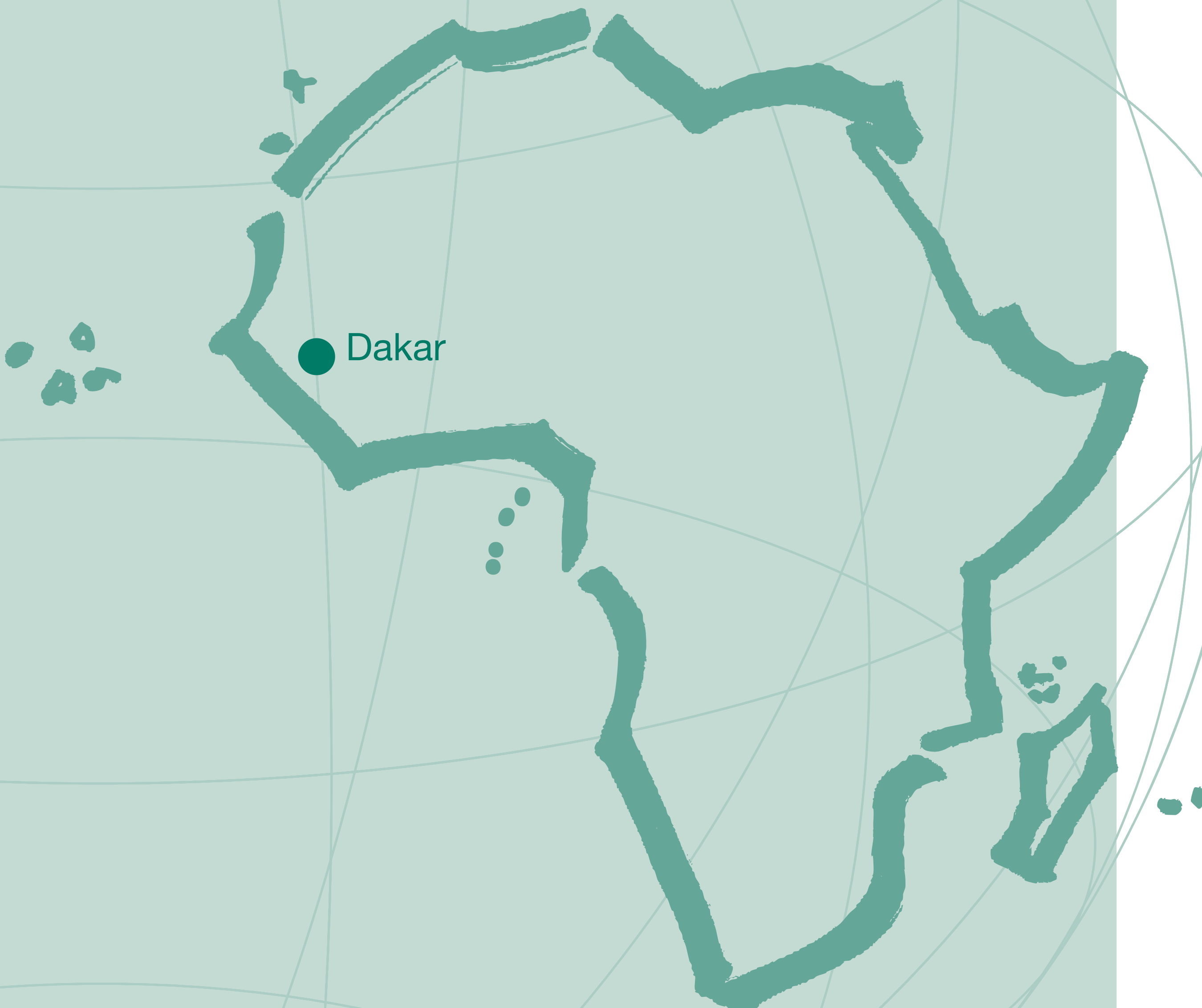
Senegal



key figures

• Land area, thousands of km²	197
• Population, thousands (2002)	9 855
• GDP per capita, $ (2002)	506
• Life expectancy (2000-2005)	52.9
• Illiteracy rate (2002)	60.7

Senegal

SENEGAL HAS FOUND ECONOMIC STABILITY since the 1994 CFA franc devaluation and maintained strong annual growth of about 5 per cent. Nevertheless, the country still has high unemployment and widespread poverty and was classed as a least developed country (LDC) in 2001 by the UN Economic and Social Council. The economy largely depends on agriculture (and therefore the weather), as well as foreign aid and remittances from Senegalese workers abroad. Despite official encouragement, private investment and economic diversification are slow in coming owing to physical congestion in Dakar and poor transport to the sub-region.

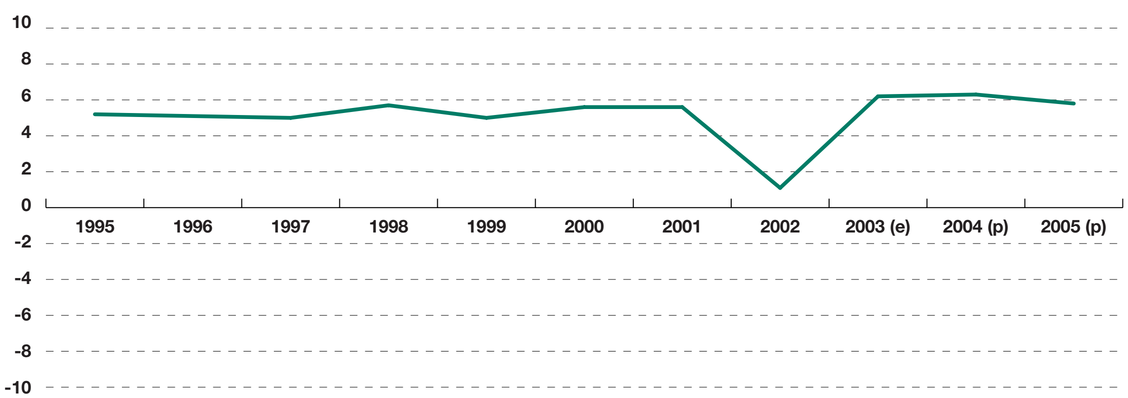
Political discontent is growing as the popularity of President Abdoulaye Wade's government fades and inequality persists, between both the Cape Verde peninsula and the rest of the country and between the middle class in Dakar and the urban and rural poor. Senegal will also have to do something about availability of land, which is being reduced by desertification and growing urbanisation.

The social and political climate has started to deteriorate while household consumption remained buoyant on remittances and aid.

Good economic performance in recent years was interrupted in 2002. Unexpectedly poor agricultural production (especially peanuts) due to a summer drought cut economic growth (by 1.1 per cent) and per capita GDP – the 20.6 per cent drop in primary sector production accounted for three GDP points. The fall in production was also entirely rolled over in 2002 because of the change in the national accounting system.

Despite this crisis, household consumption, the motor of the economy, remained very buoyant, triggering a

Figure 1 - **Real GDP Growth**

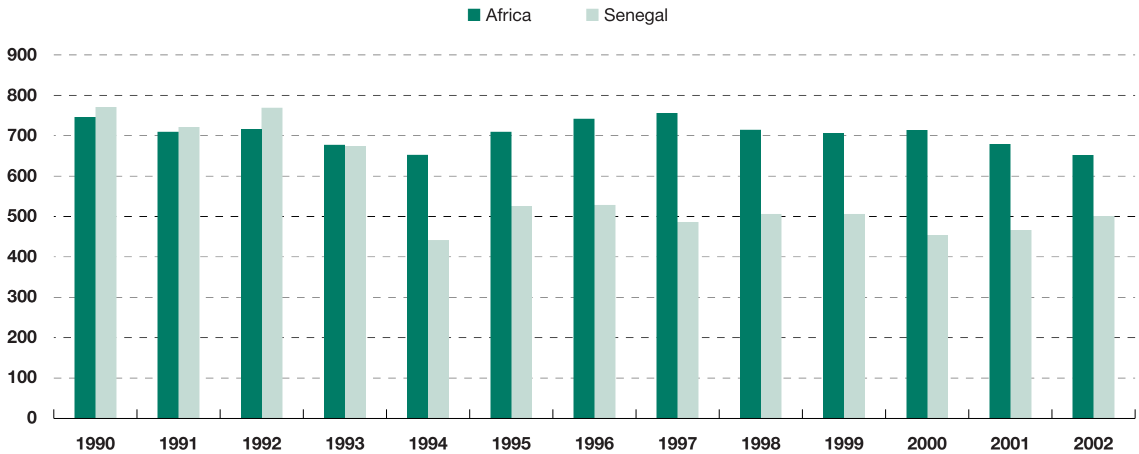


Source: *Direction de la Prévision et de la Statistique* data; projections based on authors' calculations.

rise in imports, while government consumption fell. Growth was estimated at 6.2 per cent in 2003, a big rebound caused by the revival of internal demand.

However, private consumption has begun to slow due to the drop in rural incomes in 2002. The primary sector recovered, though mining and chemicals stagnated. The crisis in Côte d'Ivoire had a small effect on the economy in 2003 through a slight increase in port traffic and a larger rise in non-traditional exports by value to the sub-region. But this activity was marginal in the country's foreign trade so its increase had little effect. The economy is expected to slow, with growth of 6.3 per cent in 2004 and 5.8 per cent in 2005.

Figure 2 - **GDP Per Capita in Senegal and in Africa** (current $)



Source: IMF.

Recent Economic Developments

The primary sector slumped by a huge 20.6 per cent in 2002 because of an unexpected 30 per cent drop in agricultural output caused by severe drought. Hardest hit were groundnuts, with a 70 per cent drop, partly due to disrupted markets following privatisation. The crop failures cut rural incomes and famine loomed in early 2003. The government provided emergency aid to the sector and farm production revived (up 36.3 per cent) in 2003 owing to better weather, with record crops of traditional grains (millet and sorghum) and rice. Maize growers also significantly increased output with special help from a government programme to boost farmer confidence and diversify production. The cotton harvest was a record 54 893 tonnes (40 per cent more than in 2002).

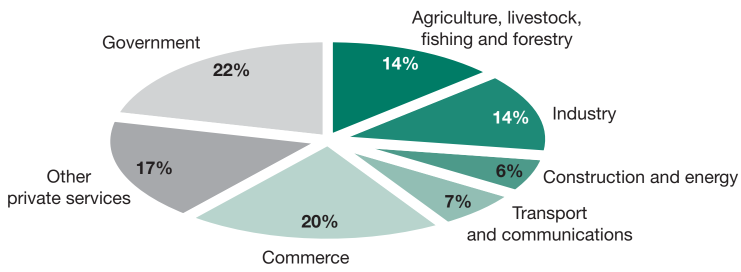
Groundnuts were up by 71 per cent, though this was well below capacity at 34 per cent less than the average annual production in the previous five years. About 35 per cent less land was planted and fewer and poorer quality seeds were available due to the bad previous crop. Local fishing catches increased 22 per cent year-on-year in the first nine months of 2003 and meat supplies rose 4.2 per cent.

Industrial production grew 3.7 per cent in 2003, less than the previous year. Housing and construction performed well again (up 10.2 per cent) due to plenty of investment by Senegalese living abroad. After a difficult start, phosphates production for the year rose 4.5 per cent, helped by the opening of a new section of the Tobène mine in October. However, this good-quality product did not immediately reach the phosphoric acid production stage and basic chemicals output was down 10 per cent. The tobacco industry, economically not very important, recorded a huge 43.2 per cent increase, probably due to disrupted supplies from Côte d'Ivoire to the sub-region.

In 2003 industrial production gained from higher energy output (up 10.2 per cent after a year of power cuts in 2002) with the opening of the Manantali hydro-electric dam and a new 30 MW thermal plant in Dakar (Cap des Biches) in February. Food processing slowed, however, because of the continuing decline in groundnut oil production (down 35 per cent).

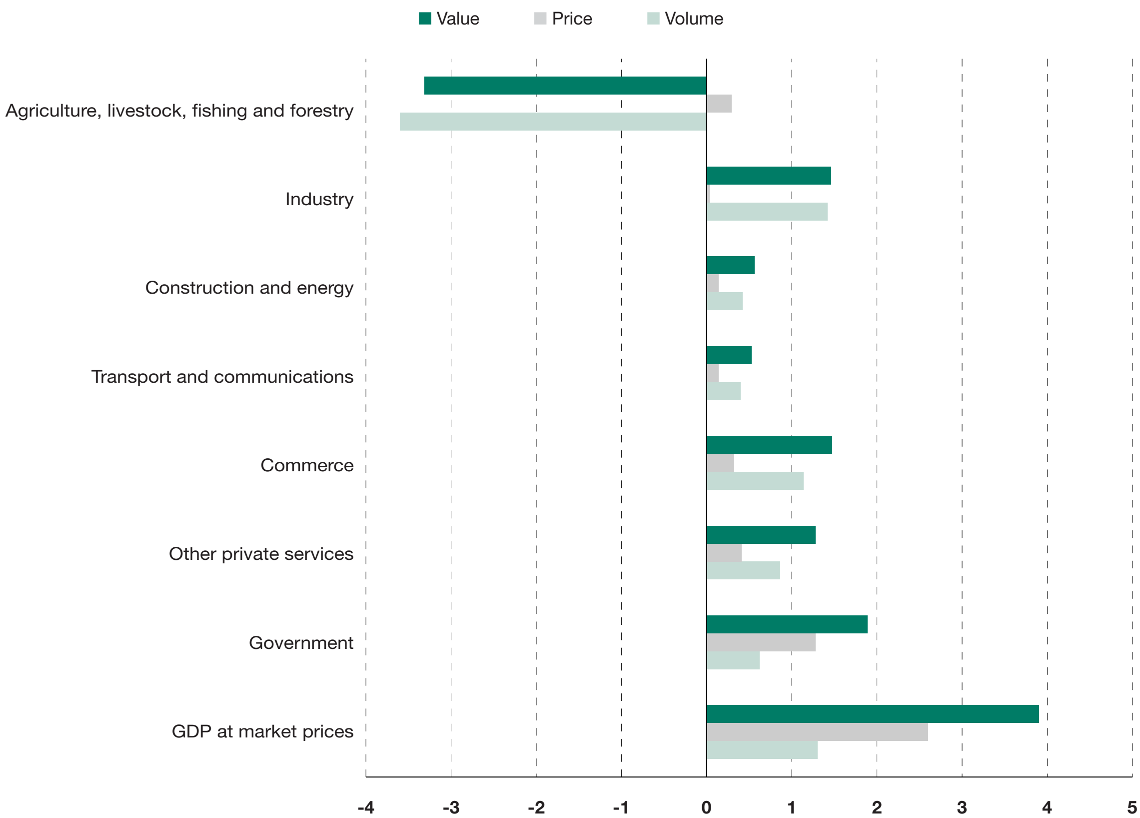
The tertiary sector advanced only 4.8 per cent in 2003, though indicators were generally healthy, with profit margins up 7.2 per cent and turnover 15.5 per cent higher. Road haulage (down 33.1 per cent) and commerce (up 5 per cent, compared with 5.9 per cent in 2002) were hit by the bad 2002/03 harvest. However, telephone and other services continued to expand and more goods came in through the port of Dakar. The troubles in Côte d'Ivoire also meant that goods destined for Mali were routed through the port.

Figure 3 - **GDP by sector in 2002**



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

Figure 4 - **Sectoral Contribution to GDP Growth in 2002**



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

Consumption is the overwhelming (81.1 per cent) component of growth in Senegal, fed largely by remittances from emigrants and the buying power of traders. After slowing down because of less public consumption in 2002, internal demand grew by more than 6 per cent in 2003. However, although the government plans to create jobs in the medium term (5 000 civil service jobs a year for three years, starting from the 2004 budget year) and to implement anti-poverty measures, household consumption began to weaken in 2003. This was the result of to the earlier decline in rural income and is expected to continue in the foreseeable future. The external sector, always important in the economy, will have a less negative impact in 2004 as exports improve and imports fall.

Table 1 - **Demand Composition** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Gross capital formation	**17.6**	**20.8**	**18.3**	**16.7**	**16.3**	**16.5**	**16.5**
Public	3.0	5.7	6.1	8.0	7.8	8.0	8.0
Private	14.6	15.1	12.2	8.8	8.6	8.5	8.5
Consumption	**87.5**	**88.9**	**91.3**	**93.0**	**93.1**	**93.3**	**93.8**
Public	13.9	13.7	14.8	11.2	11.6	11.6	11.5
Private	73.6	75.2	76.5	81.8	81.5	81.7	82.3
External sector	**-5.1**	**-9.7**	**-9.7**	**-9.8**	**-9.4**	**-9.8**	**-10.3**
Exports	31.0	29.1	30.7	30.5	29.0	27.3	26.0
Imports	-36.1	-38.8	-40.4	-40.2	-38.4	-37.0	-36.2

Note: National accounts have been revised on the basis of the 1993 national accounting system and published in April 2003.
Source: *Direction de la Prévision et de la Statistique* data; projections based on authors' calculations.

The big task is to kick-start private investment, which, despite tax incentives and clear policies aimed at the private sector and commerce, is barely filling the gap, though in 2003 it rose (2.1 per cent after declining in previous years) and diversified. Apart from the traditionally strong construction business in Dakar, other sectors are now attracting investors, including the assembly industry (household appliances, computers and vehicles) new information and communications technology (which has benefited from Dakar's speedy link-up to a good international fibre-optic cable network) and horticultural exports.

Such growth is also reflected in the number of projects approved by the national investment promotion agency APIX, which have increased from 438 in 2001, to 470 in 2002 and 573 in 2003. This represents a doubling of the value of intended investment in 2002 and a 40 per cent increase in 2003, with more than 576 billion CFA francs ($983.3 million) expected. Food processing overtook tourism in 2002 as the most popular investment sector, as reported by APIX. Tourism is still the key industry, followed by agriculture. Foreign direct investment remains modest and volatile ($93 million in 2002, against $32 million in 2001 and $136 million in 1999), but better business conditions and more effective investment promotion could improve prospects from 2004.

Macroeconomic Policy

Fiscal and Monetary Policy

Since the WAEMU convergence, stability, growth and solidarity agreement came into effect in December

Table 2 - **Public Finances** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Total Revenue and grants[a]	**17.7**	**19.6**	**19.9**	**20.9**	**21.5**	**21.0**	**21.6**
Tax revenue	13.3	16.8	17.3	18.1	18.0	17.9	17.9
Grants	3.0	2.0	1.8	1.8	2.5	2.1	2.7
Total expenditure and net lending[a]	**17.9**	**19.5**	**19.6**	**22.2**	**23.7**	**23.5**	**23.3**
Current expenditure	12.7	13.3	13.2	13.2	13.5	13.4	13.2
Excluding interest	*10.1*	*11.9*	*12.3*	*12.1*	*12.3*	*12.2*	*12.2*
Wages and salaries	6.3	5.5	5.3	5.7	5.5	5.6	5.6
Interest	2.6	1.4	0.9	1.1	1.2	1.1	1.1
Capital expenditure	4.7	6.1	6.5	9.2	8.9	9.3	9.2
Primary balance	**2.4**	**1.5**	**1.2**	**-0.2**	**-1.0**	**-1.4**	**-0.7**
Overall balance	**-0.2**	**0.1**	**0.3**	**-1.3**	**-2.2**	**-2.5**	**-1.7**

a. Only major items are reported.
Source: *Direction de la Prévision et de la Statistique* data; projections based on authors' calculations.

1999, Senegal's macroeconomic policy has aimed to comply with the convergence criteria to prepare for economic integration in 2005.

Despite the sharp economic slowdown in 2002, Senegal met three out of four primary criteria (positive basic budget balance, the inflation target and no debt arrears, but not the debt ratio) and three out of four secondary ones (all except the current external deficit against GDP). The country did better in 2003 as the economy returned to normal. The budget deficit narrowed but public debt was still just over 70 per cent of GDP and for the first time the tax burden exceeded 18 per cent, up three percentage points in seven years.

Senegal resumed relations with the IMF in 2003 under a new three-year $33 million poverty reduction and growth facility (PRGF), approved on 28 April 2003, to support the government's economic reforms for 2003-05. This provided about $5 million in IMF funds after a year without disbursement. The previous PRGF was curtailed due to budgetary excesses that prevented final programme assessment. The first review of the new PRGF was approved in February 2004 after intense negotiations on an investment code and a suitable way to privatise the vegetable oil marketing body Sonacos.

An advisory group meeting held by the World Bank in Paris in June 2003 raised 840 billion CFA francs ($1.4 billion) in pledges for the country's 2003-05 priority investment programme, which remains very ambitious in view of Senegal's constant difficulty in absorbing such funds.

The transparency of public spending should continue to improve with completion of its analysis by the World Bank. Action plans to streamline its management and to reform the process of awarding government contracts have been approved. Tax reform, continuing in the 2004 budget, is designed to simplify the structure and make it fairer, to revise and enlarge the tax base, to combat evasion and encourage investment and competition. Company tax is set to fall in 2004 from 35 to 33 per cent (in line with World Bank recommendations) and a combined tax (CGU) for small businesses will be introduced.

Senegal has chronic problems in implementing its investment budget, especially where foreign funding is involved. Aid to projects (more than 700 are in the pipeline, backed by more than 50 aid sources and accounting for more than half the total aid budget) is still greater than the more easily disbursed budgetary aid. Funding procedures remain complex and badly harmonised except in the health and education sectors, which are subject to special programmes. The incorporation into the budget of sector strategies, as spelled out in the poverty reduction strategy paper (PRSP) paper, is still in its early stages.

The average execution rate for all public investment projects in 2002 was 73 per cent, but only 59 per cent for foreign-funded ones. However, moves to decentralise and deconcentrate the budget should give more say to ministries and local bodies and partially relieve the government of related responsibilities so as to speed up disbursements.

Budget revenue was 8.5 per cent higher in 2003 than 2002. Direct tax collection was up by 11 per cent in the first nine months and VAT collected on imports rose by 19.5 per cent. Non-tax revenue increased by 18.1 per cent owing to the new fishing policy which allowed for the speedy implementation of advantageous fishing agreements with Mauritania. Some 44 billion CFA francs worth of HIPC funds were added to the revised budget passed in August 2003.

Expenditure rose 14.4 per cent in 2003 and disbursement was apparently problem-free in the first half of the year. The increase was mainly due to an efficient flow of budgeted current expenditure (70 per cent of it was disbursed). Total capital spending was 65 per cent realised for internal funding and 50 per cent where funds came from abroad. There was an overall budget deficit of 2.2 per cent of GDP (-1.1 per cent in 2002).

All quantitative goals were achieved by the end of June despite insufficient spending in social sectors. However the rule about only contracting soft loans was broken in July when the state electricity firm Sénélec signed for a 9 billion CFA franc ($18 million) loan from the WADB to pay for urgently-needed investments.

The 2004 budget, approved by parliament in December 2003, planned for a 6.9 per cent increase in revenue and 8.9 per cent more spending on personnel, with 5 000 new civil service jobs in education and health. The investment budget was set to grow by nearly 20 per cent in relation to internal funding. An overall budget deficit of 2.5 per cent of GDP was predicted, to be financed if necessary by a treasury bond issue since statutory advances by the BCEAO were abolished in January 2003.

Senegal is a member of the WAEMU, so its currency is pegged to the euro and its monetary policy is conducted by the BCEAO. In 2003, internal credits were drawn by credits to the economy and lower intervention rates of the BCEAO. Despite the disappointing 2002 harvest, inflation was brought down from 3 per cent in 2001 to 2.3 per cent in 2002 and virtually zero (-0.2 per cent) in 2003 thanks to a good harvest in that year. Inflation is forecast at 1.8 per cent in 2004 and 2.1 per cent in 2005.

External Position

Senegal is dependent on public development aid (amongst the highest in West Africa at 45 dollars per capita in 2002) and on remittances from the estimated 400 000 to 500 000 Senegalese abroad. Though remittances are hard to estimate, they are assumed to have risen as worldwide emigration has generally increased. In 2002, 169 billion CFA francs (252.5 million dollars) are estimated to have been sent to Senegal, constituting an increase of close to 80 per cent since 2000.

The trade balance has long been unfavourable because of insufficient exports. The government promotes and encourages exports and an official export promotion agency, ASEPEX, is being set up along with a support fund. These policies aim to help firms be more competitive amid Senegal's high factor costs (especially electricity and transport) and its inadequate tax and legal structure. Adoption of the WAEMU common external tariff has not had the desired effect on regional trade and the forthcoming signature of an economic partnership agreement (EPA) with the European Union has increased local fears of competition. Preparations for the agreement are, however, behind schedule.

Despite the strengthening of the CFA franc against the dollar (due to the rise of the euro) and a 26.4 per cent drop in sales of groundnut products, exports held up in 2003, rising 0.8 per cent thanks to strong sales of cotton (gross sales up 21.6 per cent) and petroleum products (+5.1 per cent). In 2003 other non-traditional exports rose by 9.1 per cent (having doubled in five years), horticultural items by 5.7 per cent and salt by 7 per cent. These results can be explained in part by the conflict in Côte d'Ivoire, which created opportunities for Senegalese exports to the sub-region. However, apart from petroleum, non-traditional products do not yet constitute a significant component of trade.

Senegal's traditional exports have performed poorly. The value of phosphate exports was down 56.5 per cent because the main firm in the sector, ICS (Industries chimiques du Senegal), decided to focus on phosphoric acid production and use up phosphate stocks before opening up a new section of the Tobène mine. After a boom (+63 per cent) in acid sales to India in 2002, chemical exports fell by 18 per cent as acid prices fell sharply (13 per cent) and stocks dwindled. Fishery exports grew by only 0.7 per cent in 2003. Local fishing (for domestic consumption) performed strongly, but industrial fishing (the second source of foreign earnings after groundnuts) is in crisis, with stagnant supply, over-manning and declining stocks. The government is developing a plan for fishing and aquaculture to revive the sector and make it sustainable in the long term. Restructuring measures, for example the temporary halt on new fishing licenses, are already in place.

Imports grew by 5.6 per cent in response to very strong internal demand. They included 36.1 per cent more petroleum products but also more machinery and intermediate goods. This could mean higher industrial output in 2004. Despite greater volume imports after the poor 2002/03 harvest, the national food bill, normally a major item in the foreign account, was smaller due to lower rice and wheat prices.

The overall trade gap worsened slightly, by 56.1 billion CFA francs. Exports covered only 48.5 per cent of imports in 2002 (from 57 per cent in 1997) showing Senegal's continuing problem of integrating itself into the world economy. To reverse this trend, the government in 2002 pledged to encourage exports substantially as part of a technical aid plan for the business sector. The current account deficit rose from 6 per cent of GDP to 6.9 per cent in 2003. The current transfers' surplus increased from 240 to 259.5 billion CFA francs in 2003, mainly due to a rise in public development aid grants. Most transfers are remittances sent back through formal means by emigrants, but remittances are probably underestimated since it is very hard to discover how much is returned through other channels.

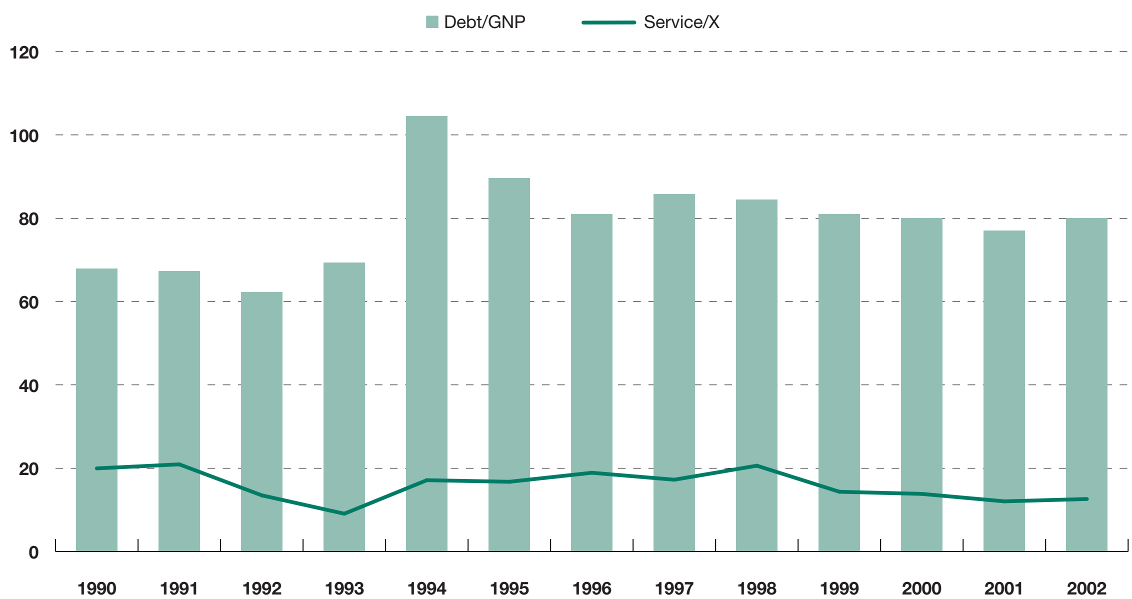
On 31 December 2003, total external public debt was put at 2 150.4 billion CFA francs ($3 671 million after $3 918 million in 2002) and was 64.6 per cent multilateral and 34 per cent bilateral, with the remaining private sector. Interest payments on it rose to 77.1 billion CFA francs ($131.6 million) in 2003 (93.5 billion CFA francs before HIPC relief), which was a saving of 16.4 billion CFA francs ($27.9 million). Debt servicing will be slightly higher in 2004. Senegal reached HIPC completion point in June 2000 and has since received more than 66 billion CFA francs (around

Table 3 - **Current Account** (percentage of GDP)

	1995	2000	2001	2002	2003(e)	2004(p)	2005(p)
Trade balance	-5.0	-9.3	-9.3	-10.3	-10.4	-10.5	-10.8
Exports of goods (f.o.b.)	19.4	20.5	22.0	21.8	20.3	19.1	18.1
Imports of goods (f.o.b.)	-24.4	-29.8	-31.3	-32.2	-30.7	-29.6	-28.9
Services	-0.1	-0.4	-0.3	-0.3			
Factor income	-3.1	-2.0	-1.9	-2.0			
Current transfers	3.4	5.6	6.7	7.0			
Current account balance	**-4.7**	**-6.1**	**-4.9**	**-5.6**			

Source: *Direction de la Prévision et de la Statistique* data; projections based on authors' calculations.

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



Source: World Bank.

$112.6 million) in interim aid (HIPC funds released have been about 20 billion CFA francs, or $34.1 million, per year), of which 65 per cent has been disbursed. The first IMF review of the poverty reduction programme signed in April 2003 took place in February 2004 and was largely positive. The HIPC completion point is expected to be reached by April 2004.

Structural Issues

Several structural problems, especially those of high factor costs (especially electricity) and opening up the country's interior, are getting worse and are hindering private investment. Improving the business climate and boosting agriculture remain major challenges.

Electricity supply is still bad, with many interruptions and weaknesses, and costs nearly 60 per cent more than in Côte d'Ivoire (46 CFA francs per kW/h at full voltage compared to 29 in Côte d'Ivoire). Availability is also very limited, especially in the countryside – coverage in 2001 was 55 per cent in towns and only 8 per cent in rural areas. National production is unable to cope with the annual 7-10 per cent growth in demand. A new energy policy statement in April 2003 replaced the previous one of January 1997, since when the energy situation has hardly changed. Biomass remains the main electricity source despite the start-up of the Manantali hydro-electric dam and the continuing growth in the use of butane gas.

The national electricity company Sénélec has a monopoly on transmitting current and is the sole buyer of electricity. It also monopolises distribution and sale within its concession area. Current mainly comes from diesel-powered plants, which produce about 380 MW, partly explaining (along with old-fashioned equipment) why it is one of the most expensive in West Africa. Since 2002, Sénélec has also been getting electricity from Manantali (which Senegal shares with Mali and Mauritania), increasing its capacity by an average 90 MW, though the dam can at times supply up to 130 MW. Some firms (ICS, the sugar company Sonacos and the cement plants Sococim and Ciments du Sahel) have joined forces to produce more than 100 MW. Power cuts declined in 2003 thanks to new sources but quality still suffered from the poor distribution network.

The second Sénélec privatisation is set for late 2004. It was first disposed of in 1999 but was renationalised after 18 months mainly because the acquirer failed to keep an agreement to make up the shortfall in supply. The immediate priorities, before any new concession is made, are cleaning up the accounts and improving the collection of debts. In September 2003, a new general director was appointed to oversee a recovery plan. Progress has been made in billing and the accounts were reportedly balanced in 2003. A major 125 billion CFA franc ($213.3 million) five-year investment plan to renew equipment is being drawn up and a 60 MW diesel plant is to be built at Sangalkam on a build-operate-transfer (BOT) basis. The French Development Agency and the World Bank are helping to fund it but other partners are still needed.

A rural electrification agency, ASER, has existed since 1998 but has never really operated for lack of funds. New legislation in late 2003 could revive it and move towards the goal of bringing current to 30 per cent of

Figure 6 - **Structure of Domestic Energy Supply in 2001**

Source: International Energy Agency.

rural areas by 2015 through public-private partnerships. The countryside has been divided into 18 blocks which will be open to company bids of which nine will be funded by the World Bank, three by the ADB and two by the German KfW banking group.

Private companies are at the heart of Senegal's plans to boost the private sector and exports and to speed up growth. Most firms are in industry (44 per cent), construction (7 per cent), commerce (10 per cent) and other services (39 per cent). However, they have become less competitive and the cost of inputs rose between 1997 and 2001, as shown by the drop in their value added. Their financial ratios have declined and their profit margins have fallen to 4 per cent because they cannot pass on this extra cost to consumers.

Firms are also less competitive because of growing congestion in Dakar, caused by the boom in construction that will double population density on the Cape Verde peninsula in 15 years. Dakar's population will approach 3 million, compared to 3.5 million in Abidjan and 6 million in Johannesburg. Efforts began recently to expand infrastructure in Thiès, the country's second city, and the government plans to transfer the administrative capital to a new town in the Mékhé-Pékesse-Lompoul area by 2006. Senegal lacks good connections with the sub-region, especially Mali, because of dilapidated road and rail links. This was a lost opportunity in the context of the crisis in Côte d'Ivoire, as countries in the sub-region were looking for alternative delivery routes. Ghana, Togo and Benin provided alternatives for Burkina Faso, while Senegal was only able to profit marginally from the diversion of Mali's products. Solutions to this problem seem to be underway as Senegal has joined with Mali to grant a 25-year concession to Transrail (Canac-Getma) in October 2003 to run the Dakar-Bamako railway line and the Kidira-Bamako road was completed in 2004.

The business climate improved with revision of the mining, tax and labour laws. A law on BOT contracts and concessions was passed. A revised investment law was sent to parliament in January 2004 to channel funds to sectors with growth potential, in which Senegal has a comparative advantage and which create jobs. The establishment of the APIX agency provided a chance to monitor investment plans. The five most promising investment sectors identified as part of the accelerated growth strategy to boost the private sector are tourism, crafts and cultural industries; cotton, textiles and clothing; call centres; industrial farming and food-processing; and fishery products.

Some progress has been made in privatisation. The state textile company Sodefitex (432 jobs), which buys cotton from producer groups but does not have a buying monopoly, was sold in September 2003 to the French group Dagris. But the agreement giving Dagris a 51 per cent share had to be revised after mill-owners objected, and a clause was added in October 2003 to give growers first supply rights and to bring the Spanish subsidiary of Dagris into the 51 per cent share. The new share arrangement is 46.5 per cent for the government, 49 per cent for Dagris and 2.5 per cent for local producers.

After the break-up of the groundnuts sector's collection and transport firm Sonagraines in 2001, privatisation is in sight for the vegetable oil marketing body Sonacos, which is 81.9 per cent government-owned and produces mostly oilcake and refined and unrefined groundnut oil for export. After consultation with the World Bank, this will be done by transfer of a single block of shares, with non-production property assets sold separately. The choice will be between bidders who qualified in December 2003: Lesieur Cristal (Morocco), the French-Senegalese consortium Advance, Sofitex and Desmet, and the Senegalese consortium Guerte Senegal, representing the grower organisations. The Sonacos sale is part of a broader opening-up of the groundnuts sector, the reform of which was presented in the May 2003 groundnuts policy statement.

The financial sector comprises 11 banks and three credit houses. Three banks dominate the market with nearly two thirds of all deposits. The sector continues to diversify – three new banks have opened recently and four more are seeking approval from the BCEAO. Banks have been in generally good condition since the 1989 restructuring, which saw several banks liquidated. However, small and medium-sized firms, the core of national industry, are still having significant problems in obtaining loans.

A proposed agricultural framework law (LOA) was subject to much public debate in 2003. The law, supported by the president, aims to spell out the legal, institutional and financial features of a long term (10-to-20-year) national agricultural development plan to draw farmers out of the informal sector. The stakes are high as opportunities shrink in rural areas and land becomes scarce, increasing the risk of social unrest. The first draft of the law presented to farmers' organisations drew strong reactions and they proposed major changes. These included dropping the land aspects (which could be the subject of another law), focusing on social security for farmers and shifting emphasis from an industrial versus family farming approach to one that was "open but family-oriented".

Political and Social Context

With the end of the "honeymoon period" enjoyed by the regime elected in March 2000, the country's democracy seems to be going through a crisis, or at the very least teething problems. Political peace still largely prevails, unlike elsewhere in the sub-region, with a free media, an opposition that has experience in government and an increasingly well-informed population. However, tensions have developed.

The new rulers have not found their feet and in late August 2003, President Abdoulaye Wade reshuffled his cabinet for the fifth time since he took office, though he kept his prime minister despite their disagreements. The political and social climate has deteriorated, notably with a row over the handling of the September 2002 Joola ferry disaster in which more than 1 800 people drowned, with violence and threats against political and religious figures and unrest among university students, trade unionists and consumers. Parliamentary committees were set up to investigate charges made in a book published in July 2003, which criticised President Wade and discussed government and business corruption. In a bid to calm the political and social climate, on several occasions President Wade has invited opposition parties to join the government. For the moment, however, even the most significant among them have declined the offer.

The atmosphere seems pre-electoral – though the next parliamentary and presidential elections are scheduled for 2006 and 2007 respectively – and government priorities for action are not clear. A mood of drift and impermanence of political decisions prevails, made worse by administrative disorganisation (an excess of agencies instead of ministries, problems of holding on to talented administrators who leave for international organisations or move into the private sector, and lack of internal discipline).

The growing influence and visible economic power of religious brotherhoods (especially the Mourides), whose members are profiting from globalisation, has brought new social aspirations, with success in business replacing the prestige of a civil-service job.

The rebellion in Casamance province flared up again at the end of 2003 but seems to be moving towards a settlement. At this point, no agreement has been reached, but President Wade is hopeful about the progress of peace talks and has proposed an amnesty for the rebels. Promised mine-clearing operations will start soon. Provincial authorities had to close or move schools because of the crisis, which may push the rate of enrolment even lower. The government plans measures to help local children.

Senegal's poverty reduction strategy paper (PRSP), approved by the IMF and the World Bank on 28 April 2003, focuses on creating wealth, capacity building, strengthening basic social services and improving the lives of vulnerable sectors of the population. The government has set an ambitious target of boosting annual growth from 7 to 8 per cent between 2003 and 2005 and reducing the percentage of poor people by at least 15 per cent. Most social stakeholders have complained of inadequate public discussion of the PRSP, carried out hastily to advance the process of the HIPC Initiative. The co-ordination needed for such consultation was also hampered by three changes of finance minister in 2001.

Results of the ESAM II household survey (2001-02) were published in February 2004 by the government's forecasts and statistics division and the World Bank. Poverty definitions used were tied to the cost of basic necessities. The food basket was changed from a kilocalorie per day and per adult equivalent basis to a basket-of-goods approach. Differences in the value of the basket according to the year of the survey (1994 or 2000) were taken into account, as were distinctions between Dakar, other towns and cities, and rural areas. Total consumption included non-food items and some services. The total poverty line was the food poverty line[1] with an added amount to cover non-food expenses (such as transport and housing), which meant a large addition for people in Dakar.

This new survey (the results of which differed from those cited in the PRSP) concluded that the number of poor fell from 67.9 per cent in 1994 to 57.1 per cent in 2001 –0.8 points of GDP. Poverty was greater in rural areas than in towns and cities and less in Dakar than other urban areas. It also fell more rapidly in urban than in rural areas. Poverty was worst in the Ziguinchor and Kolda regions, where it affected two thirds of households due to lawlessness and its effect on grassroots organisations and production and consumption networks. Country regions can be classed into three homogenous groups:

- extremely poor (over 60 per cent of inhabitants): Ziguinchor, Kolda, Kaolack and Diourbel.
- very poor (40-60 per cent): Tambacounda, Thiès, Saint Louis and Fatick.
- quite poor (33-40 per cent): Dakar and Louga.

Dakar, one of the least poor areas, has long had the advantage of being more developed than elsewhere because of its status as capital city. The Louga region, which has one of the lowest per capita investment rates, is the source of substantial emigration abroad. Remittances sent back to local families are an important part of the better standard of living there.

Healthcare has inadequate basic infrastructure and personnel and is unequally distributed according to the PRSP. Only half of all households are within a kilometre of a clinic and only 39 per cent are near a maternity hospital. Maternal mortality is 510 in 100 000. Malaria, the main cause of fatal illness, particularly affects pregnant women and children. Infant mortality was 58 per 1 000 in 2002 and infant/child morality was 113 per 1 000. Figures are even worse in rural areas. Children are malnourished, with 20 per cent of children underweight in 2001 and 9.2 per cent with severe malnutrition. Vaccination coverage is only 42 per cent among children aged between 12 and 23 months. The only bright spot is that Senegal has a lower HIV/AIDS rate than many other African countries, with 80 000 people (70 000 of them adults) infected at the end of 2000. This leaves the rate at 1.4 per cent, though not all cases are declared.

In education, enrolment in the first year of primary school has improved (85.1 per cent in 2003) with a particular increase in the number of girls,. The many reforms involved in the 10-year education and training programme are starting to bear fruit. Enrolment, however, is still low in some regions (only 43 per cent in Diourbel), often for cultural reasons, such as preference for Koranic schools, and this is an obstacle to the 90 per cent enrolment target set for 2005. Literacy remains low (40.2 per cent in 2003) but is improving, although the annual rate of improvement is only 1.4 per cent, well below the PRSP target of 3.58 per cent by 2005. The literacy gender gap remains high, at 20 points.

1. Food poverty lines were 342.4 CFA francs a day in Dakar, 317.8 in other towns and cities and 290.9 in the countryside. Total poverty lines were 879.0 CFA francs in Dakar, 712.8 in other urban areas and 497.9 in the countryside.