

POSSIBILITIES FOR USAID ASSISTANCE TO THE
GOVERNMENT OF SENEGAL
IN THE AREA OF MACROECONOMIC POLICY ANALYSIS

Report to USAID/Dakar

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INTRODUCTION: CONSTRAINTS ON ECONOMIC POLICY ANALYSIS

The need to improve the Senegalese government's capacity to undertake macroeconomic and sectoral policy analysis is glaring. Today there is almost no systematic local analytic input in economic decisions. Complex and often socially sensitive economic problems are dealt with ad hoc and are too frequently solely determined by political forces. On important economic course corrections, such as the current structural adjustment and stabilization programs, the policy analysis available to government emanates exclusively from the international agencies providing program funds, namely the World Bank and the IMF. Studies produced by these organizations are helpful, but national policymakers are put in a position where the only well-analyzed options presented are those reflecting the current interest of these foreign institutions. In such situations, there is a potential for policy recommendations that may not adequately meet

local requirements, and for inadequate policy implementation owing to lack of government understanding and support.

1. Technical Capacity to Undertake Economic Policy Research

Only scanty professional capacity exists in Senegal to address complex economic policy problems. To make matters worse, most of these local professionals are employed by the University, which, by French tradition, constrains its staff from consulting with government. There is also the problem of French economics training. Under the French system, university economists theorize about economics, while government administrators make economic decisions. French economics training, accordingly, follows two paths. One path is very unapplied and theoretical and is organized at universities for those generally into academics. The second path, "scientific economics", as the French call it, is largely pursued by engineers at the Polytechnique and is for those going into government and business. Unfortunately, most of the economics professors at the University of Dakar are products of the theoretical, unapplied school, which means their experience limits their usefulness for policy analysis. (More on the University of Dakar later).

Outside the University, some well-trained, experienced Senegalese professionals work with international agencies (such as the World Bank, USAID, etc.), with the Office National de Formation Professionnelle (Dr. Abdoul Aziz Dia, the only U.S.-trained Ph.D. in economics currently in the country) and with the

Centre Africain d'Etudes Superieures en Gestion (CESAG) (list of staff attached). Only a few of these people, however, ever consult for government agencies. Most of them would rather earn higher pay working as consultants for international aid agencies.

Inside government, those responsible for research and analysis of policy issues have, in most instances, been trained at the Institut Nationale de Statistiques et Etudes Economiques (INSEE) in France. INSEE's curriculum gives them a good grounding in statistics, administration and a smidgen of basic economics. But, given the requirements at INSEE to turn out general practitioners and the short duration of the course, the Institute does not qualify officials to do first rate policy analysis.

There is no getting around the fact that efforts to address the problem of limited capacity for economic analysis will require, first off, initiatives to train more skilled professionals and programs to upgrade the technical expertise of existing personnel. We think that training more individuals in applied economics, following the U.S. model, is particularly important. Changes are needed in both methods of economic analysis and ways of thinking about integrating professional analysts into the policy process.

A final point about the requirement for successful policy reform and the need for training: Policy reforms proposed by foreign economists are rarely successfully enacted if local political leaders are not active advocates of the reform. While

the role of foreign experts may be helpful in making the case for reform, brief visits and expositions by such experts rarely build solid domestic support for reform. Support is more likely to be forthcoming if a convincing case can be made by local figures. Therefore, it is important to build up an indigenous research and analysis capacity that can present a continuing case for reform.

2. Organization and Management of Information in the Policymaking Process

In any country there needs to be an orderly, well-managed system by which economic information is gathered, organized and analyzed, and finally marshalled and presented in the form of policy options to those making critically important policy decisions. In Senegal, these organizational processes are not working properly; some would even say, they don't work at all. The limited analysis and data collection that goes on is presently fragmented among several governmental institutions and does not seem to find its way in a timely fashion into policy deliberations. There is no systematic process for sharing technical information among units carrying out analysis of economic data or for developing policy options for consideration by high level policymakers. Many times, in fact, the fragmented local technical input constitutes a post-hoc argument against already-taken policy decisions (witness the recent changes in rice prices). Right now each government agency is responsible for marshalling information in its area of responsibility and responding to requests for analyses through its own research

unit, as substantively limited as that information may be. Integrated analysis (interlinked effects) of economic problems is most often overlooked in this fragmented process.

A fragmented and disjointed information system also means that the analytical work that is done by local and foreign consultants does not receive wide circulation and many times remains buried in the files of the agencies that commissioned the work.

The success of any initiatives to improve policy analysis and formulation in Senegal importantly will rest on amelioration of the system for managing information. Policy studies generated by government research units must be presented to relevant authorities in good time and in an accessible form to have a chance of influencing policy decisions. Moreover, it should be noted that improved information management and improved analytical capability are best worked on together. Experience from other countries indicates that organizing a more effective information management system in government is most easily achieved as greater analytical capability is brought on stream.

3. Availability of Data

Economic analysis in Senegal is constrained by a lack of accurate data. Reported data for GDP, domestic price trends, employment and many other economic variables are not much more than educated guesses. Even government budgetary figures and data on accumulated foreign debt are in disarray. The problem of insufficient and poor data hampers the quality of work that can

be done by both foreign and local technical experts.

Part of the data problem derives from lack of resources both monetary and human. But part of the problem is also political. Government authorities consider current economic data a strategic good that can be misused in the hands of the opposition. Official statistics, therefore, are on occasion "massaged" without misgivings to favor government positions. Finally, lack of adequate policy research itself affects data quality and quantity. Demand for quality data is, in essence, a derived demand, emanating from the needs of researchers and policymakers. Initiatives to foster more policy analysis should, therefore, create a higher demand for more accurate economic data.

THE GOVERNMENT OF SENEGAL'S REQUEST FOR TECHNICAL ASSISTANCE IN MACROECONOMIC ANALYSIS

Facing serious structural and financial problems, the Government of Senegal embarked on a program of stabilization and structural adjustment in 1980 with assistance from the IMF, the World Bank and several bilateral donor agencies, such as those of France and the United States. For various reasons (including severe drought in the early 1980s) only modest program results were achieved by 1985. With the experience of this first program, both the donor agencies and the Government recognized the need to intensify the adjustment effort, and together formulated a more elaborate "Medium and Long-term Economic Adjustment Program" for the period 1985-92. Program objectives this time concentrated much more on creating an environment

conducive to economic growth. The Government was to withdraw, progressively, from direct involvement in production activities, promote private sector initiative through changes in incentive policies, and achieve greater efficiency in the management of public sector expenditures and investments. To guide this effort an overarching policy framework was formulated with the donors playing a very large role.

The technical requirements dictated by this imposing second adjustment program, underscored, for both Government and the donors alike, the limited capacity in Senegal to analyze and formulate reforms in economic policy and to manage technical information in the policy decision process. It also exposed the inadequacy of accurate data upon which analytical exercises could be based.

There followed from this a request from government for donor assistance in building up ministry capability in the area of policy planning and analysis. USAID was contacted by the Minister of Economics and Finance, Mr. Toure, to discuss the possibilities for technical support to the Ministry's research unit, Direction de la Prevision et de la Conjoncture (DPC), and assistance in the areas of training and foreign travel for other staff. Since then, USAID and USIS, Dakar, have sponsored lectures in Senegal by U.S. economists and visits to the U.S. under various auspices by Senegalese economists in and outside of government. The next step that is under consideration is support for the Ministry of Economics and Finance's (MEF) policy analysis

unit - the DPC.

In June, 1988, a team from the Harvard Institute for International Development was invited to make an assessment of the possibilities for USAID technical support to the DPC. This report represents the findings of a two week mission in response to this request.

DIRECTION DE LA PREVISION ET DE LA CONJONCTURE

The DPC is charged by the law [Arrêté 005229 of 30 May 1981, copy included as Annex 1 to the present report] governing its organization with "all studies and research, both sectoral and macroeconomic, useful to the conduct of economic and financial policy of the government."

To meet this important objective, the DPC is charged with five specific actions:

- * maintaining a data bank of economic and financial information;
- * preparing and distributing four periodic reports;
- * carrying out requested studies on sectors and aggregates including agriculture, prices, incomes, employment, public finance, money and credit, international economics, and foreign trade;
- * coordinating the government's short-term economic and policy choices by assuring the secretariats of both the Comité de Conjoncture and the Commission de la Prévision and preparing the economic and financial

report, which is included as an annex to the yearly budget law; and

- * preparing, negotiating, and monitoring economic and financial projects of the GOS.

The enabling legislation divides DPC's internal organization into three divisions and two bureaus, which are further broken down into sections.

The DPC was originally set up with French assistance. It grew from a cell originally situated within the Minister's cabinet under the auspices of France's well-known INSEE and the French government's Direction de la Prévision. The DPC has usually housed one or more resident French technical assistants, often from or linked to INSEE. One technical assistant was in the DPC in June, 1988 and two more were expected to arrive in October, 1988. Many Senegalese who earlier worked at the DPC were trained at INSEE's associated ENSEA (Ecole Nationale de la Statistique et de l'Administration Economique).

The organization of the DPC in June, 1988 differs but slightly from that called for in the enabling legislation. The major variance is the integration of the data collection and analysis unit into the ongoing activities of the rest of the DPC without further subdivision into its component sections.

The DPC has had rapid staff turnover since 1984 with the departure of veteran analysts to other positions within the Senegalese government, to international aid agencies, and to the private sector. Other staff are in training. Of the DPC's 19

professional staff, including the director, noted on the attached organigram, 5 are undergoing training [3 in the U.S., 1 in France, and 1 in Senegal] and 2 have not yet joined the DPC, but should be hired as soon as funds are made available. Reduced staff levels have forced the assumption of multiple responsibilities. According to the organigram (see Annex 2), one key member, currently in training abroad, occupies simultaneously the positions of Deputy Director, head of the Bureau of Studies and Research, and chief of the Divisions of Economic Synthesis and Projections and chief of the International Environment and Foreign Trade. One other individual holds two posts. Management is thinly stretched by training, as half the division chiefs are abroad, while analytical capabilities are also reduced as the best-trained analysts assume more management responsibilities. Due to the fall in staff levels, the French technical assistants have increasingly substituted for Senegalese in carrying out routine analysis or in preparing periodic reports.

There is concern within the Senegalese administration over the failure to replace outgoing DPC staff with people with similar backgrounds or training. The ex-Minister of Economics and Finance called the phenomenon a progressive "emasculatation" of the DPC. Staff members refer to recent events as a "hemorrhage." The Director and other Ministry officials accept the short-term quality decline as a natural consequence of the administration's using the DPC for on-the-job training. Currently, only 3 individuals combine a strong background in statistics with some

training in economics and econometrics as "Ingénieur-Statisticien-Economiste." These three have high management responsibilities as Director, Deputy Director, or Division Chiefs. Most staff have a lower level of statistical training and limited economics as "Ingénieur des Travaux Statistiques" (8 out of 19), while another 7 are economists, virtually all trained at the University of Dakar, with limited statistics. One has a management background.

Several factors were advanced as causing the exodus. Pull factors include the attraction of promotions elsewhere in the administration or the lure of higher wages there or in private firms. Part of the problem stems from the uneven application of performance bonuses to supplement civil service salaries. For example, a customs controller could earn between 2 and 2.5 times the monthly wage of an engineer-statistician at the DPC for comparable training and experience. Some outside observers stressed push factors due to management incompatibilities between the Director and his staff. DPC staff negate this last reason, stress pull factors for particular individuals, cite even more rapid turnover at the Directorate of Statistics [DS], and note that only one DPC staffer arrived in 1988, with all others there for at least 1 - 1/2 years.

Upgrading the economic analysis skills of its statisticians and the statistical skills of its economists is a first training action for DPC staff. A second action is complementing the theoretical orientation of a French- or French-derived university

education with the practical skills needed for empirically based economic analysis. A third is to replace the qualitative notions of a development-oriented economics training with quantitative skills. A fourth is to provide sector-specific training for some individuals. Finally, from an analysis of their publications, a high-visibility intervention is to add pizzazz to the DPC's final product to ensure its getting read and discussed by decision makers [see below]. The DPC director has done a qualitative training needs assessment and has suggested specific short- or long-term programs for staff members.

Compounding its staffing problems, the DPC has assumed responsibilities beyond those set out in its legislation to become the chief Senegalese correspondent to the IMF. The new responsibilities arose since the DPC's capacities for macro analysis exceeded those of other MEF units more commonly associated, in other countries, with Fund programs, for example, Treasury or Budget.

DPC preparation of four periodic reports takes up a major portion of staff time. The Tableau de Bord de l'Economie Sénégalaise is usually monthly, sometimes bimonthly. It contains: a summary of major international news issues grouped by sector or geographical area, a day-by-day listing of economic headlines from the local press, and some tables and graphs, without analysis or comment, on prices, exchange rates, imports and exports, rainfall, agriculture, industrial production, government revenue and expenditure, debt, and money supply. Monthly data are

provided for a year or more. Their availability depends, in part, on figures from other government units.

The Note de Conjoncture is a quarterly. In June, 1988, the latest available issue, No. 25, mostly used figures dating prior to September, 1987. It contains international data on growth, unemployment, inflation, balance of payments, monetary data, and prices similar to those found in the Economist. The Senegalese data match those in the Tableau de Bord, with the addition of short commentaries. The dependence on statistics furnished late by the DS is most notorious in the index of industrial production which dated only from the first quarter of 1987.

The Rapport sur les Perspectives Economiques is issued twice yearly. It gives the same sectoral or macro indicators more analysis than either type of document mentioned above. A statistical annex provides yearly or, in some cases, quarterly data for certain indicators. The report also provides short-run forecasts, with detailed perspectives on the current year and more general estimates for the next two years. The report does not give the methods used in estimating the relevant economic parameters. A reasonable assumption is that plausible guestimates, perhaps modified for political sensitivity, provide the basis for the projections.

The Rapport Economique et Financier is the yearly annex to the budget law project submitted to the 120-member National Assembly. It builds on all other periodic documents produced by the DPC. The style is more direct, reminiscent of planning

documents ["the growth rate will be x percent during 1988"]. DPC presents its most optimistic short-term growth prospects in the report, bereft of either graphs or tables.

The press run of the Tableau, Note, and Rapport sur les Perspectives is commonly 60 to 80 copies. The last issue of the Rapport had a higher run of 120 copies. No subscription fees are charged. The free distribution of the three is largely within the Senegalese administration with copies also sent to bilateral and multilateral donors. University lecturers or other interested parties may receive copies upon demand.

Other reports, for example, to provide data for inclusion in ministerial speeches or to reply to parliamentary questions, occupy staff time. DPC staff indicated that less than 10 percent of the time is spent in carrying out economic research or studies. The dissatisfaction with the current time demands reflects both staff shortages which lead to increased responsibilities for those remaining and educational backgrounds which stress theory over practice. A heavy dose of closely monitored on-the-job training which combines research and practice and which demonstrates that research can successfully be carried out within an administrative environment would aid in improving staff motivation and self-esteem.

OTHER SENEGALESE RESEARCH AND SUPPORT ORGANIZATIONS: THE DIRECTORATE OF STATISTICS, OFFICE NATIONAL DE FORMATION PROFESSIONNELLE, UNIVERSITY OF DAKAR CENTER FOR APPLIED ECONOMICS, THE INSTITUT AFRICAIN DE DEVELOPPEMENT ECONOMIQUE ET DE PLANIFICATION AND ECOLE NATIONALE D'ECONOMIC APPLIQUEE

The Directorate of Statistics (DS) is housed in a down-at-the-heels building far from the center of Dakar. Its location and setting symbolize its contribution to macroeconomic policy analysis. Its staff experiences rapid turnover; it only has 5 "Ingénieur-Statisticien-Economiste," 3 of whom have high management responsibilities as Director, and as Division Chiefs. The 2 others graduated in 1987. The long lag in publishing national accounts was explained by rapid staff turnover. Each incoming bureau chief developed a new methodology and left no traces upon departure. A French technical mission wrote up the needed methodology in early 1988 and applied it to the 1981-1986 national accounts. The industrial production index is delayed because many industrialists lack the financial data to fill out the 11-page detailed quarterly questionnaire. Compliance is estimated at 50 percent. The consumer price index is woefully outdated, based on a market basket that dates from the time of Independence [1960]. Any macroeconomic policy project would generate substantial demand for better and more timely statistics. The World Bank project will provide funds to rehabilitate the system. Additional assistance from USAID may be necessary under a longer-term project.

The Office National de Formation Professionnelle [ONFP] is headed by a young, entrepreneurial, J.S.-trained economist. He

and his staff, some of whom teach econometrics and quantitative methods at the University indicated their availability for consultancy assignments.

The Centre Africain d'Etudes Supérieures en Gestion [CESAG] provides regional training and consultancy services to the seven West African Community countries. Similar to its sister institutions in Africa, it also has a fledgling research mission that is largely dormant. CESAG's highly qualified economists and business administration specialists have provided training or consultancy for other USAID projects. They could also be tapped as local consultants for a macroeconomic policy project [see attached list]. At present, CESAG policy discourages institutionally linked consultancy by not providing monetary incentives for participating faculty. As a consequence, most faculty maintain their own consultancy firms on the side. Any project should explore how to best make use of CESAG resources.

The University of Dakar has a research center in applied economics [CREA]. Both national and foreign economists decried the poor quality of its output. They also had harsh words about the research abilities of university professors in general. Nevertheless, the HIID team met with two, young, dynamic professors of quantitative methods who are generally regarded as among the most competent faculty members. One has established his own data bank of economic and social indicators for Senegal. The other is linked to ONFP. Both expressed interest in consulting for the project. The issue of statutory impediments to the

involvement of university faculty was raised and merits further exploration.

The Institut Africain de Développement Economique et de Planification [IDEP] provides training in planning and administration. Its frank director provided useful insights into the local policy environment. He indicated that IDEP would be the principal beneficiary in a long-term relationship with a U.S. academic institution and could provide but limited input to the project.

The Ecole Nationale d'Economie Appliquée [ENEA] has trained most of the economists in the DPC. The quality of its graduates is not highly regarded in the donor community, nor is it esteemed by professional Senegalese economists. The consultants did not visit with faculty at ENEA.

WHAT OTHER DONORS ARE DOING TO IMPROVE MACROECONOMIC POLICY ANALYSIS

The French government has traditionally provided some macroeconomic policy advice for its former colonies, and Senegal is no exception. French assistance is provided by two main units. The Caisse Centrale de la Coopération makes long-run loans, partly in support of the structural adjustment program, in close coordination with the IMF. The Caisse also runs an elite economics and finance training program in Paris for Africans who have the potential to be future decision makers. The Fonds d'Aide et de Coopération [FAC] provides grants to develop or to fund projects. The grants often include a component to pay part of the

salaries of project counterparts. Other assistance is offered on several levels. For example, approximately 900 French technicians are employed throughout the Senegalese government under a program run by the Ministère de la Coopération in Paris, but administered locally by the FAC. The 10-15 technical assistants in the MEF include a Banque de France financial specialist in the Minister's cabinet and individuals in most directorates or directorates general with the notable exception of the DS. The stated long-run French government position is to gradually reduce its technical assistance program for cost reasons.

Discussions by the HIID team with representatives of the French cooperation agencies explored the idea of bilateral donors giving technical support to MEF for macroeconomic analysis. The action-oriented French economists with whom we spoke shared similar views of the inadequacies of government professional staff in policy analysis and saw a definite role for a USAID-funded project that would complement French government assistance programs.

The World Bank also plans to provide assistance for economic policy analysis, particularly in the planning area, but also in statistics, macroeconomics, and policy implementation and administration. A total of \$20.3 million is planned for the Bank's Management Development Project, of that, \$5.3 million is to be allocated to "improve economic and financial management" at MEF. The main components of this subproject are:

1. \$2.2 million mobilization of additional fiscal revenue:

- * customs administration improvement.
 - * tax administration improvement.
2. \$1.2 million improvement management of the public debt:
- * monitoring public debt.
 - * forecasting public debt.
3. \$1.2 million rehabilitation of the statistical system.
4. \$0.7 million improvement of formulation and monitoring of economic and fiscal policies:
- * set up a study unit in the minister's cabinet; "after an initial period, the unit will be transferred from the Minister's cabinet to another part of MEF" (not specified).
 - * 6 months of consultant services to "help working groups develop the necessary tools in specialized areas".
 - * policy review seminars.

Given the current limited absorptive capacity in government to digest and use high quality policy studies, the unsystematic and centralized way economic decisions are now taken, and the lack of local capacity to generate useful policy analysis, the Bank's planned program seems notably insufficient in the area of improved policy formulation and monitoring, (#4 above), (more on this in the next section).

WHAT CAN USAID/DAKAR DO TO ASSIST MEF IN THE POLICY ANALYSIS AREA?

It is clear that demand exists at top Senegalese government

levels for improved economic analysis. This was strongly expressed by the outgoing Minister of Economics and Finance, Mr. Toure, and the current Deputy Minister, Mr. Sene. Unfortunately, the HIID team was unable to meet with the recently appointed Minister to find out his opinion on the matter. Mr. Youm, Director of MEF's Prevision Et De La Conjoncture, also made clear his interest in having technical support to develop the analytical capability of his staff. Mr. Youm is particularly adamant in his request for assistance from U.S. technical experts to balance French influence.

As we mentioned earlier, the French technical experts we talked to were also quite open to the idea of collaborating with a U.S. technical assistance project in the MEF. This came as somewhat of a surprise to us, given experience with French advisors in other African countries. As for the other donors, both the IMF and World Bank would welcome a program to build up technical capabilities in MEF, although the Bank seemed worried that such an effort might have implications for its Management Development Project.

Considering the positive feedback from government officials, donors, and many local educators and researchers that we interviewed, it would seem the time may be ripe for a program to improve economic analysis capability in government. This timeliness is also evidenced by the fact that the government is now searching for new ways to deal with current economic problems and with the longer term difficulties of structural adjustment

and growth. But the positive atmosphere does not mean that initiating such a program will be easy. All the donors bemoan the fact that their programs have encountered great difficulties in Senegal. Nevertheless, it may be that a window of opportunity is presently open that could give such a program a salutary beginning.

Initiatives to build lasting capacity for economic analysis in MEF, DPC, however, will have to do more than was planned by the World Bank's Development Management Project to have any chance for success. A few short-term consultants to work with Ministry staff on various studies will not be enough. Realistically, such an effort will take substantial resources, both human and monetary, over a considerable period of time. There is an acute need in MEF

- * to develop capable research staff,
- * to address the problem of inadequate statistics,
- * to create better information management systems and, finally,
- * to change the way policymakers think about using analytical information in the decision process.

Important components of a project to tackle these issues are outlined below.

1. Staff Development in DPC

Developing a capable research staff in the DPC will require over at least the next 5 to 6 years (and probably longer,

considering the human resource needs in Senegal). And both long- and short-term formal training in economics and statistics will be needed for at least the senior personnel. These people must be able to understand and conceptualize economic problems in order to supervise the other DPC staff. The supervisory job requires a good working knowledge of economic theory and statistics and some practical experience doing research. To supplement formal training, on-the-job-training programs should also be initiated. This would include short courses given by foreign technical experts, as well as collaborative research projects between experienced foreign practitioners and DPC staff. It will also be critically important to have a resident technical expert available to work with DPC staff returning from foreign training and from short technical courses. Benefits of training will partly be determined by how effectively DPC staff are reintegrated into the work of the unit. It will be helpful to have an experienced professional on the scene, guiding the work of newly trained staff to make sure they know how to translate theoretical training into practical policy work.

In the short-term, before longer-term formal training begins to pay dividends, existing staff of DPC could benefit from a series of seminars and workshops in areas such as use of microcomputers and statistical methods, as well as specialized economic topics like government budgeting, tax policy, and problems of public enterprises, to name a few.

Foreign consultants will be important (with guidance from a

resident technical expert and the DPC director) over the life of any capacity-building effort, but particularly in the first few critical years. In the beginning of such a project, it is important to have experienced professionals to undertake studies in a wide variety of areas to help the DPC develop credibility within the government and to provide learning models for the staff. Given the very limited amount of government policy research in Senegal, DPC staff do not have models of quality policy studies on which to base current efforts. Collaborative work with foreign experts should help not only to develop analytical skills but to create guidelines for future studies.

Functions for Project Foreign Personnel

Foreign Resident Advisor:

- * work with DPC staff to prepare policy studies until DPC capacity is sufficient to carry out similar studies autonomously;
- * coordinate the work of foreign consultants brought in to do cooperative research and training;
- * guide and participate in local training;
- * facilitate foreign training and travel activities;
- * facilitate the reintegration of DPC staff returning from foreign and local training into the MEF/DPC policy analysis program;
- * work with MEF to design and implement a better policy information management system.
- * broker results of policy studies into policy reforms.

Foreign Consultants:

- * participate in collaborative policy analysis efforts with DPC staff;
- * participate in local training efforts and policy seminars;
- * participate in policy dialogues;
- * advise on problems of information management;
- * insure that models (or frameworks) for future studies in various policy areas are available to DPC staff.

DPC Staff Training:

- * local short-term training courses;
- * foreign training for a few at MA or Ph.D. level.

1.1 Some Suggestions for Initial Collaborative Research Projects with DPC

As in many other African countries, the "saliency issue" in Senegal is a critical first target for policy research. Government policies on taxes, on regulations governing public enterprises, on hiring practices, and on foreign debt, among others, all have significant budgetary implications. But for many reasons the fiscal impact of all these policies is often hidden. That is, the government budget is not "transparent". Making the implications of government policy salient is a first step towards control of government expenditure and macroeconomic stabilization, as well as a necessary component in the process of formulating new policy directions.

The Director of DPC has suggested four areas for initial collaborative studies on this issue and on several other

important economic questions.

1. The government has made a major effort to strengthen the management of current expenditures through controls over wages and salaries and the size of the civil service, improved public debt management, tighter procurement practices, and reductions in subsidies and transfers. Nevertheless, little progress has been made in improving the process of budget allocation. A study of the DPC data base on expenditures and budgets should lead to concrete policy proposals to tighten the budget allocation process.
2. The government has made a major effort to strengthen industrial policy by reducing tariffs and quantitative restrictions on imports, simplifying the regulatory environment for private firms, and lifting most price controls. The reforms, which come from a standard domestic resource cost-effective protection perspective, are aimed at an eventual restructuring and modernization of the industrial base. Nevertheless, policies to find better conditions and opportunities for export may result from a study to determine Senegal's industrial comparative advantages.
3. The government's monetary authorities have pursued a prudent credit policy to finance the marketing of cash crops and a revival of private sector activity. The banking system is undergoing restructuring in collaboration with Senegal's principal partners. A remaining problem concerns the choice

of policy instruments to best orient credit and finance to promote greater export-led growth within the constraints posed by membership in the West African Monetary Union. A study could make concrete proposals for action within the current framework and suggest alternatives that may lead to the partial or total removal of some long-run constraints.

4. The government set forth a strategy for major reform of the parapublic sector. Liquidation, privatization, and restructuring have all been more complex than expected and, hence, have proceeded more slowly than planned. The as yet unrehabilitated enterprises without contract-programs that still remain in the government's portfolio have a potential for causing heavy drains on the treasury's resources. A study of existing transfer mechanisms may provide the starting point to propose a system to protect this treasury from that potential resource drain.

2. Creating Better Information Management Systems and Changing the Way Policymakers Think About Using Analytical Information

As we stated in the introduction to this report, Senegal needs to develop an orderly, well-managed system by which economic information is gathered, organized and analyzed, and finally marshalled and presented in the form of policy options to those making critically important policy decisions. By its legal mandate and its central position in MEF, DPC should be at the

center of the information management activity.

DPC's role should be focused on two elements of the information and analysis process. First, it must act to coordinate what is now a fragmented system of data collection, analysis, and decision making. Ways should be found to make DPC a hub for flows of technical economic information among governmental institutions. Second, DPC must develop more efficient channels through which analytical information and policy options can be transmitted to authorities. In addition, ways must be found to get information to policymakers in a timely fashion and in a more palatable form.

An important activity for the foreign resident technical advisor and the foreign consultants will be to deal with this information management problem. A study of the policy decision process (e.g. analysis of interministerial information flows, review of the current information brought in to policy decisions, and ways to add pizzazz to the DPC's final product) would be one of the first tasks.

In USAID parlance, much of what is envisioned here is labeled "information dissemination" and "policy dialogue". And, rightly, these important issues are looked on as a critical part of any successful effort to improve policy analysis capability in LDC governments. In the Senegalese context, limited technical economic experience and technical education of most decisionmakers, makes these factors even more critical. There is little doubt that for any project to have a real chance for

success, foreign advisors and consultants will have to be extremely sensitive to these matters.

To change the way Senegalese policymakers view economic analysis, any USAID project in DPC/MEF will have to work slowly and deliberately within the local system to build capability and to gain confidence. As the out-going minister of MEF put it, "any successful policy project must move step by step to infiltrate the system and change it." This can only be accomplished, we would suggest, with a highly competent resident technical advisor over a number of years. The sequence running from policy analysis to policy reform to policy implementation is an iterative process that requires both technical expertise and effective human interaction. Policymakers must learn to trust the advice of analysts and analysts must learn that policy decision and implementation takes more into consideration than simply economic variables. Effective interaction for both sides requires building relationships that go beyond placing "one-shot" studies on the Minister's desk.

So in addition to the tasks outlined in the information management activity above, foreign advisors and DPC staff will have to develop programs to help foster "policy dialogue." A series of policy seminars, if organized and executed properly, might be part of the solution. Such seminars could be a very effective way to spread the word about and to further explain DPC reports. But seminars, in the end, can only supplement the necessary frequent informal interactions that must take place

between technical advisors and decisionmakers on a personal level.

POTENTIAL PROJECT RISKS AND POSSIBLE USAID CONDITIONALITY

1. Considering that the World Bank has plans for a number of initiatives in MEF under its Development Management Project, USAID should try to ensure that it has a well-defined project separate from, but perhaps complementary to, that of the Bank. If efforts in MEF are not clearly separated, there is a potential that Bank advice and advice from other consultants may conflict, and management of project personnel may get muddled.

Two clear options exist to avoid overlap:

- a) USAID could agree to split technical assistance with the Bank on an institutional basis. For example, the Bank could provide assistance to the Ministry of Plan and Cooperation, leaving MEF technical assistance to USAID.
- b) USAID and the Bank could collaborate on meeting MEF's needs, dividing up spheres of action by functional categories. For example, USAID deals with policy matters, while the Bank focuses on administration and implementation. That is, USAID advisors deal with such things as tax policy, and Bank consultants work on tax administration.

2. For a policy analysis project in MEF to have a real chance

for success, it must have the full and complete support of the Minister. With only a limited tradition of having research brought into the policy decision process (and the fact that policy reform favors some and hurts others), many officials may view organized analysis as not necessary, or worse, as an unwanted intrusion. The policy project in such a setting could become marginalized in the bureaucracy before it has a chance to prove its worth. In the end, the project's ability to accomplish its objectives may come down to having a patron to fight for it. Both the donor community and the Minister of MEF will probably be pressed into service on the project's behalf as time goes on.

3. Given civil service pay scales and (inflexible) employment regulations in the Senegalese government, it will be difficult to develop and retain high quality policy analysts in DPC. This, of course, is not unusual. Many well-designed, well-executed projects to improve technical capability in developing countries have trouble because at the end of (x) number of years of policy advice, training fellowships, short-courses and counterpart on-the-job instruction, they are still at square-one in terms of ministry capacity to sustain the effort, having lost all the project-trained people to the private sector.

USAID might try to deal with this problem in advance by making it a condition of project funds that government find a way to pay higher qualified DPC staff incentive salaries.

4. A USAID policy analysis project should not merely substitute for Senegalese input. DPC staff must be expected to provide key policy papers, albeit with collaborative inputs from foreign advisors. A condition of project funding should be full staffing of DPC. In addition, the Director of DPC will play an extremely important role in attainment of project objectives. Considering the Director's importance, it should be a condition of funding that Mr. Youm, a prime mover in the government's request for a policy analysis project, remain Director for at least the first two years of the project.
5. It is important to keep in mind that the policy analysis project not be expected to provide policy decisions for the Senegalese government. Instead, it should try to induce policy reform through improving the flow of technical information to decisionmakers by upgrading the quality of information available and by bettering management of information dissemination. Particularly in early years of implementation, USAID project evaluations should not focus on how many policies have been changed. Rather, evaluations should focus on DPC's performance in providing quality studies and in effective dissemination of this material to decisionmakers. If this job is done well, it should pay dividends in terms of policy reforms, but it may take a while. Project evaluation criteria should be worked out with the contractor before the project begins.

6. Substantial English language training should be a component of the policy analysis project. It would improve the ability of Senegalese staff to access foreign economic materials and methods and lessen the response time of analysts to reports prepared by major multilateral agencies.
7. The policy analysis project should be able to undertake short-term contract research with local professionals, whether in training institutions or at the University of Dakar. Current interpretations of legal codes impede such arrangements with University faculty. As a condition for funding the government should examine this problem.

RECOMMENDED NEXT STEPS AND A SUGGESTED BUDGET

While the need (and perhaps the "window of opportunity") for a full-blown policy analysis project in MEF/DPC is evident, there are risks which call for a cautious, deliberate approach. It is our recommendation that, in view of these risks, a step-by-step program with periodic evaluations by both USAID and the government of Senegal be contemplated. Such a program would begin with a relatively small technical assistance effort for the DPC. If expectations on both sides were met by this effort, then, over time, USAID assistance could grow into a full-blown project.

The initial technical assistance effort for DPC might concentrate on a few collaborative studies, one or two training workshops and a policy seminar for decisionmakers. This could be

planned to take place over the first one-and-a-half to two years of the project, with foreign technical experts coming in on short-term assignments, or with one resident advisor supported by a few foreign consultants. Our preferred variant would be to recommend a resident foreign technical advisor, considering the need for a good deal of "entrepreneurial activity" (particularly in the area of policy dialogue, i.e. selling the studies) in early stages of the project.

On completion of this first phase of activity, an assessment can be made as to whether or not enough progress has been achieved to warrant a larger effort and what the components of the larger project should be. This assessment would look at progress within MEF/DPC (that is the ability to work effectively with DPC) and at the absorptive capacity of government for the studies completed. Is the Minister of MEF interested in using project output? Is MEF supporting DPC so that the project can work through DPC effectively? Can the project make progress on building more effective information management systems in MEF?

AN ESTIMATED BUDGET FOR PHASE I

Assumptions:

- a) one resident foreign advisor;
- b) three collaborative policy studies and perhaps a few shorter exercises;
- c) two training workshops;
- d) one or two policy seminars for decisionmakers;
- e) project length: 2 years.

	<u>COST</u>
Resident Advisor (with housing, travel, etc.)	\$280,000
Consultants (foreign) at 6 person months per year, (\$15,000 per month)	180,000
Consultants (local) at 3 person months per year, (1,000 per month)	6,000
Materials and Equipment	<u>15,000</u>
TOTAL	<u>\$481,000</u>

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A R R E T E
PORTANT ORGANISATION DE LA DIRECTION
DE LA PREVISION ET DE LA CONJONCTURE

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LE MINISTRE DE L'ECONOMIE ET DES FINANCES,

VU la Constitution ;
VU le Décret 80-892 du 29 juillet 1980 portant organisation du
Ministère de l'Economie et des Finances ;
SUR la proposition du Directeur de la Prévision et de la Conjonc-
ture,

A R R E T E

Article premier - La Direction de la Prévision et de la Conjonc-
ture procède à toutes études et recherches, sectorielles et ma-
croéconomiques, utiles à la conduite de la politique économique
et financière du Gouvernement. Elle propose au Ministre chargé
de l'Economie et des Finances les actions pratiques propres à
faire face à la situation conjoncturelle et aux contraintes éco-
nomiques.

Pour ce faire, elle donne une appréciation de
la situation et des perspectives économiques du pays et assure
la coordination des travaux conduisant aux choix de la politique
économique et financière à court terme.

Dans ce cadre, elle est chargée :

- d'animer la collecte de l'information conjoncturelle, intérieure
et extérieure, et d'organiser son développement ; ...

- de mettre en forme cette information dans un schéma global et prévisionnel ;
- d'assurer la concertation interadministrative préalable aux choix de la politique économique et financière à court terme ;
- de coordonner l'application concrète des choix de la politique économique en rapport avec les services concernés et de traduire ces choix dans les relations du département avec les secteurs d'activité économique et financière.

Article 2 - A l'effet d'animer la collecte de l'information conjoncturelle, la Direction de la Prévission et de la Conjoncture gère un fichier des données conjoncturelles relatif à tous les domaines de l'activité économique et financière.

Article 3 - A l'effet de mettre en forme l'information dans un schéma global et prévisionnel, la Direction de la Prévission et de la Conjoncture procède à des analyses conjoncturelles et à des travaux de prévision. Elle est chargée notamment :

- de présenter des synthèses macro-économiques comme les tableaux de bord conjoncturels, les notes de conjoncture, les budgets économiques et les rapports sur les perspectives économiques et financières à court terme ;
- de réaliser toutes études sur l'agriculture, les prix, les revenus et l'emploi, les finances publiques, la monnaie et le crédit, l'économie internationale et les échanges extérieurs.

Article 4 - A l'effet d'assurer la concertation interadministrative préalable aux choix de la politique économique et financière à court terme, la Direction de la Prévission et de la Conjoncture est chargée du secrétariat du Comité de Conjoncture et de la Commission de la Prévission.

A ce titre, elle prépare les travaux de ces organismes et, après chaque réunion, en résume les conclusions dans une note de synthèse à l'intention du Ministre chargé de l'Economie et des Finances.

Article 5 - A l'effet de coordonner l'application des choix de la politique économique, la Direction de la Prévission et de la Conjoncture est responsable de la préparation du rapport économique et financier annexé au projet de loi de finances de l'année ainsi que de la préparation, de la négociation et du suivi des programmes économiques et financiers du Gouvernement.

Elle étudie toutes mesures et donne son avis pour toutes actions visant à modifier la législation ou la réglementation économique et financière pour des raisons liées à la conjoncture et aux perspectives économiques.

Elle examine notamment les mesures de soutien de l'activité et de l'équilibre financier des entreprises, qu'il s'agisse d'une entreprise individuelle ou d'un secteur et ceci quels que soient la nature et les moyens du soutien à apporter.

Article 6 - La Direction de la Prévission et de la Conjoncture comprend :

- la Division de l'environnement international et des échanges extérieurs ;
- la Division du secteur public et des institutions financières ;
- la Division des synthèses et des projections économiques ;
- le Bureau des entreprises ;
- le Bureau du Traitement des données.

Article 7 - Sous l'autorité du Directeur de la Prévission et de la Conjoncture, la Division de l'environnement international et des échanges extérieurs est chargée de la collecte des données et de la réalisation des études relatives à la conjoncture étrangère et aux relations économiques internationales du Sénégal.

Elle comprend :

- la section de la conjoncture internationale ;
- la section du commerce extérieur ;
- la section de la balance des paiements extérieurs.

Article 8 - Sous l'autorité du Directeur de la Préviation et de la Conjoncture, la Division du secteur public et des institutions financières est chargée de recueillir les données sur les finances publiques (budget de l'Etat, comptes spéciaux du trésor, collectivités publiques locales, établissements publics et sociétés d'économie mixte), les institutions et opérations monétaires et du crédit (système bancaire et autres institutions financières). Elle procède à l'analyse économique des opérations de l'Etat et des opérations monétaires et réalise les travaux de conjoncture et de prévision en matière d'administrations publiques et d'institutions financières.

Le Division du secteur public et des institutions financières comprend :

- la section de la monnaie et du crédit ;
- la section des finances publiques ;
- la section de la dette et des investissements publics ;
- la section du secteur parapublic ;
- la section de synthèse du secteur public et financier.

Article 9 - Sous l'autorité du Directeur de la Préviation et de la Conjoncture, la Division des synthèses et des projections économiques réalise la synthèse conjoncturelle, oriente les projections macro-économiques d'ensemble et en définit les méthodes.

En liaison avec les autres divisions, elle assemble le tableau de bord conjoncturel, la note de conjoncture, le rapport sur les perspectives économiques du Sénégal et réalise les budgets économiques ainsi que les études ponctuelles de politique économique.

Elle est chargée en outre de recueillir et d'analyser les données relatives au secteur primaire, à la formation des prix, aux revenus et à l'emploi.

La Division des synthèses et projections économiques comprend :

- la section de la synthèse conjoncturelle ;
- la section des projections d'ensemble ;
- la section de l'agriculture et du secteur primaire ;
- la section des prix, des revenus et de l'emploi.

Article 10 - Sous l'autorité du Directeur de la Prévision et de la Conjoncture, le Bureau des entreprises est chargé de faire l'analyse économique et financière du secteur moderne, de l'industrie, des bâtiments et de travaux publics, du secteur des services et du commerce. Il réalise l'intégration de la banque de données économiques et financières dans les analyses macroéconomiques.

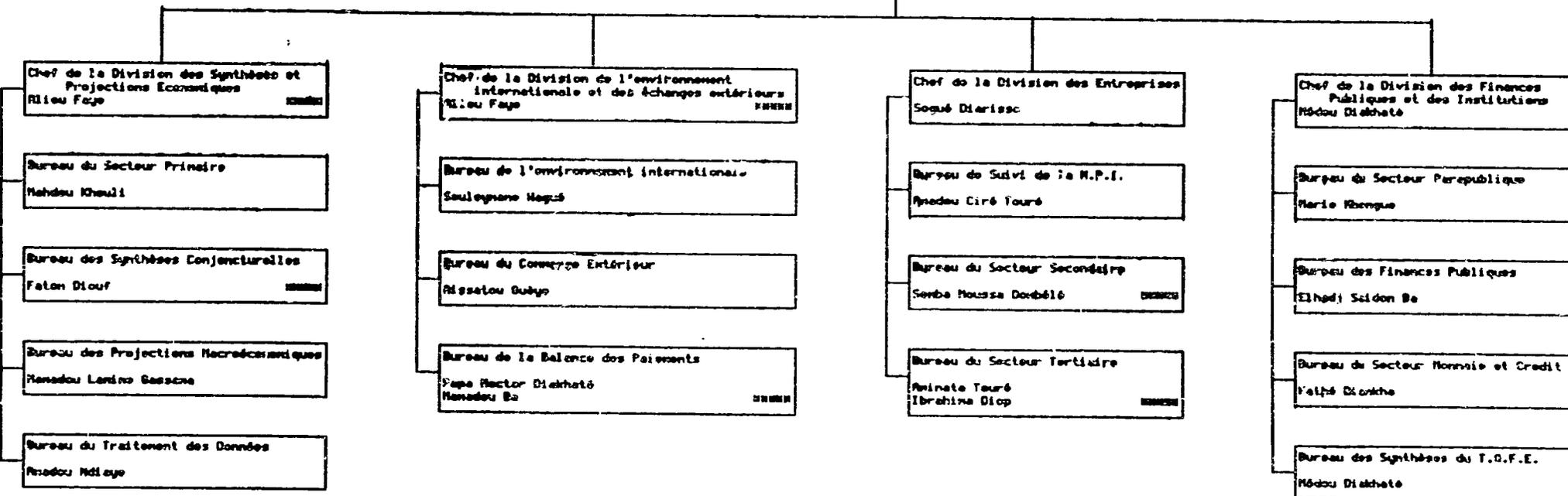
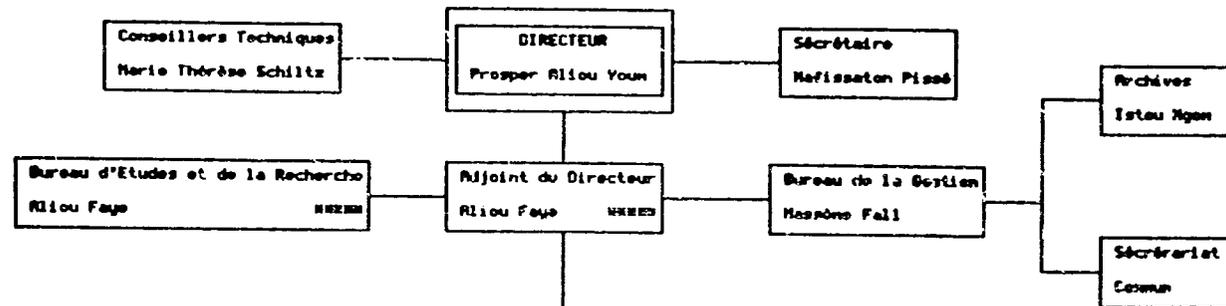
Le Bureau des entreprises comprend :

- la section du secteur secondaire ;
- la section du secteur tertiaire ;
- la section de synthèse du secteur productif.

Article 11 - Sous l'autorité du Directeur de la Prévision et de la Conjoncture, le Bureau du traitement des données assurera gestion et le traitement statistique et informatique du fichier des données conjoncturelles. Il réalise les programmes de calcul et gère les logiciels de dépouillement statistique et de traitement économétrique. En liaison avec les divisions et le Bureau des entreprises de la Direction, il assure la création et la mise à jour des séries statistiques et gère la documentation et les archives.

Le Bureau du traitement des données comprend :

- la section collecte et fichier ;
- la section études et traitement ;
- la section documentation.



En formation au mois de Juin: 1988

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