneurs, thereby assuring revenues to the communes and sound management to vendors in the market.

The transport stations provided by communes are critical facilities for the flow of goods and people in and out of the town. The stations are typically located near the commercial center of town along the principal road axes linking the town to other major cities. In this way, they provide efficient flow and access between the economically active areas in town and other major centers and the hinterland around the city. Physically the stations may include simply a vacant lot beside a main road (such as in Richard Toll) or a complex of parking lot, service stations, rest rooms, and restaurants (as in Ziguinchor).

Because communes are frequently unable to expand both the stations and the road network, the stations and the areas surrounding them have become congested. In searching for solutions one town decided to relocate transport stations from the center of town to the entrances of the towns along the main access roads. While this solution may decongest the internal roads of the town and be aesthetically pleasing, it

distances the station from the commercial area of town and may have a negative impact on economic activity. The primary criteria for these types of decisions should be the promotion of economic activities.

A number of towns provide traveller's facilities such as small hotels, restaurants, and sanitary facilities near the transport stations. For example, Ziguinchor constructed a small hotel whose management has been turned over to a private firm. Richard Toll proposes similar facilities in its development plan. Although these facilities may provide a valuable service to travellers, they are well adapted to private management.

Major commercial and industrial zones are generally the prerogative of the central government through the Ministry of Industry which creates industrial zones furnished with basic infrastructure or SONEPI which creates fully developed industrial areas (see section 2.2). Municipal governments have not played a significant role in these activities. As a result, some industrial zones are not integrated into the fabric of the municipality from a service and employment perspective. They could, however, promote the establishment of these zones as a way of expanding business opportunities. For the most part, industrial parks should be geared to serving the needs of small industries based on the processing or transformation of locally available resources.

Artisans' centers offer opportunities for local government action as well. Some towns have created artisans' centers where local craftsmen create and market their crafts. Typically the municipality provides the capital investment for the building which is managed by an association of the artisans. This arrangement appears to have worked successfully in Ziguinchor.

Education and Social Services

The larger communes are more active than small towns in providing infrastructure and staff for education and social services. Many towns fund the construction of primary schools and health posts or clinics which are staffed by central government personnel. The larger towns also provide line level staff for maintenance of the facilities and teacher's, nurses, and nurse's aids. For example, Kaolack has constructed five health posts and provides 23 staff to complement central government staff at the clinics.

3.0 THE PRIVATE SECTOR AND LOCAL ECONOMIC DEVELOPMENT

The government of Senegal has recently undertaken major reforms to improve conditions for business creation and industrial exportation. Among the most important measures are a reduction in protective trade tariffs, industrial Code revisions to encourage small business formation and decentralization, and the introduction of graduated benefits to assure a smooth transition to the regular commercial system. Additional modifications to administrative procedures and the labor laws are intended to encourage the private sector.

This section reviews several issues that are key to effective decentralization of economic activities and to the promotion of small businesses.

3.1 The Investment Code

An Investment Code was passed in August 1987 (Law 87-25), abrogating the previous code, which had been in force since 1981. It introduces significant changes especially the following.

- i) It is a single code that governs both small and large companies. According to the code, small and medium-scale companies are covered by a separate system giving them greater advantages than large companies. Small and medium-scale companies are defined as those generating investments net of deductible VAT and net of permanent working capital of FCFA 5 to 200 million and creating at least 3 permanent Senegalese jobs. The authorized company system was eliminated.
- ii) No exemptions are provided for import duties on inputs. Any other exemptions are graduated during the last three years of authorization (75%, 50% and 25%) to ensure a flexible transition to the regular system.
- iii) Eligibility criteria are now clear and approval is automatic. Furthermore, the Investment Code is administered by a Single Office within the Ministry of Finance.
- iv) Decentralized companies employing 90% of their work force outside of the Dakar metropolitan area receive greater benefits for longer periods of time.

The new Investment Code promotes small and medium-scale companies, and seeks to add value to local resources through processing, develops technological

innovation through research or the implementation of research results, and establishes economic activities in the regions of the interior.

As the Table 11 indicates, the Code provides a regular program that applies to all companies operating in any of the following sectors:

- Agriculture, fishing and livestock;
- activities related to the processing, storage and conversion of products of plant, animal or halieutic origin;
- Manufacturing, production or processing activities;
- Research, extraction or processing of mineral substances;
- Tourism, tourism-related industry and facilities and hotel activities;
- Cultural industries operated by small and medium-scale companies;
- Services performed by small and medium-scale companies in one of the following sub-sectors:
 - Health
 - Education
 - Assembly of industrial equipment
 - Maintenance of industrial equipment

The list of activities is subject to modification by decree.

In addition to the regular program, four preferential programs are provided for small and medium-scale companies; companies processing local resources; companies developing technological innovations; and for decentralized companies.

The preferential programs provide more tax exemptions and longer exemption periods than the regular program.

A decentralized company program is of special interest within the context of this report. The Code lists four regions which correspond to increases in fiscal advantages for companies locating there.

- Zone A, which includes the Dakar metropolitan area (the boundaries of this zone will be stipulated by decree);
- Zone B, which includes the rest of the Dakar region and the entire region of Thiès;

Table 11

Summary of the Investment Code
Various Programs and Benefits provided
by the Investment Code Law 87/25

Program	Eligibility	Benefits	Length
Regular Program	<ul style="list-style-type: none"> - All companies operating in certain sectors stipulated in the code. The entire list is subject to modification by decree according to national development needs. 	<ul style="list-style-type: none"> - Customs duty and fee exemption for equipment and materials not produced or manufactured in Senegal - Sales tax exemption for goods and services supplied locally for the execution of the approved investment program. 	<ul style="list-style-type: none"> - Two-year maximum investment performance period for small and medium-scale firms; 3 year for others (Duty on equipment) - Exemption from 5 to 12 years depending on the region in which the firm is established. Benefits are reduced during the last 3 years of the exemption.
Small and medium-sized company program	<ul style="list-style-type: none"> - Amount of investment net of deductible VAT and net of permanent working capital between FCFA 5 and 200 million; - Minimum of 3 permanent Senegalese employees; - Commitment to keep regular books according to Senegalese accounting plan. 	<ul style="list-style-type: none"> - Exemption from fees for acts of incorporation and capital increases - Exemption from the business tax if the firm is located outside of the Dakar metropolitan area. - Exemption from the minimum tax - Exemption from employer's minimum tax. 	
Program for firms processing local resources	<ul style="list-style-type: none"> - Senegalese input consumption costs in excess of 85% of total input consumption. 	<ul style="list-style-type: none"> - Tax exemption. - Exemption from business tax for companies established outside of the Dakar metropolitan area. 	

Table 11 (continued)

Summary of the Investment Code
 Various Programs and Benefits provided
 by the Investment Code Law 87/25

Program	Eligibility	Benefits	Length
Program for companies developing technological innovations	<ul style="list-style-type: none"> - Investment of a percentage of revenues in research within the context of a contract with a Senegalese research institute. - Companies using individual researcher - Conducting R & D activities within a framework defined by decree. 	<ul style="list-style-type: none"> - Exemption from a percentage of the employer's minimum tax equal to the proportion of the investment to revenues. - Companies using results of studies by Senegalese researchers receive the same benefits as small and medium-sized firms established in the same locality. 	<ul style="list-style-type: none"> - The year the investment is executed.
Program for decentralized	<ul style="list-style-type: none"> - Companies established outside of the Dakar metropolitan area 	<ul style="list-style-type: none"> - Exemption from employer's minimum tax. 	

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- Zone C, which includes the regions of Diourbel, Louga and Kolack; and
- Zone D, which includes the regions of Fatick, Kolda, Tambacounda, Ziguinchor and Saint-Louis."

Companies established in Zones B, C and D benefit from an exemption from the employer's minimum tax on wages paid to Senegalese employees. Furthermore, decentralized companies benefit from exemption periods that differ according to the state of economic development of the zones in which they are established, as follows:

5 years for Zone A
 7 years for Zone B
 10 years for Zone C
 12 years for Zone D.

Thus, a small or medium sized company established in Zone D can take advantage of the following benefits:

- Exemption from customs duties and fees for equipment and materials not produced or manufactured in Senegal. This exemption is provided for the entire investment performance period, which is limited to 2 years for small and medium-scale companies and to 3 years for other companies.
- Exemption from taxes on sales billed by local suppliers of goods, services and work needed for the execution of the approved program;
- Exemption from fees for acts of incorporation and increases in capital necessary for the execution of the approved program.
- Exemptions for a period of 12 years from the following:
 - Minimum tax
 - Business taxes
 - taxes on wages paid to Senegalese employees.

This exemption rate is 100% for the first 9 years of authorization; 75% during the 10th year; 50% during the 11th year and 25% during the 12th and final year.

The importance of the Investment Code

It is still too early to assess the Code's impact. However, the manager of the Single Office stated that approximately 20 applications are processed every month, i.e., 240 applications per year. The manager pointed out that only a very small percentage of the 240 authorized applications each year are actually implemented.

The Code was developed as a result of the Structural Adjustment requirements and the need to balance public finances. Thus, the exemptions are relatively small compared and the program for some categories of companies that was eliminated. Since the goals of the adjustment tend to encourage increased productivity, competition and unrestricted market interaction, the authorities have also reduced the level of protective tariffs and quotas. Although these changes reduce restrictions on private enterprise, taxation is still excessive, input costs are very high and labor qualifications are poor. All of these factors plus the limited size of the Senegalese market make it difficult for small and medium-scale companies to operate effectively.

3.2 Development strategy for small and medium-scale companies

The GOS places the highest priority on the development of small and medium-scale companies and small-scale production firms, and thus the new Investment Code, gives them comparatively greater benefits. The other means by which the GOS attempts to assist small and medium scale companies are through:

- Development financing institutions
- SONEPI
- Industrial areas
- The rehabilitation unit
- The "Maitrisards" [Masters holders] program
- The program for developing entrepreneurial capabilities
- Industrial zones
- Small-scale industry zones
- Chambers of commerce
- Trade chambers
- Village cooperatives
- Economic interest groups
- Small credit programs.

3.2.1 Development financing institutions

Senegal has four development banks: Banque Nationale de Développement du Sénégal (National Development Bank of Senegal), Caisse nationale de crédit agricole (CNCA-National Agricultural Credit Fund specializing in Agriculture), Société financière de développement de l'industrie et du tourisme (Financial Company for the Development of Industry and Tourism specializing in the tourism industry) and Banque d'Habitat du Sénégal (Housing Bank of Senegal, BHS, specializing in urban development).

SOFISEDIT

SOFISEDIT was created with the support of the World Bank group, and, since its creation in 1971, has benefitted from equity financing equivalent to FCFA 30 million and three lines of credit, the last of which in 1981 amounted to a total of \$ 13.7 million. SOFISEDIT's situation has deteriorated rapidly since 1981. In 1984, it established a rehabilitation program that is still in progress. As is the case for most other banks, access to SOFISEDIT credit is very difficult for small and medium-scale companies, especially due to the problems of guarantees and the high self-financing requirements. On the other hand, interest rates are quite reasonable, indexed to the preferential discount rate (TEP) and regulated by the Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of the West African States).

CNCA

The National Agricultural Credit Fund (CNCA) plays an increasingly important role in agriculture, especially in view of central government's disengagement. Two CNCA offices were visited. The Ziguinchor office collected approximately FCFA 300 million in savings, deposited at the main office in Dakar. It loans about FCFA 60 million per year, including about 10 million in medium and long term loans. On the other hand, the Saint-Louis office handles a much larger business volume. It replaced the SAED in 1987 in providing seasonal credit insurance and equipment credits for farmers and their different groups, which the central government had provided free of charge in the past. During the start-up year (87-88), FCFA 791 million in loans were granted. In 1988/89, up to February 10, 1989, loans granted amounted to FCFA 791 M. The amortization rate was nearly 100% for the 1987-88 growing season, and the beneficiary farmers who were asked confirmed that they preferred pay credit from CNCA (at an interest rate of 14.5%) to the free central government credit formerly managed by the SAED.

Table 12 provides a brief summary of the CNCA's operating procedures:

Table 12
CNCA OPERATING PROCEDURES

Customers Economic interest Groups (GIE)
 Village Sections
 Individuals

To benefit from CNCA credit, an account must be opened containing at least FCFA 25,000.

Types of credit: Seasonal credit (short term)
 Equipment credit (medium term).

Credit application: A very simple 3 to 4-page application prepared with the assistance of the CNCA agents. Application fees are between 2,500 and 2,500 [sic] FCFA.

Personal contribution: 15% of the amount of the credit.

Guaranty: Automatic and required for GIE's.

- Group life insurance, especially for fishermen;
- Pledge of equipment as collateral or equipment reserve clause for equipment loans;
- For credits granted to individuals, guarantees based on real security interest, life insurance, salary domiciliation, mortgage guaranty.

The manager of the CNCA office predicts rapid growth in credits over the next few years. Two major problems limit investments and credits: outlets and land development costs. Costs for land development are very high, ranging from FCFA 800,000 to FCFA 4,000,000 per hectare. There is no financing source for development and maintenance of land development.

Investment and guaranty funds

There are at least three investment and guaranty funds at the level of SOFISEDIT, SONEPI and SONAGA/SONABANQUE. The existence of this fund does not seem to be common knowledge among the general public, as is the case in countries in which these funds are highly active.

The USAID small credit program

This credit fund for small and medium-scale companies, NGO's and village organizations is located in Kaolack. The fund has granted 450 loans since 1986, and has current outstanding loans amounting to FCFA 230 million. Branch officers identify potential entrepreneurs and help them complete credit applications. The officers then assist the entrepreneurs in project management and bookkeeping. The maximum loan term is one year; the interest rate is 22% and may soon be as high as 24%. It has already surpassed the limits authorized by the BCEAO. The repayment rate is approximately 97% as the result of the loan follow-up and technical assistance. Revenues generated by loans cover approximately 70% of the operating costs for the organization established to manage the program. The break-even point could be reached by increasing outstanding loans by about 50%.

This program has assisted in the start-up and expansion of several small businesses, at a very low cost. Under this program, the cost to create a job was approximately FCFA 730,000 per position, which is very low compared to costs observed in small and medium-scale industrial companies using other types of financing. Although this type of program does not involve large amounts of credit and requires considerable management effort on the part of the financing sources, it should be extended to the other metropolitan areas in Senegal. In addition to generating income and creating jobs, the program could be instrumental in expanding the number of small scale enterprises in Senegal.

3.2.2 Industrial and commercial development services

SONEPI

This is an industrial promotion agency created in 1969 as a semipublic company with central government investment, with the object of assisting Senegalese businessmen in establishing new companies or expanding existing firms. In this capacity, SONEPI, created with UNIDO assistance, conducts project feasibility studies, market research, provides technical assistance for companies and organizes training seminars for business persons in the private sector. Until recently, the central government assigned SONEPI the task of investigating and evaluating Investment Code benefit authorization applications. Finally, SONEPI manages a small guaranty

fund and supervises the management of 5 industrial areas, which we will discuss in greater detail below. Despite massive assistance from UNIDO, KFW and AID, SONEPI's accomplishments have been quite modest, amounting to only a small number of small and medium-scale companies. SONEPI is now undergoing full-scale reorganization, under which it will become an industrial promotion bureau. It will no longer be responsible for managing industrial areas, and its studies department will become a private, self-financing subsidiary.

The Post-damming unit

This is an evaluation unit in charge of designing and planning Senegal River Zone development. It is currently working on 23 evaluation topics which should all lead to presidential decisions. This unit has a multidisciplinary staff of 12 experts. It has a section in charge of small and medium-scale industry promotion and studies in the river valley. The post-damming unit was very active in developing the program for the 6th FED, devoted entirely to the city of Podor. This program, amounting to FCFA 36 spread over a five-year period, has a small and medium-scale company component of approximately 4 M EMU's.

Industrial zones

There are 5 zones located in Saint-Louis, Ziguinchor, Kaolack, Thiès and Dakar. These areas are intended to accommodate small entrepreneurs who have good project ideas and the necessary qualifications, but lack the financial means and the guarantees they need to be eligible for bank credits. The industrial areas give these entrepreneurs adequate space to run their businesses for a relatively low rental fee of FCFA 200 per month per m² of covered surface and FCFA 100 per month per m² of open air space. They have a central repair shop for the beneficiaries' equipment and supply members with technical and management assistance, especially in accounting. According to law 77/90 of August 10, 1977 covering these areas, industrial areas benefit from the advantages of the Investment Code, which are officially extended to entrepreneurs established in industrial areas.

Each industrial area has a management organization. It normally handles administration of the area, identifies potential entrepreneurs, assists them in becoming established, and finds markets, especially with central government projects. The industrial areas have had limited success. Most of them have low occupancy rates, primarily because it is difficult for young qualified entrepreneurs to obtain financing.

Industrial and small-scale industry zones

Several Industrial and small-scale industry zones have been set up in the country's major metropolitan areas. The small-scale industry zones provide craftsmen a place to work and sell their products, for a low rental fee. Industrial zones are designed to

accommodate small and medium-scale industries on an equipped site in the zone at a low price. This is an important facility available to entrepreneurs, especially considering all of the problems related to acquiring real estate in Senegal. Dakar has a 650-hectare Industrial Free Zone, in which only 65 hectares are occupied. This low occupancy rate is explained by administrative encumbrances and the Senegalese government's refusal to authorize producers established in the zone to sell their products in the Senegalese markets.

Trade chambers

Trade chambers have elected presidents, and their revenues come in part from their members, but substantially from the management of small-scale industry zones and from central government subsidies. Although they have limited resources and barely cover their operating costs, trade chambers can play an important role in organizing and training craftsmen, and in the apprenticeship of journeymen. The trade chambers cover both the crafts and trades, and their rosters include all craftsmen in the regions. These rosters are composed of craftsmen and apprentices carrying craftsman's cards issued by the chamber, certifying that the craftsman is qualified and normally giving him access to local and central government markets.

The trade chambers occasionally organize training sessions and certification examinations. The procedure for obtaining a craftsman's card is very simple, but the process for evaluating applications is complex and lengthy, requiring the organization of meetings chaired by the governor. Trade chambers could play an important role in training craftsmen and helping them organize their activities.

Chambers of commerce

Chambers of commerce (8 throughout the country) normally act as intermediaries between businessmen and the central government. The businessmen belonging to the chambers of commerce all pay business taxes of at least FCFA 10,000 per year and operate in the area of trade, industry and agriculture. All chambers belong to the National Unit of Chambers of Commerce.

Chamber of commerce resources are the additional charges for imports and customs duty, revenues from the management of ports or real estate and income from the sale of operating permit forms.

Although chambers of commerce have offices and elected presidents, they are still extensions of the government from which they receive most of their revenues.

3.3 Senegal's new industrial policy and central government disengagement:

The GOS' new industrial policy, enacted in 1986, has the following principal objectives:

- To meet the needs of the domestic market through increased national production and to export Senegal's natural resources in upgraded form.
- To create a stimulating economic environment that makes optimal use of the country's growth potential, especially in agriculture and industry."

To reach these goals, the central government decided to limit its role in the economy to the creation of a favorable climate for investment and the implementation of appropriate incentives. The disengagement of the central government from some productive activities is underway and private companies have taken over. The policy seeks to provide new impetus for private investment in the productive sectors of the economy. Obstacles remain, however, such as the problem of owning property.

3.3.1 Program rehabilitating displaced employees and assistance for those holding higher education degrees

The national delegation for integration, rehabilitation and employment was created at the level of the Presidency of the Republic in June 1987, to assist employees who have lost their jobs and persons who may lose their jobs as the result of structural adjustment programs. These persons include a) rural development company employees; b) persons holding higher education diplomas (masters' degrees) and c) immigrant workers returning to their own countries. The delegation manages funds to assist beneficiaries in undertaking productive activities, with the assistance of financial institutions (SOFISEDIT and SONAGA). Several corporate forms have been created: economic interest groups, partnerships with foreign investors, public partnerships. To date, the delegation has received 600 project applications. From December 31, 1988, 146 projects have been financed at a cost of FCFA 2.7 billion, including 1.5 billion from the National Adaptation fund. The fund can finance up to 95% of the total cost of projects under FCFA 30 million. The preferential discount rate plus 3 points is applied. Fifty-six percent of the projects currently financed are located in the Dakar-Thiès region, and the remaining 46% in the interior of the country. Most of the projects financed involved activities in commodity-producing sectors: agriculture, fishing and livestock.

3.3.2 Export promotion organizations

In order to improve export incentives, the GOS has streamlined the unbonded warehouse system and has to simplify other export procedures, including customs

formalities. It also revised the export subsidy or bonus program, which is now indexed to the local value added. The government has also reorganized the Centre international du commerce extérieur du Sénégal (CICES) [International Foreign Trade Center of Senegal] and the Agence d'assurance de crédits à l'exportation [Export Credit Insurance Agency].

3.3.3 Simplification of administrative procedures

The government has taken the following measures to simplify business procedures and regulations: (a) Simplification of the procedures for establishing companies and for Investment Code authorization; (b) Amendment of the Labor Code to authorize companies to conduct unrestricted recruitment and to make temporary labor employment more flexible; (c) Elimination or relaxation of price controls for manufactured products and removal of quotas; (d) Elimination of industrial product distribution restrictions and removal of the statutory distinction between retailers and wholesalers, giving manufacturing companies more flexibility in distributing their products, including direct consumer sales.

This description of institutions and mechanisms for fostering the private sector is not exhaustive, but it does show the broad scope of the GOS' efforts to encourage private enterprises. Of course, these reforms were enacted so recently that it is too early to assess their impact. Despite these reforms, economic and social conditions in Senegal continue to impede economic expansion. Among the most obvious problems are low levels of literacy, lack of technical and scientific skills and the high costs of inputs relative to other countries in the region. For example, the minimum wage is 184 FCFA/hour); in other words, it is over twice the minimum wage in Togo, Benin and Mali. The cost of energy is 50 to 56 FCFA/KWH, as against 28 to 30 in Côte d'Ivoire and FCFA 30 to 40 in Togo. Land ownership laws make it difficult to own land, the market is limited and revenue levels are low. Another problem is that private sector promotion is often assigned to government officials with a great deal of seniority and experience, but who are not familiar with the problems of private companies and the management of the national economy.

3.4 Procedures for governing the establishment and operation of businesses

3.4.1 Establishment and authorization procedures

The procedures for establishing companies are relatively simple. Most of the restrictions concerning the establishment of companies have been eliminated and economic operations are subject either to prior authorization or simply to prior declaration, according to law 81/61 of November 24, 1981.

Below are the various stages in the procedure for establishing a company:

i/ Corporate charters and registration.

These procedures are performed with the assistance of private notaries. Once a company's articles of incorporation are established, they are entered in the registry of the commercial court subject to the payment of registration fees. The courts are organized by region and registration of articles of incorporation are thus registered regionally.

ii/ Authorization to operate.

Authorization to operate is issued through the chambers of commerce and requires the completion of a special form that can be purchased from the regional chamber of commerce, the presentation of an excerpt from the business register and a national identification card. The chamber of commerce forwards the application for authorization to operate to the governor, who in turn forwards it to the appropriate services in Dakar. Since last December, 1988, authorization to operate is granted automatically. The procedure takes 1 to 2 weeks for professional merchant cards and 2 to 3 months for other companies. Import cards are issued using the same procedure. Prior declarations can also be filed at the Sole Office mentioned above, which is located only in Dakar and handles all procedures free of charge. Regional branches of the Sole Office may be established in some regions.

iii/ Authorization for Investment Code benefits

Authorization for Investment Code benefits has been greatly simplified by the opening of the Sole Office at the level of the Ministry of Finance, which centralizes all procedures. The entire approval process takes a maximum of one month. As mentioned above, authorization are granted every month. A small percentage of authorized companies actually materialize, which implies that Investment Code benefit authorization is not an obstacle and that any obstacles that may exist in the creation of companies must be sought elsewhere.

Operating procedures

Several simplifications have been introduced, to facilitate company operations, chiefly involving: (a) amendment of the Labor Code to introduce the freedom to recruit personnel directly, and to relax conditions for recruiting and maintaining temporary labor; (b) liberalization of domestic trade and elimination of the distinction between retailer and wholesaler status, and, finally, the easing of price controls.

3.5 Private sector collaboration with local governments

Privatization of urban services

Only one large-scale experience with the privatization of urban services exists in Senegal: the subcontracting of sweeping and garbage collection for the Urban Community of Dakar to SIAS, a semipublic company. SIAS, Société industrielle d'aménagement urbain du Senegal [Industrial Urban Development company of Senegal], is a para-state semipublic company established in 1985 for the purpose of garbage collection, street sweeping and park and municipal waste management for the Urban Community of Dakar (CUD). The contract includes a price revision system based on official wage increases. No changes in the amount of remuneration are provided to reflect changes in the amounts of garbage collected because of expansion of the urban commune.

In the commune of Ziguinchor, household garbage collection is placed under direct management for regular collection and supervised management for special collection. According to the latter procedure, the commune rents equipment for public works or other services, provides fuel and oversees the performance of the work. In 1988, the commune budgeted FCFA 15 million for the garbage removal tax, and collected 15.15 million. In 1989, FCFA 20 million was budgeted for this tax, and 4.9 million was collected during the first six months of activity.

Commune authorities responded positively to the idea of assigning this task to private operators. However, this transfer was not possible due to incorrect assessment of their own costs and the absence of proposals from private contractors.

The problem of public standpipes was mentioned in all three of the case study communes. Free water distribution is a heavy burden on the communal budget and increases the communes' arrears with the utility companies. However, the law covering the communes does not explicitly require the latter to handle such a service, which we believe could be assigned to SONEES. The latter should find a politically acceptable formula to recover all or part of the cost of the water distributed.

The privatization of urban services could potentially be extended to the management of markets, slaughterhouses and other services. Privatization could be done initially in small pilot projects, the purpose of which would be to refine the procedures for testing different types of contracts and performance monitoring systems. However, the potential for cooperation between the communes and private enterprises far exceeds the legal authority of the communes to contract for services.



The use of private businesses as a means to increase the capacity to create and execute investments

The communes currently have very limited means to design and execute development projects. For the smallest projects, it is not efficient to develop their own capacities. These capabilities could be increased quickly by calling upon private companies to do the work.

Through public-private partnerships the communes could act as catalysts for private investment, especially in urban infrastructure. The communes have access to financing, and land ownership and the private sector has knowhow and organizational skill.

Many prerequisites are necessary for the application of this plan. First of all, regulations covering contracts and the operation and classification of private corporations should be improved to provide the necessary performance guarantees and to streamline contract awarding procedures.

At present, all public contracts in excess of FCFA 20 million are evaluated in Dakar. There is also a great deal of apprehension concerning cooperation between the communes and private operators. This results from past failures in which private businessmen secured contracts through various means and disappeared with the start-up advances. One way to avoid abuses would be to classify companies and to use performance bond systems. Another indispensable precaution would be to use the services of monitoring and control consultants, not only for technical opinions on bid analysis, but also for the subsequent management of the work and verification of contract performance.

Another useful instrument for implementing the plan is to develop national specifications and equipment guides to facilitate the design and inspection work.

Commune, private sector, BHS and utility company cooperation in the housing industry

Urban development and urban management should be the principal responsibilities of the communes. These activities include housing development, a job-creating activity with a high multiplier effect.

The communes can play an important role in the development of housing because of their potential to acquire land. The communes should fully exploit this possibility and thus take advantage of adequate land reserves to control the execution of urban development plans and to promote the development of the housing sector. Housing construction is now limited because investors find it difficult to acquire urban land.

Currently the communes have a standpipe installed in a lot, provide lines, makeshift equipment, and distribute the lots for a token fee that covers only the official standpipe charges. But the communes could sell land intended for housing or any other purpose to private developers for site development or housing construction. The sale of land to private developers could be accompanied by conditions and specifications stipulating the use of the labor of beneficiaries, especially low-income households, and reservation of land for community facilities.

Sale of land to private developers gives them access to BHS financing to perform the necessary development and construction work.

4.0 OTHER NATIONAL POLICY FACTORS AND DECENTRALIZATION

This section presents other policy factors that play a key role in the implementation of the GOS decentralization policy. Three factors are assessed: the issue of land management, the process of development planning as it impacts local governments, and the institutional capacity to conduct training in areas related to economic development and decentralization.

4.1 LAND MANAGEMENT

Senegal established its property law in 1964, and Law 64-46 pertaining to the national domain has strongly influenced economic activities in Senegal.

Two schools of thought were reflected in the land management law. One aimed at nationalization of the land, and the other aimed to preserve some aspects of private ownership. The result was a relatively complex system attempting to reconcile the two tendencies, in which different statutes were combined in the 1964 legislation.

Before the reform, the various parts of the national territory could be classified according to one of the following categories:

- The public domain: the portions of the territory set aside for common use (roads, rivers, airports, public places, systems, etc.);
- The private domain of the central government: deeds registered in the name of the central government;
- The private domain of other legal entities under public law: deeds registered in the name of decentralized governments and public establishments;
- Land registered in the name of private persons and managed pursuant to the regulation of 1932 through the land deed system, with actual rights registered in a property book and guaranteed by the central government;
- Land belonging to private persons but covered by the system of inscribing mortgage registrations, according to a system of ownership recognized by the constitution and civil code, but not guaranteed by the central government;
- Common law land which colonial regulations attempted to organize legally by establishing procedures for entering written law, but which were rarely applied;
- Vacant unowned land not falling directly under the above categories.

The 1964 land management law made radical changes in the status of the last three categories (civil code, common law and other ownership) by placing them in the national domain. The law intended to clear this land of any ownership claims and to turn its use over to the nation, with the central government simply being the holder rather than the owner.

Thus, with the exception of the public domain and land for which deeds had already been issued, the rest of the national territory (95%) was cleared of any right of ownership. Property owners were allowed a period of two years under the civil code to apply for registration of the rights to the property, under penalty of forfeiture and possible incorporation into the national domain.

The land making up the national domain is classified into four categories:

- Local areas: croplands for which the reform has been undertaken;
- Pioneer zones: intended to be developed within the context of specific operations, to be integrated later into the local areas;
- Classified zones: natural and forest preserves;
- Urban zones: intended to be developed and to become registered land.

Two methods of land management are included in the national domain, one for local areas, and other for urban zones.

In urban zones

The status of land in the national domain in urban zones is theoretically only temporary, because these zones normally are suitable for construction. Consequently they should be registered under urban development regulations, which state that building permits cannot be issued without a deed.

Under the law, urban land to be developed must first be registered in the name of the central government. This prerequisite often poses enormous difficulties in practice, because this land is often encumbered with common law claims (if not common law rights, but the latter are theoretically cleared by the law of 1964).

Moreover, the registration of land governed by civil code ownership could not be duly regularized within the allotted deadlines. Some cases are still being processed after 25 years of investigation.

FIGURE 4

Distribution of land following
the 1964 Land reform

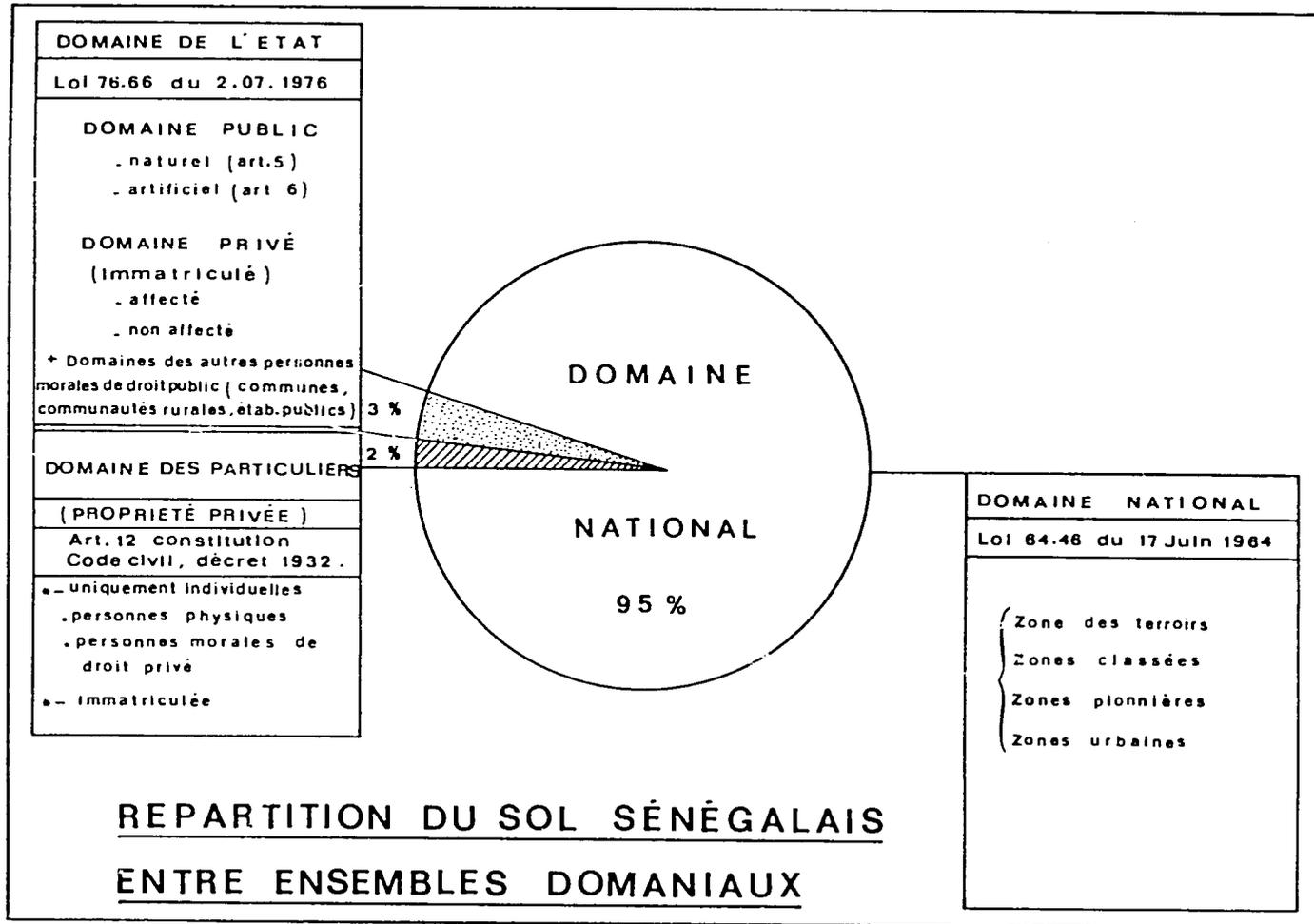
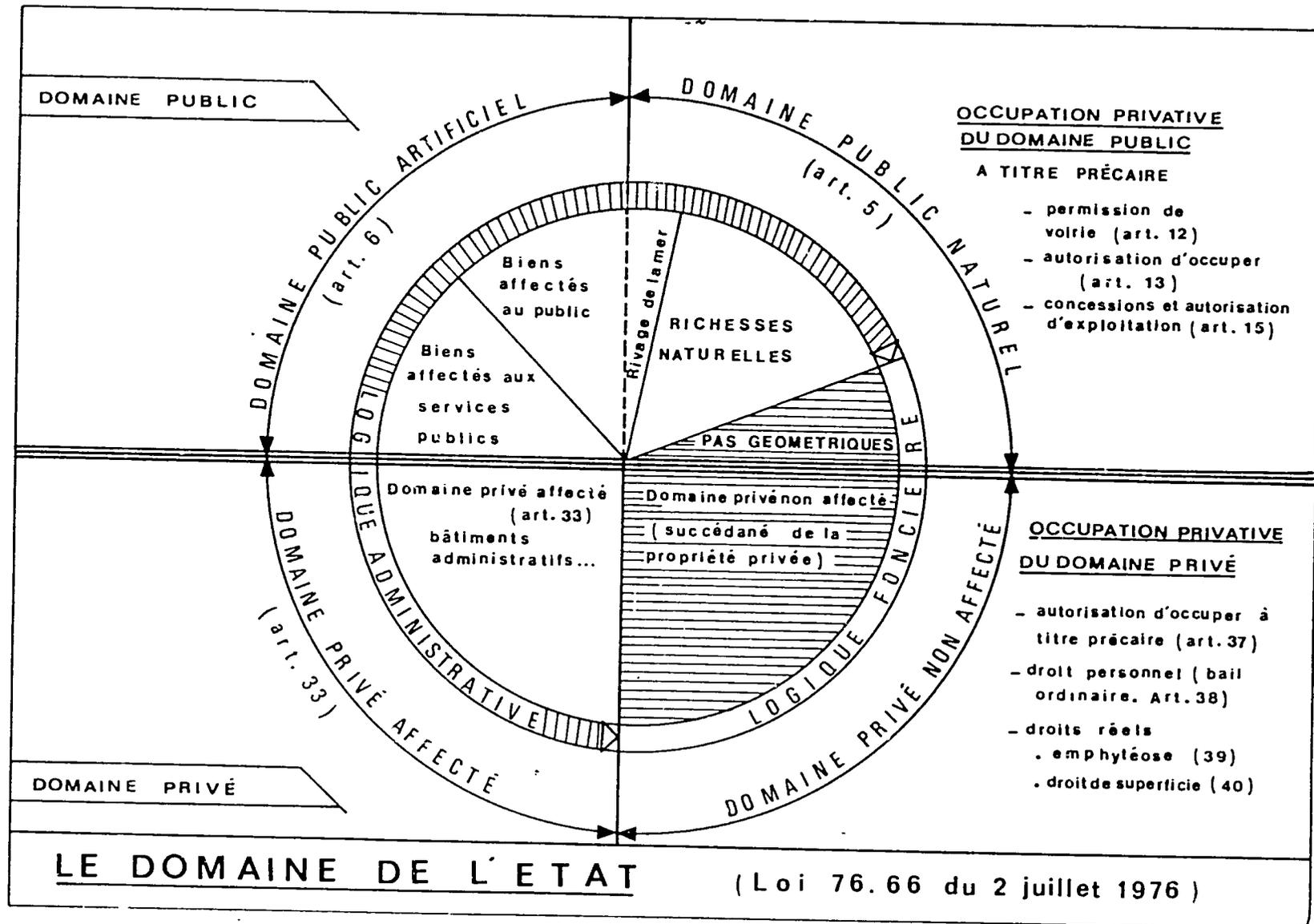


FIGURE 5

Distribution of the National Domain (Law of 1964)



To date, many urban areas have not had access to a clearly-defined property status guaranteeing the rights of individuals and of the public authorities. The consequences are:

- The multiplication of anarchic settlement areas;
- The encouragement of land speculation (through legal forms of purchase/sale of deeded land, as increasingly sought after as rare; or according to illegal acts for unregistered land);
- Discouragement of non-secured investors.

Finally, the urban communes have experienced serious problems of land management because this system did not favor the registration of land in the name of local governments. Consequently, the latter could not establish their own real estate equity, and now, 25 years later, they find themselves without the effective means to control urban development (through land reserves, for example), without property resources, and without the option of mortgaging to gain access to credit.

In the local areas (zones des terroirs): The land management law was adopted to facilitate rural development. The reform made it possible to clear away common law rights at a low cost: with the land henceforth belonging to no one, no indemnities had to be paid. The administration of the land thus "liberated" was entrusted to the rural community, which "assigns" plots by transferring them to families residing in the community, subject to personal upgrading (without paid labor, for example).

The power to assign land was entrusted initially to the president of the rural community, and, since 1980, to the Rural Council. But the reform is resented in the villages as a violation of common law rights, since village leaders are no longer in control of land occupation.

Frustration is even greater when land is needed for a small-scale industry or agro-industrial operation, because, in this case, the method of management by Rural Council assignment no longer applies. The procedure for registering land is quite complicated, adding to the problems of those wanting to develop land in rural communities. (See Table 13).

The only possibility left is registration in the name of the central government, which can subsequently lease the land to an operator, with no remuneration for the rural community.

Table 13

Procedure for Registering Land in the National Domain

The following procedure is used when a project (urban or rural development) requires that land be registered:

- A departmental commission meeting, chaired by the préfet, is held. It includes representatives from the land register, urban development, and the local government involved.
- The préfet sends a report to the presidency in Dakar, which draws up an initial registration decree, initiating the domain investigation procedure to evaluate existing outlays, outstanding indemnities, and other factors.
- The domain report, signed by the préfet, is sent to the Domain Administration in Dakar, which prepares a second decree for transfer from the national domain.
- The Regional Administration next draws up the deed in the name of the central government, which can turn the property over under a 50-year renewable long-term lease.

In the best case scenario, this procedure takes approximately one year.

If land for housing is involved, the central government can now divide the main title to sell to individuals under Law 87-11 of February 24, 1987 and its executory decree dated March 3, 1987.

4.2 LOCAL AND REGIONAL PLANNING PROCESS

The purpose of this section on institutional relations between the central and local levels of government is to describe the problems and constraints in the local development planning process.

Interviews with Senegalese authorities at both the central and local levels, sought

to determine: (1) How the government decentralization policy is perceived, understood and actually applied by officials in central ministries (2) how these ministries and their regional administrations, either having direct supervisory authority over the local governments studied, or a "technical" power, behave with respect to them. (3) whether or not the multiple and complex interrelations are based on coercion and have reduced administrative interference, and (4) how central administrations maintain relations with their own regional administrations, which are the closest to local governments and provide technical expertise.

Interviews concentrated on the following ministries and administrations because of their vital roles in the decentralization process:

- Ministry of the Interior
 - Local Community Department (DCL)
 - Executive Secretariat of Rural Expansion Center Activities (SEA-CER)
 - Territorial Development Administration (DAT)

- Ministry of the Plan and Cooperation
 - Regional Planning Administration
 - Regional Plan Administration

- Ministry of Housing and Urban Development
 - Regional Urban Development Administrations

- Ministry of Health
 - Medical regions

- Ministry of Equipment
 - Regional Administrations

Ministry of the Interior

- Local Government Department (DCL):

The DCL is the primary executor of the government reform and the keystone of the system implemented in 1972. It reviews and approves the activities and decisions of local governments. It is their principal and often their only interlocutor. The DCL oversees budget preparation or execution, communal personnel recruitment, vital statistics, and approval of certain communal legal decisions such as entry into contracts.

Interviews revealed that although they acknowledge the assistance the DCL provides, administrators, mayors, secretaries general, and especially presidents and

municipal council members or sous-préfets (for rural communities), feel that the control is excessive for a decentralizing system.

This system is paradoxical because the DCL's role in formulating policies and strategies, in technical management, and in making new initiatives is sacrificed to control activities. This can be explained in part by the DCL's lack of human and material resources. Those that do exist are devoted exclusively to tasks of execution and control. The DCL is sorely lacking a technical unit composed of upper-level managers who can devote their time to creative activities and research. Moreover, the DCL quite simply does not have the material resources such as transport to allow frequent visits to the field.

It would be desirable to alleviate the control the DCL currently exercises over local governments. In terms of procedures, for example some small commune budgets could be approved by regional governors, as is the case for the rural communities. Contracts could be approved in the same way when they are under a certain value. Certain actions could be settled locally, freeing the DCL for more important tasks. For example, the DCL is the most appropriate agency to implement training policy, and to strengthen the administrative and management abilities of local governments. There is also this role of "technical adviser" to the local governments, which the DCL is not now carrying out effectively. The DCL could also play a stronger role in providing technical assistance in planning and municipal project management; establishing and implementing a national policy (in close cooperation with the ministries involved) for urban infrastructure and equipment; creating and defining a coherent national policy for communal development credit policy worthy; definition of a coherent national policy for communal personnel recruitment and management of communal personnel. The DCL could also play a stronger role in improving current legislation to clarify further the role of the communes and rural communities in the process of economic and social development.

- Executive Secretariat for Rural Expansion Center Actions (SEA-CER): The above problems of scarce resources affect the Ministry of the Interior which is vital to the success of all matters concerning rural community development. Most actions such as agent training activities and literacy courses for elected officials and rural people, could not be taken without outside resources. This is also the case in the preparation of "Rural Community Development Plans," implemented with German funding. Because of the lack of money, only 106 out of 317 plans have been completed to date.

These problems are aggravated by the composition of the CER's, which consist of several agents from different technical ministries. The head of the CER is theoretically the manager of the CER. In fact, technical agents report only to their direct department heads in the ministry who decides on career advancement and other

personal matters. This prevents CER managers from exercising real authority over technical agents.

The roles of the CER's must be further clarified with respect to field representatives from other ministries, and especially with respect to the sous-préfets. If the CER's at the regional and local levels are to play the roles for which they were conceived, they must first be given the means to do so. Without the CERs there would be no basic planning or ability to eliminate the disparities between urban and rural areas and among the regions.

- The Territorial Development Department: A third department of the Ministry of the Interior, the DAT is responsible for preparing national and regional physical plans. However, the DAT's mission is not clearly understood by other ministries and their regional administrations. Thus, there is a total absence of the spatial dimension in regional planning. For lack of clear prerogatives granting it authority over the other administrations, the mission of the DAT can only be one of "encouraging" action. This can only hamper decentralization in general, and economic and spatial decentralization in particular. Of course, the DAT has the "power" of approving the location of investments (introduced by Decree 76-036), but to date it has rarely exercised its authority.

The second problem concerns this department's operating resources. The regional staff is limited to a department head and a secretary who have no significant material or technical resources. DAT mainly participates in the Regional Development Committee (CRD), which, under the authority of the Regional Governor, is in charge of coordinating the preparation of Regional Integrated Development Plans (PRDI). Due to the lack of resources, the DAT has not yet completed its own Regional Territorial Development Plans, or urban or rural area plan. Even the National Territorial Development plan could not be finished without UNDP technical and financial assistance. Thus, territorial development still has low priority in the current planning system.

Ministry of the Plan

- The Regional Planning Department: Since 1985 with the introduction into Senegalese planning of "Integrated Regional Development Plans" (PRDI), this department's role has been strengthened considerably. Through its regional agencies, this department supervises, develops and monitors the preparation of PRDIs and "Joint Investment Plans" (PIC). Only Rural Community Development Plans, prepared under the CER's, are outside of its supervision.

One recent innovation concerning planning in Senegal, is the introduction beginning with Plan VII (1985-1989), of a specific planning tool with the following goals: (1) To reduce regional disparities in general; (2) To make more effective use of the

resources and potential of every region in the country; and (3) To reinforce the process of decentralization underway by involving the territorial governments (regions, communes and rural communities) more in their own development. There is now a PRDI for each of the 10 regions in Senegal. The procedure for developing PRDI's involves three phases. First, an evaluation of the socio-economic characteristics of each region is prepared; Second, definition of possible scenarios for long term development are defined. The third phase of this process consists of initially transforming of the adopted strategies into medium-term sector objectives, and operational projects, taking into account the orientations of central government macroeconomic and sectorial policies.

The procedure is substantially the same for Communal Investment Plans (PICs). In each commune and within the context of objectives and priorities established by the PRDI, the potential for and constraints on economic development of each commune, and objectives and priorities, are identified and translated into investment projects.

Current problems and limits of PRDI and PIC preparation procedures

These two innovative planning tools are an important part of decentralization in Senegal. Few countries in Africa have gone so far in decentralizing their planning systems. However, unexpected difficulties have arisen in implementing PRDIs and PICs. Nonetheless, the essential role of any innovation is to consolidate acquired experience and move forward. The obstacles and constraints are of two types: technical and institutional.

- First the content of these two documents is merely high-quality information, but unfortunately, that is all. The plans turn out to be brief lists of projects that have no hope of being financed without a more detailed presentation and more in-depth economic analyses. They have only an indicative value, i.e., in the absence of clear legislation, they have no legal power, like the national Plan, for example, which is developed through lengthy arbitration processes and acquires a degree of legal authority when it is adopted by the National Assembly.

The second problem is institutional and concerns the procedures for developing these two documents. In Senegal, at this stage of decentralization, regions do not exist in the legal sense. For the time being, regions are only administrative units for economic planning purposes. This is the reason for the nature and number of central or regional services participating in PRDI development. At the national level, the BOM, through the Standing Technical Committee, coordinates and monitors the Regional Technical Committees in charge of preparing PRDI's. These committees are always chaired by the regional governors or their representatives (usually the governor's deputy in charge of development). In this case, the CTR is in charge of management and coordination of methodology and, among other things, of the multiple technical

commissions in charge of preparing PRDI's. Each Ministry is represented by its regional director, who chairs the commission corresponding to his sector. However, the Ministry of the Plan actually monitors the entire process for developing PRDI's, through its regional administrations represented in all commissions.

The procedure for PIC's is slightly different. The Regional Administration of the Plan initiates the procedure for preparing the PIC at the request of the Communes. After an information and awareness phase for local elected officials, a municipal planning unit, generally under the direction of the municipal secretary, coordinates the work of the specialized commissions, which vary in number depending on the size of the commune and include all technical departments of the different ministries. Again, the Regional Administration of the Ministry of Plan plays a strong role as the manager and coordinator of all commission work.

This arrangement creates certain problems. Too often, it seems, those preparing the Ministry of Plan work in the place of regional managers and technicians. What is even more serious in terms of decentralization, they take the place of the municipal planning commission and the municipal agents and technicians, who are not as highly trained as Ministry of Plan personnel.

This uneven balance of power against the territorial governments is even better illustrated in the selection of projects included in the PRDIs or PICs. Virtually all projects go through the same process. The various technical divisions of the Ministry of the Plan are in charge of evaluating the projects from regions and communes.

First, projects that pass the initial cut by the Division of Sectorial Planning and Evaluation (DPSE) are then forwarded to the Programming, Finance and Follow-up Administration (DPFS) for further study. When the latter is completed, the DPFS calls a meeting of the interministerial Project Selection Committee. Because of the economic and financial crisis in Senegal only projects assured financing (from national or outside funds) will be selected. Chosen projects are then included in the Triennial Public Investment Program (PTIP), another innovation in the Senegalese planning system introduced by Plan VII (1985-1989).

When this entire process is completed, implementation begins. The DPFS is then in charge of monitoring execution. Here, the Ministry of the Plan assumes a strong role not only with respect to the other ministries, but especially with respect to the local governments.

To relax this process, which, due to the crisis, is still extremely centralized, Plan VIII, which will be ready and probably adopted in July 1989, provides for a Regional Action Fund (FAR) to expand human and technical resources of the regional and local authorities. This is due to the realization that the human and technical authority of the local governments in general must be strengthened if the PRDI's are to become real tools in regional operational planning that can effectively and coherently encompass urban planning (through the PIC's) and rural planning (through rural community development plans).

The entire process described above clearly demonstrates that the local governments have little involvement in decisions concerning their own development. This is due not to the lack of political will, but to the customs and practices of highly centralized sectoral planning, in which local and spatial perspectives are still absent.

Technical Ministries

The role of Technical Ministry Regional Administrations

Paradoxically, problems with the planning process are reinforced by strict control of public expenditures. Ministries continue to control their regional administrations, which often ignore the territorial collectivities.

Indeed, the regional administrations of the different technical ministries (Equipment, Urban Development, Health, etc.) which are normally in a decentralized system of "service providers" for the regional and local authorities, really serve only as "mail drops" for their respective national administrations. They have no real decision making power, and, in most cases, have a role of monitoring and execution. Consequently, they merely carry out the decisions made by their central administrations and oversee their application at the local level. They are sometimes asked their opinion on a given problem, but are rarely assigned the task of solving strictly local problems on their own.

The resources the central ministries provide their regional offices are so meager that the communes, which sometimes have to assist them (most often in the form of fuel and sometimes transportation means) in order to benefit from their services.

This anachronistic situation is explained by the fact that the central ministries in Dakar consume the lion's share of the operating budgets and make only meager allocations to their regional offices.

This summarizes how decentralization is perceived, understood and actually practiced by certain ministries. In summary, we can state the following:

- Some ministries do not give their regional offices the decision making autonomy to act independently according to local government needs.
- This lack of autonomy is aggravated by the insufficient resources made available to regional offices to act as technical "service providers" for the territorial governments.
- By making a bad show of decentralizing their services and budgets (by continuing to implement the methods inherited from another time), these ministries are seriously compromising the chances for the success of the current reform, which, for many of them, involves only the Ministry of the Interior.

4.3 ANALYSIS OF INSTITUTIONAL TRAINING CAPACITY AND EXPERIENCE

A pervasive and serious problem in implementing decentralization in Senegal is the lack of adequately-trained personnel.

This section analyzes local capabilities for continuing education and development to identify institutions to serve as the basis for a national urban and rural territorial government personnel training and development strategy. The investigation primarily covers institutions with expertise in continuing education in all aspects of urban and rural local government administration and development project planning and management.

The following services and institutions were studied.

NATIONAL INSTITUTIONS

- Ministry of the Interior Training Service
- CER/Ministry of the Interior Executive Secretariat for Action
- National School of Applied Economics (ENEA)
- School of Architecture and Urban Development (EAU)
- National School of Administration and Magistrature (ENAM)
- Center for Administrative Training and Upgrading (CFPA).
- Bureau of Methods and Organization (BOM).

PANAFRICAN INSTITUTIONS

- African Institute of Economic Development and Planning (IDEP)
- African Center of Advanced Management Studies (CESAG)

National Services and Institutions

- Ministry of the Interior Educational Service: This educational unit, created in 1985 under phase two of the decentralization reform, is directly under the Ministerial Cabinet. Its primary task is to meet the educational needs of the central, regional and local administrations in charge of implementing the reform in urban and rural areas.

It has principally been involved in organizing seminars and development workshops to explain the reform to local and regional managers. During phase two, its activity was extended to organizing educational seminars, calling upon specialists from universities or specialized educational institutions (such as ENEA) in keeping with the subjects of the seminars organized. The most common seminar themes are urban management (techniques in project planning, follow-up and evaluation); local finance and financial techniques; administrative and budgetary procedures; and vital statistics. Other seminars focus on urban environment.

Emphasis is placed on literacy seminars for rural council members, village leaders and rural people in general. The last component of Ministry of the Interior Educational Service more specifically included training for instructors in the fields discussed above. A year ago, the Educational Service embarked upon the creation of regional educational units in each region, with the primary task of implementing educational programs depending on the specific needs of each region and administrative district.

But these Educational Service activities were hampered by insufficient resources. Operating on a case-by-case basis by special grants (not having its own budget), the Service was unable to carry out all its educational projects. The regional units have not all been established and those in existence are operating ineffectively or not at all due to inadequate resources.

To correct this situation and to demonstrate the importance it associates with the educational component of the reform, the Minister of the Interior obtained an annual budget allocation of FCFA 35 million beginning in 1989, despite the current public expenditure restrictions.

In short, if it has adequate resources, this Ministry of the Interior Service can undoubtedly become one of the most effective organizations for the education and development of regional and local administration managers and local elected officials.

- The executive Secretariate for CER Activities: This organization initiates, supports and coordinates all CER (Rural Expansion Committee) activities in the 317 rural communities throughout Senegal. The educational component is devoted primarily to skill development for CER leaders (who are under its authority) and education for rural council members, village leaders, village associations and rural

populations at large.

The main subject of the training program is awareness for CER agents, local elected officials, local administration agents and the rural populations in general of basic techniques and methods of planning. The second aspect, which is more technical, consists of organizing individual seminars on themes such as the management of small projects for rural development, literacy, and rural extension.

At the regional level, each regional CER administration organizes training for the specific needs of the CERs in the region. In the region of Ziguinchor, for example, during the past two years, three educational seminars were organized for CER agents from the region, on the themes of project planning and management, accounting techniques and topography.

As is true for the Ministry of the Interior Educational Service, SEA-CER training activities have been hampered by the chronic lack of resources. All community development or training activities undertaken in the past have been made possible only by outside financing. When this financing runs out, the Secretariat's activities come to a stop. However, with adequate human and financial resources, this unit can play a more effective role in decentralization. The Secretariat's educational activities will resume with financial support from the Konrad-Adenauer Institute. Construction of regional educational centers is supported with aid from Japan.

- National School of Applied Economics: ENEA is undoubtedly the most appropriate educational institution for supplying the type of instruction local communities in Senegal will need in the future. It must be the cornerstone of any serious continuing education for decentralization. Considering its experience, this institution can, if given adequate financial resources, meet the continuing education needs of local governments and of central government agents in regional and central services.

Benefitting from highly-qualified instructors (approximately twenty permanent instructors, nearly half of whom were educated in the United States), good quality accommodations, modern buildings and equipment, the school has in recent years implemented several continuing education programs for West African countries.

These programs, vary in length and are organized into modules covering the following subjects: project management, local planning, marketing, managing village development associations, literacy, environmental management, informal education, development program evaluation, research methods, and management of cooperatives.

In 1986-87, five training modules were organized for nearly 100 participants from 9 African countries. But this institution is also facing problems. High costs discourage

many agencies from sending participants without foreign financial aid (scholarships for participants from multilateral or bilateral cooperation organizations such as UNDP, USAID, the World Bank, CRDI, etc.).

- School of Architecture and Urban Development (EAU): Along with ENEA, EAU attempts to meet the educational needs of all of francophone Africa. Indeed, of the average of 150 students that attend the school each year, nearly 30% come from 17 different African countries.

EAU, with the assistance of the World Bank (IDE) and in association with sister institutions such as the Polytechnical School of Lausanne (Switzerland), is gaining experience in educating local government managers. For example, in 1984, the school organized its first seminar on urban management for its alumni working in local and regional administrations. In 1988, it organized a seminar in Dakar on "Urban Management and Local Finance" together with World Bank IDE. Two other seminars are being planned for 1989: the first, in cooperation with the Polytechnical School of Lausanne and the city of Thiès (where it will be held) on the subject of "Urban Technology," targeted at city managers and technicians. The second, entitled "The Informal Sector in Urban Areas," will be organized in cooperation with ENDA for all local governments in Senegal.

Without aid or financial cooperation from outside institutions and organizations, however, the school cannot develop its training programs seriously and effectively, even though it has the instructors to do so. With adequate facilities and resources, in addition to the traditional instruction it provides (architecture and urban development education), it can design and implement short-term education in all aspects of the technical and institutional capacities of local governments.

- National School of Administration and Magistrature/Centre de Formation et Perfectionnement Administrative (ENAM/CFPA): Although they are two separate entities with different bylaws, administrations, objectives and organizations, these two institutions are complementary and indeed constitute one government resource for educating Senegalese administrators.

The main difference between the two institutions is in the division of labor. ENAM exclusively educates upper-level managers (Path A) from the Administration and Magistrature. CFPA educates and develops skills of middle managers (Path B).

A brief analysis of the training these two institutions shows that it is in traditional, administrative sciences. It thus is not effective in meeting the needs of the local governments for urban and rural development planning and management.

More specifically, CFPA's training programs are geared to local elected officials, CER agents, and middle managers in the regional and local administration. But the

lack of resources is a great handicap to the CFPA's potential for expansion. Thus, unlike ENAM, the Center can be an indispensable supplement to ENEA and EAU for long-term continuing education policy.

- Bureau of Methods and Organization (BOM): Although it is not an educational institution BOM is a design and study component for government policies at the highest level (the Presidency) and the principal monitoring unit, overseeing implementation of policy in the field. BOM has a fundamental role to play in the creation and implementation of a coherent, serious national continuing education policy that would aim to give the present decentralization policy solid chances for success.

Through the awareness and informational activities it occasionally organizes, such as the "Instructor Training Seminar on Local and Administrative Territorial Reform", BOM can act as a catalyst for the energies and the various initiatives coming from different national institutions and ministries. It can oversee their coordination and consistency.

Panafrican Institutions

Among the panafrican educational institutions located in Dakar are the African Institute of Economic Development and Planning (IDEP) and the African Center for Advanced Management Studies (CESAG).

- IDEP: A university institution with a worldwide reputation, created and financed by the United Nations System, IDEP has contributed to the education of several generations of African planners and managers for 25 years. This institution's experience was gained over a quarter of a century. It offers both traditional university education and continuing education.

However, due to budgetary constraints its continuing education component has been reduced to the bare minimum. Training is now offered at the request of multilateral or bilateral international cooperation institutions, or the African governments themselves.

Apart from an annual 6-week course on "Agricultural and Rural Development in Africa" (in English), which is the only surviving IDEP training program because it is fully financed by UNDP, IDEP now only organizes training sessions upon request, due to insufficient resources. This is the case, for example, of a three-week seminar organized by the World Bank entitled "Public Expenditures: Planning, Programming and Management," which met in March 1989 and was attended by 27 planning managers from 8 African countries.

Like other area institutions, IDEP cannot absorb the costs of financing new

continuing education sessions unless it receives a specific request. Senegal contributes to the financing of IDEP, and, as host country, provides its operating facilities and the material resources and services it needs to operate effectively. But Senegal, which makes significant contributions to IDEP's operating costs, does not make sufficient use of the services of this institution in its areas of expertise, despite the fact that the institution is located in Dakar.

- CESAG: Created in 1978 by the "Economic Community of West Africa (CEAO), the essential purpose of this post-graduate center is to train African managers from the region in corporate management. In addition to training, research and consulting activities, CESAG has in recent years launched a continuing education and development department for managers in administrations and national companies in the countries of the region.

The training sessions the center organizes each year, range in length from 4 to 12 months and are intended especially for corporate managers.

CESAG has had little experience in local government and urban management training. Its most significant experience has been the recent AID funded training for the commune and Urban Community of Dakar. Modules included training of trainers, management skills, management accounting and technical services management. In view of CESAG's overall experience qualified staff and facilities, it should be able to play an important role in meeting Senegal's urban training needs.

In brief, one of the most significant obstacles to the government's decentralization policy is the lack of qualified personnel. The magnitude of this problem is such that it requires a long-term policy and considerable efforts. Although much has been done by the Ministry of the Interior Educational Service, SEA-CER, DCL and BOM.

These groups alone cannot hope to meet the needs of all rural communities and communes in Senegal. There is no coherent policy on continuing education, and especially no unit for coordination and follow-up, that could oversee its implementation. For example, ENEA does not work with EAU, and the latter does not work with the Ministry of the Interior Educational Service. CESAG does not work with EAU or ENEA.

USAID-Senegal can, through technical assistance, play a vital role in the creation and implementation of a training policy. Technical assistance is needed for identification of training needs on the national, regional and local level, design and implementation of educational content, and the implementation of educational policy.

5.0 POLICY OPTIONS FOR PROMOTING ECONOMIC DEVELOPMENT THROUGH DECENTRALIZATION

This section contains a comprehensive menu of policy interventions based on the review of the GOS decentralization program and economic development policy. The objective of this section is to provide USAID/Senegal with an understanding of the range of possible actions it could undertake as it considers new policy and program orientations for its Country Development Strategy Statement. The options presented in this section take into account the broad spectrum of problems that the terms of reference identified as contributing to the current situation in Senegal. The options do not take into account either current USAID/Senegal policy orientations or cost. The next section, Section 5.0, Recommended Policy and Program Strategy, selects from this list the actions which the Research Triangle Institute feels are most appropriate for near term action in the light of current AID program directions, cost, and potential impact on local economic development and employment generation.

The study framework identified the three principal actors who have fundamental roles to play in local economic development: the private sector, the central government and local government. This section identifies several types of policy interventions that target each of these actors. For the purposes of this study, policy interventions are grouped into five categories based on the expected outcome of the interventions.

- **national policy reform:** modifying national-level policy to make it more responsive to local economic development needs;
- **institutional development:** strengthening the capacity of key institutions to carry out a critical role in the local economic development process;
- **human resource development:** improving the capacity of individuals to carry out specific functions which will lead to stronger local economies;
- **development financing:** providing financing for major initiatives by Senegalese institutions to carry out programs or investments that are required to promote local development;
- **research and pilot projects:** conducting activities that will provide needed information to decision makers or conducting technology and technique adaptation and testing so that they may be disseminated in Senegal.

The presentation of policy options is organized by category of option and, within each category, the actors targeted by each option. Figure 6 provides a summary of the policy options by type of intervention and targeted actor.

Figure 8

Policy Options for Promoting Economic Development through Decentralization

Targeted Actor

Type of Policy Option

	National Policy Reform	Institutional Development	Human Resource Development	Development Financing	Research and Pilot Projects
Central Government	<ul style="list-style-type: none"> - Clarify responsibility of municipal governments - Enlarge property tax base - Increase human and material resources for revenue management, establish municipal revenue offices. - Allocate more resources and authority to regional offices of technical ministries - Provide more human and material resources for rural councils - Modify control over local government to reduce procedural review and increase performance orientation - Strengthen local capital budgeting process - Simplify land management policy, promote local land reserves 	<ul style="list-style-type: none"> - Strengthen capacity of DCL and regional services to provide technical and management assistance. - Strengthen capacity of treasury to manage local resource generation. 	<ul style="list-style-type: none"> - Conduct a variety of training programs for DCL and technical ministries. 		<ul style="list-style-type: none"> - Conduct research on rural/urban linkages.

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Figure 6 (continued)

Targeted Actor	Type of Policy Option				
	National Policy Reform	Institutional Development	Human Resource Development	Development Financing	Research and Pilot Projects
Local Governments	- (see above)	- Create/strengthen professional associations of local gov't officials	- Conduct training emphasizing technical, management economic development related skills for senior officials	- Provide financing to Municipal Credit Fund for infrastructure investments	- Design public/private partnership models for service and infrastructure planning
Private Sector	<ul style="list-style-type: none"> - Reduce factor costs of production, particularly labor - Establish incentives for banking sector loans to small businesses. - Facilitate participation of small and medium-scale businesses in urban service provision 	- Strengthen capacity of local associations of businesses and traders	- Increase management training for small and medium-scale businesses	- Extend USAID small business credit operation to other towns, target urban services	<ul style="list-style-type: none"> - Conduct pilot projects in the privatization of urban services - Conduct pilot experiences in public/private land development

A. NATIONAL POLICY REFORM

Central and Local Governments

A-1. Clarify and modify the role of local governments

Because of the vagueness of the legislated role of municipal governments, AID could pursue a clarification of their role with the GOS. The GOS should define the areas of communal intervention and, most importantly, prescribe an active role for them in local economic development.

A-2. Enlarge the base of the property tax by improving cadastral coverage and modifying the exoneration for owner occupied dwellings.

The current tax base for the property tax is extremely narrow due to out-dated tax listings and exonerations that extend to all but upper class owner-occupied housing. This increases the tax pressure on economically productive activities which constitute the available tax base. Broader application of techniques such as the simplified cadastre to capture recent construction and lowering the threshold rental value for the exoneration would improve the property tax as a potential resource for local governments.

A-3. Increase the resources available for financial management, particularly revenue generation, by increasing staffing and material resources at departmental Treasury offices and, eventually, by increasing the responsibility of communes in revenue generation.

Collection of local taxes clearly suffers because local Treasury Offices are understaffed and under-equipped. In order to provide the necessary resources to local governments to fulfill their role in development, the human and materials resources of these offices should be increased. Over the long term, one possibility for increasing revenue collection without burdening central government offices will be to give greater responsibility to municipalities for revenue collection while maintaining the principal of the unified account.

A-4. Reallocate resources and decentralize more authority to regional offices of technical ministries.

The regional offices of technical ministries constitute a valuable resource for communes and rural communities. However, because of insufficient staff, material resources, and decision-making authority, they are unable to meet the demand for their services. Encouraging the GOS to reallocate resources and authority from Dakar to the field would make regional offices more effective.

A-5. Modify control functions to reduce the emphasis on procedures and increase the emphasis on performance of local governments.

Although the development impact of local government is measured by what is achieved, the control currently exercised by the central government authorities focuses much more on procedures or form of local government actions. Modifying this orientation would require changes in legislation to decrease the types of required approvals, shifting instead to consideration of the goals of actions before they are taken and follow-up to review realizations. It would also require, particularly in the near term, significant assistance to local governments as they try to focus on the quality of services and infrastructure they provide. The procedures used to allocate the Fonds de Concours are the type of action which should be encouraged.

A-6. Modify the budgeting procedure to include a mandatory capital reserve and strengthen the capital budgeting process.

Communes are unable to devote the needed resources to replace and expand infrastructure that is crucial to local economic expansion of these areas. While the DCL is trying to correct this situation at a time of shrinking resources by limiting personnel costs and establishing a target rate of transfer to capital investments, communes are generally unable to meet these goals. A minimum transfer to the capital investment budget or to a capital reserve fund for replacement and construction of equipment and facilities should be considered an obligatory expense in light of the importance of these types of investments for the development of each locality.

A-7. Clarify and simplify the land policy to increase access to land for development.

Current land policy involves cumbersome transfer procedures and little incentive for investment because of title limitations. Lack of access to land therefore constitutes a fundamental constraint to economic development. A variety of modifications could improve the situation ranging from simplifying procedures so that access to leases can be accomplished in a shorter period of time, facilitating the creation of land reserves by local governments for housing and commercial activities, or a complete reform which permits individual landownership. The former modifications could be accomplished with relatively minor restructuring of the current system while the latter alternative would require a total reform and is probably not politically feasible.

A-8. Provide increased human and material resources for rural council operations.

Regardless of whether the GOS decides to retain the current structure which divides responsibilities between the councils, sous-prefet, and CER or to transfer

increased responsibilities to the councils, additional human and material resources are required to make the councils administratively and technically effective. The greatest need is for personnel to maintain council managed infrastructure.

Private Sector

A-9. Reduce factor costs of production, particularly labor, to make private investment more attractive.

A variety of factor costs including labor, water, and electricity are considerably higher in Senegal than in other countries in West Africa. Labor costs, which are particularly important, are elevated due to minimum salary requirements, and centralized hiring practices, among other restrictions. Labor law reforms, such as those recently enacted to relax hiring conditions, should be encouraged.

A-10. Establish incentives for the banking sector to provide credit to small-scale businesses.

Both small and medium sized businesses are severely constrained by a lack of credit from formal credit institutions and guarantees that are poorly adapted to their operations. The Kaolack experience has demonstrated the ability of small businesses to absorb credit at little risk to the lender, although the management cost is comparatively high. One potential solution to this problem is the creation of lines of credit for suppliers who could in turn make the credit available to small businesses with which they deal frequently. USAID could use its banking sector program as a lever to induce this type of policy change.

A-11. Facilitate the participation of small and medium businesses in urban services provision by adapting contracting procedures to the needs of small scale enterprise.

The private sector has little role in the provision of urban services, particularly those services that are typically the domain of local governments. This situation is due to reluctance on the part of small-scale entrepreneurs because of lengthy centralized contracting procedures and on the part of local government officials who desire to protect the public interest from unscrupulous entrepreneurs. Action should be taken to simplify contracting procedures, to adapt them to the requirements of small businesses, and to decentralize of decision-making authority to local governments. The development of model contracts for key services would assist in this process. These contracts would also include conditions that assure that the local government can obtain the service it seeks for a reasonable price.

B. INSTITUTIONAL DEVELOPMENT

Central Government

B-1. Strengthen the capacity of the DCL and regional services to provide management and technical assistance, particularly in technical areas.

The Direction des Collectivites Locales devotes most of its time to the control of local government actions through the review of budgets and other council decisions. The number of staff and material resources do not permit the DCL to engage in technical assistance activities that are critical to create stronger and better functioning local governments. Beyond improving its ability to fulfill this role, the DCL should improve its ability to provide assistance for urban service design and delivery and to encourage local governments to place more attention on the quality of the services and infrastructure they provide.

B-2 Strengthen the capacity of the Treasury to manage local finances, particularly revenue generation.

Although the policy of providing municipal revenue bureaus for every regional capital has been promulgated, it has not yet been fully implemented thereby depriving the largest cities as well as the small nearby communes of more responsive financial management. In addition, existing bureaus remain seriously understaffed and without the required material resources to perform their functions. Implementing the existing policy and providing sufficient resources will be a key to improved revenue mobilization in all communes.

Local Governments

B-3 Create and strengthen professional associations of mayors, city managers, and other key local officials to become voices for effective decentralization.

Professional associations can represent important viewpoints in the debate over decentralization. Associations representing local officials could strengthen the perspective of that level in the national debate. Currently, only a mayoral association exists and could be a focal point for AID assistance in pursuing an economic development orientation in local management.

B-4 Provide assistance in developing local government organizational models and staffing schedules

Lack of appropriate organizational models at the department level and poor

staffing arrangements constrain communes' ability to act efficiently. USAID could provide assistance to the DCL to define operating guidelines for communal service departments, including optimal staffing in terms of numbers and staff profiles. This will be useful as communes continue to pare down staff to reduce operating costs.

B-5 Strengthen training institutions' capacities to provide management and technical skills training to local government officials.

Improving the performance of local governments to respond to the enormous challenge that increasing population and effective decentralization pose will require significant training of local government staff at all levels but primarily at the managerial level where the impact could be the greatest. Few institutions are currently geared to this scale and content. As the experience in the Communaute Urbaine of Dakar appears to be showing, training is an accepted solution for many performance deficiencies and local officials are prepared to commit resources to training. To meet the challenge, however, institutional skills in training methods and substance must be strengthened.

Private Sector

B-6 Strengthen the capacity of local private associations for economic development promotion and participation in public-private partnerships.

Several associations of private entrepreneurs currently exist that could become viable interlocutors with public bodies. Further studies should be made of the capabilities of these organizations to determine how best to assist them. Most noteworthy is the Trade Chamber, which could be an important resource for mobilizing the support of small businesses in economic development and employment generation programs. These organizations could play an important role in helping small businesses explore new markets, including urban service provision or small-scale processing of agricultural products.

C. HUMAN RESOURCE DEVELOPMENT

Central Government

C-1 Conduct a variety of training programs for central agency staffs so that they can play a more productive role in decentralization

It is clear that beyond many of the institutional and economic problems that have prevented effective decentralization and local economic development, insufficient training in technical areas constitutes a major constraint. A program is needed for improving specific technical skills that would allow agency staff to play more productive

roles. They include the following.

- Ministry of Interior/DCL: technical subjects such as design and delivery of key urban services, capital budgeting, financial analysis, and principles of management;
- Ministry of Finance: revenue management, simplified cadastral surveys;
- Ministry of Urban Planning, Plan, Interior/DAT: urban and regional planning techniques that incorporate economic development, infrastructure planning and analysis, urban/rural linkage analysis;

Over the longer term, the educational system will have to place greater emphasis on the technical skills that are required to manage a modern economy.

Local Governments

C-2 Conduct training programs that emphasize technical, management, economic development-related skills for senior local government staff and elected officials.

More than any other actor, local governments lack staff with the requisite training to carry out their functions. Yet as a key actor, they must make and carry out decisions that reflect an understanding of the problems and possible solutions which they have available. This will require that training provide an increased awareness and redefinition of roles and the requisite skills to carry out those roles. Although training may be required for all local government staff, the initial focus should be on decision makers and senior managers. Substantive areas could include the role of local government in economic development, management of technical services (service design and delivery), financial management (revenue generation, financial analysis, cost accounting), and capital budgeting. Training might take various forms from seminars and participative workshops, development of manuals, and roundtables. Designing a national training program will require considerable input from the DCL and BOM primarily for institutional arrangements, content and administration.

Private Sector

C-3 Increase management training for small and medium-scale businesses.

In addition to credit availability, management training and assistance has been shown to be a vital element of improving the performance of small businesses. USAID and other donors have strengthened training institutions such as CESAG and through the SRFMP have improved financial management capacities of small and medium scale businesses. Their coverage could be extended to firms involved in local service provision.

D. DEVELOPMENT FINANCING

Local Governments

D-1 Provide financing, such as a HG loan, to the Communal Credit Loan Fund housed in the BHS for the construction of basic urban infrastructure.

In the light of the low level of funding for basic infrastructure and the need to restore and extend the currently insufficient infrastructure, USAID funds could supplement those of GOS and World Bank to start up the Loan Fund. USAID funds would be used for basic infrastructure such as markets, roads, and utility service as well as innovative infrastructure such as wholesale markets and the development of land reserves for commercial and housing programs. A.I.D. could examine the loan criteria to ensure that they give priority to investments with high economic development potential. A portion of these funds could be used to finance feasibility studies carried out by local engineering firms, thereby supporting the involvement of the private sector in these studies and promoting a role for these firms in project execution.

Private Sector

D-2 Extend small business credit operations to other towns and tie a portion of lending to innovative approaches to urban service provision.

The Kaolack experience has been highly successful in demonstrating the impact of a loan program on the growth of small businesses. Extending this experience to other towns, particularly secondary cities and market towns that are experiencing rapid growth, would spur economic development. In addition to the current design of the program, targeted lending to established or newly created businesses involved in service provision would be a valuable demonstration of the role small businesses can play in providing urban services.

E. RESEARCH AND PILOT PROJECTS

Central Government

E-1 Conduct research on rural-urban linkages to determine the economic development potential of secondary cities and towns.

General economic data that has been gathered for this study demonstrates the important role secondary cities and towns play in rural and regional growth. However, all cities do not perform the same functions nor do they perform them equally well. A

key component of a program to assist in the economic growth of these areas would be to study their economic bases and comparative advantages. This study would identify for USAID and the GOS those cities that have the greatest potential, and where investments and assistance would have the highest impact. It would be an important first step to identifying where pilot projects could be initiated.

Local governments

E-2 Design and sponsor a pilot private-public partnership project involving the planning and design of investments and innovative service approaches.

For local governments to begin to play a more active role in economic development, basic decisions regarding investments and services should be made in concert with the private sector. A pilot project would involve the design of a formal mechanism for coordinated planning. It would focus on the identification of infrastructure and service needs and an economic development activity such as the creation of a housing area or of a commercial zone. Specific improvements would be based on the recommendations of the planning phase. Experience has shown that planning exercises are productive when it is closely linked to implementation.

E-3 Design pilot service delivery arrangements involving the private sector.

The communes' inability to provide adequate services indicates the need for innovative approaches to service design and delivery. USAID funding could be made available for a labor intensive pilot approach to key services such as garbage collection, street and gutter cleaning and sewage collection and disposal. These pilot projects would focus both on the adaptation of technology for use in Senegalese towns and the creation or strengthening of private sector or community-based management capacity.

Private sector

E-4 Design and conduct pilot projects for the privatization of urban services.

This pilot project would demonstrate the actions needed for privatizing a basic urban service such as garbage collection, building maintenance, or street and gutter cleaning. It would involve the identification of potential private entrepreneurs, the application of simplified contracting procedures discussed in option A-10 (and including the development of a model contract for the service), assistance to the private entrepreneur in management and credit if necessary, and assistance to the local government in contract management and service design.

6.0 RECOMMENDED USAID/SENEGAL STRATEGY FOR PROMOTING ECONOMIC DEVELOPMENT THROUGH DECENTRALIZATION

6.1 Introduction

As Section 5.0 indicated, a variety of policy options are possible if and when the Mission chooses to integrate into its CDSS a decentralization program for promoting economic development and job creation. Each of the policy options carries with it a commitment of funds and staff time. Some of the options are linked to existing programs (for example, using the Banking Sector program to leverage reforms of small business lending) or can build on past experience (for example, expanding the Kaolack Small Business loan program to other cities and building on the Dakar study of the informal sector in urban areas or expanding the training program provided for the urban community of Dakar). Other options involve new initiatives in areas in which the Mission has neither extensive contacts with GOS agencies nor significant staff capability. Implementing all of the options is clearly beyond the resources of the Mission. Therefore, the critical question is where and how to begin.

Although this study and its recommendations are the first step in dealing with issues that are largely urban in nature, it should be stressed that a decentralization assistance program can complement elements of the current Mission strategy. The proposed decentralization assistance program supports GOS structural adjustment and economic reform measures by strengthening resource mobilization at the local level and by expanding the role of the private sector in urban service provision and economic development. Improvements in local infrastructure planning and management may also have a beneficial affect on the marketing and distribution of agricultural goods and production inputs, thereby reinforcing Senegal's New Agricultural Policy.

A decentralization assistance program should begin slowly in order to gain experience with successful approaches through small-scale interventions and to enlarge contacts with the government and the private sector. An incremental approach would also allow a gradual shift in the Mission's program budget and a gradual expansion in development assistance funding.

Although Section 5.0 identified five levels of intervention, we suggest that A.I.D. not focus initially on the national policy reform and institutional development options. Instead A.I.D. should sponsor pilot and demonstration projects that show the importance of policy reform, document successful outcomes, and establish the need for institutional strengthening at the national level. Furthermore, many of the policy reform options, such as reducing factor costs of production or reforming the land management system, may be better left to other donors such as the IMF or the World

Bank who are currently focusing on macro economic policy.

The proposed decentralization assistance program focuses on two principal components: applied research and demonstration projects. Policy reform would be pursued only where policy changes proposed in this report are congruent with the objectives of existing Mission programs, or where they could be easily linked to them, such as in the banking sector reform program.

The goal of the proposed applied research component is to establish baseline information for near and mid term activities. The goals of the pilot projects are to test expected outcomes of policy reforms and to demonstrate innovative approaches to local economic development. The two components are closely linked. One objective of research on decentralization would be to identify towns with economic growth potential and in which pilot activities could be undertaken. Both the research and pilot projects are described in more detail below.

6.2 Recommended applied research agenda

Although existing data describe some of the economic linkages between secondary cities and market towns and their rural hinterlands and provide some information on economic conditions in the major economic regions in Senegal, more detailed information is needed about the economic base and comparative advantage of secondary cities and towns. The Mission will need this information to select programs for decentralization and economic development. It would permit the USAID and the GOS to choose towns in which there is both the need for intervention and the potential for strong impacts of assistance. Initially, the towns chosen for assistance should have high population growth rates, economic growth potential, and linkages with surrounding rural areas. The research can determine the nature of the economic base and the extent of employment generation potential in the formal and informal sectors. This will permit the GOS to design programs that target specific types of economic activities for service, infrastructure, credit and other types of support.

Activity: Rural/Urban linkage study in a selected region

A.I.D. can most effectively use its limited assistance resources by focusing its initial support for decentralization in a single region in Senegal. The region should have strong agricultural and urban economic development potential, rapidly growing population, and high priority in terms of A.I.D.'s overall objectives. A rural-urban linkage study would define the role of secondary cities and market towns in regional development. It would identify principal economic activities, commodity flows in the region, service and infrastructure conditions, and employment and labor force characteristics. The result of the study will determine what types of service and infrastructure investments would best support the existing economic base, and in

which towns interventions are likely to have the most impact on economic growth and employment. The results would be used in selecting two or three towns for intensive pilot activities.

The study would require approximately four to six months to carry out at a cost of \$175,000. Although the study will require technical assistance, local researchers should conduct the field work and assist in interpreting the results.

6.3 Recommended Pilot Activities

Pilot activities are intended to demonstrate expected outcomes from national policy reforms and innovative approaches to local economic development. The advantage of undertaking pilot activities is that they would provide the Mission and the GOS with valuable lessons that could be applied on a larger scale in later phases. They would familiarize the Mission with the key public and private actors who would be vital to launching larger scale activities. Finally, they would demonstrate the effectiveness of new approaches to local service and infrastructure provision that local officials from other regions in Senegal could adapt. The pilot activities would pave the way for policy reform, institutional development, and development financing activities in the future.

The pilot activities will address three principal issues which this study has identified as currently constraining local economic development.

1. improving the public decision making process so that it becomes more responsive to the needs of the private sector and economic development;
2. improving local service delivery capacity and introducing innovative programs for service expansion, particularly those involving the private sector or community groups.
3. improving local resource mobilization and channeling increased revenue flows into activities that promote economic development and employment generation;

Although the cities and towns participating in pilot activities would use a common, integrated approach to economic development and employment generation, each town would have a package of activities suitable to its needs. This would allow the GOS and USAID to test a wide range of innovations.

1. Responsive decision-making

This study found that decisions about local investments and service often do not take into account the needs of the private sector or do not reflect the real impact on economic development. Despite the existence of many private sector associations, they are only partially represented during the formulation of investment planning. The proposed mechanism for correcting this constraint is the creation of a public-private partnership for investment planning in the pilot communes. To provide an incentive for creating a viable process, funding should be provided as follow-up for investments or service improvements which are identified during the planning process.

The creation of public-private infrastructure and service planning boards would be the first step in a longer process from which other activities, resource mobilization and service and infrastructure improvements will evolve. It will begin with the establishment of communal boards to identify short term actions to stimulate economic development. It should not be seen as a replication of the formalistic structure used to prepare communal investment plans (PIC's), but rather as problem solving group that can identify immediate actions to stimulate economic development . As such, it should be composed of equal numbers of public sector and private sector representatives. Although there will be some need for gathering background information, emphasis should be placed on building a consensus regarding the needs of the private sector (primarily small businesses in the formal and informal sectors) that can be met through local action.

A principal output should be an action plan that focuses on concrete actions to a) improve basic services, b) improve infrastructure maintenance, and c) identify the need for new infrastructure. Examples of actions include improving the maintenance and sanitation of a public market or transport station, creation of of a private sector or community -based garbage collection service, or the creation of a commercial or industrial zone for local artisans. The plans will identify the resources required to achieve the desired results, including contributions by the commune, private associations, or local financial institutions. The recommended actions should not be seen as the responsibility of the commune, but rather as the shared responsibility of both public and private organizations. The commune will then use the plan to negotiate technical and financial assistance with USAID and the DCL. The action plans should constitute a "contract" among the commune, the DCL, and AID describing the commitment of each of the parties to funding the activities.

The first session of each board would be structured as a roundtable on economic development, providing an overview of the development process and the local economy. Following the initial meetings that produce the action plan, the board will meet periodically to review progress in achieving the results proposed in the plan. While the board is proposed as an ad hoc structure, it could evolve into a permanent

feature, depending on its success in defining needs and producing results.

This element is expected to require approximately six months of technical assistance and other local costs for a total of approximately \$150,000.

2. Improving local services in communes

The service and infrastructure pilot activities have three objectives:

- a. to demonstrate innovative approaches to providing local services using the private sector or community groups in ways that emphasize employment generation;
- b. to demonstrate the contribution of specific types of infrastructure to economic development;
- c. to demonstrate innovative ways of financing improvements by mobilizing private and public resources.

Although the final list of possible infrastructure and service projects will result from the communal action plans, a preliminary list of options can be proposed in light of problems observed by the study team. The action planning process should result in estimates of the financial contribution of the various partners. Therefore it is difficult to estimate the cost to USAID of anyone of the preliminary list of pilot activities.

Project 1: Garbage Collection Services

Garbage collection remains a vital yet poorly furnished service in communes. The traditional model for garbage collection in communes is capital intensive and expensive. Communal administration is not organized to provide the service efficiently. Two options are available for demonstration projects.

First, a commune could contract with a private entrepreneur for either the full service (including provision of equipment and facilities) or management (affermage) of the service using municipally-owned equipment. This option would include the development of a contract designed to take into account the financial and capital requirements of a small or medium-sized business and the public interest in having a specified level of service guaranteed. USAID might assist in leveraging credit from a local bank and in providing training and assistance to the private contractor.

In the second option, the commune would contract either with a community group or simply pay individuals to collect and deliver garbage to a specified neighborhood site according to a specified schedule. In this way, those collecting

would be paid by volume or weight (calculated in relation to the communal unit cost by weight or volume). This option would most likely encourage a variety of individuals, particularly the poor, to use transport such as animal or hand carts to collect garbage. This option would require a preliminary cost study.

Project 2: Water Distribution

Supplying potable water supply through free public standpipes has created a financial burden on communes. The high cost of this policy clearly constrains the extension of water service as does the recommended GOS alternative of individual tap-ons, which are generally prohibitively expensive. Several alternatives would ease the financial burden on public revenues and SONEES and facilitate the extension of water to more areas in the communal boundaries. The options shift the cost burden from the general public (through the commune) to individual consumers.

One model would be to install coin operated fountains, such as SODECI has done successfully in Abidjan where private fountain operators licensed by SODECI earn a small fixed monthly fee and a portion of the monthly proceeds. The fountains there provide 25 liters of water for 10 francs. The DCL has investigated this option and has apparently been impressed by the Abidjan experience. Should demonstration projects prove successful, the construction of a production facility might eventually be feasible.

A second approach involves the use of stationary or mobile water vendors. While stationary vendors (from their private tap) will service households within a specified distance of the tap, improved water transport can insure both water quality and a wider area of distribution. Issues that must be addressed in studying this option include price differentials, price controls, and water quality assurance.

A water distribution pilot activity will achieve several goals including employment generation, improved financial management, and basic service extension. However, it will also require discussion with the GOS regarding cost recovery and tariff policy. Before selecting either distribution model, a detailed cost and sociological analysis of the options should be conducted.

Project 3: Construction of Wholesale Markets

Many of the larger towns in Senegal play an important role in bulking and distributing agricultural products. However, the full potential of this function is unrealized because there are few public facilities for conducting marketing activities in an organized manner. A wholesale market could contribute to improving the general marketing system for agricultural goods. While the financing of market facility construction usually comes from public sources, the management of the facility could be public or private. A variety of fee or rental structures could be designed to make

the facility profitable for a private manager and financially sound for the commune.

Project 4: Land Development for Commercial or Housing Uses

The lack of a significant role for communes in land management has been cited as a constraint on economic development and local control over development. This pilot activity will seek to promote a more active role for communes and identify procedures that, if simplified, could facilitate this role. Based on the town's economic characteristics, the project will include the immatriculation of a large parcel of land by the Central Government and its subsequent assignment to the commune for development for housing or a commercial or light industry zone. This type of development would provide access to land for entrepreneurs and revenues for the commune. It would also generate employment through construction activities and on-going commercial or industrial activities.

Key public or semi-public partners in this project would be the BHS from whom funds would be borrowed by the commune (Municipal Credit Fund), and the DCL, which would oversee the legal steps to allow the transfer and develop the regulations allowing communes to create land reserves. Private partners would include private engineering firms responsible for site planning and construction monitoring, contractors responsible for civil works on the zone, and the firms that would occupy the zone upon completion (in the case of a commercial or industrial zone).

Project 5: Re-organization of Communal Technical Services

This study found that the service divisions of communes are under-equipped, improperly staffed, and unorganized to carry out their important responsibilities for service delivery. Although privatization of some services may be feasible, communes will continue to be the principal organism supplying basic services to the population. This pilot activity will therefore seek to improve the performance of communal technical services departments through re-organization, technical assistance in management, provision of facilities and equipment, and review of personnel requirements. Because many of the problems associated with the technical services' poor performance are political, this activity must have the close collaboration of municipal elected officials in order to establish an appropriate working environment and to recruit competent personnel. In addition, the management skills of the department director must be upgraded and procedures for planning services, monitoring performance of staff, managing department equipment, and monitoring service costs and the department budget must be established.

This list reflects only some of the possible pilot activities that could be undertaken to improve the management and financing of services and infrastructure. It can be supplemented with recommendations from the towns selected to participate in the pilot activities. USAID will be able to select activities it feels are most consistent

with its objectives and available funding. If the Mission chooses to pursue activities in cities and towns other than those selected for pilot activities, they should be based on the type of rural-urban linkages study proposed in the beginning of this section.

3. Resource mobilization

This study found that a key constraint to communes fulfilling a more vital role in economic development is the lack of resources for productive activities. Therefore if the pilot activities in which the communes are expected to make a contribution are to succeed, efforts must be made to improve their revenue collections and expand their revenue bases. Assistance for this activity must begin with a detailed analysis of town finances that identifies institutional constraints (weak linkages with the Treasury, Domaines, Impots), manpower and material constraints (the shortcomings in both communal and central government agencies), and organizational constraints in the communal services.

This analysis should produce estimates of revenue improvements or revenue targets that can be attained by removing constraints. These targets should in turn be linked to the commune's ability to finance activities in the action plan. Careful monitoring of revenue mobilization over time will determine if the targets were realistic and will enable local officials to calculate the costs effectiveness of the selected remedies. This aspect will be particularly important for central government agencies involved in local resource mobilization.

4. Supporting activities

It is expected that a number of supporting activities, including training will be necessary to implement the pilot activities, to disseminate their results and to discuss the implications for larger scale application, policy reform, and institutional strengthening. Training to implement the pilot activities should include seminars for municipal staff, private entrepreneurs, and elected officials. In addition, observational tours for central government staffs could help them to see the benefits of innovations in local service delivery and joint public-private partnerships for economic development.

ANNEXES

CASE STUDIES OF COMMUNES AND RURAL COMMUNITIES

CASE STUDIES:

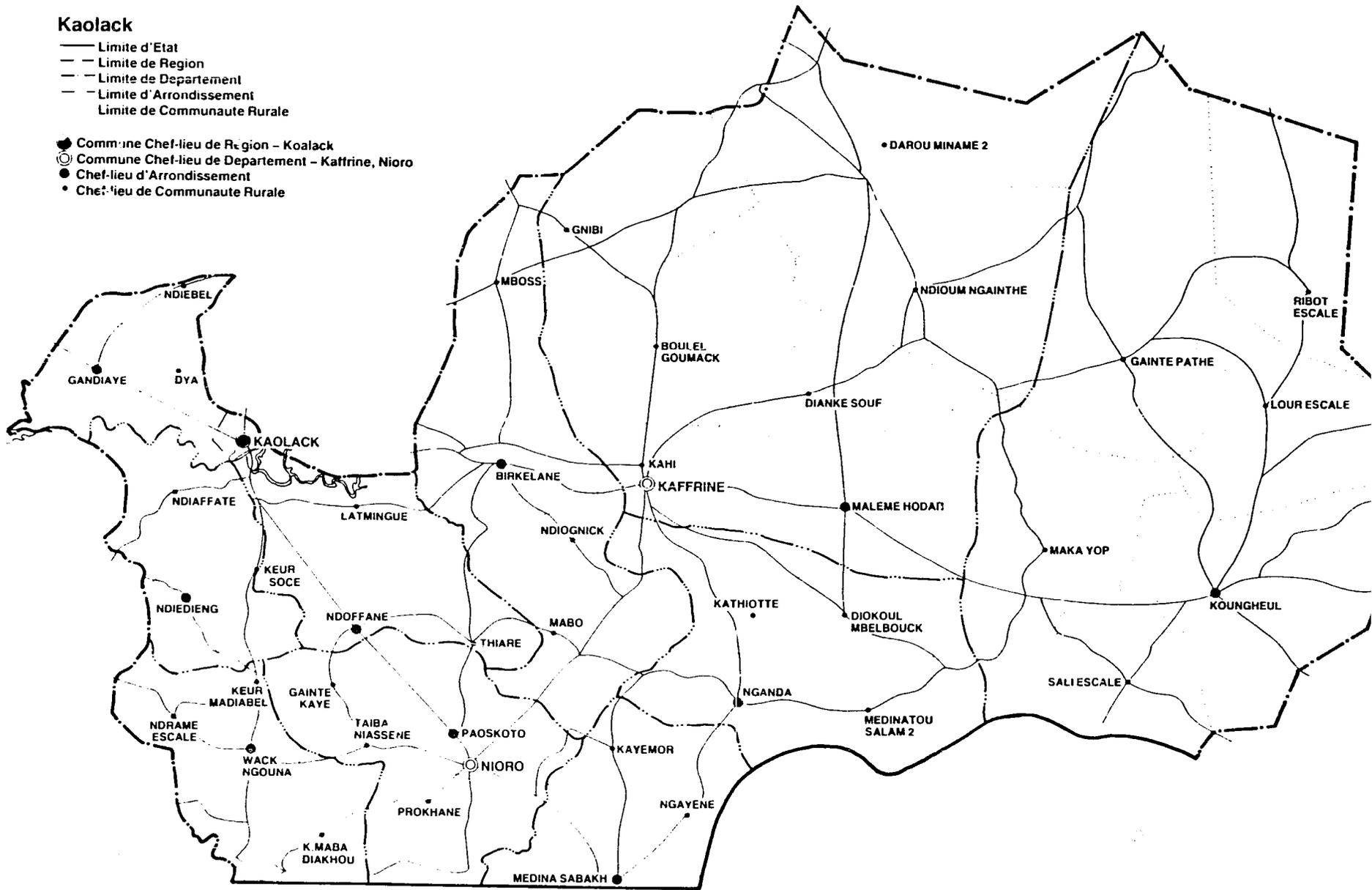
COMMUNE OF KAOLACK

RURAL COMMUNITY OF N'DOFFANE

Kaolack

- Limite d'Etat
- - Limite de Region
- - - Limite de Departement
- · - · Limite d'Arrondissement
- · · · Limite de Communaute Rurale

- Commune Chef-lieu de Region - Kaolack
- Commune Chef-lieu de Departement - Kaffrine, Nioro
- Chef-lieu d'Arrondissement
- Chef-lieu de Communaute Rurale



MAP 2

COMMUNE OF KAOLACK

Introduction

The municipality of Kaolack is a regional seat, and thus has special status. It generates approximately FCFA 600 million revenues per year for an estimated population of 152,000. This exceeds per capita revenue mobilization of the other cities studied.

Despite this effort, the city is facing serious problems in managing of its physical growth. Infrastructure for the control of storm water runoff and waste water is seriously lacking. Open earth ditches are blocked by sand and garbage, and sealed concrete ditches, the responsibility of SONEES, are similarly clogged. The lack of vehicles in the technical services department, especially for household garbage collection, has caused a situation which the population perceives as a major nuisance.

Because the city is located in a flat area, water runoff is slow, and, even worse, the outlet point into the Saloum River is occupied by a squatter settlement, the Tann neighborhood, whose residents have refused to leave despite the offer of free resettlement. Consequently, with every rainy season, the city experiences flooding that aggravates the sanitation conditions and generate additional costs for the municipality. The resulting floods, generate high costs to the commune, and have jeopardized the 4-year investment plan. Potable water is pumped from wells and distributed by SONEES. There are 5,196 individual household connections and over 300 public standpipes. The standpipes are managed by the town government and the high cost of public consumption has created a problem of arrears with SONEES in the past.

Because of its special status, Kaolack has a municipal administrator and a municipal council president. Political problems seem to have created a particularly constraining situation in the city. Conflicts of interest inhibit efforts.

- repair the entire sanitation system, for both rain and waste water;
- resettle of squatters to more sanitary conditions;
- acquire adequate equipment for site development and household garbage collection;
- install of a new road transport station.

1) Organization of local financial services

The financial services of the municipal administrator, are located in the city hall chamber and report to the secretary general (see organizational chart). Three major factors are considered in the preparation of the budget: directives from the DCL,

needs expressed by the people, needs expressed by department heads and council president's cabinet.

Our visit to the financial services showed us that commitment procedures are followed and the accounting documents are in order. Some registers had been sent to Dakar for verification.

The DCL issued new instructions on asset accounting that went into effect in July 1988, but the commune is waiting for special forms and cannot yet apply these regulations fully.

The establishment of the payroll and related statements has been computerized, and is processed by microcomputer with software from the supplier.

Discussions with the secretary general brought to light the following issues:

Revenues

- In order to improve revenues and monitor revenue mobilization there is a monthly meeting of the administrator, secretary general, municipal tax collector and market managers.
- The commune is not involved in the census used for local taxes. It is suspected that Treasury agents do not conduct the necessary door-to-door surveys, simply carrying forward previous billings instead.
- The commune, which is in charge of levying and collecting category 4 of the minimum tax, encounters generalized resistance, although this category involves to 70% of taxpaying citizens.
- A 2.5% electricity consumption tax was approved. Municipal authorities complain that SENELEC's payment cannot be verified and is probably low.
- The staking fee is fixed at FCFA 25,000 per lot, and is thus well within the average for other communes (FCFA 20 to 30,000).
- The open-air theater, which cost approximately FCFA 100 million is not centrally located, and thus is little-used and unprofitable. This is an example of constructing facilities for political reasons, giving rise to operational problems.

ORGANIGRAMME DE LA COMMUNE DE KAOLACK

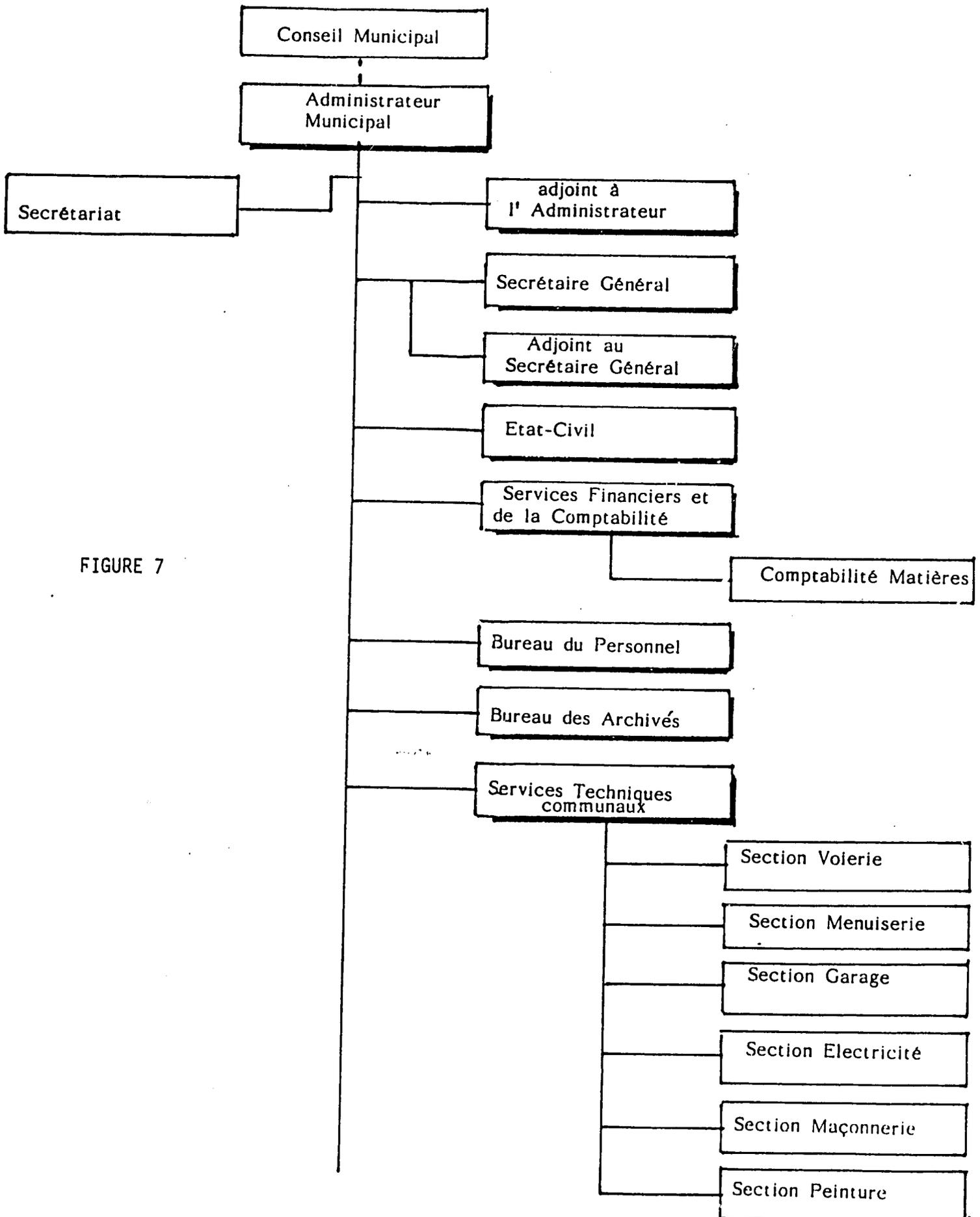


FIGURE 7

Expenditures

- An analysis of the budget documents provided a clear picture of the composition of expenditures. Outside of personnel, water and electricity charges are dominant (over 20% of operating expenditures). Expenditures for hygiene, education and health services are low (approximately 8%).
- Municipal leaders complain that the legally required contribution of 2% of average revenues to firefighting, which seems excessive, since firefighters live in housing owned by the commune.

The commune is now paying back a central government loan of 275 FCFA million (17 million over an 8-year period) for SONEES arrears.

The following major work financed by the budget is in progress:

- dispensary, FCFA 8 million;
- hangar and market development, FCFA 10 million;
- park and garden development, FCFA 8 million;
- renovation of meeting room, FCFA 4 million.

Public treasury

Municipal revenues: Kaolack is one of the regional seats that benefits from the presence of a municipal tax collection bureau.

The municipal tax collector, his assistant and cashier are Treasury agents, and the other agents at the post work for the municipality (numbering 34, including 17 collectors).

The municipal collector manages local indirect taxes and revenues from the public domain. The household garbage collection tax is on the register with direct local taxes, and water and electricity consumption taxes are repaid directly by the utility companies.

Revenues from the public domain constitute 40% of budgetary revenues, and a sustained effort was made for the 1987-88 fiscal period to collect a substantial amount of arrears. As a general rule, the collection rate for these taxes is estimated at 75% of the projected amount.

Major difficulties are being encountered in collecting market space fees. The collection of a 3,000 FCFA monthly fee, recommended in a World Bank report, was

initiated, replacing the daily 100 F fee. This caused massive discontent. For the first quarter of the 1988-89 fiscal period, arrears amounted to over 14 million, and coercive measures (in progress at the time of the mission) have caused unrest in the market.

Market stall rental suffers from late payments and illegal subletting, which penalize the consumer with no benefit to the commune.

Fiscal year bookkeeping is considerably behind; the last final account was completed in fiscal year 80/81. The tax collector has a postal checking account and an account at the BCEAO, and is not required to deposit in the regional treasurer and paymaster's accounts.

According to the system established by the Treasury, the municipal collector requests funds when the communes need funds to cover expenses and for amounts corresponding to local taxes which are managed by the regional treasurer and paymaster.

2) Regional services

The regional treasury

Personnel is severely lacking in the regional treasury. Billings are distributed by three or four agents recruited on a temporary basis by the commune. These agents have been accused of acting unprofessionally, going so far as to tear up the bills. During the mission, the 1988 notices had not yet been completely distributed.

The only collection agent at the post had just retired. His duties were taken over by the office staff, which divided its time between this task and their own duties.

The treasurer emphasized that there is cooperation with the municipal services but complained of the lack of resources and the absence of a budget for the preparation of registers.

The main problems encountered in collecting local taxes involve the minimum tax (not including category 4), of which only 12% was collected after 6 months of the fiscal year, as well as business taxes collected on the basis of tickets (PPA). Unfortunately, the tax agent was not accompanied on his rounds by the treasury agent (who is responsible for collection) resulting in missed opportunities. The PPA is hard to recover if not collected immediately.

Business taxes on register seem to pose fewer problems since these registers are updated more effectively than they are for the other local taxes.

Regional tax service

The regional tax assessor actually covers two regions (Kaolack and Fatick) and supervises three controls. Its material resources are insufficient; it only has one eight year-old Renault 4 to be shared with the government land service. Its human resources have been reduced but are adequate. They include a total of six persons (2 auditors and 3 clerks, under the supervision of an inspector).

The service is in charge of levying central taxes in both regions: income tax, industrial and business income tax, sales tax. It is also in charge of local taxes. Aside from the lack of means for conducting censuses, the inspector complains of the absence of proper identification of streets and lots so that taxpayers can be located. No figures were available on the number of business taxpayers, or on the potential impact of the new property tax exemptions.

Regional cadastre service

This service also covers two regions (Kaolack and Fatick) and has slightly more material and human resources than the tax service. It includes one ariel photography engineer, one surveyor, two high-level technicians, four team leaders, one driver, one secretary and one administrator.

The cadastre service was created in 1968 from the topography service. The topography function is still needed because the land registration project for the region is not yet operational. Subdivision plans have been processed but are not all up to date. The service actually functions as a legal topographic service called upon to survey property lines, draw up deeds, settle disputes, identify lots and, of course, stake subdivisions in lots.

The cadastre collaborate systematically with building permit investigations and participates in the various commissions created for lot distributions, relocations, slum clearance operations, and property transfers. It also participates in technical commissions for preparing the communal investment plan (PIC).

Economic profile

The economy of Kaolack, capital of the "peanut bassin", revolves around three principal characteristics of the town and the region:

1. the significant production of industrial crops (peanuts) and cereals in the region,
2. the transportation network, which makes the town a major national and international crossroads,
3. the town's importance as a regional administrative center.

The Kaolack region is one of the most productive agricultural regions in Senegal. It ranks first in number one in industrial crop and cereals production. Thirty-nine percent of Senegal's industrial crops (including 65% of peanuts) and 25% of cereals are produced there. The total estimated value of production in 1986, approximately 47 million francs, ranks first in the country. The value of production in real terms more than doubled from 1974 to 1987 in the Sine Saloum region. However, in constant terms, the value of production has decreased by approximately 25% (Direction de la Planification, 1988).

Kaolack's industrial base reflects its agricultural significance and makes it the second industrial center in Senegal, after Dakar. The major industrial employers are agro-industries. SONACOS, the peanut oil processing plant employs a total 1257 permanent and seasonal workers. Two textile plants, SODIFITEX and the newly installed SOTEXKA employ approximately 350 workers, although the majority of the cotton processed in the plants comes from other regions. The other major industrial employer in Kaolack is the salt processing plant, SNSS, which employs approximately 150 permanent and seasonal workers. These are all largely export-oriented industries. The textile plants and some smaller factories are located in an industrial park at the eastern edge of Kaolack. Although located in close proximity to the town, the park was recently incorporated into the town of Kahone, thereby depriving Kaolack of revenues from the park.

Several major transport networks connect in Kaolack making it an important trading and commercial center. These include the Dakar-Bamako railway, the Dakar-Gambia highway, and other links to the Casamance and eastern Senegal. In colonial times, the port in Kaolack was also active. The crossroads nature of the town has made it one of the most important commercial centers in the country, a fact clearly reflected in the activity in and around the market and the transport stations.

The "Marché Zingue", situated near the principal market, functions as a rudimentary wholesale market. Bulk quantities of onions and cabbage from Thies and tomatoes from Ziguinchor region and other goods are broken down for distribution in the region. Access to the market is difficult and the facilities are inadequate for the current level of activities, not to mention the larger role a wholesale market could play in Kaolack.

As an administrative center, public and parastatal employment contribute significantly to the local economy. There are 43 regional offices of government agencies and public enterprises. In fact, 51% of formal sector salaried employment is provided by government administrations.

RURAL COMMUNITY OF N'DOFFANE

The arrondissement of N'Doffane is composed of three rural communities including that of N'Doffane and was established in 1974 at the beginning of the local government reform. The population of the rural community of N'Doffane in 1988 is estimated at 20,608.

The rural tax makes up 74% of its revenues. The taxpayer census is performed in October and the tax is collected in February. Consequently, budget operations cover the five-month period from February to June.

The sous-préfecture's logistic resources are almost nonexistent and offer little support to the Rural Expansion Center (CER). The center only has two motorcycles (supplied by Saudi Arabia) for eight agents. The offices are in such a poor state of repair that they were not fit for occupancy. The agents therefore work out of their homes.

According to budget requirements, which prohibit any regular operating costs, there is no allocation in the rural community budget to assist the CER in improving its situation.

Two priorities were established for capital investments: school construction and providing water. More than thirty wells have been built since 1974 and a drilling effort is now underway to promote water distribution.

Infrastructure previously financed by N'doffane includes a community hall, a youth center, a women's center, maternity clinics, health posts, fences for schools and cemeteries.

The authorities believe that excessive investments were made in "concrete", even if some such as the maternity clinics appeared to be justified. The authorities would now like to promote more productive investments such as sorghum or millet mills, vegetable farming, and livestock fattening. There are two principal constraints to realizing these plans: lack of water and lack of financial resources.

The allocation of small amounts of credit to a large number of recipients by non-government organizations (with no major projects) and the absence of revenues from the allocation of plots under the national domain are mentioned with considerable bitterness.

CASE STUDIES:

COMMUNE OF ZIGUINCHOR

RURAL COMMUNITY OF NIAGUISSE

COMMUNE OF ZIGUINCHOR

Introduction

Ziguinchor is the regional and departmental capital for the western Casamance and therefore a special status commune. It collected revenues of about 150 FCFA million in 1986-87 for a population estimated at 124,300, or about 1,200 CFA per capita. This is considerably lower than the other communes studied.

The commune experiences the usual debate over the respective prerogatives of the political (municipal council) and administrative branches, and the benefits or liabilities of a transfer of executive authority for the administration.

The city generally appears to be generally well maintained. Serious efforts at garbage collection and sanitation are clearly being made.

1) Local financial service organization

Communal financial services are organized to make efficient use of scarce human resources. Six persons work in this service (see organizational chart).

The chief accountant is responsible for two sections, assets and payroll. The assets section (two agents) is responsible for maintaining accounting records for equipment, relations with utility companies and revenues. The assets accountant, who is also deputy to the chief accountant, maintains records of commitments, makes payments and monitors revenues. He is assisted in his duties by the agent in charge of utility services.

The payroll section (three persons) is exclusively in charge of salary and wage payments and the supporting documentation. The different registers prescribed by regulations appear to be properly kept.

Goods and facilities are received by a commission composed of the assets accountant, chief accountant and the technical services agent. No payments in excess of FCFA 300,000 can be made without an acceptance report from this commission.

The closing of administrative accounts is two to three years behind schedule. This situation is blamed on the Treasury for supposedly failing to meet its deadlines in supplying the management accounts and related statements.

The following problems were identified during discussions with the municipal general secretary:

Revenues

Central government revenue sharing has not been paid for 3 years. In May 1988, the commune received the money for fiscal year 1984-85 without the DCL having been notified.

Some efforts have been made in the collection the entertainment tax (15% tax on gross profits). The commune exercises strict control over movie tickets.

As is generally the case, SONEES remits the water consumption tax without supplying the supporting documentation.

The greatest difficulties are encountered in the collection of revenues from the public domain, especially due to tax evasion in the markets where collectors illegally employ unpaid assistants. Through test operations performed with controllers, it was estimated that the collectors turned in only one-third of the real revenues for market fees. Comparisons to other communes confirm that public domain revenues are low.

Commune campgrounds, whose management was assigned through public bidding to a private contractor generate no revenues because the contractor is not upholding his fee commitments to the commune.

Staking charges are set at FCFA 10,000, which is under the national average.

Finally, one notes the absence of port taxes which should have considerable potential in a city with significant maritime activities.

Various studies and discussions with officials indicate that the volume of revenues raised is generally under the potential level. The mediocre results for 86/87 of approximately FCFA 150 million are explained by the political events of that time. However, collection in 1987/88 appears to be significantly better, particularly in certain local taxes.

Expenditures

Analysis of the budget tables shows that the proportion allocated to the union representatives in the president's cabinet are low (approximately 4% of the operating budget) while personnel expenditures constitute the largest item (about 40%). Water and electricity charges consume 20% of the budget and are equivalent to general administration and vehicle fuel expenditures combined. The operating budget has a structure similar to the other cities; expenditures on youth, education and economic and social development a minor part of the budget.

ORGANIGRAMME DE LA COMMUNE DE ZIGUINCHOR

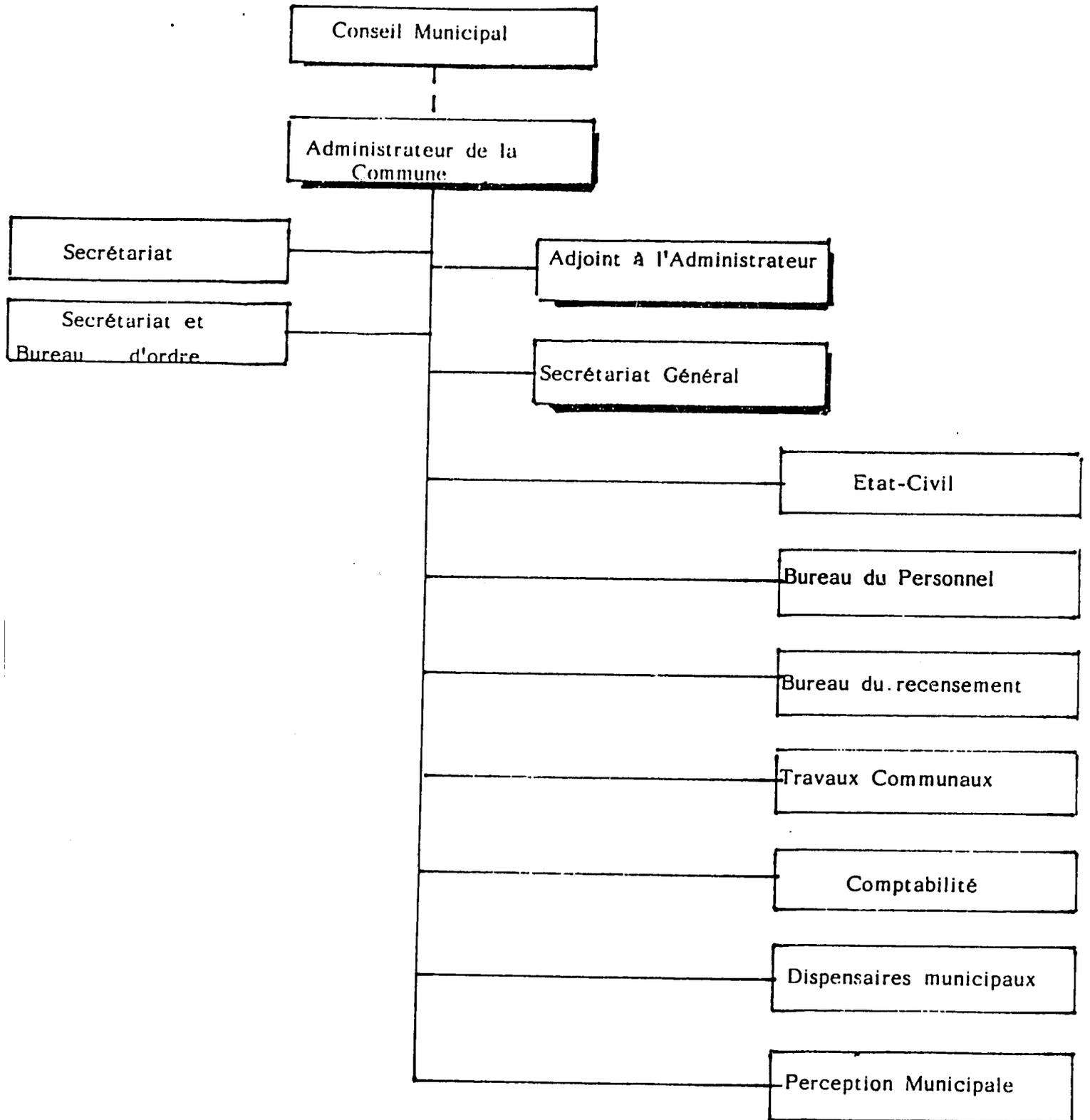


FIGURE 8

The following investments are included under the current budget:

- 18 million FCFA for improvements to the municipal tax collection office. The contract has been approved but the building was classified as a historic monument and certain obstacles still exist to its use by the commune.
- 35 million FCFA to cut roads and upgrade slums.

In addition to these investments funded by the commune, the following items are funded by other sources:

- The purchase of 3 tractors and 18 dump trucks through a special authorization involving the surplus from the prior fiscal year;
- 30 million for the development of the Nema market; 7 million for remodeling the Departmental Popular Athletic Education Center (CEDPS) and the party room; 2 million for renovating toilets at city hall. These capital operations are funded by a grant from the Capital Investment Fund.

Although the Communal Investment Plan for Ziguinhor has not yet been completed, communal officials have conducted a study of investments needed in the near and medium terms. They include the following:

- reorganization of the St-Maur market
- creation of a road post at the road transport station
- renovation of the "Les cases" campground
- phase one of road repairs
- creation of a social center and open-air theater
- construction of schools
- equipment for road maintenance (grader, back hoe)
- creation of a municipal library and archives.

This investment package is to cost around FCFA 350 million. The needed repair to drainage ways has not yet been budgeted.

Public treasury

Since the municipal tax office is not yet in place (although approved and budgeted), all local funds are managed by the regional treasurer and paymaster, who acts as municipal tax collector.

Therefore, the Ziguinchor regional treasurer and paymaster acts as regional

treasurer, municipal tax collector for the communes and rural tax collector for the rural communities. He has no service vehicle. His staff is composed of 20 communal agents (two bailiffs, one supervising accountant for market revenues, three clerks, one service agent and thirteen collectors) and thirteen central government employees. The communal agents are scheduled to be transferred to the municipal tax office when it is operational.

The regional treasurer and paymaster undertook a sustained effort in Ziguinchor to improve communal revenues; the evolution of the financial situation is very positive increasing from 9 to over 65 million FCFA between June 30, 1987 and June 30, 1988.

These results are explained in part by actions taken to collect local taxes, with the support of communal authorities. The commune supplied two light motorcycles to allow collection agents to reach taxpayers. In addition, the Treasury's enforcement methods were systematically applied (payment orders, preliminary statements, notices to third party holders of funds, etc.). Finally, an awareness program for municipal council members and the general population supplemented the Treasury agent's efforts.

On January 31, 1989, revenues collected during the current fiscal period amounted to FCFA 101,471,483, including 39,550,742 in local taxes.

From frank discussions with the Regional Treasurer and Paymaster, we learned that Ziguinchor is subject to liquidity problems because of the procedure for supplying Treasury funds, namely:

- Dakar makes allocations for salaries and central government pensions, but they are rarely sufficient;
- the capital investment fund is not actually paid, but is covered by promissory note
- Credit slips are prepared for the regional services, without the corresponding funding.

Because of these three practices, the regional treasurer and paymaster has to turn to funds collected locally, including funds generated by local taxes and other local government revenues. If needed to honor his commitments, the treasurer may call for funds from Dakar, which always takes time and effects the payment of communal vouchers. The question can be asked if the effort to collect local taxes is not partially explained by the Treasury's need to cover central government expenditures.

Communal authorities confirmed that a voucher for two million FCFA can take only two weeks to be paid, provided that the people involved follow up on the case. It is still equally true that relations seem to be excellent between the Treasury and the Commune, and a high level of cooperation seems to have yielded satisfactory results in the best interest of all. Still, the regional treasurer and paymaster would prefer that the municipal tax collector be put in place as soon as possible.

2) Regional services

Regional tax services

This service covers two regions, Ziguinchor and Kolda, and is divided into three comptrollers' offices. One comptroller is in charge of the commune of Ziguinchor, the second is in charge of the department of Bignona and the department of Ziguinchor, and the third is in charge of the Kolda region.

The service employs a total of seven persons: one inspector, four comptrollers and two tax base agents (one for Kolda and one for Ziguinchor). The logistic revenues include only one vehicle. Quarterly coordination meetings are held with the Treasury in order to discuss problems pertaining to the tax base, taxpayer identification, and addresses in order to limit erroneous assessments.

The censuses are conducted with the assistance of neighborhood leaders. The main problem in conducting the census is the absence of lot and street identification, especially in the peripheral areas of the city.

For property taxes, the inspector estimates that the impact of the exemptions introduced in 1987 will not be significant, because, according to him, the exemptions most often involve billings that were uncollectible. He sees the reform as having few repercussions on communal finances and being socially appeasing. The comparison of the registers before and after the reform seem to confirm this analysis. The billings of 1986, before the reform came to 159,712,389 francs while the billings of 1987 came to 140,533,971. However, it must be kept in mind that these billings involve all local taxes on the registers and that the exact impact on the property tax should be determined through a more detailed analysis.

Regarding the business tax, the inspector feels that the tax rates are too high and that they hamper economic activity. Furthermore, the tax base is poorly assessed because it does not include the informal sector. Billings amount to approximately FCFA 60 million, with an estimated potential of 90 million.

The following figures were collected:

Billings on the local tax registers for Ziguinchor (1987)

Property tax	53,974,200
Business tax	57,218,731
Garbage	23,341,040
Collection tax	

Total	140,533,971 for 2,982 tax payers
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Business taxpayers in the commune of Ziguinchor

- on registers	57,218,371	298 articles
- PPA (pay in the field)	3,720,976	279 PPA
	<hr/>	<hr/>
Total FCFA	60,539,698	577 taxpayers

The cadastre service

The service includes six surveyors and is awaiting the arrival of two technicians from Dakar with the vehicles and equipment supplied by USAID.

Buildings will be evaluated using two procedures: a detailed evaluation for large buildings, classification by category and assessment of developed surface area for others.

Plotting will be based on 1986 aerial surveys. However, a delay in starting operations may prevent the start of the supplementary investigations before the June floods. If the supplement is postponed until the 1990 season, the 1986 ariel photos may be difficult to use.

Economic profile

Ziguinchor's economic development has been based on its agricultural, forest, and maritime resources and favorable climate. In contrast to its relatively plentiful natural resources, the region's isolation from the rest of the country has severely hindered development. A port, the second largest in Senegal, constructed in 1955-56 represented an early attempt to provide an outlet for regional production. At the start the incentive of lower custom's duties helped commercial activity in the port develop. Subsequently the duties were set on a par with Dakar, and Ziguinchor's comparative advantage was lost. More recently, the government has attempted to improve access through the construction of roads throughout the region and development projects have attempted to increase the region's productive capacity.

Despite recognized potential, agricultural production remains low in relation to other regions. Ziguinchor ranks eighth in the country in industrial crops, cereal and other crop production. The department of Bignona is responsible for one half to three quarters of the region's industrial crop and cereals production.

The region's comparative advantage appears to lie in fruits and vegetables in which it ranks third in the country, largely due to fruit production. In 1985 the total value of the region's fruit crop was estimated at 1.4 billion francs. The production of bananas, mangoes, and citrus fruit is growing rapidly, the 1985 crop represented a

70% increase over the 1982-83 crop.

Forestry is also a mainstay of the regional economy. The largest forest reserves in the country are found there constituting approximately 115,086 hectares or 16% of the region. Reforestation efforts, principally eucalyptus and mangoes, are significant.

Because of its coastal location, fishing constitutes an important part of the regional economy, ranking fifth nationally. Shrimp has been the principal commercial catch. However, increased salinization and over-fishing have caused a drop in production. As a result the fish processing facilities in Ziguinchor have not maintained commercial viability.

The inability to get processing industries established that build on the region's production is also true for other crops. A peanut oil processing plant is the principal agro-industry in the region. Timber production and a few sawmills have not produced significant wood products industries such as furniture making.

In the early 1970's several attempts were made to expand the local economy. An artisan's village was built in 1971 with the participation of the commune and SOSEPRA (Societe Senegalese de Promotion de l'Artisanal d'Art) with the aim of producing art and souvenirs for tourists. Although it has been somewhat successful, it has not responded to the needs of the local population.

An industrial zone created in 1973 houses all of Ziguinchor's industries except for commercial bakeries. The local managing firm, SODIZI, provides assistance to firms. The occupancy of the zone is low, despite numerous requests for lots, because of the lack of capital to service the lots and to construct and expand facilities. A small number of small scale businesses are currently installed in the zone.

Tourism constitutes a relatively important activity as region has a capacity of 1668 beds (1986), ranking second among regions outside of Dakar.

RURAL COMMUNE OF NIAGUISSE

The rural community of Niaguisse was established in 1978, and is located in the arrondissement of Niaguisse. Its council is made up of 18 members, 12 of which are elected by universal suffrage. It has a population of 11,606.

The sous-préfet, who is also executive of two other rural communities in the arrondissement (Adeane and Boutoupa Camara Counda) has one secretary, bringing the entire work force of the sous-préfecture for the three rural communities to two persons. There is no deputy sous-préfet, no typist or driver, and the service car is shared with the Rural Expansion Center.

Each quarter, the sous-préfet calls meetings to explain the texts of the reform and keep the rural council members up to date.

In 1987-88 the rural community projected revenues of 8 million FCFA. The rural tax, which constitutes the main source of revenues, is fixed at FCFA 1000. Its collection rate is 100% thanks to the constant efforts of the sous-préfet (although he legally should not be involved in tax collection). Because of this collection rate the community is eligible to receive the capital investment fund grants.

There is a weekly market, but its facilities are inadequate and it generates very little income. Other potential resources such as the business tax, fines, minimum estimated withholding tax account for small portions of revenues. Local offices complain of that part of minimum tax withheld by employer is incorrectly allocated to Ziguinchor, evaluating the loss from Niaguisse's budget at approximately FCFA 1.7 million. A recent effort at better distribution made by the tax collector (regional treasurer and paymaster of Ziguinchor) resulted in improved allocation of funds, particularly of fines collected by the gendarmerie.

The pound, built with the assistance of the CER, generates between FCFA 100 and 200,000 per year. The council devotes most of its resources to solving water problems and for promoting school and maternity clinic construction.

The CER is relatively well-endowed with staff, composed of 10 agents: the center chief, one livestock agent, three agricultural agents, one fishing agent, two social development agents, one public schoolmaster and one health agent. The advisers play a major role in the settlement of numerous land disputes, in which the CER intervenes as a technical organization in charge of issuing clearance and reporting to the council members.

The center chief and the sous-préfet experience problems in exercising their authority over CER agents, who are inclined to listen only to directions from their respective departments.

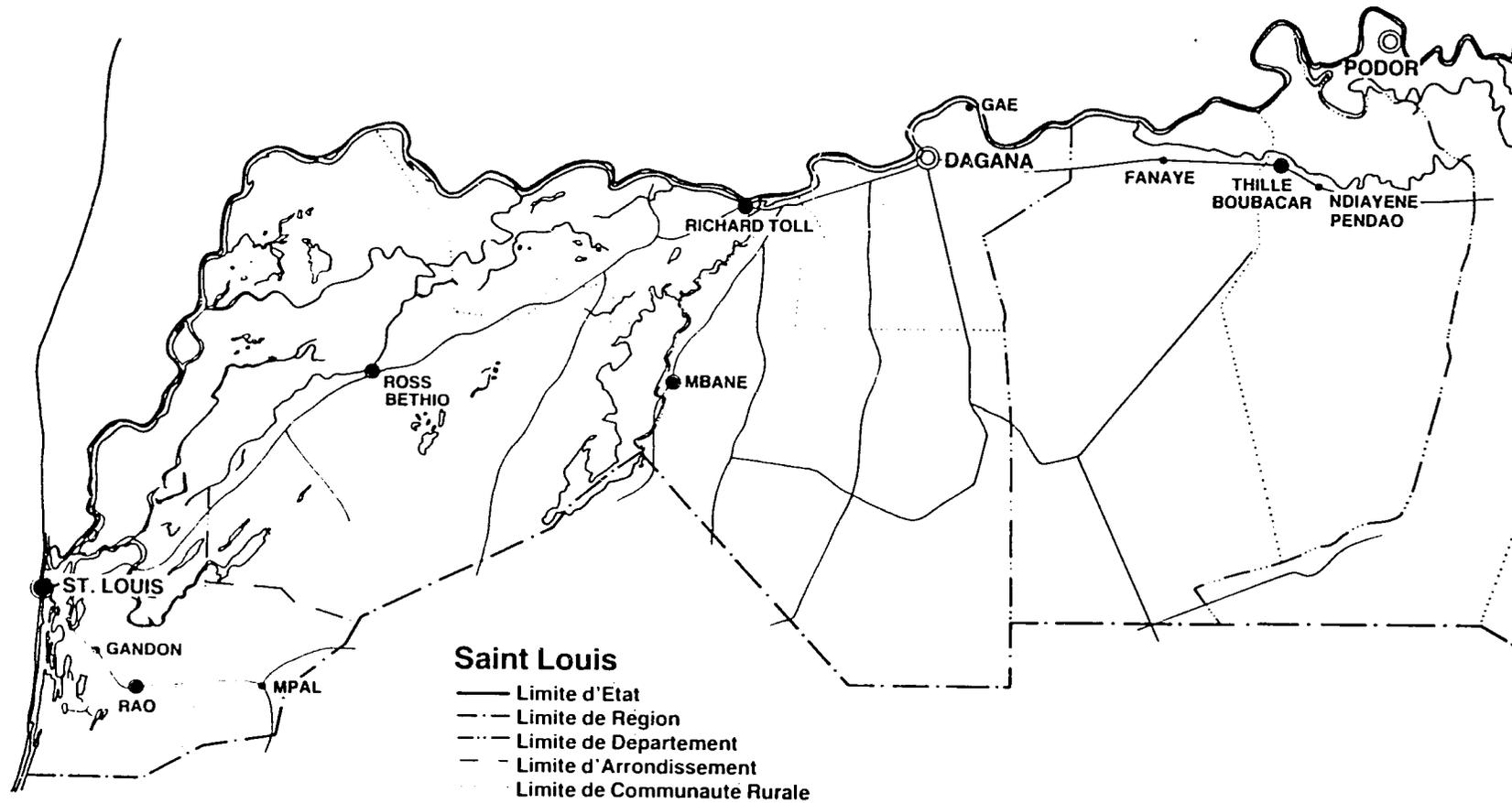
The question of the transfer of the sous-préfet's executive authority to the president of the rural council is also debated. The sous-préfet emphasizes the potential danger of such a transfer as illiterate presidents would pass unsigned documents to the sous-préfets, who would have full latitude to act without proper authority.

Frank discussion of problems with community authorities brought to light two problems impacting the development of rural zones:

1. The frustration of village leaders who lost their authority over the land after the reform of 1972, and as a result are only moderately committed to the tax collection process.
2. The frustration of the rural council members when the central government registers land in their name in order to lease it, but with no financial benefit to the community.

CASE STUDIES:

**COMMUNE OF RICHARD TOLL
RURAL COMMUNITY OF MBANE**



MAP 4

COMMUNE OF RICHARD TOLL

Introduction

Richard Toll is the newest of the Senegalese communes (1980). Over the years, this large agricultural village has grown from a population of 17,300 in 1970 to city with a population of 29,600 (1988 estimated). The Compagnie Sucrière du Sénégal (CSS) and its 4,500 workers, dominate the economic life of the town.

The rapid expansion of the town occurred largely in the form of squatter settlements, occupied largely by seasonal sugar cutters. The result is an increasing gap between the size of the population and the level of infrastructure. The city has only one small dispensary designed for 600 workers and the schools are inadequate, with classes of 60.

Richard Toll is not the regional seat, and thus has no special status. It is managed by a mayor, assisted by a municipal general secretary.

The mayor complains of the meddlesome aspect of DCL control, but emphasizes that he prefers serious supervision from Dakar to "haphazard" supervisor from Dagana, the seat of the préfecture.

1) Financial service organization

The municipal general secretary, in charge of budget execution, supervises the financial management, and is assisted in his duties by 7 agents including two agents responsible for keeping administrative accounting records, one revenue director, and one payroll agent. The financial staff also includes four market fee collectors. Financial documents reviewed by the team are properly kept. There is no petty cash advance fund, making it necessary to make supply purchases for three or four month periods.

The following problems were noted in discussions with the municipal general secretary.

Revenues

Of course, market revenues constitute the main resource and receive sustained attention from the authorities. Since the market is very active, four addition tax collectors will be needed in the near future. Monitoring checks conducted every month or two with the Dagana tax collector indicate that the commune can expect improved results.

In February, 1989, market space fees had already generated over FCFA 2 million, compared to a projection for the year of 3.2 million. The authorities believe

that, with more effective management, these market fees can easily rise to 4 to 6 million. There are also plans to separate and number the spaces, but this will involve a reorganization of the market.

Stall rentals are also subject to ongoing attention. A registration card system was implemented to monitor monthly payments of FCFA 5,000. The FCFA 3,265,000 in projected revenues had been exceeded by February (3,500,000 collection to date), as the result of the special effort to collect arrears in which the préfet established a deferred payment plan to allow regularization. The authorities believe that the rental charge could be doubled.

Fees for the use of space on public ways are also involved in this policy package. The monthly rate is currently F 400/m² and budgetary projections are 5.8 million FCFA. The February collection has already reached 3.3, with an assessed potential of 8.4 million.

The collection of the category 4 minimum tax will go into effect this year because neighborhood delegates have recently been appointed for the census and collection of the tax.

The sugar company does not constitute a considerable source of revenues for the commune. The company should owe business taxes amounting to approximately FCFA 4.3 million. However, it must be pointed out that the mission could not obtain a precise figure, and that this company's exact local tax status does not seem to be clear according to any of the services consulted. A suit is said to be underway in Dakar.

Caleches have been providing public transport for two years, and are numbered and taxed at the rate of 200 F per month. Caleches not based in the commune but going there to transport sugar cane are charged a tax of 50 F to cross the bridge.

The following rates apply to other taxes and fees:

taxis	4,500 per month
slaughterhouse	250 per head
health inspection of slaughterhouses	250 per head
tax on movies, shows	10% of gross revenues
tax on use of sports stadium	15% of gross revenues
latrine pumping fee	7,000 F per service

The following new taxes are currently being created by the council, and are in the process of approval by the supervisory authority:

- Household garbage collection tax (5% of property value)
- Fuel distribution tax
- Municipal stadium rental tax.

The communes efforts in creating taxes and in improving the management of existing taxes and fees is noteworthy.

Expenditures

What distinguishes Richard Toll from the other cities studied is the relatively small amount of personnel expenditures, and the small proportion charges for water (only 6 standpipes) and electricity. It appears that the infrastructure has been neglected in past years, accounting for the treasury surplus of 80 million FCFA when the new staff took over in 1985.

Special attention is now given to investments as Richard Toll is the only commune in the cases studied to have completed a capital investment plan (PIC). It includes the following productive investments in order of priority: road transport station, market reorganization, campground, purchase of agricultural vehicles.

The 26,657,727 FCFA capital investment grant was used to purchase a container carrier and trailer for garbage collection, to expand the electricity grid system, drainage improvements, repair public buildings, classroom improvements, youth center construction, school desks and master plan for the city.

Despite this renewed emphasis on infrastructure investments, the commune appears to be lagging in the provision of services reflected in the small portion of personnel in technical services department and in the appearance of the city.

Treasury service

Because Saint-Louis is not a departmental capital, departmental services are located in Dagana. Richard Toll has no municipal tax collection bureau so it is covered by the Dagana tax collector, who also serves as the city's chief accountant. The Dagana tax collector fulfills the following functions:

- Municipal tax collector for Richard Toll and Dagana
- Rural tax collector for Mbane/Gae/Ross Dethio/Rosso Senegal/Mpal/Gandon
- Accountant collector for central government services in the department.

The Tax collector's senior accountant in Dagana is the regional treasurer and paymaster for Saint-Louis.

Service organization

The tax collector, who has no vehicle or secretary, is assisted by 7 agents. The cashier performs the secretarial functions and the two agents in charge of the communes service were supplied by the communes of Dagana and Richard Toll. The agent from Dagana handles Richard Toll finances, and the agent from Richard Toll handles those of Dagana.

The agent in charge of the accounting service is also in charge of rural communities.

Like his colleagues, the tax collector mentions enormous problems encountered in collecting local taxes and complains of the poor quality of the registers (125 uncollectible listings out of 800 articles, for example). He indicates that property taxes had been overlooked in the preparation of Richard Toll's budget although 2.4 FCFA million have already been collected.

In February, the percentage collection of local taxes was around 32% of billings, or 5.5 million collected for 15.5 million billed. The registers for Richard Toll include approximately 1,400 articles. Bills were distributed in November, 1988 as scheduled.

The Dagana tax collector does not hesitate to implement all means at the disposal of the treasury to collect local taxes. He issues preliminary warnings (even against local officials), and third party holder notices, liens, supplemented by awareness campaigns with women and at the mosques.

The tax collector evaluates the losses due to the property exemptions initiated in 1987 at 40% for Richard Toll because many of the houses there are rental property and thus not exempt, and at 60% for Dagana which has a higher owner-occupancy rate.

Although the actions in the markets have been effective, they have not generated the expected revenue levels. The gendarmerie refuses to participate in enforcement action, arguing that "the commune does nothing for it."

According to the tax collector, the sugar company will be exempt from the business tax and the property tax until 2020. The minimum tax withheld for its employees amounted to 3 million for Richard Toll and FCFA 400,000 for Dagana.

The tax collection office seems to have good relations with the commune. The special characteristic of the Saint Louis region seems to be the absence of the liquidity problem in the treasury accounts due primarily to customs revenues from transactions at the Mauritanian border. Considering the revenues collected, the Dagana tax collector is in a position to send 80 million every month to Saint-Louis, and to supply Podor and Matam for the postal payment of immigrant checks (withdrawals of up to 46 million FCFA per month). This special situation explains the absence of difficulties in

paying communal vouchers.

Regional services

At the regional level, the inspector's office is located in Saint-Louis. It supervises and verifies all registrations made by the registers, settles disputes and especially checks the preliminary registers before sending them to the Peytavin center in Dakar.

The Saint-Louis regional inspector's office supervises 3 registers: Saint-Louis, Sor, and Dagana.

It has 4 agents for the two registers located in Saint-Louis (Sor and Saint-Louis), namely, a withholding agent who manages operating credits, an agent in charge of general income tax, an agent in charge of indirect taxes and a secretary. The inspector in charge has a car.

The Dagana register, located in Dagana, covers four communes, including Richard Toll and the six rural communities of the department. It is in charge of censuses and establishing the preliminary registers for local taxes. These censuses are generally conducted from November to June. Matam and Podor are censused in February, and Richard Toll around April. The Dagana controller has three agents including a secretary and two tax base agents. He estimates a need for two additional tax base agents. He explains that a twenty-day census in Matam made it possible to quadruple the amount of the business tax PPAs.

Three types of problems were identified:

1. lack of material resources censuses,
2. failure of local governments to participate materially in censuses: no fuel, no register preparation fees, no guide to accompany census agents,
3. political interference which encourages tax evasion.

The domain service

The Saint-Louis domain office is headed by a tax and domain inspector who serves as a registration inspector, domain tax collector, indirect tax collector, property conservator and curator of estates and vacant property. He is assisted by two controllers; one for domainal affairs and one for registration. The staff is supplemented by 3 secretaries, one tax base agent, one accountant and one a driver, i.e., a total of nine persons. The office has one vehicle.

Economic profile

Richard Toll's economy is based on the Compagnie Sucriere de Senegal's (CSS) large sugar processing plant, and the commercial activities that the town and the company's rapid growth have spurred. Despite the one company town appearance, agriculture, beyond cane production, is the mainstay for the economy of the hinterland economy.

The St. Louis regional economy ranks low nationally in crop and vegetable production (ninth in industrial crops, fifth in cereals, seventh in other crops, and sixth in fruit and vegetable production). However, there are specific crops for which the St Louis region leads the country. These include rice (75,000 tons in 1986-87), sugar cane (28,800 tons in 1982), and canning tomatoes (26,500 tons in 1986-87).

The region ranks high in animal husbandry. It ranked second in cattle raising, third in sheep and goats, and first in poultry. The Matam department leads in cattle, Podor leads in sheep and goats and Dagana, where Richard Toll is located, leads in poultry production. Dagana's poultry production is the highest in the country.

The value of the region's agricultural production has tripled in current values between 1974 and 1987 and maintained a stable level in constant values. It is one of the few regions to remain stable. This is largely due to the introduction of irrigated land and the industrial crops and rice production that has permitted.

Within the immediate area around Richard Toll, agricultural crops account for 77% of production while fruits and vegetables account for 2% and animal husbandry for 21%. This distribution is typical of most communes in Senegal. The total estimated value of this production, 1.9 million francs, ranked twenty-ninth nationally. However, on a per capita basis, the ranking rises to twelfth, probably due to the high value crop and higher yields permitted by irrigation.

Industrially and commercially, Richard Toll's economy is tied to CSS and the border location of the town. The sugar factories employ approximately 4,500 workers including 2,000 permanent and 2,500 seasonal and daily workers. It is the only large scale private employer in the town. ISRA maintains a research station that employs 84 workers. The rice processing factory employs thirty permanent and 60 seasonal workers. The commune employs 26 staff members. Because Richard Toll is not a regional administrative seat, the number of public employees is much lower than most other communes. Beyond these establishments, services and trade are characterized by many small merchants and tradesmen serve the industrial workers and the considerable amount of border trade with Mauritania.

RURAL COMMUNITY OF MBANE

The rural community of Mbane is located in the arrondissement of Mbane which is comprised of the two rural communities of Mbane and Gae. Mbane rural community's 1988 population was estimated at 19,251. The sous-préfet lives in Dagana, because there are no suitable accommodations for him in Mbane. He has one agent and a policeman to assist him.

The Arrondissement rural expansion center is composed of a center chief, a water and forest agent and a social worker.

There are occasional difficulties in rural tax collection. The tax was collected at a rate of 100% in 1985/86, making the community eligible for the capital investment fund. Collection for 86/87 was 93%, but fell to 72% in 87/88.

The authorities complain that other resources are being taken up by the commune of Richard Toll, mainly in the form of the minimum tax withheld by employers (TRIMF). Half of the population of Mbane works at the sugar company and 5,000 of the 8,000 workers in this company live in the arrondissement, therefore revenues should be higher.

The sous-préfet emphasizes the dynamism of his arrondissement in regards to community infrastructures, but also the bitterness about the appropriation of land by the CSS. Not only are no financial impacts felt on the rural community's budget, but non-government organizations are losing interest in the zone because they believe "the CSS controls everything."

Indeed, there are considerable problems, especially concerning water and wells, and the CSS is suspected of having taken over a spring for its own use.

Generally speaking, many residents feel that the installation of the CSS is forewarning of what could happen on a larger scale in land development in the post-damming phase. The discontent runs so deep that it is becoming difficult to call a meeting on land issues. A rural land cadastre will certainly not be implemented without major difficulties.

In Mbane, funds are being sought to repair an uncontrolled dam which has resulted in floods that have made a third growing season impossible.

Local officials choose to focus capital investments on more productive facilities and there are plans to subsidize youth projects, identified with the assistance of the CER, in the upcoming budgets.

Officials draw attention to the lack of respect of regional technical services for

the prerogatives of the rural council. They also identify the problem of relations with village leaders who are appointed by decree of the préfet (approved by the Minister of the Interior) and placed under the authority of the sous-préfet.

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