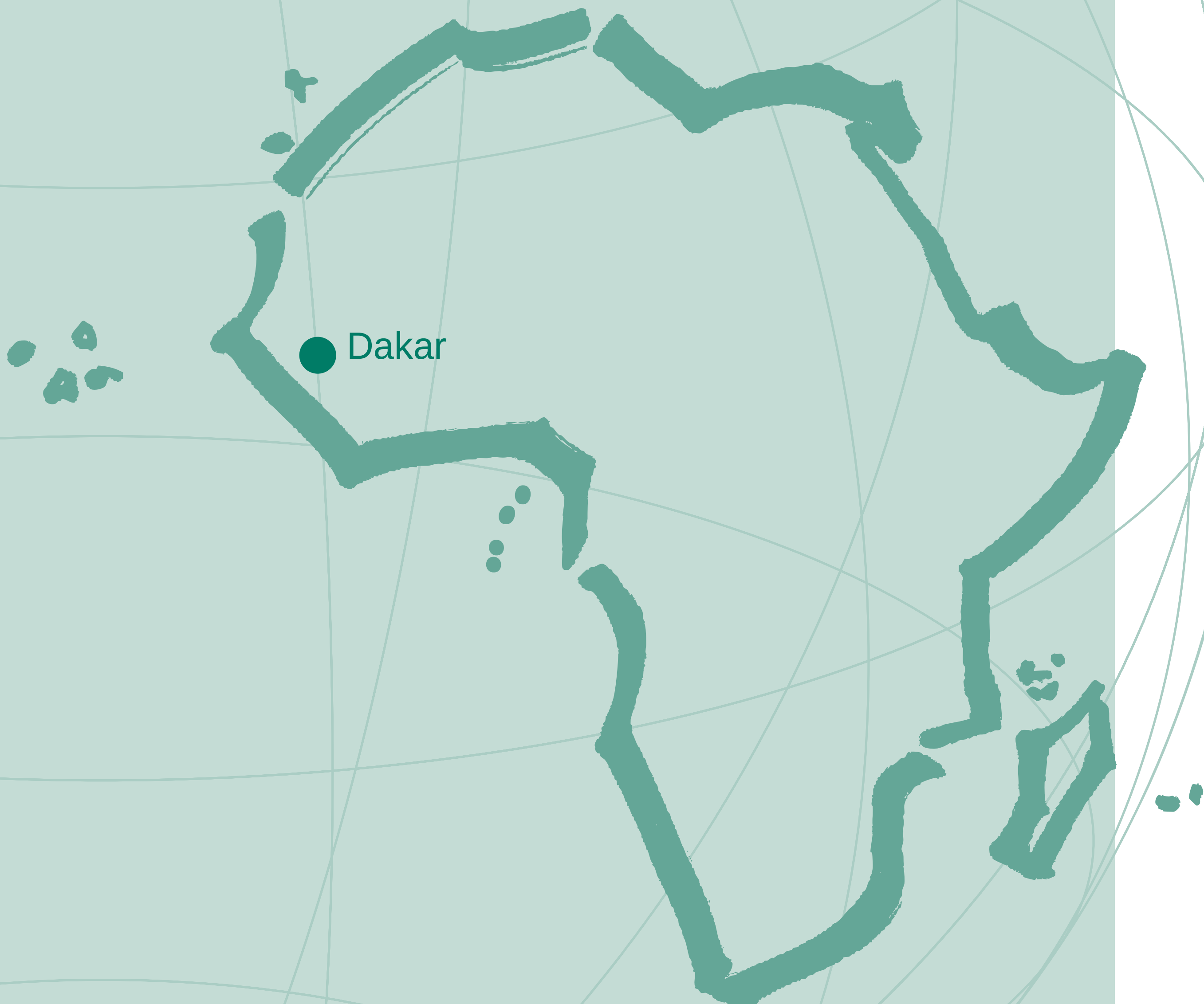
Senegal



key figures

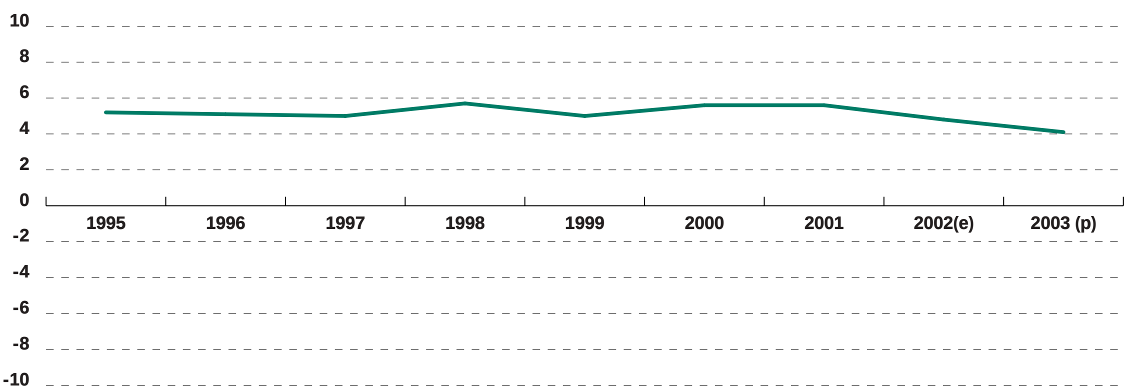
• Land area, thousands of km²	197
• Population, thousands (2001)	9 662
• GDP per capita, $ (2001)	478
• Life expectancy (2000-2005)	54.3
• Illiteracy rate (2001)	61.7

Senegal

SENEGAL HAS DISPLAYED GREAT ECONOMIC vigour since the 1994 devaluation, with annual GDP growth of more than 5 per cent. Amid this sustained growth, 2000-2002 was a transition period, when a peaceful transfer of political power boosted confidence in the future even though the changeover has made economic decision-makers cautious and delayed programmes in some sectors. The country is also having trouble completing structural reforms that are part of its programme with the IMF, such as privatising the electricity company (*Sénélec*) and the groundnut marketing body (*Sonacos*). These two firms have accumulated large deficits that the government had to make up for in 2001, badly skewing the budget. So relations with the Bretton Woods institutions are a little tense, while at home the government is coming to the end of its honeymoon that followed the political changeover. But a good economic performance in 2002 saw GDP grow by an estimated 4.8 per cent. 2003 may be a difficult year, especially as the 2002/03 harvest is not very promising, and GDP growth could fall to 4.1 per cent. However, the country could benefit from investment and trade redirected from Côte d'Ivoire because of the fighting there.

Despite sustained growth, Senegal is struggling to complete structural reform

Figure 1 - GDP Growth



Source: Authors' estimates and predictions based on data from the *Direction de la Prévision et de la Statistique.*

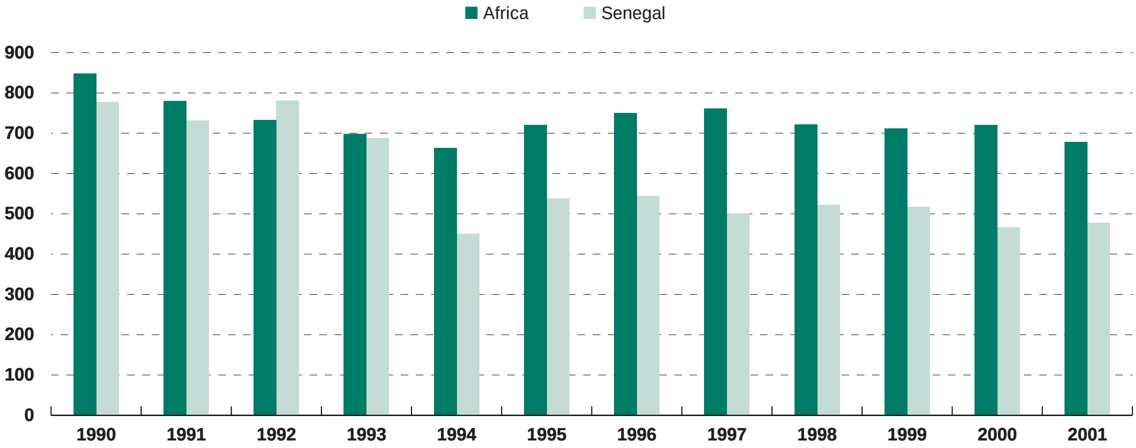
Recent Economic Developments

The primary sector's share of GDP is quite small compared with neighbouring countries,[1] though it remains the source of income for three-quarters of the working population. Agriculture, mostly subsistence crops and groundnuts, accounted for 11.1 per cent of GDP in 2001, a big improvement, after the bad weather of 1997 and 1998 gave way in 1999 to well-distributed rainfall, better food-crop yields and a larger area sown with groundnuts. This restored agriculture to its place as motor of the economy, where it represented an estimated 1.8 percentage points of the 5.5 per cent GDP growth in 2000 and 1.3 points in 2001.

But the sector still has problems that make for very erratic performances. Apart from dependence on the weather, these are mainly groundnut marketing

1. About 20 per cent of GDP in 2001, compared with 25 per cent in Mauritania, 30 per cent in Côte d'Ivoire and 40 per cent in Burkina Faso and Mali.

Figure 2 - GDP per capita in Senegal and Africa ($ current)



Source: Authors' estimates based on IMF data.

problems and the uncompetitive nature of potentially profitable crops such as rice. Groundnut marketing difficulties were aggravated during the 2001/02 growing season by the liquidation of *Sonagraines* (the firm handling seeds, collection and transport of groundnuts) and the government's decision to limit collection to 400 000 tonnes so as to use up the marketing body *Sonacos*'s existing stocks. On top of this, budgetary problems in *Sonacos* forced it to pay growers with bonds, which were still not redeemable several months after the harvest had ended. The government investigated and *Sonacos* suspected that some private operators in charge of giving out the bonds had stolen the money that backed them. Tensions in the countryside also rose because late rains meant the 2002/03 growing season would be difficult. President Abdoulaye Wade allotted 15 billion CFA francs (about $23 million) in emergency aid to the farmers but denied rumours of famine that circulated in the period between the two harvests.

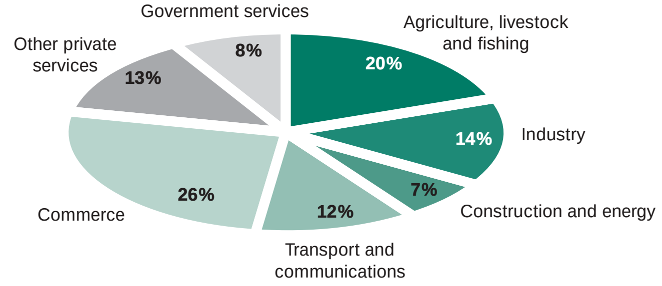
Two other economically and socially important primary sector activities – livestock and fishing – are having major structural and temporary problems. Livestock accounts for 6 per cent of GDP and employs some 350 000 families. In January 2002, floods devastated the north of the country (mainly around Saint Louis and Louga), with the loss of 600 000 head of cattle. Fishing only contributes 1.6 per cent of GDP but employs 600 000 people. Industrial fishing has been in major difficulty since 1999 because of over-fishing and ageing of the Senegalese fleet. Local fishing, which a large part of the population lives off, recovered somewhat in 2002.

The secondary sector has grown strongly in recent years and in 2001 was the second biggest contributor to GDP at 21 per cent. Senegal's industrial base is more diverse than its neighbours but is still mainly processing food crops and minerals, such as chemical phosphate plants. The government's aim is to reduce raw phosphate exports and step up processing them into acid and fertiliser for export. Production of phosphoric acid is expected to double by 2004. A new mine at Tobène (in the Thiès region) started up in 2002, triggering an 11 per cent growth in extractive industries.

Senegal stands out in sub-Saharan Africa because of its dominant tertiary sector, which grew rapidly during the 1990s and accounted for 60 per cent of GDP in 2001 (including non-market services). It has been fuelled by steady migration from the countryside and growth of small businesses arising from urbanisation. So the sector has an extensive informal side[2] to it, estimated in 1996 at 9.2 per cent of GDP

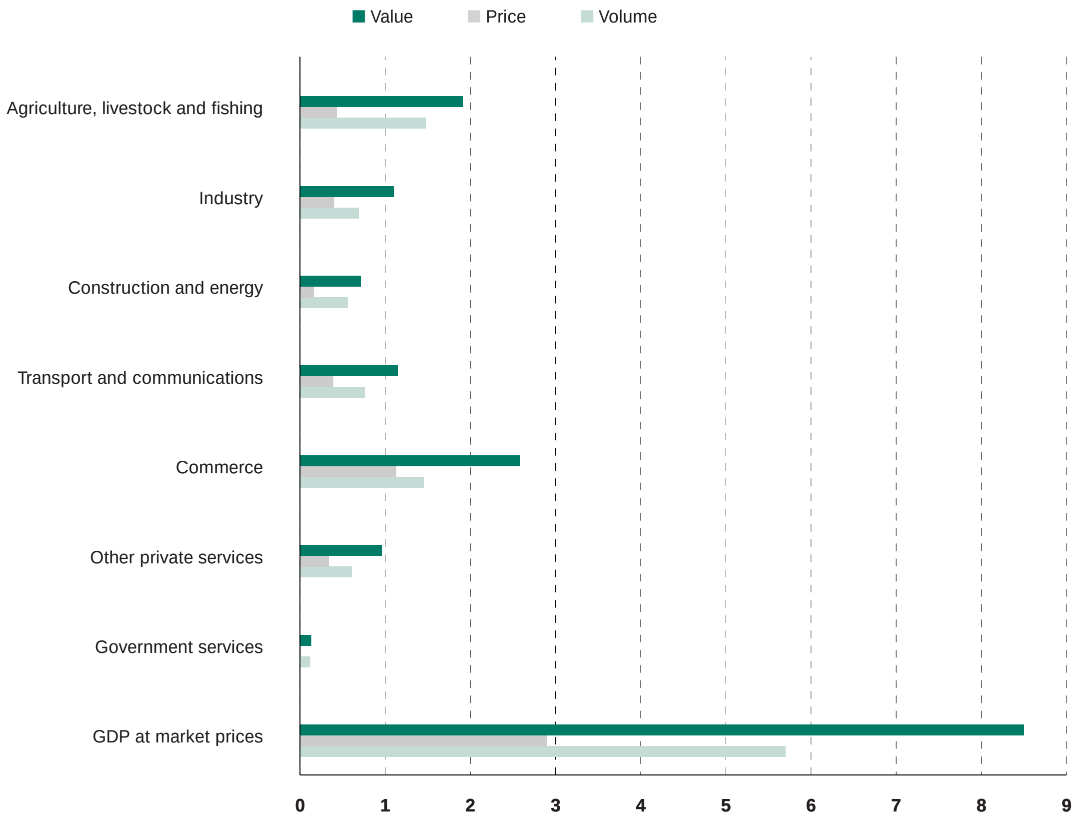
2. What distinguishes the informal sector from the formal is not so much non-payment of taxes as the problem for its members of keeping proper accounts due to the high illiteracy rate.

Figure 3 - GDP by sector in 2001



Source: Authors' estimates based on data from the *Direction de la Prévision et de la Statistique.*

Figure 4 - Sectoral contribution to GDP in 2001



Source: Authors' estimates based on data from the *Direction de la Prévision et de la Statistique.*

in the Dakar area alone, 51 per cent of it in the services sector. Though informal, it is quite visible from being organised into several professional associations, such as *Unacois.* But the tertiary sector slowed down sharply in 1999 and 2000 because of irregular electricity supply and investor timidity linked to the political changeover. Commerce and tourism recovered in 2001 and 2002 despite the 11 September attacks in the US, which had very little effect on the Senegalese economy.

Table 1 - Demand Composition (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003(p)
Gross capital formation	**16.7**	**20.6**	**22.9**	**20.0**	**19.9**	**20.0**
Public	4.4	8.3	6.2	6.4	7.0	7.1
Private	12.3	12.4	16.7	13.6	12.9	13.0
Consumption	**91.3**	**86.9**	**86.9**	**88.1**	**91.6**	**93.6**
Public	12.4	12.7	14.0	16.5	17.3	17.2
Private	79.0	74.3	72.9	71.6	74.3	76.4
External sector	**-8.0**	**-7.6**	**-9.9**	**-8.1**	**-11.5**	**-13.6**
Exports	32.1	30.4	29.7	29.6	26.3	24.1
Imports	-40.1	-38.0	-39.6	-37.7	-37.8	-37.7

Source: Authors' estimates and predictions based on data from the *Direction de la Prévision et de la Statistique.*

Senegalese private investment is traditionally affected by constraints on production, the fairly low domestic savings rate and the virtual absence of foreign direct investment. The relative stagnation gave way in 2001[3] to recovery as domestic savings conditions improved (the savings rate rose from 12.3 per cent in 1997 to 14.3 in 1999) and investors regained some confidence after the political changeover. The troubles in Côte d'Ivoire could strengthen this trend in 2003 by causing redirection of investment to Senegal.

Macroeconomic Policy

Fiscal and Monetary Policy

After devaluation in 1994, the country began a period of budgetary restraint to restore balance to public finances. In 1998, to stabilise the tax structure of the budget, a common external tariff (TEC) was introduced at the behest of UEMOA/WAEMU and the oil price stabilisation mechanism was replaced by indirect taxes. Streamlining the tax system continued in 2000 and 2001 with a scheme to get revenue from the informal sector through a levelling tax (on imported goods used mostly by the sector),[4] introduction of a single identification number for each taxpayer and the opening of advice centres to help firms simplify their accounting. The country also adopted a uniform sales tax (VAT) rate of 18 per cent in May 2001. These reforms have taken tax revenue since 2000 to above the UEMOA's convergence rate of 17 per cent of GDP. Budgetary reforms continued in 2002 with adoption of the new UEMOA legal framework for public finances before the December 2002 deadline. Senegal incorporated nomenclature changes in its 2002 budget to bring it into line with other French-speaking countries, as well as monitoring of public expenditure and new budgetary procedures to reduce salary payment arrears.

However in April 2002, the Bretton Woods institutions criticised management of public finances since the political changeover and refused to release the third tranche of the PRGF money. Several aspects of the 2001 budget led to this decision. The government was obliged to help the groundnuts and electricity sectors with their large debts to the banks, paying 65 billion CFA francs ($89 million) to *Sonacos* and 40 billion ($55 million) to *Sénélec*, accounting for the huge rise in expenditure that year. These deficits were covered by issuing treasury bonds for Sénélec and by obtaining a statutory BCEAO overdraft for *Sonacos*. The bond issue was partly redeemed in March 2002 and the remainder in September that year. The pressure on the financial system prevented full reimbursement of the statutory BCEAO advances[5] by the end of 2001

3. The jump in 2000 was due to a big stock variation (stocks were 5.6 per cent of GDP that year) because of investor caution during the political changeover. Stock variation also by definition includes errors of measure.

4. It was later abolished because it was an extra weight on the formal private sector without really achieving its aim.

Table 2 - Public Finances (percentage of GDP)	1995	1999	2000	2001	2002 (e)	2003 (p)
Total revenue and grants[a]	**19.7**	**19.4**	**20.1**	**19.7**	**20.4**	**20.8**
Taxes	14.8	16.8	17.1	17.1	17.4	17.8
Grants	3.3	2.1	2.1	1.8	2.2	2.3
Total expenditure and net lending[a]	**19.9**	**20.8**	**20.0**	**21.7**	**20.4**	**20.2**
Current expenditure	14.2	12.0	13.2	15.3	12.8	12.6
Excluding interest	*11.3*	*10.6*	*11.7*	*11.3*	*11.7*	*11.7*
Wages and salaries	7.0	5.7	5.6	5.2	5.5	5.3
Interest payments	2.9	1.5	1.5	0.9	1.1	0.9
Capital expenditure	5.3	8.3	6.2	6.4	7.0	7.1
Primary balance	**2.7**	**0.1**	**1.6**	**-1.1**	**1.1**	**1.6**
Overall balance	**-0.2**	**-1.4**	**0.1**	**-2.0**	**0.0**	**0.6**

a. Only major items are reported.
Source: Authors' estimates and predictions based on data from the *Direction de la Prévision et de la Statistique.*

as scheduled. This problem is shared by all UEMOA countries, so they have reached a joint agreement with the BCEAO to repay such advances over 10 years.

Tax revenue in 2001 fell short by about 7 billion CFA francs ($9.5 million) owing to delay in introducing the standardised VAT. Expenditure was down because capital spending was 37 billion CFA francs ($50 million) less than budgeted. The late adoption (in September 2001) of the budget concerning the HIPC Initiative funds meant a substantial part of the amount earmarked for 2001 – 12 billion CFA francs ($16.6 million) of the total 17.8 billion ($24.3 million) – was rolled over to 2002, adding to the 22.5 billion ($30.7 million) budgeted for that year. But absorption problems may arise because the expenditure chain is too long. The overall national deficit increased in 2001 from near zero to –2 per cent of GDP.

The government's aim for 2002 is a big reduction in this public deficit through much better tax collection, which should be possible with the previous year's reforms (the VAT and the end of oil subsidies) and by curbing transfers to state bodies. A 10 per cent increase in electricity prices was imposed in 2002 to reduce the government subsidy needed. A 10 billion CFA franc ($13.6 million) grant should also allow *Sénélec* to repay its debts to the oil firms. However, new oil price rises may force a new increase in electricity rates. Absorption of the deficit in the groundnuts sector mainly depends on the government's ability to market groundnut oil locally. The reduced volume *Sonacos* has said it will collect, as well as the end of support for prices to growers should mean less risk of spending getting out of control again. The wage bill is expected to rise once more because of 6-9 per cent pay rises due to pension reforms.[6] Capital expenditure should also grow as the HIPC Initiative funds are taken up.

Like other UEMOA countries, Senegal's currency is pegged to the euro and its monetary policy is conducted by the BCEAO, which leaves fiscal policy as the government's main economic instrument. Since devaluation, inflation has been kept below 3 per cent. In 2001, it averaged exactly 3 per cent, despite a high at the end of the year due to food prices and standardising the VAT at 18 per cent. It should fall to around 2.6 per cent in 2002 and 2003.

External Position

With a diversification index of 13.6, Senegal's trade is more diverse than its neighbours, which export only a few commodities (Côte d'Ivoire's index is 5.8, Burkina

5. These reached 70 billion CFA francs in June 2002.

6. The government has increased wages to make up for the drop in purchasing power of civil servants caused by their increased pension contributions.

4.6, Mauritania 3.5 and Mali 1.9). At the end of the 1980s, fishing products replaced groundnuts as the country's main export. In 2001, fish and shellfish accounted for 31 per cent of exports, compared with 12 percent for groundnuts. Phosphates and chemicals extracted from them were in second place at 14 per cent. Re-exports (15 per cent of total exports), especially petroleum products to West Africa, illustrate Senegal's role as a transit point in the sub-region. Since 1995, some trade has shifted to African countries, though Europe is still the biggest customer, taking more than 40 per cent of exports). The active US trade policy in Africa should also help change the trade pattern in the medium term. Senegal was declared eligible on 24 April 2002 to benefit from the African Growth and Opportunity Act (AGOA) in the form of lower tariffs, especially on clothing exports to the US. As a result, the country has strengthened ties with Mauritius, which plans to set up export industries in Senegal and is already building a textile factory and another to produce printer cartridges.

Over 80 per cent of imports are food products (7.6 per cent of all imports are rice), semi-processed consumer goods or oil products (more than 23 per cent of total imports), mainly from Europe (including France, which supplies a quarter of all imports, down from 33 per cent in 1995).

Senegal's trade pattern makes it vulnerable (though less so than its neighbours) to up and downs in the three main export sectors (fish, phosphates and oils), which in recent years have suffered from a shrinking European market and internal problems with outdated infrastructure and dwindling raw materials. A dispute arose recently with the European Union over how much compensation Senegal should get under an accord allowing EU boats to fish in its waters. Agreement was reached on 25 June 2002 on a sum of €16 million annually over four years (instead of €12 million previously) for an annual quota of 1 500 tonnes of fish (instead of the previous 2 131 tonnes). This will include Senegal's first "biological rest" period from May 2003.[7]

Senegal's small exporting capacity means it has a structural deficit in its trade and current account balances. In addition, the trade balance deteriorated between 1997 and 2000, though there was a very slight let-up in 2001. The trade balance began worsening again in 2002 owing to many problems with traditional exports, especially fish and groundnuts.

The external debt in 2001 was 78.3 per cent of GNP at nominal value, which was fairly stable. In 1998, the ratio of the debt to government revenue was 305.3 per cent NPV, above the 250 per cent minimum to be eligible for the HIPC Initiative.[8] In June 2000, the country achieved decision point for the HIPC and promised to submit a poverty reduction strategy paper (PRSP) at the end of 2001. However, organisational problems meant household surveys to determine the level of poverty were late starting (not until June 2001) and the deadline for the PRSP was put back to mid-2002.[9]

Table 3 - Current Account (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003(p)
Trade balance	-5.5	-7.3	-9.5	-8.3	-11.0	-12.6
Exports of goods	21.6	21.6	21.0	21.0	18.3	16.7
Imports of goods	-27.2	-28.9	-30.6	-29.3	-29.3	-29.4
Services balance	-0.1	-0.3	-0.4	-0.3		
Factor income	-3.5	-2.0	-2.1	-1.6		
Current transfers	3.8	3.3	5.3	5.4		
Current account balance	**-5.3**	**-6.2**	**-6.7**	**-4.8**		

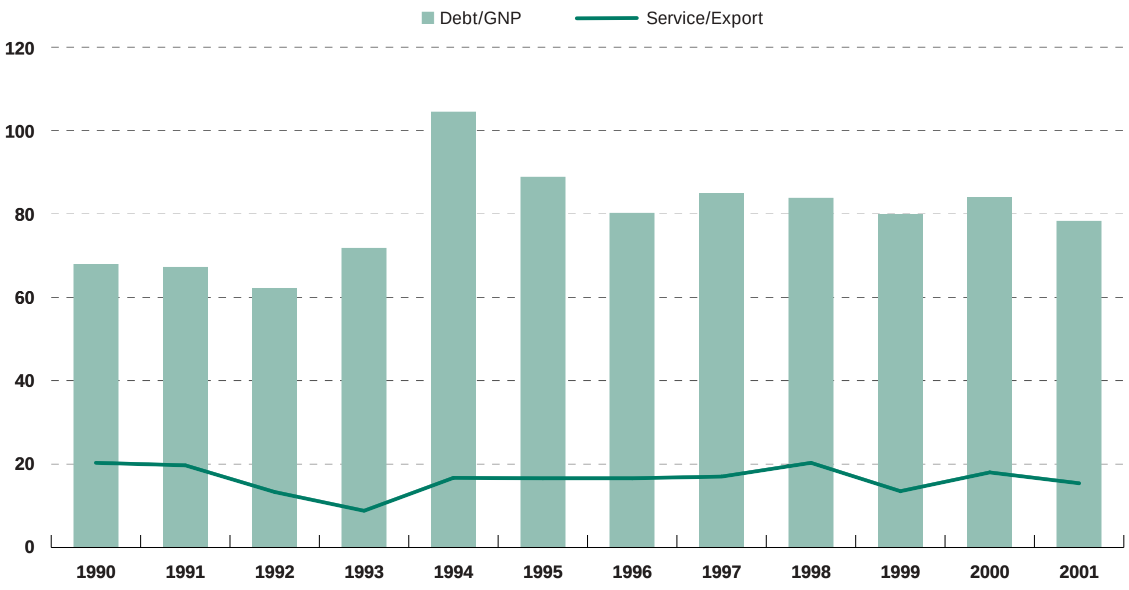
Source: Authors' estimates and predictions based on IMF data.

7. Involving a ban on fishing so stocks can replenish themselves.

8. This is the applicable level because the relief obtained on the basis of the ratio to exports would be less.

9. It was finalised and sent to the Bretton Woods institutions in May 2002.

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports of goods and services)



Source: World Bank.

The priorities, drawn up after national consultations organised by the government, were encouragement of income-generating activity, access to jobs and basic services (health-care, water and education) and improving living standards for the poorest people. It was also decided to make the poverty reduction plan participatory and decentralised. Reaching completion point depends on signing up to an IMF programme and on some conditions set by funding agencies that have not yet been met. Structural reforms such as privatisations have been delayed, for example, and social targets in primary education and health-care have not been reached either.

Structural Issues

In 1994, Senegal promised the IMF and the World Bank it would liberalise domestic prices, foreign trade and the labour market. Plans for agricultural reform and a timetable for privatisation were also drawn up. However, by the end of September 2001, Senegal was not complying with structural reform targets for the poverty reduction and growth facility (PRGF) because of delays in privatisation, big financial deficits in the groundnuts and electricity sectors that had to be cleared by the government and the complexity of reforming the pensions system and the postal service.

The government began privatising in 1987, starting with the trade sector and moving on in 1995 to infrastructure. Water supply was privatised in 1996, although the water and equipment remained state property. In 1997, the national telecommunications authority *Sonatel* was partly privatised and then floated on the regional stock exchange, where it is a blue-chip company. Fifty-one per cent of Air Senegal was bought by Royal Air Maroc in January 2000. The first privatisations were mainly of companies in good shape that the government had invested in to make more attractive, so they were a success.

However the government's holdings still include problem firms such as *Sénélec*, whose privatisation was abandoned by both parties involved (the government and Hydro-Québec/Elyo) but was back on the market in 2001. A new call for tenders on 10 July 2001 resulted in the choice of Vivendi/ONE as the government's key partner. But negotiations had not worked out by 31 January 2002 and the government began talks with another candidate, AES Frontier. These failed too and a task force was set up to consider *Sénélec*'s future. The stumbling blocks with potential buyers are its out-of-date machinery and its bad financial situation which rules out renovation or increasing capacity.

Privatisation of the vegetable oil marketing body *Sonacos*, has been suspended for lack of a buyer, mainly because of untidy accounting and uncertain market prospects in the groundnuts sector. In November 2001, the government disbanded *Sonagraines*, the sector's collection and transport firm. The aim was to liberalise prices for these operations. But the authorities did not want to destabilise a sector employing a large part of the rural population, so chose not to fully open it to market forces for the 2001/02 harvest and designated collection areas for intermediaries and set benchmark prices. This first stage should allow the government to devise a restructuring plan for *Sonacos* and plan its privatisation in 2003.

As well as these privatisations, begun in 1999 and not yet complete, the government set a target of 11 others to be carried out by June 2002 to enable Senegal to reach the HIPC Initiative completion point. Some of the firms have been broken up or privatised, but the target of 11 is far from being reached, despite the flexibility in the list.[10] Among privatisations planned for 2002 were a concession agreement for operating the Dakar-Bamako railway. The technical bids by the Bolloré/SNCF International consortium and Canadian Railways were shortlisted by the government, which set a June 2002 deadline for financial bids. The capital of the state textile company *Sodefitex* was to be increased to bring the share of Dagris (ex-CFDT) up from 20 to a majority 51 per cent.

Talks with the trade unions about reforming the state pensions system have been difficult, but they produced passage of a law in February 2002 that broadened the salary base for contributions, pushed back retirement age from 55 to 60, reduced family allocations and calculated pensions on three years of salary instead of one. These changes allowed the National Pension Fund to show a slight current surplus in March 2002.[11] But the Bretton Woods institutions criticised the law, saying it did not ensure pensions could be paid over the long term. The authorities said a gradual approach was best and stressed the reform was well under way.

An audit of the postal service in 2000 showed accounting irregularities and the government removed its managers and froze investment. Postal rates were increased, home deliveries abolished[12] and government subsidies planned (from 2003) to eliminate the service's chronic annual deficit of between 1 and 2 billion CFA francs ($1.3 and 2.7 million). The government also says it will soon come up with an action plan to eliminate the service's debt, notably involving separation of its financial and postal services sections.

Senegal's banking system has been stabilised since structural reforms in 1989 and 1990 and has also been helped by the UEMOA council's adoption of new prudential ratios in January 2000. But the sector's performance is still mixed. Its loans are more diverse than in neighbouring countries, where most funding goes to their main product. The sector is also considered fairly healthy since the number of non-performing loans has been sharply reduced while the banks have increased their own capital. In 2001, net banking income rose by 14.8 per cent.

However, the financial sector is still very under-developed considering the economy's need for funding. The floating of Senegalese firms on the regional stock exchange is not picking up and *Sonatel* is still the only one listed five years after it joined. Banks complain about the level of debt, which encourages them to up their profit margins, demand iron-clad security and so exclude some potential customers. To meet the economy's needs, a parallel system has grown up of

10. Only the total number was fixed, not which firms were involved.

11. The Fund had shown an annual deficit until then of around 9 billion CFA francs (about $12 million).

12. This was put off until 2003.

mutual benefit societies providing small short-term loans, but there are no such facilities for medium-sized firms.

Senegal is geographically better off than other West African countries and its infrastructure is quite developed. But in the country as a whole it is unevenly distributed and badly maintained. With a World Bank loan, the government adopted a road, rail, sea and air transport development programme (PST II) in January 1999. However, because of the political changeover, it was revised, which caused delays and the World Bank considered its implementation unsatisfactory. Privatisation of the airport was dropped in favour of building a new one. Renovation of the Dakar-Bamako railway was slowed down by a change in the form of privatisation[13] and rehabilitation of the country's main roads was delayed by the setting up of new structures, mainly the Independent Roadworks Agency (*Agence Autonome des Travaux Routiers*) in 2001. Studies are under way for privatising the port of Dakar, especially the container terminal.

Senegal has outdated energy infrastructures producing far less than the country needs. The failed efforts to privatise *Sénélec* have increased the anger of a public that considers power cuts the main block to private initiative. They have also raised the key issue of finding the investment needed to provide sufficient supply, since experts agree that the start-up of the Manantali Dam at the end of July 2002 will not meet all the country's energy shortfall. For want of longer-term solutions, *Sénélec* has acquired two generators to produce a total of 30 mW from February 2003.

Political and Social Context

Senegal was one of the first African countries to introduce a multiparty system, with the government recognising opposition parties in 1974. There was no democratic changeover until elections in March 2000, when the opposition Democratic Party (PDS) leader Abdoulaye Wade beat outgoing President Abdou Diouf. Wade inspired great hopes among Senegalese, but the new head of state had little room for manoeuvre until elections in April 2001, when the PDS finally won a parliamentary majority. Despite this victory, the situation remained uncertain until local elections in May 2002 because of in-fighting among the government coalition partners.[14] The opposition managed to keep some strongholds but the government now had a free hand nationally and locally. No more voting is due until parliamentary elections in 2006. The threat for the government will come not so much directly from the opposition parties as from social forces that may produce grassroots unrest if people believe the political changeover has not produced results.

The changeover made economic interests cautious at first, but the private sector quickly adapted, especially as the new government clearly supports the sector's growth and has taken on board several of its proposals, such as setting up a body to encourage small and medium-sized businesses. Investment has been made easier by a new investment promotion body, APIX, even though rigidities continue. Two obstacles remain however – the problem of land titles and heavy taxes. Lack of a national land register hinders the growth of farming, since land cannot be used as security, and private investment, because accession to and use of legally-acquired sites cannot always be guaranteed. The limitations of the political changeover are also seen in sectoral development programmes, where some investment has been put on hold because of it. About 40 per cent of the projects being monitored by the World Bank were considered unsatisfactory in February 2002.

President Wade is an internationally active leader, playing a leading role in peace missions to conflict areas (especially Côte d'Ivoire) and promoting the New

13. The initial plan of partial franchise was changed to total franchise.

14. The president won the presidency thanks to an alliance between liberals and the left. Relations between the two groups deteriorated after the government tried to take control of the Senegalese National Workers' Confederation (CNTS), which split the union.

Partnership for Africa's Development (NEPAD), which he partly inspired with the Omega development plan. However, Senegal's relations with neighbouring countries are difficult and conflict is frequent between people living on each side of the border with Mauritania. Trouble erupted recently along the border with The Gambia over increased taxes on Senegalese vehicles crossing Gambian territory to get to the other part of Senegal. The dispute came to a head in July 2002 when a blockade imposed by the Senegalese in reprisal for the vehicle tax increase prevented the Gambian foreign minister from entering Senegal. These incidents illustrate the persisting tension between the two countries, which centres on The Gambia's lack of support for the project to build a bridge over the River Gambia, which would greatly reduce the transit time between the two parts of Senegal and open up Senegal's southern Casamance region.

Since the 1980s, violence has flared up several times in Casamance. However, the government adopted an economic and social recovery plan for the Ziguinchor and Kolda regions in May 1999 after consulting with local officials there, showing a determination at government and local level to pacify the situation. In August 2002, two rival factions of the rebel Casamance Movement of Democratic Forces (MFDC) called for a resumption of talks with the government, two months after it launched a large-scale military offensive and as the rebel forces broke up into smaller roving armed groups. However, the sinking of the ferryboat Joola on 26 September 2002 on its route between Dakar and Ziguinchor with the loss of nearly 1,500 lives may aggravate the Casamance crisis if the government fails to deal effectively with its consequences, mainly by compensating the victims' families.

The government pledged in 1998 to push for greater transparency and to fight corruption. An anti-fraud plan was set up in the customs service and the legal system was strengthened with more training for judges. Despite these efforts, Senegal fell from 50th place (2000) to 65th (2001) to 66th (2002) in Transparency International's corruption perception index (out of respectively 88, 99 and 102 countries listed). A survey on the perception of poverty by Senegalese in 2001 showed that 94.5 per cent thought the standard of living would improve if the government managed to stamp out corruption throughout the country.

Decentralisation was also begun in 1995, enabling better distribution of wealth and more democratic institutions. This was boosted in 2001 with the anti-poverty programme whose participatory approach involved local communities in designing projects. Decentralisation is not yet complete but is seen by all as vital for the anti-poverty battle. The government is determined to push through reforms, as shown by its active participation in the HIPC Initiative and decision to design by itself the next programme with the IMF.

Despite good economic performances since devaluation, Senegal's social indicators show persistent poverty and many deficiencies in the education and health care sectors. In 1994, a spending and consumption survey, ESAM-I, showed that 57.9 per cent of the population were poor (measured as consumption of less than 2 400 calories a day). QUID 2001 (the Composite Survey of Development Indicators) said the figure had fallen slightly, to 53.9 per cent. However this improvement is not felt by the population, 64.6 per cent of whom think poverty has worsened in recent years. But this negative view goes along with a positive one of the future, with 50.5 per cent of heads of households expecting poverty to decline over the next five years. Wealth differences include very sharp inequalities between regions, between town and country and in the cities themselves. Worst off are the central, south and northeast regions.

Infant mortality is lower than in neighbouring countries (56.8 per 1 000 for 2000-2005 compared with more than 80 for the rest of the sub-region), but life expectancy is still low at 54 years. However, Senegal stands out from its neighbours with its quite effective HIV/AIDS prevention programme, which has given it the lowest rate of the disease in West Africa (0.5 per cent in 2001).

Health care is a government priority, as shown by the modest but steady growth of its share in the budget – from 6 per cent in 1997, to 6.3 in 1999, 7 in 2000 and a goal of 9.17 per cent in 2002 (above the 9 per cent World Health Organisation target). It is also one of the top priorities of the PRSP. The government wants to increase vaccination coverage from 48 per cent in 1998 to 70 in 2005 and access to health care (defined as less than 30 minutes away) from 41.8 per cent in 2001 to 50 in 2005 in rural areas and from 79.7 per cent to 85 in cities.

The education sector has serious shortcomings in the form of low enrolment and literacy rates. Only 38.2 per cent of the population was literate in 2001, one of the lowest rates in West Africa, and gross primary school enrolment was 69.4 per cent in 2000/01 (the government put it at 73 per cent in 2001/02), on a par with Côte d'Ivoire and Ghana, but well below the figure for much poorer countries such as Benin and Togo.

These bad performances are striking because Senegal spends much more on education than other sub-Saharan countries (about 36 per cent in 2002), but the poor result is because money is systematically channelled to university education to the detriment of primary education. An education programme drawn up under the 20/20 Initiative with the schools themselves and international funding agencies aims to increase primary education's share from one third at present to 44 per cent by 2003 and eventually to 50 per cent. But the new government disagrees with the policy of its predecessor and has reversed the situation by giving scholarships to all higher education students, using up funds that could have gone to primary education. This policy disagreement with the funding agencies (especially the World Bank) has brought the 10-year education plan (Pedef) to a halt.

