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SENEGAL: ECONOMIC ANALYSIS

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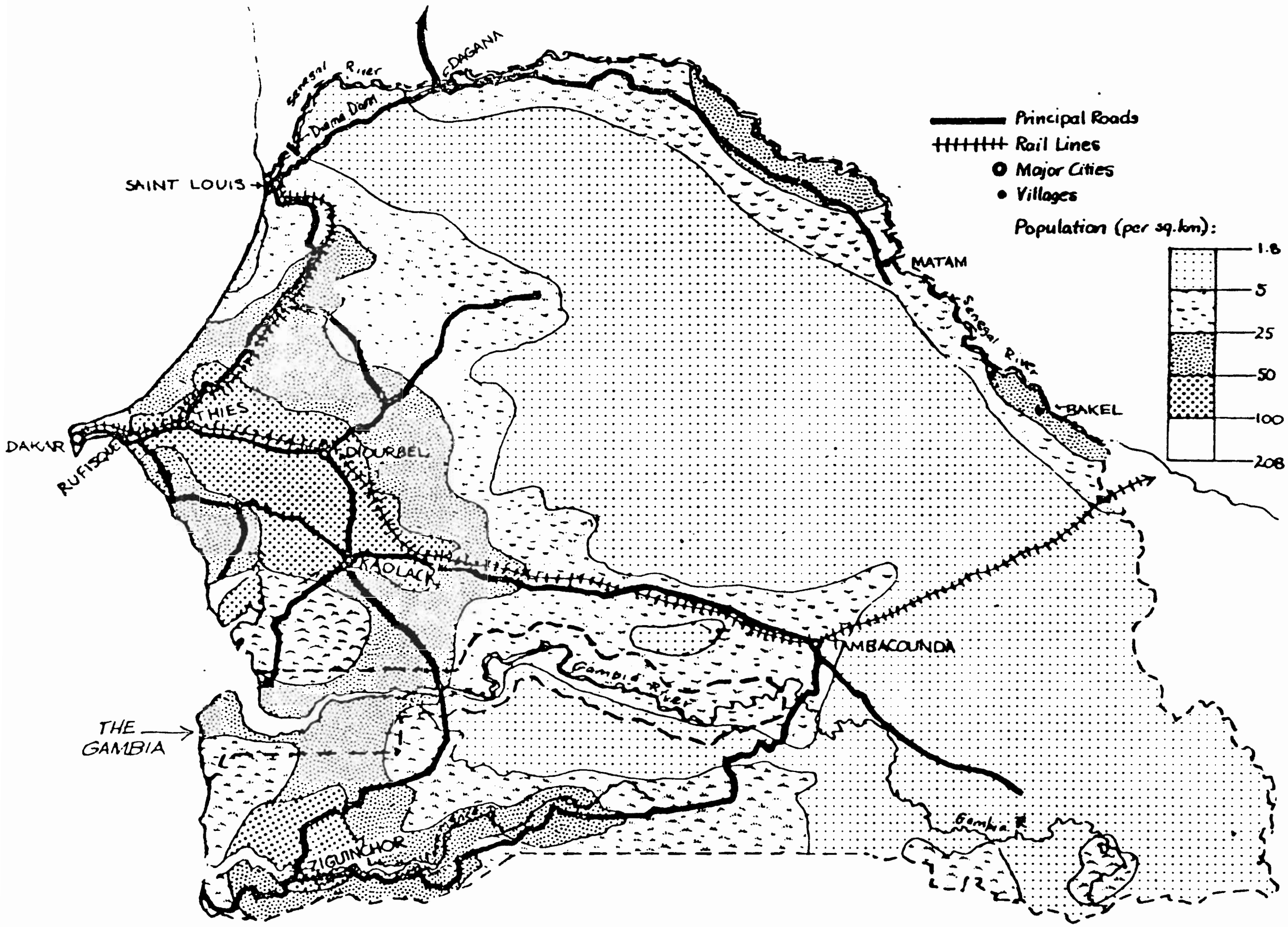
CONTENTS

LIST OF TABLES AND CHARTS



Senegal ~ Communication Links ~ Population

I. Background

The Republic of Senegal is a small country of about 76 thousand square miles (about the size of the State of Nebraska) on the Western coast of Africa. It is bounded by Mauritania to the North, Mali to the East, and Guinea and Guinea-Bissau to the South. It is practically cut in two by the independent Republic of The Gambia, which extends about 200 miles inland along both banks of the Gambia river, and cuts the southern region of Casamance off from the rest of the country. Attempts to form a Senegambia Confederation have recently been abandoned.

The 1988 census establishes Senegal's population at about seven million people. The country's level of development is low: Senegal ranks 112th out of 130 countries on the UNDP's scale of "level of human development", higher than other Sahelian countries but lower than Bangladesh (107) or Haiti (101). Sixty percent of the population is rural.

With a GDP per capita of about $ 650 in 1989, Senegal just barely climbs into the World Bank's classification of lower middle income countries. This is misleading, however, since the economy is highly dualistic, with industrial activity and a well-established urban elite concentrated in the Western part of country, principally around Dakar.

At independence, Senegal was an example of a classic single-export economy: peanuts accounted for about 80 percent of total exports, with an additional 10 percent consisting of phosphates and manufactures. French import-export firms established during the 1930's were joined by import-substituting manufacturing firms in the 1950's. Most of these firms produced light consumer goods (shoes, textiles, processed foods and beverages, cosmetics, pharmaceuticals, etc..) for the French West African market, sheltered from international competition by the Franc Zone monetary and trade regime. Retail trade in the urban and rural areas was controlled by French and Lebanese immigrants. Local religious leaders (marabouts), who already wielded emormous spiritual and temporal influence based on bonds of obedience and mutual obligation linking patron and clients within the Islamic brotherhoods, were closely connected to the assembly and transport of the peanut crop.

As the administrative center of the former French West African territories, Senegal inherited a large and well-established bureaucracy (and an elite used to living standards far above those of the rest of Africa -- Elliott Berg, 1990) as well as a relatively well-developed network of transport and industrial infrastructure. The integration of Senegal into the French administrative structure after the Second World War, with elected Senegalese representatives sitting in the French National Assembly, helped strengthen the hierarchy of patronage from colonial power, to local administrators, businessmen, traders, and middlemen.

Unlike many African countries, Senegal's independence was not accompanied by violent revolution. Continuity of political, economic, and cultural relationships with France was prized by the country's new rulers, and French influence and ways of thinking remained strong. In the post-independence era the marabouts became increasingly important as power brokers in national elections, and continued to command the attention of politicians.

The government of Senegal has supported democratic pluralism since the mid-1970's. A number of political parties are active, but politics to an important extent appears to reflect personalities rather than alternative philosophies and programs. Combined with the administrative legacy described above, this has produced an institutional structure characterized as "intractable" by the World Bank (The World Bank and Senegal, 1960-87).

Indeed, a key problem of economic management in the 1980s, and the continuing challenge for the authorities in the 1990s, is to strike a balance between political objectives and the need for more vigorous implementation of broad institutional and economic adjustments.

II. Resource Base

A key constraint of Senegal's resource base is that, by and large, people and natural resources are concentrated in different areas.

A. Human resources

1. Population: The 1988 census identifies a total population of 6.9 million, approximately 60 percent of which is classified as rural. Sixty-five percent of the population is under the age of 20. The average population growth rate, 2.4 percent since 1960, has exceeded average economic growth by a small margin, thus keeping per capita incomes low and stagnant. It is important to note, however, that total population is heavily concentrated in the western part of the country. In a very rough approximation, about 60 percent of the country's total population radiates out from the Dakar area into the mid- and southern peanut basin as well as along the coast to the north and south of Dakar. (See map). The Dakar administrative area alone contains over 20 percent of the population; Dakar and Thies together account for about 60 percent of the urban population. The Ziguinchor and Kolda

areas in the southernmost part of the country (Casamance) account for about 13 percent of the population, about 80 percent of which is rural. The Senegal River valley is also relatively sparsely populated, with less than ten percent of the total population.

The 1988 Census records an active labor force of some 2.4 million persons, of whom some 1.5 million live in rural areas. Some 61 percent of the total active labor force, urban and rural describe themselves as working in agriculture. Senegal's potential labor force (defined as 85 percent of the population between the ages of 15 and 59) is calculated at 2.8 million people in 1988, substantially larger than the active population suggested by the Census.

2. Health: Mortality rates remain high, at 18 per thousand, in spite of significant improvements in the 1950s and 1960s. Life expectancy at birth is 48 years. Infant and child mortality are 86 and 113 per thousand respectively (1986), with diarrhea, respiratory disease and malaria as the leading cases of death and illness. Maternal mortality is a leading cause of death among women of reproductive age. The high fertility rate is recognized as a major factor affecting maternal and child health.

Lack of personal and collective hygiene and unsanitary environments combined with socio-economic factors such as insufficent food supplies, bad food habits, illiteracy and economic decline are important causes of ill health.

3. Education: The literacy rate in 1987 was estimated at between 10 and 30 percent, comparing unfavorably to the African average of 50 percent. The education system is heavily biased toward formal (and urban) schooling. Attempts at reform dating back to the late 1960s have so far been relatively ineffective in re-directing funds from higher to primary levels in the amounts required to provide broader access to education.

Reflecting the urban bias noted above, the urban workforce is considered relatively skilled: A 1989 study of some 550 informal sector enterprises indicates that about 24 percent on average of the apprentices in these firms had no schooling. Of the remaining 76 percent, a substantial majority had completed primary school, about 10 percent had Koranic school experience, and a few had even progressed beyond the primary level. Nevertheless, as pointed out by Renisson, there is a dearth of training opportunities outside the formal education system which limits skills development and the improvement of human capital.

B. Natural resources

1. Land: About 20 percent of the total land area of 200,000 km2 is arable land. Some 63 percent of this area is cultivated, principally with rainfed crops. About 8 percent (300,000 ha.) of the arable area is suitable for irrigation; of this, 30,000 ha. have been developed and 23,000 ha. are actually used (in the Senegal River valley). An additional 25 percent of the total land area is pastoral land.

About 55 percent of cultivated land is used for food crops (millet and sorghum: 80+ percent, rice: 5 percent, maize: 7 percent). The remaining 45 percent is planted to peanuts (90 percent) and cotton (5 percent). A small amount of land is used to cultivate fruits and vegetables for export as well as domestic consumption.

Continuous cultivation in much of the cropped area, compounding problems caused by limited rainfall, has resulted in severe land degradation and declining yields.

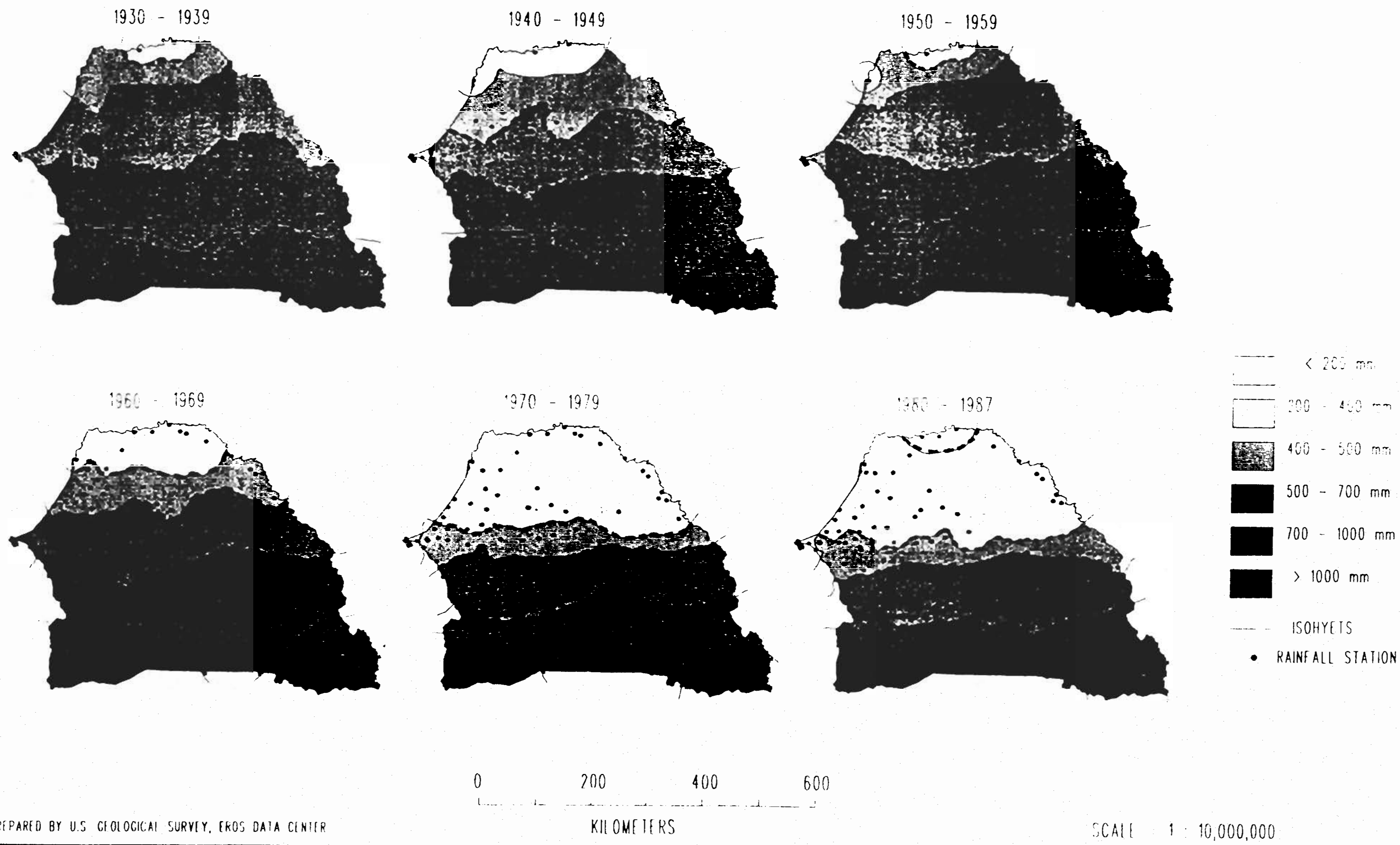
2. Mineral resources: Phosphates form the basis for a small fertilizer industry. Lime phosphate is produced at Taiba, 100 km. northeast of Dakar, by the Compagnie Senegalaise des Phosphates de Taiba (CSPT) company. Seventy-five percent of production is exported to the Far East and to Europe, but the presence of cadmium in the mineral has apparently resulted in loss of some European markets. A large-scale project to remove cadmium and to bring senegalese phosphates within European Community standards is in the design stage. Twenty-five percent of Taiba production is purchased domestically by the Industries Chimiques du Senegal (ICS) firm (organized in the early 1980s) and turned into sulfuric acid for export primarily to India under a long-term contract. ICS also produces relatively small quantities of fertilizers, marketed in Senegal and in neighboring West African countries.

The Taiba operation will have to develop a new site by the mid-90's in order to stay in business but the new phosphate deposits are deeper and will be more costly to extract.

Another phosphate mine, at Thies (north-east of Dakar), Societe Senegalaise des Phosphates de Thies (SSPT) has been in operation since the mid-1940s and produces aluminum phosphate and industrial clay. It produces only about five percent of total exported tonnage.

Senegal also possesses gold and iron resources in the East, and peat along the northern coast. Exploitation of these resources is not commercially feasible at this time. Dupont has been looking into possibilities for ilmenite extraction (to produce titanium) in three coastal areas and is expected to decide shortly on the feasibility of such an activity.

SENEGAL AVERAGE ANNUAL RAINFALL, 1930 - 1987



3. Water: This is a determining factor for Senegal's economy. The progressive southern shift of rainfall zones has severely affected Senegal's most heavily cropped areas. Barely half of the country is now considered to receive a level of rainfall sufficient to permit rainfed agriculture.

River resources: The Senegal River, which forms the country's northern and northeastern boundary with Mauritania, represents the greatest potential for multipurpose development. Although the Manantali dam (on the tributary Bafing river in Mali) has begun operating, this is not an unqualified boon since it is expected to satisfy multiple (not necessarily compatible) objectives. These include: water supply for Dakar and replenishment of the water table, through the Lac de Guiers and 240 km. canal to be built at a cost estimated in 1989 at $400 million; irrigation, which may benefit established perimeters, but at the expense of recessional agriculture, grazing opportunities, and freshwater fisheries; hydroelectric power for Dakar as well as for pumps to lift irrigation water to the perimeters along the river; and even navigation between Senegal and Mali.

The Casamance River in the south also offers potential, but salinity of the river and its tributaries, due to tidal surges traveling upstream, is a major problem.

Ground water: Groundwater resources are still not well known. Aquifers in some regions are quite shallow. An example is the coastal, vegetable producing Niayes area, where production is limited by the shallowness of the fresh water aquifer and the danger that excessive use will result in saltwater incursions. Another example is the area north of Thies, where a decrease in the water table of 15 meters over a 15 year period has been documented (NRM report, p.28). This is attributed in large part to heavy demand from the nearby Dakar area.

4. Coastal Fisheries: "From the natural resource point of view, Senegal has one of the best marine fisheries in Africa because of its littoral zone of 718 kilometers and with a continental shelf area of 23,800 km2. Total bottom surface of fishable marine waters is about 196,000 km2 (12 percent of Senegal's land surface). In addition, the ocean area is the convergence zone for two great currents causing an upwelling of nutrients that is the base of the fisheries food chain." (NRM report, p. 109). In 1987, the total catch was estimated at around 260,000 metric tons.

Artisanal fishing along the coast is a source of substantial household income. It represents 60-70 percent of the total catch, and 35-50 percent of formal sector income from deep-sea fishing. Dried fish is widely consumed (it represents 85 percent of Senegal's total consumption of fish) and it is traded with neighboring countries. About 9 percent of the population is occupied full-time in artisanal fishing, with many more part-time workers, including women.

<u>Deep-sea fishing</u>. Senegal exploits 12 nautical miles of territorial seas and about 200 miles it calls its Exclusive Economic Zone. Due to competition from foreign fishing fleets, resulting in overfishing, the tuna supply in the area has become depleted, requiring imports for the domestic canning industry. Shellfish and specialty fish, both fresh and frozen for European markets, have helped to increase Senegal's fish exports in recent years. Unfortunately, the domestic fishing fleet is old and in disrepair.

5. Coast line: Senegal's 530 km of coastline (combined with its warm, sunny climate) offers potential for further development of the tourism industry. Foreign exchange earnings from tourism increased from 4.7 billion FCFA in 1974 to 42.4 billion in 1988 and account for about 11 percent of exports of goods and services.

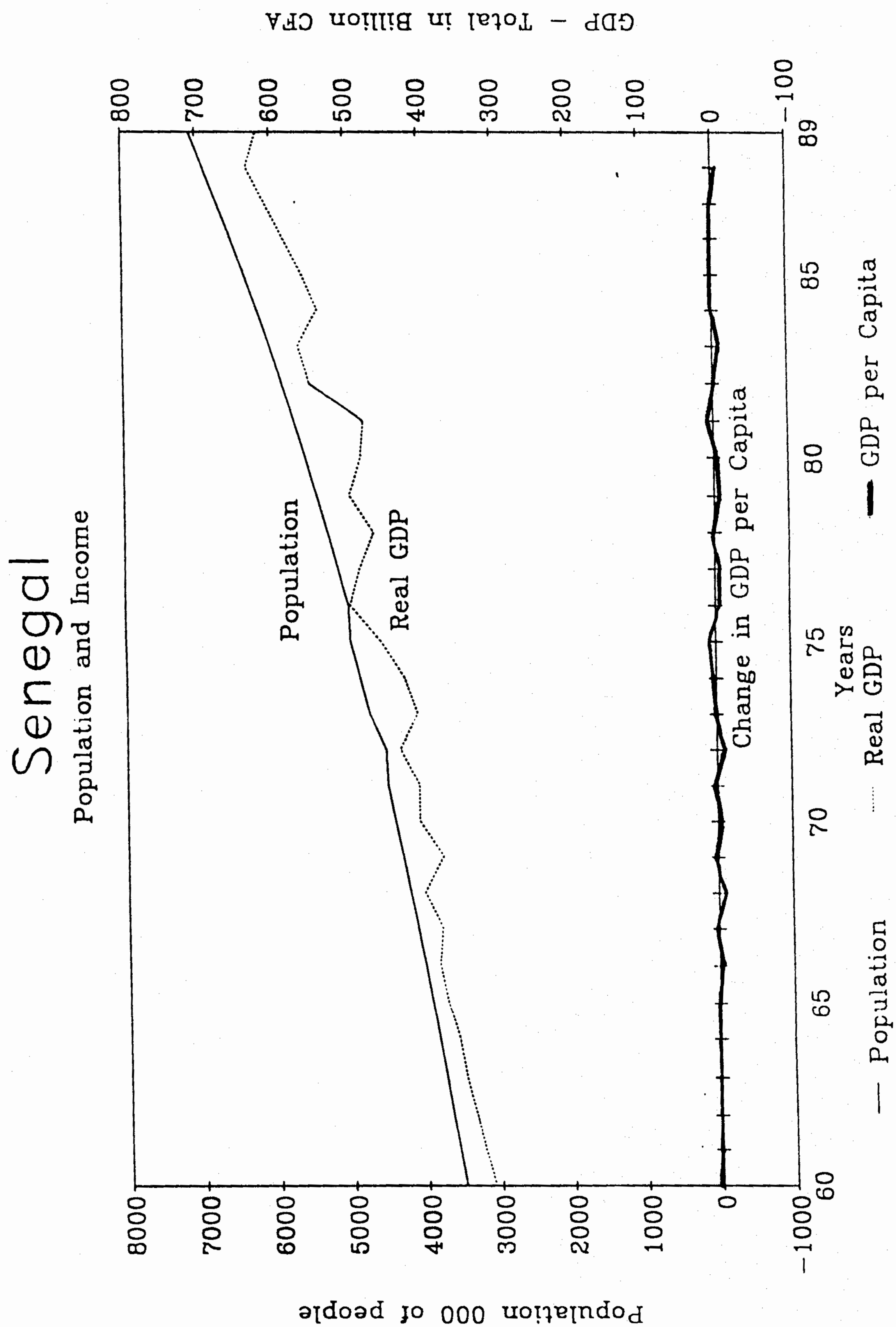
6. Energy: Of the total primary use of energy in 1985, 63 percent came from wood fuels and the remaining 37 percent from imported oil. Almost all the wood fuels used in Senegal are for household cooking. Even in the urban sector, wood (charcoal) accounts for about 90 percent of household energy use. Electricity --eight percent, and gas --two percent, make up the remainder, with a very small amount of kerosene used for lighting.

The public utility, SENELEC, organized in the early 1980s, uses oil-fired plants to produce the bulk of energy consumed. SENELEC faces severe financial problems due to arrears owed to it by the government and by the water utility, SONEES. In 1987, these entities were more than one year overdue in payments amounting to over 45 percent of the total value of SENELEC accounts. Hydropower is not yet a reality for Senegal, as turbines are yet to be installed on the Manantali dam, and agreements still need to be reached on distribution of power between Mali, Mauritania, and Senegal. The government's plans for rural electrification are not matched by an obvious source of funding.

C. Infrastructure

Senegal's transport system is by and large well-developed. The road network, about 35 percent paved, services primarily the more populated, coastal regions and the groundnut areas in the center of the country. Road access to the Casamance is time-consuming, requiring transit through The Gambia, or about a day's detour via the south-eastern city of Tambacounda, or an overnight trip on the new ferry from Dakar to Ziguinchor. The rail system includes a line running east between Dakar and Mali, and one from Dakar to St. Louis in the north, which

CHART 2


Senegal
Population and Income
Population
Real GDP
Change in GDP per Capita
Population 000 of people
GDP – Total in Billion CFA
Years
— Population
······ Real GDP
▬ GDP per Capita
8000
7000
6000
5000
4000
3000
2000
1000
0
–1000
800
700
600
500
400
300
200
100
0
–100
60
65
70
75
80
85
89

services the phosphate areas.

The port of Dakar is well-situated on shipping routes and gives Senegal an advantage in receiving goods destined for West Africa and for Mali in particular. 90 percent of Senegal's foreign trade moves through this port.

Senegal is also well served by air links, with frequent flights to various European capitals, and links to North Africa and America as well.

III. Production and growth

A. Summary

The overall trend rate of real GDP growth between 1960 and 1989 is 2.3 percent, based on constant 1977 prices (Table 1). Compared with an average population growth rate of 2.4 percent, this implies a small decrease in per capita incomes over time. GDP growth appears to have picked up to about 3.0 percent in the 1980s, slightly above the rate of population growth, which has increased to 2.7 percent. Better results have been achieved since 1985, due in part to improved agricultural performance. Indeed, a key feature of Senegal's growth pattern is its variability and its strong correlation with primary sector growth which in turn is heavily dependent on rain.

1. Sources of GDP

While there have not been dramatic changes in the composition of GDP over the past twenty-five years, some significant adjustments in production patterns have occurred (Table 2). The share of the primary sector in GDP decreased by almost 20 percent between 1965 and 1989 (25 percent in real terms) while the share of the secondary sector more than doubled (increasing by 40 percent in real terms). Although agriculture remains an important source of supply for manufacturing industries, supplying about 30 percent of their raw materials, returns from productive activity have accrued to the secondary and services sector at the expense of farmers over much of this period. The services sector, including domestic workers, held its share relatively constant at about 40 percent, while the administration's share increased by about 50 percent between 1970 and 1980 (from 11 to 17 percent) before declining under the impact of the structural adjustment program.

The loss in importance of the primary sector was particularly abrupt, as almost all of its decline took place in the five years between 1975 and 1980. Crop agriculture bore the brunt of this change. Livestock has increased steadily in both nominal and real terms since the mid-1970's, while the performance and contribution to GDP of fisheries has declined

SENEGAL: SECTORAL COMPOSITION OF GDP (IN PERCENT)

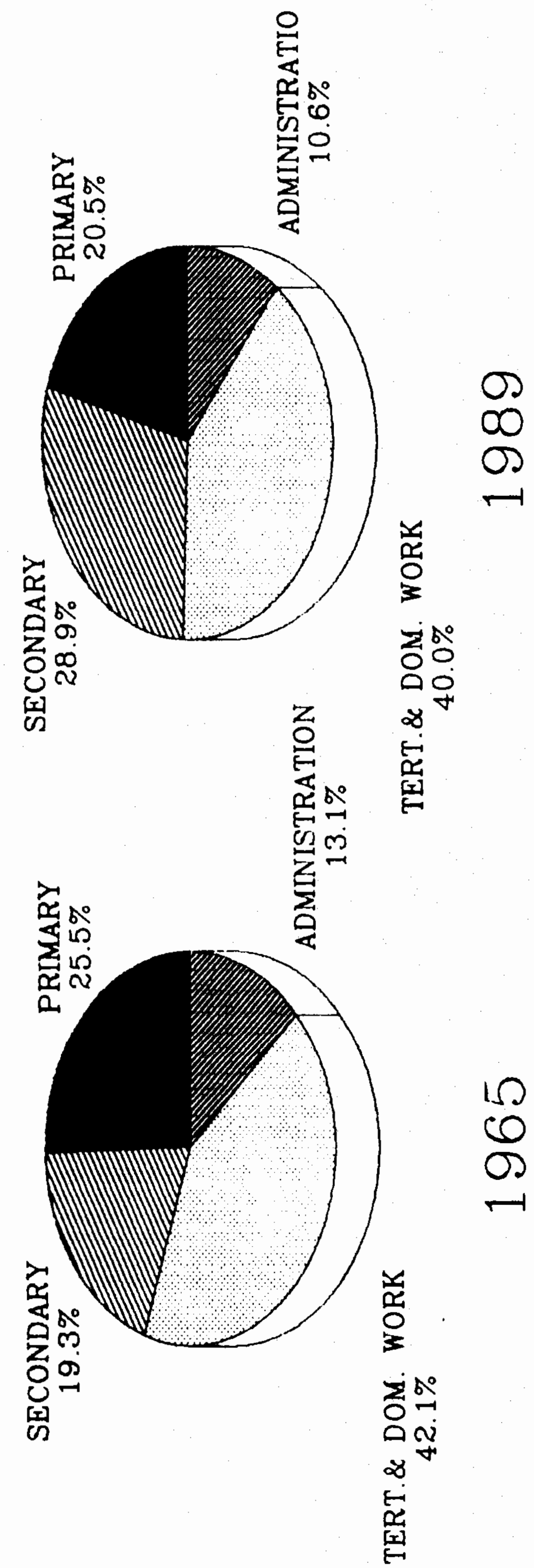


TABLE 1

SENEGAL: SECTORAL COMPOSITION OF GDP
(CFA billions)

	1960	1965	1970	1975	1980	1985	1989
GDP	149.9	198.8	240.1	406.4	627.5	1152.0	1436.5
PRIMARY	36.3	50.6	57.8	122.8	120.0	218.8	293.8
AGRICULTURE	24.1	33.7	33.9	72.6	59.4	99.3	130.7
LIVESTOCK	6.9	9.6	13.0	25.6	37.5	79.0	111.9
FISHING	2.1	3.8	6.6	16.8	12.7	27.8	35.5
FORESTRY	3.2	3.5	4.3	7.8	10.4	12.7	15.7
SECONDARY	27.9	38.4	51.7	97.4	156.2	330.1	415.5
INDUSTRY/MINING	18.1	27.0	39.2	75.2	109.7	n/a	n/a
HANDICRAFTS	2.0	2.5	3.1	4.3	8.8	n/a	n/a
CONSTRUCTION	7.8	8.9	9.4	17.9	37.7	78.1	96.4
TERTIARY	65.3	81.8	101.8	139.0	236.5	434.2	558.6
TRANSPORT	8.5	11.4	17.4	17.1	49.3	87.0	107.8
COMMERCE	43.8	55.5	65.4	81.8	116.4	236.0	278.9
MISC. SERVICES	13.0	14.9	19.0	40.1	70.8	111.2	171.9
DOM.WORKERS SALARIES	1.5	2.0	2.2	3.3	8.7	13.9	16.4
ADMINISTRATION	18.9	26.0	26.6	43.9	106.1	155.0	152.2

SENEGAL: SECTORAL COMPOSITION OF GDP
(in share of GDP)

	1960	1965	1970	1975	1980	1985	1989
PRIMARY	24.2%	25.5%	24.1%	30.2%	19.1%	19.0%	20.5%
AGRICULTURE	16.1%	17.0%	14.1%	17.9%	9.5%	8.6%	9.1%
LIVESTOCK	4.6%	4.8%	5.4%	6.3%	6.0%	6.9%	7.8%
FISHING	1.4%	1.9%	2.7%	4.1%	2.0%	2.4%	2.5%
FORESTRY	2.1%	1.8%	1.8%	1.9%	1.7%	1.1%	1.1%
SECONDARY	18.6%	19.3%	21.5%	24.0%	24.9%	28.7%	28.9%
INDUSTRY/MINING	12.1%	13.6%	16.3%	18.5%	17.5%	n/a	n/a
HANDICRAFTS	1.3%	1.3%	1.3%	1.1%	1.4%	n/a	n/a
CONSTRUCTION	5.2%	4.5%	3.9%	4.4%	6.0%	6.8%	6.7%
TERTIARY	43.6%	41.1%	42.4%	34.2%	37.7%	37.7%	38.9%
TRANSPORT	5.7%	5.7%	7.2%	4.2%	7.9%	7.6%	7.5%
COMMERCE	29.2%	27.9%	27.2%	20.1%	18.5%	20.5%	19.4%
MISC. SERVICES	8.7%	7.5%	7.9%	9.9%	11.3%	9.7%	12.0%
DOM.WORKERS SALARIES	1.0%	1.0%	0.9%	0.8%	1.4%	1.2%	1.1%
ADMINISTRATION	12.6%	13.1%	11.1%	10.8%	16.9%	13.5%	10.6%

Source: Annex Table

TABLE 2

SENEGAL: TREND GROWTH RATES OF GDP (percent)

	1960-89	1960-73	1973-80	1980-89	1985-89
GDP	2.3	2.3	2.4	3.0	2.8
SOURCES					
PRIMARY	1.4	1.9	n/s	2.9	3.5
SECONDARY	3.9	3.9	3.7	4.0	4.0
TERTIARY *	1.9	2.1	2.0	2.9	3.0
ADMIN	2.7	n/s	6.1	1.4	n/s
USES					
CONSUMPTION	2.5	1.8	4.7	2.3	2.5
-private	2.4	2.0	4.3	2.0	1.1
-public	2.9	n/s	6.7	3.4	3.5
INVESTMENT	2.5	n/s *	n/s *	4.1	6.0
-private	2.4	n/s	n/s	4.6	6.2
-public	2.6	n/s	n/s	3.2	5.5
IMPORTS	1.5	n/s	3.4 *	1.7	1.9
EXPORTS	1.3	n/s	n/s *	3.7	5.9

NOTES: n/s = not significant
* includes domestic workers'salaries
** 1965-75 is the key period, with growth rates of 6.1 pe both private and public investment
*** 1973-77 is the key period, with growth of 10.4 percent and 12.7 percent for exports

SOURCE: Calculated from Annex Table

over the same period. Fisheries nevertheless remain a key source of foreign exchange.

Senegal's protected industry has been the leading sector of the economy, growing at 3.9 percent yearly on average, or 65 percent faster than GDP. The primary sector's overall growth performance is dismal, at 1.4 percent, and the services sector (excluding government) is disappointing at 1.9 percent. Data appear to indicate a close but lagged relationship between the primary and services sectors, which could explain the latter's sluggish growth. Finally, the increase in the contribution of public administration to GDP matches population growth for most of the period, at 2.7 percent.

2. Exports

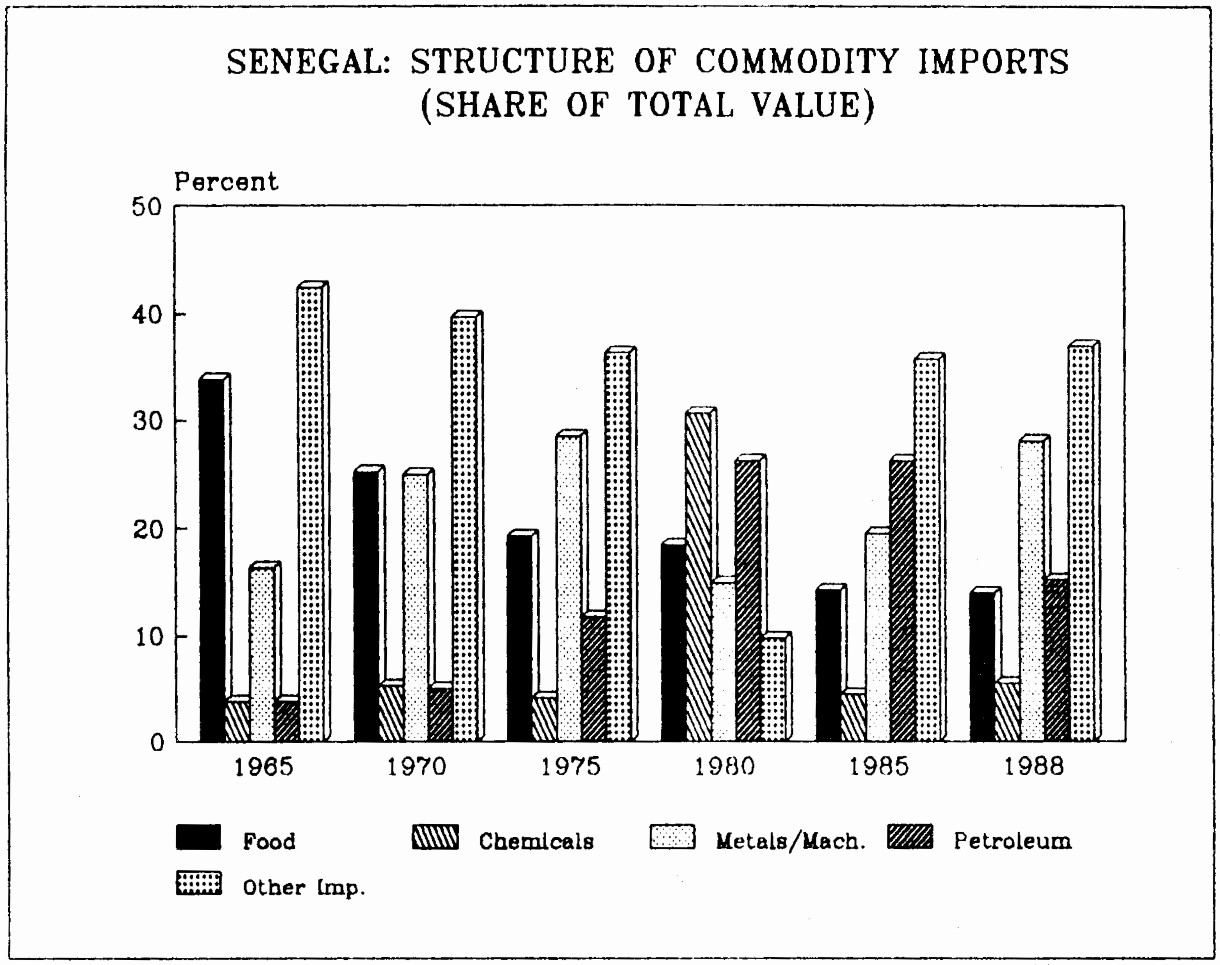
In addition to the changes in the aggregate structure of GDP, the dramatic changes in the composition of trade over time help trace the evolution of Senegal's economy (Table 3). This is particularly evident with respect to commodity exports. From a quasi monoculture exporter in the 1960s (peanut products accounted for 80 percent of export value in 1965), Senegal was able to diversify into phosphates (24 percent in 1975, 17 percent in 1988), petroleum products (20 percent in 1980, but less than 6 percent in 1988), and fish products (20 percent in 1985, 30 percent and the principal foreign exchange earner in 1988, in spite of declining production trends). Manufactured exports are not inconsequential, with a 14 percent share of total value, and horticultural exports are being developed for specialty markets.

The overall growth record of exports since the mid-1980s is difficult to assess given data inconsistencies. However the balance of payments data, which include services, indicate an increase of 14 percent in nominal terms between 1985 and 1989. The value of exports of goods and services in the late 1980s represents about 27 percent of GDP, compared with 35 percent on average between 1975 and 1984.

The strengthening of the FCFA with respect to the dollar in the late 1980s is one factor that explains lower export receipts in FCFA terms for dollar-denominated transactions. This is counterbalanced to some extent by foreign exchange earnings from tourism: these increased from FCFA 15 billion in 1980 to FCFA 42 billion in 1988, making this activity the second foreign exchange earner after fisheries. In order of importance, the other principal products are peanut products, manufactures, phosphates, and refined petroleum products.

3. Uses of GDP

Data on the composition of final demand (consumption plus investment) graphically illustrate an important aspect of


SENEGAL: STRUCTURE OF COMMODITY IMPORTS
(SHARE OF TOTAL VALUE)
Percent
50
40
30
20
10
0
1965
1970
1975
1980
1985
1988
Food
Chemicals
Metals/Mach.
Petroleum
Other Imp.

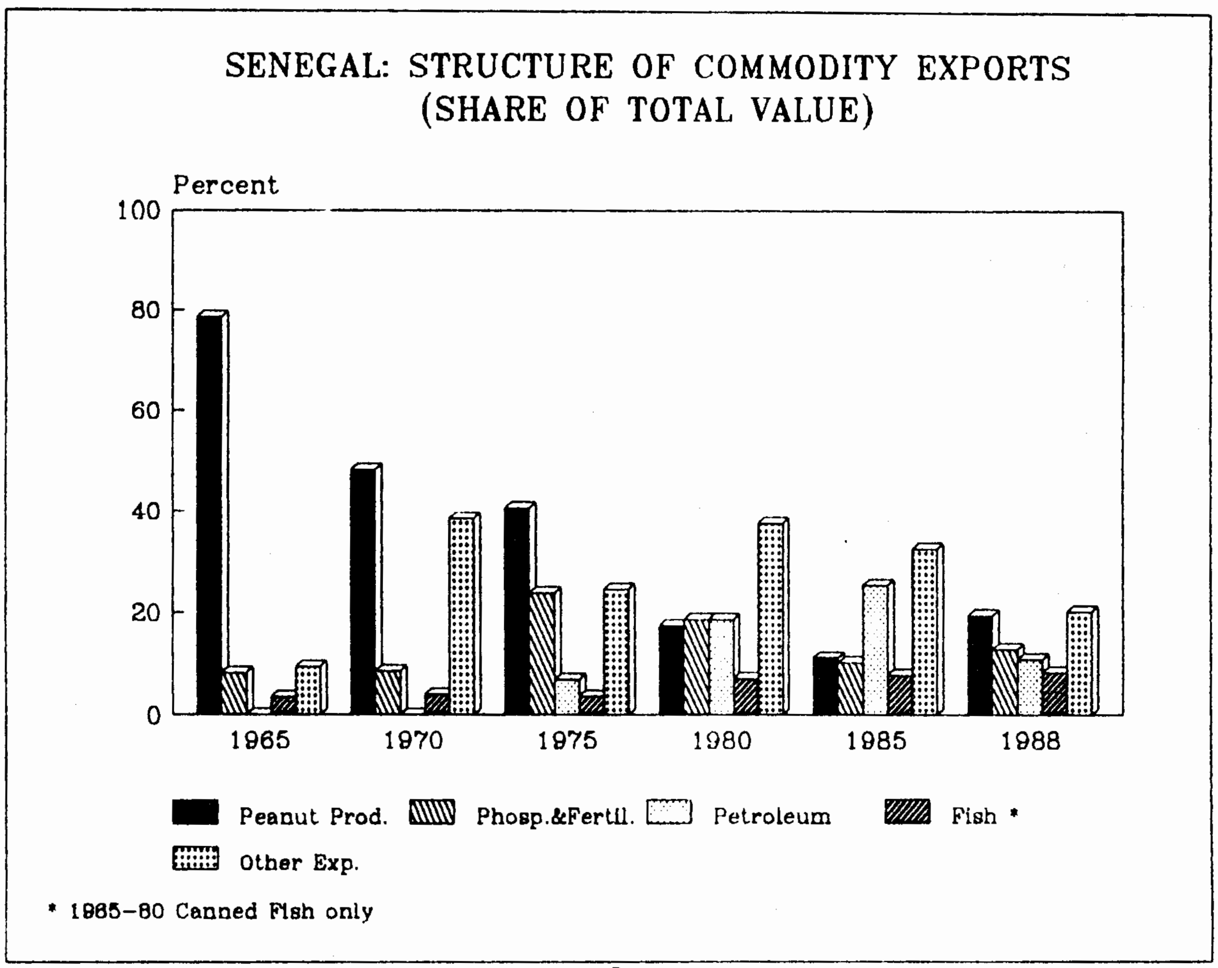

SENEGAL: STRUCTURE OF COMMODITY EXPORTS
(SHARE OF TOTAL VALUE)
Percent
100
80
60
40
20
0
1965
1970
1975
1980
1985
1988
Peanut Prod.
Phosp.&Fertil.
Petroleum
Fish *
Other Exp.
* 1965-80 Canned Fish only

TABLE 3

SENEGAL: Structure of Commodity Exports
(Value in billions of CFA)

	1965	1970	1975	1980	1985	1988
TOTAL VALUE (FOB)	31.7	42.2	99.1	100.8	252.5	176.1
Peanut products	24.9	20.4	40.3	17.6	28.5	34.5
Phosphates/ Fertilizer	2.6	3.6	23.7	18.9	26.3	22.7
Petroleum	0	0	6.9	19	64.5	19.4
Fish	n/a	n/a	n/a	21.1	50.6	45.9
of which canned	1.1	1.7	3.6	7.3	19.7	14.8
Other	3.0	16.3	24.4	38.0	82.6	53.5
of which manuf.	0.6	4.5	8.0	10.0	35.4	24.5

SENEGAL: Structure of Commodity Imports
(Value in billions of CFA)

	1965	1970	1975	1980	1985	1988
TOTAL VALUE (CIF)	39.6	53.6	124.6	222.1	371.0	321.6
Food	13.4	13.5	24.1	40.9	53.0	45.4
of which rice	4.5	3.3	6.1	18.1	28.4	22.9
Chemicals	3.0	5.5	19.8	126.1	113.6	66.9
of which petroleum	1.5	2.7	14.7	58.3	97.2	49.1
Metals/machinery	6.5	13.4	35.5	33.3	72.3	90.3
o/w metals/mach./appl.	4.7	10.0	26.1	23.2	55.2	70.5
vehicles/spares	1.8	3.3	9.3	10.0	17.0	19.8
Other	16.8	21.2	45.1	21.8	132.0	118.8

SENEGAL: Structure of Commodity Exports
(Share of total)

	1965	1970	1975	1980	1985	1988
Peanut products	78.5%	48.3%	40.7%	17.5%	11.3%	19.6%
Phosphates/ Fertilizer	8.2%	8.5%	23.9%	18.8%	10.4%	12.9%
Petroleum	0.0%	0.0%	7.0%	18.8%	25.5%	11.0%
Fish				20.9%	20.0%	26.1%
of which canned	3.5%	4.0%	3.6%	7.2%	7.8%	8.4%
Other	9.5%	38.6%	24.6%	37.7%	32.7%	30.4%
of which manuf.	1.9%	10.7%	8.1%	9.9%	14.0%	13.9%

SENEGAL: Structure of Commodity Imports
(Share of total)

	1965	1970	1975	1980	1985	1988
Food	33.8%	25.2%	19.3%	18.4%	14.3%	14.1%
of which rice	11.4%	6.2%	4.9%	8.1%	7.7%	7.1%
Chemicals	7.6%	10.3%	15.9%	56.8%	30.6%	20.8%
of which petroleum	3.8%	5.0%	11.8%	26.2%	26.2%	15.3%
Metals/machinery	16.4%	25.0%	28.5%	15.0%	19.5%	28.1%
o/w metals/mach./appl.	11.9%	18.7%	20.9%	10.4%	14.9%	21.9%
vehicles/spares	4.5%	6.2%	7.5%	4.5%	4.6%	6.2%
Other	42.4%	39.6%	36.2%	9.8%	35.6%	36.9%

Source: USAID Database

SENEGAL: Foreign Exchange Earnings (selected exports)
(FOB value in billions of CFA)

	1965	1970	1975	1980	1985	1988
Peanut products	24.9	20.4	40.3	17.6	28.5	34.5
Phosphates/fert.	2.6	3.6	23.7	18.9	26.31	22.7
Petroleum	0.0	0.0	6.9	19.0	64.51	19.4
Fish	n/a	n/a	n/a	21.1	50.6	45.9
o/w canned	1.1	1.7	3.6	7.3	19.7	14.8
Tourism	n/a	n/a	4.7*	14.9	30.61	42.4
Manufactures	0.6	4.5	8.0	10.0	35.4	24.5
Horticulture	n/a	n/a	n/a	1.1**	4.6	2.6

Notes: * 1974
** 1981

Source: GOS, Direction de la Statistique; Statistiques du Tourisme, 1988
ABT Assoc., Horticultural Marketing and Export in Senegal, 1989

Senegal's economic management problem: since the late-1970s in particular the country as a whole has lived beyond its income, relying on foreign assistance and borrowing to sustain a level of demand unwarranted by production performance. Total demand averaged 112 percent of current GDP between 1978 and 1985, peaking at 120 percent in 1981; it remains at about 105 percent of GDP in the late 1980s in spite of adjustment efforts (Chart 6).

Senegal is by no means unique among developing countries in this respect. It does, however, compare unfavorably to countries such as Kenya, Cote d'Ivoire or Zimbabwe, which have been able to keep their consumption ratios at around 80 percent of GDP. In Senegal, this ratio is still above 90 percent.

Average annual real growth rates of the demand aggregates (Table 2) show that both consumption and investment kept slightly ahead of GDP growth (but below the rate of population growth of 2.4 to 2.7 percent) over the period 1960-1989. Not surprisingly, the <u>growth in consumption</u> jumps to twice the rate of GDP growth in the period of expansion after the 1973 drought, with public consumption, at 6.7 percent, growing about 50 percent faster than private consumption (4.3 percent). In the 1980s, consumption growth is cut in half; private consumption is even further reduced in the second half of the decade, to 1.1 percent, while public consumption maintains a growth rate of about 3.5 percent.

<u>Investment growth</u> is notable between 1965 and 1975 with both private and public investment growing at over 6 percent. Investment in the mid to late 1970s reflects the retrenchment of the private sector in the face of senegalization of industry, and the general economic downturn from 1977 on. This is reflected in Table 2 with insignificant regression results. A second spurt of investment growth is evident in the 1980s, with private investment (including parastatals) registering growth of almost 5.0 percent per year and public investment growth at over 3.0 percent between 1980 and 1989. The growth rates are even more impressive from 1985 to 1989, 6.2 percent and 5.5 percent respectively.

The ratio of investment to GDP fluctuated around ten percent in real terms between 1960 and 1970. Since the mid-1970s it has risen to about 15 percent, slightly above the World Bank's estimate of the minimum 13 percent ratio needed to replace depreciated capital in sub-Saharan Africa (Report on Adjustment Lending II, March 1990, p.85). "Private" investment (including firms with partial government ownership) constitutes about 70 percent of total investment. Chart 7 graphically shows the ratios of investment and savings to GDP over time. The dramatic reduction in the savings gap after 1985 is evident.

While it is difficult to detect a systematic relationship

CHART 5

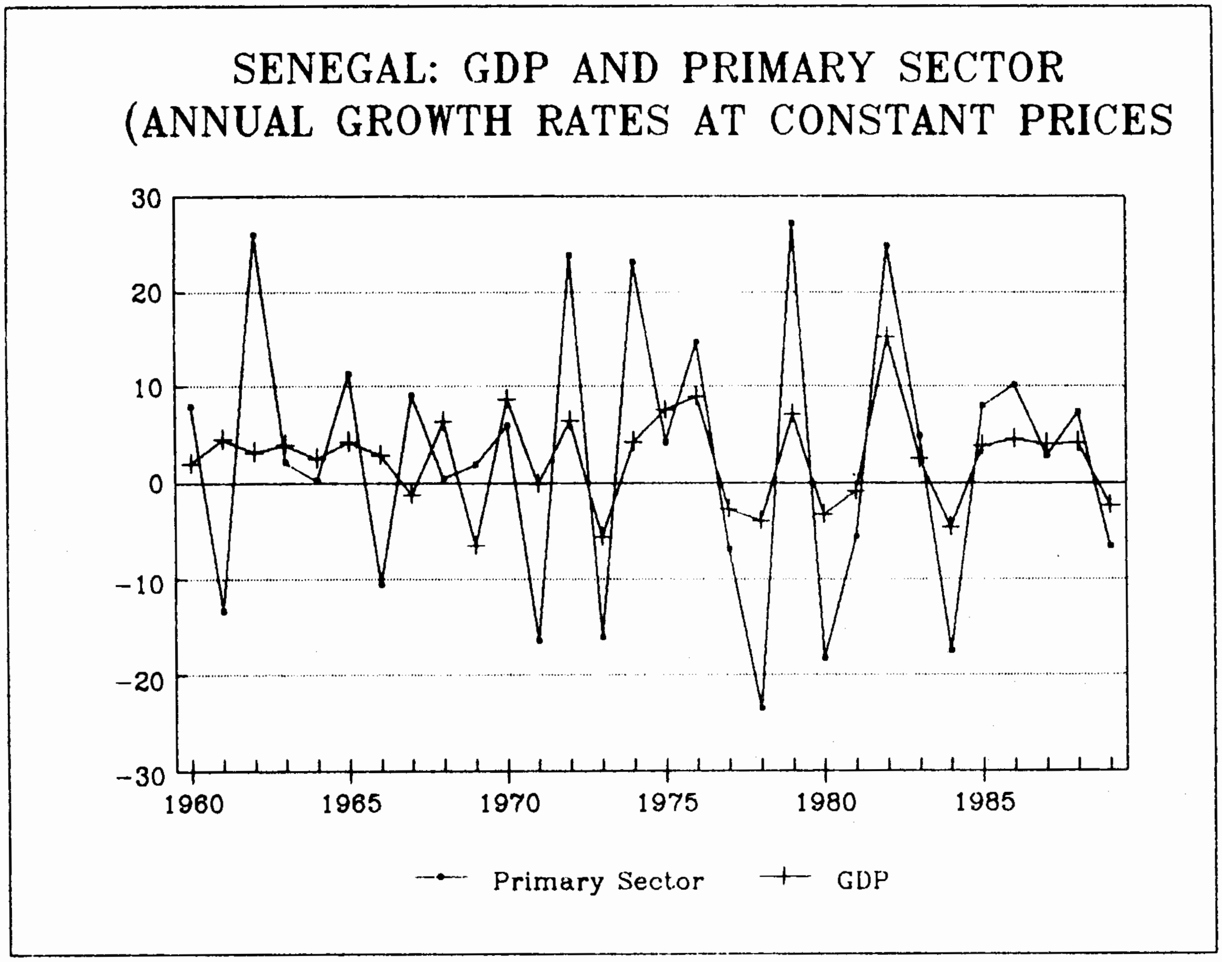
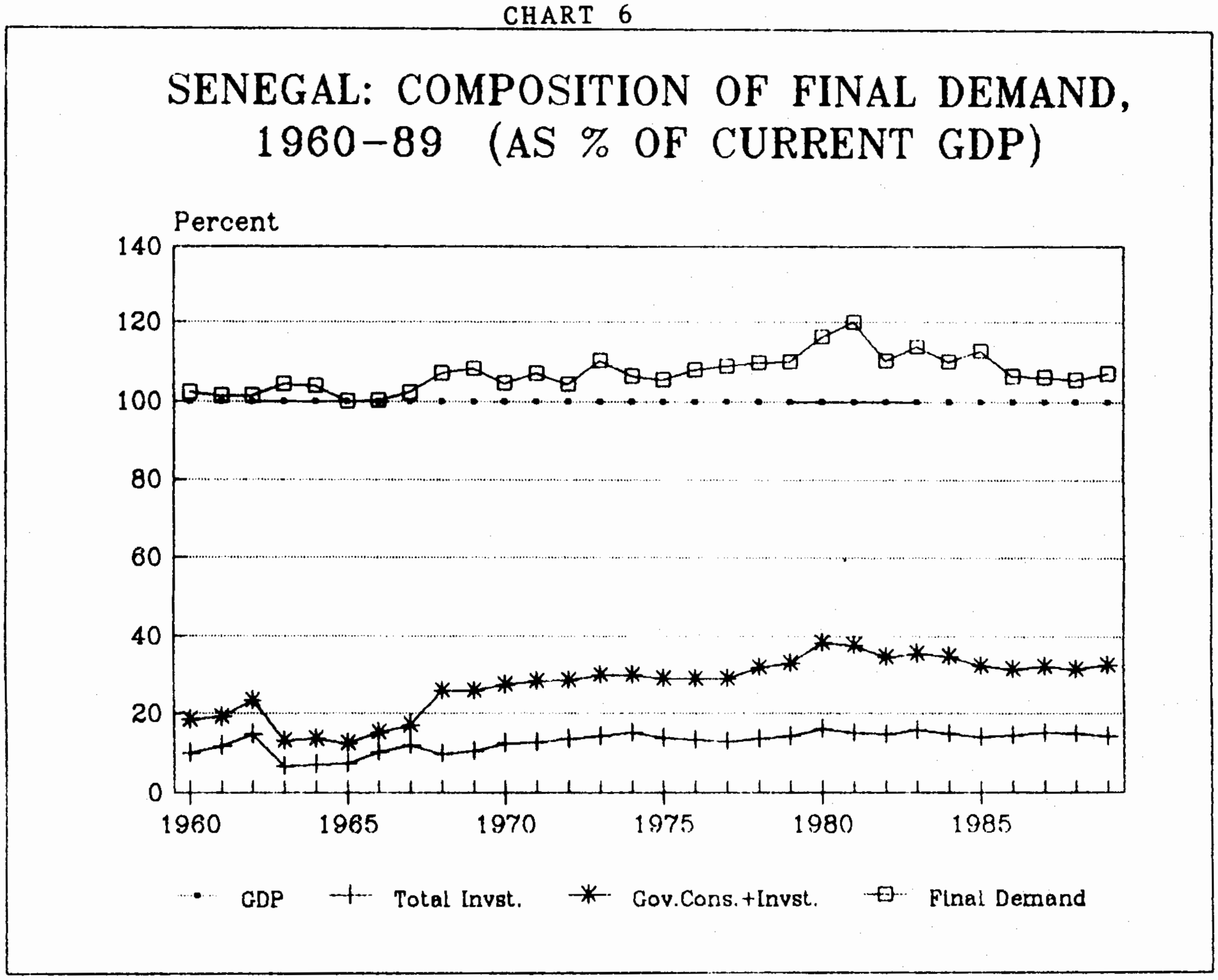


CHART 6



between investment and GDP growth, the available data do indicate an improvement over time in the incremental capital-output ratio (ICOR) which measures the overall efficiency with which capital is used in the production process. Based on average total investment ratios of approximately 14 percent in both 1973-80 and 1980-89, and real GDP growth rates of 2.4 percent and 3.0 percent respectively, the ICOR (investment ratio divided by GDP growth rate) fell from 5.8 in the earlier period to 4.6 in the latter. Further improvement would be needed, however, to achieve the goals set forth in the World Bank's 1984 Economic Memorandum, where a high growth scenario of 3.8 percent required an investment ratio of 15.6 percent of GDP and an ICOR of 4.2.

4. Imports

Recorded imports represented about 45 percent of GDP between 1975 and 1985. They have since fallen to just over 30 percent. Import growth reached a peak of 10.4 percent during the period 1973-1977, but has fallen to under 2 percent per year during the 1980s. The composition of recorded imports also shifted, with food imports representing a declining share of the total (34 percent in 1965, 14 percent in 1988), petroleum and chemicals increasing from 8 percent to 20 percent, and metal products and machinery increasing from 16 percent to 28 percent over the same period (Table 3 and Chart 4). It is widely believed that official data grossly under-represent the actual level of imports, due to the extent of smuggling and under-reporting.

B. Principal stages of growth

Three principal periods can be defined in the post-independence period: 1960 to 1973, with a subperiod of 1968 to 1973 corresponding to the loss of French subsidies for peanut exports and a series of severe droughts; 1973-80, characterized by increasing government intervention in the economy, including senegalization of industry, and again ending in several years of economic downturn due to crop failures; and the period of economic reform from 1980 onward, punctuated by the 1983-84 drought and increased liberalization efforts from 1985 to the present.

These periods have been thoroughly described and analyzed elsewhere. This analysis highlights key findings from such sources as: the World Bank's 1984 Economic Memorandum; The World Bank and Senegal, 1960-87; Senegal: A Review of the Three-Year Public Investment Program, 1987/88-1989/90 (World Bank, February 1987); The Political Economy of Senegal under Structural Adjustment (Delgado and Jammeh, Praeger, forthcoming); Adjustment Postponed: Economic Policy Reform in Senegal in the Eighties (Elliott Berg, October 1990); Wealth Accumulation and Political Control in Senegal (Catherine Boone in The Journal of Development Studies, April 1990).

1. 1960s through 1973 (including 68-73 drought):

Throughout most of the 1960s, peanuts remained the mainstay of the economy. However, the State became highly involved in marketing and input provision. By the mid-1960s, guided by the policies later incorporated into the Programme Agricole (1967), parastatal organizations such as ONCAD and top-down cooperatives were being created to provide these services. The political underpinnings of agricultural policy, continuing the clientelist patterns established during the colonial period between the State and key holders of rural authority, remained strong.

Pricing and marketing policies for imports such as rice, as well as peanuts (including creation of the commodity price stabilization board, CPSP) effectively taxed rural producers and urban consumers, redistributing benefits selectively to larger producers, traders, and agroindustries. Sidi Jammeh calculates that, between 1965 and 1987, the government appropriated about 280 billion CFAF through cotton and peanut pricing and parastatal retail sales policies; it distributed about 237 billion in direct subsidies, of which producers received 22 percent, consumers 30 percent, agroindustries 35 percent, and "a group of private traders" 13 percent.

When French subsidies for peanut exports ended in 1968, Senegal found itself at a severe disadvantage on the world market. Combined with poor growing conditions, both output and exports stagnated.

During 1960-73, French interests continued to dominate industry and foreign trade while local businessmen and state agents became more involved in domestic trading activities. The import-substitution policies of the government promoted the growth, diversification, and integration of the firms implanted in the 1950s. Tax breaks, subsidies, and tariff protection were readily accorded to new investors and to existing manufacturing firms as they expanded local operations. The Investment Code of 1962 even assured French investors that Senegalese businessmen would not receive preferential treatment in the allocation of investment incentives (Boone, in Delgado and Jammeh, p. 224).

Stimulated by such policies, the secondary sector achieved an average annual growth rate of about 4 percent between 1960 and 1970, compared to 2.5 percent for GDP overall and 3.0 percent for the primary sector. Investment grew substantially, with both private and public investment achieving annual increases of about 6 percent between 1965 and 1973. As pointed out in the World Bank's 1984 Economic Memorandum, however, the growth shown in the data is misleading, since much of the investment went to purchase already existing foreign (French) enterprises.

2. Early 1970s to 1980: Increasing government control

In the wake of a series of droughts between 1968 and 1973, the importance of economic diversification became evident. Diversification was defined not only in terms of agricultural production but also in terms of increased production of manufactured goods for the local market.

Starting with the Fourth Development Plan in 1973-74, the government undertook an effort to improve farm productivity, output and marketing, to stimulate new public sector industries and assert control over foreign-owned businesses, and to produce a highly trained cadre of administrators through ambitious higher education programs. The government also strengthened its grip on the economy through control of import trade (licenses and quotas) and the banking system. Efforts to make new opportunities available for local businesses allowed well-connected individuals to benefit from new lending facilities.

The phosphate boom of 1973-75 served to attenuate the impact of the first oil crisis; in addition, Senegal was able to offset some of its increased costs of petroleum imports by exporting refined petroleum products. Phosphate earnings also enhanced Senegal's position as a borrower, improving the country's access to international credit markets and setting the stage for the debt crisis of the 1980s. (Jaeger, U.S. Aid to Senegal, 1987, p.42).

In agriculture, the government claimed to seek development of both rainfed agriculture and irrigation, the latter being thought of as a key element for long-term growth. Increased production of coarse grains and domestic production of irrigated rice to substitute for imports, supported by protective tariffs, formed the cornerstone of this approach. Plans to develop the water resources of the Senegal River Valley through construction of dams at Manantali in Mali (for flood control and hydroelectric power) and Diama in Senegal (to prevent salt water intrusion) were initiated.

Rural development agencies (RDAs) were created to manage regional agricultural development projects, working alongside input-and marketing agencies such as ONCAD or extension agencies such as SODEVA. Their impact in terms of aggregate production was minimal: rice production increased, as irrigated perimeters were developed, but coarse grain production and productivity stagnated. The sector was poorly prepared to face the severe droughts of 1977-78 and 1979-80, which resulted in a decrease of primary sector production of 24 percent and 18 percent respectively.

Industrial policy also aimed to contribute to overall economic diversification. However, the state was seen as the key player in the industrialization process, wholly or partially buying out foreign private interests, creating parastatal enterprises, supplying credit facilities (SOFISEDIT for industry, SONAGA for commerce, SONEPI for artisanal activities) and providing liberal guarantees for investments. The secondary sector grew at an average annual rate of 4.4 percent between 1973 and 1979, well above the 2.3 percent growth rate of GDP. Yet aggregate investment increased barely more than one-half of one percent per year in spite of public investment growth of about 2.6 percent, reflecting the retrenchment of the private sector.

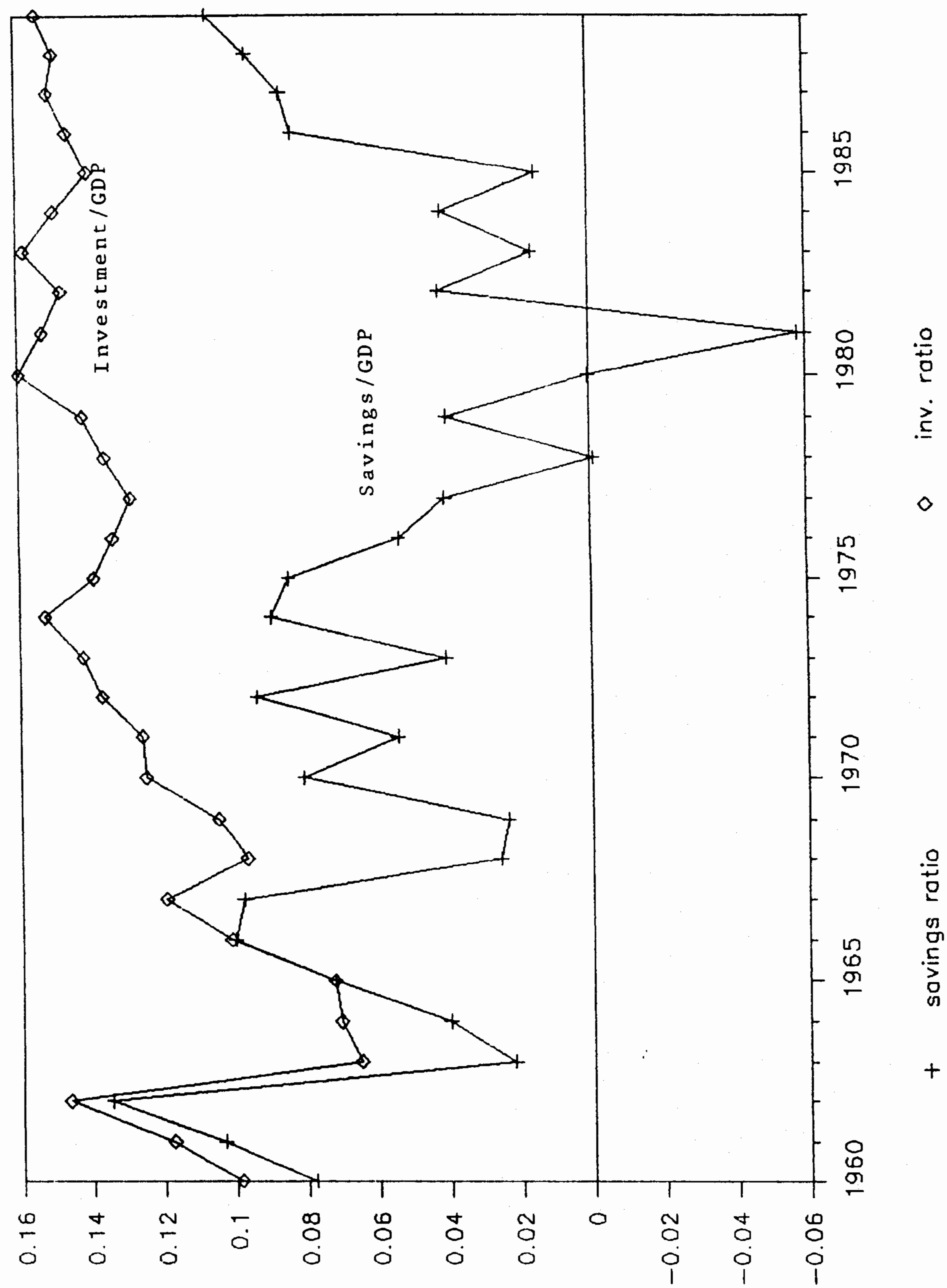
Controls over industrial prices were strengthened as a result of government intervention. Preferential arrangements (tax holidays, tariff exoneration or import prohibitions, etc.) provided an umbrella under which firms could operate shielded from competition. But in response to these market interventions which protected high-cost production, there was evidence by the mid-70s that smuggling (by-passing customs altogether) and fraud (false declarations) were escalating. Catherine Boone, in her case study of the textile industry, argues that the wide differentials between domestically produced goods and imports from the Far East, India, and Eastern Europe made parallel transactions highly profitable for traditional importers and smaller scale Lebanese businesses. The escalation of illegal activities led to devastating competition that caused bankruptcies and closing of many legitimate firms.

In order to carry out these interventionist policies in the absence of sufficient domestic resources, the government financed an increasingly large proportion of expenditures through external borrowing from commercial as well as official sources. Net Official Development Assistance (ODA) for Senegal, which stood at under 50 million dollars in 1972, increased by more than three times to $162 million by 1975 and further to $226 million by 1978. Such a rapid increase strained institutional capacity to plan and manage projects while creating claims on future revenues for debt repayments.

Fueled by the inflow of resources, public consumption soared, with average annual growth rates of 6.7 percent from 1973 to 1980, while private consumption itself, at 4.3 percent, grew at almost twice the rate of GDP. World Bank analysis for the 1984 Economic Memorandum identifies public-to-private sector transfers through parastatal services and rural sector credit as an important channel for rising consumption. Many of the loans drawn in this period from the public financial institutions were never recorded, serviced, or reimbursed (Boone). The ratio of consumption to GDP moved above 95 percent in 1978, and remained at high levels for the following seven years. Yearly price increases, as measured by the GDP

CHART 7

SENEGAL: SAVINGS AND INVESTMENT RATIOS



deflator, ranged between 6.5 and 11.5 percent in all years but 1975.

The share of public administration in GDP also grew by about 6 percent yearly in real terms in the 1973-80 period, more than twice as fast as GDP, three times as fast as the remainder of the services sector, and exceeded only by the 6.7 percent growth of public consumption. By 1980 it accounted for about 17 percent of nominal GDP, compared with 10 percent in 1975.

Not surprisingly, by the end of this period productive capacity had not been effectively expanded and the economy was not able to withstand the impact of successive severe droughts and the international economic recession sparked by the 1979 oil crisis. Catherine Boone asserts that "pervasive clientelism and rentierism compromised the ability of the government to respond to the recession with coherent initiatives aimed at stemming the decline of the export-oriented agricultural sector and the industrial sector." Similarly, "the use of state power to create and distribute rent-seeking opportunities for state agents and their clients in the commercial sector gave rise to widespread fraud in the import business."

Long-term external debt rose from $130 million in 1970 to $310 million in 1975 and $950 million in 1980. The ratio of debt service to exports of goods and services, which stood at 5.8 percent in 1975, had risen to 20 percent by 1980. The balance of trade deficit (MEFP data) doubled from 9.0 percent of GDP in 1975 to 18.5 percent in 1980, while the overall balance of payments deficit rose from one-half of one percent to 4.0 percent over the same period.

Unable to meet its obligations in spite of European Economic Community (EEC) Stabex loans (to compensate for low world peanut prices) and French budget support (through the Central Bank's Operations Account), the government accumulated arrears on foreign as well as domestic debt. In late 1979, a five-year economic and financial reform program (Plan de redressement economique et financier --PREF) was adopted.

3. Early 1980s: Beginning economic reform

Adopted at a time of political and social ferment due largely to an unraveling economic situation, the PREF was essentially a stabilization program designed to restore key macroeconomic balances. It was also expected to increase investment in the productive sectors, raise public savings, liberalize trade, reverse the policy of state participation in the economy and streamline the public sector.

The program created the basis for mobilizing budget support funds, initially through an Extended Fund Facility with the IMF and the first Structural Adjustment Loan in Africa from the World Bank. The Bank, in its 1989 report, The World Bank and Senegal, 1960-87, documents some of the political considerations which affected the structure of the program, including the concern to provide sufficient financial assistance to cushion the impact of reductions in government expenditures on key client groups: civil servants, large rural producers, and industrial producers. Implementation of the PREF proceeded by fits and starts, affected by continued drought (1981 and 1983-84), larger than expected public debt and arrears, adverse world peanut prices (1982), and impending elections (1983).

During this time, although growth in public sector employment slowed gradually from the six percent yearly average recorded in the 1975-1980 period to about three percent, and real wages increased by less than one percent per year (compared with six percent earlier), other expenditure categories continued to weigh heavily on the budget.

Interest on government debt increased almost fourfold from 1980/81 to 1984/85; transfers and subsidies (excluding scholarships) almost doubled in the same period. Direct operating subsidies to parastatals had already grown from 7 billion CFAF in 1977/78 to almost 20 billion (12 percent of current expenditures) in 1981/82.

In an attempt to stimulate industrial competitiveness in the absence of exchange rate flexibility, the Government adopted a subsidy program for non-traditional exports -- canned fish, fertilizers, shoes, textiles, and agricultural equipment -- in August 1980. This program was extended to about two dozen additional products in 1983, largely goods produced by small scale operations. Aside from a substantial growth spurt in 1981/82, total export value stagnated, however. The ratio of exports of goods and services to GDP, which had ranged between 36 and 43 percent in the mid-1970s before falling to around 30 percent in the late 1970s, did not exceed 35 percent in the early 1980s and fell subsequently.

New Investment Code provisions also sought to provide incentives for industrial firms through subsidies, replacing exemptions on raw materials imports with a subsidy based on value added. This was done in the hope of reversing the capital intensive bias of industries and providing some impetus for increased employment. Public investments in industry focused on substantial increases in productive capacity (fertilizers, petroleum refinery, peanut oil mills, textiles, etc.) that in retrospect appear ill-advised given the limited growth prospects in the region at the time.

Notwithstanding increases in certain budget line items, overall current expenditures and net lending as a proportion of GDP decreased from 32 percent to 23 percent between 1980/81 and 1984/85. Thus, the GOS was able to reduce the overall budget deficit from 11.5 percent of GDP to 3.5 percent during this period. On the external side, the current account deficit was reduced from 14.5 percent to 12 percent of GDP.

The ratio of consumption to GDP remained close to 100 percent, and the rate of inflation measured by the GDP deflator accelerated to an average of almost ten percent between 1980 and 1985. The savings ratio, which had been between eight and nine percent on average in the non-drought years of the early 1970s, dropped to less than four percent in the early 1980s.

By 1984, the IBRD was able to identify the following areas as "the four main and interlocking problem areas" holding up development in Senegal and to urge their prompt resolution in order to restore growth prospects (Country Economic Memorandum, p. 21). The problems, most of which remain major current issues, are:

--overextension of the public sector and severe imbalances in public sector finances, accentuated by institutional weaknesses;

--failure to promote growth in the export producing sectors of the economy;

--poor returns to investment and the low mobilization of domestic savings;

--as a result of the first three factors, a worsening balance-of-payments situation and a protracted debt servicing crisis.

4. Mid-1980s: Growth with adjustment, or adjustment postponed?

(This section provides only a broad-brush review of key trends. Macroeconomic policies and performance are discussed in greater detail in Section IV.)

After the 1983 drought the government renewed its efforts to increase the momentum of structural adjustment in Senegal. With the assistance of the principal foreign donors, three key programs were developed: the New Agricultural Policy, to redress rural/urban terms of trade; the New Industrial Policy, to create incentives for private investment and exports; and a systematic effort to reduce the role of the State and of public enterprises in the economy. A series of Structural Adjustment Facilities with the IMF provided the macroeconomic framework for the sectoral measures.

The results of these initiatives have been analyzed by the World Bank and A.I.D. (Evaluation of the Economic Policy Reform Program in Senegal, Agricultural Sector Assessment) and many other observers. While they are not uniformly bleak, they fall distinctly short of the expectations that had been raised for these programs.

Elliot Berg (Adjustment Postponed: Economic Policy Reform in Senegal in the 1980s) argues that the current phase has in fact resulted in a setback for adjustment efforts. He charges that the reform attempts incorporate too many conflicting objectives; are carried out with too few policy instruments (exchange rate policy is conspicuously absent from the government's economic tool kit); and are subject to pressures from strongly entrenched interest groups, while lacking widespread support within the administration. Berg also chastises donors for poor donor and donor/government coordination, and for "the soft (if any) budget constraint" resulting from their continued generous financing.

Indeed, much of Berg's criticism has merit. Both in the pattern of recurrent expenditure and in the pattern of investment, there is little evidence that the government of Senegal has made basic changes in its priorities.

The achievements of the mid- to late 1980s have been principally to reverse the trend of economic deterioration begun in the 1970s. Among the macroeconomic aggregates, real GDP growth increased to almost 3.0 percent over the period 1985-89, compared to a trend of 2.3 percent over the 30-year period since 1960; growth in the primary and tertiary sectors increased to 3.5 and 3.0 percent respectively, compared to long term trends of 1.4 and 1.9 percent; the secondary sector is on trend, at 4.0 percent (compared to 3.9); growth of public administration has slowed from a long term trend of 2.7 percent to 1.4 percent. Investment and export growth in the 1980s (based on official data) are well over the trend rates of growth (4 percent and 3.7 percent compared with 2.5 and 1.5 percent). Private consumption growth has decreased from 2.4 to 1.1 percent, while public consumption still has not been mastered: its growth rate in the second half of the 1980's is 3.4 percent compared with a trend of 2.9 percent over time (Table 2).

While these achievements compare favorably with the economy's earlier performance, they are quickly brought down to size when compared to the continuing rate of population growth, which is estimated to have increased to 2.7 percent. Thus, per capita income gains, while positive in recent years, are only marginal. It is also not clear to what extent growth in the productive sectors has been the result of new policies rather than of the improved level of rainfall since 1985.

IV. Current Macroeconomic Management

A. Fiscal performance

Fiscal policy in the aggregate has turned in creditable results during the 1980s, notwithstanding recent slippages. The ratio of total expenditure and net lending to GDP dropped by one-third from 32 percent to 21 percent between FY 1981 and FY 1990. The budget deficit as a proportion of GDP was reduced steadily over a seven year period between FY 1981 and FY 1988, falling from 11.5 to 1.2 percent before ratcheting up again in FY 1989. Government expenditures and net lending increased by only 60 percent over the decade, while revenues (excluding grants) doubled. The achievements of this period are dramatic when seen in in graph form (Table 4).

However, a closer look reveals the weak underpinnings of these achievements. The key components of government revenue show a clear deterioration over time, raising concern over the capacity of policy measures currently in force to provide reliable and sustainable mobilization of public resources in the future.

1. Revenues

Although revenues doubled from FY 1981 to FY 1990 , they lagged far behind GDP which increased by 140 percent. Part of the success in reducing the budget deficit as a proportion of GDP is due to the dramatic increase in foreign grants as the government garnered donor support for its reform programs. These grants increased more than four times between FY 1981 and 1989, reaching two percent of GDP before falling off by 45 percent in FY 1990.

Tax revenue provides about 80 to 85 percent of total government revenue. Its principal components are income taxes, taxes on goods and services, and import taxes. Together these account for over 90 percent of tax revenue and about 75 percent of total revenue. Tax revenues grew by only 75 percent between FY 1982 and 1990, compared with GDP which doubled during this period.

As a percentage of GDP, tax revenue has fallen steadily from an average of about 18 percent per year in the first four years of the decade, to barely 14 percent in FY 1990. The impact of this decline on total government revenue, as a percent of GDP, has been mitigated by the tripling of non-tax sources of income, primarily from the windfall profits received from the petroleum refinery as a result of the differential between high domestic prices and low world prices. This is an unreliable source of revenue for the future, not only because of potential variability in world prices, but also because the government is under pressure to reduce energy prices to stimulate private

TABLE 4

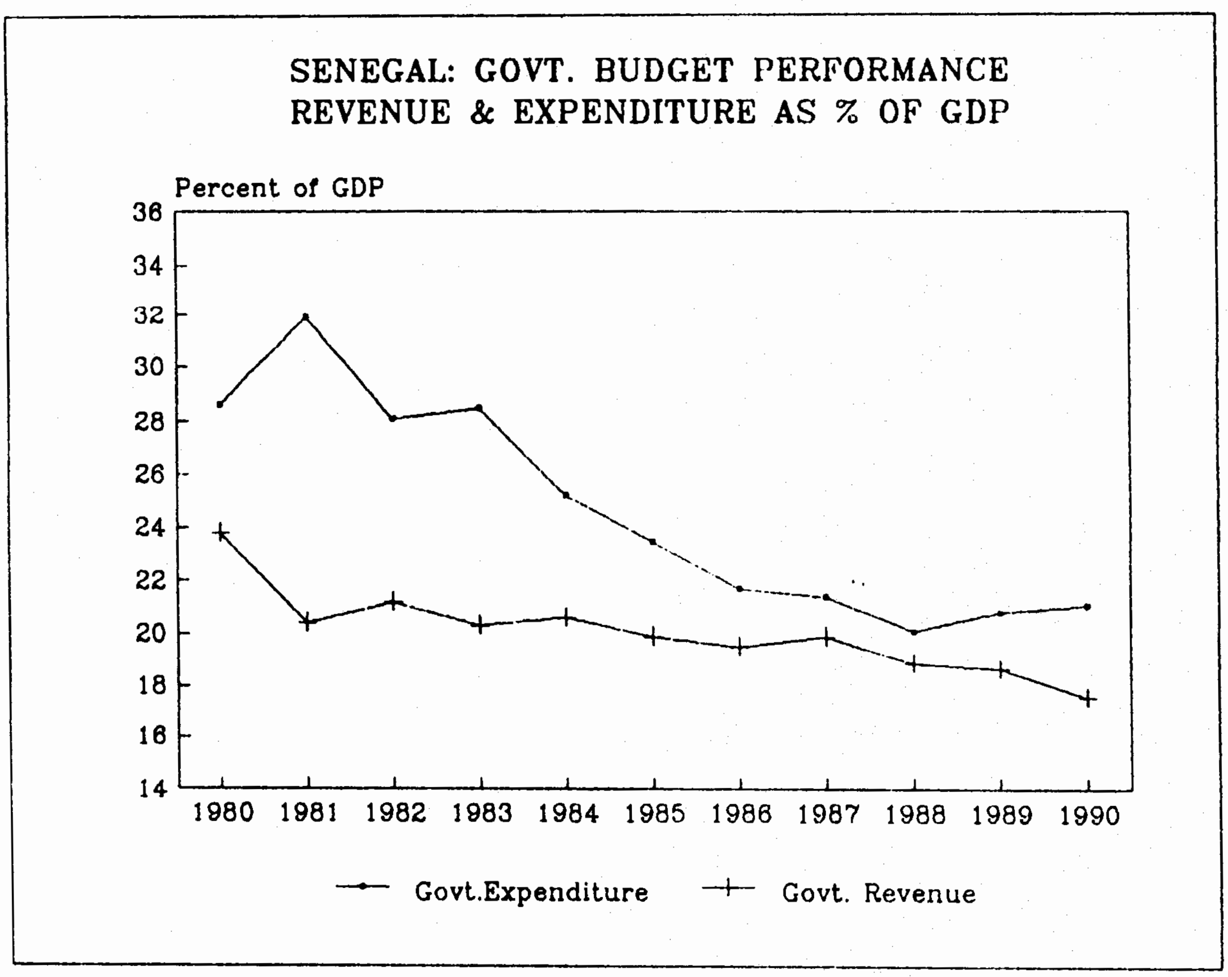
SENEGAL
Fiscal Year GDP and Budget Aggregates

	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91
GDP	648.7	757.0	891.8	977.5	1083.8	1224.0	1338.8	1432.8	1467.7	1564.9	1660.3
TOTAL EXPEND.											
& NET LENDING	207.0	212.6	254.2	247.6	254.2	266.0	285.8	288.2	305.1	330.0	312.0
TOTAL REVENUE											
& GRANTS	132.3	160.6	180.9	201.6	216.1	237.9	266.1	271.4	274.2	276.2	318.9
REVENUE	125.5	151.9	175.7	189.4	203.9	218.7	251.0	251.4	245.7	256.6	300.1
TAX REVENUE	118.2	139.7	164.5	177.2	190.1	185.1	196.0	205.5	196.2	216.8	254.6
GRANTS	6.8	8.7	5.2	12.2	12.2	19.2	15.1	20.0	28.5	19.6	18.8
BUDGET DEFICIT											
(incl. grants)	-74.7	-52.0	-73.3	-46.0	-38.1	-28.1	-19.7	-16.8	-30.9	-53.8	6.9

Budget Aggregates as Percent of GDP

	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91
TOTAL EXPEND.											
& NET LENDING	31.9%	28.1%	28.5%	25.3%	23.5%	21.7%	21.3%	20.1%	20.8%	21.1%	18.8%
TOTAL REVENUE											
& GRANTS	20.4%	21.2%	20.3%	20.6%	19.9%	19.4%	19.9%	18.9%	18.7%	17.6%	19.2%
REVENUE	19.3%	20.1%	19.7%	19.4%	18.8%	17.9%	18.7%	17.5%	16.7%	16.4%	18.1%
TAX REVENUE	18.2%	18.5%	18.4%	18.1%	17.5%	15.1%	14.6%	14.3%	13.4%	13.9%	15.3%
GRANTS	1.0%	1.1%	0.6%	1.2%	1.1%	1.6%	1.1%	1.4%	1.9%	1.3%	1.1%
BUDGET DEFICIT											
(incl. grants)	-11.5%	-6.9%	-8.2%	-4.7%	-3.5%	-2.3%	-1.5%	-1.2%	-2.1%	-3.4%	0.4%

Source: Ministry of Economy and Finance, TOF; IMF estimates for 1990/91



sector growth.

Income taxes contribute about 20 percent of tax revenue. Until 1990 they were collected on a variety of schedules, the most important of which were business, salary, and general income. From FY 1983 through 1987, the salary and general income taxes contributed about equally to revenues from income, together accounting for just over 60 percent of the total and growing at about the same rate, while revenue from business taxes decreased from over one-third to less than a quarter of the total. Revenues from salary taxes increased sharply in FY 1988 (by 22 percent) after growing at about 5 percent per year previously.

These taxes and the other schedular taxes on income were eliminated by the tax reform of 1989 (supported by A.I.D.'s ESF VII program) and replaced by a consolidated tax. The intent of the reform was to improve the equity of the system without incurring revenue losses. Fiscal results of this reform are not yet fully known.

Revenues from taxes on goods and services increased about 40 percent between FY 1982 and 1985 (while GDP grew 60 percent) and have been stagnant since then. They currently provide about 23 percent of total revenues, compared with 28 percent earlier. Revenue from this source is expected to increase with the extension in 1991 of the value-added tax (VAT) to the wholesale and retail trade sector, and to the transport sector in 1992. Based on early expressions of opposition from the many small businesses targeted by this measure, the government will have a lot to do in terms of public relations to make this extension of the VAT understood and accepted.

Import tax revenues, which constitute over 30 percent of total revenues, present a difficult challenge. Recorded imports (based on balance of payments data) have decreased since the mid-1980s: their average level of FCFA 301.5 billion since FY 1987 is below the 319 billion recorded in FY 1983. Tariff rate decreases in FY 1987 and 1988 under the New Industrial Policy (supported by A.I.D.'s Economic Policy Reform Program -- AEPRP I) were intended to stimulate productive activity, stimulate competition and private sector growth, and lead to a broader tax base and increased revenues. In fact import tax revenues increased by 8 percent from FY 1986 to 1987, and by 4 percent in FY 1988. But in FY 1989 they fell by 7.6 percent, contributing to a shortfall of 4.5 percent in overall tax revenues. The government raised tariffs in August 1989 (and again in August 1990) to try to stem this deterioration; tax revenues in FY 1990 registered another shortfall of 6.5 percent.

Widespread customs fraud (underinvoicing and smuggling) which according to some observers has now reached epidemic proportions in Senegal, is held to be responsible for the lack of growth in import revenues. The government is making efforts to improve customs administration to reduce these losses.

2. Public expenditure

Notwithstanding the reporting framework known as the TOF (Table of Financial Operations) which the Ministry of Finance uses to integrate the various budget and extrabudgetary accounts of the government, the budgetary system is cumbersome, subject to various authorities, and not easily amenable to flexible management.

The budget has three basic components: the investment budget, the operating budget, and a series of special Treasury accounts.

According to published figures the government's share of the investment budget is about 15-20 percent, with the remainder financed by donors. The real contribution of the government likely to be much less, based on actual execution of projects. The operating budget covers current receipts and current expenditures of the government agencies.

In addition, there is a set of extrabudgetary Treasury correspondent accounts that do not appear in the budget document itself. These accounts are lodged with the Treasury as holder and dispenser of funds, but the amounts that pass through them are not voted by the National Assembly. The Treasury correspondents include local governments and certain public enterprises. The extrabudgetary accounts include the social security fund, the Peanut Products Guarantee Fund, and a number of public sector enterprises such as the Commodity Price Stabilization Fund (CPSP). The Financial Office of the President monitors these extrabudgetary accounts, although each account is managed by a designated Ministry.

The principal focus of discussion in this section will be the operating budget and extrabudgetary accounts.

The operating budget process separates expenditures into "services already voted", which represent the minimum level necessary to maintain existing government operations, adjusted for inflation, and new authorizations. The quasi-automatic renewal pattern discourages evaluation of the effectiveness of past expenditures and minimizes the weight of new measures in the total. In addition, there is little linkage between the tasks of the various ministries and the budgetary resources allocated to them, since the final allocation is arbitrated by the President.

The system as a whole cannot provide a clear overview of the government's budgetary position because it lacks completeness. Important expenditures such as counterpart funds and debt

TABLE 5

SENEGAL: OPERATING BUDGET (economic classification)
(billions of FCFA and percent)

	87/88	88/89	89/90	90/91
Personnel	108.2 (50.0%)	111.2 (49.0%)	112.7 (50.5%)	110.4 (48.8%)
Materials & maintenance	42.7 (19.7%)	46.1 (20.4%)	47.9 (21.5%)	49.8 (22.0%)
Transfers*	45.6 (21.0%)	50.3 (22.2%)	44.1 (19.7%)	46.5 (20.6%)
Unclassified	20.0 (9.2%)	18.9 (8.3%)	18.5 (8.2%)	19.2 (8.5%)

* includes scholarships, subsidies, and interest on government debt.

Source: GOS, Loi de Finances for each year.
NOTE: IMF data show consistently higher levels for operating budget totals.

INVESTMENT BUDGET: Sector allocations
(billions of current CFA and percent)

	86/87	87/88	88/89	89/90	90/91
TOTAL	113.5	n/a	125.2	143.7	164
Primary: water devel. and rural prod.	40.7 (35.9%)		50.9 (40.7%)	61.5 (42.8%)	63.8 (38.9%)
Secondary: non-rural prod.	17.9 (15.8%)		6.1 (4.9%)	15.2 (10.6%)	12.2 (7.4%)
Tertiary: commerce, transp., communications	18.8 (16.5%)		30.5 (24.3%)	22.9 (15.9%)	35.5 (21.6%)
Social, admin. financial serv.	24.1* (21.2%)		37.7 (30.1%)	43.9 (30.5%)	52.5 (32.0%)

* includes studies for all sectors
Source: GOS, Loi de Finance summaries for each year

guarantees do not appear in the operating or capital budgets; neither do the guarantees given by the government on public enterprise borrowings, or tax exemptions granted by special agreements.

It is evident that such a process is not only far from transparent, it also does not lend itself to a systematic planning process where national and sectoral priorities can be identified and supported with adequate funding, and where contingencies can be managed when they arise. In order to address the budget crisis of June 1990, for example, the government was forced to cut most non-salary and non-debt operating expenditures by 40 percent across the board, creating severe hardship for management of many essential services and programs.

To compensate for this lack of control, the stabilization and adjustment programs supported by the IMF and the World Bank incorporate close monitoring of certain key expenditure categories. These are the wage bill, which accounts for about half of operating budget expenditures; the level of subsidies to public enterprises; and the situation of internal debt and arrears.

The wage bill. Since a nominal reduction in public sector wages is out of the question, the government plans to compress total expenditures on wages and related benefits through a program of voluntary departures, funded partly under the World Bank's SAL program and partly by the salary savings generated by the first wave of departures. Approximately 4,000 departures are envisaged. On a net basis (allowing for a limited number of recruitments in key sectors such as primary education), the public sector workforce is expected to decrease to about 62,000 by the end of FY 1991 (some 6,000 below the level of FY 1987). This would permit containment of the wage bill to a level of about CFAF 125 billion, or 8 percent of GDP, compared with a share of 10.3 percent in FY 1983.

About halfway through the program, it appears that, although half of the targeted departures have taken place, the savings of some CFAF 2.7 billion generated have been used to pay salary increases and other benefits due to remaining workers rather than to fund more departures. In addition, the recruitment ceiling was exceeded by about 1,500 workers. A large part of this problem is attributed to the ineffective systems for managing and monitoring this program, including insufficient intra-government coordination.

Operational subsidies to public enterprises are only one portion of total public outlays on these organizations. As noted earlier, some of the outlays are outside the scope of Treasury control altogether. In a 1987 review, the World Bank estimated that operational subsidies alone for FY 1986/87, totaling FCFA 14.7 billion, were only 36 percent of aggregate support payments (CFAF 40.8 billion) to parastatals. The latter amount represented 17.5 percent of that fiscal year's current budget expenditures, slightly higher than the 16.7 percent registered in FY 1985/86, but substantially higher than the 12 percent share registered in 1981/82 (see Section III.B.4).

While comparable aggregate figures are not available for recent years, the operational subsidies identified under the SAL IV program as of December 1990 amounted to 15.2 billion, or 5.9 percent of the FY 1989/90 current expenditures. For 1990/91, the level of subsidies is to be reduced to CFAF 12.6 billion, or 5.3 percent of expected expenditures. The University system accounts for almost 70 percent of this amount.

The government's divestiture of its interests in many public and semi-public enterprises, and the gradual reduction in the scope of activities of these organizations, can be expected to markedly reduce the burden of subsidies on the budget. Unfortunately, progress toward this goal has been slow.

<u>The internal debt</u> owed by the government to enterprises, private banks, and the Central Bank is a severe burden on the budget and drains off domestic resources to non-productive uses in addition to constraining the activities of these economic agents. The problem has been compounded by the government's frequent inability in the past to meet its obligations on time, thus incurring additional interest charges, while introducing increased uncertainty in the private sector of the economy.

There are currently five categories of internal debt for which the government is responsible, totalling approximately CFAF 245 billion ($980 million): ONCAD debt, overdue crop credit, consolidated debt of the failed banks, some debt of the restructured BIAOS, and public sector arrears to suppliers and utilities.

1. <u>ONCAD debt</u> has undergone several consolidations since the agency closed in 1980, to soften terms and extend the repayment period. As a result, although the government has already paid some CFAF 54 billion in interest since 1983, the principal amount of 64.3 billion is still unamortized. An additional CFAF 1.5 billion in unconsolidated debt is owed by the government to the BICIS bank, whose shareholders are delaying the government's planned divestiture of half of its shares until a settlement is reached on this issue. Litigation continues between three commercial banks (SGBS, BICIS, BIAOS) and the government as to their precise share of the CFAF 5 billion in interest owed.

ONCAD debt is currently scheduled to be retired over a 15 year period ending in 2005.

2. Overdue crop credit, amounting to FCFA 33.5 billion in principal, consists of marketing loans made by banks to the marketing boards essentially for peanut (80 percent), cotton, and domestic paddy rice purchases, and guaranteed by the government. In the case of peanuts, the loans cover the period between 1985 and 1988 when the government maintained high farmgate prices while world prices plummeted, so that the peanut oil mills were unable to meet their costs. In the case of paddy, the losses occurred as a result of the reduction of the consumer price of rice in 1988 while producer prices remained high.

The consolidation of these credits by the BCEAO, in June 1990, requires the government to repay them over a five-year period through 1994.

3. Debt of liquidated banks. In June 1989, under the banking sector restructuring program, a total of CFAF 62.5 billion in debit balances and non-performing loans of failing banks was consolidated. This amount has since been augmented by interest charges incurred by the former development bank, BNDS, and debt of the BSK in which the GOS has found itself majority owner by default as a result of the Gulf crisis. While the BNDS ceased operating in 1989, its license was never revoked, leading the Central Bank to continue to apply penalty rates to the unpaid balance charged to it under the consolidation. The BSK had to suspend its restructuring operations in August 1990, when an expected capital injection from Kuwait did not materialize. The bad debt which had to be absorbed by the Treasury from this bank amounts to CFAF 8.8 billion.

The latest review of this debt in December 1990 identifies principal outstanding at about CFAF 86.1 billion, excluding BSK.

4. Non-performing loans of the BIAOS, representing claims against the Treasury of CFAF 9 billion, result from agreements reached in June 1990 by the government to avoid liquidation of the bank after the decision of the foreign partner (BNP) to pull out. Of CFAF 43.5 billion of bad loans, CFAF 37.8 have been covered by restructuring agreements with the BCEAO. CFAF 4.2 billion remain uncovered.

5. Domestic arrears. The GOS was unable to liquidate its remaining arrears of CFAF 8.5 billion to its private sector suppliers and the utility companies in FY 1990, accumulating instead an additional CFAF 21.5 billion of arrears for a total of 30 billion. The government is now committed to reducing these arrears by CFAF 20 billion in FY 1991.

B. Domestic Credit

In addition to its burden on public finances, the debt situation weighs heavily on the availability of domestic credit to the private sector, as will be discussed below.

Senegal's membership in the West African Monetary Union (WAMU), part of the franc zone, constrains it from pursuing an independent monetary policy. This is determined for the seven Union countries (Senegal, Mali, Niger, Burkina Faso, Cote d'Ivoire, Togo and Benin) by a Board of Directors composed of two representatives from each member state and two from France, whose Treasury guarantees convertibility of the currency through extending overdraft facilities via its "operations account" with the WAMU Central Bank. In return, the member countries have agreed to pool their available foreign exchange reserves in a common Central Bank (Banque Centrale des Etats de l'Afrique de l'Ouest -- BCEAO) which in turn deposits the equivalent of at least 65 percent of its foreign exchange holdings in the operations account. Sub-accounts are held for each member country. The primary policy goal is to maintain the parity of the CFA franc with the French franc by maintaining an adequate net foreign asset position for the monetary union as a whole.

The WAMU's net foreign asset position deteriorated sharply in the early 1980s, eventually turning negative and leading to a tightening of monetary and credit policy management and union-wide banking reform measures. This was matched in Senegal, one of the countries drawing most heavily on the operations account, with additional tightening of credit and wholesale restructuring of the banking sector.

Credit policy formulation involves negotiations between each government's National Credit Committee and the Central Bank to set ceilings for access by the government and the financial sector for Central Bank refinancing. The ceiling targets take account of the government's revenue and expenditure position, the need for credit to finance the year's cash crops, and needs of the business community (private and parastatal).

Senegal's credit crisis, which had started building in the mid- to late 1970s with a large increase in foreign borrowing accompanied by unwise investments and excessive consumption, came to a head in the mid-1980s. By the end of FY 1986, Senegal's net foreign asset position was in deficit by close to FCFA 243.8 billion, or 20 percent of GDP, reflecting the consequences of large-scale increases in dometic credit over the previous four to five years.

The crisis has been addressed in several ways: first, the rate of growth of domestic credit has been severely reduced, from about 15 percent per year on average between FY 1980 and FY

TABLE 6

SENEGAL: Monetary Survey
(CFA billions)

	June 1983	June 1984	June 1985	June 1986	June 1987	June 1988	June 1989	June 1990
NET FOREIGN ASSETS	-178.8	-198.8	-229.6	-243.8	-207.5	-236.0	-231.3	-193.9
DOMESTIC CREDIT	469.5	490.1	503.5	544.0	575.3	606.8	607.2	554.0
CREDIT TO GOVT. (net)	91.8	120.9	126.6	142.1	143.9	150.0	140.0	123.2
CREDIT TO ECONOMY	377.7	369.1	376.9	401.9	431.4	456.8	467.2	430.8
Ordinary credit	334.8	356.7	360.3	371.9	374.5	380.9	433.0	402.5
ONCAD	67.7	67.7	67.7	67.7	66.7	65.8	65.8	65.8
Recl. crop credit	6.2	---	---	3.5	2.2	2.4	29.9	33.5
Other	260.9	289.0	292.6	300.7	305.6	312.7	337.3	303.2
Crop credit	42.9	12.4	16.6	30.0	56.9	75.9	34.2	28.3
MONEY & QUASI-MONEY	267.1	276.6	300.1	291.5	342.3	346.3	370.8	373.7
Currency in circ.	73.2	73.3	64.8	75.2	108.9	97.7	96.6	103.0
Demand deposits	105.4	109.6	112.3	112.6	121.6	122.0	137.1	n/a
Time deposits	88.5	93.7	107.2	103.7	111.8	126.6	137.1	n/a
OTHER ITEMS (net)	23.6	14.6	-10.4	8.7	25.6	24.5	5.1	-13.6
NET DOMESTIC ASSETS	445.8	475.5	513.9	535.3	549.7	582.3	602.1	567.6

SENEGAL: Share of Domestic Credit
(percent)

	June 1983	June 1984	June 1985	June 1986	June 1987	June 1988	June 1989	June 1990
CREDIT TO GOVT. (net)	19.6%	24.7%	25.1%	26.1%	25.0%	24.7%	23.1%	22.2%
CREDIT TO ECONOMY	80.4%	75.3%	74.9%	73.9%	75.0%	75.3%	76.9%	77.8%
Ordinary credit	71.3%	72.8%	71.6%	68.4%	65.1%	62.8%	71.3%	72.7%
ONCAD	14.4%	13.8%	13.4%	12.4%	11.6%	10.8%	10.8%	11.9%
Recl. crop credit	1.3%	---	---	0.6%	0.4%	0.4%	4.9%	6.0%
Other	55.6%	59.0%	58.1%	55.3%	53.1%	51.5%	55.6%	54.7%
Crop credit	9.1%	2.5%	3.3%	5.5%	9.9%	12.5%	5.6%	5.1%

Source: IMF

1986, to no growth in FY 1989 and a 9 percent reduction in FY 1990. Growth of credit to the government has borne the brunt of this reduction. As a result, the share of government in total domestic credit has been reduced from 26 percent in FY 1986 to 22 percent in FY 1990, while the share of "ordinary credit" available to businesses and individuals (i.e., net of ONCAD and crop credit arrears) has been maintained, on average, at around 55 percent. The burden of the domestic debt overhang diverted some 15 percent of domestic credit away from the productive sectors in FY 1989 and 17 percent in FY 1990. This burden is likely to continue to be heavy over the next few years.

FY 1990 saw a reduction in almost all of the monetary aggregates, as the painful process of reducing the deficit on net foreign assets accelerated.

Money supply growth has also been held in check, averaging about three percent per year between FY 1988 and FY 1990, and contributing to the apparent stabilization of the rate of inflation at around two percent for the past three years.

Banking sector reform was undertaken in FY 1989. It incorporates important, union-wide, policy changes at the level of credit allocation and bank management, as well as a major restructuring of Senegal's banking sector.

In June 1989 four public sector banks and one financial institution were closed along with three private banks. The government is reducing its share in two other private banks to below 25 percent. A recovery structure was formally incorporated in February 1991, with broad powers to go after delinquent assets.

The policy measures which have been adopted by the WAMU include elimination of preferential credit allocation and the consequent unification of interest rates (there no longer are preferential rates). As a result, banks themselves will be able to make loans on the basis of market criteria rather than by administrative determination. The maximum interest rate is 16 percent -- highly positive, given an inflation rate of between two and 2.5 percent. The money market rate is set below the Central Bank's refinancing rate, to induce banks to use their excess liquidity, but higher than the French money market rate to avoid capital flight. A Union-wide Banking Control Commission has been created, empowered to license and supervise banks (a function previously exercised bygovernments). Prior authorization of loans above a certain level has been eliminated. Aa system of required reserves is being introduced to control liquidity in place of quantitative credit ceilings by country and by bank. Double taxation of interest earned on savings has been ended. Finally, studies are being undertaken both at the WAMU level and in Senegal to identify suitable modalities for institutionalization of small- and medium- scale credit facilities.

The direct impact of these measures on the economy is likely to be mitigated until policies appropriate to vigorous business growth take hold. In addition, further measures need to be taken to ensure broad-based mobilization of domestic savings, such as the promotion of various types of non-bank financial intermediaries.

The government's ability to deal with the cost of restructuring is also critical, to reduce as much as possible the burden of additional debt on the economy. Donors (the World Bank, France, and the United States) are contributing a total of CFAF 31.8 billion ($127 million) to the effort, but this must be supplemented by vigorous recovery of bad debt to offset the total obligations which the government has assumed.

C. Prices and Wages

Restrictive credit policy combined with improved fiscal management and the market liberalization resulting from the agricultural and industrial policies have combined to produce important reductions in the rate of consumer price inflation and in the GDP deflator. The rise in the consumer price index, which had peaked at 20.1 percent in FY 1982 was reduced to 5.5 percent in FY 1986. Small negative rates of consumer price inflation in FY 1987 and FY 1988 were achieved owing to particularly favorable supply and price developments in the agricultural sector, to increased competition in the industrial sector and to successive reductions in quantitative trade controls and tariff barriers. Consumer price inflation was held to a mere 2.4 percent in both FY 1989 and FY 1990.

Since 1983, the GOS has pursued a policy of price liberalization for agricultural and manufactured goods which has resulted in a sharp reduction in the scope of price controls and the introduction of greater flexibility in price determination. Beginning in October 1985 official prices for coarse grains were eliminated and marketing controls were reduced. In December 1988, the government completed the removal of price controls on manufactured goods, except those on a small number of products still deemed strategic or essential. These include the minimum producer prices for three agricultural products (peanuts, cotton, and paddy rice), and the prices for thirteen classes of retail goods (sugar, rice, tomatoes, tomato concentrate, cooking oil, wheat flour, bread, charcoal, petroleum products, cement, public medical fees, and pharmaceuticals). The government continues to set the electricity, water and transportation tariffs as well.

Prices of five "essential" consumer goods (sugar, condensed milk, wheat flour, cooking oil, and tomato paste) could not be decontrolled since they were produced by firms benefitting from long-standing "special agreements" with the government.

High (fixed) internal prices for such basic goods and services as electricity, petroleum products, sugar, flour, milk, and cotton act as significant constraints to the profitability of enterprises and increased output and employment, particularly in the food processing and textile sectors where industrialization often gets its start. The high prices characteristic of these products in Senegal not only reflect the high cost structure of the producer firms; they frequently reflect substantial open or hidden taxes that are an additional source of revenue to the government. These are seen as required owing to the relatively poor functioning of broader, more equitable sources of tax revenue (including the income tax, the value-added tax, customs taxes, and real estate taxes).

In the case of energy, the government is implementing a reform which involves a system of more transparent taxation of petroleum products and pricing that allows adjustments based on world price movements. This is supposed to result in significant cost reductions for industrial users currently, and more economic pricing generally. The reform suffered a setback in 1990, after the onset of the Gulf crisis, as the government feared a sudden increase in world prices. It was also difficult, in the face of an unexpectedly large budget deficit, to forego a significant source of revenue.

More generally, high prices reflect the system of import tariffs and export subsidies that Senegal has had to put into place to protect its domestic industry in the face of low productivity and competitiveness and in the absence of the availability of an exchange rate mechanism. This issue is discussed at greater length in Section IV.D.

Perhaps the most controversial price policy issue currently under discussion is that of wages. Senegal's foreign partners argue that the high level of wages, as well as the inflexibility of labor legislation, is a determining factor in holding back economic adjustment. Yet the room for maneuver in bringing about a relative decrease in wages compared with other production costs is limited. The sensitive nature of the issue is compounded, in Senegal, by the strength of labor unions and their long-standing relationship with the government. The principal workers' union, Confederation Nationale des Travailleurs du Senegal (CNTS), is essentially an arm of the Socialist party. Other unions, representing education and health workers in particular, have become increasingly vocal as purchasing power has eroded in recent years.

Minimum wages and base wage rates for professional categories are set by a Tripartite Commission of government, workers' union (CNTS), and the employers' association. Final wages and salaries are then negotiated bilaterally or through collective bargaining, but the process is a highly centralized and visible one "that tends to be determined unilaterally in the Presidency with the accord of business and organized labor." (Renison, Senegal Labor Force and Employment Survey, 1990).

Most workers in the modern sector (industry, commerce, and banking) receive wages that tend to be much higher than the legal minimum. Wages rates in the informal sector tend to be much lower because of the existence of a large excess supply of unskilled labor, especially in the urban centers.

It is widely believed that labor costs in Senegal are excessive compared with other non-CFA countries with similar income levels. A major reason for this high wage structure is that, at independence, the wage structure for Senegalese civil servants was set at levels comparable to those of the French colonial civil service -- much above the average per capita income of the time. In 1986, labor cost in Senegal was 10 percent lower than in Cote d'Ivoire, but 60 percent higher than in Malaysia and 370 percent higher than in Indonesia. The cost of a manufacturing worker was 8.7 times the GDP per capita in Senegal. It was only 2 times as high for the average GDP per capita of six non-CFA countries used for comparison (Ghana, Indonesia, Malaysia, Mauritius, Morocco, and Tunisia).

Similar findings apply to civil servant salaries: In 1987, the ratio of the average cost of a civil servant to per capita GDP was about the same in Senegal as in eight other CFA oil importing countries, but three times higher than in six African non-CFA countries (Zaire, the Gambia, Guinea, Ghana, Mauritania, Morocco) and in Malaysia, and almost seven times higher than in France and the United States. (Elliot Berg, Adjustment Postponed, 1990).

Government representatives argue that each wage-earner in Senegal must support a large number of dependents and that such a comparison is highly biased. However it seems difficult to agree that the dependent-to-wage earner ratio is so different among African countries themselves.

As part of the government's adjustment effort, the minimum guaranteed wage has not been raised since it was set at CFAF 183.8 per hour in 1983. Given inflation, the real minimum wage is estimated to have fallen by 19 percent between FY 1986 and FY 1989. It is projected to decline by a further six percent during FY 1990-92, based on yearly inflation estimates of two percent. In 1987, a flat increase of CFAF 3,000 per month was to be added to wages at the lower end of the scale to compensate for the increase in the cost of living. This increase was extended to government salaries in 1989.

In addition to dealing with the problem by letting the real wage erode under the impact of inflation, the government has undertaken to reform labor legislation in order to introduce more flexibility in employment regulations regarding temporary labor and to permit small and medium scale enterprises to dismiss employees without prior government authorization. Nevertheless far broader changes are required to create a climate for improved labor productivity and incentives for increased employment.

D. Trade and the Balance of Payments

Senegal's membership in the WAMU requires it to maintain a fixed rate of exchange against the French franc. This rate has been unchanged, at FF 1 = CFAF 50 (Franc de la Communaute Financiere Africaine) since 1948. In the absence of the exchange rate as a tool of economic management, the GOS preferred to adopt an elaborate system of import prohibitions and quotas as well as production and export incentives in the form of special tax and tariff exonerations and production subsidies, for private as well as parastatal firms. In 1983, quantitative restrictions existed for over 160 commodities.

These policy measures sustained high-cost import substitution activities and made production for export relatively unattractive in addition to creating differential patterns of protection for industry that contributed to resource misallocation. They also provided widespread opportunities for rent-seeking behavior as well as incentives for fraud and smuggling, which was tentatively estimated to be responsible for customs revenue losses of up to 80 percent. (IBRD, Senegal Country Economic Memorandum, 1984)

In the context of beginning economic reform in the early 1980s, the government tried to simplify the trade regime and to implement a more rational system of import tariffs (along with quota elimination) and export subsidies. In theory such a system would compensate for the lack of a flexible exchange rate by changing the relative prices of import and export products (making imports more expensive in terms of CFAF and providing a higher CFAF return for exports). In practice such a system proved impossible to apply equitably and preferential treatment remained entrenched for some operators. By the mid-1980s however, the government had been able to eliminate most quotas and, through the New Industrial Policy of 1986, to begin to reduce the level of tariff rates as well as to complete the elimination of import quotas.

Starting in 1989 the government's fiscal crisis dealt a severe blow to tariff liberalization. To recover from an 80 percent increase in the budget deficit from FY 1988 to FY 1989 (resulting from expenditure overruns in the special accounts and revenue shortfalls, notably from import taxation) the GOS

TABLE 7

SENEGAL:
Balance of Payments
(CFA billions)

	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91
TRADE BALANCE	-133.8	-99.5	-120.1	-120.9	-86.5	-74.5	-65.4	-58.8	-51.6
Exports	185.2	252.2	245.1	216.8	201.1	218.4	245.8	255.4	279.0
Imports	-319.0	-351.7	-365.2	-337.7	-287.6	-292.9	-311.2	-314.2	-330.6
SERVICES (net)	-48.6	-64.2	-75.6	-70.1	-66.1	-72.8	-76.4	-72.0	-79.0
UNREQUITED TRANSFERS (net)	57.6	57.5	63.0	68.8	71.6	72.0	75.4	82.3	91.8
CURRENT ACCOUNT BAL.	-124.9	-106.2	-132.7	-122.2	-81.0	-75.3	-66.4	-48.5	-38.8
CAPITAL ACCOUNT	69.5	88.3	62.7	80.4	88.5	38.6	34.3	21.5	30.1
Public	58.5	58.5	54.5	43.2	93.8	75.2	35.6	41.4	30.1
Drawings	87.8	95.1	93.2	84.6	142.1	132.7	99.6	110.4	107.9
Amortization	-29.3	-36.6	-38.7	-41.4	-48.3	-57.5	-64.0	-69.0	-77.8
Private	11.0	29.8	33.9	25.0	2.4	-35.2	-8.2	-4.6	0.0
ERRORS/OMISSIONS	-22.5	-28.6	-25.7	12.2	-7.7	-1.4	6.9	-15.3	0.0
OVERALL BALANCE	-77.8	-46.6	-70.0	-41.8	7.5	-36.7	-32.1	-27.0	-8.7
DEBT RELIEF	35.1	33.9	34.7	29.9	26.6	26.0	50.6	60.0	44.9
FINANCING	42.7	12.7	35.3	11.9	-34.1	10.7	-18.5	-33.0	-61.7
Central Bank	42.7	12.7	26.7	16.9	29.7	2.5	-18.5	-38.0	-56.7
IMF (net)	10.1	23.2	2.2	-3.5	-0.4	-4.1	7.5	-0.6	-7.2
Other	32.6	-10.6	24.5	20.4	30.1	6.6	-26.0	-37.4	-49.5
Arrears	-	-	8.6	-5.0	-3.6	-	-	5.0	-5.0
Financing gap	-	-	-	-	-	-	-	-	13.7
CURRENT ACCOUNT/GDP									
Incl. off. transfers	-14.0	-10.2	-12.2	-10.0	-6.1	-5.1	-4.5	-3.1	-2.3
Excl. off. transfers	-18.4	-17.3	-18.7	-15.6	-11.3	-10.2	-9.6	-8.3	-7.8

Source: Ministry of Economy and Finance; IMF SM/88/248, EBS/90/46

CHART 8

SENEGAL: CURRENT ACCOUNT DEFICIT and

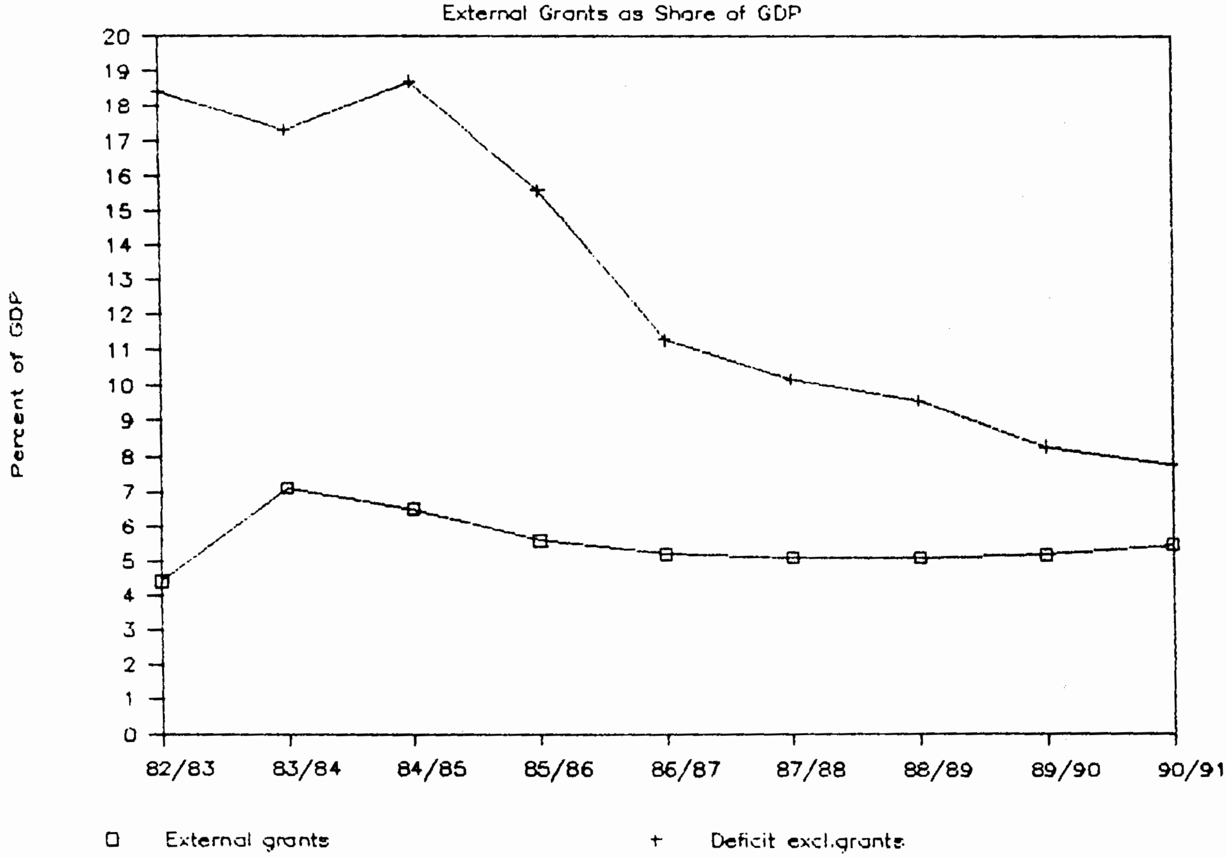


TABLE 8

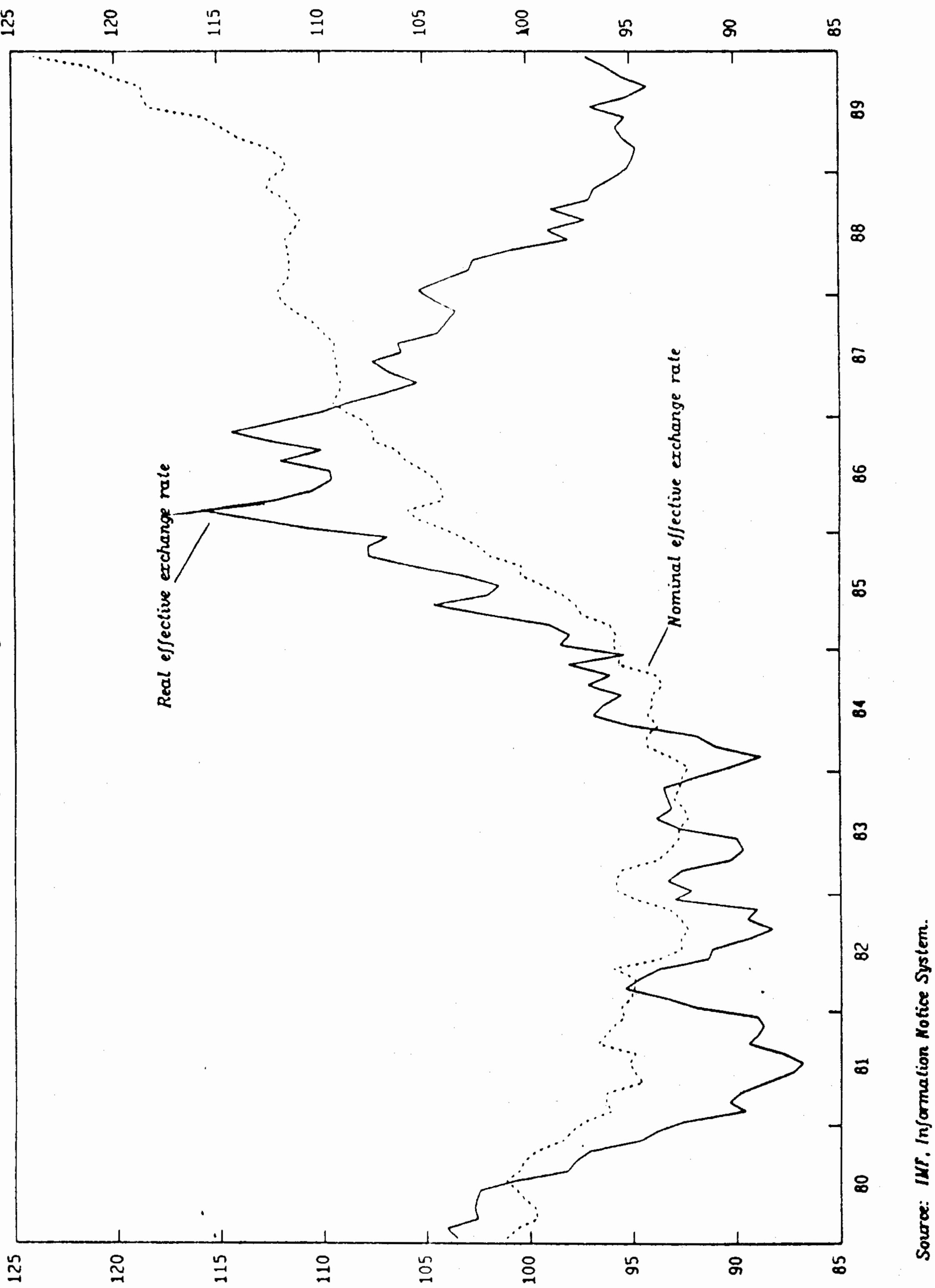
SENEGAL: Donor Flows
(net ODA)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Net ODA (millions of dollars)	263.0	400.4	282.8	322.3	368.0	294.4	566.8	642.1	567.7	652.0
Exchange rate, CFA/$ (period average)	211.3	271.7	328.6	381.1	346.9	449.2	346.3	300.5	297.8	319
Net ODA (CFA billions)	55.6	108.8	92.9	122.8	127.7	132.2	196.3	193.0	169.1	208.0
GDP (CFA billions)	627.5	669.8	884.1	939.5	1015.5	1152.0	1296.0	1374.5	1451.1	1516.3
ODA/GDP	8.9%	16.2%	10.5%	13.1%	12.6%	11.5%	15.1%	14.0%	11.7%	13.7%

Source: OECD, Geographical Distribution of Financial Flows; IFS

CHART 9

SENEGAL
NOMINAL AND REAL EFFECTIVE EXCHANGE RATES
JANUARY 1980-DECEMBER 1989
(Period average; 1980=100)



Source: IMF, Information Notice System.

raised tariffs in August 1989. The continuing budget difficulties required another increase in August 1990, as well as a suspension of payments on export subsidies in July 1990. Simultaneously, efforts to tighten customs administration were undertaken.

Available data on the volume of trade in the 1980s is limited. Since the series stops in 1988, it is not possible to provide any quantitative appreciation of the impact of the tariff rate reversal. On a calendar year basis, the volume of commodity exports decreased from a high of 4.6 million metric tons in 1980 to 3.2 in 1988, after hitting a low of 2.3 in 1987. Between 1985 and 1988 export volume averaged 3.3 million metric tons a year. The volume of recorded commodity imports, beginning the decade at 2.1 million metric tons, ranged from 1.9 million to 2.6 million (in 1984 and 1986). In 1988 import volume stood at 2.3 million metric tons, equivalent to the yearly average between 1985 and 1988.

In value terms, and including goods and services, data available through 1989 indicate that the trend of (inflation adjusted) export growth in the 1980s is only marginally higher than that of GDP (3.7 percent versus 3.0 percent). As a proportion of nominal GDP, exports fell slightly, from 30.5 percent in 1985 to 28 percent in 1989, averaging 27 percent over the period.

The trend growth of officially recorded imports of goods and services, in value terms, slowed to 1.7 percent in the 1980s, compared with 3.4 percent between 1973 and 1980. As a proportion of nominal GDP imports fell from 43 percent in 1985 to 33 percent in 1989, averaging 34.5 percent over the period.

At the level of the balance of payments these trends have translated into a reduction of close to 50 percent in the trade deficit between FY 1986 and FY 1990. The current account deficit showed an even greater reduction of 60 percent, from CFAF 122.2 billion to 48.5 billion, thanks to the increases in foreign grants elicited by Senegal to support its adjustment programs. As a share of GDP, the current account deficit including these grants stood at 3.1 percent in FY 1990 down from ten percent in FY 1986. Excluding these grants, the current account to GDP ratio in FY 1990 was 8.3 percent, compared with 15.6 percent in FY 1986.

Senegal's ability to secure increasingly large amounts of external financing on increasingly concessional terms, as well as debt relief (and debt forgiveness beginning in 1989), has contributed greatly to the improved balance of payments situation. In 1989, net Official Development Assistance amounted to an all time high of $650 million, or about 14.5 percent of calendar year GDP. Medium and long-term debt outstanding, according to government data, would have fallen

TABLE 9

SENEGAL: MEDIUM & LONG TERM PUBLIC DEBT OUTSTANDING
(Billion of CFAF)

	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
BILATERAL	398.37	410.14	455.65	509.96	316.72	321.20
France	168.95	186.00	216.28	244.67	93.68	121.82
Saudi Arabia	65.15	54.61	53.21	58.66	64.83	53.91
Italy	8.33	9.86	14.87	19.89	23.96	25.47
Kuwait	20.28	17.34	21.83	22.56	22.58	19.94
Spain	14.27	13.32	13.48	13.71	16.02	16.32
United States	7.88	7.97	7.96	10.67	14.13	11.70
Norway	6.18	7.25	7.68	8.48	10.11	11.56
Japan	3.25	3.37	3.72	4.08	13.77	11.21
Germany,FR	36.76	43.10	47.60	52.56	1.74	1.69
MUTILATERAL	334.80	309.30	321.90	391.05	423.40	408.50
AFDF/AFDB	20.50	21.50	24.30	38.57	41.10	43.80
Arab Agencies	25.60	23.20	24.70	25.96	25.70	20.70
EIB/EDF	27.00	28.60	30.00	32.50	33.60	32.80
IBRD/IDA/IFC	141.70	136.00	149.50	194.62	217.10	215.90
IMF	116.10	95.60	87.70	91.86	97.10	86.80
ECOWAS/WADB	3.90	4.40	5.70	7.54	8.80	8.50
PRIVATE CREDITORS	92.10	71.70	74.48	65.19	45.17	40.20
TOTAL	825.27	791.14	852.03	966.20	785.30	769.90

Source: MEFP, Directorate of Debt and Investment.

CHART 10

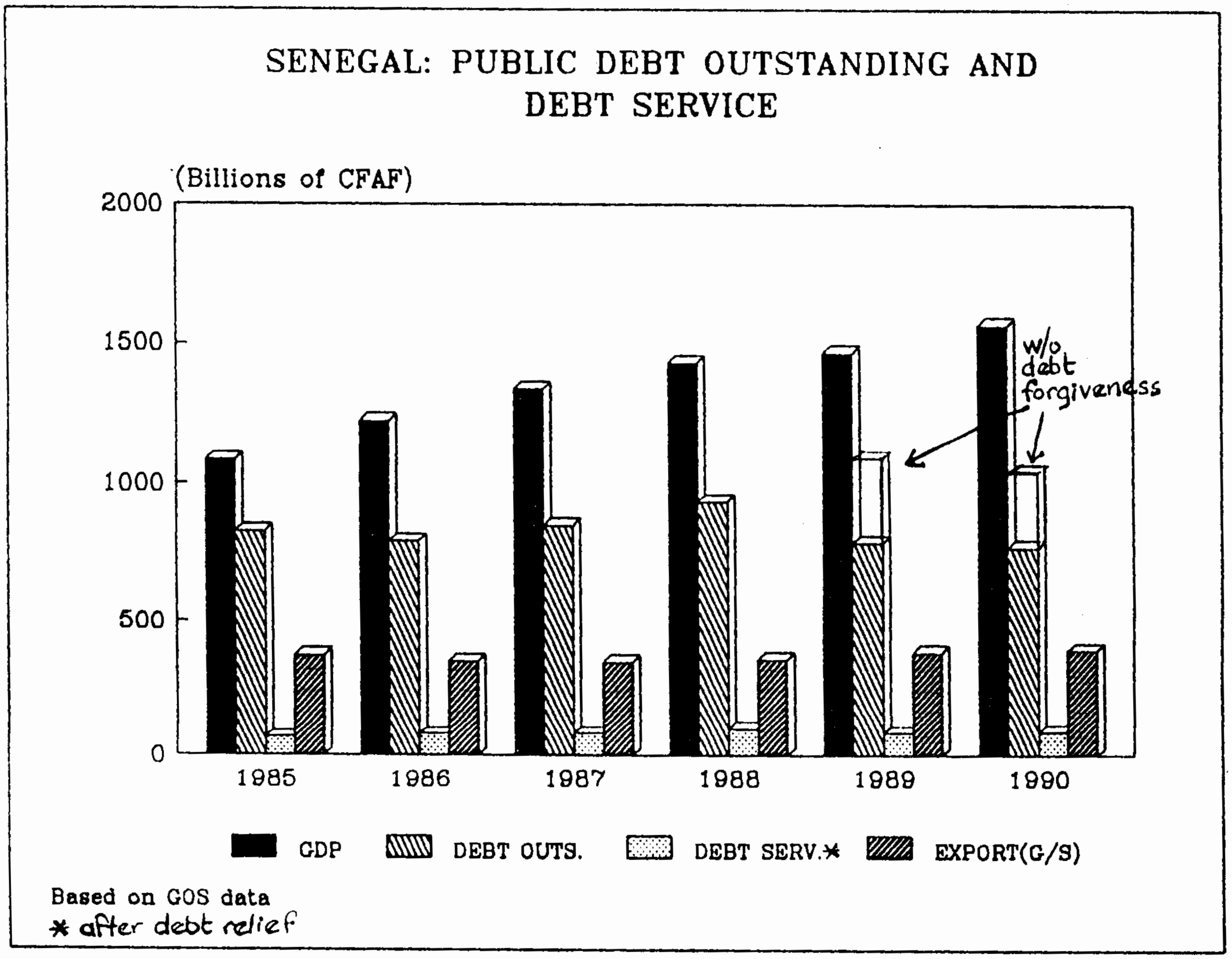


TABLE 10

SENEGAL: Debt Service Due and Debt Relief
(CFA billions)

	FY 1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Interest	11.0	17.1	26.2	36.4	43.8	40.3	39.3	43.6	42.6	40.7
Amortization	15.8	29.9	27.3	28.4	31.2	29.6	43.9	45.9	55.9	57.0
Rescheduling	0.0	25.2	26.3	29.2	28.3	20.9	19.1	17.9	19.8	28.8
Debt Forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.8	29.4

Source: GOS, Table of Financial Operations; GOS, Directorate of Investment from 76 percent in FY 1985 to 65 percent in FY 1990 (or to 49 percent after debt forgiveness) as a proportion of GDP . IMF data show a peak of 81 percent of GDP in calendar year 1984, and a level of 68 percent in 1988.

Based on the government's Table of Financial Operations, debt service due increased from CFAF 75 billion in FY 1985 to CFAF 98.5 billion in FY 1989 and 97.7 billion in FY 1990. These charges represent a share of GDP declining slightly over time, from seven percent to 6.2 percent. The IMF estimates debt service due as a share of exports of goods, services, and private transfers at about 29.7 percent in FY 1987 and 31.3 percent in FY 1990. After debt relief, these ratios fell to 22.7 and 18 percent respectively.

Since 1983 Senegal has benefited from eight Paris Club reschedulings, the latest in February 1990, on Toronto terms. Several creditors have also begun programs of outright debt forgiveness. In June 1989, France, Senegal's largest bilateral creditor (16 percent of medium and long term debt outstanding -- not counting short term debt on the operations account) agreed to forgive the equivalent of $544 million over a ten year period. This represents about two-thirds of its medium and long term claims on Senegal. France's pledge also represents about two-thirds of the total pledges of debt forgiveness for Senegal as of June 1990. Germany's debt forgiveness of $199 million represents 97 percent of its outstanding claims. Thanks to this new effort, total debt relief amounted to 50.6 and 60 billion CFAF in FY 1989 and 1990 respectively.

Claims of bilateral creditors represent about 40 percent of total medium and long term claims on Senegal after debt forgiveness, with Paris Club members accounting for about 25 percent of this total. The debt forgiveness programs mean that Senegal will have more limited scope for rescheduling its debt in the future, as its share of multilateral debt increases.

E. Economic Policy Dialogue with Donors

GOS policy dialogue with key multilateral and bilateral donors is broadly focused on mobilization and allocation of public resources. Its principal components include: public revenue mobilization (for which the income tax system has been revised, the scope of the value added tax expanded, and the tariff schedule enhanced); improved expenditure control (primarily through reducing parastatal subsidies, privatizing and liquidating public sector firms, and limiting the public sector wage bill); efforts to stimulate private sector growth by reducing factor costs (energy, labor, tele-communications, transport), improving access to credit and stimulating savings mobilization; and efforts to develop a coherent agricultural sector policy and to stimulate private sector participation in agricultural marketing. These issues are embodied in four principal programs.

1. IMF: Extended Structural Adjustment Facility (ESAF)

The third year of the ESAF program was suspended in July 1990, following the government's substantial revenue shortfall, expenditure overruns, and accumulation of internal arrears. Between September and December 1990, the government followed a demanding shadow program to restore its public finance situation. Although coming very close to meeting its objectives in the aggregate, GOS performance on specific points did not prove satisfactory. Fiscal revenues suffered from the withdrawal, just before the municipal elections in November 1990, of an income tax surcharge that was expected to raise an additional CFAF 7 billion; substantial overruns occurred in the special accounts; external arrears, which had been eliminated in FY 1990, reappeared; and no agreement was reached between the GOS and key donors on an agricultural sector program.

The GOS is now committed to continuing its efforts in these areas in order to secure IMF agreement for the resumption of the third year of the ESAF before the end of the current fiscal year in June 1991.

2. IBRD: Structural Adjustment Loan (SAL IV)

SAL IV incorporates the difficult issues of continuing public enterprise liquidation and privatization as well as addressing the question of factor prices, in particular the wage level. It also requires performance on reducing the public sector workforce (including limiting the number of new hires). Only four of the twelve key conditions of the program have been met unequivocally to date (these are income tax reform and administration, maintaining the wage bill at CFAF 126 billion, and containing energy prices). The Bank and the government continue to disagree on the extent to which five of the others have been satisfied. In particular, the issue of the extent to which Senegalese wage rates may or may not be out of line with those of comparable countries continues to be unresolved. This will lead to delays in reaching agreement on measures that might be taken to help improve Senegal's competitive position. The remaining three conditions, regarding the level of parastatal subsidies, the settling of cross-debts between public sector enterprises, and developing a system to prevent the recurrence of such debts have not been satisfied.

Disbursement of the final tranche of SAL IV may not be possible until the ESAF program is restored, even if all the conditions are fulfilled satisfactorily.

3. Multi-donor Banking Sector Restructuring Program

The purpose of this program is to improve financial intermediation to permit the private sector to increase its ownership of productive resources as the public sector reduces its position in the economy, as well as to facilitate normal business transactions at all levels. To-date four government-owned banks have been liquidated and two privatized; a regional Bank Supervision Commission has been formed; and important changes have been made in banking system policy (increasing interests rates, eliminating sectoral credit allocations, government guarantees, and double taxation of interest earned on savings, among others). Combined with measures to settle government debts to enterprises, and credit policy which is reducing the level of credit to the Government, the reform program is putting in place the structures required to service private sector financial needs as they increase as a result of other reforms.

While initial disbursements proceeded on schedule, subsequent ones have been delayed essentially by difficulties encountered by the government in finding buyers for its shares in several banks. There is also concern that recoveries of bad debt under the program may not be being pursued as vigorously as intended and that the sums recovered may be used to cover current expenditures rather than to free up frozen deposits. These questions will be resolved by an audit underway in February 1991.

4. Structural Adjustment Program for Agriculture (PASA)

Donors and the government have been trying to hammer out agreements on essential reforms in the agricultural sector for over a year and a half. The failure to reach agreement so far, essentially on an appropriate cereals policy --including pricing and marketing of domestic rice and the level of public support for parastatal firms-- indicates the extent to which the changes required are threatening established interests.

Most of the shortcomings on all of the above areas of policy dialogue revolve around the role of public support for economic activity and the degree to which a competitive private sector should be encouraged. The delays being incurred in program execution are a sign of how painful the changes required are becoming, as they reach into the perquisites of groups which have heretofore been carefully protected. The costs of building a more open and flexible economy are being acutely felt.

V. Opportunities and Constraints

It is commonly accepted that Senegal is a relatively resource poor country. USAID's Agriculture Sector Analysis substantiates this claim for agriculturally productive land while showing the crucial importance of improved management of this resource. Yet the evidence indicates that the country does in fact possess a greater variety of resources than many of its Sahelian neighbors, a number of which are currently ill-exploited or under-exploited. Fisheries and tourism are two of these. Existing and potential mineral resources have the advantage of relatively convenient access to shipping, and well-developed road, port and air facilities should be a stimulus to production for export. Appropriate economic policies could help make the most of Senegal's relative comparative advantage in these areas as well as in agriculture.

A. Opportunities

The GOS has recorded substantial achievements in macroeconomic performance over the decade of the 1980s. Many of the policies are now in place that should permit much improved management of the economy. Not surprisingly, the most difficult steps are those which are being tackled last.

The opportunities created by economic reform to-date include the following:

--the improvement in macroeconomic aggregates means that economic imbalances are no longer so severe and can be addressed primarily by continued prudent management rather than requiring shock treatment. The low rate of inflation which has been achieved is particularly encouraging;

--the GOS is well on its way to achieving a reduction in size of the public and parastatal sector and a consequent reduction of the burden of operational subsidies on the budget;

--the process of replacing a cumbersome system based on discretionary decisions (import quotas, complex tax structure requiring interpretation and exemptions, pricing interventions, etc.) with much more automatic systems that permit transparency of operations and flexibility in management is underway. The government's decision in early 1991 to move toward budgetizing its many special accounts will be an important additional step in this direction.

In addition, the institutional dimension and the goodwill of the donor community are important:

--the administrative reform of March 1990, while it was disruptive at the time and -- like all such changes -- requires time for the new systems to become fully effective, has had the important impact of reducing the number of decision-makers on economic issues. As the coordination between decision-makers improves, so will the timeliness of actions on economic programs.

--donors continue to be well-disposed toward Senegal and favor it with high levels of assistance -- $650 million in 1989, or over $90 per capita.

B. Constraints

Yet in spite of these achievements there remain serious constraints on the capacity of improved economic management to affect the competitive position of the Senegalese economy. Two of them are constraints of economic policy. The third is institutional in nature.

1. Relative prices of domestic and foreign goods are seriously out of line. The high cost structure of Senegalese production encourages imports at the expense of local production -- for food as well as for manufactured goods. After liberalizing product prices through ending most domestic price controls and reducing quota and tariff protection, the prices of factors of production are beginning to be addressed by the authorities. Some progress is being made on energy prices, but the wage rate issue remains highly controversial and unlikely to be resolved in the foreseeable future. Without a resolution of this issue it will be difficult to put in place a consistent set of incentives to promote employment in the formal sector and informal sector activities may become increasingly marginalized as the sector becomes saturated with too many entrants.

The overvalued exchange rate compounds the factor price problem: it has the effect of reducing the CFAF price of imports (finished products and intermediate goods as well as inputs such as petroleum), encouraging capital intensive development, and undercutting domestic production, in food as well as in manufacturing. It reduces the returns in CFAF to export production, limiting producer incentives (and, as was seen above, requiring export subsidies to enhance competitiveness).

Current government policy is to oppose any devaluation, in part based on arguments regarding the supposed low supply elasticity of Senegalese production and in part based on arguments related to the likely negative impacts of a devaluation on the budget. These negative impacts include an increase in the CFAF value of payments for debt service and petroleum among others. Yet devaluation would correspondingly increase the CFAF value of foreign grants. Moreover, the increased protection for domestic industry and agriculture provided by a devaluation would obviate the need for high protective tariffs and mark-ups (such as perequation on food imports when world prices are low). Finally, by changing all relative prices, a devaluation would also have an impact on reducing the real wage rate, making labor more attractive than imported capital goods and stimulating labor-intensive production. Elliot Berg argues that a significant devaluation accompanied by a small nominal wage increase could achieve a desired realignment of labor costs with much less controversy (and greater likelihood of taking place) than an outright decrease in the nominal wage.

Arguments on the pros and cons of devaluation are complicated by the fact that one member of the Monetary Union cannot devalue unilaterally. The optimal exchange rate also varies for each member country, and there is some perception that several WAMU members do not currently have overvalued rates. Fear of devaluation is also compounded by the perception that it would automatically result in runaway inflation, as the dependence of the economy on imported inputs would prevent a significant reduction in import volume. This could be limited, however, by resolutely pursuing tight fiscal and monetary policies, with which Senegal is well-experienced.

Estimates of the current degree of overvaluation vary. A level of about 40 percent has been identified in connection with efforts to limit rice imports and protect domestic rice production.

Measures taken to-date by the government to reduce the extent of overvaluation include keeping the inflation rate low (about two percent for the past several years) and below that of its trading partners. Between early 1986 and early 1990, the real exchange rate has been depreciated by some 16 percent despite the rise in the nominal exchange rate resulting from the appreciation of the French franc.

2. <u>The GOS has been unable to ensure a growing revenue base and is having difficulty exercising budget discipline</u>. The government is clearly facing a dilemma: efforts to liberalize the tariff system have not produced the desired results. On the contrary, fiscal receipts as a share of total revenues are down. The income tax reform is too new to evaluate, but its objective was not to increase revenue. Improvements in customs administration are too recent to show a revenue trend. A result of these revenue shortfalls has been to require the government to reverse gears on providing incentives for industrial production through import tariff liberalization. This is an example of short-term stabilization requirements conflicting with efforts to put in place measures conducive to sustainable long-term development.

Of almost greater concern is the evidence that efforts to broaden the revenue base -- by reducing tariffs to reduce the costs of customs evasion, by simplifying the income tax to increase compliance -- may not bear fruit. A broadened tax base is essential to improving public revenue mobilization by limiting the tax burden on an increasing number of individuals. The alternative is a return to multiple specific product taxes, each yielding a small amount while entailing increased collection costs. This approach is already being taken to meet the budget deficit in FY 1991: a five percent additional tax on sales and purchases of used automobiles and a two percent tax on new vehicles will be instituted, passport fees will increase to the equivalent of $100, etc. (The sugar monopoly is also being constrained to produce about 40 percent -- equivalent to one billion dollars -- of the additional seven billion CFAF in revenues needed for FY 1991.)

On the expenditure side, even though the burden of parastatals is being reduced and the public sector wage bill contained, the government still cannot manage to live within its agreed budget. The existence of multiple off-budget entities and programs serving various constituencies with their individual priorities and claims on public funds makes it difficult if not impossible to keep track of expenditures. In addition, the disparate nature of the budget process itself is not conducive to ensuring a linkage between various categories of expenditures such that recurrent funds can be available for project and program support.

Without increased budget discipline it is difficult to see how donors will be willing to continue to make funds available for budget support and investment projects as generously as in the past.

3. <u>Institutional inefficiencies constitute a serious drag on the implementation of reform measures</u>. In 1989 the World Bank characterized the institutional framework in Senegal as "intractable" (The World Bank and Senegal, 1960-1987). Catherine Boone, writing in 1990, is more explicit: she clearly identifies persistent client-patron relationships and extensive influence peddling at all levels of the Senegalese economy and bureaucracy as a major impediment to the successful putting in place of economic and legal conditions conducive to reinvigorating the economy.

The impact of these ingrained institutional pressures on economic managers has been slow and/or partial implementation of economic reform measures, and even their reversal as seen above. Until this influence can be moderated it is difficult to expect "great things" from the Senegalese economy.

ANNEX TABLE

SENEGAL: SOURCES & USES OF GDP
(CFAF billions)

Source: Direction de la Statistique

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
SOURCES OF GDP:																		
PRIMARY SECTOR	36.3	40.4	43.5	43.0	45.5	50.6	53.4	49.0	56.3	50.7	57.8	51.8	67.4	62.9	80.7	122.8	138.8	132.5
AGRICULTURE	24.1	27.3	29.5	28.0	30.1	33.7	35.9	31.4	36.6	28.8	33.9	24.5	36.8	27.6	37.6	72.6	82.8	74.1
LIVESTOCK	6.9	7.2	8.0	8.7	9.0	9.6	10.0	10.3	11.5	13.0	13.0	13.6	14.0	15.2	19.9	25.6	29.7	32.3
FISHING	2.1	2.7	2.7	2.9	3.0	3.8	3.9	3.7	4.4	4.9	6.6	8.9	10.8	13.8	15.7	16.8	18.4	18.1
FORESTRY	3.2	3.2	3.3	3.4	3.4	3.5	3.6	3.6	3.8	4.0	4.3	4.8	5.8	6.3	7.5	7.8	7.9	8.0
SECONDARY SECTOR	27.9	30.8	32.6	33.5	36.7	38.4	40.0	42.6	42.9	47.4	51.7	54.5	58.0	58.3	84.3	97.4	101.5	113.1
INDUSTRY/MINING	18.1	20.8	21.4	23.1	25.7	27.0	30.6	32.8	32.6	36.9	39.2	41.6	44.2	44.8	67.0	75.2	78.6	85.5
HANDICRAFTS	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.1	3.3	3.5	3.6	3.9	4.3	5.6	6.4
CONSTRUCTION	7.8	7.9	9.0	8.1	8.6	8.9	6.8	7.1	7.5	7.6	9.4	9.6	10.3	9.9	13.4	17.9	17.3	21.2
TERTIARY SECTOR	65.3	69.3	71.7	77.4	80.2	81.8	82.8	84.2	89.7	91.6	101.8	109.8	115.3	121.9	134.4	139.0	162.5	177.0
TRANSPORT	8.5	9.0	9.4	9.8	10.8	11.4	12.6	13.8	15.0	16.1	17.4	19.0	20.3	21.5	13.8	17.1	17.8	28.5
COMMERCE	43.8	47.0	48.7	53.0	54.5	55.5	54.7	54.2	57.8	58.1	65.4	70.3	73.0	77.5	84.5	81.8	104.3	104.3
MISC. SERVICES	13.0	13.3	13.6	14.6	14.9	14.9	15.5	16.2	16.9	17.4	19.0	20.5	22.0	22.9	36.1	40.1	40.4	44.2
DOM. WORKERS SALARIES	1.5	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.4	3.3	4.1	5.4
ADMINISTRATION	18.9	19.5	21.7	22.5	25.2	26.0	27.1	27.5	26.2	24.8	26.6	28.9	30.6	32.8	37.0	43.9	52.4	55.6
GDP	149.9	161.6	171.2	178.2	189.5	198.8	205.3	205.4	217.2	216.6	240.1	247.2	273.6	278.2	338.8	406.4	459.3	483.6
USES OF GDP:																		
FINAL CONSUMPTION	138.2	144.9	148.1	174.3	182.7	184.1	188.8	185.3	207.6	205.1	213.0	224.7	238.9	254.0	285.1	356.3	420.5	441.5
PRIVATE	125.6	133.3	133.3	162.4	170.2	173.8	178.3	174.6	172.7	171.5	177.3	185.9	198.1	210.2	235.1	294.5	348.8	363.6
PUBLIC	12.6	11.6	14.8	11.9	12.5	10.3	10.5	10.7	34.9	33.6	35.7	38.8	40.8	43.8	50.0	61.8	71.7	77.9
INVESTMENTS	14.8	19.0	25.1	11.6	13.4	14.4	20.8	24.5	21.0	22.7	30.0	31.1	37.5	39.6	54.8	56.6	61.4	62.2
PRIVATE	4.5	8.5	9.4	8.8	8.8	9.9	11.8	14.2	8.4	7.5	11.3	6.8	15.3	16.2	13.9	13.9	21.3	21.6
PUBLIC	10.3	10.5	15.7	2.8	4.6	4.5	9.0	10.3	12.6	15.2	18.7	24.3	22.2	23.4	40.9	42.7	40.1	40.6
STOCKS	0.0	0.0	0.0	0.0	0.5	0.3	-4.0	0.0	4.0	6.4	7.7	9.0	9.0	13.0	23.3	15.7	14.3	22.4
TOTAL DOMESTIC DEMAND	153.0	163.9	173.2	185.9	196.6	198.8	205.6	209.8	232.6	234.2	250.7	264.8	285.4	306.6	363.2	428.6	496.2	526.1
IMPORTS(G/S)	46.3	42.3	42.7	43.6	44.6	40.3	44.4	45.1	65.1	71.4	75.9	81.7	95.6	107.5	166.0	170.1	203.6	251.7
EXPORTS(G/S)	43.2	40.0	40.7	35.9	38.8	40.3	44.2	40.7	49.7	53.8	65.3	64.0	83.8	79.2	144.6	147.9	166.7	209.2
TRADE BALANCE	-3.1	-2.3	-2.0	-7.7	-5.8	0.0	-0.3	-4.4	-15.4	-17.6	-10.6	-17.7	-11.8	-28.3	-21.4	-22.2	-36.9	-42.5

SENEGAL: SOURCES & USES OF GDP
(CFAF billions)

Source: Direction de la Statistique

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
SOURCES OF GDP:												
PRIMARY SECTOR	104.6	139.6	120.0	121.1	185.7	204.7	174.1	218.8	292.8	301.8	330.7	293.8
AGRICULTURE	45.3	83.1	59.4	54.1	111.9	119.1	74.8	99.3	157.8	155.7	176.1	130.7
LIVESTOCK	31.4	34.7	37.5	41.5	45.7	54.2	64.2	79.0	92.8	100.1	105.6	111.9
FISHING	18.1	11.2	12.7	15.9	18.0	20.8	24.0	27.8	29.1	31.9	34.1	35.5
FORESTRY	9.8	10.6	10.4	9.6	10.1	10.6	11.1	12.7	13.1	14.1	14.9	15.7
SECONDARY SECTOR	120.4	141.1	156.2	171.6	205.0	235.4	280.5	330.1	366.6	397.5	421.9	415.5
INDUSTRY/MINING	86.1	101.0	109.7	119.1	133.4	151.0	192.4					
HANDICRAFTS	6.8	8.0	8.8	9.7	11.6	13.2	15.8					
CONSTRUCTION	27.5	32.1	37.7	42.8	60.0	71.2	72.3	78.1	84.5	92.8	95.5	96.4
TERTIARY SECTOR	200.0	217.5	236.5	254.6	316.8	349.3	393.9	434.2	487.2	515.3	534.9	558.6
TRANSPORT	30.8	36.7	49.3	48.1	60.8	66.7	79.0	87.0	92.7	101.5	107.9	107.8
COMMMERCE	125.8	132.1	116.4	136.8	167.2	189.6	203.3	236.0	250.6	256.1	260.2	278.9
MISC. SERVICES	43.4	48.7	70.8	69.7	88.8	93.0	111.6	111.2	143.9	157.7	166.8	171.9
DOM. WORKERS SALARIES	5.8	6.0	8.7	9.5	10.9	12.1	13.6	13.9	14.6	15.5	16.0	16.4
ADMINISTRATION	63.9	77.7	106.1	113.0	125.7	138.0	153.4	155.0	134.8	144.4	147.6	152.2
GDP	494.7	581.9	627.5	669.8	844.1	939.5	1015.5	1152.0	1296.0	1374.5	1451.1	1436.5
USES OF GDP:												
FINAL CONSUMPTION	476.2	557.7	630.3	701.0	804.7	920.9	964.9	1138.5	1188.6	1252.7	1313.0	1314.3
PRIVATE	385.1	446.7	490.0	550.3	635.5	734.4	758.1	925.5	968.7	1016.5	1069.7	1063.8
PUBLIC	91.1	111.0	140.3	150.7	169.2	186.5	206.8	213.0	219.9	236.2	243.3	250.5
INVESTMENTS	67.2	82.6	100.2	102.4	124.5	148.3	151.8	161.3	188.8	207.2	216.4	221.0
PRIVATE	23.3	22.5	37.8	30.3	35.6	40.5	44.1	49.3	56.3	61.7	64.9	66.1
PUBLIC	43.9	60.1	62.4	72.1	88.9	107.8	107.7	112.0	132.5	145.5	151.5	154.9
STOCKS	19.0	1.0	-2.9	7.7	8.3	3.9	8.9	-3.5	0.5	3.8	0.0	-30.0
TOTAL DOMESTIC DEMAND	562.4	641.3	727.6	811.1	937.5	1073.1	1125.6	1296.3	1377.9	1463.7	1529.4	1505.3
IMPORTS(G/S)	217.6	244.7	280.3	362.7	401.9	460.0	506.5	496.1	435.5	442.7	451.4	470.2
EXPORTS(G/S)	149.9	185.3	180.2	221.4	308.5	326.5	396.4	351.8	353.6	353.5	373.1	401.4
TRADE BALANCE	-67.7	-59.4	-100.1	-141.3	-93.4	-133.5	-110.1	-144.3	-81.9	-89.2	-78.3	-68.8

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