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**SENEGAL M.A.P.S.  
FORMAL SECTOR SURVEY**

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## EXECUTIVE SUMMARY

The state of the Senegalese economy, from the perspective of leaders in the formal sector, is very poor and not conducive to development of the private sector. Less than three per cent of those interviewed feel that conditions have gotten much better. More than half feel that conditions are either unchanged or have gotten much worse during the same period, with the industrial sector being particularly distressed. More than half of the business leaders interviewed indicated that there was either a decline or a sharp decline in their volume of sales during the past year and only a third feel that things will improve next year.

Those involved in industrial and agricultural production, the two major targets of the NPI (New Industrial Policy) and NPA (New Agricultural Policy) respectively, are more likely than their colleagues in other sectors to suggest that conditions have gotten much worse.

The level of foreign investment appears to be quite modest, although by local standards, the sums may seem quite substantial. More than half (51%) of the firms included in our sample are owned wholly, or in part by foreign, primarily French, investors. The overall investment climate in Senegal from the perspective of business leaders in the formal sector is very poor because of:

(1) the high cost of inputs and basic services

The price of the most basic services (e.g. telephone communications, electricity, and water) top the list of factors having a negative impact on output. The reliability of telephone service and electricity are quite poor. These factors were ranked higher in importance overall than even such widely documented problems as the lack of access to credit and the prices of primary materials.

(2) the lack of availability of stable credit mechanisms

Of the 211 firms included in our sample, only about a third (35.5%) received any capital from commercial banks. Other than commercial banks, the only major source of capital/credit identified appears to come from suppliers, who provide goods on consignment. The impact of other types of credit, other than that coming from family and friends, is minimal.

The lack of credit and or difficulties in obtaining credit are among the most important obstacles cited to private sector development. The banking system has, for all intents and purposes, ceased to function. Guarantees required to obtain credit are such that only a very small percentage of the firms examined have any financial support from commercial banks.

(3) the relatively small size of the market and lack of a genuine export orientation

The market orientation of most of the formal sector firms in Senegal is strictly local. The overwhelming majority of firms (72%) sell most or all of their production on the local (Senegalese) market.

The source of supplies of primary products for businesses operating in Senegal is a bit more diversified, but still heavily oriented to the local area. More than half (55%) of firms obtain supplies, on average 64.4 per cent of their primary products, on the local market. The role played by the EEC as a supplier of inputs is, as expected, very important. Nearly half of all firms (45.5%) receive supplies from this source, with the average being nearly two thirds (66.3%) of inputs. It should be further emphasized that most of the supplies from EEC countries are from one country, France.

(4) a policy process which has excluded the private sector from participation during the formative stage

Rapid, unpredictable changes in regulations governing the private sector was ranked as the number one obstacle to private sector development. Virtually all new private investment appears to have been put on hold until the policy and regulatory situation is clarified.

The policy making process in Senegal is not conducive to providing access at early stages in the process to the private sector. The general lack of government consultation with the private sector is regarded as a major obstacle to development in this area. Three fourths of the business leaders interviewed feel that this is an important (33%) or very important (42%) issue. Of the forty five obstacles considered, it ranks third overall in importance and second for those in the agricultural and service sectors.

(5) a set of uncoordinated, unevenly implemented regulatory agencies and mechanisms which are both costly and unweildly

The unevenness with which the regulations are applied is another thorn in the side of the business community. Not surprisingly, certain individuals are perceived as receiving "special" treatment. More than half of the business leaders cited this as an obstacle to the growth of their own businesses. Several top business leaders were quite open in indicating that they were only able to function as well as they were because of close connections with or direct involvement by key political leaders. They underlined the fact that even with these ties, they still had many problems in dealing with functionaries and inadequate and inappropriate government policies. Several indicated that they could not see how some of their colleagues, who lacked such connections, were able to function at all.

(6) a functionary "mindset" which either does not understand or is directly biased against the private sector

Interactions between the business community and the bureaucracy generally have a negative tone to them. Most entrepreneurs feel that the negative attitudes of the Government toward the private sector and the general lack of understanding of the private sector by functionaries, present them with serious obstacles. The very same people who distrust and/or are jealous of private entrepreneurs are now charged with regulating and promoting growth in the private sector.

(7) a high degree of uncertainty created by 4, 5 & 6 above.

(8) ineffective business and professional associations which are weak in both lobbying and data collection and the analysis and dissemination of information

The primary obstacle to private sector development, uncertainty generated by rapid changes in the regulatory environment, is what these organizations must address first. The ability to provide information on Government policy and to engage in a dialogue with the Government on these issues are regarded as very important by seventy one and sixty nine per cent of the business leaders respectively. This is closely followed by the desire to obtain information on markets and market conditions.

(9) few opportunities in the most important of Senegal's sectors, agricultural production and transformation

While diversification is the most obvious strategic necessity, the general lack of confidence in investment in the agricultural sector would suggest that most food production will remain artisanal and oriented toward subsistence, rather than the market.

(10) there is little likelihood that the unemployed, underemployed and new entrants to the labor market will find much relief in the formal sector

The key factors here appear to be the relatively low level of productivity of Senegalese workers and the lack of any practical training provided by the formal education system.

The employment picture for women in the formal private sector is particularly grim. While eighty per cent of the firms in our sample employ some women in permanent positions, the average is only 4.2 (less than 10% of the comparable figure for males). Furthermore, most females employed in permanent positions are at the level of secretarial and less skilled, lower paying jobs.

Women seeking serious involvement in the economy seem to be confined to the informal sector or to intense competition for a very limited number of positions in the formal sector.

(11) there is little motivation to invest in improvements in private sector firms

The business community generally seems to feel that the major problems and constraints they face are exogenous. The state of the economy, problems with Government policy making and regulatory mechanisms and the availability of credit all seem to be the major preoccupations which must be dealt with before endogeneous changes can be dealt with.

The most frequently cited action is improving their own management aptitude or knowledge. Improving marketing practices and developing improved marketing strategies ranked at the top of the list for the industrial sector and second for those involved in commerce. For the agricultural enterprises, capital investments and introducing improved production and quality control techniques are the most important priorities.

(12) Investment Opportunities appear to be limited

Tourism and commerce seem to be the only areas in which there is any significant degree of confidence expressed by the business community.

Even in the areas rated as best for investment, less than a third of those interviewed had a strong sense that the opportunities are very good.