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A study of twenty years of IMF and World Bank policies

WORLD DEVELOPMENT MOVEMENT

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November 2003

About the author: The author is the founder and Director of the Forum for African Alternatives, a Dakar-based research network. The author has a background in international economics and finance. He has been involved in development issues for over two decades. He worked at the Senegalese Ministry of Economy and Finance, in the mid-1980s, where he was first confronted with the IMF and World Bank policies.

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About the Forum for African Alternatives: The Forum's mission is to contribute to in-depth discussions on the challenges confronting Africa's development in the era of globalisation. In that perspective, its main objectives include challenging the philosophy of neoliberal economics, analysing the nature and impact of current neoliberal policies, in particular those promoted by the IMF, the World Bank and the WTO. The other main objective is to promote and disseminate alternative development theories, policies and practices, in Senegal and elsewhere in Africa. It intends to carry out this mission through research, empirical studies, seminars and workshops, as well as an active participation in the struggles of the African social movements.

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However, I bear full responsibility for the opinions expressed in this research and for any remaining errors or mistakes.

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Executive Summary

From the early years of Senegal's Independence up to the late 1980s the State played a major role in economic and social development, due to the dearth of an indigenous private sector and the necessity to meet some of the most pressing needs of the population. The legitimacy and stability of the post-Independence political system depended in large measure on its ability to satisfy those needs. During the 1960s and 1970s, Senegal achieved some significant results, thanks to the performance of the agricultural sector and the strength of its exports.

However, by the mid-1970s, a succession of droughts, combined with a series of external shocks, led to an economic downturn. The country's external debt reached unsustainable levels, prompting the government of the day to turn to the International Monetary Fund (IMF) and the World Bank. From the late 1970s, until the present day, these institutions have dominated economic policy in Senegal and in other Sub-Saharan African countries through what are known as 'Stabilisation Programs' and 'Structural Adjustment Programs' (SAPs).

The core policies associated with stabilisation and SAPs are cuts in public spending; tight monetary and fiscal policies; export-led growth; trade and investment liberalisation; deregulation of internal prices; dismantling of the public sector; privatisation of State-owned enterprises and of essential services; rolling back the State and eroding its ability to formulate autonomous national policies.

However, far from rescuing Senegal from its debt problems, the implementation of such policies since the early 1980s has aggravated the debt burden and undermined the achievement of poverty eradication. Debt ratios have literally exploded, despite 13 rescheduling arrangements with the Paris Club of bilateral creditors since 1981. In 2002, the external debt accounted for 70 per cent of the country's Gross Domestic Product (GDP) and for more than 200 per cent of its export revenues. In addition, more than 40 per cent of the bilateral debt was composed of arrears, which is an indication of how unsustainable Senegal's debt burden has become.

The deepening of the debt burden ran in parallel with the deterioration of the economic and social situation, due in large part to the numerous policy conditions attached to loans made by the IMF and the World Bank. Sweeping trade liberalisation and deregulation combined with the dismantling of the Senegalese public sector, from the mid-1980s to the late 1990s, led to the collapse of both the agricultural and industrial sectors. The agricultural sector, which employs more than 70 per cent of the population, has been severely affected by liberalisation and the dissolution of many state controlled enterprises (known as parastatals). As a result, peasants and small-scale farmers have seen their livelihoods deteriorate in the face of the invasion of the domestic market by cheap and subsidised imports from developed countries.

It is against this background that Senegal entered into the Heavily Indebted Poor Countries (HIPC) Initiative, in June 2000, following its submission of an interim Poverty Reduction Strategy Paper (I-PRSP). Under HIPC, Senegal's debt is expected to be reduced by US$850 million, US$488 million in Net Present Value (NPV) terms, over a 10-year period. However, reaching the 'Completion Point' and receiving this debt relief (which will account for only 17 per cent of Senegal's total debt) is contingent upon fulfilling a range of structural policy conditions set by the World Bank and IMF. In other words, debt relief is being used as yet another lever with which the IMF and World Bank can push through more free market policy reforms.

This is despite the evidence that the past twenty years of IMF and World Bank policies in Senegal have been unsuccessful in significantly reducing poverty. Low or stagnant economic growth, a deterioration in some social indicators and only modest improvements in others has characterised the period of 'structural adjustment'. For example, the percentage of the Senegalese population that is undernourished has increased over the past 10 years from 23 per cent in 1990/92 to 25 per cent in 1998/00. Poverty is now so widespread that nearly 80 per cent of the population live on less than $2 a day.[1] In some areas, Senegal's social indicators are below the average for Sub-Saharan Africa. In health and education, Senegal ranks low on the continent's development scale.

This poor performance in relation to others has led to Senegal dropping down the human development index. And in 2001, some twenty years after the World Bank and IMF started dictating economic policy, Senegal was admitted to the category of Least Developed Countries (LDC).

A recent example of the failure of IMF and World Bank policies is the forced liberalisation of the groundnut sector, with the dissolution of SONAGRAINES (a parastatal) in 2002, which provoked a near state of famine in rural areas. As a result of the 'reform', less than 30 per cent of the groundnut crop was collected, farmers lost millions of dollars in income, the government had to step in with a bail-out package worth some US$23 million and economic growth was cut in half. Despite this failure, the IMF and World Bank seem intent on pushing further as the liberalisation of the rest of the groundnut sector is one of the conditions for Senegal to receive debt relief. This places Senegal's government in an impossible position: implement a policy that could spell disaster for your economy or not get debt relief.

Another recent case of failure is the attempt to privatise SENELEC, the State-owned electricity utility, in 1999. Instead of the predicted 'efficiency gains', transferring control of the company into the hands of a French-Canadian conglomerate, Elyo-Hydro Quebec (EHQ) resulted in profit outflows, no new investment and increased power outages which contributed to a 1.5 to 2 per cent decline in Gross Domestic Product (GDP). Again, the privatisation of SENELEC is one of the 'structural conditions' for Senegal to fulfil in return for debt relief.

Both examples are also an illustration of how IMF and World Bank policy conditions are undemocratic. The two institutions have used their financial leverage to undermine democracy and impose unfair and unpopular policies in poor countries. In Senegal, as in many other African countries, the State has been weakened to the point that its ability to perform some of its basic duties has been impaired. The democratically elected National Parliament is bypassed and ignored. Senior civil servants feel more accountable to the two institutions than to their people. As one Union leader has pointed out, "Senegalese ministers fear more the World Bank than God."[2]

With the advent of 'country owned' Poverty Reduction Strategy Papers (PRSPs), the World Bank and IMF claim to be implementing policies supported by the public. Yet the reality in Senegal is that the PRSP is mostly inspired by the macroeconomic policy framework proposed by the IMF and the World Bank. Despite the rhetoric of 'national ownership', the Senegalese PRSP, like other African PRSPs, reflects more the views and priorities expressed by these two institutions than the priorities identified by the poor and other vulnerable groups. Thus, instead of advocating a change of direction, the Senegalese PRSP endorses the same suite of discredited policies, calling for more privatisation, more liberalisation and more deregulation. In particular, it insists on 'private sector development', which, if past experience is anything to go by, means selling off the country's public assets and natural resources to multinational corporations from the industrialised world.

Ignoring the views of the poor undermines the legitimacy of the PRSP process and undermines the legitimacy of the policies the government will be pursuing. This democratic deficit is not only likely to lead to further social unrest but will also not deliver on the achievement of the Millennium Development Goals (MDGs) – themselves mostly only a half-way point in eradicating poverty. If current policies are pursued, Senegal is only likely to achieve one of the eight key MDGs by 2015.

As well as being unsuccessful and undemocratic, the conditions imposed on Senegal by the World Bank and IMF are also unfair. The ongoing process of Bank and Fund initiated trade liberalisation is undermining the negotiating position of Senegal in the World Trade Organisation (WTO) and in bilateral or regional trade agreements involving industrialised countries. These rich countries know, for example, that Senegal has been pushed to reduce its average agricultural tariffs to a level (18 per cent) well below the 30 per cent allowed under WTO rules. The influence over Senegal's trade policy the industrialised world exercises through the IMF and World Bank means that Senegal has little to bargain with when it comes to trade negotiations. As one senior Senegalese civil servant states, "Senegal and other UEMOA countries have little bargaining power in trade negotiations. Having made sweeping unilateral trade concessions through repeated liberalisation policies imposed by the International Financial Institutions (IFIs), they have given up all the cards they could have used at the WTO, or elsewhere."[3]

Another aspect of unfairness is that Senegal is being told to implement a series of policies – such as trade liberalisation and investment deregulation – which remove regulations that most, if not all, industrialised countries used during their own development processes. Placing controls on capital and profit repatriation, implementing investment policies that favour domestic companies, excluding certain sectors from foreign investment and using tariffs as part of an industrial policy to develop domestic businesses. These policies have all been used by rich countries but are now, through the IFIs, being restricted or eliminated in Senegal.

It is simply not consistent for industrialised government ministers to tell developing countries to stand up for their interests in the WTO whilst at the same time – through the World Bank and IMF – systematically undermining their negotiating position by making loans and debt relief conditional on unilateral trade liberalisation. It is also sheer hypocrisy for rich countries to tell Senegal, 'do as we say, but not as we did'.

In conclusion, it is clear that more of the same policies will only lead to an impasse and to a further disintegration of the Senegalese social fabric. There is a need to contemplate alternative policies, that are genuinely home-grown and reflect the fundamental interests of the Senegalese people, especially the poor, who are the overwhelming majority of the population. The Senegalese Government must strive for independence in its policy-making. In concert with its partners within the Economic Community of West African States (ECOWAS), Senegal should accelerate the integration of the sub-region in order to increase its chances of resisting IMF and World Bank pressure and formulating policies that respond to its citizens' concerns and provide their basic needs.

At the same time, industrialised country governments need to fundamentally rethink their approach to the World Bank and IMF. Through their decision-making power in the IFI's, such governments – including the UK – are ultimately responsible for the policies pushed by the Bank and the Fund. If these governments are sincere in their commitment to achieving the MDGs, there has to be a radical change of direction.

1. Introduction

1.1 Background and purpose of this report

Since the early 1980s, Senegal, like most African countries south of the Sahara, has been subjected to a series of policy prescriptions from the International Monetary Fund (IMF) and the World Bank. Thus, for almost a quarter of a century, economic and social policies in Senegal have either been heavily influenced, or actually set, by these institutions.

The stated aim of their intervention was to solve the Senegalese debt crisis and put the country on a path to 'sustainable economic growth', as implied in the Berg Report.[4] But as this study will demonstrate, this intervention has not solved the debt crisis, not spurred significant economic growth and not led to a significant reduction in poverty. On the contrary, the study will argue that the past ten years of IMF and World Bank policies in Senegal have failed miserably, resulting in huge economic, social and human costs. They have contributed to a worsening of the debt crisis, weakening Senegal's economy and undermining the livelihoods of millions of people. More recently, the provision of debt relief has become yet another lever that the IMF and World Bank can use to introduce more of the same policies.

To explore these issues, the study is organised as follows. The rest of this introductory section provides some background information on Senegal, World Bank and IMF intervention and on the country's debt. Section 2 demonstrates how the past twenty years of IMF and World Bank policies in Senegal have been unsuccessful in terms of national economic performance and social indicators. Sections 3 and 4 look in more detail at unsuccessful policies by describing two recent case studies on electricity privatisation and liberalisation of the groundnut sector. Section 5 shows how IMF and World Bank intervention in Senegal has been undemocratic, eroding democratic institutions' ability to formulate national economic and social policies. In particular, the Poverty Reduction Strategy Paper (PRSP) process is analysed and found to be inadequate. And Section 6 examines how IMF and World Bank policies in Senegal have been unfair; with the imposition of unilateral trade liberalisation on the country undermining its bargaining position in bilateral, regional and multilateral trade negotiations. After concluding (Section 7), the study also includes a list of acronyms and abbreviations (Appendix 1), a glossary of economic terms used (Appendix 2) and a full list of references.

1.2 Senegal and its people[5]

Situated in West Africa, Senegal became independent from France in 1960. Its population, estimated at 10 million, is composed of six major ethnic groups. The *Wolof*, who live in the principal cities, form the majority with 40 per cent. However, the Wolof language is spoken by nearly 80 per cent of the population, which makes it a unifying factor. The second largest group is composed of *Hal-Pularen*, who make up 25 per cent of the population. They mostly live in the northern part of the country, at the border with Mauritania and in the centre. The third group is composed of *Serer* (15 per cent). The *Wolof* and *Serer* live in the Groundnut Basin – an area of land responsible for producing one of Senegal's major exports. The rest of the population (20 per cent) is composed of *Soninke*, *Diola* and *Mandigue*.

More than 70 per cent of the population live in rural areas and get their income from activities connected to the primary sector (mainly agriculture, livestock, cotton and fishing). The Senegalese population is mostly young, with nearly 60 per cent under the age of 20 and 47 per cent under 15. Women account for 52 per cent of the population. The principal religion is Islam (85 per cent of the population), which coexists with Christianity (13 per cent) and other small religions (2 per cent).[6] However, Senegal has always been characterised by a culture of tolerance and respect among the different religions and ethnic groups. This explains, among other reasons, its relative political and social stability. For instance, although, the first President, Leopold Sedar Senghor was a Catholic and a *Serer* – a minority group – his legitimacy was never questioned nor contested. During his entire tenure (20 years) he cooperated with all religious leaders.

The official language is French, which coexists with six national languages reflecting the six ethnic groups identified above. Senegal is a member of the West African Economic and Monetary Union (WAEMU) and of the Economic Community of the West African States (ECOWAS). Both aim to promote economic integration in the West African sub-region. The WAEMU is composed of 8 countries, all of which are former French colonies except Guinea-Bissau. These countries share the same currency, the CFA franc, which until the advent of the European Single Currency was pegged to the French franc. They have a common Central Bank, the Central Bank of West African States, or BCEAO, according to its French acronym. It is headquartered in Dakar (Senegal).

In addition to the 8 WAEMU members, ECOWAS includes all other West African countries, except Mauritania.[(i)] The 15 member countries have a combined population of more than 300 million, compared with 60 million in WAEMU. Steps have been taken to create a single currency within ECOWAS by 2005. It is expected that within the next few years, WAEMU will merge with ECOWAS to form a single West African economic community, as called for by the African Union.

Senegal has an agriculture-based economy. Its main products are groundnuts, cotton, fish and livestock. The primary sector is dominated by agriculture, whose contribution to the country's Gross Domestic Product (GDP) averaged 19 per cent between 1960 and the mid-1980s.

Like most developing countries, Senegal's main exports are composed of primary products. But the succession of sharp fluctuations in commodity prices and other external shocks, beginning in the early 1970s, combined with a series of droughts in Senegal, led to the deterioration of its terms of trade. This subsequently prompted the former regime to turn to the International Financial Institutions (IFIs) for assistance.

1.3 Over 20 years of IMF and World Bank policy influence

The first World Bank loan was made to Senegal in 1967. Since then, the Bank claims that it has approved 124 loans and credits for a total amount of US$2.42 billion. These have been used to finance projects in agriculture, industry, education, health, institutional development and infrastructure building.[7]

However, the World Bank does not indicate exactly how much of this money has been disbursed and how much has been reimbursed. According to the Bank, in the area of investment loans, Senegal has one of the lowest disbursement rates (i.e. the proportion of loans actually used by the government) in Sub-Saharan Africa. It has averaged less than 15 per cent since 2000, compared with an average of 20 per cent for the region.[8]

The World Bank's current active portfolio includes commitments valued at US$781 million, covering 21 projects. Of this amount, US$250 million (32 per cent), including non-investment loans, have been disbursed.[9] The thrust of the current portfolio is to promote private sector

(i) These countries are Benin; Burkina-faso; Cape Verde; Cote d'Ivoire; Ghana; Gambia; Guinea-Bissau; Guinea-Conakry; Liberia; Mali; Niger; Nigeria; Sierra Leone; Senegal and Togo.

development and further roll back State intervention. Accordingly, much of the portfolio is to support policies and measures designed to remove what the Bank perceives as remaining administrative, legal, regulatory and fiscal impediments to private investments, especially foreign direct investments. To achieve this objective, the Bank made a US$46 million loan to Senegal in April 2003.[10]

Senegal began borrowing from the IMF in 1984. Between then and the end of August 2002, it completed 19 transactions with this institution, excluding the current Heavily Indebted Poor Countries (HIPC) Initiative. Senegal has received loans under the Structural Adjustment Facility (SAF), as well as from the Enhanced Structural Adjustment Facility (ESAF) and its successor, the Poverty Reduction and Growth Facility (PRGF). Since 1986, Senegal has signed several arrangements within the structural adjustment framework, but there have been periods of suspension due to sharp disagreements. For instance, there was a two-year suspension in the 1990s, as a result of a disagreement over the devaluation of the CFA franc (the government was opposed to the devaluation). Following that devaluation in 1994, the co-operation resumed.[11]

Following the conclusion of the first PRGF arrangement (April 1998 – April 2002), Senegal negotiated a second. The discussions for this ended on 19 June 2003.

1.4 Debt and the HIPC initiative

"The country's debt burden is a major obstacle to poverty reduction efforts. The debt represented 86.2 per cent of GDP in 1994, 80.1 per cent in 1996 and 71.3 per cent in 2000. After rescheduling, debt service for its part represented 4.5 per cent of receipts from exports of goods and services and 11 per cent of tax revenues in 1994. These percentages were 14.6 per cent and 27.6 per cent in 1996, 12.0 per cent and 21.3 per cent in 1999 and 12.7 per cent and 22.6 per cent in 2000."
Senegal, Poverty Reduction Strategy Paper[12]

The structure of Senegal's debt indicates that more than 60 per cent is owed to multilateral creditors, of which 41 per cent is to the World Bank group. More than 35 per cent is composed of bilateral debt, 43 per cent of which comprises what are called arrears. Since the early 1980s, due to the accumulation of current account deficits, Senegal has not been able to meet all its debt obligations each year. Those arrears are added to the debt outstanding, which tends to increase the level of Senegal's debt. The high level of arrears is an indication of Senegal's inability to service its debt and the unsustainable burden of that debt. Senegal has been to the Paris Club (the group of rich country bilateral creditors) 13 times between 1981 and 2000, but to no avail.[13]

Senegal was admitted to the HIPC Initiative in June 2000, after the approval of its Interim-PRSP (I-PRSP) by the Boards of the IMF and the World Bank. Under the agreement, Senegal will receive US$800 million, or US$450 million in Net Present Value (NPV), in debt relief over a 10-year period. The IMF and the World Bank will contribute US$45 million and US$116 million, respectively over a 9-year period. Relief from the World Bank will cover about 50 per cent of Senegal's debt obligation to that institution and the relief committed by the IMF will account for 20 per cent of the country's debt obligation to the Fund.[14]

Although the monetary figures sound impressive, the relief on offer will account for just 17 per cent of the country's debt burden. This will have little or no meaningful impact in a country where at least 65 per cent of the population live on the equivalent of less than one dollar a day.[15]

The HIPC process is seriously flawed for a range of reasons. First, the World Bank's calculation of what constitutes a 'sustainable' level of debt for Senegal is based on the assumption that the country will continue to experience a high growth rate (5 per cent or more) for the next 15 years.[16] This is in total contradiction with historical data. Except for the period 1995-2001, growth rates have not reached more than 4 per cent (see Table 2). With the deepening crisis of the agricultural sector,[17] it is very unlikely that such a scenario could be achieved, as already illustrated by the steep decline of GDP growth in 2002 (2.4 per cent, compared with 5.6 per cent in 2001). Ultimately, no amount of debt can be 'sustainable' for any country in which two out of three citizens live in poverty.[18]

Second, while trying to relieve Senegal's debt burden through HIPC, the Bank is using its leverage to grant yet more loans to the country.[19] Therefore, Senegal's debt to the Bank will continue to rise, not decrease. Bilateral debt relief will also not make a significant dent, given the high level of arrears. Finally, part of any new financing will be used to pay for debt service to both the Bank and the IMF. Every dime that goes towards servicing the country's debts is a big loss in the battle against poverty.[20]

Table 1: Debt Statistics

	1980	*1985*	*1990*	*1995*	*2000*	*2002 (est.)*
Debt outstanding (US$ million)	1309	2409	3741	3536	3595	3559
Debt/GDP (%)	45.6	99.5	65.6	80.0	82.3	70.1
Debt/Exports (%)	144.5	284.0	233.1	211.7	224.8	207.5
Debt service (US$ million)	220	217	304	292	288	224
Debt service/exports (%)	24.3	25.6	20.3	19.7	18.0	13.0
Debt service/fiscal revenues (%)	–	–	–	35.1	18.2	–
Official loans/total debt (%)	44.1	71.5	–	–	95.0	96.2
Multilateral loans/total debt (%)	17.9	22.1	28.1	–	62.3	63.0
WB Group loans/total debt (%)	12.8	13.3	24.6	33.2	38.1	41.9
Arrears/bilateral debt (%)	–	–	–	–	–	43.0

Observations:
1) Between 1980 and 2000, Senegal's debt has multiplied by 2.7
2) Between 1990 and 2000, Senegal has paid $3.1 billion as debt service, that is, an annual average of $281.5 million, compared to an annual average of $215.2 million, in 1980-1990.
3) Debt to World Bank Group has multiplied by more than 6 times, between 1980 and 2002.
4) HIPC commitments amount to $500 million (NPV), or just 14 per cent of Senegal's outstanding debt in 2000.

Sources.[21]

Third, HIPC debt relief comes with strings attached, in the form of IMF and World Bank policy conditions. For example, Senegal's 'Decision Point' document – the trigger for the start of the HIPC process that is signed off by the IMF and World Bank – contains a commitment to further trade liberalisation and further privatisation of public sector enterprises.[22] The leverage provided by HIPC for the IMF and World Bank to further dictate Senegal's economic and social policies is just the latest in a long line of policy interference stretching back to the early 1980s. The rest of this report is focused on demonstrating that policies, such as liberalisation and privatisation, pushed on Senegal by the IMF and World Bank, have been unsuccessful, undemocratic and unfair.

2. Unsuccessful – The history of IMF and World Bank intervention

2.1 Pre-IMF and World Bank: Economic development 1960–1975

During the first two decades of its independence, Senegal made some progress, both in economic and social terms. Between 1971 and 1977, real economic growth averaged more than 3.5 per cent a year, while per capita income rose steadily, by an average of more than 1.0 per cent.[23] School enrolment increased at a steady rate and several health facilities were built to improve access to health care. The creation of several State-owned enterprises in both urban and rural areas provided job opportunities for many people. New infrastructure facilities (e.g. roads and bridges) improved mobility between different areas of the country.[24] Although data for the period is scarce, figures suggest that infant mortality was dramatically reduced from 313 per 1,000 in 1960 to 87 per 1,000 in 1982 and education expenditure as a percentage of Gross National Product (GNP) almost doubled from 2.4 per cent in 1960 to 4.6 per cent in 1986.[25]

Due to the weakness of the domestic private sector, the State took the lead in formulating and implementing economic development policies through a series of 5-Year Economic and Social Development Plans. These Plans aimed to spell out the country's main development policies (general and sectoral), with specific targets over a five-year period. Their formulation was a genuine participatory process, which included all government agencies, research institutions, the private sector and civil society organisations, ultimately giving rise to an in-depth debate at the National Assembly (Parliament) before adoption.

As agreed in the early Plans, the State invested heavily in infrastructure (roads, hospitals, bridges, schools) as well as in human development. The rate of investment rose by more than 6 per cent a year between 1965 and 1980. As a result, gross investment averaged 16 per cent of GDP each year, one of the highest in Sub-Saharan Africa. This major economic and social undertaking was mostly financed by export revenues, complemented by bilateral credits. Prices of Senegal's main exports (groundnut products, fish, phosphates and cotton) fared well in world markets. Between 1972 and 1977, export revenues increased by more than 3.5 per cent in real terms.[26]

The industrial sector, dominated by agro-industries, textile, footwear and other light processing units, use to serve the entire West African market before independence. However, after independence, it lost many of its West African markets and had to concentrate on the domestic market. Consequently, the new State opted for an import-substitution strategy dominated by State-owned enterprises. While commodity prices remained stable this policy worked well for Senegal enabling it to gain substantial export revenue.

However, by the mid-1970s, Senegal began to face both internal and external shocks. A series of droughts severely affected the agricultural sector, especially groundnut and food production. This, in turn, impacted upon the performance of State-owned enterprises, which began to accumulate deficits. These internal factors, combined with a number of external shocks, led to an economic downturn.[27] Senegal's terms of trade began to deteriorate, as reflected in the current account deficit, which rose from 12 per cent of GDP in 1970, to more than 25 per cent by the end of the decade. The ratio of debt to GDP rose from 15.5 per cent to more than 33 per cent during the same period. The same pattern was observed for the ratio of debt service to exports, which increased from less than 4 per cent of exports in 1970 to nearly 20 per cent in 1980.[28]

2.2 The beginning of IMF and World Bank intervention: Stabilization Program 1979

The 'Berg Report', published by the World Bank in 1981 marked a key moment in a gradual shift that took place in the Bank's policy thinking.[29] The shift was from a more interventionist approach where government was broadly seen as a key player in the development process to a free market approach based on open markets, deregulation, small government and a faith in the private sector. This report on Africa laid down the basic framework of what became known as Structural Adjustment Programs (SAPs) and later the 'Washington Consensus'.

It is within this context, and after the deterioration in the country's external position that the IMF and World Bank began to intervene, first with a stabilisation programme and followed later by a series of SAPs.

Senegal implemented a short-term stabilisation programme between 1979 and 1980. Its primary aim was to curtail domestic demand with the view to reducing fiscal and current account deficits, which were blamed for the rise of Senegal's external debt. To achieve this, two measures were required: increasing fiscal revenues and curtailing public spending. To increase revenues, the plan recommended: 1) the generalisation of the value-added tax (VAT); and 2) a simplification of import tariffs and their increase to improve State revenues. To curtail public spending, the government imposed a ceiling of CFA 99 billion for the fiscal year running from July 1979 to June 1980. In addition, the programme put a cap on State borrowing and called for greater support for exports by eliminating all exports taxes, except for groundnut and phosphates.[30]

However, this programme achieved none of the above objectives during the year of its implementation. This opened the way for the first SAP in 1980. Ever since, Senegal has been under a permanent adjustment process under the supervision of the IMF and the World Bank.

2.3 Structural Adjustment Program I 1980-1985: Economic and Financial Recovery Plan[31]

The 'Economic and Financial Recovery Plan' inaugurated the first Structural Adjustment Loan (SAL) to Senegal. The main objectives of the Plan included the following:

1) Stabilisation of public finances: to achieve this objective, 23 diplomatic missions were closed and public spending cut by 40 per cent. In addition, subsidies for staples, such as cooking oil, rice and sugar were reduced or eliminated, leading to sharp price increases in February 1980 and August 1983.
2) Reorienting public investments toward productive sectors: to achieve this goal, Senegal launched two big projects. The first was the start of the Diama Dam on the Senegal River, within the framework of the sub-regional cooperation between Mali, Mauritania and Senegal. The second project was the launch of a major petrochemical industry, *Industries Chimiques du Senegal* (Senegal Chemical Industries).
3) Restructuring of State-owned enterprises: to achieve this objective, the State signed 3-year performance contracts with a range of public enterprises. Those contracts spelled out performance criteria to be achieved in exchange for State assistance. They included the provision of better quality goods and services, a greater efficiency in the use of resources and human resources development through training. The restructuring also involved major upheaval, with the

dissolution of one of the largest parastatals involved in marketing groundnut products.[32] This dissolution left more than 5,000 workers without jobs.[33]

Yet, after five years of implementing all the measures outlined above, major macroeconomic disequilibria continued to persist, prompting the adoption and implementation of the next Plan.

2.4 Structural Adjustment Program II 1985-1992: New Agricultural Policy

In addition to trying to achieve macroeconomic stability (e.g. through continuing to squeeze public finances), a first key feature of the second wave of structural adjustment in Senegal was the adoption of a New Agricultural Policy (NAP).

The thrust of this policy was to drastically reduce or even eliminate State intervention and give more responsibility to farmers by reducing the intervention of parastatals involved in the agricultural sector. The characteristics of the NAP were:

1) Organising producers into ‘village sections’, which could have direct access to bank credit.
2) Restructuring parastatals in two directions: a) privatisation; b) streamlining/dissolution. Accordingly, two parastatals were dissolved in 1985 and 1987, while a third was forced to cut its workforce by 75 per cent over a five-year period.
3) Reforming the marketing of inputs. This translated into the elimination of subsidies for seeds and fertilisers and their direct sale to producers.

For many observers, the NAP laid the foundations for the subsequent crisis in the agricultural sector. It entailed massive job losses, a sharp increase in the costs of production and a concomitant decline in producers’ revenues. This policy contributed to the gradual deterioration in rural populations’ living standards. The weakening of State intervention, without an adequate mechanism to replace it, deprived producers of the multifaceted assistance provided by the parastatals, such as advisory and technical services and training in management.[34] Although the rhetoric of ‘putting power in the hands of farmers’ sounded good, the reality was quite different demonstrating the IMF and World Bank’s basic lack of understanding of the relationship between the State and farmers.

Senegalese agriculture never recovered from this policy. The agricultural sector's contribution to GDP fell from an average of 18.8 per cent in the 1980s, to 11 per cent in 1990 and to 8.5 per cent in 1999. This decline was especially reflected in the area of food production, where growth fell from an average of 3.9 per cent a year in 1980-1990 to 1.8 per cent in 1990-1999. During the same period, food production per capita went from a positive growth of 1 per cent to a negative growth of 1 per cent a year, respectively.[35] As a result, Senegal now produces only 52 per cent of its needs in foodstuffs. This has led to it spending hundreds of millions in hard currency, essentially US dollars, to import rice, wheat, maize and other cereals, most of which could be produced locally in sufficient quantities.[36]

According to some of Senegal's leading agricultural experts, most of the current problems facing farmers and the agricultural sector are directly linked to this policy.[37]

2.5 Structural Adjustment Program II 1985–1992: New Industrial Policy

The second major policy introduced during the late 1980s structural adjustment was the New Industrial Policy (NIP), whose stated objective was to 'revive the ailing industrial sector'. The principal measures associated with this policy were:

1) Elimination of quantitative restrictions on imports of a number of products.
2) Adoption of a new customs schedule, with a simplified and reduced tariff structure.
3) Reform of the export subsidy policy.
4) Adoption of a new tax system and a new investment code.
5) Reform of the labour code. This translated into the repeal by the National Assembly of Article 35, which restricted the use of temporary contracts giving employers greater flexibility in establishing contracts and in wage bargaining. It weakened the position of unions, weakened workers' rights and made jobs more precarious.
6) Deregulation through further price liberalisation (i.e. removal of State price controls).

This new industrial policy had a devastating impact on domestic industry, mostly composed of small-scale enterprises.[38] The result has been a gradual de-industrialisation, as is the case in other Sub-Saharan African countries.

According to the United Nations Conference on Trade And Development (UNCTAD), in Sub-Saharan Africa, the elasticity of industrial production relative to Gross Domestic Product (GDP) (i.e. the relative increase in industrial production as a result of one per cent increase in GDP) fell from 1.10 and 1.03 in the 1960s and 1970s, respectively, to 0.65 in the 1990s.[39] In other words, for a rise of one per cent in GDP, industrial production rose by only 0.65 per cent, against an increase of 1.10 per cent and 1.03 per cent in the 1960s and 1970s. Although figures for Senegal alone are not available, the trend across the whole region – where similar, if not identical policies have been introduced – shows that the industrial sector is contributing less and less to economic growth in Sub-Saharan Africa. Far from stimulating the industrial sector in Africa, the IMF and World Bank's industrial policies have led to a decline.

This process of de-industrialisation, illustrated by the collapse or downsizing of many companies, was accompanied by massive job losses. It is estimated that more than one third of jobs in the Senegalese manufacturing sector were lost in the 1980s.[40] Remaining jobs became more precarious as temporary employment became widespread, following the restructuring of the labour market. According to official statistics, more than 60 per cent of those employed in Senegal have short-term contracts or part-time jobs.[41]

In short, both the NAP and the NIP contributed to worsening the economic and social situation in Senegal and planted the seeds for Senegal's poor performance in reducing poverty.

2.6 Structural Adjustment Program II 1985-1992: Public sector restructuring

The third major policy initiative of the late 1980s SAP was public sector restructuring. In the early 1980s, the public sector in Senegal was composed of 180 units, divided into six independent State-owned enterprises (*Sociétés nationales*) and 25 public enterprises and semi-public companies (*Sociétés d'économie mixte*). The sector employed more than 30,000 people, accounting for 30 per cent of the workforce in the 'modern' sector. Some of the leading companies in the agricultural, industrial, banking and transport sectors, as well as water and electricity utilities belonged to the public sector, making it the engine of the country's economic and social development.[42]

Up until the mid-1980s, Senegal tried several formulae to reform the public sector, avoiding outright liquidation or large-scale privatisation. As already indicated, the first approach to public sector restructuring was in the form of contractual agreements between the State and public enterprises. However, this formula did not live up to expectations, since several State-owned enterprises continued to accumulate deficits without being able to achieve some of the objectives agreed with the State.

The mixed results of this approach, combined with intense pressure from the IMF and the World Bank, led to a change of strategy. This change took place in earnest in 1987, when the State was forced to adopt a three-pronged policy: restructuring, privatisation and dissolution.

The policy was implemented in two phases, the first of which took place between 1988 and 1991. This involved small-scale public enterprises in the productive sector. During that period, several parastatals in the industrial and agricultural sectors were either dissolved, restructured or privatised. From 1987 to 1990, the State was forced to sell off part or all of some productive and commercial enterprises, while others deemed less profitable were simply liquidated, with significant job losses.[43]

But all leading companies in sectors deemed 'strategic', such as water and electricity utilities, SONEES and SENELEC, as well as some parastatals in the agricultural sector, such as SONACOS and SODEFITEX, remained under State control. However, after 1993, with a further hardening of the IMF and World Bank policy against State intervention, Senegal was forced to adopt a sweeping policy of privatisation that spared no sector, no matter what its economic or social role in the country's development.

2.7 Structural Adjustment Program III 1994–2000: Public sector restructuring and trade liberalisation

As already mentioned, Senegal has no independent currency. It shares a common currency, CFA franc, with seven other countries within the WAEMU. Until the introduction of the Euro, CFA franc was pegged to the French franc, through a fixed exchange rate. For years, the IMF and the World Bank had put pressure on Senegal and the other WAEMU members to devalue the CFA which, the IFIs said, was overvalued relative to the currencies of the Union's main trading partners. The pressure eventually paid off and in January 1994, the CFA was devalued by 50 per cent relative to the French franc.

The IMF and the World Bank used the 1994 CFA devaluation to argue for further reducing the role of the State in economic policy making. During that year, the World Bank published a study blaming the public sector for many of Africa's economic and social woes and calling for a drastic downsizing, if not for its total elimination.[44] It is within that context that Senegal implemented a second phase of Bank and Fund endorsed privatisation including public utilities, such as SONATEL (telecommunications), SONEES, SENELEC, and a leading industrial company, SONACOS (groundnut).

However, only the privatisation of the first two was completed. Several attempts to privatise either SENELEC or SONACOS failed, due in large part to a stiff resistance from employees and to a lesser extent, from Senegalese authorities (see sections 3 and 4).

Structural adjustment in the mid to late 1990s also prompted further trade liberalisation in Senegalese agriculture and manufacturing and the continuing decline of these sectors. A case in point is given by UNCTAD, in the tomato industry. Senegal use to have a thriving tomato industry with domestic production providing enough to make the country almost self-sufficient in tomato consumption (fresh and concentrated). It contributed to the transformation of local resources and provided jobs and income in one of the poorest regions of the country. For that reason, the sector benefited from State protection and support.

But in 1994, as part of the sweeping trade liberalisation, following the devaluation of the CFA franc, Senegal was forced to liberalise the tomato sector and open up the market to competition. As a result, by 1996/1997 domestic production of fresh tomatoes had fallen to 20,000 tons from 73,000 tons in 1990/1991. Subsequent to the liberalisation policy, imports of concentrated tomato from the European Union rose from 221 tons in 1993/1994 to 4571 tons in 1996/1997.[45] In other words, Senegal had gone from self-sufficiency to dependency, in just four years. The reason: Senegal's protection had been stripped away exposing the country to imports from subsidised European producers, depriving African producers of their livelihoods.

Another illustration of failed liberalisation is the near collapse of Senegal's once thriving chicken industry. An article in the French daily, *Liberation*, indicates that because of compliance with WTO rules, between 1996 and 2002, more than 70 per cent of Senegal's poultry farmers have closed down as a result of cheap imports of chicken thighs from Europe, which jumped from less than 200 tons to more than 7,000 tons a year.[46] And there is a risk that the entire industry may be wiped out if there is no reversal of current trade policies.

Box 1: Summary of key policies associated with SAPs[47]

A) Trade liberalisation:

- Average tariff fell from 36 to 14 per cent.
- Tariff dispersion narrowed from 18 to 7 per cent.
- Elimination of all import quotas and licenses.
- Customs procedures cut down to one week, from an average of 3 to 4 weeks.
- Elimination of all export taxes and subsidies.
- WAEMU common external tariff: 20 per cent ceiling.

B) Deregulation:

- Except for a few items, all price controls, including those of staples, have been lifted.
- Subsidies for consumption and production have been eliminated.

C) Export-led growth policy:

- Currency devaluation to make economy 'competitive'.
- Establishment of export-processing zones.
- Incentives for export-oriented companies.

D) Financial liberalisation:

- Removal of all exchange controls: free capital movements.
- Exchange and interest rates set by the market.
- Liquidation or privatisation of several State-owned banks and financial institutions.
- Foreign ownership of banks and other financial institutions.

E) Liberal investment code designed to 'attract' FDI:

- Free repatriation of profit, dividends and license & management fees.
- Protection against expropriation.
- 'National treatment' granted to foreign investors.
- Tax-free imports of capital goods.
- Low income tax rate (down from 35 to 15 per cent).

- Institution of a 'one-stop window' to simplify foreign investors' entry.

F) Public sector restructuring:
To date, the Senegalese public sector has been whittled to less than 10 enterprises, from 180 in the early 1980s, through:
- Liquidation of several parastatals (industry, agriculture and services).
- Privatisation of leading State-owned enterprises, in all sectors.
- Privatisation of natural resources (mines and land).
- Privatisation of essential public services (water, energy and public transportation).

G) Labour market deregulation:
- Repeal of Article 47 that used to protect workers from abusive layoffs.
- Repeal of Article 35 that restricted the use of temporary contracts.

H) Civil service reform:
- 'Voluntary leave' that shed more than 3,000 employees between 1991-1993.
- New recruitment subject to IFIs' approval.
- Control on the wage bill (quarterly and annual targets) and pay rises subject to prior approval by IFIs.

2.8 From Adjustment to Poverty Reduction?

When the IMF and the World Bank came to Senegal and to other African countries, their stated objective was to 'stabilise' the economy and introduce 'sound macroeconomic policies' that would put African countries on a path to 'sustainable economic growth'. But, instead of growth and development, these policies have brought about economic stagnation, social unrest and a failure to make real progress in poverty reduction.

2.8.1 Weak economic growth

"In Senegal, the implementation of stabilisation policies since the end of the 1970s, followed by the first structural adjustment programs in the mid-1980s, definitely helped to improve the macroeconomic framework; however, the country's economic performance has remained below expectations. In general, the period 1979-1993 was

marked, at the macroeconomic level, by a distinct slowing of economic growth in real terms, and even a contraction in 1993 …"
Senegal, Poverty Reduction Strategy Paper[48]

The overall impact of these policies on economic growth has been weak, to say the least. From 1980 until 1993, average economic growth was below 2 per cent with negative growth being experienced in three of those years (see Table 2). Real per capita growth was negative between 1986 and 1993. Although growth picked up after the devaluation of the CFA franc in 1994, both the World Bank and the Senegalese government have recognised that this did not lead to significant improvement in human development (see Section 2.8.2). This higher growth rate recently fell again due to the failure of IMF and World Bank endorsed electricity privatisation and agriculture-sector liberalisation (see Sections 3 and 4).

Table 2: Macroeconomic Indicators

	1970-1979	*1980-1985*	*1986-1993*	*1994-2000*	*2001*	*2002 (est.)*
Real GDP growth (%)*	3.3	1.9	1.7	5.2	5.3	2.4
Real per capita GDP growth (%)	1.1	0.4	-1.3	2.4	2.0	-0.3
Export growth (%)	4.8	3.2	2.9	-2.9	10.5	6.0
Import growth (%)	3.4	-1.6	-2.5	-8.5	5.4	6.0
Investment/GDP (%)	16.0	11.0	12.1	16.7	18.0	17.3

**economic growth was negative in 1980 (–3.3 per cent); 1981 (–1.4 per cent) and 1984 (–4.0)*

Other indicators using different time-frames:
Real growth of exports: 10 per cent (1973-77); 2.0 per cent (1985-94); 2.7 per cent (1995-00).
Contribution of agriculture to GDP: 18.8 per cent (1965-86); 11 per cent (1987-93); 8.4 per cent (1996-99).

Sources:[49]

2.8.2 *Weak social development*

"Following the devaluation of the CFA Franc in January 1994, the Senegalese economy once again posted growth, with real GDP growing by 2.9 per cent in 1994 and by over 5 per cent per year on

average, between 1995 and 2001 … However, the economic performance achieved did not contribute to improving the living standards or to substantially reduce poverty."
Senegal, Poverty Reduction Strategy Paper[50]

There is no clear evidence that poverty has decreased and, if anything, it may have steadily increased since the advent of IMF and World Bank policies. In 1994, 60 per cent of those surveyed were deemed poor, with 80 per cent of them living in rural areas. Although, in 2001, official statistics indicate that 55 per cent of those surveyed were categorised as poor, apparently a slight drop relative to 1994, the reality for people on the ground seems to be different. A closer look at the survey reveals that 65 per cent of respondents consider *themselves* poor and 64 per cent say that their situation has worsened over the last five years. Between 72 and 90 per cent of those live in rural areas.[51]

There is a general consensus that two out of three households live in poverty, under the one-dollar threshold.[52] This number jumps to more than 80 per cent under the two-dollar threshold.[53] Because of this lack of progress in reducing poverty, the World Bank acknowledges that "Senegal ranks low on the world income scale and even lower on the Human Development Index."[54]

However, what is not acknowledged is the major responsibility of the World Bank and IMF for Senegal's problems. Since the mid-1980s, Senegal's human development indicators have not registered a significant improvement. In fact, a number of critical indicators have shown a decline. Even where improvements have been made, Senegal still lags behind other African countries. For example, the unemployment rate is among the highest in Sub-Saharan Africa. The rate among those aged 25 to 40 is 40 per cent in urban areas and more than 65 per cent in rural areas.[55]

In the area of education, less than 40 per cent of the population aged 15 or more can read and write. Only 28.7 per cent of women are in this category, compared to 48.1 per cent for men (see Table 3). Senegal has yet to achieve the goal of universal primary education, and the gender gap is widening. For instance, the gross enrolment rate dropped from nearly 60 per cent in 1988 to 54 per cent in 1993, while enrolment for girls declined from 47 per cent to 44 per cent during the same period. In addition, the rate of dropout has more than doubled since the mid-1980s, along with the deterioration of the quality of education.[56]

Health indicators are even worse. Most of them are below the World Health Organisation (WHO) recommendations. For instance, although the percentage of the population with access to drinking water has increased, the average availability of safe drinking water in Senegal is 28 litres per adult per day, compared to the 35 litres recommended by the WHO.[57]

With the privatisation of water, the possibility of reaching this target becomes very remote indeed. In addition, according to Senegal's PRSP, in urban areas poor households "pay three to four times as much as households with private connections in their homes."[58] In other words, the poor are subsidising the rich and contributing to the profits of Bouygues, the French multinational company controlling water distribution in Senegal. This is because poor households cannot afford the initial cost of connection even though the subsequent cost of supply is less than the cash payments they must make to City Council workers (who then pay Bouygues) at public standpipes.

In other areas, the health statistics are even lower by Sub-Saharan Africa's standards. For instance, for every 100,000 live births, on average 510 women (950 in rural areas) die.[59] In 2001, the infant mortality rate was 79 per 1,000 (little change from 87 per 1,000 in 1982) and the child mortality rate was 138 per 1,000, one of the highest in Africa.[60] In 2001, the number of physicians, 10 per 1,000, was no different from what it was in 1980[61] and among children under five, more than one out of five was malnourished. More worryingly, the percentage of the Senegalese population that is undernourished has increased over the past 10 years from 23 per cent in 1990/92 to 25 per cent in 1998/00.[62] The combination of these factors has resulted in little change over the past decade to life expectancy at birth, which now averages only 52 years, compared to an average of 63 years for developing countries.[63]

In response to this poor performance, and before the IMF and the World Bank came up with the idea of PRSPs, Senegal put in place a National Plan for the Struggle Against Poverty (*Plan National de Lutte contre la Pauvreté*) in 1997. Unfortunately, the Plan, like the PRSP (see section 5.1), was fundamentally flawed. It tried to deal more with the symptoms than with the structural causes of poverty. As a result, the Plan achieved very little and Senegal's problems have persisted.

The overall result is that Senegal's human development has stagnated relative to other countries. This can be seen in its successive ranks by the United Nations Development Program (UNDP) in its Human Development Reports. For instance, compared with a rank of 152 in 1992, Senegal was ranked 158th out of 175 countries in 1997 and in 2001, it was ranked 145 out of 162 countries. Since the mid-1990s, Senegal has been ranked among the 20 poorest countries in the world by UNDP.[64]

In light of these appalling statistics, there is little wonder that after more than 20 years of what the World Bank has called "… far-reaching reforms in the external, commercial and public sectors",[65] Senegal was in 2001 admitted to the category of the Least Developed Countries (LDCs) – the poorest and most vulnerable countries in the world (see Box 2). The now standard response from the IMF and World Bank to the failure of their interventions is to blame government corruption or poor implementation. However, in the face of the mounting evidence, this excuse is simply not credible.

Looking to the future, this virtual stagnation, or in some cases actual decline, in human development indicators makes the achievement of the Millennium Development Goals (MDGs) highly improbable.

The MDGs were agreed by governments at the end of the last century and set a range of targets to be met by the year 2015. Yet, the prospects for Senegal do not look promising. For example, if current trends continue, the goal of halving the proportion of people who suffer from hunger will never be met, the goal of ensuring that all children will complete a full course of primary education will never be met and the goal of reducing under five mortality by two thirds will take until the year 2110.

The only MDG that seems likely to be achieved is halving the proportion of people without sustainable access to safe drinking water, which, if current trends continue, will be met by 2014. Although important, the likely achievement of this one MDG does not constitute a ringing endorsement of the past twenty years of World Bank and IMF intervention in Senegal. Also, as already mentioned, problems persist with the amount of safe drinkling water avialable to the poor. Drastic change is therefore clearly required if the Senegalese people are to have any hope of lifting themselves out of poverty.

Table 3: Human Development Indicators

	1980	*1990*	*1995*	*2001*
People under the poverty line (%)		59.7		55.0
Life expectancy at birth (years)	45.0 *(1982)*	49.5	51.5	52.3
Adult literacy rate (%)	32.0	38.0	33.1	38.3
Men		52.0	43.1	48.1
Women		25.0	23.2	28.7
Infant mortality rate (per 1,000 live births)	87.0 *(1982)*	90.0	84.0	79.0
Child (under 5) mortality rate (per 1,000 live births)	218	148	143	138
Physicians per 100,000 people	10	5 *(1993)*	10 *(1990-98)*	10
Unemployment rate (age 25-40)				
urban areas (% of the workforce)		40	40	
rural areas (% of the workforce)		65	65	

Sources:[66]

Box 2: Characteristics of the Least Developed Countries[67]

"Since 1971, the United Nations has denominated 'Least Developed Countries' a category of States that are deemed structurally handicapped in their development process ...".[68]

Currently, there are 49 countries, listed as LDCs. The United Nations Economic and Social Council (ECOSOC) define the criteria for classification. Senegal was admitted to the list in 2001. Of the 49 countries, 34 are in Sub-Saharan Africa. In addition to being subjected to structural adjustment policies by the IMF and the World Bank, LDCs share the following three characteristics:

1) Low income. Based on a three-year average estimate of the GDP per capita (under US$900 for inclusion, above US$1,035 for graduation). Senegal has an estimated income per capita of US$520.

2) Weak human resources. Based on indicators, such as: a) nutrition; b) health; c) education; and d) adult literacy.
3) Economic vulnerability. Based on: a) instability of agricultural production; b) instability of the production of goods and services; c) economic importance of non-traditional activities in GDP; d) merchandise export concentration; and e) handicap of economic smallness.

Although Senegal's GDP per capita has always been below the LDC qualification threshold, it is likely that it met the 'economic vulnerability' test due to the crisis in the country's agricultural sector (see sections 2.4 and 4) and the 'weak human resources' test due to its problems with malnutrition and poor performance in health and education.

3. Unsuccessful – Case Study 1: The privatisation of SENELEC[69]

"… In 1999, SENELEC was purely and simply sold off, when it was offered on a silver plate to the Canadians of Hydro Quebec."
Alioune Fall, Head of the Energy Regulatory Commission[70]

As already explained, until the mid-1990s the Senegalese government had long resisted the privatisation of some key State-owned companies, notably public utilities. That resistance all but disappeared with the privatisation policies imposed by the IMF and World Bank following the 1994 devaluation of the CFA franc. A key plank of the plan was to privatise a set of state-owned utilities including SENELEC the state-owned electricity company.

To understand the role of SENELEC, one should bear in mind that 60 per cent of urban households have access to electricity, while in rural areas this number is just 8 per cent. Altogether, only 25 to 30 per cent of the Senegalese population has access to electricity. Although the State has a long way to go to improve the situation, past experience with electricity privatisation suggests private companies are more willing to supply richer urban households than expand supply into poor rural areas.[71] The State is therefore seen by many in Senegal as having a key role to play in ensuring greater provision of energy to the poor.

A widespread belief in the need for public accountability in the energy sector is one of the reasons why, despite growing pressure from the IFIs, the State resisted privatising SENELEC. It is also one of the symbols of Senegal's sovereignty over a key sector of the economy. It has an important social impact, in terms of employment, income and electricity provision to poor urban neighbourhoods and some rural areas. In short, SENELEC plays a key economic and social role in the country's development.

However, when the World Bank stepped in following the 1994 CFA franc devaluation and required total liberalisation of the energy sector and privatisation of SENELEC as a condition for signing a loan agreement, the Senegalese government reluctantly accepted a possible privatisation of the public utility. This prompted strong opposition from labour unions.

According to Ablaye Sene, the current General Secretary of SUTELEC (Senegal's major energy workers Union), their opposition was based on what they perceived as a violation by the government of an agreement signed in 1997 with the Unions that stipulated that any opening of SENELEC's capital should be limited and that the State should retain the majority share and the control of the enterprise's management.

In fact, labour resistance put the government in an embarrassing position. On the one hand, it had given its word to the Bank and knew that privatisation was a pre-condition for signing a new agreement with the Bank and the IMF. On the other hand, the opposition of the labour unions was strong and very popular, since it was seen as an attempt to preserve a symbol of national sovereignty, while the government was perceived as giving up such sovereignty by accepting the sell off.

As a result of opposition the government used a range of tactics to delay the process of privatisation and avoid a direct confrontation with labour unions. However, in 1998, under intense pressure from the World Bank and the IMF, the government, following a night-long blackout, falsely accused labour leaders of having organised the power outage arresting some and firing others. In July 1998, the entire leadership of the union was either arrested or sacked. Following an expeditious show trial, some of them were sentenced to several months in prison, including Mademba Sock, the then General Secretary of SUTELEC.

The utility was eventually privatised, with a French-Canadian group Elyo Hydro-Quebec (EHQ) buying 34 per cent of SENELEC shares, the State still retaining the majority (66 per cent). Yet EHQ controlled the Board of the utility with seven board members in contrast to the State's five. Letting the French-Canadian group have managerial control over the utility was a key condition imposed by the World Bank.[72]

With control of the Board, EHQ assumed direct responsibility for delivering on the company's contractual commitments which were to:
1) Implement a program of investments to modernise existing power plants.
2) Build new plants to increase production capacity and end power outages.
3) Provide training for personnel.
4) Establish a transparent management system.

5) Use national expertise to the maximum extent possible for consultancy work.

Unfortunately, EHQ delivered none of them. In fact, the Group did quite the contrary. There was neither new investment nor reinvestment of profits. As a result, there was neither modernisation nor construction of new power plants and power outages became more, rather than less, frequent and more costly to the national economy.[73] In addition to profit transfers, there was a huge discrepancy between the salaries and benefits of Senegalese employees and those of the expatriates. Moreover, EHQ used mostly external consultants while ignoring existing national expertise, which would have cost less to the company while accomplishing a similar or even better performance.[74] As a result, the positive impact on the domestic economy that was expected from the privatisation of SENELEC did not materialise.

All these factors contributed to the deterioration of the social climate and to strengthening the workers' resistance. Their main demands being the unconditional release of their leaders, the restoration of their legitimate rights and their reintegration into the workforce.

The controversy surrounding the privatisation of SENELEC played a big role in the defeat of the former President during the 2000 presidential elections. After this defeat, the new government, under pressure from labour unions and in light of the unfulfilled commitments of the French-Canadian group, decided to put an end to the agreement and take back control of SENELEC. All the leaders who were imprisoned or sacked were restored to their positions in the company.

The attempted privatisation of SENELEC was very costly to the country, both economically and socially. Increased power outages contributed to a significant slowdown of the economy in 1999 and 2000.[75] This resulted in huge job losses and the deterioration of equipment and machinery.[76] Small-scale enterprises particularly suffered. This prompted the two leading employers' organisations (CNES and CNP) to raise the issue of possible lawsuits against SENELEC for compensation. In addition to these economic and social problems, Senegal sustained more direct financial losses as a result of huge transfers of profits and management fees by expatriate managers and consultants.[77]

Although the World Bank itself acknowledged that the privatisation of the utility had entailed huge economic, financial and social costs to the country,[78] the new government was 'encouraged' to try again. Two companies were selected. The first was Vivendi Environment, a subsidiary of Vivendi Universal. During the negotiations with the Senegalese government, it was found that the company had difficulty raising the amount required (US$105.4 million) to control 51 per cent of the shares. Eventually, the deal collapsed and Senegal turned to the second bidder Allied Electricity Systems (AES), a US company. But AES was mired in difficulties, partly as a result of the turmoil in which the world energy sector found itself following the Enron scandal in the United States. It was revealed in the press that AES was near bankruptcy.[79]

Since the collapse of this attempt, a task force has been put in place, involving representatives of the State, the World Bank and the French development agency (AFD). Its task is to look at all options, provided that any proposal is based on the preservation of Senegal's fundamental interests.

However, there is a growing consensus that the privatisation of SENELEC is not something that the government should contemplate or accept. The utility has significantly improved its situation since it was returned to public ownership. Annual sales have increased from CFA 100 billion (US$153 million) in 2001 to CFA 114 billion (US$174 million) in 2002. Power outages have declined by more than 50 per cent relative to 2000 and workers co-operation has improved. This positive trend has allowed SENELEC to raise more than CFA 10 billion (US$15.3 million) in the West African stock market, based in Abidjan (Cote d'Ivoire). Many experts see the possibility for the company to raise even more in the future if it continues to improve its situation.[80]

The SENELEC case is not the only example of privatisation gone wrong. Overall, with the exception of SONATEL (the Senegalese telecommunications company), none of the privatisation programs have benefited the people of Senegal. SONATEL was privatised in 1997 when France Cable Radio, a subsidiary of the French public enterprise French Telecom, bought 33 per cent of SONATEL's shares. Later, it bought another 9 per cent from the State. The rest of the shares are held by the State (25 per cent), the public (23 per cent) and SONATEL employees (10 per cent). There have been no job losses and the national telephone grid has expanded and is among the most reliable in the sub-region.[81]

However, the costs of connection as well as those of phone calls are still high, even compared with some countries in the sub-region. In addition, it is a widely shared opinion that SONATEL was a well-run and profitable company that could have stayed that way even without privatisation.

Overall however, the appalling success rate of privatisation and the SENELEC case in particular, have led to the government treating privatisation with more scepticism. An illustration of this was given when the President himself was reported to have opposed a deal to privatise the cotton processing enterprise, SODEFITEX, on the grounds that the interests of the national textile industry were not sufficiently taken into account. Following a meeting at the Presidential Palace, the Senegalese negotiators were instructed to seek a different deal with the IMF and World Bank. This was on the front page of all newspapers on August 20, including the State-owned newspaper, *Le Soleil*.

However, although the government has reassessed its policies in light of this experience, it remains to be seen whether the Bank and the Fund have learned their lesson on privatisation in Senegal.

Box 3: Estimated costs of SENELEC's failed privatisation[82]

- 'Voluntary leaves' before privatisation to make it more 'attractive' cost CFA 10 billion (US$15.3 million). Yet, SENELEC had to rehire some of those workers after privatisation.
- Reimbursement to EHQ by the State: CFA 41 billion (US$62.6 million), even though EHQ did not fulfil its contractual engagements.
- Economic downturn: a 1.5 to 2 per cent decline in GDP due largely to power outages in 1999 and 2000.
- High production costs as a result of workers' passive resistance and non cooperation.
- Extensive use of external consultants at the expense of national expertise.
- Costs of a bloated senior management (30 to 40 people): high and tax-free salaries, free housing, paid annual leaves and other fringe benefits.

4. Unsuccessful – Case Study 2: The liberalisation of the groundnut sector

"Structural adjustment policies have pushed back the Senegalese agricultural sector to the level it was more than 40 years ago. They have destroyed the precious capital accumulated by farmers, who are now left without advisory services or any kind of support from the State … SAPs have left Senegal without a coherent agricultural policy, increased the country's food insecurity and ruined thousands of rural households."

Madicke Niang, a leading Senegalese agricultural specialist and consultant to government and international institutions[83]

"The privatisation of the groundnut sector has been precipitated by the creditors, who requested it … In addition, private agents did not respect the ground rules, which entailed serious difficulties in rural areas …"

Pape Diouf, Minister of Agriculture of Senegal[84]

Over the last two years, the perilous situation of thousands of farmers and their families has brought to national attention the impact of liberalisation in Senegal's groundnut sector. This has been most notable in regards to the dissolution of SONAGRAINES – a State owned company responsible for buying and processing groundnuts. This liberalisation was one of the conditions imposed by the World Bank and the IMF in exchange for Senegal's admission to the HIPC Initiative, in June 2000.[85]

Ever since it was introduced to Senegal in the middle of the 19th Century by the French colonial authorities, groundnut has played a central role in the Senegalese economy. Up until the late 1960s, exports of groundnut products provided about 80 per cent of the country's export revenues. Despite its decline since the introduction of reforms in the agricultural sector within the framework of SAPs, the groundnut sector still remains the main source of monetary income for over two thirds of the rural population.[86]

Groundnut production and marketing have benefited from State support and protection since the colonial era. After independence in 1960, the new Senegalese authorities continued the same policy. Several parastatals were set up to provide various kinds of assistance and services to farmers engaged in groundnut production. In addition to providing cheap credits, the State subsidised seeds and fertilisers in order to lower the cost of production and make groundnut activity profitable for farmers. A State-controlled Marketing Board was established with the objective of collecting production and channelling it to State-owned industrial enterprises connected to groundnut activities. In order to provide greater stability for farmers, the State paid a fixed price to cushion the impact of fluctuations in world prices.[87]

During the 1970s, a State-owned company, SONACOS, became the leading operator in the groundnut business. Through its affiliate, SONAGRAINES, SONACOS bought groundnut production and transformed it into cooking oil and other products mainly destined for export. Despite several reforms introduced since the mid-1980s and the dissolution of several parastatals associated with the groundnut sector and in spite of the elimination of State subsidies for seeds and fertilisers, SONACOS continued to accumulate deficits, which were covered by the Treasury.[88]

The IMF and the World Bank claimed that the only way to eliminate those deficits was to liberalise and privatise the whole sector. In other words, the two institutions pushed for a total withdrawal of the State from the groundnut sector, regardless of its economic and social importance. This policy overlooked the fact that a public enterprise's mission is more to achieve broader economic and social objectives rather than make a profit.

Twice in the 1990s the Bank and Fund pushed for the privatisation of SONACOS. But both times the push failed mainly as a result of the government's refusal to sell off what it considered a strategic company in a sector of vital economic and social importance to the country's development.[89] In 2001, however, the IMF succeeded in imposing the dissolution of SONAGRAINES, a measure that became effective in November of that year.[90]

This dissolution was part of the structural criteria to be fulfilled by Senegal in order to receive the third tranche of the country's PRGF arrangement. Since Senegal could not fulfil all of the IMF's structural criteria, it needed to give at least one example of its readiness to implement unpopular policies. The dissolution of SONAGRAINES was that example. This was implied in the March 2002 Letter of Intent sent to the IMF Managing

Director which stated, "as regards the structural criteria, the government announced its withdrawal of SONAGRAINES from groundnut collection and transport … Both the amendment of the groundnut sector framework agreement and the adjustment of electricity tariffs in the event that the privatisation of SENELEC had not been finalised, could be implemented only with some delay. In light of the remedial measures already taken, such as the dissolution of SONAGRAINES and the increase in electricity rates, the government wishes to request waivers for the late observance of certain performance criteria."[91]

After the dissolution, a new marketing system, the 'farm-gate system', was created in the groundnut sector. Private agents were given a cash advance by SONACOS to collect groundnut production from more than 1500 collection sites. But many of these private agents had limited financial means and many were pure speculators. The government's official price of CFA 120 was already CFA 25 less than the year before, costing farmers an estimated CFA 25 billion in lost income,[92] but even this price was undermined by speculators. As the collection period coincided with one of the holiest Muslim celebrations, private agents were able to buy the crops at less than the official price, instead proposing to pay cash for a small portion of the crops and giving 'vouchers' for the rest.

The impact was devastating. Most of the production was not collected, since SONACOS said it only received 335,000 tons out of an estimated production of 1.2 million tons. This led to huge losses for thousands of farmers who saw their crops rot in storage. Even when they tried to sell in local markets, they were confronted with representatives of the same speculators who further brought down the prices of their product. And most of those left holding 'vouchers' could not get paid, since many private intermediaries had vanished.[93]

Therefore, without cash or help from the State, thousands of households and their families found themselves worse off. The news of the near starvation of millions of people began to surface in the press. Various estimates put the number of those at risk of starvation at between 4.5 and 6 million. In addition, thousands of cows, sheep and goats died of starvation.[94]

Yet, for weeks, the government denied those reports and even dismissed the existence of unpaid vouchers held by farmers. But during a visit to the Groundnut Basin, angry farmers assailed the Minister of Agriculture showing him thousands of unpaid vouchers.[95] It was after this that the government and the President began to understand the seriousness of the situation in rural areas, especially in the Groundnut Basin.

Under intense pressure from farmers organisations, human rights associations, civil society organisations and attacks from the opposition, the government drew up an Emergency Relief Plan, costing CFA 15 billion (US$23 million).[96] This alerted public opinion to the magnitude of the disaster looming in Senegalese rural areas as a result of the liberalisation imposed by the IMF and the World Bank. As indicated above, the Minister of Agriculture, Pape Diouf, publicly identified creditors, in particular the World Bank and the IMF, as having precipitated the liberalisation of the sector and thus being implicitly responsible for the disaster that was taking place. Many Parliamentarians and representatives of farmers organisations also supported this view. The Agriculture Minister's comments were reported on the front page of the State-owned newspaper leading observers to conclude that the critiques addressed to the IFIs reflected the feelings and opinions of the entire Senegalese government and Parliament.[97]

The World Bank angrily countered by saying that it had nothing to do with 'mistakes' made by the government in implementing a policy it had agreed on. But criticisms levelled against the Bank and the IMF continued from all quarters. Leaders of CNCR, the umbrella organisation for all leading farmers organisations, said during an emergency meeting in Dakar that the liberalisation of the collection system was a 'disastrous policy' and a 'breach' of the agreement passed with farmers' organisations.[98]

There was a general consensus that the disaster in rural areas was the result of an ill-conceived liberalisation imposed on the Senegalese government. Overnight, without being prepared and without a proper institutional framework to handle the transition, farmers were confronted with market mechanisms. The IFI's policies seemed to be based on the imaginary world of economic textbooks rather than on an understanding of the actual relationship between farmers and the State in Senegal.

The critiques levelled against the IMF and World Bank have been summarised by Professor Moustapha Kasse, Dean of the School of Economics, at the Cheikh Anta Diop University, and an advisor to the President of Senegal. In an opinion piece published in the press, Prof.

Kasse explains that the IFIs' approach to Senegal's agricultural problems is based on a short-term and simplistic vision, which tends to lose sight of key aspects of Senegalese agriculture.[99] On the likely impacts of the policy, Prof Kasse argues that:

- Liberalisation and privatisation would leave millions of peasants without any possibility of making a living, which would accelerate rural migration, with negative economic and social consequences.
- Liberalisation and privatisation would accentuate poverty, not only in the Groundnut Basin, but also in other regions, given the impact of groundnut production on other sectors of the economy.
- The privatisation of SONACOS would accentuate the country's food dependency, given the importance of cooking oil in domestic consumption.

On the overall approach of the policy, Prof. Kasse suggests:

- This policy conceives of liberalisation and privatisation as a means to achieve a short-term goal – eliminating deficits in the sector – while ignoring or underplaying its implications for the country's long-term development.
- The IFIs insist on liberalisation and privatisation without proposing a viable alternative framework to mitigate the impacts of these policies.
- The IFIs' approach overlooks the role of the State, which is central to the functioning of the economy as a whole, especially of the agricultural sector.
- The IFIs' approach seems to conceive privatisation and liberalisation as *ends in themselves*, rather than as *means* to achieve more long-term goals, such as steady growth, employment, increased income and better living conditions for farmers, social and political stability.

It is not only agricultural experts that have criticised liberalisation. Senegalese households, in the 2001 Survey on Poverty, took a similarly dim view of World Bank and IMF intervention. Among the main factors behind poverty they highlighted the different agricultural policies imposed by the IFIs on the Senegalese government since the mid-1980s – from the NAP to the Structural Adjustment Policy of the Agricultural Sector (SAPA) introduced after the failure of the NAP.[100] Such concerns repeat a pattern observed elsewhere in Sub-Saharan Africa. As UNCTAD indicates, withdrawing State intervention and the dissolution of Marketing Boards are often against the will of farmers, who tend to highlight the benefits derived from State support.[101]

This academic and popular criticism in Senegal has a solid factual foundation. At the broadest level, in 2002, estimates show the rate of GDP growth dropping to 2.4 per cent, more than half its 2001 level. This sharp drop is largely due to the 21 per cent crash in output from the groundnut sector. This has primarily been attributed to the liberalisation of the groundnut sector and the liquidation of SONAGRAINES.[102]

Yet, despite this clear failure, the Bank and the Fund are pushing the government to continue the process by privatising the rest of SONACOS. The continued liberalisation of the groundnut sector and the planned privatisation of SONACOS is likely to further compound the problems facing farmers. As already indicated, the agricultural sector suffers from deep weaknesses resulting from the past two decades of policies imposed by the IMF and the World Bank. For example, the PRSP document observes, "… since the mid-1980s, the agricultural sector has been going through a severe crisis. The fact is that Senegalese agriculture has to cope with certain unfavourable trends and several constraints that continue to adversely impact its performance. These trends are … constantly falling producer prices; … the drop in yields and production together with the impoverishment and growing indebtedness of the rural populations. The constraints are … a low level or even total absence of extension services, soil degradation, the limited availability of quality seed … and financial and economic constraints (such as low incomes limiting rural people's capacity to save and invest, the deterioration of the terms of trade for agricultural products, farmers' heavy debt burden, the high cost of inputs, and the inadequacy of the farm credit system, all of which hamper increased agricultural activity)."[103]

Most of the trends and constraints identified above are a direct result of IMF and World Bank policies, illustrated by the NAP of the 1980s and the SAPA introduced in the mid-1990s (see section 2). Both have had negative, rather than positive impacts on the Senegalese agricultural sector. The extent of the damage caused by these policies is yet to be fully assessed but what is clear is that it will be accentuated by the current liberalisation and privatisation policies, which will likely further impoverish rural populations.

Any look at past development history in the agricultural sector suggests that many of the problems faced by Senegal could be addressed by government intervention. However, the World Bank and the IMF seem intent on following a dogmatic approach aimed at getting government 'out' of the agricultural sector and hoping that 'competition' and the 'free market' will somehow lead to better livelihoods for Senegal's farmers. On July 31 2003 the Senegalese government issued an international tender for the third attempt to privatise SONACOS. On August 1, the State-owned newspaper, *Le Soleil*, ran the headline: "Privatisation: SONACOS to the highest bidder". The privatisation of SONACOS is one of the commitments made by the Minister of Economy and Finance contained in the Letter of Intent addressed to the IMF Managing Director, April 10 2003, in exchange for the signing of a new 3-year PRGF arrangement.

Box 4: Estimated costs of groundnut liberalisation

- Job losses: at least 360 contractual workers.
- Revenue losses for producers as a result of lower prices and speculation: US$38.5 million.
- Losses as a result of lower processing activity from SONACOS.
- Losses incurred by the State (emergency plan): US$23.1 million.
- Economic downturn: 2.4 per cent in 2002, as opposed to 5.6 per cent in 2001 (US$200 million lost GDP).
- Decline in groundnut production: –21 per cent in 2002 relative to 2001.
- Revenue losses for various businesses connected to groundnut activities.

5. Undemocratic

"Senegalese ministers fear more the World Bank than God"

Madia Diop, former General Secretary of CNTS, the National Confederation of Senegal Workers, the leading labour union[104]

In a democracy, when policies fail, politicians come under pressure to change them. However, in countries where the IMF and World Bank are involved, the normal swings and roundabouts of the democratic process are subverted. In Senegal, despite the policy failures described in the previous sections, the government is under intense pressure not to change course. Decision-making power in Senegal has been taken out of the hands of people and of Parliamentarians and has instead been vested in the officials of the IMF and World Bank and their political masters in the industrialised world.

The above quote from Madia Diop illustrates the undue influence of the IMF and World Bank in the formulation and implementation of Senegal's economic and social policies. Indeed, the policy conditions imposed by these institutions have undermined the democratic process by stripping the State and public institutions of their legitimate role to formulate economic and social policies. Senior officials and civil servants feel more accountable to these institutions than to their own citizens. This section looks at how, despite changes in rhetoric, the World Bank and IMF are undermining the State, ignoring Parliaments and the public, and promoting the same old policies.

5.1 Poverty Reduction Strategy Paper – different name, same old policies

The production of a PRSP is an IMF and World Bank condition for receiving debt relief under the HIPC process. In fact, not only do countries need to submit an Interim and then a full PRSP to be considered for the decision-point, but the HIPC Initiative also includes more conditions than before. UNCTAD indicates that each Sub-Saharan African country is confronted with 114 conditionalities, 75 per cent of which are related to 'good governance'.[105] The problem with 'good governance' is that some of its requirements are presented by the IFIs as prerequisites for development rather than as results of the development process. In addition, many governments feel that it is a disguised political conditionality used by the IFIs to interfere even more in heavily indebted countries' internal affairs. Finally, 'good governance' smacks of double standards because the IFIs do not apply to themselves the transparency and accountability they require from poor countries.

In Senegal's case, after submitting the Interim-PRSP (I-PRSP), the government engaged in drafting its full PRSP, which was issued in December 2001 and sent to the IMF and World Bank. The Joint Staff Assessment (JSA) of these two institutions made its remarks that were conveyed to the government of Senegal. Those remarks were incorporated into the final report, which was published in May 2002 and submitted to the two institutions' Boards, which approved it in December 2002.[106]

The process of the Senegalese PRSP involved the government, representatives of bilateral and multilateral creditors, as well as a large spectrum of the country's social forces: labour unions; the private sector, producers' organisations and NGOs. There was a large and open debate on all the major issues confronting Senegal's development.[107]

However, as it turned out, civil society organisations' participation was only 'window dressing'. Their major substantive concerns and suggestions were not taken into account in the final document. This problem was highlighted even before the final PRSP document was released[108] and explains, among other reasons, why CONGAD, an umbrella organisation for NGOs and major grassroots Associations, decided not to endorse the final PRSP, according to discussions with both the President and Vice-President of the Consortium. CONGAD has however decided to remain on the committee that aims to monitor the implementation and assess the results of the PRSP document.

Also, according to the World Bank itself, the Senegalese Parliament was not fully involved.[109] Therefore, it is fair to say, in light of these two developments, that 'national ownership' of the Senegalese PRSP leaves much to be desired.

However, the real proof of the lack of effective participation and consultation is in the policy content of the PRSP as much as the process. The PRSP does of course contain the usual broad-brush statements that are hard to contradict. For example, the overall 'solutions' proposed by the PRSP are: 1) promoting wealth opportunities in Senegal; 2) organising equality of chances in seizing these opportunities, especially through strengthening poor people's capacities; and 3) ensuring the protection of vulnerable groups.[110]

Yet, although the PRSP contains the now standard references to the 'poor' and to 'vulnerable groups' and states that "robust and better distributed growth is … a fundamental prerequisite for a significant reduction of poverty",[111] the policies proposed to achieve this bear a remarkable similarity to those used over the past 25 years. Hence, the insistence on the need to follow 'sound macroeconomic policies', (e.g. low inflation, low fiscal and current account deficits) and the focus on the private sector as 'the engine' of economic growth. Therefore, more market-oriented reforms and private sector development are at the centre of the strategy.

For example, the PRSP states, "In this respect, an important objective of the poverty reduction strategy will be to establish a climate conducive to private investment. In addition to the sound macroeconomic policies that will be put into effect, it will be necessary to extend the reforms to a large groups of fields, including privatisations, the asset markets, foreign trade, the financial and labour markets, the regulatory environment and the fiscal and judicial system in order to improve investment quality."[112]

However, there is a big difference between encouraging investment in and growth of domestic businesses and focusing on attracting and retaining foreign investors. Private sector development IFI-style is mainly intended to foster foreign investment. This can often be to the detriment of the indigenous private sector. For instance, deregulation and trade and investment liberalisation have had a negative impact on domestic industry in Senegal. Also, privatisation of State-owned assets has given priority to foreign investors, dubbed 'strategic partners'. Finally, most of the incentives contained in the investment code are intended to attract foreign investors with little or no attention paid to domestic investment. Much of the time therefore, IMF and World Bank-style 'private sector development' is hindering rather than helping domestic capital accumulation.

Some chapters of the Senegalese PRSP make implicit critiques of SAPs, by linking the country's abject poverty and the policies followed since the early 1980s (a period corresponding to the start of adjustment programmes). However, when one compares the PRSP and the World Bank's own 'Country Assistance Strategy', there is little or no difference between the policies 'recommended' by the Bank and the policies adopted by Senegal in its PRSP (see Box 5). This is despite the fact that civil society organisations criticised the very same policies during the PRSP process.

This is not a pure coincidence. First, in drafting their PRSPs, African countries tend to propose policies that are acceptable to the IMF and the World Bank, as a study by UNCTAD indicates.[113] Second, there is evidence that these two institutions have a significant influence over the whole PRSP process, despite their claims to support 'national ownership'.[114] For example, the 'PRSP Sourcebook' is one instrument of the IMF and World Bank's attempts to influence the content of PRSPs. Third, as the document of the JSA indicates "the successful completion of structural reforms is a Completion Point trigger".[115] In other words, reaching the HIPC Completion Point and receiving the final tranche of debt relief is contingent upon Senegal undertaking World Bank and IMF endorsed structural reform, meaning: more privatisation, more trade and investment liberalisation, providing more incentives for the private sector, and further rolling back State intervention.

But, as past evidence demonstrates, these policies are not likely to contribute to building 'the capacities of the poor' and to 'ensuring the protection of vulnerable groups' as the PRSP document claims. Indeed, they are not likely to satisfy the priorities identified by the poor themselves in a survey – mentioned by the Senegalese PRSP – which says, "The State's priorities should be: (i) employment for young people … (ii) lowering of the prices of staple foodstuffs … (iii) access to basic health care … and (iv) education for children."[116]

The Senegal experience of the views of the poor being sidelined is not unique. In its study, UNCTAD has also found that there is a gap between what the poor really want and what the Bank and the Fund recommend in African PRSPs.[117]

Box 5: Comparing the policy content of Senegal's 'Poverty Reduction Strategy Paper' and the World Bank's 'Country Assistance Strategy'

A) Senegal PRSP Document:[118]

1) Focus on growth ('wealth creation').
2) Private sector as engine of growth.
3) Adopt 'sound macroeconomic policies.'
4) Undertake more privatisation.
5) More trade liberalisation.
6) More liberalisation of the labour market.
7) Regulatory and judicial reforms.
8) Reform of the financial sector.

B) Senegal World Bank Country Assistance Strategy:[119]

1) Focus on growth.
2) Private sector development.
3) Improve investment climate.
4) Remove remaining trade barriers.
5) Eliminate administrative barriers.
6) Reform fiscal policy (more incentives for investors).
7) Reform legal and judicial framework.
8) Reform the financial sector.

5.2 Undermining the State and Parliament

The undemocratic nature of World Bank and IMF policies in Senegal is also illustrated by the insignificant role assigned to the State, which has been reduced to implementing policies decided by the two institutions and over which it has little control. Even in fiscal and monetary policy, the State has to comply with targets and performance criteria defined by the IFIs. This has led to a situation where the government is more concerned about responding to their wishes rather than being accountable to its electorate.

For example, according to reports in the Senegalese press, during a recent seminar on the implementation of the PRSP between the government and its creditors, the World Bank Resident Representative complained to the Prime Minister that some senior civil servants are not fully cooperating with the Bank. The Prime Minister was reported as cutting him off and saying; "give me their names and they will be fired right away."[120]

This response from the Prime Minister elicited a commentary from the reporter, who questioned his judgement in accepting at face value the grievances raised by the World Bank representative and in publicly threatening Senegalese senior civil servants to satisfy the institution.

Presidents and other senior officials refer to agreements signed with these institutions as the main reasons why they cannot meet the legitimate demands of their citizens. The former Senegalese President, Abdou Diouf, said, during a press conference in September 1999, that before deciding on a pay raise for public employees, he needed to consult with the IMF and the World Bank.

The pressure to 'conform' or 'comply' is sometimes such that the Government does more than enough to meet Bank or Fund policy prescriptions. For example, in a memorandum of Economic and Financial Policies, addressed by the Senegalese Ministry of Economy and Finance to the IMF, one can read, "the government will keep the economy free of any exchange restrictions, multiple currency practices, and bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, and will neither introduce nor tighten import restrictions for the purpose of balance of payments control."[121]

Some of the measures described in the above quote go beyond IMF requirements. This suggests that the Senegalese Government is prepared to forego what little flexibility it could use to protect its economy from unforeseen external shocks in order to be seen by international creditors and the private sector as a 'good pupil' of the IMF.

In addition to the State, other public institutions, such as the Parliament or the Economic and Social Council[(ii)] have seen their role not only weakened, but even marginalised by the IMF and World Bank. Most of the time, they are simply ignored. They are not consulted and their advice is not taken into account. Even when the IFIs talk about 'national ownership' regarding the PRSP process, they acknowledge that the Senegalese Parliament was not fully involved. For example, the World

(ii) The Economic and Social Council is a consultative body, where representatives of key government departments, the private sector and civil society organisations discuss development issues and make recommendations to the Government. It is a democratic institution, with a transparent and participatory decision-making process.

Bank states, "Several speakers felt that the parliament should have played a greater role in the PRSP participatory process. A speaker noted that some members of the parliament had been involved but he felt that participation by the whole parliament could improve the process and increase ownership of the program by the Senegalese population."[122]

But the marginalisation of the Senegalese Parliament is not an isolated case. It is a pattern observed throughout Sub-Saharan Africa. While the two institutions insist on involving civil society organisations, democratically elected institutions are ignored or neglected.[123]

Overall, the World Bank is involved in every aspect of Senegal's economic, social and cultural development. Even though there is a big gap between its financial commitments and actual disbursements, it has an undue influence on Senegalese economic and social policies. This influence is such that it is contemplating the elimination of Senegal's 5-Year Development Plans, which, over the last quarter century, have resisted all 'reforms' and restructuring which the country has undergone. The World Bank-IMF Joint Staff Assessment of the Senegalese PRSP states, "In its discussions with the authorities the Bank dealt only with the PRSP and the economic and social development plan could perhaps be considered an instrument of the past."[124]

However, there are major differences between the Economic and Social Development Plan and the PRSP. First, the Plan is an idea conceived and carried out by Senegal, since its independence, while the PRSP has been imposed by the IFIs. Second, the Plan is a genuine development process, involving only national economic and social agents. By contrast, the PRSP is an open forum, in which creditors tend to influence the direction of the debates with their own 'vision' of Senegal's needs and priorities. Third, each Plan has always been thoroughly debated at the National Assembly before its adoption by this body, while the PRSP has to be approved by the Boards of the IMF and World Bank. In light of these remarks, the Plan is truly owned by Senegal whereas, despite IMF and World Bank rhetoric, the PRSP is not.

The objective of eliminating the Economic and Social Development Plan is shared by the IMF, which is in close cooperation with the World Bank in Senegal. The two institutions are working hand in hand in monitoring the implementation of the PRSP and structural reforms, in particular in the groundnut and electricity sectors.

Oddly, at the same time as the World Bank and IMF are reducing and undermining the capacity of the State and the role of public bodies, they are calling on those same institutions to provide the 'right regulatory environment' for private sector development. In addition to adopting rules of 'good governance', which essentially means combating corruption, the State is called upon by the World Bank to build infrastructure facilities, to improve education and health facilities, to strengthen law and order and to effectively enforce contracts and protect private property rights.

These policies were part of the recommendations made by Mr. Callisto E. Madavo, World Bank Vice-President, Africa Region, at the end of his visit to Senegal, last April.[125] It therefore seems as though the weakening of the State has gone so far as to alarm the World Bank, which is now stressing the need for 'capacity-building' as a way to remedy the degradation of the civil service in many countries, including Senegal. However, this 'capacity-building' seems to be an ad hoc policy, not part of a long-term development policy.[126]

5.3 Popular Resistance

The two case studies described earlier (see Sections 3 and 4) illustrate how the IMF and the World Bank have used their financial clout (backed by the G7 countries) to impose unpopular and harmful policies often against the will of the Senegalese authorities. Except for a very few cases, Senegalese governments have not been the initiators of privatisation programs. On the contrary, they have tended to accept them reluctantly and have used diverse tactics to delay or even foil them.

The World Bank Representative's complaint to the Prime Minister, mentioned earlier, is a testimony to that growing resistance from senior civil servants. The same Representative, Mr. John McEntire, complained last June, during the review of the World Bank 'assistance' to Senegal, that the rate of disbursement of investment loans made to Senegal (i.e. the amount actually received by Senegal compared with total investment loans committed by the World Bank in its Country Assistance Strategy) was too low, 12.5 per cent, even compared with Sub-Saharan Africa's average rate of 20 per cent. The reasons he gave for this low rate included the slow pace of structural reforms, disagreements with Senegal over the direction and content of some 'reforms' proposed by the Bank and lack of cooperation from some key ministerial departments.[127] However, in Senegal, as in other countries, despite some resistance, governments have ultimately accepted and implemented those policies.

Therefore, they bear some of the responsibilities, along with the IFIs, for the outcomes of SAPs.

But more importantly, the people, especially employees of the companies affected, have been at the forefront of opposition to IMF and World Bank policies in Senegal. By weakening the State and public institutions, the IMF and the World Bank have also contributed to undermining their credibility, even their legitimacy, in the eyes of the public, increasing popular defiance of the State. Such defiance is illustrated by the widespread and multifaceted resistance by all segments of the population to policies of deregulation, liberalisation and privatisation.

Yet, the IMF and the World Bank often use derogatory terms to depict legitimate opposition to their policies. For instance, labour unions fighting to preserve their rights are likened to ‘special interest groups’ bent on defending their ‘privileged positions’ at the expense of the ‘poor’. In some cases, in response to the concerns of the two institutions, the government takes repressive measures so that their policies can be implemented. A case in point is SENELEC, as described above.

But despite such efforts, their unpopular policies have been challenged by repeated struggles waged by workers and diverse social groups. Between 1993 and 1999, four general strikes took place in Senegal. In addition to these, numerous sector-specific strikes took place, during and after that period. These strikes, involving all major labour unions, mobilised hundreds of thousands of workers, in both public and private sectors.[128]

The general strike that took place in September 1999, was among the most significant. The country was literally paralysed for 48 hours, including the shutdown of the Dakar Airport. To many observers, that strike contributed to the downfall of the former regime, in the subsequent presidential elections of February and March 2000.

Another example of broad-based opposition to World Bank policies is in the education sector where the Bank has imposed a number of reforms that teachers’ unions, parents and specialists of education contend are destroying the basic foundations of the Senegalese educational system. Teachers are now being hired on a contract basis instead of being categorised as civil servants with guaranteed jobs until retirement. But one of the most controversial measures introduced in education is the hiring of ‘volunteer’ teachers, who are paid a nominal sum and have no job guarantee, nor social benefits. This system contributed to lowering the standards of education at the primary level. In the end, the 'volunteers' rejected the system and demanded to be integrated into the Civil Service. After several bitter struggles, punctuated by hunger strikes, marches and boycotts, which were largely supported by the public, especially parents, the government eventually caved in to the chagrin of the Bank.

As already mentioned (see section 4), the IMF seems intent on pushing the privatisation of SONACOS despite the failure of past liberalisation in the groundnut sector. However, farmers' organisations, especially producers in the Groundnut Basin, have voiced their strong opposition to this privatisation. They issued a statement on July 31st and held an emergency meeting the following day. They are demanding that the privatisation process be postponed and that extensive discussions be opened between the Government, producers and all those who have a stake in the groundnut sector. Given this opposition, many observers are already predicting a repeat of the 'battle of SENELEC' which eventually led to the failure of the electricity privatisation process.

6. Unfair

"Senegal and other UEMOA countries have little bargaining power in trade negotiations. Having made sweeping unilateral trade concessions through repeated liberalisation policies imposed by the IFIs, they have given up all the cards they could have used at the WTO, or elsewhere."
A senior civil servant, at the Ministry of Economy and Finance, who requested not to be identified[129]

"Developing countries are increasingly realising that the TRIMS, TRIPS, and GATS agreements are heavily weighted towards the interests of the US and the EU, and are more likely to hold back than to accelerate their own development. The agreements prevent their governments from adopting many of the measures used by the US, Western Europe, Japan, South Korea and Taiwan to nurture their own firms and industries."
Robert Hunter Wade, professor at the London School of Economics[130]

IMF and World Bank loan and debt conditions have compelled Senegal to unilaterally open up its market and eliminate subsidies for its domestic industries, even for those exposed to unfair competition from heavily subsidised exporters. This puts the country at a disadvantage in relation to its main trading partners, especially developed countries.

For instance, within the WTO 'Most Favoured Nation' (MFN) regime, the average consolidated tariff rate on agricultural products is 30 per cent. However, because of the WAEMU common external tariff (20 per cent bound rate), the average MFN tariff rate applied by Senegal on agricultural imports is only 18 per cent – significantly lower than that allowed under WTO rules. This is a direct result of more than 20 years of trade liberalisation imposed by the IMF and World Bank in West Africa.

Although under WTO rules, LDCs such as Senegal have greater flexibility in the agricultural policy measures available, Senegal has effectively been denied this by unilateral trade policies imposed by the IFIs.[131] The fact that IMF and World Bank policies have taken poor countries beyond what WTO rules require has led one critic to observe that "African countries at present probably have less to fear from the World Trade Organisation than from the IMF and World Bank."[132]

This unilateral trade liberalisation also disarmed Senegal and other African countries when they negotiated bilateral and regional deals such as the Cotonou Agreement, between ACP and EU countries, and the 'African Growth and Opportunity Act' (AGOA), between African countries and the United States. The European Union recently decided to abandon Cotonou and establish 'free trade' zones with former European colonies, known as 'Economic Partnership Agreements' (EPAs), beginning in 2020.[133] Under 'normal' circumstances Senegal and other WAEMU countries would have less political leverage than industrialised countries in these bilateral and regional deals but structural adjustment has left them with literally no cards to play and little opportunity to significantly influence policies that will have a major impact on their development.[134]

In the absence of any significant negotiating leverage, countries like Senegal are left dependent on trade policy 'handouts' from the industrialised world. However, the fact that rich countries are able to dictate the terms of such initiatives often means the benefits are more hype than substance. For example, in a study on Senegal, the Integrated Framework (Cadre Intégré) indicates that despite its LDC status, Senegal will not significantly benefit from either the EU's 'Everything But Arms' policy, or the USA's AGOA provisions. The reason is that most of the products exported by Senegal are not eligible for either policy. The few that are eligible face either tariff escalation or complex rules of origin and other norms that are difficult to satisfy. All this makes market access extremely difficult for Senegalese products.[135]

Both the IMF and World Bank are so pleased with Senegal's trade regime that they have classified it as the most open in Sub-Saharan Africa, including South Africa, and among the most open in developing countries. For instance, in the IMF trade restrictiveness index, Senegal was upgraded from 5 to 2 at the end of 2002.[136] Yet such plaudits from the IFIs are no substitute for lasting human development, which has remained sadly elusive since the IFI-instigated opening of Senegal's markets.

It could be argued that the heads and Chief Economists of the Fund and the Bank are at least consistent in their pursuit of 'free trade' given that they regularly criticise rich countries for not liberalising and regularly implore them to make more effort. However, imposing policies on poor countries like Senegal is completely different to a polite request for policy change in the industrialised world. The World Bank and IMF have no power over their political masters and consequently, such requests for liberalisation are simply ignored. Since many developing countries have already liberalised their trade policies, industrialised countries see little necessity in responding to the pleas of the IFIs or developing countries.

This makes it even harder to change unfair agricultural policies in rich countries. A classic case of the unfair treatment African farmers receive in international trade is the scandal of cotton subsidies. The United States alone is subsidising about 25,000 farmers to the tune of US$3 billion a year. Such subsidy is driving down prices of cotton in world markets, thus depriving millions of cotton growers and their families, in countries such as Burkina Faso, Mali and Senegal, of income that far exceeds the so-called external 'aid' by Western countries.[137] The hostile reaction of the US Government to the proposal by West African states at the WTO Ministerial in Cancun, in September 2003, to eliminate cotton subsidies does not bode well for the future and reinforces the argument that poor countries should be able to protect themselves against such unfair policies.

In contrast to the lack of reform in rich countries is the 'Coherence Agenda' being negotiated between the IMF, the World Bank and the WTO.[138] This aims at a better coordination of these three institutions' policies in developing countries and is likely to put even more pressure on developing countries to remove any remaining obstacles to full trade liberalisation.

Likewise, IMF and World Bank conditionalities in the area of financial liberalisation have forced Senegal to go far beyond what is allowed for the category of LDCs. The country has made extensive reforms with the view to creating an environment that would be 'attractive' for foreign investors.[139] For instance, Senegal has set up the Private Investment Promotion Agency (APIX) and the Presidential Investors Council, both aimed at removing impediments to foreign investments and at providing a range of incentives to attract them.[140] The European Union is seeking to lock-in a range of Senegal's service sector reforms (e.g. in water provision, financial services, telecommunications and transport) by demanding commitments from the country under the General Agreement on Trade in Services (GATS) as part of the current round of WTO trade talks.[141]

This of course is another aspect of unfairness. WTO rules are being used to 'lock-in' policy reforms – such as trade and investment liberalisation – in order to deny poor countries such as Senegal the opportunity to use the same policies industrialised countries used to develop.

It is simply not good enough for 'free trade' proponents to tell Senegal to lower, and keep low, its trade barriers and then wait for the USA and EU to reform. First, this could take decades and second, Senegal is in a completely different situation to industrialised countries. A policy appropriate for the US's or Europe's stage of development is not automatically going to be appropriate for Senegal. Even if the rich world did liberalise its markets, Senegal should still have the flexibility to protect its small farmers and fledgling industries rather than being denied – through IFI conditions and through bilateral, regional and global trade agreements – the opportunity to use policies that can help development.

7. Conclusions

"It should have become abundantly clear by now that, both on theoretical and empirical grounds, the conventional SAPs are inadequate in addressing the real causes of economic, financial and social problems facing African countries which are of a structural nature. There is therefore an urgent need for an alternative to current stabilisation and adjustment programmes in Africa."
Economic Commission on Africa[142]

About 15 years ago, the Economic Commission for Africa was arguing that stabilisation and structural adjustment policies imposed on African countries such as Senegal by the IMF and the World Bank were not delivering for the poor. Yet, the call for alternatives went unheeded and for a further decade these two institutions have continued to push the same policies, including curtailing public spending, trade and investment liberalisation, deregulation, privatisation and rolling back the State, as a condition for receiving loans. More recently, the HIPC debt relief process has created a further lever for the IFI's to pursue the same agenda in Senegal. This report has, however, demonstrated that these policies have been unsuccessful, undemocratic and unfair.

Cuts in public spending have resulted in the sacrifice of the social sector and the deterioration of public services. Liberalisation and restructuring of parastatals in the agricultural sector have destroyed that sector, increased food insecurity and impoverished farmers and peasants. Increased imports of subsidised foodstuffs have undermined local production and ruined small-scale farmers.

Public sector restructuring and privatisation of State-owned enterprises have eroded the country's control over its own resources. As a result, foreign control has increased, threatening domestic capital accumulation and autonomous development.

Unfair trade liberalisation, combined with deregulation and the elimination of domestic market protection have led to the collapse of the industrial sector, with massive loss of jobs and incomes. In addition, labour market reform has contributed to weakening workers rights and unions, while making jobs even more precarious.

Finally, the persistent financial squeeze, numerous and contradictory conditionalities and repeated reforms of the civil service have combined to weaken State capacity and erode its ability to perform even some of its basic duties effectively.

The State and public institutions have been stripped of their right to formulate and implement national development policies. Ministers and senior civil servants feel more accountable to the IMF and World Bank than to their own citizens.

The overall impact has been a steady deterioration in some of the country's human development indicators and little improvement in others, as illustrated by its rank near the bottom of the world human development scale, and a pessimistic outlook for achieving the MDGs.

However, the IMF and World Bank have been confronted with a strong and growing resistance from the Senegalese people: labour unions, human rights organisations, civil society organisations, academics and political parties. Even the authorities, in their own way, have participated in that resistance, which explains in part the failure or slow pace of several privatisation or liberalisation programs.

The failure and widespread discredit surrounding their policies,[143] led the IMF and the World Bank to propose a 'poverty reduction strategy' to Senegal and other African countries, with the view to making the debt 'sustainable' and 'reducing poverty'. But, the PRSP is nothing more than a continuation of the same failed and discredited policies under a new disguise.[144] The PRSP will neither 'alleviate' the debt burden nor 'reduce poverty'. Quite the contrary. Its real objective seems to be to shift the blame from the IFIs to Senegalese authorities and citizens for the inevitable failure of current neo-liberal policies.[145]

Twenty years of IMF and World Bank intervention in Senegal has left the country with little chance of achieving almost all of the MDGs, unless there is a significant change in thinking. Therefore, it is time for Senegal to mark a pause, assess the overall damage inflicted by these policies and change course. There is a need to contemplate alternative policies, that are genuinely home-grown and reflect the fundamental interests of the Senegalese people, especially the poor, who are the overwhelming majority of the population. The Senegalese Government must strive for independence in its policy-making. In concert with its partners within

ECOWAS, Senegal should accelerate the integration of the sub-region in order to increase its chances of resisting the IMF and World Bank pressure and formulating policies that respond to its citizens' concerns and provide their basic needs.

At the same time, industrialised country governments need to fundamentally rethink their approach to the World Bank and IMF. Through their decision-making power in the IFI's, such governments – including the UK – are ultimately responsible for the policies pushed by the Bank and the Fund. If these governments are sincere in their commitment to achieving the MDGs, there has to be a radical change of direction.

Appendix 1
Abbreviations and Acronyms

AAF-SAP – African Alternative Framework To Structural Adjustment Programmes
AAWORD – Association Of African Women For Research & Development
ACP – African Caribbean And Pacific (Countries)
AFD – Agence Francaise De Developpement
AGOA – African Growth And Opportunity Act
BCEAO – Banque Centrale Des Etats De L'afrique De L'ouest (Central Bank Of West African States)
CAP – Common Agricultural Policy
CAS – Country Assistance Strategy
CFA – Communaute Financiere Africaine
CI – Cadre Integre (Integrated Framework)
CNCR – Conseil National De Concertation Des Ruraux
CNES – Confederation Nationale Des Employeurs Du Senegal
CNP – Conseil National Du Patronat
CNTS – Confederation Nationale Des Travailleurs Du Senegal
CODESRIA – Council For The Development Of Social Science Research In Africa
CONGAD – Conseil Des Ong D'assitance Au Developpement (Council Of Development Assistance Ngos)
DP – Direction De La Planification (Directorate Of Planning)
ECA – Economic Commission For Africa
ECOSOC – Economic And Social Council
ECOWAS – Economic Community Of West African States
EPA – Economic Partnership Agreement
ESAF – Enhanced Structural Adjustment Facility
EU – European Union
FAA – Forum For African Alternatives
FDI – Foreign Direct Investment
GATS – General Agreement On Trade In Services
GDF – Global Development Finance
GDP – Gross Domestic Product
HDI – Human Development Indicator
HIPC – Heavily Indebted Poor Countries (Initiative)
IBRD – International Bank For Reconstruction And Development

ICS – Industries Chimiques Du Senegal
IDA – International Development Agency
IFC – International Finance Corporation
IFI – International Financial Institution
IMF – International Monetary Fund
I-PRSP – Interim Poverty Reduction Strategy Paper
JSA – Joint Staff Assessment
LDC – Least Developed Country
MIGA – Multilateral Investment Guarantee Agency
MFN – Most Favoured Nation
NAP – New Agricultural Policy
NIP – New Industrial Policy
ONCAD – Office National De Cooperation Et D'assistance Au Developpement
PRGF – Poverty Reduction And Growth Facility
PRSP – Poverty Reduction Strategy Paper
SAF – Structural Adjustment Facility
SAL - Structural Adjustment Loan
SAPA – Structural Adjustment Policy Of Agriculture
SAPs – Structural Adjustment Programs
SAPRIN – Structural Adjustment Participatory Review International Network
SDR – Special Drawing Right
SENELEC – Societe Nationale Dlectricite Du Senegal
SODEFITEX – Societe De Developpement Des Fibres Textiles Du Senegal
SONACOS – Societe Nationale De Commercialisation Des Oleagineaux Du Senegal
SONATEL – Societe Nationale Des Telecommunications
SONEES – Societe Nationale Des Eaux Du Senegal
SUTELEC – Syndicat Unique Des Travailleurs De L'electricite
TRIMS – Trade-Related Investment Measures
TRIPS – Trade-Related Intellectual Property Rights
UEMOA – Union Economique Et Monetaire Ouest Africaine
UNCTAD – United Nations Conference On Trade And Development
UNDP – United Nations Development Program
VAT – Value-Added Tax
WAEMU – West African Economic and Monetary Union
WB – World Bank
WDM – World Development Movement
WHO – World Health Organisation
WTO – World Trade Organisation

Appendix 2
Glossary of economic terms used in the report

Arrears The part of the debt service (amortisation and interests), which is not paid after each rescheduling.

Balance of payments The difference between the funds received by a country and those paid by a country for all international transactions. In other words, the difference between the currency coming into a country and that flowing out of the country. The balance of payments is divided into two accounts — current account (including payments for imports, exports, services, and transfers) and capital account (including payments for physical and financial assets).

Current account Current account is composed of the trade balance (exports minus imports) and of the services balance (official assistance from developed countries, Senegalese workers' remittances, etc. minus debt service payments, profit and dividend repatriation, licensing fees; etc.). The current account is in deficit when the sum of the trade balance and the services balance is negative.

Fiscal deficit Where tax revenue is lower than government spending.

Macroeconomic disequilibria This essentially means fiscal deficits, current account deficits and balance of payments deficits.

Most Favoured Nation (MFN) rule This is one of the standard rules of the WTO requiring a country to treat all other countries equally in trade policy.

National Treatment rule A rule which states that all foreign investors must be treated at least as well domestic firms.

Net Present Value (NPV) Net present value is the sum of all future debt obligations (debt service payments) discounted at the market interest rate. Stated differently, it is the sum which, placed in an account bearing a market interest rate, will enable a country to honour all debt payments in the future.

Parastatal A company or agency owned or controlled wholly or partly by the government.

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