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Obstacles to Business Expansion in a New Environment:
The Case of Senegal
(Translated from Original in French)

African Economic Policy
Discussion Paper Number 31
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Equity and Growth through Economic Research

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Abstract

Liberalization efforts undertaken to date by African countries, including Senegal, have dramatically changed their macroeconomic and private sector environments. However, many enterprises are still not able to take advantage of new opportunities. Many hypotheses have been advanced to explain this. First, it is possible that the liberalization efforts to date have only been partial. Second, it is possible that the private sector is responding, but its activities are not being accurately measured. Finally, private firms may not be adequately equipped to respond to the new challenges offered by liberalization and increasing economic integration.

The real or imagined inertia of the private sector is the focus of much attention in the development world. This study was conceived within the framework of a public-private sector dialogue on this topic. USAID/Senegal seeks to assess the nature and breadth of the constraints affecting the business environment and hopes that the results of this study will permit the prioritization of future reform efforts.

The approach used and developed by AIRD is based on firm-level interviews. It consists of the classification and quantitative evaluation of constraints as identified by the enterprises themselves. In order to assure the cooperation of firms and the collection of reliable information, the firms were chosen based on personal contacts and the intervention of professional organizations, with an eye to sample diversity across sectors. The sample consists of thirty-one firms of all sizes, representing nine sectors of economic activity and targeting industrial country, regional, and local markets. Our findings, while not statistically significant, are offered to stimulate a debate in Senegal about challenges facing the private sector today and to suggest axis of reflection for the future.

Several major constraints were identified during the course of the interviews, including electricity supply, capital firm management. The ensuing recommendations, which will be debated at a private sector-government roundtable in Senegal in December 1999, are summarized in this report.

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Mabousso Thiam [thiamace@telecomplus.sn], Managing Director of a livestock unit of more than one thousand head and producing pasteurized milk and fruit juice, as well as Vice-President of the Senegalese section of the West African Enterprise Network (WAEN), is well versed in private sector analysis and banking operations. His experience in the private sector has enabled him to draft bankable projects and design strategic plans in order to acquire funding from commercial banks for his activities. His extensive experience includes, among other things, regulation and supervision of commercial banks as a senior executive at the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), which is the Central Bank of the West African CFA countries.

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INTRODUCTION

Since the devaluation of the CFA Franc, the Senegalese Government as well as other member countries of the CFA Franc zone has implemented large-scale reforms to boost their economies. These reforms were undertaken to liberalize the economies, reduce the public and semi-public sectors and improve the business environment to promote private sector activities.

The liberalization efforts undertaken by Senegal to restore the major economic balances and liberalize its economy are bearing fruit and this can be seen by its macro-economic indicators. Since the devaluation in 1994 and after more than a decade of growth rates below three percent, Senegal today enjoys growth rates of more than five percent. Between 1994 and 1997, the gross domestic product increased from 4.8% in 1995 to 5.6% in 1996 and 5.2% in 1997. The sub-sectors that contributed the most to this sustained growth are construction and public works, services and industry. On the other hand, the agricultural sector did not register good results due to unfavorable rainfall. After a short increase in prices during the months following the devaluation, inflation went from 32% in 1994 to 1.8% in 1997[1]. In addition, exports increased. Compared to the years before the devaluation, the value of the exports increased significantly.

As part of their reforms, the Senegalese Government significantly improved public finance and the budgetary deficit. The deficit hovered around CFA F 40 billions (GDP percentage) in 1994. A surplus of CFA F 1.7 billion and 2.8 billion was realized in 1997 and 1998[2] respectively. In large part, these results are due to better tax recovery despite the implementation of the common external tariff in April 1998, which reduced the customs tariffs and simplified them considerably. The Senegalese Government has also reduced its payment arrears, current expenditures, and substantially reduced the public sector.

These reforms were followed by other actions that demonstrated the Senegalese Government's commitment to improving the business environment. For example, the first stage of the modernization of the justice clerks' offices has been carried out. In order to alleviate the inadequacies of the present judicial system, an arbitration court has been established within the Chamber of Commerce of Dakar. At the end of 1998, most of the privatization operations started in 1994 were finally brought to an end. Moreover, the Senegalese Government initiated a national debate on the management of public affairs to improve governmental cash management.

To that end, a financial disciplinary court was established to sanction all mismanagement of public resources. An inspection commission was set up to check on the quality and efficiency of judicial decisions. Finally, the government has started to introduce a reform that, from now on, will base the promotion of civil servants on merit not only seniority.

JUSTIFICATION OF THIS STUDY

In addition to macro-economic reforms, the Senegalese Government shows an increased interest in the problems facing private sector companies evidenced by the private public sector dialogue, the numerous support programs for the private sector and studies that Senegalese decision-makers requested development partners to undertake, among them USAID and the World Bank.

This study, requested by USAID/Senegal, is part of the improved dialogue between the public and private sectors. USAID/Senegal wishes to identify the nature and scope of the last existing constraints in the business environment and would like for the results of this study to lead to a list of priorities for future reforms.

The interest shown in the problems of the private sector is warranted given that, in spite of substantial improvement in the environment, the companies in general, the medium and small ones in particular, are unable to take advantage of the new opportunities. The obstacles mentioned are numerous. They comprise, among others, the lack of working capital and investment funds, restrictive hiring and dismissal procedures, inappropriate infrastructure, a costly, slow and unpredictable legal and judicial environment, limited market opportunities, costly transportation services and high tax rates.

The litany of constraints is not of equal importance. They affect the companies differently according to their size and sometimes vice versa. For instance, one of our recent studies shows that the larger the company, the better it is in a position to secure important fiscal concessions. To the contrary, the smallest companies lack such a lobbying capacity and thus are reduced to negotiate "arrangements" with low-level civil servants. These transactions have costs in terms of time and money and are a burden[4]. In contrast, large companies are more subject to controls from the Ministry of Labor or conflicts with trade unions than small ones who are often less visible.

These obstacles also vary by the market orientation of the companies. One of the objectives of the reforms of the structural adjustment programs is reorienting the production traditionally destined for the domestic market toward exports, preferably to industrialized countries. Our research in West Africa shows that companies established during the era of import substitution face more problems in their transition from producing for the domestic market to producing for exports[5]. These companies are less equipped to compete against those of the industrialized or emerging countries. They lack human resources, business information on the external markets and expertise. Moreover, the delicate transition toward export markets is worsened by the difficulties of the export procedures, the supply of tax exempted inputs, export financing, the respect of quality norms and delivery deadlines.

The relationship between companies and the public administration is also important. Public administrations should be subjected to overall laws and regulations conducive to the development of the private sector. In theory, the administration should not intervene in the daily activities of companies. However, a previous study conducted by the same team shows that administration agents increase harassment as soon as an opportunity presents itself. This behavior takes on different forms. Agents may conduct unscheduled controls and threaten unjustified sanctions. Complex laws (customs code, tax code) that are not transparent create a legal environment favorable to informal agreements between companies and civil servants. It is likely that the magnitude of these problems vary in accordance with the size, the industry and the market orientation of the company.

Given the numerous problems facing companies, it is difficult for donors and governments to define reform priorities. As part of this study, we propose to assess the importance of obstacles for different kinds of company in order to establish constraint priorities. This assessment is done in accordance with a methodology developed by AIRD. It includes the classification and quantitative assessment of costs incurred in terms of time, tied-up capital and expenses.

This methodology has been tested in several countries. To provide the best chance of success when interviewing business managers/directors, the team included economists and business people. The questionnaire was written to insure maximum information in a short time. The result shows the main trends regarding the most important difficulties confronting the companies. The recommendations also propose directions for appropriate solutions.

It is more than likely that the lessons drawn from this study may be applicable to other African countries facing the same kinds of problems. To this end, this study will help improve the support programs for the private sector as designed by the multilateral and bilateral donors as well as governments.

METHODOLOGY AND RESEARCH QUESTIONS

The methodology used in this study was developed by Associates for International Resources and Development (AIRD) while carrying out another study where estimates for the cost and benefits of the elimination of barriers to the expansion of non-traditional export products in Africa, particularly Ghana and Madagascar, were highlighted. This approach was extended to the study of the legal and judicial environments in Madagascar[6]. As mentioned earlier, AIRD progressively changed its approach with the study of transaction costs in Cameroon in order to prioritize barriers by involving private operators in drafting the questionnaires used.

Private business people, representatives of public institutions, and other participants were interviewed to obtain quantitative and qualitative information on the constraints confronting companies. Informal discussions with related organizations and groups helped to complete the information gathered from companies.

Given its nature, the study was met with reluctance from some private business. Some companies are dubious about surveys aimed at assessing the business environment and issuing recommendations.

The questionnaire has two parts. The first part aims to place the company in the context of its industry and asks the company to identify obstacles to a better use of its production capacity. This production capacity is used as a performance indicator. Thus, the study team and the company establish a good relationship and a context in which specific problems are identified. In the second part of the interview, companies are asked to prioritize constraints and each is discussed in detail. Companies are requested to refer to the information provided in the first part. The detailed questions are designed to identifying the costs incurred as a result of time spent by company personnel in relation to these constraints; tied-up capital that may have been used for other ends or for direct expenses. The questionnaire was designed so that each interview would not exceed ninety minutes.

The companies were selected to assure good representation of exporting companies or companies with real export potential. Selected industries include data processing, gardening, fisheries, “afro-centric” products, and labor intensive manufacturing. Given the nature of the study, it was important to obtain the companies’ cooperation to gain reliable information. Thus, the companies were not selected at random but with the input of professional organizations (SPIDS for instance).

The companies were also selected based on personal contacts and their availability to participate, keeping in mind the need for diversification regarding the activity, the size of the company, and its years of existence, the export market and other criteria. Given the qualitative requirements of the study, discussions involved targeted company executives only.

This study comprised the following steps:

1. During the initial phase of this study, the Mission undertook preliminary interviews with civil servants, private operators and some representatives of the civil society (scholars, consultants…). This led to drafting a preliminary questionnaire.
2. The team did a literature review to see to what extent the questions raised during the preliminary interviews had already been studied.
3. The questionnaire was tested with some companies and changed as needed.
4. The supervisory committee was consulted at each important step of the study. The mission presented the study to the members of the supervisory committee at the beginning of the work. The committee was consulted during the submission of the preliminary and final reports;
5. Once the surveys were completed and the data collected, the mission wrote this final provisional report.

Research Questions

The study is intended to answer the following questions:

1. What are the constraints confronting the companies: acceptance in special incentive programs, hiring, training, firing of workers, access to tax-exempted inputs, access to foreign currency, import and export financing, import and export procedures, use of infrastructure such as water, power, telecommunications, transportation, enforcement and payment of taxes, government interference in company operations?
2. Do the problems vary by: size, origin of the capital invested, quality and expertise of the management team, sector of activity, age, level of success, means of transportation (land, sea, air, rail)? How could the problems be solved in the short, medium and long terms?
3. What are the characteristics of a good exporter? How did the exporters move from the domestic market to the regional market to industrialized countries? To what extent do exporters have family, ethnic or business relationships abroad? How should the companies focused on the domestic and regional markets be assisted to penetrate external markets?
4. How do the companies perceive the Government? Does this perception vary by the size or the activity of the company? Does the government intervene in the daily operations of the company? If so, what are these interventions? What are the roles and responsibilities of the

intervening institutions? How is this implemented? How could the relationships between the government and the companies improve in order to promote business and expanded exports?

The questionnaire used is based on the following eight sections:

1) General information on the company;
2) Identification of constraints;
3) The labor market;
4) Investment incentives;
5) Short term financing;
6) Import and export procedures;
7) Public utilities (water, power, telecommunications…);
8) Administrative bureaucracy.

In the literature on the private sector in Senegal, three works constitute the foundation of this study: Senegal-The investor's pathway[7], *Sustainable Private Sector Development in Senegal: Strategic Considerations*[8], Summary of the Documentation on the Private Sector[9].

The questionnaire was drafted and tested in October. During the October trip, the team identified some of the companies interviewed and had the first supervisory committee meeting. The Senegalese section of the West Africa Enterprise Network was the host institution for the supervisory committee.

LIMITATIONS OF THE STUDY

This study does not pretend to have any statistical value. Rather, it aims to provoke discussion and complement other studies undertaken to this date. The objective was to include companies that export or have the potential to export. Efforts to get telecommunications services companies involved did not bear any fruit. These companies are very reluctant given the novelty of their activities. Finally, this study tries to present a realistic picture of the Senegalese private sector. However, our study does not include any informal sector companies, which represent 90% of the labor force and contribute 50% of the economy's entire GDP.

The size of the sample did not allow the team to define the profile of a good exporter. Among the companies interviewed, few export to industrialized countries and each one represents a particular case rather than a trend that may be generalized. This is in part because some companies declined to participate in the study. On the other hand, most of those that export to industrialized countries are tax-exempt companies funded and managed in partnership with foreigners.

SAMPLE DESCRIPTION

The sample under study comprises 33 companies[10] with capital between CFA F 1,000,000 and 1,000,000,000 with total sales of more than CFA F 118 billion.

The studied sample included 23 SME/SMI (determined on the basis of an authorized capital of less than CFA F 500 millions and less than 100 employees), or 70% of the population, and 10 large companies.

Their sales vary between CFA F 60 million and 12 billion. These companies employ 6,012 workers, of which 51% are temporary. The number of employees per company varies between 10 and 2,078.

Their presence on the international market is as follows:

- 67% of the companies visited export less than 20% of their production; and
- 18% export more than 80% of their production.

Among the latter, 13% of the companies export exclusively to industrialized countries, 57% in the region and 10% export to both.

The sectors under study within the sample are distributed as follows:

- chemical industry: 23%
- textile and clothing: 23%
- wood, paper, cardboard: 17%
- food industry: 16%
- construction and public works: 6%
- mechanical industry: 6%
- fisheries, gardening and new technologies: 3% respectively.

In general, the production capacity utilization varies widely from company to company with one consistent theme; the utilization rate is low, in most cases, below 50%.

CONSTRAINTS ANALYSIS

The priority given to each constraint is an aggregation of the priorities of all of the companies (between 1 and 5) given by each company for each constraint. The total is given in parenthesis in the following list:

I. Electricity (165)
II. Financing (107)
III. Access to new markets (103)
IV. Competition with low cost imported goods (92)
V. Inappropriate raw material supply (91)
VI. Lack of transparency, stability and predictability if the legal environment (91)
VII. Competition with locally produced goods (83).

1) Electricity

Senegal meets its electricity needs through processing of imported oil products. However, it is worth noting the marginal power production of the natural gas turbine fed by wells located near Dakar. Most of the electric generators with a total capacity of 295 megawatts are located in the Dakar area. Until recently, the National Electric Company (SENELEC) was 100% state owned and enjoyed a monopoly in terms of distribution, production, which could have been done by private companies under certain conditions.

The privatization process of SENELEC started in January 1998 with the enactment of Law 98-01 by the National Assembly opening the company's ownership to the private sector and ended in March 1999. The state kept only 41% of the shares. However, the regulatory body is yet to be set up.

The goal of this reform is to improve electric services, reduce their costs, increase a notoriously insufficient power production by modernizing the equipment, and speed up the electrification of the country. In Senegal, the electricity rates vary by time slots. In general, the low voltage tariffs are higher than the medium voltage, which, in turn are higher than the high-tension voltage. Compared to other countries in the region, rates in Senegal are clearly higher. For instance, the low voltage tariffs for professional use are higher compared to those of Togo, Benin, Cote d'Ivoire or even Mali at 72%, 62%, 33% and 31% respectively (see table 1). The medium voltage tariffs charged to industries are also higher than that of the other member countries of UEMOA. Senegal's tariffs are 50% higher than those of Cote d'Ivoire, 36% more than Benin and 10% more than Burkina Faso. However, they are at par with those of Mali and Niger[11]. In addition to those tariffs, a value-added tax of 10% and a municipal tax of 2.5% are added for consumers of low voltage electricity.

Table 1: Electricity Tariffs in CFA F per kWh

	Senegal	Benin	Burkina	Côte d'Ivoire	Mali	Niger	Togo
Low voltage (professional use)	107.18	66	70	65.93	82	70.71	62.4
Medium voltage (general tariff)	55.88	41	51	37.13	55	55.35	53
High voltage long use	36.48	NA	NA	14.85	48.35	NA	NA

Source: Business Environment in West Africa.

For years, the cost of electricity was among the major complaints of the private sector. For the past three years, daily power outages have become a major constraint. Thus, the quality of electric power has overcome the cost of power as the major constraint. The outages are numerous and the reason for the deterioration varies. Problems are partly explained by the increase in demand for electricity that the power company is unable to meet, the outdated facilities in need of modernization, and the mismanagement of the electric company. Most likely, the current situation is the result of a combination of all these factors, and should they continue, they will dangerously compromise the performance of the industry. During a press conference, the Head of State indicated that power outages amount to .7% decrease of the growth rate for 1999.

Following numerous outages, all the companies interviewed, with the exception of those located in the free industrial zone and those who have their own electric generator, indicated that the quality of electric power is primary constraint to their activities.

To allay these difficulties, most companies in the sample bought electric generators to insure minimum electrical service. The output of these generators varies between 27 kV and 630 kV. According to the companies interviewed, the generators produce electricity at a cost 15% higher than that of SENELEC. This deviation can be explained by the high taxes on petroleum products.

For the companies, the costs incurred because of a faulty electric service are important. Three of the large companies assess the resulting costs from the power outages (electric generators operating costs, loss of production and material deterioration) at approximately 10% of their total sales. The small and medium industries were unable to account for their costs with the exception of one that estimates the operating cost of its electric generator at CFA F 4.8 millions for 1998 or 8% of its total sales. It is worth noting that some industries are more sensitive to power outages and fluctuations than others. For example, a company in the plastic industry estimates its losses at CFA F 500,000 per outage.

The Investor's Pathway reports that lacking its own generator, a company estimated that the power outages lead to 436 hours of lost work (or two months) for a company that is open eight hours a day, six days a week.

To obtain additional information on the consequences of the power outages, the mission spoke to professional organizations. Surprisingly, these professional organizations were unable to clearly demonstrate the clear effect of electrical outages in terms of lost production (inputs), total sales, destroyed materials, and more specifically losses for industries highly dependent on automated production lines. The available information is as follows:

During the third quarter of 1998 and over one month, ten companies experienced 882-work hours loss (stop hour + restart).

This information is clearly insufficient with regard to the lost hours during which workers are technically unemployed and could have been accounted for in the following manner:

- Assess the consequences of the outages for the authorities;
- Use the companies' insurance to cover their production losses (for those companies with such coverage);
- Obtain from SENELEC the reimbursement for direct and indirect damages, should the company be insured to that effect.

On this issue, private sector behavior is very surprising given that most companies invest in acquiring costly power generators. According to one employers' organization, they intended to sue the power utility company but its members retreated at the last minute. Were they afraid of the consequences or was it because of their conviction that the suit would have been useless? The mission obtained no answers to these questions.

It is true that the partial privatization of SENELEC should lead to better service. However, the companies remain skeptical. The necessary improvements require heavy capital investments and their effects would only be felt in the medium term[12].

Senegal needs to explore options in order to provide private households and companies with good quality electricity. As several studies have shown, foreign investors' choice of a host country is more dependent upon the quality of the basic infrastructures than investment incentives. Moreover, more countries today offer stable macro-economic environment than before. In addition to the privatization of SENELEC, the Senegalese Government should concentrate on the development of the Manantali Dam in Mali. Under the trusteeship of the Organization for the Development of the Senegal River (OMVS)[12], this construction should improve the situation due to a production capacity of 200 Megawatts necessary for the construction[14]. The realization of the gas and oil potential for Senegal may also contribute to the reduction of their deficit[15].

2) Financing

The lack of financing, the second most important constraint stated by the companies, is a major hurdle, more for long-term investment than for working capital.

In general, companies of a certain size have no particular problem with the banking system. Given their overall good organization, their financial position and even the support of their parent companies with guarantees, companies indicate that they obtain the needed resources for their current operations as well as their investments. Companies feel banks have excessive bureaucratic procedures and high interest rates even though lower rates have been observed on the international markets for several months.

For small and medium size companies, financing is a recurring issue. Companies complain more about high interest rates than the complex procedures. Even though it is true that that some companies are not profitable, have a weak financial base, lack transparency and good management and indeed warrant bank rejection[16], a serious gap remains in the current banking framework. These size companies have no banking institution since the banking sector underwent restructuring and the development banks were liquidated. Though the liquidation of these mismanaged development banks was unavoidable, there is no one to fill the gap and financing needs grow daily.

Bank restructuring is more of a result of their dysfunctional supervisory body than the mistakes of individual banks. However, no regulation, no matter how strict, could protect monetary authorities against new bankruptcies in the UEMOA and elsewhere. As a result, the Banking Commission (located in Abidjan with authority for the whole UEMOA) constitutes the first response even though some specialists find it far too bureaucratic. Yet, it is expected (and examples exist) that should a bank be clearly mismanaged, the Commission could more easily intervene than in the past, and require the implementation of a restructuring plan or even call for its liquidation[17], whereas before the Commission, procrastination and lack of action (especially from political authorities) made only negative contributions to the situation.

Of the 15 banks that existed in 1988, eight survived bank restructuring, and in 1996, the BIS[18] resumed operations. To date and in spite of the banking restructuring, the government continues to hold more than 25% of the shares of three banks including majority ownership in the agricultural bank, CNCAS (see table 2). With the exception of CNCAS and BHS, the banking system is still heavily dominated by subsidiaries of major French banks. In this context and given the available expertise in Senegal, it is difficult to understand why the banking landscape has changed so little in decades[19]. It seems that such a situation exists only in the franc zone member countries. Non-French speaking countries in West Africa have both a diversified banking sector where the national interests are better represented. This also is the case in several countries that are less developed than Senegal[20].

This issue has been the topic of several seminars, meetings between business people and the banking sector and no solution has been found. True, in some cases, lines of credit were negotiated, but often managed by commercial banks; they could not meet the needs of SME/SMIs. This was, in part, because some large companies profited from them. In addition, commercial banks say that they do not have enough long-term resources to fund the large parts of the balance sheet whereas they have at their disposal important potential resources through the over-liquidity within the UEMOA. A private sector development strategy was proposed to establish a structure for the financial needs of the SME/SMIs[21]. Perhaps this proposal points Senegal policy in the right direction, but it is not enough. Evidence suggests that a national private sector cannot be developed without a national banking system.

The over liquidity of the banking system has meant that banks no longer need to use the central bank (BCEAO). Therefore, BCEAO has less influence over interest rates[22] that it used to have. Moreover, the liquidity excess has considerably reduced the banks' resource costs from 6-7% before the devaluation to four percent in 1995[23]. Contrary to this trend, interest rates have remained high at between 15 and 18%, thus guaranteeing a comfortable profit margin. These high rates charged by the banks can be explained, in part, by the lack of competition. Despite the international markets where the rates are around five percent, companies are subjected to rates as high as 18%.

A host of explanations could be offered for the banking system inertia. First, it is in the interest of the current banks to maintain the status quo in an environment that allows them to make huge profits while focusing most of their resources on short term financing, thus reducing their risks. Generally high rates, excessive collateral requirements (100% for a letter of credit for most companies), low competition, non remunerated short-term deposits (an anachronism these days[24]), legal vacuums allowing poor quality services[25], have the current banks attempting to convince others, with some success, that the arrival of new institutions is ill-timed. This is backed by a serious analysis but reveals the will to hold on to the dominant position.

Secondly and given Senegal's membership in UEMOA, it is up to the Central Bank to control the liquidity of the economy. It controls the operations of the Treasury, insures that primary banks respect prudent ratios through the Banking Commission, their external position and their cash management. Nonetheless, in France, a country that has a marked influence on the banking structure in Senegal, it is not the central bank but the Public Treasury that controls liquidity management. The high priority afforded control and regulation, to the detriment of resource allocation more geared toward financing productive activities, explains, in large part, the great national interests in the financial sector. In large part also, this situation explains why the banking sector remains less diversified for, in all the countries of the world, the Central Bank, usually a very conservative institution, prefers the status quo to an approach geared toward selective allocation of banking risks. Naturally, such an attitude gives a premium to existing institutions, limits the interest of a newcomer and does not allow implementation of the terms for real competition.

To the credit of the five major banks (SCBS, BICIS, CBAO, Citibank and Credit Lyonnais-Senegal), it is important to note that they are shouldering a large share of the responsibility for the National Office for Cooperation and Development Assistance (ONCAD), which closed in 1980, leaving a debt of more than CFA F 94 billion. In 1990, the BCEAO funded only part of the debt, leaving a balance of CFA F 54 billion, of which 3 billion is unpaid interest for the banks with sporadic payments since 1991. Because this debt was considered delinquent, the banks had to increase their charges on other activities, making it difficult for them to respect the prudential regulations.

Finally, commercial bank customer companies wishing to borrow beyond a certain amount are assessed by the BCEAO over a certain number of criteria, to ascertain their credibility and the reliability of their accounts. These are called "classification agreements" when companies are asked to meet about 20 different ratios. Banks are required to have, in their portfolio, 60% of borrowers under the classification agreements and only the loans approved by the BCEAO are accepted for refinancing. Thus, companies that are not under these agreements cannot issue shares or bonds. Under these circumstances, the number of companies to which banks could lend large amount of funds is limited; even the goal of refinancing only sound counterparts cannot be debated in terms of credit and currency policy[26].

Despite these limitations, the banking regulations offer some interesting possibilities; especially with regard to financial institutions such as credit sales, the financing of credit sales, leasing, and venture capital. However, for these financial institutions, the fact remains that they are not better off than banks. To date, there are only five non-banking institutions in Senegal: two leasing companies, three financing institutions of which SENINVEST is the only one to open after bank restructuring. Companies complain of high interest rates and the reluctance to lend to small and medium size companies and industries. The financial institutions rationalize their positions by their small assets and the high costs of their resources. It is important to clarify here that most of the shares of four of these institutions are owned by a bank, which provides most of their resources. This explains the high cost of their medium term resources and why their financial products are not very attractive.

According to the banking law, financial institutions could mobilize resources by receiving deposits provided they are not withdrawn by check or transfer. In such a context, questions could be raised about the reluctance, not only of banks but institutional investors as well, especially insurance companies, social welfare institutions… not depositing their funds with these financial institutions. Two factors could explain this situation. The regulations of the insurance companies and social welfare institutions require them to maintain a large share of their revenues in cash (current and deposit accounts). Given the structure of the financial market, this requirement forces them to deposit their funds with the banking system to the detriment of the financial institutions. In fact, the financial institutions present in the country such as BICIS-Leasing were set up by commercial banks that lend them their funds, often at the market rate. Thus, the financial institutions have no incentives to attract or even remunerate these deposits beyond the rates offered by the banks. This Senegalese model is common in the countries of the UEMOA zone. On the other hand, the majority of the companies or welfare institutions seem to be unaware of a benefit in dealing with financial institutions, namely the possibility for institutional investors to deposit their funds with such organizations. This mechanism allows better returns on their deposits, and it substantially reduces medium term resources cost for non-banking financial institutions.

Another important aspect of resource mobilization for financial institutions relates to the issue of deposit insurance. Bank restructuring was disruptive not only to the banks. Even though the banking crisis clearly demonstrated the limits of a system, in the final analysis, the State shouldered some of the consequences of the banks' bankruptcy, namely the reimbursement of deposits. No protection measure has been taken for the future and private operators have taken notice. Thus, without a system of deposit insurance, operators naturally still tend to leave their cash in institutions that are subsidiaries of foreign banks.

In addition to the market structure being favorable to banks and their subsidiaries, some regulations are particularly constraining to the non-banking financial institutions. The minimum capital requirements for a financial institution determined by the Central Bank and the Banking Commission are such that one should wonder whether the aim, in fact, is to see the emergence of new institutions. For example, a sum of CFA F 1 billion is required for a bank and CFA F 300 million for a financial institutions whereas in Ghana, a financial institutional could start operations with less than $100,000 or less than CFA F 30 million. The Central Bank's executives share the conviction that the banking sector is not well developed, though they feel that guarantees are necessary for new institutions, but are not in a position to send clear signals to attract foreign banking and financial institutions. Besides and even if national private initiatives have been taken with the purchase of the BST[27] by nationals, several national investors remain convinced that the Banking Commission has reservations regarding the arrival of nationals in the sector, reluctance stemming from the resounding bankruptcy of the BCS at the end of the 1980s[28].

The interest rates financial institutions are subjected to also seem to limit their formation. According to other non-banking financial institutions, an adjusted interest rate to account for the risk associated with loans to small and medium size companies would be higher than the interest rate (twice the discount rate), which has significantly declined since 1995. This is so true that the cost of the resources of the financial institutions as discussed above is high. This issue was discussed by the Council of Ministers of the UEMOA. The proposal under consideration aims at having a different interest rate for the financial institutions (30%) from that of banks (20%)[29]. It is important to highlight here that mutual funds and savings banks are exempted from the interest rate. This argument is put forward not to defend an interest rate for these institutions but rather to allow financial institutions to lend at rates that reflect the terms of the market and that would lead to a profit margin.

Other constraints weigh on the resources costs as well. Non-banking financial institutions are required to secure the approval of the President of the Republic before issuing shares. To the contrary, banks are required to obtain the authorization of the BCEAO.

Other investment incentives are also unfavorable to non-traditional financing methods. Under the investment code, companies can deduct capital investments funded through traditional loans from their taxes, but they are not allowed to do the same for their investments financed through leasing. Given that leasing customers are smaller in general, this regulation is not favorable to small and medium size companies. Additionally, the fact that the leasing contracts are not accepted on the monetary market for refinancing, though they offer lower interest rates in comparison to bank loans, reduces even more the opportunity for leasing companies to reduce their resource costs[30].

Table 2: Financial Banking and Non-Banking Institutions

	Percentage of shares			Date of Creation
	State	**Private**	**Other**	
Commercial Banks				
Banking Company of West Africa (CBAO)	**3**	**36**	**61**	**1965**
International Bank for Commerce and Industry (BICIS)	**25**	**8**	**67**	**1965**
General Company of Banks in Senegal (SGBS)	**0**	**38**	**62**	**1965**
Citibank	**0**	**0**	**100**	**1975**
Housing Bank of Senegal (BHS)	**32**	**59**	**9**	**1979**
Islamic bank of Senegal	**0**	**26**	**74**	**1982**
National Bank for Agricultural Credit of Senegal (CNCAS)	**62**	**18**	**20**	**1984**
Senegalo-Tunisian Bank (BST)[31]	**39**	**13**	**48**	**1986**
Credit Lyonnais-Senegal (CL-S)	**5**	**95**	**0**	**1989**
Financial Institutions				
General Company for Motor vehicle Credit (SOGECA)	**0**	**59**	**41**	**1965**
West African Leasing company (LOCAFRIQUE)	**0**	**0**	**100**	**1977**
Credit and Equipment Company of Senegal (SOCRES)	**0**	**8**	**92**	**1983**
Sponsoring and Financing Company (le Crédit Sénégalais)	**0**	**100**	**0**	**1986**
Investment Company (SENINVEST)	**0**	**100**	**0**	**1993**

Source: IMF Staff Country Report n0 99/5, Senegal: Statistical Appendix

Besides leasing institutions, it is essential to look for the development of venture capital companies in an environment where company financing problems are often linked to the under capitalization of the business (namely low shareholders' equity). It is interesting to note that those kinds of funds exist in the English speaking countries where small structures (5 or 10 people) manage sizeable amount of money (several millions of dollars) by practicing true convenience policies. The existence of such funds in Senegal would represent a tremendous development tool for formalizing some companies that would have an economic interest to become more visible and transparent.

Moreover, setting up such funds would lessen the importance now attached to the quality of the guarantees, an issue for which the SME/SMIs are unable to meet commercial banks' requirements. Nonetheless, the creation of the investment funds has revealed a serious legal vacuum, thus a taxation issue, regarding the SICAV, common deposit funds.[32] Mobilizing these funds implies that investors would be motivated to place their savings in these funds and not other speculative markets, hence the need for real tax incentives.

In addition to the lack of diversity and competition between the financial institutions and the high rates that they offer, another constraint identified by operators relates to monetary transfers in the region. Slow, bureaucratic, costly and uncertain, they contribute to Senegal's isolation. Some operators offered examples of transfers that were paid after several weeks though they were between banks that belonged to the same group within the UEMOA. According to traditional banks, these lags had to do either with the difference in monetary zone, or to central banks, which slow down these transfers. Obviously, these explanations are not convincing, on one hand, because central banks do not intervene transfer by transfer, but to level the external exposure of the said bank, and especially because some banks, which have decided to make regional trade and investment their business (namely BOA and ECOBANK), have been able to shorten the waiting period within acceptable limits (48 hours at most between countries of different zones). It remains that central banks should play a major role in the modernization of the payment instruments (priority to non cash payments such as credit cards) and that the BCEAO has launched an ambitious program that should be up and running within two years[33].

On this issue, the real problem is that relationships between banks and their customers are regulated by usual practices not laws. Therefore, to uphold rights, the client has no other choice than to sue the bank, a slow, costly and risky procedure that forever tarnishes the relationship between the customer and his bank. The most serious issue resides in the fact that without a banking charter determining waiting periods between transfers (from the time the issuer's account is debited and the funds reception by the beneficiary) the customer has no legal protection on which he would ground his claims for penalties against his bank. Sent by the commercial bank to the Central Bank, which traditionally is of the opinion that the only interlocutor is the primary bank (thus his own Bank), the business operator has no recourse and the situation explains the mediocre quality of banking services in Senegal.

It is urgent that reciprocal rights and obligations between the bank and its customers be defined so that the announced arrival of new sub-regional banks and a Western Union initiative in partnership with CBAO can lead to real competition.

It is worth clarifying that the Legal Reform Committee is working on the banking charter while the West Africa Enterprise Network has taken some initiatives[34] on this, a matter that represents a serious impediment to trade as well as sub-regional investments.

3) Access to New Markets and Competition with Imported Goods

Though companies experience different levels of problems with these two constraints, they are related. In general, the third constraint for operators in the sample has to do with low demand for their products. For companies in market niches and those exporting to industrialized countries, this aspect is no constraint at all (to the contrary, some have troubles meeting the demand). It is quite the opposite for companies focused on the domestic or regional market and for this sample 50% stated low demand as a serious problem, which explains the low production capacity utilization. The companies blame this more on the competition from imported goods rather than the low purchasing power, which has more or less remained the same since devaluation.

Table 3: Minimum nominal and real wages 1994-1998

	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.
Nominal salary (CFA F/hour)	**201.1**	**201.1**	**209**	**209.1**	**209.1**
Real salary (1980 = 100)[1]	**60.6**	**57.4**	**58.3**	**57.2**	**59**

Source: IMF Staff Country Report n0 99/5, Senegal: Statistical Appendix
1/ Calculated on the content of families' basket.

Actually, the devaluation led to the doubling of these companies' imported inputs. However, given that the purchasing power of households families did not increase (see table 3), the companies could not pass all the costs associated with the increase in the inputs' costs on to their customers. After the devaluation, the only alternative for the companies, were to redirect their activities (diversification, closing…), production costs reduction and a better management, reduction of their dependency on imported goods or import the product at the best price.

Though the mission could not systematically assess the management capacity of each company, some of the indicators discussed below leave no doubts. Few companies interviewed show the necessary capacities to survive in increasingly competitive environment. The customs tariffs reform following the implementation of the common external tariff has decreased the medium effective protection rates by approximately 40%; these rates have changed from 65% to 26%. According to the companies, this has led to import levels never seen before at very competitive prices, namely for batteries, used clothes, chicken thighs and wings, mattresses, etc. The problem was compounded by market limitations related to low customs protection, smuggling of all types and subsidies.

It is surprising to note that entrepreneurs attribute this situation not to their products' mediocre competitiveness but to market limitations. This kind of thinking is the result of long years of activity behind the protective walls of high tariff barriers. However, it is worth clarifying that, despite numerous promises, the mission rarely received evidence supporting the smuggling charges, and the level of subsidized products was rarely established.

It is important to note that mechanisms exist to combat some illegal commercial practices (dumping or subsidies), in strict enforcement of WTO norms. In the case of imported goods subsidized by their countries of origin, a committee headed by the Minister of Commerce can, if provided with sufficient proof by the private sector, obtain that the value of the subsidy be reintegrated in the customs duties, thus reintroducing fair competition[35]. With regard to dumping, the company must prove that there is a prejudice. Though during the mission, several companies deemed these practices overwhelming, none was able to provide proof of their allegations and one would question whether these alleged practices are real.

Moreover, some members of the aforementioned committee stated that whenever a company presents a qualified argument, the review of the customs tariff is almost automatic.

A consensus exists on the role of the informal sector, which, given its ability to sideline all the cost incurring constraints (labor law, internal and external taxes, environment, space management), is thriving at a pace seen as threatening to some companies.

The mission was surprised to note inertia with regard to penetration of regional markets. Aside from a few companies with regional expansion strategies to escape the isolation of Senegal, the UEMOA market does not seem to interest most companies. They are still essentially focused on their domestic market, which is increasingly open to international and sub-regional competition. In general, companies sell on the regional market sporadically.

It is interesting to note that no company associates the problem of the small local market with its management capacity, its lack of product diversification or lack of interest in regional markets. A recent trade mission sponsored to Mali by AIRD under the auspices of the African Trade and Investment Program project organized a tour of the Malian textile industry for South African entrepreneurs specialized in the industry. They were surprised to find that the two textile factories in Bamako use only a fraction of their production capacity. Questioned on this situation, the commercial directors of the Malian companies blamed the small size of the local targeted market. The South African operators suggested that they make changes to part of their products without costly equipment changes in order to take advantage of new opportunities on the international market. Should these suggestions be implemented, those companies would not only increase their production capacity, but also work continuously, which is the international norm in the textile sector.

Undoubtedly, liberalization leads to profound changes within the still very young African industries. One should not hide from the tough reality that through competition, some industries would not survive given their area of activity or the nature of the management team. This would translate into bankruptcies and job losses. It remains that new opportunities are offered to dynamic entrepreneurs. This is so true that they will invest in market niches and/or will conquest new markets. To reach that level however, it is important that these entrepreneurs should be provided with the necessary services that would equip them for the new market conditions.

4) Input Supplies

Although input supplies issues were already briefly discussed in connection with financing, companies face other constraints that curtail their ability to meet demand.

These constraints are of different nature depending on whether the company is supplied locally or imports its inputs.

With regard to the local market, two issues need to be addressed: the lack of integration between agriculture and industry, on one hand, and some marketing malfunctions, on the other hand.

As to the low integration agriculture/industry, it appears to be the double consequence of public policy choices in term of agricultural speculations and the strong tradition of import substitution, especially in the agribusiness industries. Consequently, there is a low demand for agricultural products from the private companies, thus, an uncertain and ill-organized production incompatible with both the local and external markets. However, in some sectors, experiences have shown that when there are companies in a position to make reliable and sufficiently attractive offers for the producers, there has been a spectacular growth in the local production. In part, these progresses were made after the progressive withdrawal of the governmental supervisory structures and a greater ownership on the part of the producers. In other words, though the link agriculture/industry is still low, there is a very promising potential as demonstrated by several research/development results that are yet to be valorized[36]. Seen from this angle, it appears that the involvement of the private sector in the agricultural production process is suffering from the government's procrastination over land statutes[37] and the persistent incompatibility between the need for heavy investment and granting precarious deeds in rural areas allowing neither the investment security nor its valorization.

With regard to the malfunctioning relating to the local market, two examples need to be raised.

In the cotton sector, private yarn spinners and SODEFITEX (which is the national supervisory and textile fiber marketing company) for years, have had very conflicting relationships. For the spinners, given the high cost of all production factors in Senegal, the only way to safeguard the sector in insuring its competitiveness is for SODEFITEX to grant them prices below those on the world market. On its part, SODEFITEX is of the opinion that the world prices are legitimate references. Given that it exports 80% of its production and the government does not subsidize it, it has to meet its rate of return targets. Thus, negotiating lower prices than those on the global market would be detrimental to the producer, making him the only victim of the lack of competitiveness not of the production but the transformation side of the sector.

Nonetheless, SODEFITEX has accepted to make an effort by deducting from the global prices the non-exposed fees (freight, transportation, transit…) and to grant a commercial discount in relation to the market.

However, these agreements run the risk of non-renewal given the payment arrears of the spinners and penalizing variations for SODEFITEX between the spinners' ordered quantities and those really taken, these being lower than announced. This situation has to do with the notorious financial precariousness of some spinning companies operating in Senegal, but also with the opportunity they have now to directly import from Mali, the largest cotton producer in West Africa (600,000 tons per year against roughly 40,000 for Senegal) at very competitive prices.

If the supply issue is thus solved, at least temporarily, two other questions need to be raised.

The first one relates to the announced privatization of SODEFITEX, which amounts to one of the transparency conditions within the sector, especially with regard to the sector's control over its organizational fees. Given its weight not only in the supervision of the rural areas but also the cotton marketing, this privatization should afford a bigger role to the producers to avoid the sector's control by private companies, often foreign ones, which have made international cotton speculation their business. In any case, the government should withdraw from the negotiations between SODEFITEX and the spinners to allow the market to dictate the rules that would make the actors accountable.

The second relates to the urgent implementation, within the UEMOA, of sectoral common coherent policies to avoid the looming antagonistic national strategies. This trend, if it is not corrected within the community, will create, in a no too distant future, conflicts between countries, making it impossible to take advantage of the opportunities in the textile sector where the challenge is to add value, and more importantly, to conquer the international market.

Another supply problem relating to the malfunctioning of the market also affect sugar. For more than two decades now, the total national production takes place in Northern Senegal with an agro-industrial company enjoying special tax status. In this context, the granted monopoly leads to an import surtax that thwart the importer' competitiveness. The importers can be traders selling the product as is but also industries that participate in imported sugar lumping and powdering packages.

In practice and whatever the real value of the import (supplier's invoice + SGS certification), the customs administration corrects it by increasing the customs' value on the basis of the spot price before charging entry fees worsened by the surtax to protect the local industry. In this context, the industry, which produces only 75% of the national needs, imports the differential. Even if it is subjected to the same entry fees, by virtue of the secondary nature of the imports and the de facto monopoly granted, it still enjoys flexibility, allowing it to maintain a dominant position on a strictly commercial activity[39].

These benefits have not been touched by the reforms implemented during the 1990s, with regard to combating monopolies and rent positions. They penalize some initiatives such as a company in the industrial free zone and in the current context, heavily threaten the sector.

In fact and within the implementation of the common external tariff (TEC), the import surtax will be replaced from January 1, 2000 by a graded taxation (limited over time) leading to the Senegalese market openness to the sub-regional production currently less protected and very competitive import. The risk may be that the high tariffs paid for several decades by the Senegalese consumers would not be enough to insure the survival of an industry whose viability is largely dependent on government granted benefits.

With regard to imported supplies, the companies raised issues of a different nature.

When it comes to handling, all the companies in this survey unanimously decry the obsolescence of the regulations relating to labor, most of which date from 1965. Thus and based on collective agreements reached at the time, workers' remuneration is computed on an hourly basis whereas the handling costs are quoted per ton. In such a context, the operator cannot foresee the labor costs and such mechanisms go against productivity goals.

Yet, several meetings were held on this question but according to the companies surveyed, upholding the status quo had to do with the authorities' will to avoid confronting trade unions, which, in this sector, are known for their powerful organization and for never shying away from taking the "appropriate" actions. They choose the team leader, the supervisors, and impose their work methods based on persistent clearly remunerating rent. It is worth mentioning that some countries, which are the reference in the sub-region in terms of competitiveness in port activities (Abidjan and Banjul for instance), have made the necessary changes in logically determining workers' remuneration per effectively handled tons.

With regard to transit, all the companies complain about customs agents' practices while recognizing that when the necessary clearance documents are in order and uncontestable, a container clears the port of Dakar within 24 hours, an insufficient performance in absolute terms however[40].

Nevertheless, there are some hold-up factors that may dangerously extend the waiting period and lead to important costs, beginning with warehousing costs, billed in number of days hold.

The first relates to customs channels. In effect, the clearance must be registered in person with the different departments of the General Directorate of Customs and if the round could be made in less than 24 hours, it happens sometimes that the periods are longer without the transit agent being able to hasten the process.

Another factor has to do with the exorbitant powers of customs agents and the lack of recourse. For example, in case of conflict, based on a simple report of a customs agent, the judge must issue an arrest warrant, since customs infractions are considered similar to public funds embezzlement. The report is considered a legalized document from which charges can be assigned. In such a context, it is understandable that some businesses resort to unlawful practices. Just as the tax administration, the general customs code is deemed too complicated and harsh, and business people need the assistance professionals. Given the complex procedures and numerous controls, some of businesses do not hesitate to forgo allowances to which they are entitled. This trend tends be generalized ever since the reduction of customs duties on inputs and some manufacturers choose to increase their supply costs in a predictable manner rather than being subjected to the regulation that may provide them with more favorable taxation, but at the cost of a sometimes bureaucracy and uncertain costs. One should appreciate the dangerous character of such an approach for companies strongly focused on the external markets and for which, given the unstable margins for competitiveness, any increase in the input prices could have serious consequences.

Most of the transit agents met is of the opinion that SGS is playing its role in determining customs values. They believe that it is better that the clearance applicants not be in direct contact with customs agents. To this, the customs administration obviously has a different opinion, believing that should a small share of the contract cost between the government and SGS be allocated to the Customs Administration to reinforce its Value Office, the office would be more efficient. Though a number of customs agents competence is recognized, it remains that this body is strongly decried by companies in the same way as with tax agents, certainly because of sanctioned offenses but also due to the exorbitant powers granted to those agents. Moreover, the

Customs Administration has the power to revise the customs value up even if the importer has obtained a certification from SGS, though this is seldom practiced for industrial companies.

Still, the issue of the imported inputs should be discussed with added caution. This may not be a systematic handicap for companies focused on the external markets, but notice should be taken since most companies interviewed, who raised this issue, sell 100% of their production on the local market. One should wonder about the viability of such companies since the ongoing UEMOA tariff changes, went from a 65% tariff on imported goods to only 20/25%. Beyond the financing issue, there exists a serious question about the future potential for these companies, which are so rigid that they are unable to quickly adapt to circumstances that would allow them to compete.

5) Relations between the Administration and Companies

For some years now, the Senegalese private sector has been organized into the CPDS (Confederation of Senegalese Employers), a consultative body without statutes or by-laws, whose function is to prepare meetings with the Prime Minister (three times a year). In addition, the Head of State meets with this committee at the beginning of each year.

This organization has ended the rather conflict prone, counterproductive relationships that existed for years between the private sector and the State.

However, some companies deem the CPDS too hybrid since it includes traditional employers, and organizations from the informal sector with completely different concerns. The CPDS is viewed at times as too complacent and far from meeting the needs of most companies. Also the consultative nature of the committee, severely limits its power.

According to most companies, the CPDS experience is seen as positive overall since it helped resume the dialogue between the private and public sectors. Yet, some companies observe that, in general, it is not at the level of the highest political authorities (President of the Republic, Prime Minister or ministers) where there are disagreements, but at the level of the government bureaucracy where an anti-enterprise culture is still the most shared approach toward the private sector. Conflicting controls, hostility, prejudice, subjective interpretation of the laws and regulations, incompetence, a tough stance toward the traditional private sector companies, laxity toward the informal sector, insufficient or simply non-existing support to entrepreneurs are all complaints. Entrepreneurs feel that government agencies have many problems, though they recognize that given the constraints of the structural adjustment program (wage control, especially), the civil servants' pay has become indecent and does not help the civil service in attracting the brightest minds necessary to the conception and management of real breakthrough strategies. For example, the monthly salary of a high level civil servant, after more than ten years on the job, hardly reaches CFA F 175,000 whereas a child's tuition in a private school is about CFA F 35,000, rent on a modest house CFA F 75,000 and the new smallest car costs more than CFA F 12 millions! ! !

Unanimously, no government service[41] was reviewed favorably by the sampled[42] companies and, in the best-case scenario, some of the services were simply deemed harmless. Such is the case of the labor inspection, which was very powerful years ago, but has seen its powers and means drastically reduced. Its role has been limited to collective conflict resolution and mediator functions.

Other government services are unanimously criticized.

Such is the case of economic control, also once very powerful, but due to price liberalization, power has been severely limited. However, several companies report harassment by this service. The service is essentially looking for only one "offense", discriminatory competition, which is deemed proven should a company sell the same product to two people at different prices. Those commercial practices that are based on the length and quality of the relationship, the quantities, payment methods… seem thus contested by the economic control. In any case, companies recognize that this offense is used as a pretext for bribes and that, when protested by businesses and they refuse to pay up, there are no penalties except the loss of time and effort.

There is a difference for tax administration, which has extensive powers in carrying out its mandate. Although some companies believe that the sanctions are too heavy, when admitting to an offense, others confess that they have no other choice than to pay and prefer to negotiate[43]. It is worth noting that large companies with internal tax expertise have less difficulty than SME/SMIs.

Ill informed, and quickly frightened, these small entrepreneurs, are not often members of employers' organizations, and perceive enforcement as a deliberate attempt to discourage national investment. The complexity of the tax provisions (thus the difficulty to abide by them, aside from any thought of fraud), the great freedom of interpretation given to the administration and, more importantly the lack of recourse other than a legal suit accentuate the vulnerability of those companies. It is not in waving ethical considerations – as is the case today in the developed world – that the corruption issue will be solved.

On this question, the private sector[44] has made some proposals, that have yet to be acted upon, but that warrant examination. One proposal is to set up a tax arbitration commission whose goal would be to secure and restore the trust of the taxpayers often subjected to pressures or arbitrary acts.

Moreover, this commission may lead to the creation of another structure positioned between tax appraisal, and judicial procedure. Legal procedure, given the complexity, the cost and uncertainty for taxpayers encourages tax evasion. The commission may greatly improve the environment for companies and better tax collection should a tax disagreement arise.

More generally, all the companies complain about the high taxes and duties. In reality, tax pressure is low in Senegal (18% of the GDP in 1997) and tariffs have significantly declined during last year in preparation for the implementation of the UEMOA common external tariff (TEC). Thus, industrial inputs enjoy an otherwise more favorable rate than in the past, the real problems relating to upholding the same approach between all the countries of the UEMOA due to their different stages of development.

More fundamentally, two narrowly linked questions must be studied further.

The first one relates to regulatory simplification. This issue has been raised for years – not only in Senegal – but often put off.

With the exception of some large companies, the laws and regulations are so cumbersome that the companies recognize their inability to avoid violations. On this issue, it seems appropriate to move beyond the studies[45] undertaken to date, and for the private sector to work with the government on radical tax reform so that taxation is not a constraint to development, yet take care of the needs of the government. It is only because of a consensus that an amnesty could be ordered to start over on sounder basis than now. Streamlining should also lead to the suppression of low yielding taxes[46], or those that are difficult to enforce given the environment[47].

The second one has to do with the regulatory implementation.

If taxation is deemed too heavy, it is because a rather large number of business operators do not pay taxes, and that is sometimes openly tolerated. In the most developed countries, tax services - are on the cutting edge of technology – which is not the case in Senegal – and priority is given to the taxation of created wealth based on income taxes, certainly not on access fees.

The large number of laws and regulations, their interpretations, controls, sometimes exorbitant powers granted to some civil servants, their level of training combined with low remuneration, too rare sanctions and an old tradition of "side agreements" (which is not a monopoly of the civil servants), all make corruption thrive, an issue that entrepreneurs believe is becoming worrisome with the current trends[48]. Generally, all emphasize the fact that it is still possible to work "cleanly" in Senegal, meaning without responding to demands for bribes. This is still true if the business relationships are not with the government. To the contrary and for some tenders, including bids, some entrepreneurs did not hesitate to put forward amounts (commissions paid in cash are deemed reasonable so long as they do not exceed 10% of the total amount of the tender) or to report discussions with some members of the concerned commission, before or after the decisions. Clearly, it is urgent to implement new approaches with regard to government tenders and to systematically involve the private sector as well as increase the deliberative nature of these commissions to decrease this problem[49].

Another constraint put forward by the respondents – is the deterioration of the authority of the State.

Under this item, appear civil concerns that have started to affect companies' performance. Included are traffic control in Dakar (which slows goods trading and push costs higher), trash collection (and its consequences on workers' health), transportation (under the control of the informal sector, which care less about the comfort or safety of workers), security of persons and goods (compelling companies to hire armed guards), and even begging, which, according to companies, has reached a level not known anywhere in the region. Some chief executives confess to setting late arrival times (evening) for foreign partners to avoid an especially negative perception of Dakar, and Senegal. In the same vein, the "squatting" on sidewalks, the opened sale of smuggled goods, (often close to legitimate shops), air pollution[50] due to the lack of vehicle environmental controls, the import and registration of vehicles considered wrecks and unsafe elsewhere[51], all kinds of animals roaming the streets, skyrocketing numbers of homeless persons fighting each other, even at the Independence Square, to reserve their places… are matters of concerns to companies, which regret that the government acts only belatedly. In addition, they think that periodic efforts (or clamp-downs) against some of these issue should stop and that planned sustained efforts are required.[52]. Finally, the companies question the satisfaction expressed by donors about the structural adjustment program. They do not understand how the growth attributed to structural adjustment can be accompanied by increased poverty. They further wonder whether the State actually has the means to carry out matters of government (security, education, health and infrastructures).

6) Access to Land and Sectoral Constraints

Other issues of concern rose in the relationship between the administration and the companies include access to land or sector-based programs (construction and public works, telecommunications, fisheries).

Access to Lands

The companies visited are, for the most part, owners of the land where their buildings and facilities are located. Two sets of problems were identified.

- The SODIDA: created more than 20 years ago to promote small industrial units, the Company for the Industrial Estate of Dakar's (SODIDA) mission is to build then rent buildings to entrepreneurs who would, in turn develop industrial activities therein without having to invest in buildings. Beside this building promotion function, SODIDA was to set up some common support services for those companies, helping people to launch businesses, the same companies being expected to leave SODIDA and pass on their space to new initiatives. The results of this organization are mediocre. Only one company has left SODIDA, 70 applications are still pending, and current tenants have been waiting for their land deeds[53] for the past three years. These uncertainties have serious effects on the ongoing expansion project, especially on the financial level given that the entrepreneurs cannot still put up their land as collateral for loans from the banking system.

  Consequently, it is urgent to clarify the situation for the SODIDA tenants so that they have a good idea of the legal status of the lands.

- The land statutes in the rural areas: The objective in this section is not to discuss the general issue of land statutes, a real Pandora's box. Rather, the issue raised here is in reference to the situation of some farmers who have been granted occupancy permits, precarious title, which does not help promote the private sector in agriculture. In addition, this situation does not allow using land as collateral. Moreover, the Mission noted that even with this occupancy permit, the government was not honoring its commitments to transfer all the land originally committed. In one case, the concerned company could have easily increased land in production by 30%. However, all measures attempted so far have been in vain. It is worth clarifying that the concerned land title is a national government not local a local government problem.

Constructions and Public Works

Concerning construction and public works (BTP), in addition to the issue of procurement transparency, already discussed, entrepreneurs of the sector raised another regarding the PCRPE (Reconstruction and Rehabilitation of the State's Estate). This program relating to the State real estate, housed at the Office of the President of the Republic, enjoys exceptions granted by executive order with regard to non-competitive bidding contracts. Whereas the law allows such exceptions only for procurements valued at less than CFA F 10 millions, the said executive order raises the ceiling to CFA F 150 million, and according to interviewed professionals, these exceptions have been grounds for all kinds of abuses.

Moreover, some people raise questions concerning State managed real estate. If in the context of the privatization, the focus is on shares transfers (that, in large part, have benefited mostly foreign interests, often state owned), a good route might be greater ownership of the private sector in the management of some State services and assets[54].

This sector is increasingly becoming informal, which translate into serious mistakes impacting not only construction appearance but also the security of persons and goods. Every year, buildings erected without consideration for any norms cave in, killing workers, tenants and owners. The law expressly requires the presence of a professional for construction over CFA F 10 million and an architect beyond CFA F 30 million. To avoid these requirements, some entrepreneurs do not hesitate to lower the amount of the construction project or to break it into several lots, all this without the administration playing its role (Regional Urban Development Service). It is worth mentioning that this service has only three employees for the region of Dakar, without a vehicle whereas the sector they are suppose to control is seeing unprecedented development.

According to the architects[55] union, the observed violations will persist as long as the legal requirements are based on the estimated amount of the construction rather than the area of construction. They propose that the presence of a professional be required for construction over 200 sq. meters and for any building open to the public. If the authorities accept such a proposal, it would have important implications especially on the organization of the informal sector. In effect, because he pledges his civil responsibilities, he is required to obtain the services of an engineering company and the existing guarantee mechanism forces the companies in this sector to a minimum of structure.

It is worth mentioning that in Mali, the incorporation of a construction company is subjected to the recruitment of at least two supervisors and that the classification of the different companies – thus of the procurements for which they can bid – is dependent upon their permanent employees' qualifications, not their total sales.

This sector can provide elements for the progressive organization in that the respect for the law should be a prerequisite for the company to exist.

Telecommunications

As for telecommunications, it is worth noting that for years, the sector was entirely controlled by SONATEL, a state owned company managing a public monopoly. Since 1997, some of the state owned shares were sold to a strategic partner, France Telecom. This partial privatization was followed by a partial liberalization of some services, and within a chosen scheme, the State was to set up the regulatory body, the Telecommunications Regulatory Agency (ART) with the mandate to manage the relationship between service providers in a competitive environment. Thus, the function of the ART is to exert control over the regulations, to act as a mediator (in a particularly sensitive sector, namely network interconnection), and probably to impose sanctions when warranted.

Two years after the privatization of SONATEL, this body is yet to be set up and businesses in the sector complain about the lack of recourse against the all-powerful SONATEL, which continues to wield regulatory power. The lags in the creation of the agency appear to some as related to the ill will of SONATEL. Lacking that agency, some business operators view the current privatization as the conversion of a state monopoly to a private one. Large SONATEL profits during the fiscal year 1998 are the proof of excessively high telecommunication tariffs in Senegal. The Mission received assurances from the Ministry of Communication that the telecommunications regulatory Agency would be operational in June 1999.

Privatization plans for other services (RNIS facilities, cellular phone) and competitive sectors, allow SONATEL to join in, but it must spin off its structures into subsidiaries so as not to hamper fairness in competition. At the writing of this report, Telecomplus, a 100% branch of SONATEL, active in Internet services, is yet to be spun off as a subsidiary. The same is true for the cellular phone with the Alizé Network even though a new operator[56] has been licensed and has started offering its products since March 1999. The Mission could not obtain assurances with regard to both the date of the subsidiary and its terms and conditions (prior auditing by ART to insure fairness in competition).

Fisheries

As to fisheries, the pressure on the resource seems too great, and unless the will is to endanger the future, a consensus exists on the need to reduce catches to safeguard this all too important sector for the Senegalese economy[57]. Moreover, the efforts undertaken years ago to meet European norms and the important investments made by some operators (purchase of boats for instance) call for the implementation of conditions for a sound management of the resource as catches having continuously declined for some sensitive products.

The supervisory ministry and the modern sector operators have strained relationships, often carried in the press, be it on the alleged secret agreements or the licensing. Though ten years of freeze on licensing did not help Canada rebuild its fish resources, and European fishermen are subsidized not to fish, the companies met by this Mission confess their inability to understand the rationale behind the increased number of licenses granted by the Ministry of Fisheries and Maritime Transportation (+ 30% between 1994 and 1996).

Moreover, they say that some licenses are granted at the Ministry's discretion without the involvement of the joint committee, which has only advisory powers. Moreover and in order to facilitate obtaining licenses, special steps have been taken to allow their issuance by simple ministerial orders rather than the traditional executive order, while proposing to increase licensing fees five times, all this without consultation with the private sector.

The Mission was not able to meet with the heads of the Ministry of Fisheries. However, it notes that the serious deterioration in the relations between the Ministry and operators threatens the future of this sector. To end the serious mistrust and allow transparent management of the resource, it seems appropriate to suggest that the joint ad hoc committee be included in the decision-making process from now on. Moreover, an idea contained in the FIAS[58] report should be taken into consideration, namely limiting the number of licenses per boat category and granting them through auctions, all this in using differential prices to protect the national shipping business.

7) The Labor Market

Overall, the companies did not consider the labor code and the labor market as constraints. For them, the hiring and dismissal processes do not pose any special problem. To the contrary, the companies experience problems hiring competent workers either in the most specialized jobs (namely clothing where the glut of traditional tailors would leave the impression that a qualified labor exists), or for general tasks such as maintenance, in particular. In many cases, the managers informed the Mission that they still call on retired maintenance workers. It is important to note that this constraint mainly affects small or newly created companies. This inadequacy relates mainly to supervisors who are usually the most sought after workers in manufacturing in terms of competitiveness and quality. The companies visited complain about the decreasing quality of education in Senegal, and particularly, the relative slippage in technical education. The entrepreneurs say that they no longer want to hire job seekers trained at the Dakar University, recognizing, to the contrary, the good quality of the training received in private organizations, namely the Advanced School of Commerce of Dakar and especially the Advanced Management School, which enjoys a good reputation. As to high technology sectors (computer, telecommunications…), competent workers are relatively easy to find.

Private sector efforts are needed through the employers and professional structures for workers' training. Such is the case in Cameroon where the GICAM (the Association of Industrialists of Cameroon) has set up, with the assistance of specialized institutions of the North, a school where future staffs of companies are trained.

In general, in spite of higher level of salaries and benefits relative to countries in the sub-region (table 4), labor costs are deemed reasonable. It is true that the devaluation without equal

Table 4: Salaries

	Senegal	Benin	Burkina	Cote d'Ivoire	Mali	Niger	Togo
Classified Worker	**56563**	**29692**	**33799**	**53039**	**29775**	**31591**	**29520**
Gross Worker	**73704**	**37115**	**42249**	**65236**	**37219**	**37295**	**36900**
Supervisor	**99066**	**88320**	**80526**	**123848**	**62976**	**60946**	**88521**
Gross Supervisor	**237572**	**216632**	**209368**	**291775**	**166738**	**195448**	**229155**
Senior Executive	**125490**	**140215**	**121367**	**179741**	**104794**	**103785**	**166572**
Gross Executive	**987605**	**651075**	**578835**	**1461250**	**513972**	**500392**	**682860**
Contributions							
Employer	**8.2-22.2%**	**16.4-19.4%**	**18.5%**	**9.9-12%**	**17.4-20.4%**	**15.40%**	**18.10%**
Employee	**7.80%**	**3.60%**	**4.50%**	**1.60%**	**3.60%**	**1.60%**	**2.40%**

salary increase has, somewhat reduced the labor cost. With regard to productivity, it remains low even though only companies in the fisheries sector were able to give precise numbers based on processed volume per center. It is clear that given the extreme globalization of this sector, controlling cost is probably the first element of an internal restructuring. The lack of productivity is complicated given that it often relates to different problems. It is highly possible that it is the result of a bad management team, inappropriate equipment, unhealthy working conditions, but also unqualified labor lacking training. However, in some cases, the productivity of temporary workers is better than permanent ones.

Regarding the status of employees, approximately half of the companies surveyed employ day laborers. Surprisingly for all the companies, the ratio of temporary workers varies between 15 and 93%. According to the companies, hiring temporary workers is justified by variable needs following unpredictable markets and seasonal activities. It may be possible that the companies adapted to a Labor code that was, and remains to a certain degree, constraining with regard to salaries and firings. If this assumption holds true, a new code would not change the current situation substantially. Entrepreneurs see a double benefit to this statute: on one hand, the employers' contribution to benefits and, on the other hand, having at their disposal more motivated workers than permanent ones. It may be probable that a high proportion of temporary workers hurt the companies in the end. In effect, it was suggested that companies spend less in training for temporary than permanent workers, hence a less qualified labor force.

The Mission noted with great interest the gap between its bad reputation on one hand (slowness, rigidity, lack of adaptation…) and the willingness of the entrepreneurs to maintain the status quo. If the Labor code is difficult to work with, especially for small companies that hire in accordance with the rules, most companies adjust to it and recognize that it is up to the lawmakers to implement mechanisms to protect workers.

More fundamentally, the companies visited and most of the employers' organizations believe that the probable benefits of an overhaul of the Labor Code (for more flexibility and easing of the use of temporary workers) appear limited in comparison to the social risks incurred.

Essentially, for the surveyed companies, dismissals were rather rare, taking place often for serious misconduct (embezzlement most of the time) and firings in economic downturn raise no special problem. Currently, only one company, which has lost the case filed against it by three of its dismissed workers before the tribunal of first instance, is awaiting the decision of the court of appeals. They seem to recognize that they were ill advised and are prepared for the consequences.

For the companies that have no major problems with the Labor Code two issues of concern were identified:

- The first relates to the pernicious role of trade unions and several examples were given revealing that, as soon as workers join a union, employer/worker relations quickly deteriorate and become adversarial. To the surprise of most executives, most of the conflicts (often in position struggle between rival unions) relate not to claims (thus a possible violation of the Labor Code) but grievances linked to the ability and will of the chief executive. In the same vein, managers accuse some union workers of inciting artificial conflicts to breed worker dissatisfaction.

  Given the long tradition of Senegalese unions dating sometimes to the period after WWII, it is desirable to start organizing a real dialogue between unions and employers to improve relations and raise, before any other consideration, the welfare of the company.

- The second concern relates to social institutions, especially the Social Security Bank (CSS), which manages work related injuries and the Social Welfare Institution (IPRES), which is in charge of retirement funds. Given the increased computerization of the economy, the IPRS, which has the reputation of being well managed, has experienced a decreasing ratio retirees/contributors at an alarming rate. Whereas only ten years ago, there was one retiree for four contributors, this ratio has slipped today to less than one (80,000 beneficiaries for 120,000 contributors), and given that the retirement system is based on the distribution, at the current rate, the IPRS will not be able to keep its commitments in just a few years. According to information that the Mission was not able to verify, the IPRS would be paying some of the pensions from its reserves. As for the CSS, the employers' organizations believe being in a position to contest its joint management as called for by law (employers and employees) for the reason that only companies pay their contributions (which is not the case at IPRS where only employees contribute).

  In any case, the issue of the social institutions should figure among the priority issues of any country, including African countries, where these institutions play a major role in financing the economy, which is far from being the case in Senegal.

Here, it is important to specify that several companies have difficulties understanding why donors are interested in the Labor Code. They recall that under the previous regimen requiring prior authorization for dismissal in economic downturn – applicable before the last change made to the code – over the last fifteen years, only three dismissal requests have been rejected by the Ministry of Labor, proof, if needs be, that the mechanisms were operating satisfactorily. For several of them, the removal of the prior authorization, instead of contributing to labor flexibility, has made it more rigid to dismiss workers for economic reasons. In effect, under the former system, as soon as the authorization of the ministry was granted, the employer could act and pay the worker his severance rights in accordance with the terms of the code, which determined its amount in relation with the basic salary and seniority without any complaints from the worker. Since the reform, employees dismissed for economic reasons are free to sue their former employer for abusive dismissal. The judge has extensive powers to gauge the abusive nature of the dismissal and if he agrees with the worker, the reparation amounts that he can impose the defendant are very unpredictable.

If the analysis appears legally correct, none of the companies visited has been subjected to this situation though anecdotal stories abound.

Given the difficulty of gauging the financial situation of a company after the fact, it seems desirable to harmonize the provisions regulating companies facing financial difficulties and those relating to dismissal for economic reasons to avoid subjecting the same company to contradictory decisions from the judge deciding on the social matter and the one competent in the business side, a situation that may happen according to judges the Mission met.

In sum, maintaining the status quo seems to be the consensus among the companies and some are not hesitant in questioning the relative weight given the Labor Code in a country that has only 200,000 salaried workers, among them 65,000 civil servants, and only 135,000 regulated by the Labor code, including semi-public companies. To the Mission's knowledge, no study has been undertaken to assess the effect of the recent changes to the Labor code on job creation.

However, the Labor Code is the next important work on the agenda of the OHADA and its aim is to propose a special statute for small companies. This question does not attract any interest though it should lead to implementing visibility conditions for companies of the informal sector, which employs approximately 90% of the labor force, and contribute about 50% to the GDP. The informal sector comprises almost all the agricultural, trade and transportation activities. It is true that this sector is the main source of revenues for a large majority of Senegalese, but the State does not control these companies in term of taxes and they do not abide by the Labor Code. Workers have no protection, are dismissed in an authoritarian manner and way to appeal decisions. In other words, it is urgent to speed up the formalization of the informal sector companies to make them more visible, propose an acceptable statute for them to ascertain for their workers some minimum rights, and offer them services that would justify the formalization of their activities.

8) Transportation

Given the bad quality of communication infrastructure with its neighbors, Senegal is more focused toward the Northern markets than those of the sub-region. The railroad linking Dakar to Bamako in Mali is the only true linkage between the country and the sub-region, but it experiences tremendous difficulties. Meanwhile, distances between Europe and North America are very short and the service is relatively efficient.

- Land Transportation: the lack of road between Dakar and Mali constitutes one of the major constraints to the development of the private sector. Senegal is unable to exchange goods with Mali by land, and thus with the whole of the UEMOA. With regard to

Gambia and Mauritania, the need to cross the rivers by ferries is another penalizing element while traveling to Guinea-Bissau and Guinea by road is difficult, even dangerous given the troubles in Southern Senegal.

In other words, Senegal is paradoxically a landlocked country in the region and, the situation with the two Guineas, Gambia and Mauritania may not change soon. With regard to Mali, studies are underway, and the European Development Funds has given its tentative agreement to fund a roads project. However, under the best of circumstances, that road will not be in service before 2002[60].

- Air Transportation: For several years, the production sale and Senegalese companies' competitiveness were strongly impacted by Air Afrique's absolute monopoly with regard to not only air transportation of persons and goods, but also other activities such as handling.

  For some years now, the lackluster performance of this company has compelled some countries to question the provisions of the Yaounde Treaty (at the origin of the creation of Air Afrique), sometimes without legal ground. The main gains are as follow: passenger and freight charters, and even handling services, some countries having concluded agreements with private providers (such is the case of Togo).

  With regard to freight charters, several initiatives strongly backed by the government have been taken as evidenced by the creation of a private Senegalese company. This company has greatly participated in the transportation of the production of the most important local exporter of fruits and vegetables (more than 2,500 tons).

  These gains remain fragile in that they still have no legal ground. They create for the beneficiaries very precarious rights and the numerous exceptions granted often on a national basis were made easy by the difficulties of Air Afrique.

  Some operators have expressed their fear that the privatization of Air Afrique makes the situation worse. Thus, it is desirable that the Yaounde Treaty be adapted to competition in the market.

  Finally, several operators hailed Air Senegal's privatization, to date a modest passenger transportation company, taken over by Royal Air Maroc.[61].

- Sea Transportation: Since the 1993 liberalization and the removal of shipment offers, container sea transportation has seen real progress and several large companies serve the port of Dakar. Competition has led to medium reductions in freight costs per container of about 35% and a substantial improvement in the quality of service. The operators agree that the sea freight constraint no longer exists especially with the introduction of air temperature controlled containers. It is now possible to export products by sea [62] that until now had to be shipped exclusively by air, which is more expensive.

Two issues of concern remain, however. The first has to do with the competitiveness of the port of Dakar (often compared to that of Abidjan without precise numbers put forward) and the service of cities close by (such as the Cape Verde Island supplied from Portugal).

Administrative authorities met during the Mission admit that the lack of road between Mali and Senegal is a handicap, but they insist on the availability of sea transportation since the major target market is, after all, Cote d'Ivoire, for both demographic and also purchasing power reasons.

- Rail Transportation: For several years, the traffic between the port of Dakar and Mali (carried at 100% by the railroad) were equivalent in volume and value to the flows between Abidjan and Bamako. The competitiveness problems of the port of Dakar, the lack of roads and also the efforts made in Cote d'Ivoire with the privatization of the railways since 1996 have led to the reduction in the importance of the port of Dakar and it is no longer the "natural port" for Mali.

  According to the professionals interviewed, the share of Senegal traffic has decreased to between 35 and 40% at most, the remaining share of the traffic having been captured by Abidjan. This situation is explained in large part by the weak performances of the railways. For these reasons, an important shipping agent says that he used to transport 230 containers of 20 feet per month and is today shipping only 100. His customers, tired of the difficulties of finding wagons, and high costs now ship all their goods to Mali through the port of Abidjan.

It is important to note while the Mali traffic is about 200,000 tons per year, that between Burkina Faso and Cote d'Ivoire amount to 475,712 tons by rail and 410,576 tons by road (market shares of 54/56%)[65], giving an idea about the vast amount of work to be done to reach the proportions of ten years ago.

9) Internal Adjustment of the Companies

For a very long time, often at the behest of donors, a heavy emphasis was put on the business environment as the main obstacle to private sector development. Important efforts were made to implement economic reforms essentially focusing on the reduction of the role of the State. Thus, some semi-public companies were privatized (water, electricity, telecommunications)[66], and sectors entirely controlled by the semi-public companies have been liberalized, most of the monopolies broken up, special agreements revise.

However, too much emphasis on the "business environment" has pushed the issue of the internal adjustment of companies on the sidelines, in large part because of the lack of knowledge the private sector. In effect, the first function of a company executive is not to change its environment but to adapt to it, within its activities and to make profits[67]. Some entrepreneurs admit that the emphasis on the "environment constraints", while not negligible, has often been used as a pretext for complacency, especially for companies that do not know how to make money from sources other than from tax avoidance or special privileges from the State[68].

Thus, the Mission tried to check whether, in the affected companies, some fundamentals existed. Naturally, caution should be exerted regarding the results of the survey given that the Mission could not survey each company. However, regarding the methodology, the answers to some indirect questions give a reasonably good idea on the private sector situation.

It seems that a majority of SME/SMIs surely use accounting, but in most cases, it is done by an external accounting service "that send them quarterly reports," evidence that it is less a management tool and more a legal compliance. When the accounting service is located within the company, the answers elicited show that the chief executive is rarely informed of the situation and that he manages funds empirically. Industrial companies had no managerial accounting, and the executive has no precise idea of his cost structures. In some cases, the executive links, with a lot of apparent conviction, his lack of competitiveness to the costs of his technical production factors, an old refrain often put forward by the professional organizations, without any details on the relative weight, for instance of energy on their production costs.

As for budgeting, the results are even worse, improvisation being the most common method rather than the systematic measure of performance. When there is one, the budget is rarely reviewed during the course of the period, leaving the impression that the results are recorded rather than forecasted.

Management control tools do not exist in most SME/SMIs and when it comes to computers, it is used only for wages and general accounting. Inventory and production management are often very out of date.

With some exceptions, Internet connections are not widely available and only three companies have web sites. Most of the unconnected companies believe that either the service is useless, (even if during the interview, it appears that the executive has no idea what it may be used for), and expensive (whereas the monthly subscription is CFA F 12,000 all taxes included with unlimited use). Here, it must be said that, in this specific area, Senegal is very competitive and that the arguments put forward are not relevant.

In the agro-business sector, the weakness of the efforts undertaken in research/development seems unacceptable, but somewhat understandable given that the contents and packaging of some products have remained the same for decades. It is also normal that these companies are not among those complaining of foreign competition.

With regard to UEMOA, only two companies have clearly shown their ambitions. The others balance between demonstrating an interest in principle (not backed by any coherent strategy organized by dated objectives and quantified) and most often the fear of invasion of products from other UEMOA countries. One hopes that this resignation toward the UEMOA would be the unfortunate demise of only the companies surveyed, or else one would have to conclude that the Senegalese private sector lacks ambition. The companies visited leave the impression of being in a waiting position, which contrasts with the clear ambitions of companies in other UEMOA countries. The isolation of Senegal within the UEMOA, especially due to the lack of infrastructure, does not contribute to creating the conditions for a positive attitude. However, beyond the environment problems, deep problems exist within companies that need to be resolved quickly or lose a future in sub-regional and global integration.

The analysis of fundamental business practices leads one to conclude that the companies are very fragile, especially the SME/SMIs. Some of them are aware that, in real terms, the growth of their total sales is still low and that, on the management level, a lot remains to be done for them to meet the "norms."

In this view, the financing issue should be minimized. The Senegalese SME/SMI needs services, among them, financing, which could be available only when the fundamentals of the company exist, which means that a national strategy should be implemented.

10) Private Sector Strategy

Aspects of the internal or external private sector situation show that a lot remains to be done to supervise and promote a private sector with numerous needs. The Mission participated in the drafting of a private sector strategy adopted by the participants, (the Senegalese Government, donors, professional organizations).

During the interviews, all the entrepreneurs admitted that they receive very little support from the government and donors.

For its part, the government has set up several institutions but the general impression is that these structures provide no support[69]. As for the donors, the private sector is unhappy with the way that project are developed, a lack of attention to the private sector, an old tradition of working with the government, and the implementation of methods inadequate for the private sector.

The new scheme endorsed by the Head of State[70] on April 19, 1999 is as follow:

The functions of "export promotion and local products promotions and supplies" are currently handled by five entities (CICES, ASACE, TRADE POINT, COSEC and PPEA). They may be combined into a single structure, the APECA.

The function "investments promotion" under the trusteeship of SODIDA, SONEPI and the one stop window, henceforth, would fall under a new entity, the API, which may be merged with the APECA to form the APIX.

The functions "company promotion, technical support and support financing" currently handled by the Private Sector Foundation, SODIDA, SONEPI and the Sub-Contracting and regional industrial estates exchange could be regrouped under the umbrella of the National Agency for SME/SMI Development (ADPME).

As to the "productivity, quality and standardization" functions carried out by the Senegalese Institute of Standardization, the Industry Observatory and the CNPP project, they could be blended into the National Center for Production and Productivity (CNPP).

Finally, the multiple financing granted by donors should be subjected to a Financing Coordinating Committee (CCF).

In sum, the effect of the new proposed approach would be the reduction of official institution from 16 to five under the control of the National Council on Private Sector Development, which in turn, would later take the place of the General Dialogue for Growth and Development. There is a need for an appropriate legal framework for all these proposed organizations, however, since public institutions managed by civil servants could only be renewed by executive order. On this topic and given the lack of mechanisms in the Senegalese legal framework for a tripartite management, the preference of the private sector would be to see new institutions set up.

This rather ambitious strategy was endorsed by the Government, the private sector and donors. It appears necessary for a true development of the private sector but the entrepreneurs met are fearful that resistance by state-controlled institutions will slow the implementation of a shared strategy.

11) Employers' Structures

All of the entrepreneurs interviewed during the Mission regret the break up of the employers' movement. Moreover, the Mission noted that a number of companies did not belong to a structure or were in one by collective agreement, limiting their involvement to contributing periodically without participating in the meetings of the different structures.

With regard to the employers' organizations[71], there are only two of them, the National Employers' Council (CNP)[72] and the National Employers' Confederation of Senegal (CNES), a multi-professional union that was member of the CNP until the break up in 1993.

The reasons for this break up are sometimes difficult to understand. Quarrels between individuals, divergent interests are two reasons. However, in the current environment, these organizations are unable to fully play their role. The divergent interests seem to relate mostly to the form of the new structure[73] and the issue of national preference waved by the CNES (most of whose members are Senegalese) and the CNP (which has, beside the Senegalese companies, most of the foreign companies, though regulated by Senegalese Law).

Regarding the most appropriate legal structure, the by-laws of the two institutions call for the creation of a strong organization assembling companies by professional sector, and across sectors, specialized committees (social, economic, tax.) Obviously, there seems to be a will to preserve professional unions, which have demonstrated their efficiency, but now appear, to be closed clubs. Some have seen their membership steadily dwindle over the years, so much so that the status quo is not viable. Moreover, several companies do not belong to employers' organizations, and without an alternative strategy, the employers' organizations risk becoming weaker.

As to national preference, it does not seem correct to make the issue a precondition for unity, since the primary function of an organization is to assemble and not determine biased statutes based on capital national origin. Though the national preference issue is a reality in every country, the answer is not with professional organizations, and if the goal is to attract foreign investors, it would be wiser to distinguish, not between the national and foreign capital but between companies under local laws and foreign companies intervening in Senegal only sporadically in carrying out a procurement (which is often the case in constructions and public works or with tied cooperation[74]).

For the Senegalese private sector, the challenge relates to the strategy endorsed months ago, and given the known reluctance, its implementation will have to be managed by an effective employers' structure.

In this context and subject to its unity, the employers' union should be in a position to identify the necessary budgetary resources.

CONCLUSIONS AND RECOMMENDATIONS

At the end of this study, it appears that the private sector possesses real potential in Senegal, though it is still in a fragile position due to an old tradition of protection and economic rents (high tariffs barriers and administrative limitations), a weak research and development culture, a mediocre knowledge of the sub-regional environment, transportation infrastructure not conducive to regional trade and fear of globalization.

The State is deemed inefficient, and serious weaknesses were identified within private sector companies. Even the best of enabling environments would not be a sufficient for the success of the private sector. To this end, the studies underway for the definition and the implementation of a private sector strategy would make sense only if, in turn the private sector agrees to make efforts of the magnitude they require from the State.

Thus, the recommendations can be centered on the following:

Infrastructure Improvement

As demonstrated by countless studies, the choice of a host country by foreign investors is determined more by the quality of its basic infrastructures than by investment incentives. This is so important that today, several countries in Asia and Africa offer a stable macro-economic environment, and compete for foreign investments. Concerning telecommunication infrastructures, Senegal is ahead of most African countries. On the other hand, with regard to electricity and transportation infrastructure, the current situation leaves much to be desired. This is tragic given that the UEMOA market offers Senegal real opportunities in terms of markets and new investments that cannot be ignored.

It seems essential to respond to the increasing demand for electricity from families and private business operators. The current problems are blamed on mismanagement, outdated facilities and lack of funding for maintaining the equipment in good working condition. The privatization of SENELEC with new capital inflows and a new management team, should improve the situation in the near future. At the same time, it would be wise to take advantage of other sources of energy such as natural gas and solar energy. The soon-to-be-available energy from the Manantali Dam should also improve the situation. However, investors would be enticed to invest in these activities once the energy distribution, currently a SENELEC monopoly, is privatized/liberalized as is energy production. This would require that franchises be set up with tariffs overseen by a regulatory body that should be created as soon as possible. Meanwhile, the inevitable distribution through SENELEC limits profit margin, thus investments in this sector. The availability of energy issue is important as is the quality of electricity and is a major constraint for companies.

With its port, Senegal is far less dependent on its highway infrastructures for its international trade, including within the region. This does not mean that it is not important for Senegal to rehabilitate its transportation infrastructures, especially the Dakar-Bamako railroad, if it is to claim a position of leadership within the UEMOA. Following the deterioration of the Dakar-Bamako axis, an important share of the goods that transited through Dakar toward Mali in the past is now channeled through the port of Abidjan.

Making the Most of Competition

It is essential to set up the regulatory bodies at the same time than the privatization efforts of State-owned companies such as SONATEL or SENELEC, or the liberalization of monopolistic activities are carried out so as to promote fair competition. The lack of a regulatory body for the telecommunications, awaited for the last two years, distorts fairness in competition and favors SONATEL through one of its divisions that has yet to be spun off. Given the legal vacuum on this issue, nothing prevents SONATEL to favor ALIZE through cross subsidies to the detriment of private operators offering competing services. If it is true that telecommunication costs are more competitive in Senegal compared to those in the sub-region, it remains that this de facto situation penalizes young companies managed by dynamic entrepreneurs in their competition for new market shares, and prevent them from taking advantage of economies of scale. In addition, SONATEL still has a voice in the approval of applications of private operators in the telecommunication sector. Finally, it is essential to enact a law on competition and enforce it.

Financing

It is essential to encourage competition between banks and the creation of specialized financial institutions, including venture capital. To this end, entry barriers to banking and non-banking financial institutions must be eased, on one hand. Competition should improve the relationships between customers and banks and reduce the financial margins. Secondly, to clarify the rights and obligations of the financial institutions, it is also important to speed up the enactment and implementation of a banking charter. Thirdly, to achieve the goal of mobilizing and stabilizing financial resources, deposits and loans must be secured through an insurance system. Fourth, financial resources costs should also be minimized, especially for the non-banking financial institutions. Dissemination of information to financial companies such as insurance and welfare agencies on the possibility for them to deposit funds with these institutions should allow them to negotiate better interest rates that the four percent that commercial banks currently offer. The move should be so fast so that the conditions for the creation of new institutions will be implemented. The requirement of an executive order for a financial institution to issue shares should be dropped. In addition, the interest rate must be revised for the financial institutions to make risky loans profitable.

Some tax incentives for investments that are less favorable to traditional financing methods should also be revised, such as the processing of investments funded by leasing. Moreover, the fact that leasing contracts are not accepted on the monetary market for refinancing, even though they offer lower rates than short term bank loans, reduce even more the opportunity for leasing companies to lower the cost of their resources.

Simplification of Exemption Rules and the Tax System

As discussed above, most of Senegal's trade is with industrialized countries. In such a context, it is important that private Senegalese operators have access to the inputs for their export-oriented production exempt from customs duties and value-added taxes. The regime that administers taxes is very complex and subject to interpretation from the agents in charge of their implementation. The large companies in the traditional export sectors such as fisheries and fertilizers have no particular problem in this regard. They export all their production, and thus, are exempt. To the contrary, the medium size companies, who export but also serve the local market, face huge difficulties in asserting their rights. Thus, several of them choose to export without obtaining reimbursement of the entry fees paid for the inputs used. This situation weakens the cash position of companies that have only recently gained access to the international market. To have competitive companies of all sizes on the international market for the long run, it would be worthwhile to review the exemption regimen in order to simplify it.

One way of doing that would be to assign a ratio, per industry, that would measure the relative importance of taxes paid on imported inputs used for the manufacturing of exported goods. Then, to immediately reimburse the companies for these taxes based on those ratios. The system should be followed by a post control, rather than the current one that takes place at the time of the application for reimbursement. Abuses should be severely punished and go as far as barring the company from accessing the exemption again. This scenario requires a database on the companies' activities be set up over a certain period and a reliable computer. Given that Senegal is far from such a situation, an intermediate solution would be to simplify the current method by reimbursing 75% to the companies and undertaking the controls before the payment of the remaining 25%. Here too, abuses should be penalized in a transparent manner[75].

It is also important to simplify the tax system and to abolish low yielding taxes. The organized companies face such an array of taxes that tax avoidance is highly tempting. There are licenses, income taxes, total sales taxes, dividend taxes, specific taxes, registration duties in addition to fines for real or imaginary offenses. A complex system is subject to random interpretations and increases bargaining opportunities, hence the need for a simple system to be widely disseminated. Experience has shown that high tax rates do not necessarily translate into higher revenues, but more often to tax avoidance or fraud. For example, the decrease in customs duties in Senegal has led to an increase in revenues even if it is true that, in part, an improvement in the level of collection also contributed to this. This also reflects a lower level of tax evasion. In comparing the associated cost of the tax evasion or fraud with the amount of customs duties to be paid, some operators chose the second approach. It is essential to maintain a balance between the need to increase tax revenues and the tax base. In this light, the first exercise would be to undertake some simulations and to assess the lowest tax rates with the objective to widen the tax base and to do away with low yielding taxes that burden the system.

Improving Relationships between the Administration and the Companies

Entrepreneurs are very skeptical about government's decisions both with regard to their nature and their implementation. Thus, given the uncertainty regarding the status of companies in the free zone, the slow pace of decisions concerning SODIDA or the setting up of the regulatory body of the telecommunications, the delays in payments for goods and services rendered to the public administrations, a growing tolerated and sometimes encouraged informal sector contrary to the rules and regulations, and the constant harassment that companies suffer perfectly sum up this problems.

Improvement in relations between companies and the administration would require the existence of a legal framework that defines the rights and obligations of each of the parties, the respect for the rule of law, the sanction of abuses, the existence of a recourse system, the training of companies (as discussed above) and of the administration's agents.

To avoid costly harassment that diverts the attention of the company personnel, it is important to limit the opportunities. This requires an overhauling and simplifying of the customs code, tax code. Such is the case with the implementation of a recourse system and a fair and transparent sanction system. Whatever the reforms undertaken, their implementation will depend upon the competence and motivation of State agents. Thus, it is important that they be trained continuously and appropriately paid. This training program should allow the State agents, especially those at the low and middle grades, to consider companies as development partners and to better understand the role of the private sector in a market economy.

Beside this general stipulation, we would like to propose a number of specific recommendations included in the body of the report.

- The implementation of land statutes reform. Speedy granting of land deeds to rural companies.
- The privatization of SODEFITEX with an important participation of cotton producers.
- The withdrawal of the State from negotiations between SODEFITEX and yarn spinners.
- The implementation, within the UEMO, of common and cohesive policies based on a deep understanding of the regional structure of comparative advantage.
- The suppression of privileges granted to the sugar company through tax surcharge on sugar imports.
- The determination of the port labor cost based on tonnage effectively handled rather that the hourly rate.
- The speeding up of customs clearance through simplification of the procedures and improved transparency.
- The creation of a tax arbitration commission.

The Leveling of the Companies

For a long time, the international community has been interested in the development of the business environment and did not understand the sluggishness of the private sector. For some time now, it has become apparent, and this is clearly perceived in Senegal, that a performing private sector certainly needs an enabling environment, but also companies in a position to take advantage of new opportunities. Most of the Senegalese companies, more specifically the small and medium size ones, are not prepared to face up to the new challenges of a more and more liberalized national economy. The responsibility can be attributed to national governments, which practiced extreme protectionism with an industrial strategy centered on self-sufficiency, as well as the donors who, for years, required African companies to perform nearly impossible missions. Namely, companies rushing toward new markets when they have not or have barely mastered the management systems, have no strategic vision, no research and development culture, nor the human resources to meet the new market requirements dictated by the globalization of the economies. After several consultations, this remark has led the Senegalese government, the private operators and the government's financial backers to agree on a support concept for the private sector leading them away from their old habits. This concept enables the inventory assessment of the current support program's weaknesses and offers new benefits. The institutions providing the same services are consolidated and placed under the supervision of the same agency, the National Council on the Private Sector Development, to avoid duplicating the efforts. This new concept enables companies that so wish to take their destiny into their own hands to call on an array of expertise to respond to their multiple needs.

A support to the private sector requires the strengthening of professional organizations, which have the same shortcomings as their member companies in terms of human resources, data on their industry and lobbying capacity.

Before implementing this concept, it is essential to set up a legal foundation on which the joint organizations - that would coordinate the private sector support activities in a spirit of dialogue, transparency and performance in terms of quality and quantity - will be grounded. This new legal framework should clarify the mandate of these joint organs, insure their independence, limit the executive order appointments and favor the recruitment of skills based on their qualifications.

Research Project

In some areas, preliminary studies should be undertaken before specific recommendations are made.

- *Effect of Tax Incentives and other Factors Affecting Trade and Investment in Senegal within the UEMOA Framework*

As discussed earlier, UEMOA offers great opportunities to Senegal in terms of markets and new investments within the new customs union. Besides setting up this union, the UEMOA also proposes a new investment code dealing with both industry and trade. This code offers exemptions but they are generally less generous and of shorter duration than under the current one. In addition, free zone companies of a member country will be treated as foreign companies and subjected to the Common External Tariff. It would be desirable to assess the impact of this new customs union and the harmonization of the investment code on the Senegalese companies, especially the key sectors, given that the factors of production costs (with the exception of telecommunications) are far higher in Senegal than in the sub-region. This study could be centered on some sectors: fisheries (management of the fish inventory), textile, new technologies, remote services and pharmaceuticals. Moreover, the study should take into consideration the location of the industry. For example, taking account of the existing infrastructure, the trend should be for the companies to locate their facilities as close to the port as possible, meaning Dakar. However, if SODIDA cannot respond to the pending applications, it is less likely that the companies in the sub-region would choose to be located in Senegal. It could even be envisaged that some Senegalese companies would move elsewhere.

- *Origin of the Low Labor Productivity*

If it is true that the Labor Code does not represent a problem for companies, some of them raised the issue of their labor productivity. It would be useful to determine what leads to this low productivity:

- The dilapidated and outdated equipment in need of a lot of repairs and attention from workers;
- The outages of public utilities, effecting workers to be laid off;
- The seasonal nature of the production requiring more temporary workers as compared to permanent ones, whereas they are only summarily trained;
- The labor laws conceived in such a way that companies prefer to hire temporary workers that they can fire more easily than permanent workers with identical results as to training;
- Mismanagement and low wages that discourage workers;
- Inappropriate skills of employees, such as education, experience and nutrition.

It would be useful to compare the results by the type of company (formal/informal). This study should serve as a ground for dialogue or program dedicated to issues regarding improvement in business management within the private sector.

- *Study of the Informal Sector*

In a pernicious way, the issue of the informal sector has surfaced recurrently. Formal companies complain about the unfair competition from the informal companies, which marginalize all the costs, namely those relating to labor, tax expenses and space management. Nevertheless, the informal sector is an important pond for human resources. While the formal sector employs only 160,000 people, the informal sector offers to nearly 90% of the working age adults an important source of revenue and contributes for 50% to the GDP. In addition, the dividing line between the informal and formal sectors are not as neat as one would think. Even structured companies sometimes violate the law. A booming informal sector is symptomatic of the State's malfunctioning. It may be due to high entry barriers, a conscious effort to avoid a state considered predatory or a lack of interest to formalize the activity. In other words, this corresponds to institutions that have ceased to respond to the needs of the private sector. In any case, an informal sector as dominant as that of Senegal is a ticking time bomb. The tax base is small, the majority of workers have no protection and there is an enormous loss of resources. It is essential to study the causes and motivations of the informal entrepreneurs to set up appropriate institutions that would meet their needs and channel their productivity [into the formal economy].

- *Study of the Specific Sectors for which Senegal has Comparative Advantages within the UEMOA: the example of Textile*

Senegal produces cotton of excellent quality that it exports without any added value. This cotton could be the raw material for an array of intermediate and finished locally produced goods. In this view, the production technology may require some improvement, a reliable electric utility, and good supervision from management, good quality control, and transportation and telecommunication conditions adapted to the ever-changing characteristics of the market. This sector faces stiff competition on export markets but Senegal's products receive preferential treatment and could specialize in very differentiated products. What is the size of the local and sub-regional markets for the finished products of this sub-sector? What policies currently prevent the development of intermediary products' industries as well as finished goods in these sub-sectors?

- *Comparative Study of Financial Institutions in French and English Speaking Countries*

The comparative study of financial institutions in French and English speaking countries reveals a more diversified offer in favor of the latter, both in terms of number of institutions (banking and non-banking) and financial products at the disposal of companies, especially small and medium ones. The reasons put forward to explain this situation are not all that convincing, and it would be interesting to study the historical, political, economic and even cultural causes at the roots of these differences. The same observation applies to the stock exchange, which has been, for years, active in the English speaking countries and still in its early stage in the French speaking countries. It is worth clarifying here that, to this date, the BRVM[76] has only one Senegalese company listed, SONATEL, while the Accra stock exchange has played a major role in the privatization program, for instance. Finally, an emphasis should be put on the management of welfare funds (pension, social welfare) that directly feed into the monetary market in the English speaking countries whereas in the French speaking countries, they are confronted with serious financial problems.

Endnotes

1/Web site: http://www.worldbank.org/html/extrdr/offrep/afr/senbck.htm
2/ IMF 1999
3/ Since April 1998, Senegal has started to implement the Common External Tariff within the UEMOA to help regional integration
4/ Dirck Stryker, Ndaya Beltchika and Mabousso Thiam, "the Transaction Costs in Cameroon," Draft Report, AIRD, 1998
5/ Idem
6/ J. Dirck Stryker and Christopher Shaw, *Costs and benefits of Eliminating Institutional constraints on the Expansion on Nontraditional Exports*, Cambridge, MA: Associates for International Resources and Development, October 1994.
7/ Advisory Services for Foreign Investors, a Joint Service of the IFC and the World Bank (WB), November 1998
8/ Elliot Berg, et al. DAI, Maryland, June 1997
9/ Mamadou Mbengue, March 1997
10/ the Mission interviewed more than 40 companies, but some of them did not provide reliable information.
11/ National Council of Senegalese Employers (CNP) and National Confederation of Senegalese Employers (CNES), *Environment of Industrial Companies in the Economic and Monetary Union of West Africa (UEMOA)*, Chamber of Commerce, Industry and Agriculture of Dakar, 1996.
12/ In fact and since May 1999, the traditional outages during hot periods have resumed at the same level of intensity than the year before.
13/ OMVS comprises Mali, Mauritania and Senegal
14/ EIU Country profile Senegal, 1997-98
15/ There is a natural gas field at Gadiaga, near Thies with an estimated capacity of 10 billion cubic meters.
16/ See the developments on the fundamentals of the company.
17/ Examples exist, namely the BCCI Group located in several UEMOA member countries and ordered to close by the Banking Commission.
18/ BIS – Islamic Bank of Senegal
19/ Note should taken that the Senegalo-Tunisian Bank whose shareholding was previously owned by the Senegalese and Tunisian Governments, has been purchased by private interests, the majority of whom are Senegalese
20/ The General Bank of Mauritania, recently set up by a member of the REAO Mauritania is controlled by a majority of Mauritanian capital and has developed a customer service of quality unknown in Senegal
21/ See the study on the development strategy of the private sector, endorsed by the Head of State on April 19, 1999. It is a study undertaken under the supervision of the UPE (Political Economy Unit, Ministry of Economy, Finance and Privatization) with organizations from the private sector and the community of financial sponsors.
23/ IMF Staff Country Report, Senegal: Selected Issues and Statistical Annex, 1997.
24/ To the Mission's knowledge, the non-remuneration of current deposits is prevalent only in the Franc Zone. Failing the enticement of good savings mobilization, it allows banks to reduce the medium cost of resources and to deduct substantial accounting fees. The checkbook is still free.
25/ See Infra the developments on funds transfers, the lack of interconnection between automated teller machines, or more visibly, the lines in front of bank counters and not only at the end of the month.
26/ IMF 1997
27/ The Senegalo-Tunisian Bank recently privatized in favor of Senegalese investors
28/ The Commercial Bank of Senegal was set up in the early 1980s by a group of national investors. After some years of catastrophic mismanagement, it was liquidated and the mistakes noted in its management widely publicized.
29/ IMF 1997
30/ Idem
31/ The BST is being privatized and the capital distribution will change in the coming weeks with a significant reduction of the State's shares.
32/ The BCEAO informed the Mission that a study is currently underway to define the appropriate framework regarding the capital-risk. Given the need for uniform law within the eight member countries of the UEMOA, the implementation of this framework would take some years yet.
33/ A few months ago, a mission directly supervised by the BCEAO governor has been set up and the consultants were able to meet with its head.

34/ In September 1999, a workshop would be organized by the West Africa Enterprise Network (REAO) on the issue of monetary transfers and, within the CEDAO zone, would bring together central banks, national commercial banks, sub-regional banks and business operators.
35/ These provisions are expressly included and are in accordance with WTO norms
36/ See on this topic the results of the ITA (Food Technology Institute) with regard to fruits, vegetables, dairy products, meat products, and cereals.
37/ The reform of the land statutes has been regularly announced but always postponed
39/ In practice, the manufacturer undertakes internal adjustments that allow him to sell, in any case at a price below that of the importers or other processors, be the sugar produced locally or imported. He thus is the absolute master in this situation.
40/ According to some operators active at the port of Banjul, two hours are all it takes between the arrival of the ship and the clearance of a container from the port.
41/ Including the Senegalese diplomatic missions abroad, which, given the avowed indifference, are systematically bypassed. As is the case in the developed countries, most companies are of the view that the political authorities as well as the diplomatic missions should act as salesmen, thus supporting the development of the Senegal destination in investment terms. With globalization, though the private sector is naturally put forward, it remains a strategic matter in developed countries – hence a matter of the State – and examples of State visits leading to important contracts abound.
42/ With the remarkable exception of the Free Industrial Zone Administration and the one stop window. See infra. Support to the private sector.
43/ As an illustration, cash sales are subjected to tax stamps to be affixed on the invoice. Their value varies in accordance with the amount of the sale. Companies distributing at micro-sales points cannot meet this requirement given that, in some cases, more than 200 deliveries take place daily.
44/ The Taxation Commission of the National Welfare Bank for instance
45/ Namely a quality study with the GRCC
46/ For instance, a small municipality administers more than 40 local taxes
47/ With regard to the example of the VAT, its generalization was preceded, in Tunisia, by the traditional tax on total sales. The lack of annual statement was sanctioned and it was in that fashion that the tax administration developed its tax files used during the VAT generalization. This practical approach was based on the clear understanding that the VAT is a tax for modern economies meaning that the Government is able to catch all taxpayers (and not grant flat rates) and that the companies' cash flows are transparent.
48/ According to companies surveyed that have subsidiaries in the sub-region, Senegal would seem to be less corrupt than other countries, it is still possible exercise one's rights, but the deterioration is significant. At current rate, some entrepreneurs believe that Senegal will catch up with the other countries not held up as examples of transparency in a matter of years.
49) On the involvement of the private sector, see chapter 13 on the issue of fishing licenses.
50/ According to a recent study by the CETUD (Executive Council for Urban Transportation in Dakar), automobile pollution in the capital alone affects 2.1 million people. It costs the State approximately CFA F 118 billions or 4.8% of the 1996 GDP
51/ the same study indicates that more than 50% of the Senegalese automotive park is more than 15 years old, only 4% are less than three years old and two vehicles over three are considered big polluters. In themselves, taxicabs and "quick buses" discharge 61,632 liters of gasoline per inhabitant and per year, or more than ten times the American and European norms.
52/ It is worth mentioning that a noticeable effort in terms of security is underway in Dakar and is saluted by the companies. They wonder, however, whether these measures would last.
53/ In part, this explains the reluctance of some tenants to pay their rents, and moreover, some of them cannot meet their obligations given their weak financial situation. It is true to say that the rental costs are higher than the rate on the market.
54/ Sale or simple leasing management
55/ the Mission met its Chairman, Mr. J.C. Tall
56/ The SENTEL Group is constituted by Senegalese shareholders and MCI (USA)
57/ See the recent Alliez report, a study ordered by the High Council of the Industry, that concluded that "unless decisions are made to revert the trends… it is certain that the national fish resources will no longer meet domestic and export markets' needs in the near future. According to some sources, this near future would be 5 to 7 years in the best case scenarios.
58/ FIAS (Foreign Investment Advisory Service) "Senegal, the Investor's Pathway, March 1999

60/ From Dakar, it is possible to reach Mali up to Kayes. To the contrary, from Kayes to Bamako, there is no road and the railroad is the most used transportation means.
61/ The ongoing negotiations with the Senegalese Government should allow Air Senegal not only to develop a good quality close neighboring network but also sub-regional and even intercontinental lines thanks to the Casablanca hub.
62/ From now until the end of the year, Air Senegal would have a fleet of two turboprops Dash (70 seats) for domestic flights and short flights to neighboring countries (Banjul, Praia, Nouakchott and Bissau) and two Boeing 737 for the long neighboring countries (Conakry, Abidjan, Bamako…) but also in West and North Africa, Casablanca in Morocco becoming the hub for connections to North America, all over Europe and Asia.
63/ Namely cantaloupe and some kinds of tomatoes.
64/ On average, CFA F 50,000 per wagon outside the regular tariffs
65/ Source: Sitarail, a private company operating the railways between Cote d'Ivoire and Burkina Faso
66/ Questions should be raised about the use of the word "privatization" when the Government sells its share to another State-owned entity, be it a foreign one…and it remains operator and regulator simultaneously given the lack of a regulatory body.
67/ The development of the informal sector is its best evidence.
68/ So it is when the entrepreneur enjoys special privileges such as in the rice quotas for instance, system that has fortunately disappeared since the liberalization years.
69/ As previously specified, only the one stop window (whose role is limited in term of promotion) is favorably rated and so is the case for the Free Zone administration soon to be attached to the one stop window, which managed five companies compared to 30 in the FIZ of Togo…
70/ See the study on the private sector strategy and diagnostic of the support and promotion system of the private sector (UPE/Performance Management Consulting)
71/ This refers to companies of the informal sector, the other organizations do not participate in regular negotiations with trade unions for instance, proof that they do not feel concerned with the labor law.
72/ According to the provisional representation survey undertaken by the Ministry of Labor, in the informal sector, the ratio CNP/CNES is approximately 2/3-1/3.
73/ The discussions focus on the presence of strong professional unions within a light federal structure or, to the contrary, a strong confederation with companies assembled by professional sector, without being a legal entity.
74/ The issue of tied cooperation is a serious obstacle to business development. Bilateral financial backers are fond of this convention type which imposes not only that a company of the same citizenship be selected, but goes as far as imposing the chosen company, even though there are no serious restrictions with companies installed in Senegal. This perversion of aid has been often decried, without much changes, some financial backers admitting in private that their role is to subsidize their national companies, the best interest of the aid beneficiary being objectively second.
75/ In the USA, customs abuses are sanctioned by a fine and entered into a data base where the felony remains for 10 years. Once a company is registered in this data base, it is sure to be controlled meticulously at each clearance. This data base can be accessed at all customs office location.
76/ The Regional Stock Exchange located in Abidjan and covering all the member countries of the UEMOA.

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