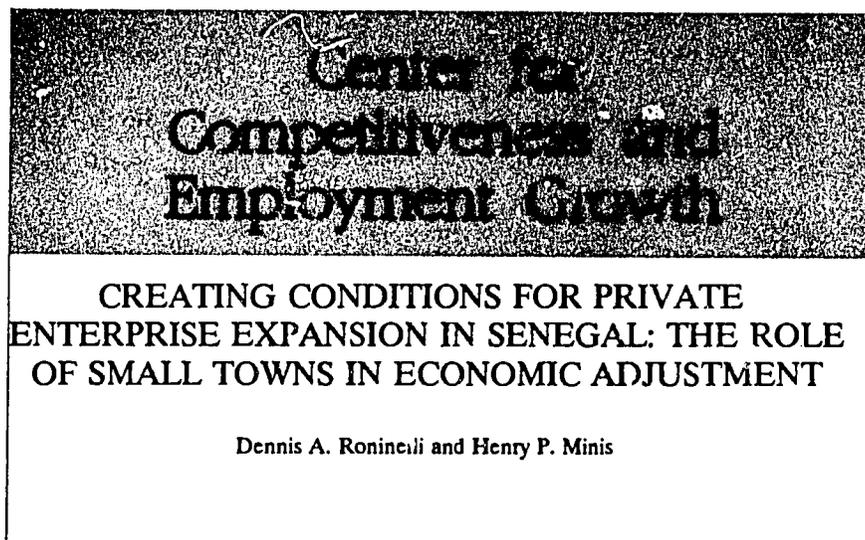


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CREATING CONDITIONS FOR PRIVATE ENTERPRISE
EXPANSION IN SENEGAL: THE ROLE OF SMALL
TOWNS IN ECONOMIC ADJUSTMENT

by

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Senegal faces serious economic challenges during the 1990s. The country now has a low level of per capita Gross National Product (about \$520 per year in 1987 dollars) and one of the lowest annual rates of growth in per capita GNP in West Africa. Indeed, its average annual per capita GNP growth rate has been negative since the early 1970s (World Bank, 1989). The annual growth rate of GNP at market prices was only 0.6 percent from 1975 to 1980, and increased modestly to 2.6 percent from 1980 to 1985. During the same period, however, inflation averaged 9 percent a year. The growth rate of gross domestic investment was negative during the first half of the 1980s, as was the growth rate of gross national savings. 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.[1]

In addition to economic stagnation, Senegal also suffers from rapid population growth and low standards of living. Population grew on average by about 2.9 percent a year during the 1980s. Projections estimate that it will continue to increase at an average annual rate of 3 percent for the rest of this century. As a result, 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. Over the next 35 years, nearly 4 million people will be added to the economically active population. Despite the declining percentage of the labor force

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, from 2.5 million in 1990 to about 5 million in 2025 (United Nations, 1988).

The poor health and inadequate education of the Senegalese seriously limit the productivity of labor. Life expectancy at birth is about 48 years. About 20 percent of the children under age five suffer from some degree of malnutrition. Half of the population lacks access to safe drinking water, and less than half has access to sanitation services.

Reinvigorating the economy will require the public and private sectors to increase agricultural production and expand employment opportunities in manufacturing and services. Government must also deal with the problems and opportunities accompanying rapid urbanization and decide how to cope with the increasing concentration of population and production activities in the metropolitan area of Senegal's capital, Dakar.

The nonagricultural economy is dominated by small-scale commercial, service, manufacturing and processing enterprises. 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 low-paying informal sector activities (PADCO, 1984).

Assessments of Senegal's economy during the 1980s lead to an indisputable conclusion: solving the country's social, physical

and economic problems is clearly beyond the resources of the central government (World Bank, 1987). Reversing economic decline will require local governments and private enterprises to play a stronger role in mobilizing and investing resources in physical infrastructure and productive activities.

As the government of Senegal attempts to recover from national economic problems and to stimulate economic growth in a more geographically-dispersed pattern during the 1990s, its ability to deconcentrate economic activities territorially from Dakar and the surrounding region of Cap Vert, and to decentralize its administrative structure to support local economic development, will become more important. The spatial deconcentration of economic activities and the decentralization of administrative responsibilities 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 outside of the Dakar metropolitan area. Deconcentration of central government operations will be crucial to facilitating private investment and in creating an administrative and legal environment that encourages rather than stifles private enterprise.

In this article, we describe a conceptual framework for understanding the relationships between administrative and spatial decentralization, the economic functions of small towns, and the place of small and medium scale enterprises in local

economic expansion. We then examine the trends in urbanization and the economic functions now performed by small towns and secondary cities in Senegal. We also identify the current weaknesses in small towns that limit their role as centers of regional economic development. Finally, we suggest policies and programs that would strengthen the capacity of small towns and secondary cities to facilitate the expansion of small-scale enterprises and more geographically widespread economic growth.

A CONCEPTUAL FRAMEWORK FOR DECENTRALIZATION AND ECONOMIC DEVELOPMENT IN SENEGAL

In order to increase national output and per capita income, 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.

As Figure 1 indicates, local economic development depends on a healthy national economy and on economic policies that provide incentives for investment. Government must also remove unnecessary regulatory constraints on the operations of private enterprises and informal sector activities. 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.

The government of Senegal must create an economic environment conducive to private investment--especially by small and medium enterprises--through changes in national policy. International lending institutions have been bringing pressure on the government to implement more effectively its administrative decentralization laws, which have existed since the colonial era. Legislation to create urban communes was passed in 1966 and modified in 1972 to create rural communities, but progress in strengthening local governments' administrative and financial capacity has been slow (Rondinelli and Minis, 1990).[2] Both urban communes and rural communities are governed by elected councils. However, the urban communes have their own administration and technical personnel while rural communities must rely on support from central government services.[3] Urban communes are responsible for providing a variety of basic services and some types of physical infrastructure.

The central government began deconcentrating its own structure by establishing field offices of the Ministry of

Interior, which is responsible for coordinating the activities of the central government locally and controlling the activities of the communes and rural communities [4]. This hierarchy includes governors, prefets, and sous-prefets who report to the Division of Territorial Administration in the Ministry of Interior.[5] In reality, however, regional offices are ineffective and compartmentalization of the administrative structure inhibits coordination (Rondinelli and Minis, 1990).

Finally, government must pursue decentralization by privatizing some public functions, a process that has only recently begun in Senegal. The government has offered shares to preselected and limited groups of private investors in several public enterprises involved in fish processing, shipping, textiles, and farm tools and has offered management contracts to private firms for some agribusiness and housing functions (Vuylsteke, 1988). Reforms of the agricultural marketing system were designed to permit greater private sector participation in the purchase of peanuts and rice from producers.

As Figure 1 shows, administrative decentralization can be a means of making government ministries and agencies more effective and responsive to local needs and of allowing local governments to raise the revenues required to provide, manage and maintain local services and infrastructure. Economic and market decentralization policies can strengthen the national economy by encouraging private investment and efficient operation of economic activities. Privatization and deregulation policies

should contribute to creating an environment conducive for increased private sector investment and production at the local level.

But programs for spatial decentralization are also needed to provide the financial and physical resources necessary for secondary cities and market towns to perform their economic functions more effectively. Spatial decentralization is an important strategy for promoting widespread economic growth because, when they have adequate services and infrastructure, secondary cities and towns can facilitate regional and national development (Rondinelli and Ruddle, 1978; Rondinelli, 1983, 1985). Although they now play limited economic roles as commercial and agricultural marketing centers, many Senegalese towns could become stronger commercial, service, handicraft and small-scale manufacturing centers. The 1976 census of employment showed that in towns that served as regional administrative capitals, commerce and services accounted for 18 to 30 percent, and handicrafts and industries accounted for 38 to 51 percent, of their economic activities. Programs promoting spatial decentralization of economic activities have only recently been enacted, however, and constitute the weakest part of the government's decentralization efforts.

THE URBAN SETTLEMENT SYSTEM IN SENEGAL

Policies to stimulate economic growth in Senegal must recognize the importance of rapid urbanization. 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 is now urbanized, 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). As Table 1 indicates, the number of people living in urban areas will nearly triple over the next 35 years, increasing from about 2.9 million in 1990 to about 4.3 million in the year 2000, and then rising to 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 quarter of the country, in and around metropolitan Dakar and in the Cap Vert Region. This increased concentration has occurred despite the relatively low growth rate of the municipality of Dakar itself over the past 12 years. Nearby urban agglomerations that are part of the Dakar metropolitan area, however, have grown rapidly. The town of Pikine, for example, with a population of about 624,000, grew by more than 6 percent a year

Table 1

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).

from 1976 to 1988. Most of the fastest growing secondary cities and towns in Senegal are within a 150 kilometer distance of Dakar (Enders, 1989).

Concentration of Urban Population and Economic Activities

In the Dakar Metropolitan Area

One of the serious problems that Senegal must overcome in order to stimulate widespread economic growth is the high concentration of urban population and economic activities in the Dakar metropolitan area and the surrounding region of Cap Vert. 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 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 heavily concentrated 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 located in the Cap Vert region. In the early 1980s, enterprises in Cap Vert 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 geographic distribution of people and economic activities is closely related, and that relationship will become an important dimension of development during the 1990s. The government faces the prospect of either investing in the services and infrastructure necessary to support small and medium-scale enterprises in secondary cities and towns, or accommodating in Dakar and Cap Vert a steady stream of migrants in search of employment. Formal employment opportunities are not being created fast enough, however, to absorb the labor force in Dakar and in other towns. 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 enterprises.

Over the next decade, the large concentration of people and modern economic activities in the Cap Vert region could intensify what is already a geographically dualistic economy 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. With the exception of Tambacounda, most regional capital cities have median household incomes that are 25 to 58 percent lower than those in Dakar (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 distances to use services and facilities located in urban centers.

Regional Economic Characteristics and the Growth of Secondary Cities and Small Towns

The 1988 population census indicates that despite their relative disadvantages compared to Dakar, many secondary cities and towns in regions outside of the Dakar metropolitan area are growing. Although several of the country's larger towns--including Thies, Kaolack, St. Louis and Louga--have population growth rates substantially lower than the national average, the urban populations of M'Bour in the Thies region, 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 higher rates than the national average.

Even slow-growing towns, such as Kaolack, which support nonagricultural economic activities and have important economic linkages with surrounding rural areas, have greater potential for development. Kaolack is located in one of Senegal's more productive agricultural regions. The region ranks first in industrial crops and cereals production. Thirty-nine percent of Senegal's industrial crops, including 65 percent of peanuts and

25 percent of cereals, are produced there. The region ranked first in the country in total estimated value of production in 1986. 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 percent (Government of Senegal, 1988).

Ziguinchor is also located in a region with comparative advantages in fruit and vegetable 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. Forestry is a mainstay of the regional economy. About 115,086 hectares or 16 percent of the region is covered by forest reserves, much of which have been replanted with eucalyptus and mango trees. Because of its coastal location, fishing is an important part of the regional economy. 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.

In the St. Louis region, where the secondary city of Richard Toll is located, the value of regional agricultural production 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, due largely to the introduction of irrigation, industrial crops, and rice production. Within the rural areas around Richard Toll, where the national sugar company is

located, agricultural crops account for 77 percent of production while fruits and vegetables account for two percent and animal husbandry for 21 percent. This distribution is typical of most communes in Senegal (Government of Senegal, 1988).

The economies of each of these regions depend on towns that serve as centers of processing, distribution, and exchange; and people living in the regions depend on the towns for jobs and services.

ROLES OF URBAN CENTERS IN THE SENEGALESE ECONOMY

Although the growth of larger towns has slowed in recent years, the 1988 census shows a considerable increase in the number and population of smaller towns. [See Table 2.] In 1966, there were only seven 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 (Enders, 1989). Among the 10 fastest growing secondary and small towns, however, five are within 150 kilometers 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.

The growing 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, towns with growth potential can serve as important "staging areas" for

Table 2
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
Velingara	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.

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a more geographically widespread pattern of economic development in the future.

Some towns already perform important administrative, economic and social functions that are crucial to economic development in their regions.

1. Administrative Centers. Many towns in Senegal serve as administrative centers. They accommodate national, regional and local government offices providing public services used by urban residents and by people from surrounding rural areas. For example, more than one-third of the Department of Louga's government bureaus are concentrated in the town of Louga, which also has half of the department's commercial enterprises, and nearly a quarter of the semi-public facilities (Gihring, 1986). As an administrative center, Kaolack also benefits from employment in public and parastatal agencies located in the city, where there are 43 regional offices of government agencies and public enterprises. About 51 percent of the formal sector salaried employment in Kaolack is provided by government agencies.

2. Service Centers. Some 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. Most of the regional capitals in Senegal are commercial and service centers. The 1976 census of employment showed that less than one-third of the economic activities in regional capitals were agricultural. The town 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). About 27 percent of all trips made by residents of the Department of Louga to the town are for commercial transactions--i.e., for shopping, health care, and water. 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 town (Gihring, 1986).

Much of the employment in Senegal's towns, however, is in the informal sector. Studies of informal sector activities in Ziguinchor, for example, 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 are one-person vendors. Three quarters of the vendors both processed and sold food products. Rough estimates indicate that the aggregate annual 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 found that street food vendors in Ziguinchor are an important source of

prepared food for all income and occupational groups: 35 percent are children high school or college students; about 17 percent are housewives; 24 percent are "white collar" workers; and the remaining 24 percent are primarily engaged in informal sector activities or are unemployed (Cohen, 1984).

The growth of towns increases demand for food and agricultural products from rural areas and, thus, can be an important stimulus for commercializing agriculture and increasing food production.

3. Market Centers. At the same time, many towns are agricultural and commercial marketing centers for their regions or for nearby rural areas. Ziguinchor, for example, 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 from the region--especially groundnut oils and derivatives, rice and maize--is shipped from the town (PADCO, 1984).

Kaolack is also a major agroprocessing 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, manufactured and consumer goods. About three times as much manufactured and consumer goods flow into the town as are distributed from it (PADCO, 1984). In Kaolack, the "Marche 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 are broken down for distribution in the region.

4. Manufacturing and Processing Centers. Much of the industrial activity in Senegal's smaller towns involves processing agricultural products. About 46 percent of the commerce and 44 percent of the nonfarm jobs in larger towns are also in agroprocessing enterprises. Richard Toll's economy, for example, depends heavily on the Compagnie Sucriere de Senegal (CSS), a large sugar processing plant, and on the commercial activities that the company's growth has spurred. The sugar factory employs about 2,000 permanent and 2,500 seasonal and daily workers. It is the only large-scale private employer in the town. A rice processing factory employs 30 permanent and 60 seasonal workers (Government of Senegal, 1988). Other towns have more extensive and more specialized industrial activities. Kaolack is the second largest industrial center after Dakar, and its industrial base also reflects the agricultural economy of its rural hinterlands. The major industrial employers are agroindustries. SONACOS, the peanut oil processing plant, employs about 1200 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 about 150 permanent and seasonal workers. These are all

largely export-oriented industries (Government of Senegal, 1988)

Other agroindustries contributing to the employment base in Senegalese towns are oil mills in Kaolack, Ziguinchor and Diourbel; tomato processing in Dagana; fish processing in Saint Louis and M'Bour; and shrimp processing in Ziguinchor (Government of Senegal, 1984a).

5. Transport and Distribution Centers. Finally, some towns are transportation and communications centers, physically linking people in rural areas with the services, facilities, and employment opportunities found in larger urban areas. Several major transport networks connect in Kaolack: the Dakar-Bamako railway, the Dakar-Gambia highway, and other roads to the Casamance and eastern Senegal. In colonial times Kaolack was an active port. Its location at a transport crossroads has made Kaolack one of the most important commercial and trading centers in the country, a fact clearly reflected in the variety of economic activities found in and around the market and the transport stations.

Not all towns in Senegal perform all of these functions, however; their ability to facilitate economic growth and to provide employment still depends heavily on generating more agricultural surpluses. But one analyst points out 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).

WEAKNESSES OF URBAN PLACES AS ECONOMIC GROWTH CENTERS

The deterrents to the evolution of urban places as economic growth centers can be categorized into five principal weaknesses:

1. Inadequate Physical Infrastructure and Services. Many of the economic problems in secondary cities and small towns arise from the lack of physical infrastructure and services needed to support small-scale enterprises and from weak economic and physical linkages among towns and between them and their rural hinterlands. Under the current administrative structure, urban communes are responsible for providing most physical infrastructure and many social services. The town of Kaolack, for example, is facing serious problems in managing its physical growth. Infrastructure for the control of storm water runoff and waste water is seriously lacking. Both open earth ditches and sealed concrete drainage channels are blocked by sand and garbage. 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 and a health hazard. Access to the market is difficult and the facilities are inadequate for the current level of activities, let alone for the

larger role a wholesale market could play in Kaolack's economy (Government of Senegal, 1985).

Economic development in the town of Ziguinchor, despite its relatively plentiful natural resources, has been severely hindered by the physical isolation and poor transportation access of the region surrounding it. A port constructed in 1956, the second largest in Senegal, represented an early attempt to provide an outlet for regional production. At the start, lower customs duties stimulated commercial activity around the port; but subsequent duties were set on a par with Dakar, and Ziguinchor lost its comparative advantage. More recently, the government has attempted to improve access through the construction of roads throughout the region and to undertake development projects to increase the region's productive capacity. But inadequate physical infrastructure in the town and poor access to its markets have contributed to the relatively low level of agricultural production in areas surrounding Ziguinchor.

The inability to get processing industries established that build on the region's existing production further limits growth. Although a peanut oil processing plant is the principal agroindustry in the region, timber production and a few sawmills have not contributed significantly to the expansion of wood products industries and furniture making (Government of Senegal, 1986).

2. Weak Local Tax Base. The decentralization laws gave local governments the authority to prepare, adopt and execute their own budgets, financed by locally-generated resources, but under the strict controls of the central government. Revenue mobilization appears to vary considerably among towns, and in most urban communes revenue collections are inadequate to provide the infrastructure required to support small and medium scale enterprises (Republic of Senegal, 1985, 1986b, 1987). The most important municipal revenues are local taxes collected by the Treasury: business, head, property, and alcohol taxes. Although important, their yields differ widely among towns.

Of the local taxes, the property tax is the least productive. Only about 20 percent of the taxpayers regularly meet their obligations and payments can be recovered from others only by issuing summonses, a costly and time consuming process (You and Mazurelle, 1987). The current base for the property tax is extremely narrow due to outdated tax listings and exonerations that extend to all but upper class owner-occupied housing. This increases the tax pressure on local productive activities. The property tax also remains underutilized due to ineffective property registration procedures and inefficient tax mapping, administration and billing procedures. These revenue constraints limit the amount of funds that municipalities can budget for operating expenses and capital investments in order to provide the services and infrastructure needed for local economic development.

3. Ineffective Land Policy. Current land policy requires cumbersome transfer procedures and offers little incentive for investment because of title limitations. Lack of access to land therefore constitutes a fundamental constraint to the expansion of small and medium scale enterprises. As a result of the centralized system of land management, many towns have not had a clearly-defined property status guaranteeing the rights of individuals and of public authorities to land ownership.[5] The consequences are the uncontrolled expansion of settlement areas, the encouragement of land speculation (through legal forms of purchase or sale of deeded land), and discouragement of investment by non-secured landholders. The urban communes have experienced serious problems with the process of land management because this system does not favor the registration of land in the name of local governments. Consequently, urban communes could not establish their own real estate equity. They now find themselves without an effective means to control urban development (through land reserves, for example), without adequate property to provide public facilities, and without the option of mortgaging to gain access to credit.

4. Insufficient Credit for Small-Scale Enterprises. Both small and medium sized businesses are severely constrained by a lack of credit from formal credit institutions and by guarantees that are poorly adapted to their operations. Structural adjustment policies recommended by the International Monetary Fund further restricted the amounts of credits government could

provide to small enterprises (Abt, 1985). However, a small credit assistance program funded by the U.S. Agency for International Development in Kaolack has demonstrated the ability of small businesses to absorb credit at little risk to the lender (Laurent, 1989). One potential solution to this problem may be to create lines of credit for suppliers who could in turn make the credit available to small businesses with which they deal frequently.

5. Weak Management Capacity in Municipal Governments. The implementation of devolution in Senegal has been undermined by a number of problems related to communal organization and personnel. Although municipal organization charts describe the basic relationships of communal departments, for example, little guidance is available to organize work effectively and efficiently. Local governments also have excessive numbers of administrative personnel in relation to qualified technical personnel. The lack of qualified technical personnel has produced serious problems in providing sanitation and garbage collection services in most communes and rural communities. In addition, many towns have problems with personnel recruitment. Although a 1974 decree specifies the general conditions for recruiting communal staff, in reality recruitment does not adhere to strict rules for meeting needs and is not based on clearly-defined job descriptions. Finally, there is no system for monitoring personnel and their performance and little incentive

for local officials to dismiss personnel who do not perform their tasks.

In brief, all of these managerial and financial weaknesses, and the inadequacies in physical infrastructure and services, make it difficult for local governments to create conditions conducive to private investment and small enterprise expansion.

POLICIES AND PROGRAMS FOR STRENGTHENING URBAN PLACES AS ECONOMIC GROWTH CENTERS

The objective of spatial decentralization policies is to distribute investments in urban services, facilities and infrastructure that support productive economic activities more widely among towns with growth potential. Administrative decentralization should 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 (Rondinelli, 1990). As more cities and towns grow in population and diversify economically, it becomes more difficult and costly for the central government to provide local services and infrastructure efficiently. The need for effective local governments increases as the urban system becomes more complex. Spatial and administrative decentralization policies should be closely linked together if

either one is to be successful. In Senegal, however, neither policy is now implemented effectively.

The government has only recently begun to use its resources to develop economic activities in cities and towns outside the Dakar metropolitan area. Provisions of the new investment code are interded 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 Thies.

Because programs for encouraging spatial decentralization in Senegal are quite new, little is known of their effects. However, serious obstacles remain to promoting economic development in urban settlements (Rondinelli and Minis, 1990). One thing is clear: the government of Senegal will have to adopt far more extensive reforms if it is to promote spatial decentralization of economic activities and strengthen the capacity of local governments to stimulate economic growth. The following programs would strengthen the capacity of towns to become economic growth centers.

1. Enlarged Property Tax Base. In order for local governments to carry out their decentralized functions more effectively, the central government must enlarge the base of the property tax by improving cadastral coverage and modifying the exoneration for owner-occupied dwellings. The current base for

the property tax is extremely narrow due to outdated tax listings and exonerations that extend to all but upper-class owner-occupied housing. This increases the tax pressure on economically productive activities.

2. Financial Management. The government must also 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.

3. Resource Reallocation and Decentralization. It will also be necessary for the government to reallocate resources and decentralize more authority to regional offices of technical ministries, 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.

4. Local Government Assistance. Improving the performance of local governments to respond to the enormous challenge that rapid population growth and economic stagnation pose will require extensive training of local government staff to plan, manage and maintain infrastructure and services that are essential to local economic development. The government must modify its extensive controls and increase its emphasis on helping local governments to improve their administrative performance. Municipal councils need additional human and material resources to improve their

administrative and technical capabilities. The greatest need is for personnel to maintain council-managed infrastructure.

5. Redefined Land Policies. Clarifying and simplifying land policy will be crucial to increasing the amount of land available for development in towns and cities. A variety of modifications could improve the situation. Allowing people to obtain leases in a shorter period of time, allowing local governments to create land reserves for housing and commercial activities, or permitting individuals to own land, would facilitate urban development and expand economic activity.

6. Private Sector Investment Support. The government must also create a conducive environment for private sector investment, and assist small-scale enterprises to expand. The Kaolack experience has demonstrated how a well-conceived loan program can spur the growth of small businesses and the potential for extending this program to other towns (Laurent, 1989). Targeted lending to established or newly created businesses involved in service provision would be a valuable demonstration of the role small enterprises could play in providing urban services.

In sum, the magnitude of economic problems facing Senegal during the 1990s will require mobilizing resources at the local level and stimulating private investment in employment-generating productive activities. Small enterprises will be the primary source of employment expansion in the foreseeable future. If adequate investments can be made in local

services and infrastructure and the revenue-raising capability of local governments can be strengthened, secondary cities and towns could make a greater contribution to regional and national economic growth. The government must give more serious attention to spatial decentralization policies before secondary cities and towns will be able to achieve their full potential as centers of regional development.

Footnotes

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

Senegal's agricultural economy has been adversely affected by frequent droughts, lowering output and crippling exports. 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 activities is in food production--fish canning, oil mills, peanut processing, and sugar and confectionery--agricultural output directly affects industrial output.

2. In 1986, the government eliminated all restrictions, other than those imposed by common law, on the marketing of grains other than paddy rice and began eliminating price controls on agricultural goods and food commodities (Marsden and Belot, 1987). It 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.

3. 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 (Government of Senegal, 1984c).

4. 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.

5. 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 (Government of Senegal, 1984b).

6. 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.

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 percent) 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.

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).

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