

BIBLIOGRAPHIC DATA SHEET

1. CONTROL NUMBER

2. SUBJECT CLASSIFICATION (695)

PN-AAK-289

DCOO-0000-G218

3. TITLE AND SUBTITLE (240)

Joint planning of U.S. assistance programs in Senegal; volume II, resource papers: Planification conjointe

4. PERSONAL AUTHORS (100)

du programme d'aide americaine au Senegal, volume II, documents de base

5. CORPORATE AUTHORS (101)

AID/AFR/USAID/Senegal

6. DOCUMENT DATE (110)

1980

7. NUMBER OF PAGES (120)

295 p.

8. ARC NUMBER (170)

9. REFERENCE ORGANIZATION (130)

Senegal

10. SUPPLEMENTARY NOTES (500)

(Volume I, 288 p.: PN-AAK-288; final report, 28 p.: PN-AAJ-940; annexes, 191 p.: PN-AAK-085)

11. ABSTRACT (950)

12. DESCRIPTORS (920)

Senegal
AID
project planning
development
development strategy

development performance

private enterprise
rural development
economic development
agricultural development

13. PROJECT NUMBER (150)

14. CONTRACT NO. (140)

Senegal

15. CONTRACT TYPE (140)

16. TYPE OF DOCUMENT (160)

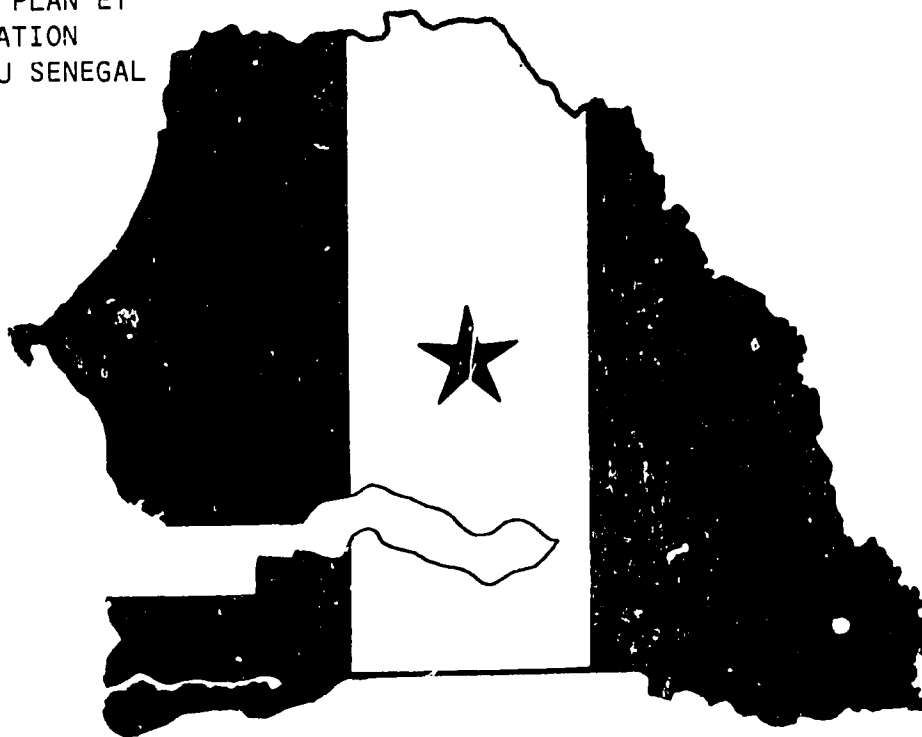
BEST AVAILABLE DOCUMENT

PN-AAK-289

**PLANIFICATION CONJOINTE
DU PROGRAMME
D'AIDE AMERICAINE
AU SENEGAL**

AGENCE DES ETATS-UNIS POUR
LE DEVELOPPEMENT INTERNATIONAL (USAID)

MINISTERE DU PLAN ET
DE LA COOPERATION
REPUBLIQUE DU SENEGAL



**JOINT PLANNING
OF U.S. ASSISTANCE
PROGRAMS IN SENEGAL**

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

MINISTRY OF PLANNING AND COOPERATION

REPUBLIC OF SENEGAL

Volume II

Documents de base/Resource Papers 1980

INTRODUCTION

In the first half of 1980 USAID/Senegal undertook with the Government of Senegal an assessment of the general economic situation and the AID program, including an evaluation of four major assistance programs. The resulting report and annex, Joint Assessment of U.S. Assistance Programs in Senegal, was published in French and English in July, 1980. Subsequently it was distributed widely throughout the Government of Senegal and the Africa Bureau of AID, both at home and in the field.

The second phase of the year-long GOS/USAID effort of assessment and planning began in the summer of 1980 with the commissioning of a number of reports and papers as basic resource materials. Most of these authors and researchers and representatives of the official U.S. community - Embassy, Peace Corps, and AID - participated in a workshop chaired by the Mission Director, December 6-8, 1980, in Dakar. Based upon the conclusions of this workshop, the Mission then drafted its Country Development Strategy Statement (CDSS) for FY 1983, and submitted it to AID/W in January 1981. After its Washington review in March 1980 the CDSS was translated into French and discussed with all appropriate ministers of the Government of Senegal.

These two volumes of reports contain the resource documents developed in Senegal as part of this process. Although the quality of the documents varies both in content and style, they form part of the historical record of development in Senegal. Copies are available (English only) from USAID/Senegal or the AID Africa Bureau, Senegal desk officer.

TABLE OF CONTENTS

<u>TITLE</u>	<u>AUTHOR</u>	<u>DATE</u>
<u>/ VOLUME I /</u>		
1) Report on the Political Implications of the Joint Assessment and U.S. Aid to Senegal	Henry Bienen	Aug. 11, 1980
2) Analysis and Evaluation of Roles Played by Promotion Humaine, Regional Development Agencies, and Local Institutions, in Promoting Rural Development in Senegal and Prospects for Future USAID Collaboration	Sheldon Gellar	Aug. 11, 1980
3) An Analysis of Nutrition in Senegal: Three Views:		
. Food Consumption and Nutrition Components of Development Efforts in Senegal	Marvin Miracle	Sept. 1980
. A Nutrition Strategy for USAID/Senegal	James Pines	Oct. 1980
. The Nutrition Factor in Senegal	Linda Worthington	June 1980
4) Population and Development in Senegal: Some Thoughts on USAID's Role and the Place of Family Planning	John Tomaro	Sept. 30, 1980
5) Education and Training in Senegal	Joe Carvin	Oct. 24, 1980
<u>/ VOLUME II /</u>		
6) Private Initiatives in the Senegalese Economy Potential Modes of AID Assistance	Lucie Colvin	July 15, 1980
7) Progress Report of the Administrative Reform 1971, the Rural Communes	Joe Carvin	Oct. 24, 1980
8) Agricultural and Rural Development Strategy for USAID/Senegal	Don Brown Axel Magnuson	Nov. 8, 1980
9) The Plan de Redressement: Rural Sector Reform and its Implications	Francis Lebeau	Dec. 1980
10) Proposed USAID Support for the Private Sector in Assisting Senegalese Development: An Analysis of Alternatives	Mark S. Weber	Nov. 1980

PRIVATE INITIATIVES IN THE SENEGALESE ECONOMY

Potential Modes of AID Assistance

Consultant Report, Lucie Gallistel Colvin, PH.D., mission of June 9 - July 25, 1980. I wish to thank Ms. Carolyn Merley, summer intern from the Woodrow Wilson School at Princeton, who helped with the background research and interviews on which this report is based. Lists of persons and documents consulted are appended.

Among the more important themes emerging from the recent assessment of AID assistance undertaken by a joint committee of U.S. and Senegalese government representatives was that a greater diversity of initiatives needs to be brought to bear on economic development in Senegal. Using a centralized administrative approach, and in the last six years working primarily through para-statal development cooperations, the Government has achieved some economic growth, but not commensurate with population growth. The modern sector of the economy has been unable to generate jobs as rapidly as young people are coming into the employment market. In this context the present report examines areas where AID might work with non-governmental initiatives, including the modern private sector, Senegalese voluntary organizations, the informal sector of the economy and rural communities, with a special focus on how the internal sector of the economy generates productive employment.

The slow growth in overall production has been drastically influenced by recurrent severe drought since 1963. But other aspects of stagnation seem to spring from deeper constraints. There has been a historical and continuing shortage of capital at all levels of the economy, from the peasant to the Government. Senegal also inherited, upon independence in 1960, an unwieldy bureaucratic structure and approach to administration. The size of the bureaucracy was inordinately large as it has been created to administer all of Francophone West Africa, yet the seven hinterland countries were granted separate independence.

The approach to administration consisted of rules and regulations designed to prevent bureaucrats, and indeed all segments of the society, from engaging in corrupt practices, changing usurious interest, or taking excess profits. But in preventing wrong practices it also slows and frustrates positive initiatives. The Government has also been slow to punish incompetence or corruption when it does appear. Job tenure in Senegal, like the traditional patron/client relationship, is ideally for life, and is strongly influenced by kinship and friendship ties. In practice the checks in the system, multiple high level authorizations and tax exemptions, committee reviews, studies, contracts, bidding procedures, centralized accounting and paying procedures become the bane of every project. And when people do abuse the system, or simply fail to keep it functioning, there is a culturally sanctioned reluctance to penalize or replace them. Similarly, since civil servants and many para-statal employees are paid primarily according to their educational level, without regard to either their responsibilities or performance, diligence has to come from either inner motivation or authoritarian working conditions.

There is and has been a general recognition of the heaviness of the bureaucratic structure, particularly among the civil servants who work with it every day. Yet there is little awareness of the impact of extending it to ever greater areas of the economy, as has been done during the twenty years since independence. And the traditional recourse in cases of poor performance is to contractual fines or threats of personal penalties. Methods of management through incentives are not generally known or given credence. Per person productivity in the modern sector is thus not as high as it could be: it exceeds productivity in the traditional sector primarily because it involves greater use of capital, equipment, and tools.

The creation of jobs in the modern sector, whether by the state or by private corporations requires substantial capital as well as management effort. The following World Bank estimates of expenditures per job created allows one to compare costs in industry with those in irrigated agriculture (\$13,000 - 135,000 per job versus \$2,000 - 4,400 per plot).

Table 1: INVESTMENT COSTS PER JOB IN PROPOSED PROJECTS AND SOME INTERNATIONAL COMPARISONS (%)

<u>Statistical Concept and Branch of Activity</u>	<u>US \$ equivalent (**)</u>
A. investment cost per "job" created:	
1. Dakar Marine	73,000
2. Cayar complex (cancelled)	175,000
3. Kaolack integrated textile project	13,000
4. Senegal River Valley development	
Mechanized Approach	4,400
Labor-intensive approach	2,000
B. International estimates of ratio of value of physical capital to less qualified labor in selected manufacturing industries:	
5. Cotton, yarn and tissue	7,300
6. Textile, needle work & rope products n.e.s.	33,800
7. Knitted goods	9,400
8. Ready made clothing	6,600

(*) The Economic trends and Prospects of Senegal, 4 vols., (December 1979), IV, 76.

(**) rough estimates.

The informal or non-structured sector of the economy, operates in sharp contrast to this, largely outside the formal legal and administrative structures, as the modern descendant of the African private sector. It has the advantage of generating employment cheaply and without administrative intervention.

Calculations of the cost of job creation in rainfed agriculture and the informal urban or market-town economy are difficult to make, but one can estimate that they are less than one tenth the minimum cost in the formal sector. In rainfed agriculture they consist only of the provision of road access (by the government) if not already available, the clearing and attribution of rights in land (usually by villagers, increasingly by development corporations) and the provision of wells (usually by villagers). Jobs in petty trade are created through apprenticeship, or through the investment by a farmer of about \$200 of harvest income in commercial stock to be traded during the dry season. The partially enforced administrative requirement is that he signs the commercial register at the nearest court-house. Only in Dakar are regulations (identification requirements) used to exclude street traders from plying their wares. Jobs in skilled small crafts are created through apprenticeship, usually long (5-15 years) and unpaid or minimally paid (\$2 - 10/week). Before establishing himself as a journeyman, the craftsman must acquire \$50-500 worth of tools and equipment. A number of modern-sector government and PVO programs short-circuit this process, providing 6 months to two years training, market research, workshop sites, and credit at low interest with which a journeyman may get himself started. Although no calculations are available, donors to these programs universally report frustration with the high cost per job created. The enseignement moyen pratique program is now a vocational option in some public junior high schools. A 1974 study found that only 5% of petty producers interviewed had been trained in schools or organized training programs, while 70% were apprenticed and another 24% had learned their skill on the job in government or private employment (X).

Since independence in 1960 the total number of jobs in the formal sector (government and private) is estimated to have increased at a rate of 1.6% per year, far more slowly than the

(X) Chris Gerry, Petty Producers and the Urban Economy: A Case Study of Dakar, World Employment Program Research Working Paper. WEP 2-19/AS8 (Geneva, ILO, 1974).

urban labor force rate of 3.3% (*).

In 1977 there were an estimated 70,110 salaried positions and 99,612 daily or seasonal jobs - a total of 169,722 (**). This amounted to 10% of the labor force in Senegal (1977 1,707,300). The other 90% of the labor force are seasonally employed in agriculture, working in the informal sector (1972-227,000 jobs) and/or unemployed (***). The rate of unemployment and underemployment has been increasing, both because population growth exceeds employment generation, and because the desire to participate in the cash economy has become nearly universal since independence.

Interest in cash incomes has been spurred by the bleakness of present and future opportunities in rural areas, where the average peasant grows most of his own food plus peanuts, cotton, and other cash-earning activities with an estimated 88,000 CFA (\$374) annual average in 1975 (****). With no possibility of reasonable cash incomes in rural areas, young people increasingly leave for town.

Migration from rural to urban areas has shifted from a largely seasonal market-town affluence to an increasingly permanent and centralized flow towards the capital, Dakar. It affects the largest proportion of the population in the farthest out rural areas (Fleuve, Casamance, and Senegal Oriental) where opportunities for cash incomes are negligible. The resulting labor shortages there are only partially compensated by influxes of migrant workers from still more peripheral cash-poor provinces

(*) World Bank, Trends, IV, 56, 65.

(**) Division des Ressources Humaines, Direction de la Planification, l'Emploi et les Salaires dans le Secteur Moderne (1977) found 55,234 salaried positions on employer tax roles. This has been inflated 27% in accordance with the margin of error found in an independent survey of employment conducted by SOWED in 1974. (Les Activités Economiques du Secteur Moderne au Sénégal). Tax reporting of seasonal and daily employment appears to have jumped suddenly in the seventies (11,770 in 1971; 23,659 in 1974; 52,238 in 1977); which may mean the correction used here for the additional untaxed labor excessive (Division des Ressources Humaines).

(***) IBRD

(****) World Bank, Trends, IV, 4.

of neighboring Mauritania, Mali, Guinea and Guinea-Bissau. On the other hand, the greatest absolute numbers of urban migrants come from the already densely populated peanut basin. That area just inland from Dakar along the railroads, where cash cropping developed during the colonial period, is now experiencing soil exhaustion and localized overpopulation. In the period 1955 through 1976, Dakar received incoming adult migrants at rates of 9,000-40,000 per year, with a sharp rise in the mid-seventies after several years of severe drought (X). Less than 1,000 formal sector jobs were added each year.

Several recent studies have shown that informal sector incomes not only exceed rural incomes by several hundred percent; they also compete favorably with formal sector wages. Migrant incomes from such low paid jobs as water carrying, domestic service with lower middle income families, and street vending can range as little as 2,000 CFAF per month (an income exceeded by the average street beggar, who is estimated to take 5,000-40,000 CFAF per month). The following table of informal sector incomes among OHLM room renters gives an estimate of the range of incomes to which migrants can aspire:

(X) Lucie Gallistel Colvin et al, The Uprooted Of the Western Sahel: Migrants' Quest for Cash in the Senegambia (forthcoming: Praeger 1980), calculated from Table 4.2, p. 74.

Table 2: INCOMES PER MONTH IN SELECTED ACTIVITIES
A COMPARISON BETWEEN GRAND DAKAR, MEDINA AND PIKINE (X)

Activity	Grand Dakar		Medina		Pikine		Weighted Average income
	No.	Average income	No.	Average income	No.	Average income	
Informal Sector:							
Mobile trader	19	21,578	19	22,315	12	20,645	21,635
Laundry	0	-	6	19,250	3	20,000	19,438
Shopkeeper	1	25,000	2	25,000	11	27,727	27,143
Small trader	14	27,093	14	27,607	7	23,500	26,609
Jeweller	1	35,000	9	28,555	1	32,500	29,545
Teacher	1	15,000	1	20,000	4	19,500	18,833
Mason	1	27,000	1	40,000	1	20,000	29,000
Casual Labor	20	24,653	9	21,000	7	20,038	22,270
Woodworker	0	-	1	30,000	1	32,500	31,250
Religious Leader	6	26,250	6	28,333	3	19,500	25,733
Painter	2	25,000	0	-	2	22,500	23,750
Restaurant owner	1	30,000	3	28,333	5	20,000	23,889
Tailor	14	22,642	28	25,660	11	25,181	24,774
Total	80	25,383	99	26,337	68	23,353	24,913
Modern Sector:							
Driver	22	31,697	5	30,932	3	32,067	31,606
Maid/house boy (XX)	9	23,624	10	28,569	0	-	26,227
Watchman	5	26,186	5	25,609	2	22,500	25,338
Mason	2	26,588	5	26,600	0	-	26,596
Employee	3	30,904	3	24,963	2	23,000	26,032
Woodworker	7	36,408	2	28,423	0	-	34,633
Painter	8	30,594	1	21,000	2	18,000	27,432
Welder	2	39,825	2	34,058	1	30,000	35,553
Tailor	3	24,677	1	20,960	0	-	26,596
Total	61	30,056	39	26,790	10	25,113	28,890

(X) World Bank, Trends, IV. 82.

(XX) Presumably registered with social security.

Given the low investment costs, faster employment creation, and competitive incomes for workers in the non-structured sector, it makes sense for AID to collaborate with the COS in encouraging the development of productive employment in the informal economy.

The Structural relationship between the informal and formal sectors of the economy.

The modern economy of Senegal, comprising legally constituted firms, private and public, is complementary to the informal sector of petty producers, traders, transporters, and non-cooperative-member farmers in a significant way. But the modern sector has also been allowed to supplant major areas of informal-sector activity, in most cases offering less employment than the latter.

The modern and informal sectors are commercially inter-dependent. Both the supplies and the clients of petty traders, jewellers, carpenters, painters, masons, and even marabouts come from the formal sector as well as the informal. Many informal sector activities would not exist without the formal. Informal sector laundries, domestic servants, mechanics, construction workers, plumbers, welders, and miscellaneous repairmen all depend primarily on growth in the modern sector to generate new employment.

In contrast, the textile complex being developed at Kaolack, and the shoe factory long established at Rufisque actually and potentially destroy the livelihood of hundreds of indigeneous weavers, mobile cloth traders, and cobblers. In the fishing industry individual pirogue catches have grown alongside industrial fishing, both rapidly increasing tonnages (1964: 99,000; 1976: 351,000) with pirogues' percentage of the total turning consistently around 80%. But they stayed competitive by monitorizing (63% in 1976: 33% in 1964), not by substantially increasing the number of boats involved (5,513 in 1964: 6,100 in 1976) (X).

The major sources of employment in the formal sector are manufacturing (18,000-26% of the total 70,110 salaried jobs) and commerce, hotels and restaurants (22%), followed by construction (12%), agriculture (10%), and transport/communications (9%). (XX).

(X) Le Senegal en chiffres, 1978 edition, 132 FF.

(XX) Division des Ressources Humaines: L'emploi et les salaires dans le secteur moderne, 1977 (October, 1978)

The major sources of self-employment are agriculture, livestock, and non-commercial fishing involving 65-70% of the total labor force (1977: 1,707,300). All of this employment is seasonal. It is complemented by both seasonal and permanent informal sector employment in which we have counts only of the number of workshops. A workshop typically consists of a master craftsman or shopkeeper, plus one to three journeymen, apprentices, and errand runners. By far the most common workshop is a tailor's (5,013 in 1972), followed by weavers (1,231), furniture and wood-workers (1,194), leatherworkers (1,019), jewellers (728), masons (548), general mechanics (475), barbers (330) and blacksmiths (351) (*). To these should be added the 6,100 fishing pirogues, 461 private transport vehicles (down from 1,502 in 1966), and an estimated 100,000 petty traders, of whom only 15,000 are registered (**).

Even with the greatest volume of trade monopolized by state firms, commerce is the major employer in market towns. A 1974 survey of the occupations of household heads in outlying market towns of Senegal found commerce everywhere second only to farming (15-25% traders vs. 30-50% farmers). Other major sources of employment were crafts (10-20%), fishing (0-15%), marabout (0-11%) and civil servant (4-13%). (***)

In agriculture it is still customary to count all peasants as self-employed. However examination of the legal structure, attribution of resources, and working conditions suggest that the majority should be considered employees of state or parastatal corporations. Producer and consumer prices for all major

(*) Direction de la Statistique. Enquête sur les exploitations artisanales (Dakar, 1976 (survey taken in 1972)).

(**) Ibid. Gives the figure of 15,000 traders, plus 158,000 unclassified informal sector jobs. 121,000 of which are in provincial capitals. Since commerce is the overwhelmingly predominant provincial informal sector activity, half of those 158,000 have been assumed to be traders. Transport figures are from Sénégal en chiffres, 1978, 1980.

(***) Direction de l'Urbanisme et de l'Habitat, Ministère des Travaux Publics, de l'Urbanisme et des Transports. Etude des Villes Secondaires du Sénégal, multi volume, including a general statistical volume and monographs on each city (1974).

agricultural commodities are fixed by the interministerial Comité des Grands Produits Agricoles, and peasants are allowed to sell only to the state agency. ONCAD handles most rainfed crops regional development agencies. SAFD, SOMIVAC, SODEFITEX, handle rice, tomatoes, and other local produce in their regions of monopoly (X). These agencies, together with SODEVA, also have a monopoly on transportation of agricultural inputs and outputs, seed, fertilizer and agricultural equipment.

Land, the remaining resource which might entitle farmers to the status of the self-employed, has come under increasing state control with the gradual implementation of the 1964 Law on the National Domain. The law allowed the government to class land in one of three categories: zone d'habitation, zone de terroir, or zone pionnière. In areas in the first category, effectively confined to urban and/or intensively capital-improved land, owners of any national origin can have registered freehold title. This has become a very precious commodity. To the urban and semi-urban poor it is an irreplaceable source of security. To the more wealthy it is the basis of lucrative investment in a highly inflationary urban housing market, with returns on investment of 25-50%/year. Allocation of registered urban plots, in theory free to Senegalese citizens unless already owned, is blocked by bureaucratic red tape in areas of urban expansion all over the country. Only those with both connections and cash seem able to get clear titles.

The majority of rural lands, particularly in the more sparsely populated outlying provinces are classed as zones pionnières. Such lands are granted by charter to regional para-statal development agencies who then reallocate land use rights through administrative decisions. They have rarely dispossessed peasants living on the land, but peasants in those areas have lost all legal security of tenure, and in particular the right to inherit or transfer land. They continue to do so, according to traditional systems, so long as the para-statal does not intervene, but they can be dispossessed whenever a development project requires it. In the irrigation projects only the year to year use right is generally allocated, and a peasant or "producers' group" (groupement de producteurs-cooperative sub-unit) which fails to cooperate with the agency's rules is evicted

(X) A list of regulated products and the evolution of their prices is appended.

In the three regions of the peanut basin - Louga, Diourbel, and Sine-Saloum - most farmland is classed zone de terroir. In theory this means that land which has been cultivated two successive years becomes or remains the property of the cultivator. This reform was intended to allow land owning families to keep the land they were actually using, but let slave-origin and client labor gain land-use rights, free of traditional share-cropping obligations. In practice land-owning families tried to protect their traditional rights by devices such as seeding more land than they could work and converting share-cropping arrangements to wage labor. In established villages this brought low-origin farmers less security instead of more, although on the frontiers away from dense settlement, they were able to establish their own villages with relatively egalitarian land distribution.

The ultimate arbiters of land distribution in the traditional systems of the northern half of Senegal were the village chief and council of notables. Each village normally has a founding noble or Marabout family and a number of caste (slave-origin) client families. Larger villages might have a number of freeborn families. Marabout villages grew through the acquisition of disciples in addition to inherited client families. Among the Wolof, Tukolor, sedentary Pël, Soninke, some Serer and Mandinka, freeborn household heads all sat on the council, while each caste or others of low origin (slave, stranger, fishermen, herder) were allowed a representative. Serer, Diola and other Casamance communities were and are more egalitarian, with every household head sitting in council. But these villages have a particularistic tendency, resulting often in conflictual relations with their neighbors.

In the Conseils Ruraux established by the administrative reform of 1973 and recently given responsibility for land allocation, council members are elected, but village chiefs and all their relatives, as well as merchants, craftsmen and salaried workers are ineligible. Thus traditional lines of authority at the village level are negated by the new Conseils Ruraux system. This is generally, and at least initially, a weak council, dominated by the sous-prefet, who is a civil servant appointed by the Ministry of the Interior. This reform has only recently been extended to the Casamance, and was just promulgated in July 1980 for the Fleuve. It does not yet extend to Senegal Oriental. In areas where it is not yet in effect, traditional village chiefs and councils still hold power. In areas under the domaine of development agencies, the agency determines the constitution of local groups which they choose to recognize, as well as how land and water are allocated.

The overlapping village organizational picture is further complicated by the fact that government created cooperatives monopolize the major agricultural activities on a crop by crop basis.

Centres d' Expansion Rurale were originally created in 1962 to coordinate interventions and offer local extension services to each arrondissement. In practice, however, they have been poorly staffed, equipped, and the role of arbiter or coordinator has devolved on the sous-prefet.

Both the traditional and the new systems of land tenure guaranteed the use-right of land to anyone who wanted to farm. The main difference was that in the old system land could be inherited and subdivided within families. The new system allows only use rights, which revert to the state when land is freed. This has broken a fundamental link to the land of the peasant families, giving young people reduced incentive to stay. It has reduced the relatively mild inequalities in the old system, in which one owner rarely had more than one or two land poor client farmers, but has reinforced the new and much greater inequality between the educated and the unlettered population. The average salary in the modern sector is estimated at 7.4 times the average peasant income, self-employed informal sector incomes average 4:1, and in government service the ratio is 8.1:1. These indigenous inequalities are spurred on by increasingly disparate expatriate incomes. The ratio between expatriate and peasant incomes has been calculated to be 56:1 (X).

Government regulations and the legal structure of the industrial sector include price controls, a relatively high minimum wage, heavy import levies, and hidden export taxes on all common law firms. The evolution of minimum wage levels is shown in Table 3.

Table 3: EVOLUTION OF THE SMIG (Minimum Wage)

	1970	1973	1974	1975	Jan. 1980
Lowest hourly rate (CEAF)	50.6	53.76	72.97	107.06	133.85
	(Adj. for price real SMIG at 1970 prices went from 50.6 (1970) to 55 CEAF (1980), but family size went up, ratio number of jobs/active population went down).				

(X) World Bank, Trends, IV, 4-5

But most modern firms do not actually pay the heavy import duties and taxes. The Code des Investissements, actually two laws - (one for firms over 200 million CFAF capital, and one with lesser privileges for firms with 5-200 million CFAF capital) allows individual firms to apply to the interministerial Comité des Investissements for exemptions and/or reductions of virtually all such charges. Firms approved for sites in the Free Trade Zone industrial park or the industrial domains being established in regional capitals have similar tax privileges. The two appended texts of the Code des Investissements, in listing the exclusions, give an indication of the unequal tax-burden left on unprivileged common law firms.

The informal productive sector is not quite so disadvantaged by this system as formally registered firms. Small producers profit from mobility, anonymity, and/or low-rent work sites to keep both their overhead and tax burden low. The Inspection des Impôts visits small boutiquaires and craftsmen to collect taxes on what the agency informally estimates to be their turnover. Fixed prices reduce the risks in small enterprises by smoothing out short-term fluctuations in prices of supplies, which small enterprises would otherwise have more difficulty weathering than large. Small enterprises can also escape penalties for occasional over-charging more easily than large. Prices are reexamined by the Direction de la Fixation des Prix every time they get out of line with market demand, so long term trends are little affected.

In many areas government neglect of the informal sector is the only factor which allows it to survive. Certainly most enterprises could not pay the mandated minimum wages and taxes. On the other hand they pay the full duty on imported supplies, which privileged firms can avoid.

Competition for markets between large industries and small producers is sometimes a problem, but not always. And there are practical steps which could be, but have not yet been taken, to help small producers survive through the transition to mass production. A recent SONED study found the most dynamic public and private industries in Senegal, between 1962 and 1974, to be mining (phosphates and quarries) chemical, and canning and freezing. Their value added increased by a factor of nine or more during that period. The next most dynamic, with value added increasing by a factor of 5-8 were textile weaving, and mechanical and electrical products. Weak growth, a factor of 5 or less, was shown in the oil refineries, wood and paper, and energy areas, while flour, sugar, other food products and parment industries were stagnant. (X) . Large firms predominate in the industrial

(X) Elements d'intégration industrielle (1977).

sector, with those having a turnover in excess of \$1.25 million doing 88% of the business and incurring 90% of the investments. Dakar and Cap Vert peninsula dominate geographically, with 88% of the firms and 80% of the jobs.

Of these large industries, only textile weaving and garment manufacturing are serious competitors of large informal sector areas of activity. And in garment manufacturing the informal sector seems to be winning the competitive battle. While quality control, style specialization, and the production of ready-made garments have spread through the small tailors shops, the modern-garment industry has stagnated. Informal sector weaving and dyeing have so far held their own, the latter by switching from local organic to German and Japanese commercial dyes which do not fade. On the other hand, the huge integrated textile complex planned for Kaolack could deal a severe blow to the thriving artisanal production and petty commerce of textiles in the central peanut basin. It is currently planned, for that very reason, to produce for export only but the firm is likely to have the bargaining power to remove that restriction.

Many modern industries have been indirectly helpful and some have been directly beneficial in that they encourage the development of new informal sector activities. Among the latter are the electrical and mechanical products branch, which has spurred the proliferation of small repair workshops. Another such area in which industrial development is planned is animal feed and leather tanning. Animal feed has been left largely untouched by the informal sector (the gathering and sale of peanut hay being the major exception), and local leather handicrafts are already supplanted by Bata plastic shoes in most cases. Industrial development of these branches should be an important element of economic aid to herders in the transition to more modern livestock methods. It is necessary, however, to study the economics of the herders more closely to see what charges they can afford for feed during the period of change. They currently have little access to petty cash, and would rarely consider selling an animal (trading down a major capital item) in order to feed the others.

Government intervention in the informal sector has more often been more to control than to encourage it. Historically, the clearest cases have been where government regulation has been used to grant outright monopolies, or other substantial privileges to state or para-statal or private firms. Examples include transportation, agricultural marketing, and some industries.

The monopolies with the greatest impact on low-income Senegalese, particularly those in rural areas and market towns have been those involving agricultural inputs and outputs. Ironically, this policy was undertaken due to the need for senegalization - a means of squeezing out middle level Lebanese traders and large French import-export firms. French firms senegalized their capital and participated in new monopoly ventures such as SONADIS, which was granted retail rural distribution rights to numerous common dry goods items. Lebanese were able to adjust, and adapted to cloth selling, bakeries, hardware, real estate and small industry. But the thousands of small Senegalese traders and seasonal farmer/traders found their possibilities substantially reduced, and formerly thriving market towns such as Kaolack, Tivaouane and Diourbel stagnated.

Now that the government is seriously discussing modifying the big monopolies, it would be appropriate to recognize the importance of petty trade and transport in providing employment and income in rural market towns. Government officials originally thought that only complete control could provide rural services and supplies reliably and at reasonable prices. But in practice the cost of the monopoly system has been great. Farmers between 1962 and 1974 received a smaller portion of the final selling price for their produce under the monopolies than under the exploitative colonial marketing system (X). And the services and supplies have still not proved reliable.

Two steps that would allow the small private sector to develop again are cash payment by local Conseils Ruraux and government agencies at as many points of transaction as possible, and local purchase of supplies. Other incentives, opportunities and potential modes of record-keeping for small businessmen with minimal literacy need to be studied closely. Government encouragement tends to have the same disadvantage for the formal sector as government repression - it imposes recurrent costs and a bureaucratic burden which makes the enterprise non viable.

Passenger transportation is another area in which private entrepreneurs have been repressed by the Government. Individually owned urban cars rapides and long distance Peugeot 404-504 taxis long provided more efficient lower cost transport than the

(X) Analysis of the operation of the Caisse de Péréquation et de Stabilisation des Prix by the Conseil Economique et Social.

government SOTRAC. Successive regulations since the early 1960s have prohibited the importation of new equipment and parts, introduced strict licensing, confined cars rapides to limited routes and assigned more favored ones to SOTRAC, and most recently, prohibited the importation of both cars rapides and Peugeot 504s, the latter for the announced purpose of reducing traffic fatalities.

Urban administrators and planners have often treated informal sector enterprises as undesirable, subjecting them to slum clearance (e.g. from Dakar, Plateau, Bopp Old Gueule Tapée and the totally eliminated quartiers of Becher, Alminko, Tiwawoon, Daruxan, Kip Kok, Bay Ley, Waxinan, Angle Mus, Mbod, Bay Gainde, Nimzat, Jamagen, Lamsar, and Jaksaw). When this happens, craftsmen and small entrepreneurs are forced to move, along with the poorest residents, out to the farthest fringes of the urban area. Once there, their transportation expenses are multiplied and they are obliged often to market their products through intermediaries. Their profit margin is inevitably cut, and many are simply forced out of business.

While some branches of the administration have worked directly against the informal sector, others have recognized its value and need for assistance. Unfortunately this has most often taken the form of limited training, credit, and extension programs rather than the application of national policies with a potential for wide impact. The major exception is a policy helping small traders to minimize risks - the national price-fixing program. Although minimal legal mark-ups (e.g. 5 CFAF/kg) keep profits very low, at least the system also prevents large traders from squeezing out smaller ones in price wars.

Another policy promulgated to encourage business is the recently announced preference by government of informal sector contracts for Senegalese small enterprises. This has so far had the opposite of the desired effect, since small contractors cannot afford the six to eighteen months delays in payment that government contracts frequently experience. A similar problem should be anticipated with any actions AID may undertake to help small firms, and provision should be made for immediate cash payment for supplies and services.

Policy and Practical Alternatives for Encouraging Local Initiatives

The Government is currently discussing dismantling ONCAD, giving its input provision and technical consultancy functions to SODEVA and giving farmers cooperatives responsibility for their own delivery of their crops to the peanut oil refineries. The Comité des Grands Produits Agricoles would continue to fix the purchase price, however, and farmers would continue to be obliged to sell

to a government monopoly. A reform that would allow much greater local trade to develop would be to make the government price a minimum instead of maximum, and allow farmers to market their produce in a supplementary open market.

Another major policy alternative with a potential for wide impact would be a concerted rural water supply campaign, with bored wells, water storage towers, plastic piping (which can be manufactured in single room workshops with the by-products of petroleum refining) and a system of regulated access.

Inadequate water supply is the single greatest problem in most rural areas. It is an obstacle to mixed farming, as there is rarely enough water in village wells with current technology to grow vegetables or water stock. It is an obstacle to environmental restoration, as reforestation and animal feed cultivation (to prevent overgrazing) lack dry season water supply in most areas. It is a contributor to the rural exodus, as the constant labor of fetching water, often over long distances in the dry season, is one of the most frequently cited hardships of rural life. Water projects figure in the budget of nearly every Conseil Rural yet they often have only enough money to build the current type of two meter diameter concrete block lined well. The agencies which are supposed to supervise construction are booked up six-months to two years in advance. And when numerous villages in the same area build new wells at the same time, the water table declines, leaving the wells to run dry.

Water rights, like those for farm and pasture land have traditionally been allocated on demand. This has been an egalitarian approach, and it worked as long as water was abundant and water use limited. However, with changing circumstances serious environmental degradation has set in, including the desertification of the pasture lands on the south bank of the Senegal River, the long-term deterioration of pastures and disappearance of major grasses from the Ferlo, the decline in yields and near total deforestation of the peanut basin, and the rapid settlement of former pasture lands in Eastern Senegal. Systems to regulate and monitor the use of these vital national and local resources need to be studied urgently. Ad hoc approaches tend to penalize herders and the poorest farmers, while paying little attention to the household economics of users.

Use rights need to be viewed in light of the incentives they provide for family solidarity and continuity on the land. For example, freehold tenure, with the right to sell land in poor rural areas, has historically tended to produce large land holdings, as peasants sell their only asset and leave for the city.

Yet the current Senegalese land law probably went too far in depriving peasants of all transfer rights including inheritance. This also sends many men to the city as they have little vested interest in their home community.

Similarly in grazing areas, the traditional liberality of pasture access is becoming untenable: the imposing of restrictions has already begun on an ad hoc basis. It is important that policies to do this specify means of limiting the number of animals having access to water holes and grazing land, not the people. Contracts such as AID's Bakel Livestock and the World Bank's neighboring Eastern Senegal projects, to freeze access to wells, must be based on the total number of animals. This may, but need not necessarily, have the effect of excluding foreign migrant herders. And in any case, it would be useless to exclude foreign herders if local members were allowed to increase their herds beyond range capacity.

Since every community is free to build its own water infrastructure, it may not be possible to develop a conservation program without undertaking an integrated national approach. Although this would be a major capital investment, it should be considered as comparable in its impact to the OMVS dam system. Also the cost of the program should be weighed against the cost of doing nothing while urban unemployment continues to grow and rural land-capacity to decline.

While the best resources one can assure for local initiatives are fertile land and water, it is also possible and desirable to grant rural individuals and institutions access to various types of modern equipment. For example, provision could be made on a fee basis for small users to have food lockers in an industrial cold-storage complex, telephone or radio contact with regional capitals or Dakar from isolated places in the interior, part of a freight load when an official truck is obliged to run empty, the use of a project bulldozer for a few hours to restore a village road after a rain. Preference is currently given to large users in the design, furnishing and administration of such equipment, which thus makes for poor integration of local development initiatives. The objection might be made that giving up centralized and large scale supervision opens the way for petty corruption. But history suggests that centralized control does not prevent corruption, it just centralizes it.

Further Study of Policy Alternatives

In each of the Ministries and agencies contacted, interest was expressed in studying the potential impact of possible policy changes that we had discussed. AID should encourage and facilitate such studies, and may even want to undertake them along with relevant ministries or agencies. The most important areas for immediate attention would be:

1) Study of the impact on producers, small traders and transporters, para-statal, and government revenues of using agricultural price subsidies instead of monopolies, and liberalizing marketing and transport.

The Comité des Grands Produits Agricoles or the Direction de la Fixation des Prix, Ministère du Commerce, or Regional Development Agencies or the Conseil Economique et Social could consider the following studies.

2) Study of alternative approaches to taxation, a) the creation of tax exemptions and fixing duty levels by commodity according to the utility of the product rather than the tax-exempt status of the firm. Impact on growth of commerce and industry, on port efficiency, on Government revenues by Ministry of Planning or Conseil Economique et Social. b) Local taxation and its relationship to local development.

3) Study of the actual and potential impact on informal sector employment of various branches and modes of large industrial development, seeking modes of harmonizing growth in both sectors. By Ministry of Industrializations and Crafts.

4) Survey of the budget priorities and local development plans drawn up by individual Conseils Ruraux in the last three years. If this information has already been brought up from the arrondissement level to higher offices in the Ministry of the Interior, it could be requested for AID's own information. It should be studied to get a geographically distributed view of priorities, from the bottom up. This is a new body of data of potentially great interest. If the Ministry of the Interior has not assembled it, they might be interested in so doing. Analysis could be commissioned directly by AID, working with one of the following Senegalese institutions with such capacity:

- ORGATEC, private Senegalese consulting firm, founded in 1963, Director Khalilou Sall. Current capital is \$110,000. Professional staff of 22, total staff 47.

- SONED, para-statal Senegalese consulting firm. Staff of 63 of which 50 are professional researchers. Director MBaye Thiaw.

- ENDA, UN-sponsored development research institute, doing research throughout Africa from base in Dakar. Director Jacques Bugnicourt.

- IDEF, Institut Africain pour le Développement Economique et la Planification, UN-sponsored training and research institute. Good library, currently under an interim director. Professional staff ca. 15.

- IFAN, Institut Fondamental d'Afrique Noire. Research Institute of the University of Dakar, hence under the Ministère de l'Enseignement Supérieur. Requests for research on a given theme can be submitted by government agencies. Director Amar Samb. Professional staff ca. 30.

- ORSTOM, French government-sponsored Office de la Recherche Scientifique et Technique Outre-Mer. Director M. Monnet.

Bureau d'Etudes Assane Diouf and Anderson et Gaye are two newer, private Senegalese consulting firms that were mentioned to us, but that we did not have time to contact.

5) Study of potential public or small user access to major equipment in rural areas. Related study of means by which AID projects and other large agencies could buy supplies, pay cash directly, and keep adequate but not burdensome records using the informal sector, particularly in outlying market towns. Could be undertaken by any of the above firms, possibly incorporated with some work which Syracuse University is supposed to do with other AID projects on user fees, and/or commissioned through SONEPI, the para-statal Société Nationale d'Etudes et de Promotion Industrielle.

SONEPI was established to provide marketing studies, management consultancy, credit (fonds de garantie), and training for small and medium sized firms. It will be closely involved in the planning and construction of the industrial zones currently being developed in Diourbel, Thiès, Ziguinchor, and Kaolack. The advantage of having SONEPI undertake such a study is that they would be in a position to apply the results in integrating informal sector firms into the industrial zones. A potential disadvantage is that the regulations under which the agency currently operates tend to turn informal sector firms into formal sector firms.

SONEPI works in tandem with SOFISEDIT, the Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme, which acts as a clearing house for medium and long term loans to productive or touristic enterprises. The latter has a capital of

650 million CFAF (\$2,600,000), plus credit lines from external Banks (World Bank, \$3 million already allocated, \$4 million being negotiated; B.O.A.D. \$3.5 million; and 5 million DM from a West German Bank) It has granted loans to 74 enterprises since its founding in 1974. Interest rates are concessionary to Senegalese, and to anyone who agrees to locate outside Cap Vert peninsula (8.5% and 10.5% respectively). Regular loans are currently being made at 13% (with the credit line from the World Bank on which SOFISEDIT pays 8.9%). Medium (2-10 year) and long term financing is available, 15 years maximum for industrial projects, 20 for touristic. Minimum loan is 200,000 CFAF (\$10,000). Director was Ibrahima Ndiaye, who was just replaced this week.

Among the procedures of the SONEPI-SOFISEDIT system that exclude informal sector firms are the requirement that potential borrowers pay SONEPI to do preliminary viability and marketing studies. The \$10,000 minimum loan has the same effect, as do accounting procedures. Rural and small entrepreneur loans would have to be smaller, with greatly simplified application, counseling, and payment procedures.

SONEPI-SOFISEDIT might be considered by AID as potential cooperating agencies in extending credit, training, and management consultancy to the rural informal sector. They are not currently reaching any but the nearest rural areas to Dakar, and their programs and procedures are not yet suitable for mass or informal-sector participants. Having them study how credit, training, and consultancy could be adapted to mass participation might be an opportunity to assess their capacity to realize such a program.

Possible Project Approaches

Training

One of the areas universally cited as a major need is training and consultancy at all levels, in management, incentive analysis, work organization, and accounting. A number of organizations are already active in this field. The following overview may clarify AID's options.

At the top level management training has been provided by the Ecole Nationale d'Administration. In recent years, the government, private firms, and development donors have concluded that the approach used there for administration was not effective in industrial and commercial management. This led to the proposal for an Ecole Supérieure de Gestion Commerciale et Industrielle,

to be opened next year, with World Bank financing and Canadian staffing. It appears to be conceived to train top level managers, or top and middle level. It might, however, also be the best place to develop a program to instruct trainers of rural cooperatives, council officials, and small entrepreneurs.

At the middle level the Ecole Nationale d'Economie Appliquée trains rural development agents in local development planning, community organization, vocational education, and work with cooperatives. In the latter specialty it has already offered some instruction in accounting. We are currently negotiating with ENEA a potential PID to institutionalize beneficiary surveys as a regular component in their training program. To increase the applicability of the lessons of the beneficiary surveys, they would also like to train some of their staff in American management techniques, and simultaneously increase the management training component in several of their curriculum areas. ENEA already trains its students in transcription of local languages, and is willing to adapt and translate accounting and management materials for small entrepreneurs into local languages. Samba Dione would like copies of the Entente Fund textbook and Malcolm Harper's Consultancy for Small Business for that purpose. AID might sponsor preparation, publication, and distribution of such materials with ENEA. They could be printed by one of the major para-statal Senegalese publishers (Nouvelles Editions Africaines or Société Africaine d'Edition) or private (e.g. Imprimerie Diop).

An alternative to working with ENEA on these materials would be to work with SONEPI, which focuses more directly on management. SONEPI would like staff training, and also has the capacity to prepare curriculum materials and training programs.

The list of potential users of such materials include numerous existing vocational training programs, which have a management component: Maisons familiales, enseignement moyen pratique, the YMCA program, CARITAS diocésenal et National, and handicapped vocational training offered by the Fonds National d'Action Sociale.

Training programs for small producers are proliferating in the Cap Vert area, as the above list indicates. But only the maisons familiales reach the far outlying provinces, and they offer management training as part of a much longer program of study. It would be appropriate to organize short training programs for traders and small producers in rural market towns. They could also be provided in conjunction with SONEPI in the new regional industrial zones, if SONEPI is persuaded to integrate the informal sector into the zones.

Credit

Credit is generally available for productive and commercial enterprises in Dakar and regional capitals, from the Banque Nationale de Développement or SOFISEDIT. The preparation of an application file and minimum loan requirements, however, virtually require the borrower to be literate and fairly well off. Bank credit is generally not available in rural market towns, which leads to a thriving informal credit system with 50-400% interest rates.

Before deciding on the advisability of a rural credit program, however, more research must be done on the various credit policies of cooperatives and regional development agencies. The state and para-statal agencies have traditionally provided seed, fertilizer, and equipment to cooperatives on credit. Part of the current reform of cooperatives is to reduce the interest on seed from 25% to 12.5%; and to allow sub-units of the cooperatives (groupements de producteurs), instead of the whole cooperative to share collective liability. SAED seems to be making the same kind of reforms in its small perimeter projects in the middle valley, compared to its larger scale delta projects. ONCAD is also discussing release to cooperatives of stabilization funds impounded in the early 1960s, so that they can lend internally to their members of sub-units. No rural institution provides credit to lineages, informal sector producers and traders, marabout-entrepreneurs, or conseils ruraux. The merits and modalities of credit programs for them should be the object of further study.

PRODUITS AGRICOLES - EVOLUTION DES PRIX DE 1975 A 1980
(EN FRC CFA) PAR KILO

PRODUITS	1975	1976	1977	1978	1979	1980
<u>ARACHIDE HULLERIE</u>	41,50			41,50		45
<u>ARACHIDE DE BOUCHE</u>						
<u>REGION DU SINE-SALOUM</u>						
GOUSSES BIGRAINES 1ER CHOIX	60	60	60			
ECART DE TRIAGE	42	42	42			
<u>REGION CASAMANCE & SENEGAL ORIENTAL</u>						
VARIETE SCHULAMT-VIRGINIA	47	47	47			
VARIETE 756/A	45	45	45			
<u>REGION DIOURBEL</u>						
VARIETE 55-437 HPS	41,50	41,50	41,50			
<u>REGION DU SINE-SALOUM</u>						
SEMENCES APRES PASSAGE AU TRIAGE	48	48				
CATEGORIE A	45	45				
CATEGORIE B	43	43				
CATEGORIE C	41,50	41,50				
<u>MIL</u>						
PRIX AU PRODUCTEUR	30	30				
<u>COMMUNE DE DAKAR</u>						
PRIX ACHAT AU PRODUCTEUR				35		
PRIX VENTE GROS				40		
PRIX VENTE 1/2 GROS				42		
DETAIL				45		
<u>AUTRES CENTRES URBAINS</u>						
PRIX VENTE GROS				39		
DEMI GROS			41	41		
DETAIL			45	45		
<u>MAIS</u>						
PRIX ACHAT PRODUCTEUR	35	35	37	37	37	37
<u>POMME DE TERRE LOCALE</u>						
PRIX ACHAT PRODUCTEUR	55	60	80		80	
PRIX VENTE EN GROS	60	65	85		85	
PRIX VENTE DETAILLANT	65	70	90		90	
PRIX VENTE CONSOMMATEUR	70	75	95		95	
<u>POMATE LOCALE</u>						
D. 74/989 DU 2/10/74 & D.79/258-15/3/79						
PRIX ACHAT DEPART CHAMP	13				17	
FRAIS DIVERS	2,20				5	
<u>COTON (PRIX PAR TONNE)</u>						
COTON GRAIN 1ER CHOIX	47.000	49.000	49.000	49.000	55.000	55.000
COTON GRAIN 2EME CHOIX	22.000	25.000	25.000	25.000	50.000	50.000
3EME CHOIX (D80/56-22/1/80)					30.000	30.000

ANNEXE I - PRODUITS ET SERVICES SOUMIS A FIXATION AUTORITAIRE PAR
L'ADMINISTRATION DU PRIX

PRODUITS

Arachide
Mil
Coton
Maïs
Tabac en feuilles
Tomate fraîche
Niébé
Paddy Locala
Riz brisé
Sucre
Huile
Gomme arabique
Palmiste
Pommes de terre locales
Charbon de bois
Viande
Cuirs et peaux
Bananes
Pain et pamblé
Dattes en vrac
Hydrocarbure
Lubrifiant

SERVICES

Transport de personnes
Transport d'arachides
Transport d'hydrocarbures
Transport de phosphates
Tarifs des hôpitaux publics
et des cliniques privées
Honoraires des architectes
Honoraires des officiers
ministériels (notaires, huissiers
commissaires-priseurs)

ANNEXE II - PRODUITS ET SERVICES SOUMIS A HOMOLOGATION TELLE QUE PREVUE
PAR L'ARTICLE 3 DU PRESENT DECRET

PRODUITS

Matériels agricoles
Engrais
Farine de blé
Farine de mil
Lait concentré sucré et non sucré
Produits en amiante ciment
Concentré de tomate
Glace alimentaire
Gaz butane
Ciment

SERVICES

Tarifs des manutentionnaires
Tarifs des transitaires

ANNEXE III - PRODUITS ET SERVICES SOUMIS A LA PROCEDURE DE REAJUSTEMENT
PREVUE A L'ARTICLE 4 DU PRESENT DECRET

PRODUITS

Savon en barre et en morceau
Bougies d'éclairage
Allumettes
Café soluble non décaféiné type nescafé
Couvertures et draps de lit en coton, toile
écru et blanchie sans décoration tous
coloris
Cigarettes CAMELIA SPORT bleu sans filtre,
JOB SUPERIEUR sans filtre, et BASTOS étui
ordinaire sans filtre.
Accumulateurs de batteries fabriqués locale-
ment.
Gaz butane

SERVICES

PRIX OFFICIELS DE CERTAINS PRODUITS DE CONSOMMATION

<u>/ R I Z /</u>	GROS	SEMI-GROS	DETAIL
1965	27.350/T	28.581/T	30/KG
1966	31.500	33.250	35
1968	42.000	43.400	45
1970	37.000	38.400	40
1973	57.000	58.400	60
1975	74.500	77.070	80
1980	74.500	77.070	80

/ S U C R E /

1964	SUCRE CRISTALLISE	---	---	55
	SUCRE EN PAIN	---	---	75
	SUCRE EN MORCEAUX	---	---	70
1971	CRISTALLISE	53.572/T	56.400/T	60
	EN PAIN	75.873	79.900	85
	EN MORCEAUX	63.400	66.500	70
1972	CRISTALLISE	63.572	66.400	70
	EN PAIN	90.893	94.900	100
	EN MORCEAUX	89.400	86.500	90
	SEMOULE	95.000	97.500	100
1973	CRISTALLISE	63.572	66.400	70
	EN PAIN	90.873	96.500	100
	EN MORCEAUX	83.400	86.500	90
1974	CRISTALLISE	113.572	116.400	120
	EN PAIN	130.893	136.500	140
	EN MORCEAUX	143.400	146.500	150
1975	EN MORCEAUX	234.000	241.500	250
	CRISTALLISE	212.260	217.870	225
	EN PAIN	279.120	291.970	300
	SEMOULE	234.000	242.000	250
1976	EN MORCEAUX	203.000	216.500	225
	CRISTALLISE	197.260	202.870	210
	EN PAIN	244.120	256.970	265
	SEMOULE	234.000	242.000	250
1980	EN MORCEAUX	240.000	249.500	260
	CRISTALLISE	230.000	236.875	245
	EN PAIN	270.000	284.850	295
	SEMOULE	264.000	274.500	285

/ H U I L E /

		GROS	SEMI-GROS	DETAIL
22-3-74	HUILE RAFFINEE EN FUT	---	145,60	138
	HUILE RAFFINEE BOUTEILLE	---	134,50	140
4-1-75	HUILE RAFFINEE EN FUT	203,70/KG	208,79	198
	HUILE RAFFINEE BOUTEILLE	287,37/KG	192	200
31-1-80	HUILE RAFFINEE EN FUT	245	261,10	238
	HUILE RAFFINEE EN BOUTEILLE CONSIGNEE	225,10	230,60	240
	HUILE BOUTEILLE PLASTIQUE	280,10	285,60	295

/ P A I N /

1973	440 GR	40 FRS
	280 GR	28
1974	440 GR	58 FRS
	280 GR	37
1975	440 GR	65 FRS
	280 GR	41
1976	440 GR	67 FRS
	280 GR	43
1980	440 GR	105 FRS
	280 GR	70

/ C A F E /

1979	CAFE SOLUBLE	50 GR	809 FRS
		150 GR	2.363 FRS
1980	CAFE SOLUBLE	50 GR	805 FRS
		100 GR	1.568 FRS
	CAFE MOULU 250 GR		833 FRS
	CAFE MOULU 250 GR		825 FRS

S A V O N S

		P.V. GROS LE CARTON OU LA BARRE	DETAIL	
1973	CARTONS 36 MORCEAUX DE 200 GR	669,08	21 FRS	
	CARTONS 24 MX DE 300 GR	649,08	30	
	" 60 MX DE 300 GR	1.622,70	30	
	" 36 MX DE 500 GR	1.580,04	49	
	" 24 MX DE 750 GR	1.569,24	73	
	BARRES TYPE 3,400 KG	285,53	326	
	" TYPE 2,500 KG	209,95	240	
1974	CARTONS 36 MORCEAUX DE 200 GR	1.039,32	31 FRS	
	" 24 MX DE 300 GR	1.039,32	46	
	" 60 MX DE 300 GR	2.598,30	46	
	" 36 MX DE 500 GR	2.565	76	
	" 24 MX DE 750 GR	2.556	114	
	BARRES TYPE 3,400 KG	467,5	501	
	" TYPE 2,500 KG	343,75	369	
1975	CARTONS 36 MORCEAUX DE 200 GR	962,64	29	
	" 24 MX DE 300 GR	962,64	43	
	" 60 MX DE 300 GR	2.406,60	43	
	" 36 MX DE 500 GR	2.376,00	71	
	" 24 MX DE 750 GR	2.367	107	
	BARRES TYPE 3,400 KG	418,20	452	
	" TYPE 2,500 KG	307,50	333	
1977	PLASTIQUES 48 MX DE 200 GR	1.292,16	30	
	" 36 MX DE 200 GR	969,12	30	
	" 36 MX DE 300 GR	983,88	30	
	" 36 MX DE 300 GR	1.453,68	44	
	" 24 MX DE 300 GR	969,12	44	
	CARTON 24 MX DE 300 GR	983,88	44	
	" 60 MX DE 300 GR	2.459,70	44	
	" 36 MX DE 500 GR	2.428,38	72	
	PLASTIQUES 18 MX DE 500 GR	1.195,74	72	
	CARTON 24 MX DE 750 GR	2.419,20	109	
	PLASTIQUES 12 MX DE 750 GR	1.191,15	109	
	BARRES TYPE 3,400 KG	427,41	461	
	" 2,500 KG	314,27	340	
1978		P.V. GROS KILOGRAMME	P.V. GROS PAQUET	PV. DETAIL MORCEAU
	EMBALLAGE PLASTIQUE :			
	36 MX DE 200 GR	149,70	1.078	33
	48 MX DE 200 GR	149,70	1.438	33
	24 MX DE 300 GR	149,70	1.078	48
	36 MX DE 300 GR	149,70	1.617	48
	18 MX DE 500 GR	147,87	1.332	80
	12 MX DE 750 GR	147,30	1.326	121

/ S A V O N S / (SUITE)

1978		P.V. GROS KILOGRAMME	P.V. GROS PAQUET	P.V. DETAIL MORCEAU
EMBALLAGE CARTON :				
	36 MX DE 200 GR	152,08	1.095	33
	24 MX DE 300 GR	152,08	1.095	48
	36 MX DE 500 GR	150,15	2.703	80
	24 MX DE 750 GR	149,58	2.692	121
BARRE :				
	TYPE 3,400 KG	140,71	478	512
	TYPE 2,500 KG	140,71	352	377
1979	CARTON 36 MX DE 200 GR	180,06	1.296	39
	" 26 MX DE 200 GR	177,24	1.276	39
	" 48 MX DE 200 GR	177,24	1.701	39
	" 24 MX DE 300 GR	180,06	1.296	57
	" 60 MX DE 300 GR	180,06	3.241	57
	" 24 MX DE 300 GR	177,24	1.276	57
	" 36 MX DE 300 GR	177,24	1.914	57
	" 36 MX DE 500 GR	177,77	3.197	95
	" 18 MX DE 500 GR	175,07	1.576	95
	" 24 MX DE 750 GR	177,10	3.188	143
	" 12 MX DE 750 GR	174,40	1.570	143
	BARRES TYPE 3,400 KG	167,78	570	610
	" TYPE 2,500 KG	167,78	418	450

/ LAIT /

1979	LAIT CONCENTRE	SUCRE NESTLE	397 FRS	DETAIL 89 FR
	"	NON SUCRE GLORIA	170 FRS	DETAIL 40 FR
1980	LAIT SUCRE	397 GR.	DETAIL 115 FR	
	"	530 GR	" 145 FR	
	LAIT NON SUCRE	410 GR	95 FR	
	" " "	170 GR	50 FR	
	LAIT SUCRE & ECREME	410 GR	105 FR	

List of persons contacted:

AID

David Shear, Director/Dakar
Sam Rea, Program/Dakar
Julie Owens, Training/Dakar
Art Fell, OECD/Paris
Norman Rifkin/SDP/Bamako
Donald Brown, Economist/Dakar
Kof Ly, Bakel Irrigated Perimeters
Mamadou Jallow, Deputy Program Officer/Dakar

CARITAS: Diocesane M. NDiaye

ENDA: Liberty Mhlanga

ENEA: Cheikh Tidiane Sy, Directeur
Samba Dione, Adjoint

FONDS NATIONAL D'ACTION SOCIALE: Jean-Paul Dias

FORD FOUNDATION: Gaston Rimlinger
Richard Horowitz

IFAN: Fatou Sow, Sciences sociales
Abdoulaye Diop, Sciences sociales
Mamadou Niang, Sciences sociales

INSTITUT DU SAHEL: Pape Cyr Diagne, Directeur de l'Unité Démographique
et Socio-Economique.

ISRA: Jacques Faye, Directeur/Kaolack

MINISTRY OF COMMERCE: Mr. MBengue, Directeur du Commerce Intérieur et
de la Fixation des Prix.
Mr. Dieng, Adjoint

MINISTRY OF HEALTH: Mamadou Diop, Ministre
Dr. Thiam, Lapgar, Ferlo

MINISTRY OF INDUSTRIAL DEVELOPMENT AND CRAFTS: Mr. Cheikh Hamidou Kane,
Ministre

MINISTRY OF PLANNING: Mr. Sow, Directeur du Plan
Mr. Mademba NDiaye, Directeur des Finances
Mr. Jalalzai, Division des Ressources Humaines
Mr. Farba Diouf, Directeur des Projets Ruraux
Mr. Pierre Castellias

ORGATEC: Khalilou Sall, Directeur-Général

ORSTOM: Pierre Cantrelle, Démographe
Mr. Schmidts, Sociologue
Mr. Lericollais, Géographe

PROMOTION HUMAINE: Mr. Bey, Lapgar, Ferlo

SOFESIDIT: Ibrahima Fall, Directeur

SONED: Mr. Thiaw, Directeur-Général

SONEPI: Mr. Dioum, Economiste

Village of Lapgar, bore-hole settlement in Ferlo
Village Chief and Chef du quartier Wolof, Biram Mangan
Président du Conseil Rural and Chef du quartier Peul, Mr. Sow
Chef du quartier Maure, Mr. NDiaye

Village of Revane, bore-hole settlement in Ferlo
President du Conseil Rural, Abdoulaye Kaba

UNIVERSITY OF DAKAR: Boubacar Barry, Dépt. d'Histoire
Moussa Soumah, Dépt. de Géographie
Cheikh Ba, Dépt. de Géographie

WORLD BANK: Jonathan Brown, Director

YMCA: Lillian Baer, Directrice/Sénégal .

BIBLIOGRAPHY

- Buvinic, Mayra, Kudat, Ayse, Youssef, Nadia et coll.
"Women in Migration: A Third World Focus."
Grant N° AID/OTR-G-1592. Washington, D.C.
International Center for Research on Women, June 1979.
- Conseil de l'Entente. Semiannual Progress Report.
Fonds d'Entraide et de Garantie des Emprunts.
Programme d'Assistance aux Entreprises Africaines,
December 1979.
- Conseil de l'Entente. "Une comptabilité pour les Petites et
Moyennes Entreprises"
Programme d'Assistance aux Entreprises Africaines, n.d.
- Ecole Nationale d'Economie Appliquée (E.N.E.A)
"Evaluation auprès des Bénéficiaires du Projet dans les Ré-
gions de Thies et Diourbel." (April-May 1980, mimeographed).
- Ecole Nationale d'Economie Appliquée (E.N.E.A).
"Evaluation auprès des Bénéficiaires du Projet Petits Péri-
mètres Irrigués (Département de Bakel)." (April-May 1980,
mimeographed).
- Fichiers Industriels de l'Afrique Noire
Paris: Afrique Industrie, 1978-80
- Gerry, Chris. Petty Producers and the Urban Economy: A case study
of Dakar. Geneva: International Labour Office, 1974.
- Harper, Malcom. Consultancy for Small Business. London: Intermediate
Technology Publications Ltd, 1976.
- Helman, Howard B. and Swanson, Gordon I.
"Labor Intensive Public Works: Old Hat or New Handle."
(June 1980, mimeographed).
- Page, John M. "Small Enterprises in African Development, A Survey."
Washington, D.C.: World Bank Working Paper, n° 363, October
1979.
- Senegal. Atlas National du Sénégal. Paris: Institut de Géographie
National, 1978.

- Sénégal, Direction de la Planification, Division des Ressources Humaines.
L'Emploi et les Salaires dans le Secteur Moderne.
 Dakar: 1977.
- Sénégal, Direction de la Statistique.
 Les Activités du Secteur Economique Moderne au Sénégal en 1974 et 1975 d'après les Résultats du Recensement Général des Entreprises. 3 vols. Dakar: SONED, 1977.
- Sénégal, Direction de la Statistique. Enquête sur les Exploitations Artisanales (Survey taken in 1972). Dakar: 1976.
- Sénégal, Ministère du Plan et de la Coopération.
Elements d'Integration Industrielle. 7 vols. Dakar: SONED 1977
- Sénégal, Fondation Nationale d'Action Sociale du Sénégal.
 Document Publicitaire, Dakar: 1978
- Sénégal, Fondation Nationale d'Action Sociale du Sénégal.
Rapport Moral 1979, Assemblée Générale du 12 Juillet 1980.
- Sénégal, Ministère des Travaux Publics, de l'Urbanisme et des Transports, Direction de l'Urbanisme et de l'Habitat.
 Etude des Villes Secondaires du Sénégal. Multi-volume.
 Dakar: 1974
- Sénégal, Secrétariat d'Etat à la Promotion Humaine.
Centre de Formation et de Promotion des Jeunes
 Projet YMCA/SEPH. Dakar: September 1979.
- Sénégal, Secrétariat d'Etat à la Promotion Humaine.
Communication en Conseil des Ministres sur le Centre de Formation et de Promotion des Jeunes. Dakar: January 1980
- Sénégal, Secrétariat d'Etat à la Promotion Humaine.
Extension du Projet Hanene MBodiene, Projets des Services intégrés Promotion des Jeunes. Dakar: June 1978
- Sénégal, Le Sénégal en Chiffres, Annuaire Statistique du Sénégal, 1978 Edition, Dakar: Société Africaine d'Edition.
- Sénégal, "Loi 77-91 du 10 Août 1977 Portant Encouragement à la Création ou à l'Extension de la Petite ou Moyenne Entreprise Sénégalaise et fixant le Régime Fiscal Desdites Entreprises en cas d'Acquisition par des Sénégalais d'Entreprises Etrangères Existantes." (mimeograph)

Sénégal, "Loi 78-20 du 29 Janvier 1978
Portant Code des Investissements, " (mimeograph)

Société Africaine d'Etudes Techniques (ORGATEC).
Document Publicitaire, Dakar, 1980

Société Financière Sénégalaise pour le Développement de l'Industrie
et du Tourisme (S.O.F.I.S.E.D.I.T)
" Projet de Rapport d'Activités, 1979-1980".
(February 1980, mimeograph).

Terrel, C.L. "An Evaluation of AID's African Enterprise Loan to the Mutual Aid Guaranty Fund of the Council of the Entente States to Assist Small African Enterprises and Entrepreneurs." Washington, D.C.: International Development Consultants, Inc. 1979.

World Bank. The Economic Trends and Prospects of Senegal. 4 vols.
Washington, D.C.: World Bank 1979.

List of Senegalese Organizations
Which Have Village Development Projects

Voluntary

- Boy Scouts
- Caritas - Sénégal
- Croix Rouge
- FONADEC - Fonds National de Développement Communautaire (to be created this year, under the direction of Mr. Farba Diouf)
- Fondation Nationale d'Action Sociale du Sénégal
- Lion's Club
- Soroptimistes
- Union Nationale des Aveugles du Sénégal
- Union pour le Progrès Islamique
- YMCA - Sénégal

- Ressortissants: numerous urban associations, particularly active among the Tukolor and Soninke of the Fleuve and the Diola of the Casamance. The Tukolor and Casamançais were once organized into unified confederations -- L'Union Générale des Originaires de la Vallée du Fleuve and the Mouvement Autonome Casamançais. Both groups were banned in 1973 because they were too politically active.

- C.N.T.S, Comité National des Travailleurs Sénégalais
- SUDES, Syndicat
- U.N.T.S., Union Nationale des Travailleurs Sénégalais
- ZONTA, Women's Group

Research Organizations

- AFARD
- Anderson et Gaye
- ASAFED
- Bureau d'Etudes Alassane Diouf
- ENEA, Ecole Nationale d'Economie Appliquée

Handwritten mark

PROGRESS REPORT
of
the ADMINISTRATIVE REFORM of 1971 -
the RURAL COMMUNES

by
Joe Carvin

October 24, 1980

(This is a resource paper prepared for the Joint Planning Group)

Handwritten signature

Handwritten signature

The Cover Page:

At the end of each rural council meeting, the rural councilors and the sous-prefet sign the proces verbal (verbal evidence) that is published at the end of each meeting. At this particular meeting there were eight rural councilors present, six of whom signed with their thumbs. Guess which written signature is the sous-prefet's?

- Joe Carvin -

PART I - "THE REFORM"

On Monday, April 10, 1972, the Senegalese Parliament revolutionized Senegal's rural administrative structure by adopting Law N° 72-25 which created the "rural commune". (1)

The rural commune - a "public person" with "state's rights", took power away from urban oriented Regional Assemblies and gave it to local notables at the community level. In so doing, Parliament aspired to provide the rural population with the local democratic institutions necessary for control of their own development. The "Reform" as this law is called, proposed to do this by "deconcentrating" the administrative method and by decentralizing the administrative structure.

"Deconcentration" or Active Administration

The GOS hoped to improve its administrative method in three ways:

- (1) Make the administration of the rural population more efficient by lightening the administrative apparatus through a redistribution of responsibilities;
- (2) Bring the administrators closer to the administrated.
- (3) Facilitate the tutelage (control?) of the rural populations.

The principal benefactor of this deconcentration was the Sous-Prefet, the fonctionnaire de commandement (the ruling bureaucrat) closest to the population. He is called upon to supervise all development activities that take place in the arrondissement, where he resides. He has authority over the C.E.R. (Centre Expansion Rural) which, with the advent of the Reform, becomes the principal "technical instrument" for development actions decided upon by the rural council. He is responsible for the preparation, presentation and execution of the rural council's budget. He is the sole authority capable of making payments. It is he who decides where the projects voted on by the rural council will be situated. (This last right gives him tremendous persuasive power. If you vote for my budget, I'll put a well in your village.)

The Sous-Prefet is supervised and controlled in his activities by the Prefet, who is responsible for the social and economic development of his department. He too must be an "active administrator", as he is called upon

to coordinate all departmental services, (departmental agents for agriculture, livestock, etc.), check the budgets of the rural councils, ensure the continual training of GOS agents, and preside over and approve certain rural and urban meetings, as well as maintain order in his department.

The Governor, liberated from his task of administrating the regional capital, was freed to coordinate the actions of all public services in his region. He is ultimately responsible for the development of his region. Consequently, no rural council's budget can be put into action until the Governor has approved it.(2) In 1979, the Governor of Diourbel did not approve the rural council's budgets until they were already nine months into the budget year. As a consequence, no action was taken on rural council local projects from July 1, 1979 to March 14, 1980 for the entire region. The budget year closed June 30, 1980.

Decentralization

"Senegal achieved its independence in 1960, but for us, the peasants, independence didn't come until 1972, the first year of the Reform,"(3) enthusiastically proclaimed a rural councilor I interviewed.

Before the Reform, the rural population had no instruction through which it could make economic and social decisions. Cooperatives existed where peasants could unite to promote certain common economic interests, but these did not provide institutional control over local resources. There was the P.S., "Parti Socialiste", but here the farmers were limited to communicating their problems and aspirations. There was also the Regional Assembly, where the local population sent representatives, but this institution met infrequently, was situated far away from the village base and did not really represent rural interests, as less than 25% of its members claimed farming as their principal occupation.

As a result of these ill-adopted, directly imported, development structures, local participation in development projects was greatly lacking. Even when projects did succeed they did not necessarily respond to the needs and aspirations of the rural populace. Thus, a new distribution of roles and tasks between project managers, cadres, and peasants had to come about. In order for real development to take place, the peasant had to be associated

with every phase of the project, including its evaluation.(3)

The GOS sought to resolve this "rural malaise" by providing the rural populace with a local participatory institution much less foreign in nature - the Rural Commune.

Rural Commune (RC)

Article I of Law N° 72-25 defines the rural commune as "a certain number of villages constituting one same territory; unified by ties of neighborly solidarity and common interests; capable of finding the resources needed for its own development."

"The rural commune is a "public person" (persona morale) with "state's rights" (droit public) and financial autonomy. Its representative organ is the rural council, which is presided over by the President of the rural council as dictated by the present law."(4) (Law N° 72-25).

The rural council is elected by universal suffrage for a term of five years.(5) Two-thirds of its members are directly elected by universal suffrage. The remaining one-third are indirectly elected from the General Assembly of Cooperatives.(6)

The size of the Rural Council varies according to the number of inhabitants.

12 members for rural communes of less than 5001;

15 members for rural communes of 5001-10,000;

18 members for rural communes of 10,001-15,000;

21 members for rural communes of more than 15,000.(7)

The rural commune is created by decree after consultation with the Departmental Development Committee (C.D.D.). The decree determines the limits of the rural commune's territory as well as its name, which is the same as the "center village".(8)

The rural council meets at the "center village" as often as its President deems necessary. The council is nevertheless obligated to meet:

(a) For the budgetary session between December 1 and January 31st.

(b) When the Sous-Prefet deems it necessary.

(c) When one-third of the members deem it necessary.(9)

The President and Vice-President of the rural council are elected by the council members from within its own ranks by absolute majority.(10)

When local community resources are meager, rural councils can band together to form a groupement rural, (rural group). A groupement rural is defined by Article 64 of Law N° 72-25 as being a group "having as its objective the exploitation of capital goods, infrastructure or resources which interest several rural communes. The rural group can be formed for the exploitation of deep wells, (furages), vaccination parks, fishing zones, and irrigation networks". Article 65 continues, "The rural group is created by decree according to the wish of the rural councilors concerned, after consulting the CA and the DC. The decree defines the role for this group and its manner of functioning."

The rural commune's power and responsibilities are far-reaching. It is called upon to supervise the development and promotion of all activities and services (CERPS, EMP, etc.) that seek to satisfy the needs of the community. It must be consulted before the installation of any and all development projects that concern its territory. (In theory, then, anytime a Peace Corps Volunteer (PCV) wants to initiate a project, anytime a donor organization decides it wants to implement a development program within the territory of the rural council, the rural council must be convened to decide whether or not it is going to permit such an action. If the rural commune is to become involved in the project or if lands are required for the project, all of those decisions will be made by the rural council members at the same meeting.) It should also have to educate and bring up the children of the commune in the best way possible.(11)

The rural commune has three principal domains of action: administrative actions, land control and budgetary control.

Administrative Functions

The President of the rural council is an officer of the State, and as such, he has the right to preside over marriages, and register births and deaths. This, in fact, was one of the advantages of the Reform most often cited by the local population. That is, instead of having to go all the way to the centre village of the rural commune. Unfortunately, it seems as if the presidents of the rural communes and their designated secretaries have not been able to fulfill properly this task because of their inability to read and write, the tardiness or non-existence of registers, and the great demands put upon them by numerous applicants.(12)

The President of the rural council is also the representative of the Sous-Prefet in the region. He, therefore, has authority over all village chiefs. He must execute the decisions taken by the Sous-Prefet and maintain order in his community. (13)

Land Control

One of the most important powers given to the rural council president was the capacity to give and take away land, after consultation with the rural council. This provided Law N° 64-46, concerning the national domain, with the executive element it was lacking. Prior to the creation of the rural communes, land disputes went to courts, causing backlogs. With the introduction of the Reform, rural council presidents (R.C.P.) were to become the State's landlords. (RCP's are now obligated to consult with the rural council, and it is now the rural council as a whole that makes land allotment decisions).

According to Law N° 64-46 concerning the national domain and decree N° 72-1283 concerning the responsibilities of the R.C.P; the R.C.P has the right to take away land from a landowner for the following reasons:

- 1) Poor maintenance
- 2) Demand of the owner
- 3) The general interest of the rural commune (which in turn must be compensated).
- 4) If and when the owner, himself, or with the help of his family, ceases to exploit his parcel of land.

Although Law N° 80-14 (June 3, 1980) gives the Sous-Prefet the right to veto the President's decisions, the R.C.P still has the right to appeal.

While control over land has now been given to the rural council at the local level, this does not automatically mean that land rights and disputes are better administered. According to Law N° 64-46, national lands are not eligible for sale or for rent, but certain "grand patrons" such as the Khalifs of the Mourides and Tidjions (20 hectares), and the President of the Supreme Court were nevertheless listed as absentee owners of land. (14)

While this aspect of the reform seems to have been well assimilated by the rural councilors, conflicts continue to flare up at the local level. Village chiefs are particularly sensitive to Council decisions taken without consulting

consulting them first. One village chief interviewed by ENEA stagaires said that his R.C.P. took and gave away lands without any reason. Villagers in Batal, a conglomeration of six small villages into one big village, echoed the same sentiment, "The R.C.P. distributes land any which way", (n'importe comment). One rural councilor went so far as to say that the reform was a bad thing because the litigation of land was a source of conflict at the local level.

Given the importance of budgetary control to the promotion of the rural commune's development later on, I am devoting an entire section of this paper to this subject.

In sum, the rural council was given vast powers to regulate the affairs of its territory. It administers the lives, deaths and marriages of its inhabitants; it decides who works what lands, and it decides how to spend its members' taxes. At the same time, it gives local populations practice in democratic methods. If only the local participants, councilors and villagers alike, understood the half of their power.

ADVISORY COUNCILS

(See Charts AC 1, AC 2, AC 3)

While the major innovation of the Reform was the rural commune, decentralization did not stop there. At each level of the territorial administration, an advisory council was created to enlighten with its advice, the administrative authorities. These councils provide a forum for greater participation. Here both elected members and appointed representatives of different social and economic groups get together to debate the development objectives of their territorial entity.

CONSEIL D'ARRONDISSEMENT (C.A.)

(Council at Arrondissement Level)

Each rural commune sends two elected members to this council. The general assembly of cooperatives also sends members to the council. These members are proposed by the general assembly to the Prefet who appoints them to the council. Their number is equal to one-half the number of elected members. (Thus, they account for one-third of the assembly members). The size of the C.A. varies from 15 to 24 members depending on the size of the arrondissement.

The members of all the councils are elected for a period of five years.

The council is obligated to meet once a year in February. The Sous-Prefet's presence is obligatory at all times. Meetings can also be initiated by the President (who is elected by the elected members of the council), by two-thirds of the members, or by the authority of tutelage (Prefet, Governor).

The council must be consulted on all matters having direct impact over its territory. Thus, the council must be informed of all investments, development actions or changes that take place in the arrondissement. At the end of each obligatory session (February), the Sous-Prefet is obliged to submit a summary of all the programs and development actions that were performed in the preceding year in the arrondissement. Thus, both the Sous-Prefet and the rural commune representatives serve as an important link between the rural council and the C.A. This forum provides the rural council members with an opportunity to come together and assess development actions that are being carried out in neighboring rural councils. They thereby obtain an overview of arrondissement-level activities and then give advice as to how these activities might be improved. Their advice is communicated to the appropriate governmental agents, but it is not at all binding.

DEPARTMENTAL COUNCIL

This council is comprised of two members from each "commune" (city council) and two members from each Conseil d'Arrondissement as well as representatives from the most appropriate economic and social groups as designated by the governor. These representatives are equal in number to one-half the elected members of the council, i.e., one-third of the total assembly.(37)

This council meets twice a year, once in March and one in October. The Prefet's presence at these meetings is obligatory. It is he who decides what will be studied at each meeting. Like the Conseil d'Arrondissement the Departmental Council can listen to outside speakers and designate commissions to study a particular problem.

This council is unique, in that it is the only "advisory" council to have the power of decision. It decides in October how much the rural tax will be for the following budget year. This tax cannot be less than 500 Francs CFA, nor can it exceed 1,000 CFA.

It must be consulted prior to all department or regional level programs. It should also submit an evaluation of the priorities to be assigned all public investments.

The Prefet must submit for evaluation the administrative accounts (accounts presented at the end of the budget year which show how far work has progressed for all of the collectivités locales (rural communes and urban communes or city councils). The council, after examination of these budgets, can suggest eventual rectification, but here again its suggestions are not binding.

REGIONAL COUNCIL

This council is made up of three (3) representatives from each Department Council, two (2) members from the rural communes and one (1) member from the urban communes. This council also accepts representatives from different economic and social groups nominated by the Minister of the Interior. These representatives also number one half the elected members of the council. (one third of total council).

This council's principal function is to coordinate national and regional planning. It must be consulted therefore, before the elaboration of regional development programs, as regards the priorities to be given public investment, and it must be informed as to the progression of the budgets of collectivités locales. (16)

This council necessarily meets once a year in April. It, too, is presented with the "administrative budgets" of all the collectivités locales and analysis.

These councils which go from the base to the summit provide a second, more comprehensive, participating institution. They bring together mayors, representatives of different community associations and elected members of rural and urban councils. These councils provide their members with an opportunity to evaluate the various government services that operate in their territory. They provide a forum for a global view of development actions for :

- rural councilors at the arrondissement level,
- arrondissement councilors, city councilors, mayors and union and association leaders at the department level,
- departmental councilors, regional representatives of unions and association at the regional level.

At each level, it is the territorial administrator (Sous-Prefet, Prefet, Governor) who directs the council meetings. He decides the subjects to be discussed and presents the "administrative accounts" necessary for effective analysis and control of the programs. After having reviewed the "administrative accounts" and any other essential reports and documents, the council gives its opinion of the development program (for example, the idea of building a road through Gandia is a good one but it should be laid with red rock instead of being paved; or, there is too much investment in infrastructure, etc.) While the government agents (SODEVA, CERP teams, P.H. agents, etc.) responsible for the implementation of these programs will discuss these proposals, they are not in any way obligated to carry them out.

These councils should, therefore, be able to provide for effective coordination of planning from the bottom up. Finally, these councils are an important source of information, given the verbal evidence (procès verbaux) and statistics they publish at the end of each meeting. Unfortunately, these documents which should be sent to the Ministry of the Interior are very sparse.

THE DEVELOPMENT COMMITTEES

The territorial administrators don't necessarily have any rural development training, but they do have technical services, the appropriate territorial administrator calls a development committee meeting each month at the arrondissement, department and regional levels. These working committees have three main tasks at their respective levels:

- (1) Make an inventory of the studies in progress, and watch over their implementation.
- (2) Propose, by order of priority, the site of various projects given national and local priorities.
- (3) Prepare the means that will be used by the services in implementing their projects.

At the arrondissement level, it is the local development committee (Comité Locale de Développement, CLD) that meets to fulfill these three tasks. Here, the S/P has the various technical agents SODEVA, Chef de CERP, his team of agents, R.C.P.'s, and representatives of each of the political parties) present a report summarizing their actions of the past month, after which an attempt is made to

program the following month's actions.

At the department level, the Prefet summons: the "heads of services" (departmental inspector, youth director, inspector of elementary education, departmental inspector of Promotion Humaine, hydraulic inspector, fishing inspector, head doctor), the "sector chiefs" (Agriculture, Livestock and Water and Forestry), the Chefs de CERP, the S/Ps, the President of the Departmental Council, mayors and representatives of each political party) into a monthly meeting of the Departmental Development Committee (CDD - Comité Départemental de Développement). In some departments, they meet every week. Here, once again, the Prefet presides over the meeting in which the technical agents summarize their actions taken in the past month, and then future actions are coordinated. It seems, however, that these meetings serve primarily as a forum for giving reports. Most of the real planning is done at the Comité Départemental de Développement Restreint which includes only Chefs de CER's, Sector Chiefs, and Sous/Prefets. These meet however often the Prefet deems it necessary.

At the regional level, the Governor coordinates regional actions undertaken by regional "heads of service", regional sector chiefs, mayors, political party representatives and the President of the Regional Council. All this at the Regional Development Committee meetings (CRD, Comité Régional de Développement).

Advisory councils were created to permit a larger, more comprehensive base of participation. They provide a vehicle through which elected representatives and different groups residing in the community, the direct beneficiaries of the development actions, can control and evaluate the technical agents' work. In order to ensure efficient exploitation of scarce resources development committees meet once a month to coordinate, assess and program past and future actions. The advisory councils evaluate these actions and render an opinion. The development committees are technical working groups which consider these opinions, make their own frequent evaluation and then plan accordingly.

Rural councilors, development committees, advisory councils and S/Ps were not the only entities to see their responsibilities and duties multiplied because of the decentralization and deconcentration brought about by the reform; The CERP's which had been neglected ever since the fall of Mamadou Dia in 1962,

were in a unique position to be able to help trained administrators and non-technical farmers elaborate and execute the projects they would be called upon to implement.

CERP's or CER's

(Centre d'Expansion Rurale Polyvalente)

Traditionally, the CERP was called upon to promote participation and development in a unique way. They were supposed to "encourage the total development of the peasant population by providing a model which corresponds to the peasants' own deepest aspirations. This model would progressively assure the peasants of effective participation in the overall improvement of their economic, cultural and social environment". (43)

It is doubtful whether the CER's would ever have been able to achieve these lofty ideals, but with the fall of Dia, the CERP's suffered greatly as productivity was emphasized over total development. Ten years later, however, with the onset of the reform, the CERP's would experience a resurgence.

The rural communes are a natural counterpart for this locally based organization dedicated to the "global development of man". Instead of intervening amongst diverse groups scattered around the arrondissement, the RC provided the CERP with a legally structured base of intervention capable of aiding other local organizations in the territory. The possibilities for promoting participation and coordinating activities were greatly enhanced.

Now that the peasants have their own vehicle through which they promote development actions, it is the CERP's task to help the RC elaborate these different projects. No organization is better suited to this task. The CERP groups all the technical services (agriculture, livestock, water and forestry, sanitation, cooperative agents, and monitrices rurales) that intervene in the rural world at the local level into one team. They meet weekly to coordinate and plan their activities. These agents are directed by a Chef de CERP, who is a graduate from ENEA's Planning College. (Actually, only about 60 of the CEAP's are ENEA graduates). He collaborates with his agents to draw up a "monography" or plan of the arrondissement. This plan details all the vital

statistics, needs and potentialities of the territory.⁽⁴⁴⁾ The Chef de CER and his team know the arrondissement inside out. Nobody can give more effective advice to the RC than the CER.

Once the "project budget" has been voted, the CERP team helps the RC execute its budget. Their technical expertise, knowledge of the field, and weekly planning sessions provide them with the tools necessary for effective collaboration with the RC.

Whereas the CERP is capable, given its in-depth knowledge of the arrondissement, of intervening in all stages of the planning phase of the project budget, it is limited in the execution phase of the budget to aiding predominantly in the implementation of rural development actions. The CERP, despite all their talents, don't build buildings.

The CERP, the only real "development agents" at the arrondissement level (with SODEVA) serve as the technical instrument of the reform. They are said to be the cheville ouvrière (pivotal worker) of the reform, because without their knowledge of the arrondissement, the S/P and administrator can't hope to elaborate an effective budget. Nor can he hope to carry out rural development actions without their technical knowledge.

The CERP also plays a middleman role by reconciling national objectives with local priorities.

While the Senegalese government increased the responsibilities and duties of the CER, it did not allocate a corresponding increase in the funds put at its disposal. As a consequence, the CERP's suffer from a chronic Senegalese illness, impeccable ideas and no money. The CERP receives only 2,500,000 CFA per six-month period. This must go to pay for chauffeur, chauffeur's uniform, gas, repairs, etc., for all the agents. ENEA did a study and found that for the CER's to be really effective they would need 6,000,000 CFA per six-month semester.⁽²⁵⁾ This is the same sum they received when Mamadou Dia was Prime Minister in 1962.

In one village, Nguekokh, this lack of funds caused an extreme slowdown

of activity. There were no weekly meetings, little coordination of activities, and no attempt to plan different programs.

While the CER's may be accused of lacking initiative, they do know local needs, and they are quite capable of directing local projects. The CER's I interviewed seemed quite willing to work, if given the resources. What's more, the peasants feel much more at ease with the Chef de CER than with the S/P.

Despite the obvious importance of the CER as a local technical agent, this entity has no official, legal status in the reform. The CER is directly responsible to the Sous-Prefet. Normally, the CER should play an active role in the elaboration and execution of the rural commune's budget. The inclusion of the CER in this process is nevertheless left to the discretion of the Sous-Prefet!! This leads to very different degrees of participation. In one village, for example, the Sous-Prefet let the CER do everything, including presenting the budget to the rural commune (RC). In another village, the Chef de CER was limited to proposing rural development actions at a maximum of 300,000 CFA. In other arrondissements, the CER is not associated at all. If the Senegalese government really wanted to revolutionize the country-side, it would favor development, not administration.

An elaborate parody of councils, committees and administrative networks were thereby put at the people's disposition.

Or were they?

It is important to note that this entire developmental structure is ultimately responsible to the territorial administration. The principal actors and power holders are not rural development agents, who intermingle with the local population, but rather uninformed, urban-trained administrators. Their powers are endless. The S/P presides over the CA and the CLD. He introduces the subjects to be discussed. He elaborates, presents and executes the RC's budget. He is controlled by the Prefet.

The Prefet presides over the DC and the CDD. He chooses by decree the cooperative members who will sit on the CA. He is responsible for maintaining

law and order in his department, as well as for all development. The Prefet is watched over by the Governor.

The Governor presides over the RC and the CRP. He decides which economic and social associations should be represented on the DC. He is watched over by the Minister of the Interior.

The Minister of the Interior decides which representatives will sit in on the RC. His appointed representatives equal one-third of the council's members. He presides over the whole of the territorial administration. Who watches over him? His agents control all development actions and development agents in their territory. Thus, it is the Minister of the Interior, who is ultimately responsible for the development of the nation, as well as for maintaining peace and order. What, one might ask oneself, is the relationship between development responsibilities on the one hand and police-type responsibilities on the other?

PART II - APPLICATION OF THE REFORM

Senegal very wisely opted for a progressive implementation of the reform. One of the principal reasons for this was that it didn't have the administrative capacity to implement the reform on a nationwide level. The Minister of the Interior, Jean Collin, stated in July 1972, that the "reform of the territorial administration of the collectivités locales will only be as good as the men who run it".⁽¹⁸⁾ Thus, the desire to apply the reform, region by region, while at the same time training the agents required to ensure successful implementation,⁽¹⁹⁾ In this way, the GOS would also be able to profit from the experience gained in each previous region. As such, the reform began in the Thies region in July of 1972, was extended to Sine-Saloum in 1974, was implemented in Diourbel and Louga in 1976 and finally extended to Casamance in 1979. Elections are scheduled for November, 1980, in the Fleuve region. Senegal Oriental will be the last region to receive the reform in 1982.

Method of Implementation

The texts regulating the reform don't prescribe any specific method of implementation. Promotion Humaine was responsible for the formation dispersal of information to the local populations, but, so far as I have been able to determine, this was not done before the election of rural councilors.⁽²⁰⁾

At the time of the installation of the reform, local party politicians told villagers to select two representatives to go to the party meeting at the Departmental level. Once there, the party heads selected from amongst these representatives the appropriate number of councilors. Since there were not, as yet, any opposition political parties, these councilors, selected first by the villagers and then by the party, became the rural councilors.

The choice of the different members was obviously motivated by political reasons. The RCP of one village had this to say about his selection: "I became President of the rural council, but most of all it was with the help of the party head who wanted to put his man on top."⁽²¹⁾ A council member of the same rural commune, continued in the same vein: "I was chosen by the Parti Socialiste

(P.S.) after having submitted a prior request. I would like to emphasize the fact that my father, a former village chief, delegated his power to me upon his death in 1930. Also, the local population having always seen me assume different responsibilities, approved my request to become a rural councilor."⁽²²⁾

Although the choice of the rural councilors certainly purported political implications, it does seem as if the party leaders attempted to nominate traditional leaders who did command wide respect in the village. While not everyone was always happy with the choice of the rural councilors, the councilors do, for the most part, seem to be very much respected by the villagers.

A social breakdown of a rural council shows us that the law did effectively rationalize Senegal's political administrative structure along traditional African lines:

Profession: 19/21 were farmers.
Age: 10 were over 60 years old.
7 were over 50 years old.
youngest was 43 years old.
3 could write, speak and read French.
8 could read and write Arabic.
All male.
All Muslim.

After the 1978 elections, the composition changed somewhat:

2 transporters.
3 fishermen.
2 livestock herders.
1 midwife (only female, 29 years old).
13 farmers.
Age: 9 were 60 years old or over.
8 were 50 years old or over.
youngest was 29 years old.
3 read, write and speak French.
10 read, write Arabic.

Perhaps one of the most political decisions made was to determine which villages would have a rural councilor ⁽³⁸⁾ because, as the following tables show, a village that is not represented may experience difficulties in bringing projects into its territory.

(See table - page 18)

As the tables indicate, only 12 of the 21 villages had representatives in 1972. This number was reduced to 11 in 1978. The distribution of councilors in another rural council was even worse. There, only four of 21 villages were represented!⁽²³⁾

The poor distribution of rural councilors seemed to affect the "localisation" of projects. The villages with rural councilors received 86 projects over the seven year period studied, while the villages without rural councilors received only 17 projects. This phenomenon can, of course, be partially explained by the desire to build up the village center first; 27 projects, and then concentrate on the outlying areas. Nevertheless, a fairer and more intelligent (Are the citizens of the commune going to eat their youth centers?) distribution of resources would seem necessary.

With the legalization of the PDS, Senegalese rural politics has become and will continue to become much more lively. The PDS presented candidates for election in certain rural communes of the Thies region. They criticized the PS delegates for being "yes" men (béni oui oui) easily manipulated by PS party bosses. They were able to win certain local elections.

What's more, the PDS now has a tremendous opportunity to capitalize on "rural malaise", disillusionment with the slow pace of the reform, isolation of small villages and local jealousies. The PDS ticket might be particularly effective if they included dynamic and literate members of youth and women's associations.

The stakes are high, as tickets presented by each party are voted on in their entirety. Thus, it's winner take all. "All", translates into control of the local budget and lands for a period of five years. Competitive politics should ignite a redynamization of local PS party structures and force them to present popular candidates. Competitive politics could, at the same time, give play to local jealousies and open up a pandora's box of political gimmickry.⁽³⁹⁾ This November, elections in the Fleuve region should be closely watched. Next year's elections in the region of Diourbel will be even more

RURAL COMMUNE OF NGUEKOKU
(Comprised of 21 villages)
1972 - 1979

Distribution of Rural Councilors
by Village

Locale of Projects Voted by the
Rural Councils

<u>1972</u>	<u>1978</u>
3 Nguekokh Oulof	5
1 Nguekokh Serrer	3
3 Ngaroue	2
2 Somone	2
2 Gueveo	2
2 Kiniabour	2
2 Tesse Touabab	1
1 Gardigal	1
1 Keur Massouka	1
1 Djilakh	1
1 Sindia	1

"village center"			
Nguekokh	27	projects	
Ngarone	3	"	
Somone	3	projects	
Gueveo	8	"	
Kiniabour	8	"	
Tesse Touabab	9	"	
Gardigal	5	"	
Keur Massouka	3	"	
Djilakh	3	"	
Sindia	6	"	

<u>1972</u>	<u>1978</u>
1 Thiamlodge	1 Tanguiere
1 Nguerigue (not represented in 78)	
12/21 villages	11/21 villages

Thiamlodge	5	projects
Nguerigue	3	"
Tanguiere	0	"
	<u>8</u>	

Projects realized in villages
not represented:

Thiafoura	4	projects
Sorokhassap	3	"
Sinthiane	4	"
Ndiorokh Mboth	2	"
Ndiagreu	3	"
Cap Gavane	1	"

18/21 villages

Source: ENEA, "Rapport de Stage" Noto Tassette

interesting, as they will show the rural populace's satisfaction with the reform; as well as their level of assimilation of the principles of the reform.

Traditional authorities were thereby placed in a democratic forum. The new councilors were imbued with vast powers and great responsibility. Now all they needed was for someone to tell them what those powers and responsibilities were.

Formation-Training

Whereas the reform would "only be as good as the men who implement it", the local councilors could only be as good as the people who informed and instructed them allowed them to be. It was no secret to anyone that the efficient application of the reform would require extensive training of rural councilors (illiterate for the most part) and local populations, both newcomers to this modern democratic process. Three different organizations have at one time or another taken on the responsibility of dispensing this vital instruction; the Ministry of the Interior, Promotion Humaine and the Centres d'Expansion Rurale (C.E.R.).

The Ministry of the Interior

In 1972, following instructions from Prime Minister Abdou Diouf, it was decided that the Ministry of the Interior would supervise the training of an elite team of 'formateurs'. The members of this team were selected from among the best students of ENEA, as well as certain bureaucrats with extensive field experience. This team was trained by the Bureau d'Organization et Méthode (B.O.M.).

Upon completion of their training, three different teams were created and sent to the Departments of Mbour, Tivaouane, and Thies. Once there, they were to inform the rural councilors as to

- the general content of law no. 72-25
- the responsibilities of a "civil officer"
- land control
- budget management.

Unfortunately, this elite team soon encountered the chronic Senegalese difficulty, manque de moyens (lack of funds). Consequently, no substantial training was carried out in the whole of the region. This elite corps was eventually dissolved, its members becoming Sous-Prefets.

Training and Promotion Humaine

Promotion Humaine did not fare much better than the elite group from the Ministry of the Interior. Their program was divided into four stages:

- 1) Inform field agents and local populations,
- 2) instruct and train rural councilors,
- 3) follow-up this second phase in order to ensure that it was well assimilated,
- 4) do functional literacy programs.

As I already mentioned, I found no evidence of this first stage having taken place in either the Thies or Diourbel regions. In any case, if this preliminary information stage did take place at the local level, it was not very effective, as the villagers I interviewed were unable to explain the duties and responsibilities of the rural commune. (CER's did, however, carry out this task in the Fleuve region this year).

This knowledge did, however, vary from village to village. Also, most people did know that the rural commune is responsible for land control. Nowhere, however, did I get even the slightest impression that this institution was their institution, working for them and responsible to them. Their general notion still seems to be very vague. People talk about the rural commune and they even mimic phrases such as "brings administrator closer to the administrated" but they don't really understand what's going on.

The second stage of formation is by far the most important, because if the rural councilors imbued with the state power take charge of their own destiny, then the local populations won't be long in following.

This stage did take place in the first year of the reform in both Thies and Diourbel. In the Department of Bambey in Diourbel, a three-day seminar was organized, in which the CER, the Sous-Prefet and Promotion Humaine agents

all participated. They divided up the various topics; functions of the rural commune, of a "civil officer", budget control (Sous-Prefet normally takes this topic), and law of National Domain. The different agents then proceeded to give an exposé on their respective topics. These exposés, being academic in nature, were not easily assimilated by the rural councilors. What's more, the third stage follow-up never did take place because of a lack of resources. Thus, the councilors, illiterate for the most part, soon forgot what they learned at these preliminary sessions. They rely, therefore, on the Sous-Prefet to inform them on their rights during their various meetings.

As for the fourth stage, literacy, Senegal's national report presented to the World Conference on Agrarian Reform and Rural Development, claims that Senegal is in the process of alphabetizing 4000 rural councilors (sic). While it seems as if a few literacy programs were started for the rural councilors, they were so few that they have had no impact whatsoever. In the region of Diourbel, where the reform started in 1976, financing was acquired by Promotion Humaine from UNICEF in November, 1978, to train reading teachers. In January 1979, 24 monitors were selected for 24 rural communes. Unfortunately, the account which was ready since 1978, was not opened by the Ministry of the Interior until late this year. Thus far, no action has been taken and five of the 24 monitors have left the region.

Promotion Humaine (PH) does seem, however, to want to put its ship in order. They have been collaborating with a German organization, Welfriedendienst (W.F.D.) since 1975. They seem to have come up with a new pedagogical method (visualization and "game of errors") that they used in Casamance and which seemed to be more effective. The Director of Animation Rurale and Urbaine, Mr. OUsmane Samb, feels that PH has finally found an effective technique which it can rely on.⁽⁴⁰⁾ In fact, PH in collaboration with the Ministry of the Interior is going to publish a book of designs that will be sent to all rural communes to serve as a visualization of a rural councilor's rights and duties. Unfortunately, this document, sent to the Ministry of the Interior in February, 1980, was lost. Mr. Samb sent a second copy to them last week, which will be

Published with a preface from Jean Collin, Minister of the Interior.

Another obstacle that has been removed from PH's path is the move of the CER's to PH. Previous training efforts had been hampered by conflict between CER agents and PH agents. Now that the CER's are with PH, the prospects for coordinating training efforts are much brighter. What's more, it seems as if the Ministry of the Interior has come to recognize PH as the principal animator of training projects. (24)

While the Ministry of the Interior seems to recognize PH as the principal encadreur, it does not seem very willing to promote their programs. The loss of an important document and a year-long delay in the opening of an account lead one to question the Interior's real desire to form elected officers and the local population. Agents in the field are very much discouraged by what they consider to be veiled opposition to their development efforts. It should be noted that PH agents are under the administrative authority of the territorial administration.

Promotion Humaine is also capable of intervening in the rural commune in other ways. Its program for local artisans will provide the local workers necessary for carrying out local projects voted on by the rural communes. The Enseignement Moyen Pratique should in theory be regulated and adapted by the rural commune to the local milieu. The budgets of several rural communes also consecrated funds for the purchase of materials facilitating women's work. As such, the rural commune provides a legally structured base of action for all PH activities. With the arrival of the CER's at PH, it seems that, with proper coordination and funding, integrated development at the local level could become a reality.

Training and CERP's

The CER's traditionally were supposed to play a big role in the formation of the rural populace. They were to promote the global development of each individual in the arrondissement. Thus, it was natural that they be involved in the training of rural councilors. They were reinforced in this domain by

a grant they received of 250 million CFA from the Foundation Konrad Adenauer for training of all sorts, including that of rural councilors. This program was to be carried out from 1977-1980. The money was to be spent on:

- vehicles,
- audio-visual material,
- a revival of seminars,
- and the funds necessary for the encadreurs.

It seems that the vehicles never left Dakar. The audio visual material did leave Dakar, but it was never used because the CERP agents had not been trained to use them. There was also an added inconvenience in that in most of the villages there wasn't any electricity, thus the equipment had to run on batteries. As if these expenses weren't sufficiently luxurious, it has been said that one whole month's training could be paid for with the amount of money the CER's spent on soft drinks at their seminars. (41)

There were other problems as well. Konrad Adenauer wanted receipts from the CER's to prove that money was spent, but local market women didn't have receipts to give. (26) The Chef de CER in one village complained that 25,000 CFA wasn't enough for a two-day seminar because if 25 people were invited, 40 would come (African custom). Consequently, he had conducted only one seminar for the whole year.

No formation had taken place in Thies region after the elections of 1978. In the region of Diourbel, the regional inspector of PH was aware of only one training session conducted by the CER's. One thing is sure, the training of rural councilors has been sporadic, inconsistent and ill-conceived. In short, it has been a failure.

No one is more aware of this than the rural councilors themselves. Two rural councilors I interviewed said they felt as if they were "sickly", because they were weak with no education or training. Another councilor interviewed by the ENEA, said "the spirit of the reform is still very theoretical, councilors are not trained, consequently they have only a peripheral knowledge of the texts and laws; we are even ignorant as to our rights."

The rural populace is just as aware of their shortcomings. One farmer remarked in the course of a meeting, "We are like slaves being pulled around on a chain".

Nevertheless, some progress has been made. Rural councilors are becoming less reluctant to voice their opinion. Now, when a Sous-Prefet proposes a youth center at three million CFA, the councilors, knowing that they could build the same building at half the price, will disagree. Some also realize that they have been given extensive powers. One seventy-nine (79) year-old councilor has this to say, "As for the administrative authorities, I don't think they like the reform at all, because a lot of power has been taken away from them. They now dispose only of a simple right of tutelage at the local level. This often causes them to act like the former Chefs de Canton. Sometimes they even try to influence or channel our opinion in one direction at the meetings."⁽²⁷⁾

While training up until this point has largely been a failure, it seems as if PH is in a much better position to carry out future training. Their animation agents are trained specifically for this purpose; they have an innovative method (visualization and games of errors) that seems to work; they go to the grass roots level; and they demand a contribution from the beneficiaries. CER, on the other hand, has wasted a lot of money, uses the same old exposé method, does not have a regular training program for rural councilors (only when the need is felt for this type of training) and still has another \$312,000 coming to it for the year 1980 from Konrad Adenauer.

If any training program is going to work, however, these two agencies will have to coordinate their actions, because as Mr. Samb, Director of Animation Rurale et Urbaine, points out "Training in the rural world is a continual process." Thus, field agents, such as the CER, the monitrices rurales and PCV's, must follow up these initial seminars, with constant reminders. Finally, the timing of the training programs is of utmost importance. If a training session were held just before a budgetary session, that could have a big impact. If, on the other hand, training were conducted six months prior to the budgetary session, the rural councilors would forget most of what they learned, as they don't take notes.

The efficient and effective application of the reform depends on the men in charge. One can visit one village that more or less knows its rights and what the reform is about and then travel only 10 kilometers to find a village that knows almost nothing about the reform. One can travel the same distance, see two different Sous-Prefets, and consequently see two totally different applications of the same law. The reform, "C'est une affaire des hommes". One man in particular is the backbone of the reform. He is the Sous-Prefet. Nowhere are his enormous powers so evident as in the elaboration, presentation and execution of the budget.

PART III - THE BUDGET

Elaboration of the Budget

The Sous-Prefet is obligated by law to submit the "project budget"(28) to the rural commune for a vote. The laws regulating the rural commune don't, however, indicate the method the Sous-Prefet is to use in elaborating the budget. He is free to elaborate the budget in any way he pleases, as long as the budget he presents is equal in receipts and expenditure.

Logically, the first thing the Sous-Prefet (S/P) has to do in elaborating the budget is to estimate the receipts for the upcoming budget year. Receipts, like expenditures, are divided into two categories, "ordinary" and "extraordinary." Ordinary receipts (expenditures) are those that recur year after year, those that are habitual. Extraordinary receipts (expenditures) are those that change from year after year. They are special or elective in nature. They don't have to be made.

Estimation of Receipts

Ordinary Receipts:

(1) Rural Tax:

The rural tax rate is decided on in October by the Departmental Council. This rate can't exceed 1000 F. or be less than 500 F. Once this rate has been determined, it is easy to estimate the total for this category. For example, if the tax were 1000 F., one would multiply 1000 by the number of taxable inhabitants. Twenty-five percent (25%) of this total would be deducted from the rural commune's account and put into the "Funds of Solidarity". (See para 7 of this chapter). These funds will eventually be redistributed to the poorer rural communes. Thus, the calculation is easy:

$\frac{1000 \times N \times 75}{100}$

< Product Tax

The rural tax accounts for the bulk of the rural commune's budget, anywhere from 75% - 100%.

(2) The tax on animals was discontinued after 1974 because of the drastic affect of the drought on Senegal's livestock herds.

(3) Direct taxes:

fiscal minimum

license tax

contributions from patents

50% - land tax on property with or without construction,

These are estimated by taking the average of the previous three years. Usually, these taxes don't account for more than 20% of revenues, unless a large financial enterprise like Club Aldiana, is located in the rural commune's territory.

(4) The product of financial contributions accruing from markets pertaining to the rural commune.

(5) Sixty percent (60%) of all fines covered over the territory of the RC.

(6) Contributions accruing from sale of non-reclaimed animals.

Articles 4-6 don't normally contribute a very imposing figure, thus, the S/P's estimate should be fairly accurate.

(7) Funds of Solidarity - The funds of solidarity equal 25% of the rural tax. These funds taken away from the rural commune serve as "development subsidy" for the rural communes that are particularly poor. (Kaolack which has \$3.3 million of a total \$7.2 would thereby be forced to give up some of its riches. (See Chart A) Thus, following our example:

$\frac{1000 \times N \times 25}{100}$

Funds of Solidarity

Extraordinary Receipts:

Any loans, grants or funds contributed to the rural commune by the State, a philanthropist or a foreign country are counted as being extraordinary. Also, the funds that come from the formation of a "groupement rural" are considered "extraordinary", since they do not accrue on a yearly basis.

If we were to take a rural commune of approximately 15,000 inhabitants of which 10,000 were taxable, we would come up with the following series of receipts:

$1000 \times 10,000 \times \frac{75}{100}$	7,500,000 - Product Tax
$1000 \times 10,000 \times \frac{25}{100}$	2,500,000 - Solidarity Funds (These do not accrue to the rural

commune but go to the government to be redistributed.) Thus,

Product Tax	- 7,500,00	7,500,000
-------------	------------	-----------

Direct Taxes:

Fiscal Minimum	100,000
License Tax	200,000
Patent Contribution	100,000
50% Land Tax	<u>500,000</u>

900,000

Market Taxes:	400,000
---------------	---------

400,000

50% of all fines	150,000
------------------	---------

150,000

Contribution from lost animals	50,000
-----------------------------------	--------

50,000

Total Receipts

9,000,000 F. CFA

Once the S/P has estimated these receipts to be 9 million CFA, his next task is to decide how to spend this money.

As for "ordinary" expenditures, he should have no difficulty estimating them, since he knows that remittance to village chiefs is equal to seven percent (7%) of the rural tax, and he knows what the maintenance costs for the previous year had been. Recurrent expenditure on other items is now prohibited. This is to ensure that the rural commune's budgets don't become political "slush funds".

No personnel can be employed with these funds which should be consecrated almost in their entirety to productive or infrastructural investment. These expenditures usually account for anywhere from 10 to 20 percent of the rural commune's budget (see charts C₁ - C₃, to get a better idea of this breakdown).

The S/P's estimate is the "ordinary" section of the "project budget" would look like this:

Remittance to village chiefs:	700,000
Maintenance of previous investment:	100,000
Maintenance of market stalls:	100,000
Maintenance of animal pen:	

(Expenditure on anything other than remittance or maintenance is now prohibited by the Minister of the Interior)

The S/P now has eight million CFA (approximately \$40,000) to work with. He is free to propose the expenditure of these funds in any way he sees necessary to develop the rural commune. Since he is not a "development agent", the S/P usually goes to the CDD before deciding how he will spend this money.

At the CDD he talks with the Prefet and the department agents of various technical services. They will inform him of the regional and departmental priorities and then suggest ways to allocate his funds (these eight million CFA). He takes this advice into consideration and then returns to the arrondissement level, where he may or may not call a CDD, where he may or may not consult the Chef de CER, where he may or may not consult the local populations before drawing up his budget. The texts only require that the S/P present a budget equal in receipts and expenditures. They don't require him, while elaborating and drawing up the budget, to consult the cheville ouvriere (pivotal man) nor the people who are supposed to take charge of their own destiny.

The S/P might allocate the eight million CFA like this:

Hydraulic works:	2,500,000
Health, hygiene and social actions:	2,000,000
Administrative equipment:	1,500,000
Education, youth, culture and sports:	1,000,000
Rural development actions:	<u>1,000,000</u>
	8,000,000

He is now ready to present this "project budget" (It is called a "project budget" because as you can see, he only estimates receipts. They are not actually collected until six months into the budget year, after the harvests in January.) to the rural commune, as he has estimated receipts, allocated ordinary and extraordinary expenditures and they are equal. (I assume here that there are no extraordinary receipts, as that is usually the case.)

At the budgetary session of the rural commune, the rural councilors go over the budget, item by item. For each budget, there is a column indicating the "amount proposed" by the S/P, and then a second column indicating the "amount voted" by the rural councilors. The rural councilors almost never dare change or modify these amounts proposed by the man in uniform standing before them, the representative of the Minister and the President of the Republic.

The RCP presiding over the meeting gives the floor to the S/P who explains that water is a major problem and that as a result he has allocated 2,500,000 CFA for the construction of ten wells. He points out that their children often suffer from malaria; thus he has proposed 2,000,000 CFA to build two maternities, etc. The S/P might say where he plans to situate these ten wells or the two maternities (in order to ensure a vote for his budget?) but, once again, he is not bound by law to decide or explain at this point, where he has the intention of implementing a project. The ability to decide where, amongst numerous villages (A rural commune can include anywhere from 15 to 118 villages - Meriana-Dakhar.) a project will be implemented, gives the S/P tremendous persuasive power. He has no "slush fund" but he does decide who will benefit from the different projects. (This may be one reason why the victorious political party assumes power in its entirety, so as to avoid prejudicial treatment of certain party members by the S/P.).

The rural councilors vote, therefore, for these expenditures by item in a block. They vote for 2,500,000 which should go for ten wells but they don't have any official power to decide where to implement the project. But at least they, the elected representatives, responsible to their constituents and not to the Prefet, would acquire control over their own resources.).

The rural councilors don't need to limit themselves to the items proposed by the S/P; they can suggest expenditures in other directions, although I saw no changes of this nature in the over 100 budgets I analysed.

It is worth noting that not all sessions are necessarily carried out in the same manner. For example, one S/P in Casamance blocked out the "ordinary expenditures" (obligatory) and then gave the budget to the councilors saying, "here, you decide". The councilors then proceeded to debate the relative merits of constructing a community building as opposed to a road which would open up their RC (rural commune).

Once the budget has been voted, it is sent to the higher territorial administration (Prefet and Governor, although only the governor's signature is required), where it is examined (it is first seen by Arrondissement Council by the Departmental Council and then the regional council. The governor then approves and signs the budget before sending it back to the RC before July 1st.

When the budget comes back to the arrondissement, the S/P is supposed to execute it. He is the sole person responsible for the execution of the budget. Here again, the law does not stipulate how exactly he is to execute the budget. He can, if he wants, decide which villages will receive the wells that were voted on in the budget. He is not obligated to call the RC back into meeting to tell them that the budget has been approved without amendment and that they should now decide where the projects will be located.

The S/P is limited however in the practical execution of the projects. ~~No work~~ can be undertaken without the production of an estimate and a blueprint approved by the higher territorial administration (Article 104). Contracts engaged in by the S/P must be authorized by the RC, who can fix the conditions

of the contract. (I doubt very much if one of the 4,000 RC's knows that.) (Article 101). Either the project contracts or the verbal evidence of the tendering of contracts, are submitted to the regional commission of contracts. The RC's are represented in this commission (Article 102).

All tendering of contracts should be announced one month in advance by posting a notice in the most public place of the RC. The S/P should always be accompanied to these auctions by two RC members designated beforehand. (Article 92).

The most effective control over the S/P, however, is the administrative account which he is obligated by law to present to the RC at the end of the budget year. (The budget year goes from July 1 to June 30). The RC must meet to review this account which lists all the actions that were foreseen in the project budget and those which were actually completed during the budget year. The S/P must submit this account to the higher territorial administrative no later than four months after the close of the budget year.

Problems with Implementation

On the receipt side of the ledger, there are three problems. One is that direct taxes are often inexplicably not included in the budget. Consequently, already small budgets become even smaller.

A second more serious problem was discovered in one village where the Secretary to the Prefet has kept excellent books since 1972. What I found was that starting with the budget year 1977/78, the treasury ceased to explain where the funds of the RC came from. They just lumped all 10 million CFA together. Le voila! As a result, the Secretary (who kept the books for the S/P) had no idea where the money came from nor what the RC's financial status was with the treasury. The ENEA stagaires found in this same RC a request to repay a loan of 15 million CFA, that had never been made!

A third related problem is caused when the S/P underestimates the receipts (this happens frequently) in the project budget. Since the treasury does not give any indication where the money accruing to the RC comes from, these excess receipts are impossible to track down. They go to the treasury in Dakar, but how and when do they come back to the department, if ever?

As for the "elaboration of the budget", these comments by the Minister of the Interior should suffice. "It is not reassuring to find that for the preparation of the budget the CLO meets before the rural councilors do. In reality, the priority of the technicians' view over that of the peasants is all too apparent. The technicians impose their ideas on the councilors. That is the opposite of what must be done. One must first consult the rural councilors who indicate their priorities and then give the budget to the technicians."(30)

He goes on, "Many S/Ps were pushed into ~~n~~isively thinking that they could utilize the budgets of the RCs according to their own bon vouloir (any way they wanted) without any reaction from the people. I have been saddened by the influx of letters that have come into my office decrying the abusive utilization of the rural tax."(31)

One of the major abuses cited in this report were the increasing "ordinary expenditures". Purchase of seeds, medicines and even aid to the needy were incorrectly relegated to the ordinary expenses category. Mr. Collin continued his attack, "The inspector is right to underline certain ambiguous inscriptions. One must wonder on what grounds these purchases were made. Who profits from the seeds and medicines purchased? According to what criteria were they distributed?"(32)

The approval of the budget is not without its own problems. Certain budgets experienced tremendous delays. For example, the budget of Diourbel has not been approved until the month of March for the last two years, nine months after the start of the budget year. The budget for Casamance which included two budgets in one, also started nine months after the July 1st opening date. These RCs therefore had only three months with which to execute their whole year's budget.

This year does not seem to be any better. The budgets of Thies and Diourbel have not as yet been approved. One Sous-Prefet gave his 1980/81 budget to the governor only last week.

As if that's not enough, once the budgets have been approved, they are not immediately exploited because the "advances" are late in getting back from Dakar. Last year (1979/80), after the budget had finally been approved in March, work had to be held up because the first advance from Dakar (50% of the rural tax, thus 37,500 of the receipts) did not arrive until April. The second half of the rural tax still hasn't come for the year 79/80! Since the second half of the rural tax did not come before June 30, the closing date for the budget, not all of the projected works were able to be finished. As these projects were not carried out in the correct budget year, the projects voted by the RCs were no longer valid. They have to wait for the money to come back from Dakar and hold another meeting to vote for the same or a different project. This "special authorization" has to go to the governor to be approved as well. One S/P noted delays in these "advances" that go all the way back to 1977. (33)

One measure that might permit the RC's to keep a watch over this chaotic situation is the yearly publication of the administrative account by the S/P,

as required by law. This account is rarely kept. The ENEA stagaires had planned to do a follow-up to their study of the previous year by analyzing these administrative accounts, but they were so few that the topic of study had to be changed. One copy of each of these accounts is supposed to be sent to the Minister of the Interior. The only region, oddly enough, to comply with this regulation was the region of Diourbel. (They did not mention, however, their nine month delay).

Added to this chaotic situation is a dispute between the Ministry of the Interior and the Ministry of Finance over the "funds of solidarity." The Minister of Finance says that these funds should be kept in a special account until all of the regions have been reformed and then be distributed. The Ministry of the Interior feels that these funds should be immediately given back to the RC until 1982. As a consequence, some S/Ps count the 25% of funds in their budget while others hand them over to the Ministry of Finance.

Jean Collin cites the budget as being at the "heart of the reform." "The budget should be considered as a nucleus around which other actions should cling to and develop." It's hard to imagine how anyone would want to cling to anything so messy. This disorganized situation doesn't stimulate confidence in the territorial administrators nor seek to promote honest behavior on their part.

Peasants who already have difficulty understanding the complex accounting process really have their suspicions aroused when the maternity that was promised them two years ago still hasn't been started. What's more, S/P's,

who are already in a position of extreme dominance vis-a-vis poorly formed and informed peasants, are even more tempted to augment their supplementary income when no controls are required of them. Prefets seldom leave their offices to check on the S/P at the local level. What's more, the articles concerning tendering of contracts, auctioning, etc., seem to be largely ignored.

This lack of control, the topsy-turvy budgetary situation and the total lack of punishment for various illegal offenses have led to certain fraudulent practices. One prefet pointed out certain aberrations in an arrondissement where the "inscriptions had been overestimated because of fictive projects" (projects listed as being carried out but where in reality nothing was done).

Not only do fictitious project applications appear but, when projects really are carried out, the quality of the work is often poor. Numerous councilors cited this as a problem. ENEA stagaires drew up a chart which gives us a good idea on the extent of this fraudulent activity as well as an idea on the quality of the work.

RURAL COMMUNE

<u>RURAL COMMUNE</u>	<u>THEORETICAL PROJECTS</u>		<u>REAL PROJS</u>	<u>POOR QUALITY WORK</u>
	<u>Projs Listed as Having Been Carried Out</u>	<u>Fictitious Project Applications</u>	<u>Projects Actually Carried Out</u>	<u>Projs Actually Carried Out But Quality of Work Poor</u>
Nguekokh	27	4	23	5
Ngaparou	3	1	2	-
Somone	3	1	2	-
Gueréo	8	3	5	2
Kiniabour I	8	0	8	1
Kiniabour II	4	0	4	0
Thiafoura	4	0	4	0
Sorokhassap	3	0	3	1
Sindia	6	0	6	0
Gadgal	5	1	4	0

Neurerine	3	1	2	0
Sinthiane	4	3	1	0
Ndiorokh Mboth	2	1	1	-
Tesse Touabob	9	2	7	0
Thiombolobji	5	1	4	0
Kew Massouka	3	0	3	-
Djilakh	3	0	3	2
Ndiarmeo	3	1	2	-
Cap Gayane	1	0	1	-

Source: ENEA "Rapport de Stage," Nguekokh.

These same ENA stagaires found certain irregularities in the budget of Nguekokh.

<u>Deliberations RC</u> (meeting) Budget 74/75	<u>Governor's Approval</u>
a) Section Ordinaire (Depenses) Article 322 Sanitaires and Rural Maternity 300,000 CFA	This article disappeared and a new article appears - Dispensary repairs 20,000 CFA
b) Extraordinary Section 76/77 Construction of Community Building 980,000 CFA	
78/79 Art 363 Property of the Rural Commune 20,000 CFA	Maternity maintenance and dispensary 500,000 CFA
Purchase of medicine for village pharmacy 700,000 CFA	For the same item 400,000 CFA

Source: ENEA "Rapport de Stage," Nguekokh 1979.

One important thing to remember here is that this is just one of several rural communes the S/P presides over. No wonder the territorial administrators now prefer to be Sous-Prefet rather than Prefet.

Fortunately, this disorganization does not reign over all Senegalese regions. The Sine-Saloum manages to start their budgets on time. The RC's there are said to be fairly dynamic. They have even included expenditures

to ensure their own training. I have also been informed that Louga, too, has begun to implement its budgets for this year.

This just proves once again that the reform is only as good as the men who serve it. The key man in the reform is obviously the Sous-Prefet. According to Jean Collin, inspections "have yielded surprising and disquieting results, ...generally the S/P's have failed in their mission; poor execution of budgets, errors of management lead to a questioning of their personal responsibility."⁽³⁴⁾ This situation may be changing with the installment of "hierarchy A" ENAM graduates staffing the whole of the Thies region.⁽⁴²⁾ These new S/P's are very sharp and intelligent. Hopefully, they will prove to be responsible agents of development as well as administrators.

It is very difficult to evaluate the reform. Opinions range from that of the rural councilor who embraced it as a newly won independence to a disgruntled village youth who said it was the same old thing.

I have to disagree with the village youth, however, because it is not the "same old thing." The reform is a marked improvement over the old system where 30% of the regional tax went to the state, 25% to ONCAD, and the rest was spent on a political slush fund. "Before you had to follow the Chef de Canton around all the time and give him several gifts until he was finally so embarrassed, he would construct a well in your village. Now we have peace," proclaimed a villager in Keur Messmba Niamey. What's more, even if the training programs are lacking, the best training is on-the-job training. The rural councilors are becoming all the time more aware of their rights. More importantly, the rural populace now has an institution with which it can solve its own problems.

Another important thing to remember is that there were no "competitive politics" when the reform was voted on by the National Assembly in 1972. Those who thought the reform could be used as a means to increase control over the local populations may have missed their bet.

This is not to minimize the problems, which are many. As ENEA points out in its report, the RC's reflect many of the same problems that confront the rural milieu:

- heavy weight of traditional structures.
- tendency for a minority to dominate the economies of the RC.
- tendency for councilors to hail from the economically dominant class.
- intervention of the PS in the RC affairs. (35)

Nevertheless, these seem to me to be only more reasons why USAID should help the RC in the hopes of revitalizing these traditional socio-economic structures. These democratic institutions should be supported. The rural councilors and the local populations should be informed, trained and made literate. They won't be able to take control of their own development until they are equal to the task.

PART IV - PROSPECTS FOR USAID INTERVENTION

The possibilities of intervention are numerous. This may seem ironical after the emphasis on the problems and the shortcomings of the reform throughout this paper, but it is precisely because of these shortcomings that the possibilities of intervention are numerous. If the reform were functioning smoothly, AID wouldn't need to intervene. There are, of course,

several things such as treasury advances, budget approval and delegation of powers which AID can't hope to change. AID must take these drawbacks into account and proceed cautiously.

The amount of investment (as you can see in the annex) dedicated to rural development actions is disappointingly low in most departments. This may reflect the heavy hand of the S/P, the rural councilors' desire for showcase projects (so they have some proof as to what they accomplished while in office), or it may be a result of the national orientations of the 5th plan. In any case, the World Bank has been talking of the need for directly productive investments since 1973; local farmers favor these kinds of actions in order to increase income and reduce food dependence and the Sixth Plan will finally emphasize rural investment. What's more, these funds will be much more difficult to "deviate" as compared with investment in infrastructure. Nevertheless, AID should not content itself with simple financing of rural development actions (RDA's). AID must seek certain guarantees. One way to do this is to include the CER and rural councilors officially in the project process. The CER would be delighted to have the extra work and responsibility. If two rural councilors were also appointed by the RC (perhaps other than the President who already has enormous power) to supervise the execution of the project, that would be an important step toward getting the RC's involved in the execution and evaluation phase of the project. (Their participation in these phases of the budget are non-existent at the present time.)

The rural council should also be obligated to supply any human investment necessary. (I don't think this would be too difficult. In the course of a conversation with a rural councilor, he told me he could have 100 men

ready to work the following morning if I had a project for them.) AID should also ask the rural commune to make a financial contribution. Some type of matching funds might be devised.

This type of co-investment with the RC would have the advantage of being a project picked out and selected by the RC itself (with the help of the S/P and CER, of course). Thus, AID would be reasonably sure that it was an important need identified by the local community. To ensure that it was an important need, AID could offer to co-finance any RDA of their choosing given a certain limit. In this way, the RC would select from its RDA projects the one most important to it for co-financing.

If this program is to succeed, the RC would have to be carefully selected. There are many dynamic S/P's and CER's in the field. The people working in the field (PCV's) know who these people are. AID must seek to establish contact with dynamic, development-minded S/P's who won't mind sharing power with CER's and RC's. The reform is an affaire des humaines. Everything here in Senegal is an affaire of relatives or friends. The successful implementation of this type of program will depend upon the people AID works with in the field. The quality of the project will only be as good as the quality of the people running it. That's one of the really sad things about Senegal; it has effective, competent people working in the countryside, but it never seems to be able to give them the means with which to work. One of the benefits of this type of financing is that the CER will be utilized and reactivated.

While the CERP's certainly don't need any money for their training programs, AID might want to provide them with gas coupons and some mobylettes.

so that they will be capable of helping in the execution of projects. It would be a great breakthrough if AID could persuade the PC to allocate some funds for CERP mobylettes. The rural commune would then know that the CERP's are responsible to them. They would also be much more demanding of the CER's who are often taxed as being lazy. It would also show the levels of local satisfaction with the CERP services.

If AID were to consider taking on projects of this type, it would have to indicate this to local authorities in October or November, while they are still elaborating the budget. AID could even ask to call a special meeting of the rural council to present its ideas. That way, it could get the whole RC thinking about its project.⁽³⁶⁾

If AID is going to invest in infrastructure projects, it should attempt to administer tight control. One way of doing this would be to involve several groups in the process. The EMP has no practical training because it has no materials. AID might propose to finance a youth or women's center if EMP were given the work in collaboration with local artisans also formed by PH. The quality might not be as good, but the community would have a free women's center (that would please Maimouna Kane), EMP would get invaluable experience, and PH artisans could help guide the EMP students. Since PH would be one of the main beneficiaries, they might contribute by allocating a monitrice to the women's center.

In Nguekokh, the S/P allowed the students from EMP to build a wall in front of his house in order to promote their work. They did a great job. This sort of integrated project could create a certain community feeling (those are our sons who built the building), will provide the local community

with new infrastructure, and will insert much needed new blood into PH community activities.

The rural commune should, of course, supervise all phases of the project. They should be called upon to make a small contribution towards the project, as well. They could perhaps pay the local artisans who will help to supervise the EMP students in constructing the center. Most importantly they should be involved in the execution of the project. Here, again, the RC should be carefully selected.

Training is a third area where AID might intervene. It now seems as if PH will be principally responsible for the formation of rural councilors and local populations. Promotion Humaine, PCV's and monitrices should be involved in this process, as the PH agent situated at the department level is too far away from the base to conduct the continual training necessary at the grass roots level. Each monitrice and volunteer could take over one rural commune and progressively inform the local population as to their rights. This may be too political a task for Peace Corps, but the government should decide whether it wants the people to find out that it has instituted a dynamic new participating organ at their level or not. Even if PCV's and monitrices were to inform only their own villages, this would be a big step along the way. After all, their job is animation: why not animate the local populations to take control of an institution that has been put at their disposal?

PCV's might also be able to train either a young villager or a rural council member in simple data-gathering techniques. Every AID project that was analyzed deplored the lack of efficient record keeping and this in proto-

type projects. A young villager trained in elementary bookkeeping could be of great help to both AID and his RC. He would have no problem attending the meetings, as they are all public. He could serve as an unofficial bookkeeper.

Literacy programs are of vital importance. Rural councilors will continue to be at the mercy of S/P's as long as they don't know how to read or write. (The World Bank published a report that showed literate farmers produced 13% more than illiterate farmers.) It seems as if about 30% of the councilors are able to read and write in Arabic to some extent. The possibility of a functional literacy program in Arabic should be investigated. My boutiquier, a Peulh, keeps his accounts in Arabic. While this is probably a utopian solution given the present socio-political situation, it is also probably the most practical.

Rather than give money directly to CER's or PH to invest, it would be preferable for AID to invest directly in the RC, which is their forum of action. In this way, the rural councilors can be directly associated with the project, the investment will be almost entirely productive, and the CER's and PH will be indirectly drawn into the project.

If AID does want to finance PH formation activities directly, it should examine the formation that will take place in the Fleuve in November. Mr. Samb already invited me or any AID agent to come and witness their new training method. This would also provide AID with an idea as to the competitive politics going on at the local level as elections will be going on at the same time.

While these institutions haven't become the organ of confrontation and dialogue President Senghor foresaw, they have nevertheless taken one small

step in that direction. Perhaps AID can help these councils to take one more step forward.

I would like to thank the numerous people who helped, counseled and advised me in the formulation of this report. The ideas represented here are, of course, all my own.

I'd, first of all, like to thank ENEA school, particularly, Ibrahima Goye, Samba Dioun and Mr. Hadj for the invaluable information with which they furnished me. Secondly, I'd like to thank Don Brown and Axel Magnuson for their guidance and encouragement.

FOOTNOTES

1. The term rural commune should not be confused with "commune" which is the Senegalese equivalent of city council. Communautés Rurales (or rural communes in English) and communes (Senegalese city council both come under the heading Collectivités Locales. The difference is that a commune is urban in nature and is presided over by a municipal council. A rural commune is, as the name indicates, rural in nature, and presided over by a rural council.
2. Etat d'Avancement de la Reforme Administrative dans le Department de Thies au 1^{er} Juillet 1979; Memoire de Fin d'Etudes; EN/M, Amadou Tidiane Diow; pp. 8-9.
3. Conference Mondiale sur la Reforme Agraire et le Developement Rural. Rapport National du Senegal, pp. 66-67.
4. Article 1 of Law No. 72-25.
5. Article 6 of Law No. 72-25.
6. Article 4 of Law No. 72-25.
7. Article 3 of Law No. 72-25.
8. Article 2 of Law No. 72-25. Thus the entirety of the arrondissement is divided up into several rural communes, whereas the Department is divided up into Arrondissements and "Communes" (city councils or urban communes). See organigram for further explanation.
9. Article 14 of Law No. 72-25.
10. Article 45 of Law No. 72-25.
11. Articles 26 and 29 of Law No. 72-25.
12. Diow, p. 27.
13. Article 53 of Law No. 72-25.
14. ENEA, "Rapport de Stage" conducted in the summer of 1979 at Nguekokh.
15. ENEA, "Rapport de Stage" conducted in the summer of 1979 at Noto Tassette.
16. Law No. 72-27 concerning the Advisory Councils. It is after meeting with this council that the governor approves the rural commune's budget.
17. Op. cit., Diow, p. 13.

18. Ibid, Diow, p. 82.

19. Unfortunately, this aspect, like all aspects of the reform, has experienced delays. Thus, it was not until this year that the Region of Thies of fully staffed with "hierarchy A" agents graduated from the ENAM.

20. The process I am about to describe is the result of interviews I conducted with villagers in Keur Messamba Niang and Botal, in the region of Diourbel.

Mr. Ousmane Samb said that the populations of the Fleuve would be informed as to the duties of the rural council before the elections so that they would be capable of voting intelligently.

21. ENEA, "Rapport de Stage," Noto Tassette.

22. Ibid, no page number.

23. ENEA Report; Les Communalités Rurales Sénégalaises et de Développement à la Base; p. 1.

24. Mr. Samb was emphatic on this point. He said that circulaire 46 of April 7, 1972 was clear in its delegation of training powers. He said that unfortunately this document was "confidential."

25. Interview with Mr. Sow, Chef de CER Nguekokh.

26. At present, all CERP programs have been halted until the Chef de CER can justify them. The new director of CERP, Coly, instituted this policy.

27. ENEA, "Rapport de Stage," Noto Tassette.

28. "Project budget," because it is only a provision or an estimate of receipts and expenses.

29. ENEA, "Rapport de Stage," Noto Tassette.

30. Compte Rendu de la reunion du 29/2/80 dans la Region de Louga, p. 11.

31. Ibid, p. 3.

32. Ibid, p. 7.

33. Ibid, p. 8.

34. Ibid, p. 3.

35. ENEA Report; Op. cit. 23, p. 2.

36. Budget sessions are supposed to take place in either December or January. I don't think this happens very frequently as none of the S/P's or CERP's I talked with mentioned that these were the months of the budgetary sessions. In fact, most people said April was the normal date.

37. This group, which makes up one-third of the Departmental council, is comprised of leaders of various peasants' associations, producer associations (groupements productives, which are, incidentally, very big with GOS right now. When AID assigns a project at the local level, these groups who will be the direct beneficiaries, should be involved in the project), fishermen's association, vegetable producers association, artisan associations, and the mayors of the communes. Since their number cannot exceed one-half (or actually one more than one-half, for if there are eleven elected members then the economic and social representatives will number six (6). of the elected members, the governor must decide which of these numerous associations should be represented at the council meeting.

38. It is important to note here that a rural commune is made up of several villages. For the rural commune of Nguekokh, 21 villages are represented. Thus, the rural commune is not the smallest social structure but rather the village is.

39. I was told that for one rural commune in Casamance where the PDS was sure to win, PS voters went to the voting polls at three in the morning to be first in line. Then the ballots were processed in a very, very slow manner so that it took almost the whole day to finish with the PS voters. The polls, of course, closed before the PDS members could register a majority.

40. This method consists of, first of all, training the agents who are going to implement the program. This training lasted 5 days. Then these agents went to each rural commune and summoned the rural councilors, as well as the village chiefs, to a 3-day training (information) session. This method resulted in the rural councilors being able to better defend themselves at the budgetary sessions, a great deal of murmuring on the part of the S/P's and one incident where the rural councilor refused to go to a meeting at the S/P's house despite his wish, because they knew that the meeting was official only if held in the "center village." Interview with Mr. Bashize of UNICEF.

Casamance was the first region chosen for this program because both the Governor and the Regional Inspector of Promotion Humaine are very competent and very much in favor of the reform. The Governor of Casamance was compared with the Governor of Diourbel who is anti-reform. He thinks that the reform gives too much liberty and democracy to the local populations. This explains why he didn't approve the budgets until March.

The costs for this program were only 300 F. per day per person. The costs for CERP training are 865 F. per day per person. UNICEF now plans to train rural councilors in Louga, whom CER is supposed to have already

trained. Unfortunately, there is supposed to be little evidence of this CERP training. The cost per person in Louga will be 700 CRA because the participants will not be able to contribute as much to their own training because of economic hardship. After Louga, UNICEF plans to go to the Fleuve in order to train newly elected councilors.

41. Interview with Mr. Bashizi UNICEF agent responsible for coordinating UNICEF-PH projects.

42. "Hierarchy A" agents are either university students who have a master's degree in law or economics or professional bureaucrats who have successfully passed an intense exam.

The students also pass an exam from which only 25% are selected. The students study for two more years, whereas the bureaucrats must continue for another three years. Governors are supposed to be "Hierarchy A" agents.

While these agents must certainly be very talented and capable of publishing administrative accounts, some CERP's preferred the former S/P's who were often selected from amongst "field agents." They, therefore, had a better knowledge of the local environment than the new urban-education elite.

43. Senegal, Rapport National, pour la conference Mondiale sur la Reform Agraire, p. 70.

44. This is an invaluable source of information that AID should consult before implementing any local project.

EXPLANATION OF ABBREVIATIONS

Senegalese Abbreviations:

CLD	Comité Locale de Developpment. Local Development Committee.
CDD	Comité Departmental de Developpment. Departmental Development Committee.
CRD	Comité Regional de Developpment. Regional Development Committee.
CERP / C'K	Centre de' Expansion Rurale Polyvalente
PH	Promotion Humaine

My Abbreviations:

RC	Rural Commune (Communauté Rurale).
RCP	Rural Council President (President Communauté Rurale).
Conseil d'Arrondissement - CA	- no English translation.
Departmental Council - DC	- Conseil Departmental.
Regional Council - RC	- Conseil Regional.
PCV	- Peace Corps Volunteer

BIBLIOGRAPHY

Diaw, Amadou Tidiane. Etat D'Avancement de la Reforme Administrative dans le Departement de Thies. Memoire de Fin d'Etudes. Dakar, 1^{er} Juillet 1979.

Ecole Nationale d'Economic Appliquée (E.N.E.A.)

"Rapport de Stage" 1979 Nguekokh

"Rapport de Stage" 1979 Noto Tassette`

"Rapport de Stage" 1979 Noto Gouy Diama

Rapport de Synthese "Les Communautés Rurales Senegalaises et le Developpement à la Base"

Gellar, Sheldon. Animation Rurale and Rural Development - The Experience of Senegal.

Samb, Ousmane. "Exposé sur le Role de la Promotion Humaine dans la Reforme de L'Administration Regionale et Locale".

- Exposé sur la Formation des Elus Locale et des Populations - dans la Reforme de L'Administration Regionale et Locale.

- Exposé sur le Role de le Promotion Humaine dans la Reforme de L'Administration Regionale et Locale.

SENEGALESE GOVERNMENT DOCUMENTS

Circulaire (N° 08069/M. INT/DTCC du 30

30 Decembre 1972) sur le budget de la Communauté Rurale

Compte Re. du de la Reunion du 29/2/80

Region de Louga (Ministre était présent)

Exposé des Motif, du Projet de loi relatif aux

Communautés Rurales

LOI N° 72-25 du Avril 1972 relative aux

Communautés Rurales. (L.O. N° 4224 du 13 Mai 1972 p.755)

Modifié par la loi N° 75-67 du 9/7/75

Modifié par la loi N° 79-42 du 11/4/75

Modifié par la loi N° 80-14 du 3/6/80

LOI N° 72-33 Sur les Conseils Consultatifs

LOI Sur Le Domaine Nationale et Communautés Rurales

Rapport de Presentation des Budgets des Communautés Rurales

Gestion 79/80, Diourbel

Rapport de Presentation des Budget des Communautés Rurales et

Communes. Reunion de Conseil

Regional de Louga, Lundi 11 Juin 1979

The "project budget" is a budget presented to the rural councilors by line item. They then vote on whether the allocation appropriated for that particular item is sufficient, too much or just right. If it's just right (as it is 99.9% of the time) the rural councilors vote that item in its entirety.

The S/P proceeds like this for each item in the budget until the rural councilors have voted on the amount to be allocated every item in the budget. The rural councilors can suggest that money be spent on items other than those presented in the budget by the S/P, but this too happens very rarely. The rural councilors then vote, sign and send the budget to the advisory councils for review. That is the cycle which is presented in Table AC2.

Once the "project budget" is approved by the Governor it is sent back to the S/P who executes it. Once the approved "project budget" has been executed the S/P is supposed to compile an "administrative account" (AA) which shows which projects were completed and how much it costs to complete them. The AA will indicate how much money is left over.

The diagram here shows the relation between the budgets and the advisory councils who must evaluate and control them. The S/Ps for the most part, however, have found a very effective way to avoid these controls, see chart AC3.

AC3

In reality

- BUDGETARY CYCLES AND ADVISORY COUNCILS -

October 1979

December 1979-January 1980

Departmental Councils have decided the amount of rural tax. Most didn't review AA's because they were few and far between. Depends mostly on the region.

R.C.P. is supposed to call this meeting. I doubt very much, however, if they are aware of this, most think it's the S/P's responsibility to call the meeting since it is he who presents the budget. Most people I talked with (S/P, chef de CER, etc.) did not know

that the budgetary session is supposed to take place before January 31st (Art. 14). They too thought that it was the S/P's duty to call the meeting sometime before April. Consequently...

February 1980

March 1980

April 1980

Before July 1st 1980

Arrondissement Council

Departmental Council

Regional Council

... these councils rarely see the project budgets at their yearly meetings. They must summon a special meeting of each if they are to evaluate budgets.

Budgets were approved for Louga and Sine Saloum

October 1st 1980

July 1st-June 30 1981

November or March 1981, (again?)

October 1981

As of this date budgets were still not approved for Thies and Diourbel. As for Casamance I don't know, but last year's 79/80 budget wasn't approved until March of 1980. The S/P of Lambaye didn't even turn his project budget over to the Governor until September 12th, 1980.

EXECUTION
FOR
LOUGA
Sine Saloum

Execution for Thies and Diourbel. It is unlikely that the execution of these budgets will begin before November of 1980.

AA's, may be for Louga and Sine Saloum. If there are any for Thies and Diourbel they will only apply to 6-3 months of the year.

What is proposed in theory and what actually happens are two different things as charts AC2 and AC3 depict. In the Diourbel region, the Governor hasn't approved the budget until March for the last two years. The 79/80 budget for Casamance wasn't approved until March 1980 either. Thus, the rural communes were left with only three months to implement their budgets.

Nevertheless, the governors would be hard pressed to justify such a long delay, if the budgets had been voted in January and presented to the various advisory councils in February, March and April. This rarely happens. In fact, no one I talked with was aware that the "project budget" is supposed to be voted on by January 31st. As a result, it is left up to the S/P, not the R.C.P. as planned (Article 14) to call the budgetary session. Again most people I interviewed thought that budgetary session should take place sometime before the end of April. All the advisory Councils are thereby bypassed, while I think this is due more to a lack of information than to a play on the S/P's part (since the councils are eventually called into special session to review the budgets) it does nevertheless lead long delays in the budgetary cycle as these councils aren't called into session overnight. For example, the budgets of Lambaye did not even get to the governor's office until September 12, 1980. There is no telling when the Regional Council will be called into special session or when the governor will approve the budget.

Rapport de Presentation des Budgets des Communautés Rurales et

Communes. Reunion de Conseil

Regional de Sine-Saloum, session du 28 Juin 1979

Regional Plan for Thies, 1977-1981

"Budgets Demarrage" des Communautés Rurales de Casamance,

Gestion 79/80

INTERVIEWS

Sous-Prefets:

Mr. Ndiaye and Assistant Ndrame; Nguekokh

Mr. Camara and Assistant Ba; Noto Tassette

Mr. Dia and Assistant Lambaye; Diourbel

*Mr. Diaw and Assistant Thiadaye; Thies

Chefs de CER:

*Mr. Sow, Nguekokh

Mr. Diandy, Lows George, Noto Tassette

*Mr. Modiene, Thiadaye

Anciens Chefs de CER:

*Iaye, Ibrahima; Professeur ENEA

Diop, Amadou Biram; Asst Departemental de CER

Mboub, Ndigou; Bureau National de CER

Sene, Mr. " " " "

Fall, Mr. " " " "

Rural Councilors:

Mr. Ndiaye; Noto Gouy Diama (Thies)

Mr. Ndiaye; Noto Gouy Diama (Thies)

Mr. Fall, El Hady Anouy; Ngogom (Diourbel) Pres

Mr. Ngom, Abdou Diogo; Ngogom (Diourbel) V-P

Mr. Nchon; Bortal (Diourbel)

Promotion Humaine:

Mr. Samb, Ousamane; Director Animation Rurale et Urbaine

Mr. Sow, El Hadj; Inspecteur Regional de Diourbel

Sokho, Ibrahima; Chef de Centre P.H., Bombay

Treasury:

Mr. Diwara, Percepteur Bombay

ENEA:

Mr. Hadj; Professeur Amenagement

E.M.P.

Mr. Ba, Mohammed, Director E.M.P., Nguekokh

Peace Corps Volunteers: (Diourbel)

Ms. Mariana Niang; Keur Messamba Niang (Jan Moses)

Mr. Diouf, Batal, (Jean Denis)

Ms. Ngom, Ngogom; (Cherie Locket)

Village Meetings:

Keur Messamba Niang

Batal

Maison Familiale:

Monitrice, Malicounda (Thies)

UNICEF:

*Mr. Bashizi, Coordinator Rural Council Training Program

UNICEF-PH

* Equals people that were very helpful and whom it might be useful to contact in the future.

AC2

Theoretical

BUDGETARY CYCLE AND THE ADVISORY COUNCILS -

October 1979

Departmental Council meets to decide amount of rural tax (500-1000 F). This is sole decisive power for the "Advisory Councils". They also review Admin. Account from previous year.

December 1979-January 1980

Rural Council meets to vote on "Project Budget" presented by S/P.

February 1980

Arrondissement Council meets to review "Project Budget" as well as S/P's report of all development activities in the arrondissement. Renders a non-binding opinion.

March 1980

Departmental Council meets reviews "Project Budgets" and renders an opinion. They can only suggest they can't change any R.C. decisions.

April 1980

Regional Council meets reviews "Project Budgets" for all rural and urban communes in region. Renders non-binding opinion.

Before July 1st 1980

Governor approves budget after this session. He cannot change the budget, unless the rural commune has not included an "obligatory expenditure", in which case he reduces the "extraordinary, elective expenditure" and allocates it accordingly. He can refuse to approve the budget but he can't change it.

July 1st 1980-June 30, 1981

Rural commune receives "approved budget" and the S/P begins to execute it. At end of budget year S/P has 4 months to prepare ADMINISTRATIVE ACCOUNT (AA).

October 1981

Departmental Council meets reviews AA's, renders an opinion, decides rural tax for upcoming budget year 1981/82.

April 1982

Regional Council reviews AA's for the rural and urban communes of the region.

Introduction to Statistical Charts

Compilation of this material was extremely difficult. Work had been stopped for the two weeks preceding my arrival at the Ministry of the Interior, because the key had been lost to the room where all the documents were kept. Miraculously, the key was discovered the day I was beginning work.

Once inside the room I was directed to a long table where any and all documents pertaining to the rural communes had been assembled (thrown). They were not in any particular order, I was told, because this was the conference room and unfortunately all the documents had been disheveled after the last conference.

According to the laws of the Reform, the Ministry of the Interior is supposed to receive a copy of every "project budget" and administrative account (that is, the budget which predicts expenditure for the year and the budget which is presented at the end of the year which tells how much was spent, how, and where) for every rural commune.

Many of these documents were missing, especially for the region of Thies, for which I saw no project budgets at all. As for administrative accounts, there were not any for individual rural communes. At the regional level, Diourbel was the only region to submit this account.

What's more, the Ministry of the Interior is supposed to receive the "verbal evidences" (procès-verbaux or delibérations) after each departmental and regional council meeting, where both project budgets and administrative accounts are examined for the whole of the department or region. These documents were also extremely sparse. For the "extraordinary investment" chart, I found the report for Sine-Saloum by accident at the Ministry of Planning. The documents for Louga and Diourbel, I found at the Ministry of the Interior. There were not any "verbal evidences" for Casamance, but fortunately the Ministry of the Interior did have most of the individual project budgets for 1979/80, thus I was able to compile departmental statistics from these budgets. (This is a long and tedious process in a region where there are six departments and over fifty rural communes).

Finally, there were neither project budget nor verbal evidences for Thies. I did find regional statistics, in the regional plan at the CER's office in Nguekokk. Unfortunately, the regional planning office in Dakar (who was very helpful, by the way) was unable to provide me with further information.

As for the administrative accounts, it is possible they were withdrawn to prevent me from consulting them as they are classified as "confidential information". I don't believe this to be the case, however, because the Minister authorized me to look at all the documents and the Director of "Collectivités Locales", Mr. Seck, allowed me to take any documents I needed home with me, including "confidential" administrative accounts. Also, I don't think they are sufficiently organized to do that. In any case, there are huge gaps in the data. It is possible that a lot of this information is still at the local levels, but even there, I would be surprised to find whole groups of data.

Although, the organization of this material would seem to be an easy thing to manage, the prospects don't appear to be bright for the immediate future at the national level. There is only one person in charge of all this data. This person was supposed to be given tenure in June of 1979. He, along with the other bureaucrats of his year, have not as of yet received anything. In any case, this person rarely comes to work before 10 a.m. Once, there, his primary task seems to be to help his colleagues solve that day's crossword puzzle.

There may be more hope at the local level where, new "hierarchy A" graduates have been placed in sous-prefectures throughout the Thies region. Eventually, all the sous-prefectures will be manned with "hierarchy A" bureaucrats. (Governors are required to be "hierarchy A" bureaucrats). Also, the governor of Thies, formerly a top ONCAD official, has refused to approve this year's budget until he has received an administrative account for each rural commune.

CHART KEY

Although "circulaire N° 08069 on December 30, sur le budget de la Communauté Rurale", states that all receipts and expenditures must be classified in the same way, this is not the case.

701 Administrative Equipment (Equipement Administratif). This heading usually includes the construction of a community hall (meeting place for rural concilors) and repairs of this same building. In Diourbel, however, topographical work - land parcelling and other actions which normally come under the sub-heading "Public Works" (Urbanisme et Habitat) in 702, appear in 701 as part of Administrative Equipment.

702 "Voirie" - (Usually defined as a network of public communication). This is the general heading that covers the diverse sub-sectors of this chapter. Unfortunately, this heading is not always employed and when it is used, it is not always used in the same way. Thus, for the region of Thies for 1972/73 to 1975/76 "Hydraulic works" are listed as being different from "Voirie" (see chart T₁). Normally, hydraulic works (EAUX) should appear as only one of several sub-sectors (702-2) of Voirie. Thus, if one sees Voirie listed by itself, (which is the case for Louga) "hydraulic works" as well as the other sub-headings; "public works" (Urbanisme et Habitat) (702.3) "Bridge Construction" (702-1), (702-5) "construction of animal pens", or "vaccination parks ; should all be included as contributing to the final total investment, "Voirie".

Some regions make no mention of "Voirie" at all and publish the appropriate statistics for each sub-heading. This is the case for Diourbel, and Sine-Saloum.

Whereas Casamance normally includes construction of vaccination parks in Chapter 702, Diourbel includes it under 709 rural development actions. I write "normally" because even in the same region of Casamance, there were some rural communes who listed vaccination parks under heading 709.

703 Industrial, Commercial or Artisanal Infrastructure

This section usually entails the construction of a market place.

704 Health Protection

This entails the purchase of medicine to fight off epidemic diseases.

705 Health, Hygien and Social Actions

This chapter usually includes construction of maternities, dispensaries, village pharmacies, sanitary equipment and repairs.

706 Education, Youth, Culture and Sports

This section often includes purchase of school or sporting materials, construction of class-rooms, Youth Centers; its materials, and repairs.

I have never seen investments for headings 707, 708.

709 Rural Development Actions

This chapter is broken down into 3 and sometimes 4 sub-sections.

709 - 1 Agriculture

- defense of cultivations
- campaign against epiphytotes
- program phytosanitaire
- operation manioc
- vegetable gardens

709 - 2 Livestock

- purchase of breeding chickens
- purchase of vaccinations for animals
- vaccination parks, construction of artificial insemination.

709 - 3 Water and Forests

- struggle against bush fires
- reforestation

709 - 4 Fishing

731 Financial Operation

The Sine-Saloum has two new innovative investments, expenditures for rural councilor training and easing of women's work, for which no heading exists.

CHART "A" - EXTRAORDINARY
INVESTMENT BY DEPARTMENT

This chart has several shortcomings which should be immediately noted.

- 1) Casamance - The department of Velingara is missing since there were no documents for these rural communes. Statistics were also lacking for 3 Rural communes in the arrondissement of Bounkling, in the department of Sedhiou, as well as for 3 rural communes in the arrondissements of Tenghory, in the department of Bignona. As a result the investment totals for these two departments will be lower than in reality.
- 2) Diourbel - The statistics given here were taken from an administrative account as opposed to a "project budget". Thus, these figures too will be slightly underestimated as not all the investment that was programmed could be carried out. On the other hand, the percentage figures should more accurately depict priorities, since the rural communes logically should proceed with the most urgently needed works first.
- 3) Louga - The investment figures in the hydraulic section were found under the heading "Voirie", thus, Public Works investments are likely to be included in this category, thereby causing slight overestimation for hydraulic works.
- 4) Sine-Saloum - The document which I used listed the total investment expenditure by department, but nowhere did this total equal the sum of the breakdown by heading. Thus, for the department of Kaolack, total investment was listed as being 88-406-485, but when one adds up all of the sub-sector bottoms listed in the very same document one comes up with 96-962-183. I used this second figure the total of all sub-headings.

There is no departmental breakdown for Public Works (Land parceling or village alignment, work public squares, electricity and rural roads). All that is given is the total investment for the region, and the percentage allocated to public work (.94%) in the regional budget. I, therefore, multiplied each sum of investment by that percentage in order to get an investment figure for "Public Works".

- 5) There is no departmental breakdown for the region of Thies for 1979/80.

Presentation of the Chart

This chart seeks to measure "extraordinary investment" ^{1/} by department. "Extraordinary investment", is investment that does not occur from year to year. Ordinary investment (not indicated here) is investment that necessarily appears every year. These ordinary expenditures are necessary for the smooth functioning of the rural commune.

1/ I have attempted in translating different terms to approach the French term as much as possible so as to allow for easy consultation of the budgets.

It was decided at the outset (1972) that since the budgets of the rural communes were not very big, that almost all of its receipts should be invested towards the development of the rural commune. Thus, extraordinary investment should account for anywhere from 80 to 90% of the budget. Comparisons between rates of investment of an "ordinary" type and an extraordinary type are not shown on Chart A but this can be seen on Charts C1-C6.

Chart A presents this investment as a percentage in the first eleven rows and then on the bottom of the chart it shows the exact amounts of investment for each department.

The last column shows total investment for all five regions as a percentage and in real terms (in millions rounded off to the first decimal place for FCFA and to the first three for U.S. dollars). Here we see that water continues to be Senegal's number one problem. 32% of all investment went for well building, well repairs, water conduction and well deepening. "Health" (20%) seems to be the secondary concern followed by "Administrative Equipment" (14%, mostly community halls). This third category should become less and less of a burden as community halls have been built in most of the rural communes.

"Rural Development Actions" (12%) come in fourth closely followed by Education, Youth, Culture and Sports (11%).

Public works and easing of women's work^{3/} each accounted for 4% of total spending. The category for "Public Works" is underestimated, because Louga (X) included this category under the heading Voirie. (I put this investment under "Hydraulic works" because they constitute the largest contribution to Voirie"). Secondly, Diourbel, inscribed "Public Works" under the heading Administrative Equipment".

The most striking thing to note when analyzing these figures is that they go almost in their entirety towards infrastructure.

"Hydraulic Works", well construction and digging, "Health", maternity, dispensary and village pharmacy construction, "A.E", community hall construction and repairs, "E.Y.Cult.&Sp" class construction, sports equipment, Youth centers, "Public Works", and easing of Women's work, none of these with the possible exception of certain "Hydraulic Works" can be considered as being productive investments.

1/ Thus, "Depenses Extraordinaires" becomes Extraordinary Investment, Equipement Administratif becomes Administrative Equipment, etc.

2/ Another reason for the allocation of the majority of these funds to extraordinary investment, was to avoid the corruption that accompanied the previous "taxe régionale" which was primarily used as a political slush fund. Consequently, the budget of the rural commune can not hire anyone.

3/ This consisted mostly of purchasing millet grinders and "decortiquers" (peanut shelling machines). Unfortunately, many of these machines no longer run because of poor maintenance.

While all of these investments contribute to the "bien etre" (well-being) of the community, it does not seem that the principal concerns of the rural world; food, increased income, and slowing of the rural exodus, are being met. (Perhaps a "Youth Center can be considered as an attempt to stave off the rural exodus but if the youth does not find lucrative off-season employment in the rural area, a youth center is not going to retain them).

It must also be noted that investments in infrastructure are much more easily diverted (détournés) from their original destination. (Although seeds also, can be a source of additional income or of political influence at the time of distribution. The Minister of the Interior has sought to limit this situation by prohibiting the purchase of seeds by the rural communes). Numerous rural councilors complained of high costs and the poor quality of work.

I would, therefore, suggest that AID consider investing in rural development actions which can be directly productive, are less likely to be diverted, would do much more toward staving off the rural exodus and would necessarily involve the CER's in the project process.

There is, of course, no agricultural production without water. Thus AID might want to help certain regions particularly hard hit by the drought. That is, where the rural commune's budget is too small to do anything significant in terms of easing the water problem, AID might provide 75% of the funding and ask for the rural commune to provide human investment as well as the remaining 25% investment. Another possibility is to repair forages that have already been dug but are not functioning at the present action. There seems to be quite a few "forages" in this condition. The rural commune might assure expenditure for maintenance and running the forage.

Where local community resources are meager, AID can look into the possibility of creating a "groupement rural". A groupement rural as defined by Article 64 of law 72-25 is a group having as its objective "the exploitation of capital goods, infrastructure or resources which interest several rural communes". This rural group can be formed for the exploitation of deep wells (forages), vaccination parks, fishing zones, and irrigation networks.

Article 65 states, "The rural group is created by decree according to the wish of the rural councilors concerned, after consulting the Council d'Arrondissement and the Departmental Council. The decree defines the role for this group and its manner of functioning". Thus, in those areas where water presents a real stumbling block to agricultural production, several rural communes could become involved.

As for infrastructure investments AID might consider these as well, but they should be integrated projects involving the whole of the community. These projects would have to be tightly controlled.

It is important to note that the reform did not begin until 1978 in Casamance. As a consequence, the rural councilors voted a budget transitoire (practice budget) for that year but no investment was made. They then voted a budget "demarrage" for 79/80. Those are the figures I presented. But the rural communes will have spent twice as much as I indicated because they will have spent two years budgets, 78/79 and 79/80, in one year 1979/80. In order not to exaggerate the totals for Casamance I used only the figures from 79/80 and did not add the 78/79 budget to them. For further explanation of budget transitoire and budget demarrage see pages 40 & 41 of this paper.

Key - CHARTS B - VIII

These charts give a detailed breakdown of spending for each rural commune, grouped into arrondissements. The nomenclature or headings are the same as on Chart "A" .

These figures are taken from the administrative account 76/77 77-78 for the region of Diourbel. They represent the "extraordinary investment" of those year's budgets. (1976 was the first year of the reform in the region of Diourbel. As councilors are not elected until November it is impossible for them to vote and execute a budget before June 30. They therefore, meet to vote a "budget transitoire" (a practice budget) which is not executed, but which serves as practice for the newly elected councilors. It also serves as a sort of forced saving.

The 76/77 budget is then added to the 77/78 by "special authorization", and both are executed in the year 1977/78. The 1977/78 budget is called a "budget of demarrage".) Since these figures were taken from an "administrative account", spending can be broken down into that which was actually spent, "engaged" and that part which remains available at the end of the year; "disponible". (The money listed as "disponible" should appear in the following year's budget as an "excedent de cloture". One interesting thing to note was that although the administrative accounts 1976/77, 1977/78 and 1978/79 arrived together at the ministry of the Interior, there was no account for 1978/79, nor any mention of why it was missing. This account would have allowed one to easily check if the money "disponible" was actually transferred into the "excedent de cloture". It may be that this money is accounted for not in the following year's budget but in that of the year after. This, however, is not the case here.

On the charts I-VII the money that was "engaged" was written in blue ink, whereas "the disponible" is written in red ink. At the bottom of each chapter, I have calculated the "taux de réalisation" (rate of actual investment), which is devised by dividing "disponible" (funds available) by actual rate of investment. At the bottom of each chart "total spending" (money that was actually invested for the budget year) and "Funds Available",

(money programmed in the budget but not spent, thus available for the following year) are both inscribed. The Department of MBacké, (charts III & IV) has a terrible "taux de réalisation";

Arrondissement NDAME	Total Spending: 25.803.289 - Funds Available: 27.982.315	47.9% (1)
Arrondissement KAEL	Total Spending: 16.860.820 - Funds Available: 10.458.339	61%

1/ NOT counting "financial operations"

Immediately underneath these figures we find the heading financial operations,, accounts for "Funds of Solidarity (25% of the rural tax) and additional cents. These "funds of solidarity" are, as I mentioned in the paper, the "point noir" (black point) of the reform. The ministries of Finance and the Interior are fighting for control of them. The ministry of the Interior wants to give them back, immediately to the rural communes. The ministry of Finance wants to create a special account and distribute the funds to the needy rural communes once the reform has been extended to all 7 regions. As for Diourbel, the region seems to have held on to these funds, but spent very little of them. As a consequence, these funds coupled with "funds available" (not spent) give us total funds available. The 1979/80 administrative account for Diourbel, makes no mention of "Financial Operations".

The last column, furthest to the right indicates where the projects were located; either in the "village center" or somewhere else "other". The "village centers" seem to benefit from a great deal of infrastructural investment.

Finally, at the bottom of Charts I - IV and in Annex II for the Department of Bambey, a comparison is made between spending in 71/77 - 77/78 to 79/80. The major difference is an increase in rural development actions to approximately 10% of total spending in 1979/80. For a regional comparison see Charts B, VIII and IX.

Key - Charts Casamance

C 1 - C 6

This groups the different rural communes into arrondissements and shows the expenditure for each category. These charts also show both ordinary and extraordinary investment for each rural commune.

It was interesting to see that the Department of Sedhiou invested 23% of its resources in public works projects, mostly road and bridge construction. AID might want to finance these types of projects and ask for a human investment from the rural communes concerned. This could eventually lead to an increase in exports as the region becomes less and less enclaved.

Key - Charts Thies

T 1 - T 6

T₁ - This chart presents the investments for each rural commune as predicted by the regional plan. The second half of the chart gives investment figures for both Thies and Sine-Saloum.

T₂ - Shows the amount that each rural commune is to spend on agriculture and hydraulic works according to the Fifth plan.

AGRICULTURAL AND RURAL DEVELOPMENT
STRATEGY FOR USAID/SENEGAL

by

Don Brown and Axel Magnuson

USAID/PRM

November 8, 1980

(A discussion paper as a resource for the Joint Planning Group)

Discussion Paper on Agricultural and Rural
Development Strategy for USAID/Senegal

Don Brown and Axel Magnuson

November 9, 1980

A. Introduction and Summary

This discussion paper represents a first step in development of a strategy for USAID/Senegal in agriculture and rural development. In an ideal world, we would have unlimited resources to do all things at once. But, in reality our resources are limited. A strategy is our plan to use these limited resources to achieve what we want to or should accomplish. What gives our strategy shape and form are the things we don't choose to do.

Our strategy is based on an analysis of Senegal's agriculture. This analysis highlights two important points: (1) The first is the recognition of the need to create a growing class of efficient small scale commercial farmers in Senegal. This paper argues for moving away from the present fixation on the subsistence level peasant and toward an emphasis on greater monetarization of the rural economy. This argument is based on the nature of the production/consumption patterns in Senegal, the pressing macroeconomic needs of the country, and the desire to increase rural welfare.

(2) A second point we stress is the necessity of creating greater reliability of the agricultural production system. This includes the related factors of input supply, marketing and supportive institutions. Greater reliability and the resultant lowering of risk are also necessary conditions for the monetarization of the rural economy.

In the area of rural development our analysis stresses the need to recognize the urban/rural interdependency of Senegal's population, to encourage it and to direct it. It also stresses the importance of human resource development in achieving increased productivity in the rural sector and the difficulty of passing skills and knowledge to the grass roots producer.

We also undertake a review of other donor activity in agriculture and rural development and an analysis of AID resource and management capabilities in this area. In our strategy we propose a basic project model. This model is an inverted "T" with vertical linkage from macro-economic needs of the country to the producer/beneficiary, and horizontal linkage from the producer/beneficiary to those elements which support and reinforce his ability to ~~utilize~~ and benefit from the resources of our projects. The focus of this model is the producer/beneficiary. The context of the project is determined by the macro-economic needs of the country.

We have developed three general investment selection criteria for our projects. In order of priority these are:

1. a. Select investments which have the greatest marginal productivity returns,
- b. Select activities which build on existing capabilities and skills,
2. Select investments which conserve or replenish existing productive capacity.
3. Select investments which will restructure the economy or its productive institutions in such a way as to insure future growth potential.

Using these criteria we propose that AID focus its activities on three regions : Casamance, Peanut Basin and the Fleuve. In the Casamance we suggest that AID should modify its present project in the Lower Casamance toward greater income and productive output. At the same time we should expand our programming into the middle and upper Casamance, the region we view as having the highest marginal productivity in both dryland and irrigated agriculture.

In the Peanut Basin we propose an extension of the present fuelwood activities as a first step in a longer range program to conserve the resource base of this productive region. Finally, in the Fleuve we support a long term commitment to building the necessary infrastructure and institutions of this region of enormous long term potential. We suggest that AID should concentrate its implementation effort in the Bakel region to build on its experience in the area.

We begin our detailed analysis with a review of the agricultural characteristics of Senegal.

B. Agricultural characteristics of Senegal

In this paper we define agriculture in its broadest sense as the production and/or harvesting of food, fiber and non-mineral combustible material for human or animal use. This definition includes activities in crops, livestock, fisheries and forestry.

A realistic development strategy must be defined in terms of the characteristics of the country where it occurs. It is important, therefore, to have an analysis of the food and agricultural characteristics of Senegal as a basis for AID's strategy for agricultural and rural development.

Food Crops

Senegal's food needs are of two types--day to day food requirements under normal conditions and emergency food relief. Most of the comments here are related to the first of these. Emergency food relief is a special case that is, and should be, handled apart from normal AID planning.

The day to day need for food is the constant concern of the population and is the proper concern of our strategy. Of course, the long range consequence of our development efforts should be to reduce the need for emergency food relief.

Senegal has a dualistic food system. The rural population produces and consumes most of its food. The bulk of this food is millet, with rice locally produced and consumed in the Casamance and to a limited extent in the Fleuve. For all practical purposes, almost no food is consumed outside of the region where it is produced.

The urban population on the other hand, consumes mostly imported food of a type that is different from that consumed in the countryside (rice and wheat). Thus, in general terms, we see a rural population producing and consuming mostly millet and an urban population consuming mostly imported rice and wheat with little connection between the two population groups.

At the moment, about 30% of Senegal's population is urban. The urban sector is the fastest growing segment of the population. It is estimated that by the year 2000 from 40 - 50% of the population will be urbanized. Ross has shown that the urban population is highly resistant to substitution for rice of products such as millet. In his study of preferences of urban consumers he found that millet was not preferred because of its lengthy preparation time and its taste (heaviness). It has been pointed out that if preparation time were a major constraint on millet consumption, it would be likely that an informal trade would develop on the local street corner to prepare millet for consumption as is seen in the preparation of cassava in other West African countries. Since this preparation is not seen in Dakar, it could be assumed that taste is the major restraint on millet demand by the urban consumer. In another study Ross has shown that as much as 20% of the diet of the rural population in the Peanut Basin is imported rice and that the rural population will trade millet for imported rice to improve the variety of their diet.

In addition, studies on migration (Colvin) indicate large interchange between urban and rural areas and great mobility within the society. Many urban values tend to be adopted by the mobile rural population and food taste is one of them. This leads to a prospect of rapidly growing dependency on imported food. It is paradoxical that while millet has comparatively low urban consumer demand, it is the only major crop in Senegal to show increasing yield and production. Millet has had higher average yield and production in the drought period since 1969 than in the previous pre-drought period. Given normal rainfall, Senegal is, at present, self-sufficient in millet production.

While millet production is comparatively good, the situation with rice production is a disaster. Since before independence, Senegal planners have talked about and made plans to increase rice production.

But in the 20 years since independence, rice production has increased less than 0.2% a year. One is led to question the seriousness of Senegal's commitment to increasing rice production. All of the necessary supportive institutions are just not there. Research, engineering and construction infrastructure, adaptive production implements, marketing mechanisms, milling facilities, and pricing structures are still inadequate to carry out an active rice production program.

The rice production regions of Senegal (Casamance and Fleuve) are distant from the main consumption area. These regions are some of the poorest of the country. Both experience considerable out-migration and generally suffer a labor shortage. Women play a disproportionately large role as labor in rice production.

Rice production in general has high costs. Later we will look at some of the specifics of this production cost as they relate to regions, crops and production methods, but it is sufficient here to note that these high costs are generally the result of inefficient use of land and water resources, limited manpower, high transportation costs, institutional problems and the learning curve of farmers growing a new crop under new conditions.

Let's look at some of the specifics of the two rice growing areas. The Casamance produces about 70-80% of the rice grown in Senegal. Almost none of this rice is marketed outside of the region. The major form of production (60,000 ha.) is traditional swamp rice. This is mostly from the estuaries of the lower Casamance. Production of swamp rice is falling. The amount of land under cultivation is also falling. These soils (saline/acidic "cat" soils) are increasingly difficult and risky to cultivate, and prospects of increasing land under cultivation or production on that land are extremely dim until a major breakthrough occurs in techniques for handling this type of soil. Such a breakthrough may be a long time in coming. Thus, one cannot expect significant increases in rice production in the Lower Casamance. There are, however, major production possibilities in rice and other crops in the middle and upper Casamance, regions presently not substantially exploited.

The Fleuve region produces about 10 - 15,000 tons of marketed paddy rice on 8 - 10,000 ha of irrigated land. This figure should be compared with the 250,000 tons of imported rice (415,000MT paddy). Great expectations have been stated for rice production, mostly from the Fleuve region. The National Food Strategy estimated _____ tons by 1980 and _____ by 1985. The Vth Plan speaks of 255,000 tons by 1979; actual production in 1979 was 121,000 MT.

The GOS talks of putting 5,000 ha of new irrigated land a year into production in the Fleuve. The World Bank estimates that a possibility of less than 2,000 ha is more realistic. Past performance would indicate that even that may be very optimistic. There are major institutional problems that must be resolved before rice production will begin to increase. An indication of these problems can be seen in figures of rice hectareage harvested as a percentage of that planted. This figure has been as low as 30% in recent years. The causes of the problem have been inability to get water to the crop when needed, pumps breaking down, lack of fertilizer or insecticide when needed, no marketing facilities, infestation with weeds, lack of labor availability, and so forth.

Seeing the ever increasing need for imported rice as the result of increasing urban-based demand and poor local production, a rice fixation has developed among donors and GOS officials. Everyone seems to be looking for a rice bowl. Massive programs of irrigation in the Fleuve and the Casamance are based almost solely on the need for rice production. But AID and the GOS should not be fixed on the production of a single product -- rice -- but on the broader question of economic and agricultural growth. The most important question for planners is where is the most potent area for this growth : what is the best use of existing and projected land, labor and capital.

While not denying the paramount importance of rice, one should also note that there are a number of other food crops that have major possibilities for import substitution. Of these, corn seems to be the most important. Unfortunately, we don't know much about corn production, marketing and consumption in Senegal. Corn should be a priority area of research for AID. In theory, corn has a greater possibility as substitute for rice in the diet of the urban consumer than other locally produced foods. Wheat is another largely unknown crop, Senegal imports about 100,000 tons of wheat a year at a cost of 25 million dollars. There is a possibility of producing it as a winter crop in the Fleuve.

There are other important import substitution crops. Senegal imports about 10,000 tons of onions a year from Holland (value (1976) 882 million CFA \$3,6 million). It also imports 10,000 tons of potatoes (value (1970) 888 million CFA \$3,7 million). Eight million dollars a year of bananas are imported. All of these crops are producible in Senegal. Some would need irrigation. Production of these crops would create local farm income and have a direct effect on saving foreign exchange.

The production of food for import substitution assumes a surplus being generated on Senegalese farms that somehow or other can be moved to the mostly urban consumer. The reason for doing this should by now be apparent. With 30% of its population urban, Senegal is one of the more highly urbanized societies in Africa. At the present rate of urbanization, the majority of Senegal's population will be urban in 30-35 years. If Senegal's farmers will not or cannot produce the food these urban consumers require, the country will be faced with an impossible food import bill. The result will be economic disaster or massive malnutrition or even starvation of the urban population's poor.

Senegal needs commercial farmers. Unfortunately the term "commercial farmer" often brings forth visions of capital-intensive, large scale farms which seems inconsistent with AID's goal of working with the poor majority. But these visions are wrong. A large group of commercial farmers already exists in Senegal in the peanut basin. They are neither large scale nor capital intensive. Commercial farmers in such Asian countries as the Philippines, Taiwan and South Korea are all small, labor-intensive and highly efficient. At the moment, commercial farming for food crops outside of vegetables does not exist in Senegal but it could and should be created. Such a development is required to help the welfare of the poor majority.

Development of commercial farming will require a whole new look at agriculture in Senegal. New institutions will have to be developed directed to the local farmer and using such capitalistic ideas as fair price and marketing supply and demand. There is still much thinking to be done on how to implement this idea. In the strategy section we will give a few initial ideas on how this commercial farming could be instituted.

If small farmer commercial agriculture is to succeed, the cost of food production has to come down. Senegal, like some of its neighbors, is in danger of institutionalizing a high cost food production system. Too often the reflexive answer to food production problems has been to raise the price paid to the farmer. While the supply response to price increases may produce a certain abundance of food, if that food is produced by inefficient, high cost production systems, the effects on the economy, and particularly on the poor, may be extremely negative. In our study on the possibility of selling excess millet from Senegal to Mauritania, we found that the cost of millet production in Senegal was already \$50 a ton higher than that of U.S. sorghum shipped from the Gulf.

Too often policy makers, planners, and often farmers themselves think in terms of production and turnover rather than of profit and marginal returns. For example, research for the extension packages which SODEVA was pushing was based on potential yields rather than use of a production function to look at economic yields. This type of thinking leads to the folly of prices for products being set by variables other than cost. There is a need to reeducate those at both the policy level and the production level on the need to think in economic terms. Efficiency needs to be rewarded. Farmers must begin to perceive potential economic gains from increased productivity rather than only from a jumped increase in farm gate prices.

A final point needs to be noted on food crops. Our focus tends to be only on food production. But the question of food is basically a nutrition question. Nutrition is more than just having food available. It has to be the right food at the right time, consumed by the right people who are healthy enough to be able to use the value of that food.

Nutrition has all sorts of implications for marketing, storage, processing, income distribution, and nutrition education. Even though AID may not be able to deal with all of these aspects, we need to be aware of all these possible ramifications of our agricultural and rural development strategies since this nutrition element is the raison d'être of it all.

Cash Crops

Cash crops should not be discounted in our agricultural strategy as both the farmers and the economy need the income that they generate. Production of cash crops is consistent with both AID mandates and with our aims of supporting the macroeconomic goals of the country. The major cash crops in Senegal are peanuts and cotton. The history of the production of both of these crops is not good. Cotton production had been increasing rapidly until 1977 when both production and area planted began to drop off sharply due to institutional problems and poor prices. Peanut production, the mainstay of the economy, has been falling about 1% a year over the last 20 years. Production has been dropping primarily due to declining yields resulting from lack of rain and institutional problems. Farm gate prices have also been too low. The poor performance of these cash crops, particularly peanuts, has been a major concern of the GOS and is one of the major issues addressed in the Plan de Redressement. If the reforms of the Plan work, there should be an increase in peanut production when normal rains return.

Stability in the production of peanuts is needed to keep the crushing facilities operating at full capacity and maximum efficiency. Stability in peanut production also produces a certain stability in the economy as a whole. The chain effect of peanut crop variations has thrown the Senegalese economy into topsy-turvy gyrations which make forward planning extremely difficult. The prospects for the oil seed market is such that Senegal should not expand its peanut production but should seek greater stability of production at about 1,000,000 tons, an amount that would keep existing crushing factories working at full capacity.

As small farmer commercial agriculture is developed, a number of present food crops could become income producers along with the traditional cash crops. These include onions, potatoes, tomatoes for paste, bananas and other fruits, and general garden vegetables. Once rice, corn and millet production and processing is developed, they too could become major income earners for the small farmer.

For both food and cash crops, the major problem at the moment is the lack of reliability of the production system. Reliability in engineering terms is usually assured by redundancies in the system. Thus, if one part of the ^{system} fails, a second, back-up, part will take over its job, thus preventing the failure of the system as a whole. Traditional farmers do much the same thing when they plant a number of different crops at different times so that if one crop fails they can fall back on another to keep from starvation.

In terms of reliability of a system, the worse situation is to have a number of critical operations linked together in a series with each dependent uniquely on the success of the others. If one of those links fails, the whole operation fails. Odd as it may seem, until recently this series system was the arrangement of the government's agricultural support system. Thus, when ONCAD failed to provide farmers with fertilizer, or tools or good seed, there was no back-up system the farmer could turn to and agricultural production plummeted. The same was true of other unique sources of credit, marketing and information to which the farmer had access.

What is needed is a parallelism of services in the agricultural system. The GOS has been reluctant to allow this parallelism out of a distrust of the private sector "middlemen" and a desire to have control of a basic part of the economy through a single, supposedly efficient structure. But they have been wrong. The cost in last agricultural production and unreliability of the agricultural system has been too great. In our discussion with the government and in the development of our program, we should try to encourage an active role for a legal parallel private source of credit, inputs, information, processing and marketing for agriculture to compete with the existing public sector. This should create not only greater reliability but also greater efficiency in both the public and private delivery of services to the farmer. Such a situation would help to lower the risks of farming. Lowering these risks is a critical need before major farm innovations can be accepted.

Senegal needs not only to improve the reliability of its agricultural institutions but also to improve the reliability of the physical resource base -- specifically the plant/water relationship. The reason for this rather clumsy terminology is that too often we think only of irrigation in this context. There are many ways short of irrigation, to increase reliability (stability) of agricultural production in dry climates such as the Sudano-Sahelian. Plant varieties can be selected or be bred for shorter maturation times, less transpiration and for other water saving features. Cultivation and fallow systems can be designed to utilize to the maximum available water. While these and other techniques are useful in increasing production possibilities, irrigation is still the final resort.

No one would question the need for Senegal to seek to utilize to the maximum the water resources available to it over the long term. The question is not to choose between irrigation or dryland agriculture but to determine how to use both types of agriculture in the most efficient and beneficial manner.

Senegal has three types of water resources -- rainfall, surface water and ground water. Both the Colvin and the Carvin reports stress the desire of the rural population to have wells put into their villages for water supplies and as sources of irrigation. Unfortunately, the exploitable potential of Senegal's ground water supply is still unknown. Because of this lack of knowledge no wells are allowed for irrigation purposes without express permission of the government in order to prevent depletion or degradation of the present water system. Even with this control, it is known that use of the ground water supply near the coast has caused salt water to move inland, raising a threat to some existing wells. From the information we could gather, it appears that only in the lower Sine Saloum is there much possibility for exploitation of the ground water system for irrigation.

Not only is the availability of the ground water supply uncertain, but the study Garrity did on the recurrent cost implications of wells indicates that their cost may be too high when they are used for drinking purposes, let alone for use to irrigate crops. With the continual expected rise of petroleum prices, this situation will get worse rather than better. We can conclude that ground water will play a very limited role in irrigated agriculture in Senegal.

There is a growing collection of studies on the trade-off between various forms of irrigated and rainfed agriculture. These studies tend to give differing and sometimes conflicting results. The one point that they all agree on is that rice cultivation under the present capital intensive method in the Delta of the Senegal River is not economical. Beyond this point, things become a bit unclear. Tuluy feels that only improved swamp rice cultivation in the Casamance is possibly competitive with imported rice. Jabara has shown that, given risk averse reactions of national planners about food needs, local production cost can be discounted to a certain degree depending upon the amount of risk aversion the planners have. Under her calculations irrigated rice in the middle Fleuve is competitive with imported rice. Rigoulot shows that under changed milling and marketing conditions rice from the Casamance would be cheaper than imported rice. These results don't give us a clear cut single answer on where and what type of irrigated agriculture, let alone the amount and type of dryland agriculture, we should support. They do however provide a start on materials necessary to begin to make the investment decision needed to support the areas of greatest potential growth. The GOS, AID, and other donors all face the problem of investment and development planning on the basis of very skimpy data. It is a lamentable fact that even after all the projects that have gone on in this country we still have little idea of what works or doesn't work and why. This lack of information is due to a large extent to limited data collection. Just collecting "data" is not the answer, of course. What we need is greater emphasis on solid, rigorous, well designed research and data collection incorporating the basic methodology of hypothesis, model, data, analysis and documentation.

One last point is ~~needed~~ concerning our investment and development strategy in rural and agriculture development. Many of the investment decisions tend to be based on some criteria of "return on investment" (ROI). Agricultural development is very poorly adapted to most ROI techniques. This lack of adaptation is primarily a function of the length of the gestation period between the time of the initial investment and the time when quantifiable and taxable returns on that investment become evident. A low ROI may or may not indicate a bad investment. Much depends on potentials, time frames and alternate investment options.

Livestock

The total revenue from livestock production is about the same as from cereals (rice, millet, corn). Not only is livestock economically important, it is of paramount social and cultural value to the herders. Much of the livestock sector has the same problem as that of rice production in that the production areas are distant from the major consumption area. This means that marketing and transportation are major concerns for the sector.

The AID program in livestock is in the principal production area of the Ferlo. We still have much to learn from our two programs. There has been a major question raised on the social consequences of the offtake policies of the SODESP Project. The economics of the stratified system has been questioned by a number of observers, Stryker being only one. There appears to be a large possibility for the private sector in livestock, but, outside of two large fattening farms, nothing has yet materialized.

Besides the production of meat, one of the most important roles for livestock is in the area of mixed farming. The possibility of greater mixed farming in the Fleuve with the development of irrigated forage crops, confinement of herds and intensive use of manure is of particular importance. The Middle and Upper Casamance also have great potential in this regard, as does the Peanut Basin.

Fisheries

Fisheries is often pointed out as the major, if not the only, bright spot in the Senegalese economy. On closer examination this assessment needs to be toned down. While it is true that fishery exports has risen dramatically in recent years, most of the catch that is exported comes from non-Senegalese boats. Senegalese industrial fishermen account for only 15% of the total catch. This sector of the fishing industry is in trouble. While a number of important projects have gotten underway in port facilities and storage, the fleet is still outdated and inefficient. The traditional fishing sector has been more successful, particularly with the motorisation of traditional pirogues. After remarkable gains in production, rate of growth has declined in recent years and production seems to have reached a plateau. Competition from foreign vessels has been partly to blame.

Almost all of the catch from the traditional sector is sold as fresh fish on the local market. At the moment little is being done to improve the drying and local processing of this catch.

Inland fishing has been the biggest disaster of all. Because of the drought both the number of fishermen and the catch from the Senegal River has fallen dramatically. It is now so low that it is not even measured. The same has happened in the Casamance but not on the same drastic scale as in the Fleuve. AID's inland fish project may be extremely important in reversing this downward trend.

C. Rural Development

In this section of the analysis we would like to look at two thoughts that relate to overall rural development rather than to production of agricultural crops. The first of these thoughts concerns the urban/rural interdependency within Senegal, particularly concerning the secondary cities and rural commercial centers. The other thought relates to the role of human resource development in overall rural development.

Urban/rural Interdependency

Lucy Colvin's study on migration patterns in the Senegambian Basin highlighted the fluid and interdependent nature of the rural and urban population of Senegal. Secondary cities, in particular, play a vital role in the development of the rural society. It is clear that peasants are not isolated nor homogeneous in composition. Nor is there a clear distinction between rural and urban population. The increased urbanization of the rural society is now underway; we can not stop it nor should we stop it. We should, instead, try to encourage and direct it.

We have already shown the importance of commercializing of agriculture. The principal mechanism of accomplishing this will be the growing urbanization in rural areas. Commercialization of agriculture will mean the monetarization of the rural economy. This monetarization will, in turn, lead to greater specialization in creation and delivery of goods and services. Both presently needed and new goods and services will become available, produced by more efficient specialists. These will be purchased by farmers with funds generated by the sale of farm goods. The growing rural urbanized areas will be the centers for this specialization. This specialization, collected around rural centers, should lead to the growth of the parallel sources of agricultural inputs, credit, information, and marketing services we noted earlier. These rural growth centers can also be the point where greater non-farm employment opportunities can be created to serve as sources of non-farm income for the rural population.

Thus, these increasingly numerous small rural urbanized areas can serve as a focal point in the dynamic interplay between the metropolitan urban center of Dakar and the farmer. They can play a role in collecting and processing of farm produce, supplying of farm inputs and information, providing of banking and credit facilities and acting as social and political centers for the rural population.

While the expansion of these rural urbanized areas should be encouraged, it should be planned for so as to avoid or at least mitigate the adverse effects such areas can have on the resource base of the region where they are located and their possible negative social, cultural and economic consequences. As an example, the Gannett Flemming study indicates that as many as 200,000 people will live in urbanized areas along the Fleuve (not counting Saint-Louis) by the turn of the century, 20 years from now. Without proper preparation for this population there is the risk that sewage and effluents from processing and manufacturing plants and other pollutants will sharply reduce the quality of the water of the Fleuve. Urbanized sprawl, squatter villages and other negative social, cultural and economic occurrences could further degrade the resource base of the Basin.

Human Resource Development and Rural Development

As described in this paper, our basic goal is to increase the productivity, efficiency and reliability of the agricultural sector. One of the primary means of achieving this goal is human resource development. The evidence linking this means to this end is growing and convincing. Theodore Schultz in his Nobel prize lecture stressed that the "decisive factors of production in improving the welfare of poor people are not space, energy, and cropland; the decisive factor is the improvement in population quality". In the World Development Report, 1980, the World Bank makes a detailed and quantitatively supported argument to support the importance of human resource development in economic growth. In our Joint Assessment it was noted in all our projects that greater involvement and understanding of project objectives and their

management by beneficiaries would improve project productivity. This involvement can only be done through greater levels of human skill being implanted with the beneficiaries themselves.

In many areas of human resource development AID responds well. We can generally meet the training needs for middle and upper level managers, technicians and trainers. But in one major area we still have not found a way to respond effectively. This missing link is providing skills to the beneficiaries (farmers, herders, fishermen, etc.) to manage and efficiently use the resources made available to them by our projects. This type of training has to be at the bottom level with those who actually get their hands dirty growing or raising food. It also must provide the appropriate technical skills in management and production. Ideally, this should be accompanied by functional literacy and computational training. The level of training should be such that the beneficiary should be able to read simple instructions and keep basic account books.

The present system we use to train farmers, herders, etc., is to set up an extension or "animation" organization and train the trainer or animators. This system is not working. The people in these extension organizations and those that we train as trainers are too often removed from the environment of the farmer. While they may have only limited education and limited ability for upward mobility, the magic wand of a job with the government in an AID project turns their heads toward Dakar and the bright lights and away from the farm. Too often such extension agents tend to be administrators rather than educators. They are interested in how much fertilizer the farmer uses, not in instructing him in how to use the fertilizer. They collect debts, see that the crop is planted according to their instructions and make sure the peasant is following the government line. They have no obligation to instruct the farmer or to answer his questions or needs. They are responsible to the Government and not to the farmer. Animators, on the other hand, come to animate but to do little else. They are selling ideology, not how to grow better crops.

An additional problem with the present system is that it creates enormous recurrent cost problems. Too often the extension agencies and animating services demand to have all the accessories of the job before they can do the work. This means not only desks, typewriters, offices, etc., but their own vehicles and a period of training overseas. In sum, these skill delivery systems don't work, or, at best, deliver too little service for too much money.

What is the solution to this problem? We don't know yet, but two elements would seem to be needed in whatever final answer evolves. The first element is the need for a locally derived and locally based representative or contact person between the needs and desires for informations and skills of the farmers and sources of this information and skills. Equally important, this contact person, who ever it may be, must have part of his/her compensation in funds or kind provided by the farmers. Only in this way will there be an obligation on that contact person to seek that information that is needed in response to farmers' needs.

The second element is the need to begin to develop, in a very low-profile way, extension and reading materials in indigenous languages. At the moment there appears to be lots of talk and little action as far as literacy programs are concerned in indigenous languages. This may change in the future. A functional literacy program needs to do more than just teach people to read; it must have material for them to read once they have learned. By starting now to develop these materials, AID will be in a good position to capitalize when renewed interest in literacy programs occurs, as Gellar has suggested it will.

D. Other Donor Activity in Agriculture and Rural Development

To be most effective, our programs need to be coordinated with those of other donors to avoid redundancy and to support each other. The following is a brief overview of donor activity in the agricultural and rural development area taken from data prepared for the Ministry of Plan.

Peanut Basin.

Most donor work in this area is directed through SODEVA. The World Bank and the Caisse Centrale are financing programs in Sine Saloum. FIDA and BIRD are developing programs in the Mbour and Louga areas. AID will fund activities in the Thies and Diourbel Regions. An extensive program in storage and development of a security stock is underway with USAID, German and French financing. The FED is continuing to finance a program for confectionary peanuts, while the French have just come through with funds for decentralization of the Seed Service. In Bas Saloum the Germans are finishing a general development project. In forestry, USAID is funding a project in village woodlots and firewood production.

Eastern Senegal

The FED is finishing up its cotton and cereal project. At the same time the World Bank is looking at an integrated development project in Eastern Senegal and in the Upper Casamance. The World Bank, IDA and Kuwait are also carrying out a livestock project in Eastern Senegal. The Government is looking for financing for another livestock project in the department of Kedougou.

Casamance

The Sedhiou Project is continuing with both Bank and Caisse funding. The government is looking for about \$7.5 million for this project after 1983. USAID will be continuing to operate in the Lower Casamance project. Senegal has Canadian, BAD and Citibank funding for the Guidel dam and the Chinese have promised funding for the Bignona Dam. The SODAGRI project in the Anambe Basin has received Saudi funding but is still looking for \$17 million to complete it. A number of forestry projects are being funded in the Casamance by the Canadians and the U.N.

Fleuve

There are a number of projects going on in the Fleuve. The French and the

World Bank are financing most of the projects in the Delta, and the Dutch the perimeter on Ile de Morphil near Podor. The French are also financing work at Matam, and, of course, USAID has a project in Bakel. Kuwait is providing some of the funding for Debi with the World Bank, and the Germans have a project in Nianga.

Sylvo-Pastoral

Livestock is the principal resource of this region. Both USAID and FAC are actively involved in the SODESP project with some funding from the FED. In the Bakel region USAID has another livestock project. The Swiss have a fattening operation near Lake Guiers.

North Coast

This is a major vegetable and fruit area. Fixation of the sand dunes and protection of the area is being undertaken by USAID and the U.N. The Belgians have a major horticultural project, with the FAO, in the Camberene area north of Dakar.

E. AID Resource and Management Capabilities

An additional component in our analysis for an agricultural and rural development strategy is an analysis of projected AID funding and management capabilities. USAID/Senegal presently gets about 15.5 million dollars for bilateral programs from the Sahel Development Program (SDP), a single pot of money for all of the Sahelian countries. While it is difficult to predict with accuracy, it nevertheless seems unlikely that this pot will be increased to any great extent in the near future. We could estimate that by FY 85 Senegal would receive about 25 million dollars for bilateral assistance. This would represent, in real terms, a continuation of the present funding level.

As we have shown, Senegal both needs a great deal of assistance and also has the possibility, with present reforms, to use these additional funds

to begin moving towards a point of self-sustaining growth. If our bilateral source of funds from the SDP is limited, how can we mobilize these additional funds? The answer here appears to be to look at more creative non-project programs which have more specific orientations. Of these the Title III project and the proposed Agricultural Commodity Import Grant seem to be most appropriate. Another U.S. source of financing to be investigated would be HIG support of loans to aid urbanized development in the rural sector with a particular emphasis on the Senegal River Valley.

As noted in our October 6th memo, Title III (and the Ag. Commodity Import Grant) program respond ideally to Senegal's present economic problems by providing both immediate relief to the balance of payments and liquidity problems while funding the longer term restructuring of the rural economy to provide long term growth possibilities. There are also programs which should require proportionately less AID staff involvement.

At the moment the Title III program is at about 7 million dollars a year. If this initial program goes well, it seems likely that this amount can be increased to 10 million dollars by FY 85. The proposed Agricultural Commodity Import Grant is to be initiated at 5 million dollars in FY 82. Here again, if the initial results are positive, this program could be at about 7.5 million by FY 85.

The HIG program, if it is started, would start modestly and could be about 2.5 million by FY 85.

The other ongoing program for the Mission is the Title II program. It is unlikely that this program will grow in a significant way in real terms in the near future. Nevertheless, taking a 10% inflation rate, this program would be about 11 million dollars in FY 85.

Add these all up and we can look forward to a 56 million dollar a year bilateral program by FY 85. If we add to this potential OMVS regional funds related to Senegal of 5-10 million dollars, we see a total Senegal program of 61 to 66 million dollars a year. This would be more than doubling the

present program in four years.

The staff required to handle, program and account for these increased funds will not be increasing as fast as these dollar totals. Our present limit of 28 direct hire personnel will probably not be increased and may be reduced. It is anticipated that foreign national direct hire, on the other hand, will increase as will contracts for both US and foreign nationals. We can assume, however, that there will be pressure to limit these increases.

The type of funding entering the country and the design of the program will have some mitigating effect on the amount of AID staff needed to handle the increased money flows. The Title III and proposed Ag. Commodity Grant program are to be handled to a large extent by GOS offices especially set up to do so or by existing GOS services. Since this type of funding will be the source of much of the new AID flow into Senegal this arrangement should have a major effect on reducing some AID staff workload. Even with these arrangements, it will still take a major effort for the Mission to handle adequately the cash flow expected.

A look at the Mission's present pipeline indicates that it is having major problems in handling the present load, let alone the future projected load. This pipeline is now 64% of obligations. One of the major causes of this pipeline has been the difficulty of signing contracts to get projects underway. This has been related to the problem of getting people who have language and other qualifications to live in the countryside where our projects are located. An additional problem is getting the GOS to move contracts through their own laborious system. Procurement has been also a problem, as has logistics.

Modification of the design of our projects to reduce the need for high level technical people and the use of more AID contracts in lieu of GOS contracts may solve some of these problems. The new Project Support Office should help procurement and greater regionalized focus of our projects should reduce logistical and managerial problems. These modification may not be enough,

however, to get the pipeline broken and to have funds flow in a more judicious manner. More radical ideas may have to be tried.

In any case, unless conscientious thought goes into how to develop AID's operation within the country consistent with the constraints on its staff, a major managerial crisis may occur. Continual pressure to move more money with fewer hands produces two responses. One is to cut back the funds handled to a level that can be competently handled by the present number of staff. The other is to seek changes in the methods by which funds are handled so as to be able to move more funding more efficiently. This latter option is obviously the most useful for Senegal and AID.

II. STRATEGY FOR AGRICULTURAL AND RURAL DEVELOPMENT IN SENEGAL.

Before we begin to lay out a strategy for agriculture and rural development for Senegal, it would be best to define just what a strategy is. In an ideal world, man would have all the resources to do all the things he wanted at once. Of course, the real world is not like this. We have limited resources to do only certain things at any given time. A strategy then, is a plan to take these limited resources and achieve what we want to or should accomplish. The hard edge of a strategy, that part of it that gives it form, is what we don't choose to do. This is a point too often forgotten. If the criteria that evolve from our strategy are so general that they fit all programs, then we have no real strategy. What we are not going to try to do often requires much explanation because, as we noted, in the ideal world we can choose to do everything.

In an ideal world, strategies would be both inclusive and exclusive. They would be inclusive in the sense that they have taken account of all relevant information and exclusive in the sense that the action undertaken because of the strategy is the single best one to achieve the desired objectives. Of course, in reality our strategies are often far from this ideal situation.

To develop our strategy we need to have four elements, three of which we have already covered. These four elements are: 1) an analysis of what is being

done and what needs to be done to increase ag. and rural development, 2) an analysis of what is actually being done by the GOS and donors in this area, 3) an analysis of AID resources and abilities to work in this area, and 4) an analysis of what AID wants to do, of its objectives. This latter has yet to be examined.

AID's objectives are detailed in our October 6th memo on Joint Planning. Specifically, these objectives include the following:

- 1) an emphasis on growth of the economy through increased productivity,
- 2) a concern for both short term monetary and productive growth to solve the present liquidity problem and the long term restructuring needed to establish a basis for continual growth,
- 3) human resource development at the grass roots level as a basis for providing means of increasing productivity in the agricultural sector,
- 4) greater involvement of the beneficiaries in project management and implementation,
- 5) more explicit linkages of our projects to the macro-economic needs of the country particularly through the Plan de Redressement, and
- 6) relating our projects to the new GOS growth strategy of expanding non-traditional exports and increasing agricultural production for both export and import substitution.

From these four elements, general criteria for investment selection can be developed. In order of priority, we see three major selection criteria from this analysis:

- 1.a. Select investments which have the greatest marginal productivity.
- b. Select activities that build on existing capabilities and skills.
2. Select investments which conserve or replenish existing productive capacity.
3. Select investments which will restructure the economy or its productive institutions in such a way as to insure future growth potential.

Let's look at these criteria for a moment. They follow a logical order for productive investment. Seek areas of highest return first, then protect those areas that are now productive and finally invest in those areas that

have the highest long range productive potential. It is all quite orthodox and straight-forward. It is also consistent with the GOS Plan de Redressement and our own perception of going for immediate production to resolve the liquidity problem and at the same time beginning the necessary restructuring upon which continual growth will be dependent.

The use of these basic criteria can determine the composition of AID's project and program investment portfolio. We will now look at some of the specifics of this potential portfolio, the where, what, how, who and how much of our future program design.

From a managerial point of view there is a strong argument for USAID to focus its program in localized areas. Our present program covers all of the country except Eastern Senegal. We have continually been criticized for the scattering of our projects. Managerially this scattering means greater logistic problems and costs and lower efficiency.

Management support is reduced by the need for travel over large distances. For example, such mundane but vitally important matters as paychecks and mail prove to be major problems with such a diverse program, drawing time and attention from more basic project management questions.

From an operational point of view our programs lose a lot of potential effectiveness because they are isolated from other programs. In addition, we are unable to gain knowledge and experience in any one area over any length of time as we start and stop programs all over the countryside. Under such circumstances, it is harder to do good evaluations and to have some form of measurable data either before or after our projects.

From a planning point of view we are always starting from ground zero with new areas and new people to deal with. We need a long term commitment to a given area or areas and to try over this long term to build our interventions one on another in a block style towards some eventual solid structure. If our program is too diffuse, we have neither the resources nor the time to do this.

have the highest long range productive potential. It is all quite orthodox and straight-forward. It is also consistent with the GOS Plan de Redressement and our own perception of going for immediate production to resolve the liquidity problem and at the same time beginning the necessary restructuring upon which continual growth will be dependent.

The use of these basic criteria can determine the composition of AID's project and program investment portfolio. We will now look at some of the specifics of this potential portfolio, the where, what, how, who and how much of our future program design.

From a managerial point of view there is a strong argument for USAID to focus its program in localized areas. Our present program covers all of the country except Eastern Senegal. We have continually been criticized for the scattering of our projects. Managerially this scattering means greater logistic problems and costs and lower efficiency.

Management support is reduced by the need for travel over large distances. For example, such mundane but vitally important matters as paychecks and mail prove to be major problems with such a diverse program, drawing time and attention from more basic project management questions.

From an operational point of view our programs lose a lot of potential effectiveness because they are isolated from other programs. In addition, we are unable to gain knowledge and experience in any one area over any length of time as we start and stop programs all over the countryside. Under such circumstances, it is harder to do good evaluations and to have some form of measurable data either before or after our projects.

From a planning point of view we are always starting from ground zero with new areas and new people to deal with. We need a long term commitment to a given area or areas and to try over this long term to build our interventions one on another in a block style towards some eventual solid structure. If our program is too diffuse, we have neither the resources nor the time to do this.

We need to localize ourselves in limited geographic areas. To do so means that we are excluding ourselves from other areas but this limiting is what a good strategy is about. Localization does not mean that we should have an exclusive right over some domain.

We should, as much as possible, carry out our projects in collaboration with other donors and governmental services. This type of overlapping would give us a stronger, more resilient program.

In what areas should we work? Senegal has six major agricultural zones -- Peanut Basin, Casamance, Fleuve, Eastern Senegal, Ferlo, and North Coast. Let's briefly look at the characteristics of each in terms of our criteria.

Eastern Senegal

This region is underdeveloped, underpopulated and has major infestation of onchocerciasis and trypanosomiasis. Its agricultural potential is largely known. It has no ground water, and the soils, while good in some places, are also interspaced with a ferruginous crust. There is virtually no political or physical infrastructure.

The region is possibly of some value for the future but has limited immediate potential.

North Coast

This is a vegetable growing area with some possible alternate energy resources (wind and peat). It is an area of good export and import substitution possibility for food crops. This is also a good potential for employment in the region. But even though there is some useful potential, this area is still marginal as far as the economy as a whole is concerned. It is also a fairly well-off area with less urgent needs for development investment compared with other regions.

Peanut Basin

This, at present, is the main agricultural region of the country. It is the principal source of most of the country's export earning and food production

(millet). It has a well developed infrastructural base and the best institutional resources in the country. There is some concern that this region is experiencing declining soil fertility and productivity. While the present production in the region is high, it has relatively low marginal productive potential.

Ferlo

This pasture and livestock region suffers from a lack of water. There remains some potential in the region in livestock and in certain exotic plants (gum arabic). At present, however, it lacks infrastructure. The region is isolated from the rest of the country and is marginal to the overall economy.

Fleuve

This river basin has the highest potential of any region in the country. To achieve this potential, it will need enormous influxes of capital for infrastructure and institutions, it will be a long time before significant production occurs from this region. Results to date from investment in this area have been disappointing. There are formidable institutional problems to be resolved on land tenure and on other questions before this region can begin to take off.

Casamance

Casamance is really three separate areas. The Lower Casamance is the major rice growing area of the country at present. Fundamental soil problems, however, preclude any major increase of rice production from the area in the near term. The middle Casamance, on the other hand, is a region of great agricultural potential. It has a relatively low population; the land is good and it has some of the highest rainfall in the country. There are few major obstacles to increasing production in the area. Long neglect and lack of infrastructure are the most important difficulties. New roads are beginning to open up the area, however. The major program in this area is the Sedhiou program funded by the World Bank. The Upper Casamance, the third area, is

also a region of high potential. Here again, the lack of infrastructure has slowed development. There is an important rice growing scheme being done by SODAGRI with Saudi funding. The grey soil of both the Upper and Middle Casamance has the highest potential of any areas in the country.

From applying our criteria, we can see that three areas are important for AID consideration -- Peanut Basin, Casamance and the Fleuve. The Casamance appears to be the region with highest marginal productivity (particularly the Middle and Upper Casamance). As far as rice culture is concerned, it is also an area where we can build upon existing knowledge and skills of local farmers, as rice has traditionally been grown in the area. The Fleuve is obviously the region with the greatest long range potential. This potential will take a long time and huge investments in time and money to realize. For this reason we need to start now with these investments so that by the time population pressures and food demands begin to bear heavily on the economy this region will be developed enough to begin to satisfy this need. Within the Fleuve, AID should try to build on the experience it has gained in the Bakel area. Finally, the Peanut Basin, while not having a large marginal productivity, is still the most important agricultural region in the country and the need to conserve and replenish its natural resource base is fundamental.

While it is true that our project selection criteria could fit other selected projects in regions outside of the three noted above, the need to focus our activities is compelling enough that such other projects should be looked at only if they represent an extraordinary possibility.

Once we have selected the regions, the next question is what should we be doing in them. The answer to this question must reflect the comparative advantage of each region, the abilities of AID to work with those comparative advantages and present GOS and donor activities in the region.

The Casamance can be looked at as two distinct areas of the Lower Casamance on one side and the Middle and Upper Casamance on the other. In the Lower

Casamance we have a major project which we have had high hopes will cause major production of rice. On closer examination of the difficulty of working with the "cat" soils of this region, these high hopes may be premature. A long term research program will be required before the rice production potential in the Lower Casamance can be realized. Given this situation, it seems necessary to reorient our program in this area to put more emphasis on development of the upland dryland resources that have more immediate return, with an emphasis on import substitution and export crops. These could include tropical fruits, peanuts and corn. To increase local income we should capitalize on the indigenous entrepreneurship of the region by encouraging small scale enterprises in crop transformation, marketing and input supply. This would also be a good area in which to start a farmer credit bank. Finally, basic infrastructure is an important need of the area.

In the Middle and Upper Casamance we have a region that, on paper at least, appears to have the highest immediate potential of becoming the "bread basket" of the country. In the present dryland areas unintensified cultures of peanuts, corn and sorghum already give the highest yields in the country. It is also a region well suited to the full scale integration of livestock in a mixed farming system. The principal problem of the region is a lack of infrastructure and inputs.

The grey soil of the Sedhiou and Anambe areas represents about 30,000 ha of the best rice production land in the country. Salinity is not a problem; water appears to be available; people in the area have grown rice before. Other donors are presently working in these regions, but there seems to be additional need for funding to move these programs along.

Finally, inland fishing and processing is a need that has seemingly high marginal return from this area.

The Fleuve is a region that will need a massive program of infrastructure development and a great deal of planning, design and research. Practical

research, in particular, needs substantial emphasis. Development activities cover the length of the river basin. For implementation work AID should continue its emphasis on the Bakel area. Irrigated rice and other crops mixed with livestock production should be the basis of this production implementation. Our efforts, however, need to be more broadly based than that. As we have stated earlier, we are interested not only in production but in commercialized production, production that will have an effect on the needs of the country as a whole and not just on an isolated area. Therefore, our implementation should also look at transformation, marketing and the myriad of support services related to agriculture. Employment concerns and the development of Bakel as a commercial center are new elements we need to consider. Fishing as it relates to the overall regional development is also an important consideration for this area.

In our planning for the Fleuve it is important to realize that it is highly unlikely that there will be any significant increase in production from this area for the next ten to fifteen years and that it will be after the turn of the century before this region will become an important production region for the country. Thus we need to be prepared for a long haul and not be too quick in leaping from one project to another.

Our major concern in the Peanut Basin is to conserve the natural productive resource base of the region. The rather spotty recommendation of the NAS report highlights the difficulty of developing a focussed, cohesive approach to this type of program. Soil conservation is a complex question which in the end depends on the modification of the husbandry practices of the local population. One element of soil conservation about which we know a great deal and which fits our objectives is the planting of trees for charcoal production. This type of project satisfies the need to reduce soil degradation in two ways: 1) by providing tree coverage over selected soil areas and 2) more importantly, by reducing the pressure to cut down trees for charcoal production in more fragile peripheral regions. Not only does this type of project help in

reduction of soil degradation, it also has a direct economic effect by reducing demand for imported fuels. Fuelwood projects need not take agricultural land out of production as most of the trees can be planted, as we are doing in the Bandia project, on already degraded classified forest areas.

Once we know what we want to do, we need to consider how and by whom we want our projects developed. From the Joint Planning and the analysis we see an idealized structure around which our programs should be built. First there is a vertical linkage from the macro-economic needs of the country down to the producer/beneficiary. At the producer/beneficiary level should be a second horizontal linkage to those elements which support and reinforce the ability of the producer to utilize and benefit to the maximum extent from the activities of our projects. This idealized inverted "T" form of linkages cannot be met in all our activities but should serve, nevertheless, as our basic project model. The focus of this model is the producer/beneficiary. The context in which the projects operate is the macroeconomic needs of the country.

As has been noted, our goals of productivity, efficiency and reliability can best be achieved by developing the skills of the producer/beneficiary in decision making, management and technical areas related to the resources our project brings.

As also noted, this training may be very difficult to do. It implies that we need to simplify the techniques and skills required to be transferred to the producer. This simplification has another advantage. It allows us to make more extensive use of less technically oriented people to run our projects as a replacement for the high skilled people we can't get. Thus we can make more effective use of Peace Corps and both local and U.S. based PVOs.

This dual linkage in our project model also reflects the need for greater commercialization of small farmers and the expansion of the necessary supportive rural services to accomplish this. Vertically, the marketing of farmers' produce can help to alleviate macro-economic needs by reducing

imports and increasing exports. Horizontally, the linkages of the producer to the myriad of supportive services provided from the local area will support local enterprise and creation of non-farm employment.

While the bulk of our projects should be producer focussed, we should not cut ourselves off from the possibility of using more capital-intensive production methods if those are appropriate and necessary to achieve badly needed production immediately in areas which may be labor scarce. We are thinking, in this case, of such regions as the Anambe Basin in the Upper Casamance. The acid test for such a choice is the long run cost of such production. Substitution of one resource for another to minimize cost is a sound economic and social judgment.

If, as we argued above, we attempt to simplify the techniques and skills we hope to transfer to the producer, then we will need to design our projects in smaller incremental steps that move forward in a bit by bit fashion increasing and improving skills, processes and infrastructures as we move along. This would be done in constant consultation with the producers/beneficiaries to see that the projects continue to respond to their changing needs and those of the economy. To avoid a disjointed and randomly directed program we will need to cap this incremental stepping approach with a long term overall commitment to a project area. Long term in this context means 10 to 30 years.

As we have pointed out, we need to concentrate and focus our efforts to maximise managerial logistic and productive efficiency. This, in turn, requires a more integrated approach of our activities in any given area. Regional development agencies, that are so prominent in the Plan de Redressement, will also be a benefit to us in this approach. They provide us with a central point out of which to work and also an access to the rural communities which will also play a major role in rural development. While we may work with the RDA's we should also try to modify them and to move them toward a more responsive position vis à vis the farmer.

A final point on how we should carry out our programs is to note the need to find ways to be effective in using local currency in our project development.

As we have projected, local currency programming may be, by FY 1985, as much as half of our bilateral funding.

Given our emphasis on working at the grass roots with producer/beneficiaries, we should have few problems of finding appropriate ways to spend this local currency effectively.

We will have to work to see that these local funds are additional and complementary to our dollar funding activities. Larger scale use of locally funded activities will necessitate much closer collaboration with GOS offices and officials.

THE PLAN DE REDRESSEMENT: RURAL SECTOR REFORM AND
ITS IMPLICATIONS

by Fran LeBeau
November 1980

(This report was prepared as a resource paper for the Joint Planning effort)

The Plan de Redressement: Rural Sector Reform and

its Implications

Terms of Reference

"The Contractor shall assist the Mission in identifying major institutional and technical bottlenecks to increasing productivity of small farmer production of millet, rice and peanuts. This issue is particularly relevant in the context of recent restructuration of Senegal's agriculture institutions. Specifically the Contractor should:"

"A. Review and collate the present ongoing reform of agriculture institutions".

"B. Assess the implications of these reforms on small farmer productivity."

"C Suggest appropriate responses by USAID to these reforms and its formulation of a new program strategy to increase small farmer productivity."

By Fran LeBeau
November 1980.

I - A REDEFINED GOVERNMENT OF SENEGAL STRATEGY

A revised GOS development strategy can be briefly defined as follows:

- , Abandon of the earlier growth strategy based on import substitution industries in urban centers based upon resources transfer from the rural sector.

- A new growth strategy based upon revitalization of the rural sector with expansion of:

(a) import substitution crops -- rice, wheat, other food crops -- (potentials are yet to be seriously investigated, e.g. fruits and vegetables -- tomatoes for pastes, onions, bananas, etc. --)

(b) non traditional exports -- fish, textiles, shoes, cotton, agriculture equipment, fertilizer, etc. --

GOS Approach

The Plan de Redressement outlined the broad measures which are designed to effect this change in strategy.

The Plan de Redressement has as a general orientation: (a) the establishment of greater financial rigor in management of the economy and (b) a decentralization of decision making within the economy, which for the rural sector means a progressive disengagement of government from the rural economy.

Two broad areas of action have been charted:

(a) At the macro-economic level, reform in the areas of finance, money and credit, prices and wages, balance of payment and external debt and in public investment management have been broadly traced and specific targets of performance have been established.

Special attention is to be given to selection of investments with the view of achieving greatest productivity, while the monitoring and evaluation process on investment projects will be strengthened.

In essence the accent is placed on productivity - increasing productivity.

(b) The agriculture sector by virtue of its predominant role in the economy is given special attention in the Plan de Redressement. The stated objectives for the agriculture sector are: expand production, stimulate exports, increase rural incomes, improve the quality of life of the rural population and foster active participation of the rural population in decisions and management of activities affecting them.

Specific reforms in the agriculture sector have been set forth in six general areas:

(a) reorganization of distribution and marketing of seeds and other factors of production; (b) reorganization of agriculture credit; (c) improvement of marketing especially with reference to the primary collection and weighing of groundnuts; (d) encouraging private enterprises in areas of marketing and fostering greater involvement of cooperatives in primary marketing and other commercial activities related to agriculture; (e) establishing prices at levels which will stimulate production and exports; (f) reorganization of agriculture research.

With the exception of the last two items each of the reforms are clearly related to the overall issue of cooperatives reform and expansion of the role for cooperatives.

Agriculture Research

A major restructuring and reorientation of agriculture research is being undertaken. The essence of this operation is (a) decentralization to enable and promote more locality specific research and (b) a greater orientation of research towards farming systems and increasing interdisciplinary cooperation and integration.

Price Policy for Agriculture Products

Government will continue to set prices for most agricultural products as well as for imported food commodities. For agriculture products prices will be announced at the beginning of the agriculture cycle so as to permit farmers to take into consideration the price factor in planning their production operations. For the principal locally produced food crops except for rice, a less rigorous price fixing practice will be followed. Market forces will be allowed greater latitude with government interventions limited to that necessary to reduce excessive seasonal fluctuations. Consumer prices for food will be permitted to reach real costs, except for rice, while at the same time wage increases will be restricted.

The essence of the new pronouncements on price policy will be to decrease real purchasing power of the urban population and shift the terms of trade to favor the rural sector.

Subsidies to production through subsidies for inputs will be discontinued except for the fertilizer subsidy.

Local production of rice and sugar will continue to be subsidized by maintaining producer prices above those for imports.

Cooperative Reform

The other elements of reform in the agriculture sector are all related to reform within the cooperatives.

The important role which cooperatives have played within the agriculture sector since Independence and the serious consequences on the agriculture sector and on rural population of what amounts to a financial and moral bankruptcy of the cooperative system, gives reform in the area a special importance which perhaps transcends other reforms not only for the corrective measures which are envisioned but also for the promise of a more significant role for the private sector through the cooperatives in restructuring the rural economy.

The key element in reform of the cooperatives is the restructuring into smaller basic units or village associations - groupements villageois -. This is designed to achieve greater cohesiveness and to enhance mutual responsibility. The village associations will be grouped into larger cooperatives than have existed heretofore, in parallel structures to the Rural Communities (Communautés Rurales). Still larger federations of the cooperatives in regional and national Unions is envisioned.

The cooperatives will be given new and expanded responsibilities in seed production and the maintenance of the groundnut seed stocks and in marketing of groundnuts and millet/sorghum.

The Abolishment of ONCAD

With the abolishment of ONCAD on October 31, 1980, the ONCAD functions have been distributed in part to the cooperatives - seed management and marketing of groundnuts and millet/sorghum; agriculture equipment and input distribution

to SONACOS; and rice import and distribution to CPSP. A National Directorate for Cooperatives is to be organized in the Ministry of Rural Development (MDR) to replace the Directorate for Cooperatives in ONCAD.

II - THE DEVELOPMENT OF AN AID STRATEGY

Briefly stated the AID objective in the rural development sector is to achieve growth through increasing productivity, and to increase production and the reliability of production.

The strategy focuses on:

(a) development of a commercial agriculture based on small farmers -- smallness is relative, all farmers in Senegal are small except for certain religious - brotherhood - controlled operations, therefore in essence what is meant by this strategy is the conversion of an essentially subsistence level agriculture to one which is more commercially oriented, resulting in greater monetization.

(b) strengthening of urban-rural linkages and exchanges -- at present commercial crops, principally groundnuts, flow from the country to cities; monies, the little that is left, after implicit and explicit taxation, flow from the cities to the rural areas where it is used to buy limited consumer goods, which flowed from the cities, and to finance very limited local initiatives.

These exchanges except for the flow of consumer goods to the rural areas occur through a heavy bureaucracy which neither provides nor permit entrepreneurial savings for reinvestment, hence having little multiplier effect. There is a minimal flow of basic foods, the rural area is usually self sufficient in basic foods; the cities live mostly on imported foods; and

(c) to relate the development in the rural sector to the macro-economic needs of the country. Essentially this is concerned with reducing food imports and increasing and expanding the mix of agriculture exports, including processing of agriculture products for both domestic use and for export.

AID interventions in the application of this strategy is focused on three geographical areas:

1. The Groundnut Basin

The Groundnut Basin from which comes the bulk of agriculture exports (groundnuts) and in which a high proportion of the rural population of the country subsist on millet and sorghum produced in rotation and association with groundnuts allowing for only marginal marketable excesses. Productivity and production in this area have remained stagnant during the past two decades.

Soil fertility is probably declining because of more intensive use without adequate levels of fertilization as population pressure has increased. Evidence of environmental degradation is everywhere as more land is brought into cultivation and forest vegetation is cut for fuel. Out migration especially of youth is increasing.

The area has limited potential for expansion and intensification of production on the production unit basis, without a substantial restructuring of the unit which would require not only new knowledge but a substantial shifting of populations.

Overall production and productivity can be only marginally increased.

However, given the magnitude of the current production and its importance to the national economy even marginal increases are worthy of pursuit.

Given the reasonably adequate physical and institutional infrastructure, the achievement of the potential increases in production can probably be achieved at less cost and within a shorter time frame than in other geographical areas.

On the short run the principal basis for increasing productivity and production for much of the area will depend on greater use of fertilizer. In areas with less population pressure continued low-input production (but not productivity) increases can be obtained by expanding the area planted.

The fertilizer package and method of application need further refinement for increasing efficiency and reducing cost. The practice of including potassium in all fertilizer formulae should especially be reviewed when used for millet and sorghum since most crop response tests fail to show a yield response to potassium.

Improvement in management of seed stock of improved varieties to the end that seed of high quality of the improved varieties adapted to specific localities become more widely used could yield small productivity increases essentially at no extra cost.

More timely and balanced input distribution can also yield production dividends at no extra cost.

Security in producer prices perhaps more than anything else would provide incentives to greater production. That farmers are price conscious is well established. The relation of price to area planted for groundnuts has been fairly well documented.

On a longer term perspective, the establishment of a productive agriculture capable of continued growth, will require a substantial restructuring of the production unit. The precise form of the restructuring including the range of production and other labor employing enterprises has yet to be determined. This should be a priority consideration of the farming system research element of the reorganized research program of ISRA. However, one can anticipate that the production mix will include in addition to groundnuts

and millet/sorghum an important element of livestock not only as a source of power but as production animals, perhaps with emphasis on small ruminants and poultry, and including legume forages - annual or perennial including forage shrubs - which would be produced in rotation with other crops or planted on non-arable areas as soil and water conservation measures and useful as forage and/or for fuel and elements of agro-forestry.

Such a restructuring would result in reducing the number of farming units as the size is increased. It should make for better distribution of labor over time and consequently increase overall returns to labor.

A wider range of productive endeavor should increase the reliability of production on the farming unit.

Non-farm employment should also increase, increasing reliability overall in the rural sector.

2. The Fleuve Region

Current production in this region, except for sugar, barely supports subsistence of the local population. Consequently except for impact on sugar imports -- a reduction which is achieved at a high cost to the consumer and a high social cost as well because of higher production cost than the cost of imported sugar -- the area has little impact on the national economy. Focus on this area derives from the substantial water resources available which when developed and in production would not only have a significant impact on the national economy through production of food in substitution for imports and for possible production for export, would provide increased regular employment in an area with surplus population, but would also provide a

much sought after security in food production which would be little affected by drought cycles. Although the impact on total production will be substantial, the development of the irrigation potential will be costly and results measured in production will be slow in accruing.

The development of management patterns appropriate to family-size or small communal units is of highest priority, while appropriate production models (crops and livestock) ranks a close second.

3. The Casamance

Attention is drawn to the Casamance because of a substantial potential for expansion of production through the expansion of acreage in rainfed agriculture as well as in partially controlled-water rice production, an expansion which can be of relatively low capital intensity. Moreover a higher rainfall results in higher yields of cereal grains and groundnuts as well as allowing for diversification in tree crops, fruits and vegetables which require a more humid climate. Coupled to expansion potential in rainfed agriculture is a potential for developing water resources for controlled-water irrigation. While the capital efficiency in rainfed agriculture could be high, the limited physical and institutional (especially marketing) infrastructure acts as a serious deterrent to expanding production. Thus the savings in capital of production increasing activities will be offset in part by the need for a substantial investment in infrastructures.

Another disadvantage is the distance between the Casamance and the urban centers to which food surplus must be transported. Transport cost will offset in part the natural advantages enjoyed by the Casamance.

Other Development Potentials

The two other geographical areas, the Sylvo-Pastoral zone and the Eastern zone, are not, at least for the present time, given much attention within the AID strategy.

The Sylvo-Pastoral zone is difficult to define geographically and occupationally by virtue of movements of livestock in and out of the zone as usually defined. The limited successes experienced in general with livestock development projects suggest a go-slow approach to development efforts in this area. AID interventions will be limited to ongoing pilot projects. These ensue dual objectives of improving animal production and environmental improvement. The current redesign effort should sharpen the experimental element so as to enhance the learning aspect of the projects.

The Eastern region of Senegal is little populated. The occurrence of endemic diseases and the lack of infrastructure continue to retard settlement in this region, although more recently the rate of migration has been increasing. Given the natural resources advantages of certain areas of the region, the encouragement of voluntary settlement by providing certain minimum infrastructure -- domestic water, roads and communications -- could be a relatively low cost means of expanding production.

III - INSTITUTIONAL AND POLICY REFORMS IN THE AGRICULTURE SECTOR

The Evolution of Institutional Charges

Since Independence there has been a gradual evolution in structures dealing with agriculture. Beginning with the traditional colonial structures of Ministries of Agriculture and of Livestock, each with a series of National Directorates, which, within its area competence implemented policy and rendered services (extension, information, plant protection, livestock health, research, etc.) down to the farmer level. This structure was at an early date supplemented by the creation of several grass roots structures -- the cooperatives, the Centres d'Expansion Rurale (CER) and Animation organizations. The cooperatives were organizations of the peasantry at least in theory, and the latter two were structures of government to act on and with the population in rather non-specific ways.

This system soon gave way to parastatal structures -- Société d'Intervention (SDIs) -- designed to promote specific production activities usually with respect to specific commodities. The creation of the Office de Commercialisation Agricole (OCA) superceeded by ONCAD, gave monopoly control of most economic exchanges in the rural area to these parastatal agencies.

A union of the Ministries of Agriculture and of Livestock was also made with the creation of a Ministry of Rural Development. The creation of SDIs and marketing agencies resulted in a retrenchment in the National Directorates as more and more of their responsibilities for services and promotional activities in the rural area were taken over.

Later the SDIs at least in part gave way to Regional Rural Development Organizations -- Sociétés de Développement Régional (SDR). There are 4 of

these each with overall responsibilities for rural development within given geographic areas. There still remains a number of SDIs with responsibility for specific commodity related or specific locality (project) related activities interspersed within the geographical areas of the SDRs. The expansion of the roles of these special structures further reduced the role of the service-oriented National Directorates. Thus, virtually all services relating to agriculture and practically all economic exchanges with the urban sector became controlled by the direction; management- and control-oriented parastatal organizations.

The SDRs and SDIs enjoy administrative and financial autonomy under the overall direction of the Ministry of Rural Development. The range of their activities include training and extension functions, production equipment and input distribution, marketing, agents for extending credit, construction of rural infrastructure, etc.

Throughout this evolutionary change in structure of the past two decades, the highest levels of government have continually insisted on a long term objective of development through the cooperatives, of a rural society which would manage its own affairs within a context of national policies which presumably would reflect a concern for the general welfare of the population as a whole.

The extent to which this objective has failed to materialize is witnessed by the continuing increasing regulation of the rural sector through one structure after another and the failure of the cooperative organizations to become anything more than, to borrow from a recent article in *Le Soleil*, "boites de transit" (boxes through which transits) for inputs and outputs.

The application of the Administrative Reform law of 1972 has fared little if any better. What was designed as a mechanism - the creation of Rural Community (Communauté Rurale) structures with power of taxation or more properly with access to tax revenues, with power of decision with respect to use of revenues in local development, power over land use rights and as a mechanism for bottom up planning space for local decision making has become so dominated by the sous-prefets, whose actions are sanctioned by the governors and ultimately the Ministry of Interior, that effective decision making by the local population through the rural community councils is virtually non-existent.

As with the cooperatives much of the problem reside in failure to inform the Councils, much less the population, of the intent of the Administrative Reform law and the rights and responsibilities of individuals and of governing bodies under the law.

Again as with the cooperatives the training programs envisioned failed to materialize for the most part.

Planned training programs, the responsibility for which Promotion Humaine was charged, never really got off the ground largely for lack of funds.

The revived CERs were no more effective in their training programs in spite of the substantial financial assistance provided by the Konrad Adenauer Fund. The effectiveness of Promotion Humaine and the CERs, aside from being limited by lack of budgetary resources has also been adversely affected by conflicts between the two entities. The recent attribution of the CERs to the Directorate of Promotion Humaine should contribute to resolution of the latter problem.

The two major efforts to develop local initiative in the rural areas and to actively engage the rural population in decision making and in their own development have fallen far short of their objective. Except for some evidence of political activism and the increasing out migration the rural population remains essentially passive.

IV - BANKRUPTCY OF THE COOPERATIVES

A system of cooperatives was chosen as the instrument for carrying out the national policy of "socialization" of the rural population as evoked by President Senghor immediately after Independence.

Cooperatives were created under the tutelage (control) of a directorate for cooperatives first under the OCA and later under ONCAD (Office National de la Coopération et de l'Assistance au Développement) and more recently - November 1980 - since the abolition of ONCAD under the Ministry of Rural Development (MDR)

The cooperatives were assigned three principal functions:

1. Make the primary collection of marketable groundnuts for delivery to OCA/ONCAD. This was a move to nationalize this important function heretofore carried out by foreign merchants.
2. Distribute agricultural equipment and inputs.
3. Act as the final link to the farmer in the credit chain which begins with the National Development Bank of Senegal (BNDS).

Although the cooperatives were structured with a slate of officer and boards of directors to carry on the business for the membership, it was the cooperatives agents who actually managed the cooperatives. GOS policy, at least as articulated at the highest levels, was to develop within the cooperatives the

capacity to manage their own affairs. This was to be achieved through training programs, beginning with the cooperative agents who would carry out the training to the membership - the farmer.

A cooperative training institute was created for training agents. Training programs especially those designed to reach the farmer were never effectively carried out and management of the cooperative continued to remain in the hands of cooperative agents.

The cooperatives nevertheless continued to play the roles originally intended, albeit in a passive manner, through out the decade of the 1960's. During the last years of the 1960's, however, problems began to emerge which increased in intensity over time leading to a state of disarray and financial and moral bankruptcy by 1978, which threatens to destroy the rural credit system.

The causes of the breakdown are varied and began with the lowering of export prices for groundnut in 1966 as a result of termination of preferential treatment of ex-colonial products in French markets in keeping with EEC agricultural policies.

This was followed by a succession of drought years during which time groundnut as well as millet and sorghum production fell to

result was lower levels of marketing of

ment of the

debt moratoria were effected to relieve the pressure on liquidity.

Better rainfall and improved prices resulted in a resurgence of production after 1974. This was interrupted by a bad drought year in 1977-1978, accompanied by lowered production, and again

leading to debt moratoria.

Production of groundnuts and millet again reached a reasonable level in 1978-1979 approaching the bumper crop of 1976-1977. Increasing prices for inputs and equipment coupled with the program for increasing the use of input-requiring technology resulted in a rapid increase in the demand for credit. At the same time probably in part the result of debt moratoria the repayment rate increased from about 1% to over 5% in 1979, but the rate dropped very substantially. Even after the satisfactory crop of 1978-1979 the repayment rate has become so low that 65% of the cooperatives were no longer eligible for credit. For the 1978-1979 crop it was estimated that some 1,240 million FCFA, against loans of 2,000 million, were outstanding. An additional 1.740 million FCFA were also outstanding against seed loans in the Thies region alone.

The maintenance of seed stock is the responsibility of ONCAD. Seed are produced by designated farmers. ONCAD procures processes and treats the seed which is then distributed to farmers on credit along with other inputs and equipment. Seed credit constitutes an important part of overall credit.

These losses, together with shrinkage losses which suddenly increased from about 1% to over 5% in 1979, because of short weighing and other fraudulent practices, resulted in total losses accruing to the BNDS and ONCAD on the 1978-1979 groundnut crop alone estimated to be between 4,000 and 5,000 million CFA.

In analyzing the sequence of events leading to essential bankruptcy of the cooperatives, Belloncle concluded that this was a consequence of the system rather than a sudden change in circumstances. The system with build in points of weakness could not resist pressures of poor crops and debt moratoria which strained the system to the breaking point. Belloncle remarked that the surprising thing is not that the system broke down but rather that it survived as long as it did. The weaknesses of the system were defined in terms of 4 elements:

1. the low capitalization of the cooperatives and hence the limited guarantee for loans.
2. The breakdown of mutual responsibility, and consequently loan security provided by mutual responsibility.
3. An inappropriate accounting and record system together with inadequate training of cooperatives agents and cooperative secretaries in accounting practices.

4. Inadequate preparation and instruction of cooperative officers and farmers with respect to the workings of the cooperatives, the credit and marketing systems.

1. The low capitalization of the cooperatives stem from two causes: (1) the low initial capital generated by share capital of the memberships and (2) the failure of the fond de solidarité to inflate as prices increased. Whereas the contribution (1,500 FCFA for each ton of groundnuts marketed) to the solidarity fund in the 60s amounted to about 10% of the total value of the marketed groundnuts, by 1978-1979 this was only slightly over 3%. Hence the underlying security for BNDS credit was dropping in value as the amounts of credit were increasing.

2. The breakdown of mutual responsibility was the result of an increasing tendency for the central village (s) (those which controlled the cooperatives through membership on the board of directors and as office holders) to withhold reimbursement of credit while the remaining villages made reimbursement. Thus the credit rating of the cooperatives became supported by the less well off villages and members and was gradually eroded. Moreover, the return to farmers, whose debts had been paid, of credits from the solidarity fund dried up as the fund was used to cover un-reimbursed loans.

3. Inadequate accounting and recording keeping has two aspects: One relates to the system for receiving, weighing, storage and

transfer of the groundnuts to the oil mills and the other relates more directly to the system of record keeping. With respect to the former, the system of bulk storage in open seccos provide no effective control over quantities. Thus wide discrepancies can occur between the amounts paid for and amounts actually delivered to storage and eventually to the oil mills. The ONCAD marketing Controllers had no way of determining if correct weights were in storage at the time of inspection hence it was not difficult for weighers to short weigh ONCAD.

The second relates to the accounting and record keeping system. The accounting system which was set up was much too complicated, required filling out complicated forms which not even the lower levels of the encadrement could comprehend, much less the cooperatives secretaries. Moreover complete records were not maintained at the Cooperative.

4. Coupled with the inadequacy of the record keeping and the accounting system was the failure of providing an adequate level of training to cooperative agents, the cooperative officers and boards of directors and the farmers themselves.

V. ACTIONS TOWARDS IMPLEMENTATION OF PROGRAM DE REDRESSEMENT

It is difficult to know the breadth or depth of action which have been taken to date with respect to the rural sector. The Ministry of Rural Development has produced a tentative reorganization plan. The plan organizes the ministry within 5 broad groups of structures dealing with:

- 1) Policy and strategy;
- 2) Planning including collection of data to base policy and strategy and plans;
- 3) The National Directorates charged with implementation of policies and strategies;
- 4) Implementation of programs, monitoring of SDRs; and
- 5) Appreciation of results - evaluation.

A semi-autonomous Directorate of cooperatives is set up under the MDR (Tutelle).

The SDR's are preparing reorganization plans. Little is known about these other than a directive from the MDR that the basic generic structures should be the same for all SDR's. Moreover salaries, conditions of work, personnel policies, etc, should be the same for all SDR's.

The MDR tentative plan also defines relationships among its entities and the SDRs and SDIs.

What is perhaps the most drastic event since the announcement of the Plan de Redressement as far as the rural sector is concerned was the abolition of ONCAD effective October 31, 1980.

Other actions, made known mostly through the local press, include:

1) the "assainissement des comptes" of the cooperatives, i.e. the establishment of the financial state of the cooperatives vis à vis the BNDS and ONCAD, now under liquidation under the direction of a liquidator who is responsible to a high level committee (includes representatives of Ministries of Finance, Commerce and Rural Development and the Controller of Finances); the determination of debt/credit status of individual cooperative membership and finally the reconciliation of records and clearing of the accounts for a new start on a new basic structure.

The several steps in this process have been defined and a general tour (tournée d'information) of the principal districts in the groundnuts basin has been undertaken by the Director of Cabinet of the MDR.

In the information tour, discussions also touch on marketing of the current crops and restructuring of cooperatives based on village associations.

A booklet in French and in Ouolof has been prepared for distribution, dealing with reconciliation of accounts, marketing and the role of cooperatives agents.

2) A process has also been set in motion to settle dividends payments - ristournes - to members of cooperatives whose loan reimbursements are up to date. A process has also been set up to settle accounts with truckers holding unpaid freight bills.

SONACOS (Société Nationale de Commercialisation des Oléagineux du Sénégal) will effect disbursements once accounts have been certified by the Liquidator of ONCAD.

3) Announcements have been made with respect to the marketing of groundnuts and millet/sorghum during the 1980-1981 cycle - SONACOS will pay cooperatives 1000 FCFA as a buying commission for buying and collecting groundnuts. This is to be deposited in a general fund to the credit of all cooperatives.

The Cooperative Union is to be represented in all discussions and decision making relating to marketing,

Trucks transporting groundnuts from the cooperative storage to the oil mills will be covered and sealed to avoid "losses".

The farmer price for groundnuts will be 50 FCFA/kg. However 4 FCFA will be retained and deposited in a special fund for amortising back debts and debts related to previous moratoria.

The President of the cooperatives will receive 50 FCFA per ton of groundnut purchased.

During the first week of the marketing season only 20% of the purchase price will be paid - this has been the cause of some dissatisfaction among farmers - however subsequently full payment will be made.

No explanation has been given for this procedure.

4) The millet marketing season was officially opened on November 19 and will extend through March 31. Only the cooperatives are authorized to buy from farmers. Cooperatives will be able to sell

directly to the Commissariat à l'Aide Alimentaire for security stocks directly to mills, to licensed wholesalers as well as to retailers.

The producer price is set at 40 FCFA, the price to wholesalers 43 FCFA and to retailers from 50-55 FCFA.

Purchase and movement of amounts up to 200 kg will not be controlled. This precise fixing of prices does not concord with the expressed intention to liberalize price controls on foods.

5) The intent to restructure cooperatives with the "groupement villageois" village group or association as the primary unit has been announced. It is not clear what has been done to this effect. It is unlikely however that much will be done until the accounts have been straightened.

6) A pilot effort undertaken in a district in Sine-Saloum to go through the process of accounts reconciliation and organization of groupements villageois show promise of satisfactory results and could become a model for the future. This pilot effort began with a special training program for cooperatives agents and accountants.

7. Research and Extension:

These subjects are treated together because all too frequently the distinction between the two are so formally made as to ignore the intimate relations between the two.

The greatest deficiencies of the research programs which have been carried out - compartmentalization, verticle commodity and discipline orientation, concentration in the biological-physical-technical areas with little effort in the socio-economic spheres, minimal integration of socio-economic and biological-physical-technical research and as a consequence a failure to adequately consider the problems of the client - the rural population as defined and understood by the client - , has been so well documented that further discussion here is not needed.

With respect to extension the principal deficiency is one of orientation - extension by imposition or rather attempts to impose a rigid set of practices on the farmer. This practice has received indifferent responses from the farmers and has failed to provide for a better understanding of the farming/living system which is so necessary for the orientation of research towards solving real problems of the farmer.

Much technical knowledge has been accumulated, improved varieties of crops have been developed and improvement of cultural practices have been introduced. The acceptance of these by the farmer has varied widely with the practices as well as with areas.

At the same time the social systems of the several ethnique groups have been studied in some detail. Much more limited farm economics/ farm management research has been carried out.

There has been very little integration and synthesis of the existing knowledge. Moreover because the research in these different areas has been done largely in isolation one from the other, it is very likely that very wide gaps in knowledge exist.

These deficiencies have been recognized and measures to correct them have been formulated in a major project for reorganization and reorientation of the Institute of Agriculture Research (ISRA). The introduction of a major element of farming systems research, integrating the natural sciences with the social and economic sciences in a problem identification and solving approach is one of the significant elements of this program. Decentralization to provide for more locality specific research is also an important element.

Efforts to improve extension in prior programs have focused chiefly on training and retraining of agents. Little has been undertaken by way of reorientation. Efforts to relate research and extension more closely in recent projects (SODEVA) have not yielded satisfactory results largely because the two remain so sharply separated.

Pending the flow of new information and the synthesis of new technology by the reorganized and reoriented ISRA, it should be possible to make more effective use of current knowledge by 'closer cooperation' between research and extension. This could take the

form of actual interaction of elements of the two services in a program which would focus on (a) problem identification - why do farmer accept some of the themes and not other? Why do some farmers accept the themes and others do not and (b) a program of simple trials and demonstrations in farmers fields which can and should be carried out by the farmer himself.

Such an approach will require a major philosophical reorientation of the personnel. This should probably begin by special training programs for selected teams combining research and extension personnel.

The approach of SAFGRD, utilizing field trial officers working with extension agents, may be profitably applied here. A short observation visit of the Operation Mills and the Mali Sud projects in Mali should provide useful insights into this approach.

VI. IMPLICATIONS OF THE REFORM

1. The Restructuring of the Ministry of Rural Development:

The most significant suggested changes are perhaps 1) the establishment of an evaluation section and 2) the establishment of the National Directorate for Cooperatives under the MDR.

The former is of significance since it sets up a mechanism for monitoring the efficiency of program implementation and for identifying problems and weakness in implementing agency performance.

The latter because it places the responsibility for cooperatives development in the main line of rural development action rather than as formerly placed as a responsibility of an autonomous body (ONCAD) whose primary interest was in commercialization of products of local as well as imported origin.

2. The abolition of ONCAD:

The significance of the abolition of ONCAD rests probably more so in that by doing away with ONCAD a deeply entrenched and corrupt bureaucracy was removed, rather than in the plan for redistribution of the attributions of ONCAD. The distribution of former ONCAD responsibilities to other entities should permit redefinition of purposes, reordering of priorities and perhaps organization for more efficient servicing of the rural sector. However, the effectiveness with which this will occur remains to be seen.

3. Impact on SDRs:

With respect to impact on the SDRs (RDA) and probable effect on the efficiency of project implementation by the SDRs, the abolition of ONCAD will probably have meaning only to the extent that the parastatals which will assume the former roles of ONCAD will provide more or less efficient services.

While the performance of the SDRs has been shown to depend in many respects on the correct performance of ONCAD, those ONCAD roles which most impinge on the performance of the SDRs especially with respect to SODEVA still remain to a large extent outside of their control, e.g. the farm input function and management of the groundnut seed operation will now be served by a new state enterprise, Société Nationale d'Approvisionnement du Monde Rural (SONAR); groundnut marketing will be handled by the cooperatives, selling and delivering directly to the oil mills; cooperatives will handle marketing of millet and sorghum although participation of licensed merchants is also envisioned; the overall control of marketing will be by the Ministry of Commerce.

Thus although the SDRs will continue to have responsibility for rural development on a regional basis, certain key functions in the rural development equation will continue to be exercised by other units. Whether these will be more effective than ONCAD remains to be seen. The opportunity by government to define responsibilities in such a way as to avoid overlapping has evidently been allowed to go by.

Of the several points of intervention of the SDRs, there are those in which they acted virtually independently of others: a) extension, b) training and c) development of agriculture infrastructure. Project evaluations have noted serious deficiencies in both the extension and training functions and perhaps less serious but certainly some deficiencies in rural infrastructure development, insofar as SODEVA is concerned, but seriously so insofar as SAED is concerned.

The deficiencies in the extension functions stems in part from insufficient collaboration between extension and research in the definition of useful packages of technology appropriate to the production/living system of the farmer - in part this is a reflection of a lack of problem solving orientation of research and failure to define problems in terms of the client (the rural population) -

and in part to the philosophical orientation of the extension system and its agents. The extension system imposes a template of measures on the farmer regardless of the relevance to his particular situation, rather than acting as an advisor who interpretes the farmer problems and offers assistance in their solution, either through application of existing knowledge or by inciting research where solutions are not apparent. A recent article in Le Soleil called attention to this issue in pointing out that the role of the encadrement vis-à-vis the farmer should be transformed from one of constraint to one of counsel.

The weakness of the extension system is largely a reflection of the failures of the training programs to provide a wholesome philosophical orientation to the extension agents. Moreover this is a reflection of a general orientation of the "encadrement" from top to bottom towards a statistic/directionistic approach towards the rural population.

Deficiencies in the area of rural infrastructure are principally reflected in terms of time lags and costs overruns, the latter being in part a consequence of the former with respect to SAED this is particularly serious because of the substantial amounts being spent on irrigation. Moreover with respect to SAED the untimely preparation of land, delivery of inputs and delivery of water results in substantial losses in production.

The reform as so far placed in evidence has little direct immediate impact in the extension on training function of the SDRs. It is to be expected however that the reorganization and reorientation of research in agriculture will have a major impact on extension. Although not specifically contemplated in the program for reorientation of research, this provides an opportunity for some experimentation in methods and structures for providing more effective extension, perhaps through village associations/rural communities. It is important to develop some alternative to the heavy "encadrement" of generally poorly prepared and trained agents.

4. Expanding the marketing function of cooperatives:

Facilitating the cooperatives to handle marketing of groundnuts from the point of primary collection through to delivery to the oil mills is a significant change which could have far reaching consequences in terms of decontrol of the rural sector.

Of particular interest to the cooperatives and consequently of indirect interest to SDRs is the option given to the cooperatives to acquire stock in a new holding company which is being organized to manage the groundnut processing facilities.

5. The other area of reform which can be expected to have a far reaching impact on the agriculture sector is that of the cooperatives.

The proposed reforms in the cooperatives will substantially expand their roles and could become the first steps in involving cooperatives in most of economic exchanges in the rural area. Such a move could lead to the elimination of government control, through the parastatals of the rural economy.

This will be possible only to the extent that the cooperatives become self managed, a condition which will depend on the will of government to bring about self-management in the cooperatives and the institution of functional literacy and business management training for the membership.

VII. OPTION FOR AID

On the near term basis there are no effective options but to work through the SDRs for projects of any significant scale. This conclusion derives for the lack of any significant local entities through which AID could funnel resources and/or technical assistance. However desirable it may seem to wish to transfer resources and technical assistance through the private sector or non-governmental entities, it is clear that such transfer on any substantial scale will not be possible because for all practical purposes the private sector does not exist in the rural areas except on the smallest scale - marketing and distribution of the limited amounts of consumer goods consumed by the rural population - nor are there NGOs with sufficient capability for design and implementation of major and complex projects. Therefore one is left with Government as virtually the only avenue through which to act and government's option today at least is to act through SDRs.

Although we note the absence of private enterprise in the rural areas, that is not to say that a potential for private enterprise does not exist

It has been pointed out that the non-formal economic sector is overall considerable larger than the formal sector in the population involved and possibly also in value added to the economy. This non-formal sector although concentrated in the urban areas is not far removed from the rural sector, it is composed for the most part of recent arrivals to the urban centers. It appears that

failure of the non-formal economic sector to develop in the rural areas derives from the lack of opportunity - monopoly of virtually all commercial activity in the rural sector by government through parastatals-space and lack of financial resources.

There are virtually no mechanisms for capital accumulation in the rural sector except through the ownerships of limited production equipment and through ownerships of cattle. The recent trend to reversal of the terms of trade of the rural sector should improve the prospects for capital formation in the rural sector were some mechanism to be provided to enable this to occur. Given a reasonable opportunity - relaxing of monopolistic control on equipment and input distribution and on marketing by government and expansion of access to credit - there is no reason to believe that private enterprise involvement in rural exchanges should not grow at a rapid rate.

Although the foregoing would suggest that there may seem to be no good immediate options to the SDR for development oriented interventions in the rural area on any significant scale, it does suggest that there should be opportunities for an evolutionary development towards greater involvement of the private sector through the cooperatives, with the eventual take over of all commercial activity including credit for financing such activities by private sector leaving to SDRs or other structure only the extension, information and research functions.

The cooperatives reform if carried out as recommended by Belloncle could provide the mechanism for gradual take over of commercial and credit activities. Once established on a solid basis of strong

village associations, with reestablishment of credit with the BNDSs, the cooperatives, already under the reform charged with management of groundnut marketing, could readily take over that of input supply with the central cooperative acting as the wholesale distributors and the village association as the retail outlets. A further step would be for the village associations/cooperatives to become involved in rural service industries and simple fabrication of agricultural tools. In a still further step wholesale and retail distribution of consumer goods - a potential growing enterprise if the desired growth of rural incomes occur - could be done through the village associations/cooperatives.

Capital accumulation could also be served. By simply withholding a fixed amount of payments for products marketed, a practice to which farmers are already accustomed, substantial amounts could be accumulated to the credit of village associations which when aggregated at the cooperative level could become a sizeable fund for financing commercial and credit activity in the rural area. The experience with the development of village associations (groupements villageois) in Mali could be very instructive, and could serve as the basis for short term training of cooperative agents.

Assuming such an evolution is feasible how can it be brought about?

1) The first essential is to raise the level of functional literacy among the rural population and especially among the leadership.

village associations and cooperative and, for that matter, the rural community organizations also, to a reasonable level. Without this there will be no scope for these organizations to play more than a passive role as government continues to run their affairs. It is almost inconceivable that so little has been done in this respect during the past 20 years, particularly in view of the high level policy of fostering self management in the rural sector.

The experience with functional literacy training in Mali should be well worth studying with the view of undertaking a similar program in Senegal.

2) Establishment of time phased targets for termination of government parastatal monopoly over certain commercial and service functions with respect to certain cooperatives, geographic areas, etc. Unless some firm schedule of phasing out of the parastatal is established there will not be any phasing out. In this process the parastatals and the cooperatives will be in adversary positions. In such a situation the parastatals by virtue of the upper hand they initially possess will be bound to win, assuring continuation of their monopoly. Only through imposition of the will of higher authority will it be possible to reduce the role - ultimately eliminate it - of the parastatals. Events of the past 20 years clearly demonstrate how the will or at least the stated will of high authority can be thwarted by lower echelons of the state and parastatal bureaucracies.

There is yet another approach for getting more involvement of private enterprise in commercial activities in the rural areas. This would involve complete elimination of government controls on commercial and services activities in given geographical areas. Under this option the parastatal would continue to operate, however, merchants of all sorts will be permitted access to any and all business. This would provide a test of efficiency as between the parastatal and the private sector. If at the same time the credit worthiness of the village associations has been strengthened the private sector could even extend credit. BNDS support for this type of activity through extending discounting privileges could greatly stimulate such an operation. In such an operation complete decontrol will be the key since the only check on exploitation of the farmer - the supposed eternal fear of government - will be in the competition that will exist among enterprises vying for the business. As private enterprise, including that of farmer associations and cooperatives take over the commercial and services activities in the rural areas essentially the only tasks left to government, in so far as agriculture production promotion is concerned, will be that of providing extension and information services including marketing information gathering and dissemination. Some ideas on this were discussed in an earlier section. Of course government will have to continue to be concerned with large public works and social services as health and education, etc.

One could also envision, as effective program of enlightenment are developed, transformation of the Communauté Rurale Organization from the state of being pawns in the hand of the sous-prefets to vital organizations working in the interest of the Rural Community. Here again a strong imposition of will from the highest level on the lower levels of the bureaucracy will be necessary.

PROPOSED USAID SUPPORT FOR THE PRIVATE SECTOR
IN ASSISTING SENEGALESE DEVELOPMENT:
AN ANALYSIS OF ALTERNATIVES

Mark S. Weber
Consultant

November 1980

TABLE OF CONTENTS

INTRODUCTION	1
Part	
I. EVALUATION OF USAID AND SENEGAL'S OBJECTIVES IN THE DEVELOPMENT OF THE PRIVATE SECTOR	7
II. AN ANALYSIS OF PREVIOUS USAID/OTHER DONOR PROGRAMS FOR THE PROMOTION OF SMALL ENTERPRISE DEVELOPMENT IN BLACK AFRICA	16
III. THE INSTITUTIONS OF THE SENEGALESE GOVERNMENT CHARGED WITH THE PROMOTION OF THE SMALL ENTERPRISE SECTOR.	35
IV. THE SETTING: ECONOMIC AND SOCIAL SITUATIONS AFFECTING SMALL ENTERPRISE GROWTH IN SENEGAL AND THE PROFILE: THE TARGET POPULATION, THE SMALL-SCALE ENTREPRENEUR IN THE "INFORMAL" SECTOR OF THE ECONOMY.	50
V. RECOMMENDATIONS.	63
ADDENDUM	76
FOOTNOTES.	79
APPENDIX I	90
APPENDIX II. (not bound in report)	92
APPENDIX III	93
APPENDIX IV.	85
APPENDIX V	100
APPENDIX VI.	105

PROPOSED USAID SUPPORT FOR THE PRIVATE SECTOR
IN ASSISTING SENEGALESE DEVELOPMENT

Introduction

This paper attempts to analyze AID/Senegal's proposal to support the private sector in an effort to assist Senegalese development.

The outline of a pilot project (see Appendix I) to assist the private sector through the provision of credit and management training to small-scale, rural private enterprises was used as the basis of this analysis. The goal of this program is to promote rural industries and service, with particular reference to AID/Senegal's ongoing projects in the Casamance and Fleuve (Bakel) areas.

The types of private enterprises to be assisted would include manufacturing and/or supply of farm inputs and related services (so-called "backward linkages"), the marketing of farm outputs, and the processing of agricultural commodities ("forward linkages"). Other types of enterprises presumably would also qualify; although not mentioned specifically, they would be those serving the basic needs of the rural sector of the economy.

It was contemplated that the direct beneficiaries would be the small-scale entrepreneurs and their employees. However, since the project would provide needed goods and services to

rural customers, i.e., improve their lifestyle and meet their basic needs, they, too, would be beneficiaries.

The project envisions a joint undertaking with the Senegalese Government, specifically mentioning SONEPI, the governmental enterprise promotion agency. However, implementation would be carried out by either a private voluntary organization or by small-scale industry promotion consultants. Additional inputs required, such as business skills training and managerial assistance/field (project) review, would attempt to use the Peace Corps personnel or other voluntary workers.¹

The funding for this project was projected at \$500,000. No breakdown between the amount of money that would be made available for the revolving credit fund and the administrative costs of the project was indicated.

Background

As background to the project, a report entitled "Rural Non-Farm Employment in Senegal" was written by Patricia Daly, a local contract employee, in April 1980. This report is included as Appendix II of this paper, as it essentially outlines background material which is not repeated.

In Ms. Daly's report, she presents the general discussion of the role of non-farm employment in development as presented in the various sector policy papers of the World Bank and AID. She describes from an overview the situation of rural non-farm employment activities in Senegal in the context of these policy papers.

Ms. Daly summarizes the educational programs that are

presently being offered by the various specialized training institutions. This includes the project "de Formation Professionale Rurale," the Maisons Familiales Rurales, the YMCA/ORT project using USAID financial assistance, the Caritas Program, and the joint SONEPI/AFCOPA pilot project for the informal sector being financed by the World Bank.²

Lastly, Ms. Daly presents the institutional framework for rural non-farm employment opportunities in Senegal from the standpoint of possible USAID (or other donor) assistance. These latter implications, in addition to a more detailed analysis of the Senegalese Government institutions, their franchise, and their real performance, will be examined in this paper. In addition, the options that USAID might exercise to make an impact in this area and the type of programs that could be affected to do so, will be addressed.

General Background of the Senegalese Economy

As general background on the Senegalese economy, the World Bank has recently published a four-part report. Three of those reports: the section on human resources, the industrial sector, and the main report, were consulted to understand "where Senegal is today." The material in these reports was summarized in part by Dr. Colvin in her study, "Private Initiatives in the Senegalese Economy: Potential Modes of USAID Assistance."

Dr. Colvin also examines the Senegalese employment situation from a broad perspective. Her general conclusions, drawn also from a review of the data collected under some of

the various ILO studies that have been directed at this problem in Senegal, and in the Dakar/Cape Verde area in particular, support the need to develop further the "informal" small private enterprise sector as being the most likely employment generator.³ Her study reports the widely held opinion, agreed by the Senegalese Government officials themselves, that this sector still operates mostly outside of the government's control.

Although the government has recently initiated policies and programs to encourage the growth of this sector, few have had any meaningful effect, and the general result may have been more to discourage than to encourage this sector's growth. Some of these policies emanate from the government's monopolization of certain marketing and service industries, such as the "peanut purchasing" in the agricultural area and the official bus transportation system in Dakar/Cape Verde. But this dichotomy, with one sector of the government proposing to encourage the general growth of the "informal" sector to generate more employment and other sectors of the government taking larger scale actions that limit the opportunities of individual entrepreneurs, needs to be addressed.

Another study on a proposed rural credit program for the Lower Casamance project, "An Outline of Rural Investment Credit in the Lower Casamance Project," by Eric Shearer examines the need for rural credit in this region for objectives not presently being financed under the terms of the government trading monopoly, ONCTAD. Mr. Shearer proposed a scheme of giving each village a \$5,000 loan/revolving credit for periods up to five years at a subsidized rate of interest (7½%) to meet

these objectives. He suggested that the local regional development agency in the Casamance district, the PIDAC, be used as the loaning agency, with their extension agency, employing about fifty agents each with the supervisory responsibility for five villages, as the field representation. This program would essentially put the choice of the investments to be made with the credit in the hands of the village on a cooperative type of basis. The extension agent would be in the position to advise the village but would also function as banker approving the loan and handling the transaction.

The need for this program was justified on the basis that: (a) new types of equipment, i.e., farm equipment, not made in Senegal and therefore not distributed by ONCTAD, and (b) extensions of farming opportunities such as fruit trees, wood lots, etc., require credit and are presently unfinancable except out of savings which have been depleted by recurrent droughts.

In this regard, interviews with Peace Corps people living in villages (in this case, in the Fleuve region with the sedentary Peul, and another living in Senegal-Oriental with the migratory Peul) stressed that the Senegalese cultural traditions within the village environment tend to discourage the development of individual initiative. This is a serious restraint on the development of a private entrepreneur in the rural areas.

On the other hand, once the Senegalese has left his village environment and escaped the very structured (as well as conservative) social institution of the village, he is

reputed throughout Africa to be a shrewd merchant/bargainer and quite venturesome.

Again, the point was made that family and village ties are very strong, such that migrants from the rural area often arrive in the cities expecting to be fed and housed by their relations and friends. The truly individualistic entrepreneur who has need to accumulate capital is under a handicap with these "hangers-on." This issue was not addressed in Mr. Shearer's study and might point to the necessity of dealing with small rural industry promotion on a family/village cooperation basis only.

Lastly, Sheldon Gellar outlines in some detail in his study, "Analysis and Evaluation of Roles Played by Promotion Humaine, Regional Development Agencies and Local Institutions in Promoting Rural Development in Senegal, and Prospects for Future USAID Collaboration," the present over-bureaucratized and overburdened political framework of these government rural regional development organizations. Although Mr. Gellar appears to be inclined to give the institutions the benefit of the doubt, perhaps from his concurrence with an "African-socialist" Senegal, the history he presents raises serious doubts in this author's mind that regional development organizations should be chosen by USAID for a role in promoting private enterprise in the rural area. However, it must be noted that the present USAID-Senegal agreement on the PL 480 Title III program specifically mentions using the regional development agencies to carry out any specific objectives that would use the "Rural Development Fund."

PART I: EVALUATION OF USAID AND SENEGAL'S
OBJECTIVES IN THE DEVELOPMENT
OF THE PRIVATE SECTOR

USAID Goals

USAID's ongoing strategy for assisting less developed countries to meet their development objectives includes goals of employment and income generation. However, AID's primary focus in general, and in Senegal in particular, has been the rural sector development.

From an AID Washington telex of October 25, 1980, comes the following:

AID (has) a general concern with less developed countries' employment generation problems and (an) associated interest in small enterprise development and capital saving (appropriate) technology activities.

The following came from an earlier AID Washington telex of June 25, 1980, directed toward the Sahelian development efforts if CILSS:

AID wants to support expanded small enterprise activity in secondary population centers while putting (the) majority of anticipated resources into direct financial and technical assistance to (small scale enterprise) firms.

These policies are reiterations of an earlier memorandum (Policy Directive 48 in 1972) which stated: "Productive employment is a fundamental and essential element of a basic needs approach to development" and "expanded and more productive employment must be the primary means for getting increased income into the hands of the poor" (AID Policy Paper, "Bilateral Development Assistance Program).

From the point of view of USAID/Senegal, the emphasis is more strongly placed on the rural environment. Quoting from the FY 1982 County Development and Strategy Development Statement: "The overall goal of the USAID program in Senegal is to improve the quality of life of the rural population." And further on, in an enumeration of the specific targets, "AID wishes to concentrate upon strengthening the role of the rural communities in . . . employment and income generation." And later, listed as a "second-phase" priority was "the creation of off-farm employment."

This latter target was explained as follows:

As the rural economy expands, the demand for agricultural-related tools, equipment, and services will naturally increase. The USAID will seek to encourage the strong growth of an indigenous, locally based private sector. This will serve to increase revenues and employment in rural areas and through local tax generation, and strengthen the rural community structure.

At the completion of the Joint Assessment, the following strategy statement was indicated for the future USAID/Senegal policy:

. . . and the establishment of the means for creation of capital in the rural areas leading to the re-establishment of a dynamic African private sector within the rural economy. The growth of the private sector could involve the beginnings of a rural banking system focused on agricultural production and related off-farm employment.

With specific reference to the "local currencies" balances that are being generated under the Title III program involving the sale of rice to Senegal with repayment in francs CFA to a trustee: "the local currencies will also be used to create linkages between the projects on one hand, and local societies

on the other."

While it can thus be assumed that USAID's goals include private sector development, at least as far as small-scale rural enterprise is concerned, the Joint Assessment stressed that henceforth only projects that coincide with the priorities of the Senegalese Government would be undertaken by USAID in Senegal.

Small-Scale Enterprise Development as Seen
from the Perspective of the
Senegalese Government

Two of Senegal's main development objectives that include this area are:

1. To increase national output and income through greater agricultural and industrial production
2. To increase indigenous control over the economy through the Senegalization of existing and newly formed enterprises

The general authority for carrying out these objectives is the Ministry of Plan and the Ministry of Industrial Development and the Artisanat. In elaborating on these mandates, the National Assembly passed laws on August 10, 1977:¹ (a) defining the policy of industrial estates being established in the major urban centers of Senegal, giving these new enterprises special exonerations of duties and taxes; and (b) establishing a policy of encouraging the creation or extension of small and medium size Senegalese enterprises or the acquisition of existing enterprises by Senegal nationals. This was further amplified and extended to non-Senegalese ownership through the Code of

Investments of January 7, 1978.²

In addition, and dating back to 1968, the Government of Senegal created specialized institutions to promote the Senegalese investment in the industrial, small enterprise, and tourist areas. The SONEPI is an entrepreneur and investment promotion organization with responsibilities for making studies, supervision of the industrial estates created, and for establishing training and extension services for Senegalese small enterprise.³ This organization has solicited assistance from the UNIDO⁴ and UNDP/SF⁵ to provide the services of expatriate advisors in the promotion of small and medium scale industrial investments.

At the same time, the Government of Senegal created a special industrial and tourist project investment bank which was charged with obtaining credit from the World Bank and other development lending institutions to assist in the financing of Senegalese investment projects.⁶ The SOFISEDIT has received two loans from the World Bank and is in the process of negotiating a third "follow-on" loan. Other creditors include the German Development Organization (KFW)⁷ and the Banque Ouest-Africaine du Developpement.⁸

In addition, the various Senegalese government agencies charged with increasing employment opportunities have participated with the ILO⁹ in a number of studies aimed at defining employment possibilities and job creation in the informal area. The experience in the "modern" or large-scale enterprise area has been disappointing. For example, the last development plan originally indicated a creation objective of about 7,000 jobs, mostly to come from new investment in major projects. For a

variety of reasons, these projects failed to materialize and when the time period for the plan was completed, the net result was only about 10 percent of the jobs, or about 700, had actually been created.

The urban unemployment situation is now so serious, especially upon considering the continual rural to urban migration pattern in operation, that the hopes for job creation possibilities have been shifted to the so-called "informal" sector. This sector includes all sorts of artisans, those employing only one person and those who use other labor as well. The scope of their productive enterprises includes not only the production of art objects of a traditional nature, but also all sorts of other products (artisans of production) and services (artisans of service).

Furthermore, it has been only in the last five or six years generally and in the last three years in Senegal, that economists have been discussing the employment generation possibilities in this sector of the economy. However, while the possibilities for employment are now accepted, government officials still remain skeptical of the value of this sector of the economy in terms of increased national product and that there is a real "value-added" role for this sector to play. This comes, in part, from the fact that almost all the manufactured goods and services from this sector, possibly with the exception of the real craftsmen in the artisanal art sector, are of inferior quality and therefore must be consumed within the country itself. Except in the case of art products, where design and to some extent quality are determined by tradition,

MISSING PAGE
NO. 12-13

this sector rarely represents the possibilities of exports earnings, and therefore government has a bias toward more viable enterprises.

For example, during a discussion with Mr. Ndiaye at the Ministry of Plan, he indicated that the government of Senegal was going to look at this area more seriously under the Seventh Plan:

At that time, a more thorough census of the informal enterprise area would be taken, and efforts to re-orient it toward possible exports would be made. The previous surveys made under the supervision of the ILO might be used in the design of this future census, but were not going to be used as the basis of any immediate government action.

In summary, the types of enterprises that are being considered for promotion in the rural area would most likely fall within the "informal area." Although they would be within AID's objectives in terms of increasing employment opportunities, they would not necessarily represent a priority area for the Senegalese Government.

Of course, the opinions of one representative in the Ministry of Plan are not indicative of the attitude of everyone in the Senegalese government. But this same skepticism was also found prevalent in the official institutions such as the SONEPI and SOFISEDIT.

The Government of Senegal has declared an official policy toward the promotion of the "informal enterprise" sector. (Under this policy, the sector is defined as the "artisanat utilitaire.") This policy was made in May 1978 in a communication interministériel sur l'Artisanat, and was followed up

by a request to the World Bank for financing of a pilot project under a French Artisanal promotion group called AFCOPA¹⁰ in collaboration with the Service Artisanal of SONEPI. This project has now been in existence for a period of two years, and, in the opinion of the World Bank evaluation team, it has not been a success. The complete evaluation of this project was not available in Dakar at this time, but will be made available in Washington later in the month of November.

This lack of government commitment--until this time--to promote the "informal enterprise" sector must be distinguished from the sector producing art and traditional objects for sale to tourists and possible export. The Senegalese government through SOSEPRA (Société Sénégalaise de Promotion de l'Artisanat d'Art) has been giving this group valuable assistance since 1976, and has created handicraft villages and other marketing assistance programs in Dakar and other regional capitals.

PART II: AN ANALYSIS OF PREVIOUS USAID/OTHER
DONOR PROGRAMS FOR THE PROMOTION OF SMALL
ENTERPRISE DEVELOPMENT IN BLACK AFRICA

The African Enterprise Program
of the Entente Council

This program, financed through loans and grants by USAID, originated with a request from the Entente Council in February 1972. A subsequent proposal to USAID's Development Loan Staff Committee was made in May 1973, with a follow-on for a Technical Assistance Grant in July 1973.

The original loan program was signed for \$7.5 million with all five entente states, as well as the Entente Council, guaranteeing the repayment of the loan. Each of the national development banks: Benin (then Dahomey), Togo, Upper Volta, Niger, and the Ivory Coast, signed identical loan agreements with the Entente Council by mid-1974. The TA Grant allowed the recruitment of a basic American "core" staff of two to administer the loan disbursements and give technical advice and assistance to the banks.

The Entente Council contributed as its part the local costs such as housing, utilities, local transportation, African office staff, office expenses, and regional travel for the advisors. The TA Grant was used to pay the dollar salary costs and US training for bank and promotion center staff.

In addition, the Council solicited other donors such as the FAC¹ and UNIDO² to contribute staff expertise on

basically the same cost-sharing formula.

The terms of the loan call for a 3-percent interest rate and repayment by the Council in forty years. During a ten-year deferred repayment period, the interest to the Council was reduced to 2 percent. This interest subsidy was to go toward the recruitment of African counterparts for the expatriate staff.³

The development banks loan terms call for a five-year deferred period on repayment and a total loan term of thirty years. The disbursement of the first loan was complete in mid-1977. Arrangements were made prior to this date for a second follow-on loan of \$10 million on substantially the same terms. This loan did add one additional restriction. Since \$2 million of the funding came from the Food and Nutrition part of USAID's budget, it was restricted to projects in the rural areas and for general rural/agricultural type development.

In addition, whereas the first loan had required only a minimum of 35-percent African equity in any project financed, under the second loan this minimum was raised to 51 percent, with the further stipulation that the management on a day-to-day basis be substantially in the hands of Africans. In exceptional cases, with prior USAID approval, a program to Africanize management over a maximum of five years has been accepted.

Also, with the signing of the second loan agreement, the banks have agreed to account for the "revolving" nature of their loans for a period of five years after the first loans are repaid to them.

Both the first and second loans required a certain percentage of the proceeds to be spent in the US for goods and services, including transportation. As an alternative to purchases from the US, purchases from other less developed countries are eligible for inclusion in meeting this requirement. Under the first loan submission, it was expected that about 35 percent of the loan would be spent in the US. This in fact worked out to be about 20 percent. Under the second loan, this requirement was reduced to 15 percent. At the present time, most of this requirement remains unmet in the second loan.⁴

In addition, the loans prohibit the proceeds from being used in the first instance (not in revolving loans at a later date) to finance imports from the developed world. A complete prohibition was found to be unworkable; therefore, under the second loan agreement, purchases of so-called "shelf items" up to \$5,000 (1 million cfa) are permitted, including goods imported from countries that normally supply francophone Africa (i.e., France and the EEC countries). In addition, due to the special importance of the transportation sector to the work of the Council in promoting regionalism, a special fund of up to \$1 million was established within the loan to purchase trucks and vehicles from developed countries other than the US.⁵

Under the first loan agreement, the banks were allowed to approve loans without the subsequent review of the Council's technical advisors up to 8 million cfa (\$40,000). This was increased to 10 million cfa (\$50,000) under the second loan agreement.

The maximum loan that can be made without USAID approval

was 60 million fcfa under the first loan and is 85 million fcfa (\$425,000) under the second loan.⁶ In practice, most of the loans have been substantially below the upper limit, with a practical maximum being 40 to 50 million cfa (\$200,000 to \$250,000). Between the start of the program and the end of 1979, \$13.5 million of the total \$17.5 million had been disbursed by the six development banks (two in the Ivory Coast) to some 500 entrepreneurs.⁷ (Total loans granted would approximate 550 to 575 as some enterprises had more than one loan.) There is a general criteria that the use of program funds should be made only when an enterprise is otherwise not commercially bankable, i.e., could not receive financing from the commercial banking system. In practicality, sometimes the program funds are used to help the entrepreneur reach the minimum of 30 percent or more equity capital that the commercial banks require, since the criteria in regard to equity capital for the program is a minimum of 10 percent. Also, second loans have been granted in cases where there was not sufficient funding provided under the first loan, or to permit expansion under a previously agreed program.

In the beginning of the program, many of the loans were in the smaller size categories. Loans as low as 100,000 fcfa⁸ to 1 million fcfa were granted (122 of the 500). For the purposes of this program, it was found by this type of development bank that loans under 1 million fcfa were not practical in terms of followup and collection. Under the second loan, the minimum loan is 1 million fcfa. Of the category from 1 to 10 million fcfa, 270 of the total of 299 loans made from the

first loan were in this category. The second loan program is not complete, but by the time of the evaluation in December 1978, 72 of the 98 additional loans that had been made were in the under-10 million fcfa category.

The program still has a year and a half to run (until December 1982) with about \$4 million undisbursed. Again, it is the requirement to purchase US goods and services that represents a problem, with substantially all of the \$1.5 million unallocated. In this area, the second Ivory Coast development bank, the larger Banque Ivoriene du Developpement Industriel (BIDI) which completed substantially all the requirement for US purchases under the first loan, has recently signed on for the second loan. This will again assure that the Ivory Coast will get more than its allocated 25-percent share of the loan.

With regard to the agricultural component, i.e., rural development in general, USAID has been very broad in accepting loans to be attributed to this sector. To date, loans have been made for small chicken farms, an animal fattening station, fishing and fish preserving units, an ice plant for a rural market, food processing for jams and jellies, and also some sawmills and a plywood plant. Most of these loans are small ones, and a substantial part of the \$2 million is unallocated. The third loan may address itself to this problem by including the national agricultural development banks in the loan agreements. As it is, the national development banks are restricted in most instances from loaning money in the agricultural sector. In addition, the requests for loans in this area come more often from a cooperative than from an individual entrepreneur. The

only entrepreneurs who wish to go into different types of agriculturally related enterprises tend to be bureaucrats who want to do something to help their natal village and provide local employment.

In addition, many areas of rural commerce possibilities, furnishing of fertilizer, seed, tools, and equipment, as well as the purchase of agricultural outputs, are dominated by state agricultural monopolies. Even the further processing of food products remains under the control of the ministry of planning, and the application for permits is sometimes a futile gesture, as the state has "plans" in that area for the future.

With regard to USAID's delivery costs, the amount of the TA grant now stands at about \$1.9 million, or about 11 percent of the total loan amount. This includes a recent addition of \$200,000 approved about the middle of 1980, when the terminal disbursement date was readjusted to reflect present disbursement projections. As of the end of 1979, when \$13.5 million of the loans had been disbursed, the expended portion of the grant was about \$1.3 million.

Against the Council's local cost, which to date approximated 280 million cfa (\$1.4 million), it had accumulated an offsetting fund of over \$800,000 from the interest earned on loan advances and the differential in interest rates. Although USAID projected that this fund would grow at a maximum of one percent on \$17.5 million per year, or \$175,000, due to compounding on this "cushion," it will grow faster if unspent for African counterparts.

Comments on the Entente Council's
African Enterprises Program

In terms of specific lessons that might be learned from the Entente Council's African Enterprises Program, it is important to put the program in the perspective of the original objectives in which the program was conceived and the stage of development thinking at that period in time.

The Entente project was undertaken by USAID primarily to enter into a relationship with this regional organization in West Africa, and to promote the cause of African regionalism in a meaningful way. It was expected, although it did not always materialize, that having the Council as an intermediary on such a program would promote jointly conceived and executed industrial development projects, as well as taking advantage of the perspective that can be gained from working in more than one country on the same program at the same time.

Specifically, the goal was designated as being to strengthen the long-term capacities of the national development banks in the five Entente Council countries, together with their attendant guarantee funds and national promotion centers. It was intended to redress a situation where the indigenous African entrepreneur was not acceptable at the credit window and where the private enterprise sector was substantially in the hands of other than Africans. It was thought necessary to give this potential entrepreneurial class the tools with which to emerge, i.e., identification of viable projects and credit to implement them. Therefore, an expected result was to be the development of an African entrepreneurial class in these francophone

countries. To do this required supplying American and European technical assistance, as well as lending long-term funds to the national development banks.

The goals measurement was to be a 100-percent increase in the African private sector contribution to national income in the modern and industrial economic structure of these five countries. It was also to be expected that there would be a 100-percent increase in the actual numbers of entrepreneurs which would have gained access to the commercial banking structure, i.e., the modern credit facilities. In terms of the goals, there was almost nothing in existence in terms of African entrepreneurship in these five countries at the time the program was started, and so the base was at or near zero. Therefore, from that standpoint, the program has been a phenomenal success.

In part, the success of the USAID program was due to the fact that other donor institutions, namely the World Bank, recognized the potential of this program and entered the field. In effect, the program was broadly copied, and USAID deserves the credit for its initial innovation and venturesomeness.

The times which sponsored the Entente Council program have changed, and there are now other sources of long-term credit available to the development banks. There are other programs with new innovations and controls that try to address the problems that were forthcoming.

For example, the World Bank's loan programs often contain a "job creation per so many dollars of investment" criterion to force these development banks toward small-scale

enterprise promotion, and foreclose the emphasis on the larger, more capital-intensive type of project.

The World Bank is also able to finance without restrictions as to origin, the foreign exchange needs of investment projects.⁹ In fact, until recently, the bank would finance only this portion of the investment, relying on the national banks to generate their own counterpart funds. The lack of counterpart funds then became such a restraint on the financing of development projects that the World Bank has acceded to financing of working capital in some cases. However, in an effort to relieve this bottleneck, the development banks have sought out credit lines from the regional development banks, the BOAD (Banque Ouest Africaine du Developpement) and the ADB (African Development Bank).

Another problem with a program such as the one carried out with the Entente Council is the considerable amount of legal institutionalism that is required in the form of loan agreements and implementation letters between both the Council and USAID, and then in turn between the Council and each of the six development banks, including the cross guarantees of each of the Entente member states and their ministries of finance, etc.¹⁰

With the World Bank and other regional banks often making loans directly to their counterpart national development banks, much of this official documentation is foreshortened. The more up-to-date loans are as between bankers and provide for board representation,¹¹ annual accounting and auditing, plus access to the reports and the outside consultants themselves, and restrictions on the amount of additional credit

that can be solicited in this same area.

The World Bank loan also brings a certain prestige to a development bank, and with it comes the opportunity to send staff members to the Bank's many courses that are specifically designed for development bankers. The courses are set up for many countries, are offered in English, French, and other languages, and have even been moved to field locations such as Abidjan in West Africa on occasion.

In summary, the development loan field is no longer the province of USAID in terms of assistance to small enterprise development regarding the modern industrial sector.

The low interest rates that made AID's loans attractive at the time, i.e., 3 percent over forty years, are now being bettered in the terms of the International Development Agency (IDA) of the World Bank which is offering loans at 0.75 percent to "low-income" countries. The development bank does not necessarily get this extra advantage. These loans often are made directly to the national treasury of these countries, which can choose to take the subsidy themselves.

Other USAID to Small Enterprises Programs

As part of the material available in this area, there is an activity data sheet on a proposed small-scale enterprises project for Lesotho, as well as a project evaluation summary on a Partners for Productivity project in Upper Volta's rural areas.

From an AID Washington telex of August 18, 1980, on this subject is quoted the following: "Despite the longstanding interest of AID and others in (small enterprise development). . .

and growing mission concern, the Agency's overall response has been limited."¹²

Lesotho Project¹³

This project had its initial obligation in fiscal year 1980 and was to extend through fiscal year 1983. The project was undertaken to create jobs for new entrants to the labor force. Additional jobs are to come from expansion of existing small enterprises through access to medium- and long-term credit. Lesotho's national development bank and national enterprise promotion corporations (both government institutions) are now focused on the urban area. Therefore, this project was created to establish a risk guarantee fund for loans in the rural areas to be processed through the country's three major commercial banks. Lesotho is expected to create a rediscount mechanism for these loans (and also those of the national development bank to the urban area) with the government monetary authority as part of its contribution.

A training component offering business skills directly to potential entrepreneurs complements the program. This education program is to be partially funded by USAID, but also to be assisted by other donors including WB, Canada, GB, and Switzerland.

USAID is to capitalize the guarantee fund at \$500,000, but since this is a single year's submission and the total budgetary allocation is for \$4 million over four years, most probably this capitalization is to be made every year, or a total of \$2 million.

The remainder of the \$4 million is to be spent on training (120 person months per year), short-term management personnel (22 person months per year), and long-term academic training in the US (36 person months per year).

Over the expected six-year life of the project, it is expected to reach some 2,000 entrepreneurs, their families, and their employees. The banks through which they will make the loans have about forty branches in the country and serve about 4,000 clients annually. The banks will benefit from the training of about eighty loan officers, or two for each of the branches.

There was no information available on the present status of this project. It is too early to expect any evaluation of the results since the project has just one year of operation. This project is an attempt to meet the objectives of USAID/Lesotho in being oriented toward the rural population. It also avoids the direct involvement of the existing government institutions such as SONEPI and SONAGA, but could be complementary with any efforts that they would do in this area.

On the other hand, the delivery costs are high in relation to the amount of loans; about 50 percent of the total project cost is estimated to go toward training and administration. Actual administration costs budgeted at \$220,000 or \$10,000 per person month are probably realistic, but represent a ratio of \$1 to each \$2.50 of guarantee fund contribution.

Upper Volta Partners for Productivity Project

In 1979, USAID initiated a rural enterprises promotion project with a small loan and a business skills training component

using the private voluntary organization, Partners for Productivity. This project was evaluated in December 1979.

The project was designed for implementation basically outside of existing structures of the Government of Upper Volta. Its purpose was "to determine through experimentation and data collection an appropriate technical package and credit system for rural enterprise development." Its goal was "to improve the quality of life of herdsmen and small farmers of the Eastern district." Two field technicians located in Daipage and Fada administered the credit delivery/loan program and trained the recipients to maintain accounting systems of various degrees of sophistication, depending upon their literate and numerate skills.

At the time of the evaluation, after one and a half years of operation, 110 to 120 small loans had been granted from a \$32,000 revolving fund. About half of these were stated as being new enterprises. The recipients were broadly grouped into five categories: agricultural production/live-stock, agricultural output processing, artisans, commerce, and transport. Individual types of loans include entrepreneurs for garden/orchard improvement, rice/millet/peanut and sorghum cultivation, pig and rabbit raising, tailoring, welding, carpentry, blacksmithing, general stores, pharmacies, bicycle/mobilette spare parts and repair, bookstore, and a photo studio. Loans average 125,000 fcfa (\$625).

The evaluation indicated that the loans had a 90-percent "on-time" repayment rate. The project has a \$50,000 experimental fund that has also been used for loans and to finance purchases

of tools, seeds, and materials for demonstration purposes.

Since the loans must be of short duration, many of the loans had been repaid so that the funds could be re-lent. No indication of the number of cyclings, i.e., the velocity, of these funds was given in the evaluation.

The author is very familiar with the Upper Volta situation, having been the main contact between the Entente Council African Enterprises Program and the National Development Bank of Upper Volta for the past two and one-half years. Although widely traveled in Upper Volta, the author had not (as he recalls) visited these two areas. The experience gained by this program should be further researched through contacts with the PFP field staff.¹⁴

Only one comment can realistically be made without first-hand research into the results achieved by this program. That is, for a \$32,000 loan fund, although it was true that it had some velocity in the one and one-half years of program operation, the delivery costs of \$610,000 seem very high; however, the request for an additional year of operation for two expatriates and two Voltaics at \$110,000 (another Voltaic was about to be hired full-time) does not seem out of the range of known costs in Upper Volta for this kind of technical assistance.

A second question arises since the project has no institutional base: neither the Voltaic government nor another institution with a commitment to stay in Upper Volta. That question is where will the annual operating cost contribution come from, even if the level of annual costs is reduced by totally Africanizing the staff?

From the author's perspective, Upper Volta has been a very difficult area for the Entente Council's African Enterprises Program. On the contrary, it has been a "stellar" performer when it came to the other Entente programs such as Cereals Production, Anti-trypsomysis control of livestock, and even the Entente's transport standardization program for truck weights, etc. Where the program is designed to deliver direct to the recipient with very little commitment or effort required on his part, the programs have worked exceedingly well. But, where the recipients had to muster considerable data and information as in the projected launching of a new enterprise (and even with the help of the Voltaic government enterprise promotion office, OPEV, where there are substantial numbers of expatriate and university-educated Voltaics), the pace was glacial.

Many of the loan applications were overly complicated and entirely unrealistic in terms of factual data and future operating projection. The UNIDO-sponsored industrial estates at both Ouagadougou and Bobo Dioulasso are barely off the ground and already have several major relics--failed enterprises--as testament to this problem.

The Voltaics are the main work force in the Ivory Coast, and perhaps this migration pattern has drawn much of the lifeblood from the country. Many of the women are left behind to manage things, and the country in general has a very equalitarian attitude toward its women in business. The government administration is the heaven for all the educated Voltaics--men and women. Private enterprise is not a sought-after role

by this educated group.

There are only a handful of very wealthy people in Upper Volta, usually with interests in just about every type of enterprise. Some of this power has come from the strong political bases of certain Mossi families who control both political parties. There are others though, Al-Haj Kanozoe, for example, who is almost illiterate but who is the largest and most prosperous contractor in the country. To this small group can really be attributed the title of entrepreneur, since they have made their wealth in the private sector. The government has a monopoly business in almost all the main sectors of the economy: cotton and cloth manufacture, sugar growing and processing, mango and karite butter processing and exportation. This small group services their fellow Voltaics and the government institutions in a great measure, and prospers while doing so.

World Bank Small-Enterprise Projects

Upper Volta¹⁵

The World Bank, like the Entente Fund project, has experienced major difficulty in getting its loan funds to small and medium size private enterprise disbursed. The latest evaluation team, which visited the Entente Fund offices in Abidjan in June of 1980, estimated that all of the loan funds would have been used in the support of the development bank and the promotion centers training of their internal staff before any substantial amount of loans will have been made.

These institutions had previously requested the

flexibility of converting funds earmarked for loan purposes to general bank and promotion center purposes.

Of a \$4-million IDA credit which was granted at a preferential interest rate of 0.75 percent directly to the Government of Upper Volta, the development bank was to have received \$2.5 million for project loan funds, plus \$200,000 to be used for technical assistance in the form of computer programming consultants.

The national enterprise promotion center in Upper Volta (OPEV) was to have received \$420,000 of which \$250,000 was for an equity participation fund. CNPAR/CRPAR, the two artisanal training units of the government located in the two principal cities, Ouagadougou and Bobo-Dioulasso, respectively, received together \$820,000 of which at least half was for a credit-in-kind program for small rural artisans.¹⁶

In the World Bank's last analysis of this total package, the training program for the artisans, including to some extent its lending program, were the only successes achieved. Three crafts were chosen by the two training institutions to start off the program: blacksmithing, masonry, and bicycle/mobilette repair. With a nine-month course/training cycle, it is intended to reach a total of 600 artisans in these fields in addition to some 400 which had been trained earlier by these two organizations, i.e., a total population of about 1,000 artisans, with credit ranging from a low of about \$400 to a maximum of \$2,000 for individual artisans, and up to \$8,000 for artisan cooperatives.

The success of this program was due in part to the fact

that the people to be trained were already employed in their respective fields. With a staff of six expatriate teachers provided by UNIDO, the expanded program was planned for a three-year period. These men were recruited from villages/towns all over Upper Volta and were expected to return to their natal village/town at the end of their training. The regional ILO representative in Dakar for small enterprise promotion in the informal sector considers this formula one of the best that has been tried.¹⁷

With regard to the rest of the World Bank's Upper Volta program, as has already been indicated, little has been forthcoming. The bottleneck rests with the development bank, BND, more than with the promotion center, OPEV.¹⁸

World Bank Small Enterprises
Loan to Senegal¹⁹

The World Bank has given two loans to SOFISEDIT for the promotion of small- and medium-scale enterprises. The first loan for \$3 million was granted in 1974, and a second followup loan was granted in 1976 for \$4.2 million. A third followup loan is under consideration for an amount approximating \$6 million.

The first loan included an amount for technical assistance of \$200,000. It required prior World Bank approval of all loans over \$100,000. A total of \$600,000 could be loaned to smaller projects at the bank's discretion without prior discussion; of this loan, only approximately 80 percent had been disbursed at the time of the second loan. The second loan raised the limit of loan size without prior World Bank

approval to \$250,000 and extended the discretionary amount to \$1.5 million. It also included a \$200,000 technical assistance loan to the bank. With the second loan, the disbursement rate began to slow down as is evident from the fact that the new loan is only under review now, at the end of 1980.

The results to date on this project will be discussed further in the next part which describes Senegal's government developmental institutions.

PART III: THE INSTITUTIONS OF THE SENEGALESE
GOVERNMENT CHARGED WITH THE PROMOTION
OF THE SMALL ENTERPRISE SECTOR

The institutions of the Senegalese Government which are charged with the regulation of the small enterprise sector include the following:

1. The Interministerial Council Dedicated to the Artisanat

2. The Ministry of Industrialization and the Artisan

Also included are the following financing institutions:

1. The SOFISEDIT (Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme)

2. The SONEPI (Société Nationale d'Etudes et de Promotion Industrielles)

3. The Centre du Service Artisanat of SONEPI

4. The SONAGA (Société Nationale de Garantie et d'Assistance au Commerce)

5. BNDS (Banque Nationale de Développement du Sénégal)

6. USB (Union Sénégalaise de Banques)

Each of these institutions will be examined in terms of its role with regard to the small enterprise promotion sector, both from a "franchise" standpoint and its accomplishments to date. At the end, the appropriateness of the use by USAID of each institution to reach its intended rural-off-farm and informal sector beneficiaries will be analyzed.

SOFISEDIT

This institution is charged with the normal role played by a development bank in francophone West Africa, that of analyzing and loaning to small- and medium-sized development projects. It is focused toward industrial types of loans, including tourism, in the modern sector. Recently, it has also been given the responsibility of promoting development investment in the fishing industry (including the small "artisanal" fishing sector).

Quoting from the World Bank's 1976 appraisal of SOFISEDIT:

The Bank was created by the Government of Senegal in March 1974. The World Bank assisted in establishing the new institution: IFC (International Finance Company, the equity investing section of the World Bank), which made an equity investment of about \$230,000, took a seat on the board of directors, and made a \$3 million capitalization loan. Actual operations started in November 1974.¹

Total authorized share capital is about \$3 million. The Government of Senegal holds about 34 percent of the equity, with the Central Bank for West African States holding 12 percent, and the Caisse Centrale, DEF, IFC, and Senegalese private investors holding the rest in about equal proportions (7.5 percent each).

The staff of the bank is small, with three managers and six professionals. All are Senegalese.²

SOFISEDIT's policy statement limits the company's financial commitment, both loans and participations, to 20 percent of its paid-up share capital and reserves in any one investment client. In addition, the bank can participate up to

a 25-percent equity interest in any enterprise. The bank is prohibited from assuming direct managerial control of any given enterprise, except with unanimous consent of the board of directors.

In general, however, it is to limit its total investment and participation to 15 percent of its own capital, i.e., now \$450,000, and to 50 percent of the required capital of the enterprise, i.e., total project size limited to about \$900,000. This amount could grow with SOFISEDIT when it starts producing profits and adding to its reserves. This was not expected until 1981-82.

Interest rates charged for loans vary between 11 and 13 percent for medium-term (four to seven years) or long-term (up to ten years) loans. Only one loan to SICITOURS has exceeded ten years. A review of the portfolio as of June 1976 indicated a preponderance of investments with a majority of foreign capital. These projects dated from its earlier operating years. However, the trend is toward Senegalese-owned or controlled firms. (The 1976 World Bank evaluation was only through the first one and one-half years of operations and indicated 86.5 million fcfa in equity commitments and 1.36 billion fcfa in approved loans, or a total of 1.45 billion fcfa, for nineteen projects.) This compared to an equal 1.44 billion fcfa of credits from the commercial banks, 1.02 billion fcfa in private domestic and foreign equity capital, and 723 million fcfa in self-financing, suppliers' credits, etc., i.e., 1.7 billion fcfa private credit mobilized through these same investments. Other government equity in these same projects

was only 220 million fcfa. However, at that time, only three projects could be classified as being PME (Petite et Moyenne Entreprises), or small-scale enterprises (under 50 million fcfa total capitalization with Senegalese ownership and control).³

From SOFISEDIT's latest annual operating statement for the 1978-79 period (March 1979), the term-loan capital had increased to 1.6 billion cfa (\$8 million), and the total number of projects approved had increased from 19 to 71, of which 22 could be classified as PME. Fourteen were in tourism and thirty-five were in industry. Of the 71 total, 47 were in the Cape Verte region, 12 in Thies, 6 in Sine Saloum, 5 in Casamance, and one in the Fleuve. Again, of the total, nine were listed as being in food and eight in fishing. By March 1979, 46 projects of the 71, or 65 percent of the total, were Senegalese, and only 9 projects entirely foreign-owned. SONEPI had participated or provided only twenty-one projects (31 percent) of the total number which SOFISEDIT financed.⁴

SONEPI

The SONEPI was created in 1969 by the Senegalese Government, mainly to make feasibility studies for future projects. The company is a mixed enterprise, with the Senegalese government as majority stockholder. The initial 45 million fcfa equity was divided as follows: Government, 24 percent; BNDS, 23 percent; Central Bank, 18 percent; USB, 4 percent; and commercial banks, 2 percent each. In addition, about 25 percent of the equity is divided among some seventy private companies established in Senegal.

In 1979, it had a staff of seventy-three, of which eight were expatriates (three German-GOPA, two UNIDO, two AFCOPA/French trainers, and one FAC).⁵ Besides two management/direction staff, it has five economists, five technicians, and one engineer, all Senegalese. SONEPI has the official government franchise to study all industrial projects under 200 million in capitalization (Law 77-91).

SONEPI's primary objective was to develop small- and medium-scale industrial enterprises controlled by Senegalese. To this end, it makes feasibility studies in certain perceived areas of investment, seeks Senegalese entrepreneurs and investors to sponsor projects that it has identified, and assists them in project finalization and technological process choices. It acts as the Senegalese Government's official technical counselor in the policy area regarding small-scale entrepreneurship and is often used by the Government to undertake feasibility studies and to analyze projects applying for incentives under the investment codes. Lastly, it can assist entrepreneurs in financing projects through its equity participation role and its loan guarantee fund.

To ease difficulties for small Senegalese enterprises in finding financing and to assist in obtaining commercial bank loans, SONEPI was endowed by FAC, Caisse Centrale, and the government with two funds: equity participation and a loan guaranty fund. Now standing at about 100 million fcfa, these funds have been augmented with an 85 million fcfa line of credit by the KFW and a long-term loan by Caisse Centrale in 1979. Individual equity participations cannot exceed 5 percent

of SONEPI's participation fund, and loan guarantees up to 50 percent of commercial loans cannot exceed 10 percent of the loan guarantee fund. The guarantee fund is authorized to guarantee up to five times its capitalization in total. To participate in either regime, a corporation must be formed and sufficient shares deposited with the SONEPI.

As of the end of the operating period of 1978-79, about 71 million fcfa had been taken in thirty-three participations, with another 33 million fcfa approved in ten projects awaiting financing. Guarantees equal to 77 million fcfa had been made in sixteen projects, with another 85 million fcfa approved in thirteen projects awaiting financing, i.e., substantially all the 100 million fcfa in the participation fund was committed, and about 1.6 times the base amount of the guarantee fund.

Of the guaranteed loans which had been made, eight were short-term with BNDS, two were medium-term with SOFISEDIT, and the rest were with the commercial banks. Of the thirteen awaiting financing, eight were pending action by SOFISEDIT and four were with BNDS for approval.

Of the sixty-five total number of projects assisted by SONEPI since its founding, only three were reported as being in financial difficulties.

The rate of SONEPI's assistance to the SME/PME area was eleven projects for 1979 (but only two in 1978). SONEPI takes credit for the creation of a total of 1,565 jobs. However, this job creation figure grew by only a net four in 1978 and a net nine in 1979. Average per job cost 1.66 million fcfa, or about \$8,500.

SONEPI maintains a department with five professionals under the supervision of a UNIDO expert to give management training and technical assistance to those enterprises in which it has participated or guaranteed a loan. This training gives these entrepreneurs, through either morning or evening sessions, elementary knowledge of business management, including shop organization, bookkeeping, and calculation of operating costs. All applicants for equity participation and guarantees must enroll in the courses and complete them successfully.

SONEPI is also charged with the Senegalese Government's policy of creating and managing a series of industrial estates in the major urban centers. To date, estates have been established at Thies and Ziguinchor,⁶ and ones at Diourbel, Louga, Rufisque, Tambacounda, and Dakar are under study.

Center of Service to the Artisan/SONEPI

Since June 1978, as a result of an interministerial decision, SONEPI has been charged with the assistance and promotion of the Artisan of Production and Service. To date, a pilot project run by AFCOPA, a French chamber of commerce group based in Paris which promotes artisanal training, with a 30 million fcfa financing agreement by the World Bank has been launched. This project, initially for two years, is being reviewed and evaluated. The general reaction of the World Bank team was that the project would not be continued and did not represent an effective method in reaching the "informal" enterprise sector.

SONEPI also does some training of artisans together

with AFORS. This is a non-profit organization that normally trains modern-sector employees in accounting, working methods, and different business specializations. These seminars are in the process of being adapted to an artisanal level of comprehension and absorption.

In addition, SONEPI has recently started a new guarantee fund for artisans with a long-term loan from Caisse Centrale of 30 million fcfa and a commitment of another 30 million fcfa by the Senegalese Government. It is theoretically capable of guaranteeing up to five times its funding. Loans are to be provided by BNDS (short-term) and SOFISEDIT (medium- and long-term) at a subsidized rate of interest of 8.5 percent. A maximum of 2 percent of the total funds capitalization can be used for any individual loan, and up to 5 percent each for loans to cooperatives or other groups. Maximum terms are two years (short term), five years (medium term), and ten years (long term). SONEPI is now trying to form cooperatives of up to thirty artisanal members each in the cities of its industrial estates. There is to be one cooperative for agricultural tools and machines.

SONAGA

The SONAGA is a mixed State majority held company with a loan guaranty fund for loans being made to Senegalese entrepreneurs for the purchase of tools, equipment, and vehicles of all sorts, etc. Since the maximum guaranty is only 50 percent of the loan, the commercial bank must take a major risk. If the loan is not repaid, the commercial bank

must find the equipment or vehicle, take it back, and resell it. SONAGA reimburses the bank only up to one-half its loss.

SONAGA also has some resources of its own which it uses to provide credit for commercial trade and for import of vehicles. These loans are of a maximum duration of thirty months. The average rate of interest to a small entrepreneur is reported to be about 17 percent. The entrepreneur must advance at least 25 percent of the total cost of the item to be purchased, and pays an administrative charge in addition to the interest of about 15,000 fcfa per transaction. In reviewing the total financial results of the SONAGA during the fiscal year 1978-79, about 2.1 billion fcfa was advanced to major commercial enterprises, of which the SOSEDA Manutention Africaine (distributors of Caterpillar tractors throughout francophone West Africa), Peyrissac (a major French hardware chain), and Omais Badaoui (a Libanese importer) all received over 150 million each. Guarantees on autos earned SONAGA 290 million fcfa, and advances against construction guarantees earned another 63 million fcfa. Another 62 million fcfa was earned through the administration fee, indicating that about 400 loan guarantees were processed during the period.

SONAGA also assists its clients with bookkeeping, management, and organization. In a frank discussion with the President, he agreed that at present, SONAGA devotes too much of its resources to the large commercial importers, mostly in sales of the vehicles imported. In effect, it is helping them to sell their inventory to small clients. It has been said that these large institutions should be forced to go more to

the commercial banks for these loans, and SONAGA should concentrate its efforts on the small "third-sector" purchaser, i.e., the informal area entrepreneur, of machinery and equipment.

BNDS

BNDS, established in 1964, has a share capital of 2.4 billion fcfa and is owned 73 percent by the Senegalese Government, 16 percent by Caisse Centrale de Cooperation, and 6 percent by the Central Bank. Three other institutions own 5 percent. BNDS is charged with almost all short-term lending (under four years).

Short-term loans represent about 65 percent of its portfolio, with 25-percent medium term and 10-percent long term. Of 90 billion fcfa in outstanding loans as of September 30, 1979, industrial loans represented only 6 billion fcfa (7 percent) and artisanal credit only 1.6 billion fcfa (2 percent). Housing loans represented the greatest part of the long-term portfolio.

In addition, BNDS is basically the agricultural credit bank of the Senegalese Government. Approximately 90 percent of its loans are to cooperatives and the government agricultural products monopoly (ONCAD).

USB

Established as a Senegalese government-controlled commercial banking institution after independence to take over Crédit Lyonnais' activities, the USB is 32-percent directly controlled by the government and 19-percent through BNDS. Crédit Lyonnais and three other banks, a German, Italian, and

a US bank, control the remainder. USB, being a government-controlled bank, also has qualified for aid donor loans at preferential interest rates. It was granted a 300 million fcfa line of credit from the KFW and 400 million fcfa from the African Development Bank to finance small- and medium-sized projects in industry and services. Its lines of credit have not yet been used to any great extent.

Each of the foregoing institutions has a rather well-defined role to play in the area of development financing. In addition to these government institutions, Senegal has a well-structured commercial banking group. This group includes:

1. The BICIS (Banque Internationale pour le Commerce et l'Industrie du Sénégal) controlled by the Société Financière des Pays d'Outre-Mer and French Banque Nationale de Paris

2. The SGBS (Société Générale de Banques au Sénégal), a subsidiary of Société Générale

3. BIAO (Banque Internationale pour l'Afrique Occidentale), controlled by the Compagnie Financière France-Afrique

These institutions play the normal role of private commercial banks in a developing country, mostly financing the large international trading firms of French or European origin, and financing the trade between France, the EEC countries, and Senegal.

All of these banking institutions operate within the structure of the West African Monetary Union.⁷ For purposes of rediscounting of loans, the central bank of the Union,

BCEAO,⁸ must be used. In this regard, it is important to keep in mind that while perhaps overvalued, the CFA franc is considered by the countries which belong to the Union as a hard currency, i.e., they cannot just print it, and it is freely convertible (in most instances) with the French franc.

For purposes of rediscounting, Senegal's banks, like the other members of the Union, must use the central bank, the BCEAO. Small-scale enterprises which are granted an 8.0 percent preferential interest rediscount rate by the BCEAO are defined to be locally owned enterprises with credit outstanding of 20 million fcfa or less.

Senegalese government policy restricts its development financing banks, i.e., the SOFISEDIT and the BNDS, to financing 50 percent or less of the large investment projects, i.e., over 200 million cfa capital. This has required that commercial bank financing be sought to finance, at least in part, these new ventures. In turn, this has led to a slower start-up pace of these projects. In an example of the average time that a project would take to go through the present system, i.e., starting with SONEPI, then for financing to SOFISEDIT, and finally perhaps to a commercial bank for a part of the financing, the director of SONEPI indicated the following schedule of events:

1. Time 1. Entrepreneur seeks guidance and financing for this project. After two to three months of work with the analysts at SONEPI, the project is ready to go before the administration committee at SONEPI for approval; approximate time for this is 1-1/2 months to 2 months.

2. Time 3-1/2 to 5 months. If the project passes the approval of SONEPI's board, it then goes to SOFISEDIT where it will take 1-1/2 months to 3 months to be reviewed at the project analysis level, and then 1-1/2 to 2 months to pass the SOFISEDIT board and get approval of the loan.

3. Time 6-1/2 to 10 months. However, the loan is likely to be limited to no more than 50 percent of the required capital and will therefore require the approval and granting of a loan by a commercial bank. This process could take any amount of time from 2-1/2 months to a year or more in some cases.

4. Time 9 months to 22 months. Minimally, the project will not see the light of day for 9 months, and projects are in the works that are almost 3 years old. This is a cumbersome system, even with the larger projects, but the system is practically the same for all projects, regardless of size.

The Investment Code and the Tax Regime⁹

The investment code is primarily for the modern sector, and not for the informal sector. It is actually two different regimes, one for firms with over 200 million FCFA in capital and the other for firms with between 5 and 200 million capital. These codes provide for tax exemptions and/or reductions of virtually all charges as an incentive to new investment. The code for the larger capitalization companies is essentially the most liberal and is meant to attract foreign investment. However, the net result is that the remainder of the economically active sector must bear an unequal proportion of the tax

burden. In terms of competitive conditions, the "common law" firm is at a considerable comparative disadvantage.

The informal sector escapes this situation by benefiting from non-registry, mobility in work place, anonymity, low-rent work sites, and few amenities. In addition, prices charged are often above legal maximums, and this exploitation often falls on the poor. It is argued that these prices are more attuned to the marketplace. The government price policing system has difficulty enforcing its policies on this group.

In addition to the Investment Code, in a 1967 decree, the artisan who works for himself and who does not employ more than one person, can benefit from a regime requiring only a 2,500 cfca minimum tax or at the maximum, only 50 percent of the regular rates. But to benefit from this scheme, he is legally obligated to properly register with the appropriate authorities and to do some simple accounting.

There are no special tax incentives for preferential impact areas such as fishing, etc.; also, nothing exists that would expedite these projects into being faster than the normal chain of events. Development projects wait for the bureaucracy in all cases.

Although all the institutions previously cited would be happy to participate with USAID in some sort of financing project, all of them indicated a backlog of projects that were ready for financing, but locally generated funds were not available. This is not strictly correct. There are specific lines of credit for local funds that are not being fully utilized. But the complaint about these lines of credit, i.e.,

that of the KFW or BOAD, is either the requirement to buy a certain percentage of foreign goods from the donor country i.e., "trade follows aid," or a too cumbersome documentation analysis and approval system before each loan is approved.

On top of all the caution that Senegal has already built into their approval system, another level of approval analysis by the BOAD seems to be uncalled for. It would be better to do the job right the first time.

The World Bank is necessarily now in this business of upgrading the development banks' staff capabilities. It is trying to institutionalize good financial analysis and other banking practices. It has a backstopping staff who are forever in the field on missions to do this. In addition, the Bank sponsors training programs of up to ten weeks' duration in Washington. These programs were regarded as good, being developed over a long period of time and with much thought and experience. As a result, it is perceived by the African bank employee to be prestigious to be selected to attend one of these courses. In practice, this may be working slightly against their goal, as the development banks tend to save this "honor" for fairly senior staff--people who already should know most of the basic material in order to do their jobs competently.

USAID is a very innovative organization. It tries many things that have not been tried before. The development loan business for the modern sector is a well-paved road now and does not need AID's innovative efforts.

PART IV: THE SETTING: ECONOMIC AND SOCIAL SITUATION
AFFECTING SMALL ENTERPRISE GROWTH IN SENEGAL

AND

THE PROFILE: THE TARGET POPULATION, THE SMALL-SCALE
ENTREPRENEUR IN THE "INFORMAL" SECTOR
OF THE ECONOMY

Economic and Social Situation

The official gross national product (GNP) per capita in Senegal was \$430 (1979 dollars).¹ However, Senegal is in effect two countries. It is an urban-based economy centering around Dakar and the Cape Verde Region with mostly a "middle-income" country level of GNP (estimated at somewhere just below the average of \$1,250), and it is one of the "poorest of the poor" in some of the rural areas with an estimated per capita GNP around \$125.² An estimated 25 percent of Senegal's population is urban, with 65 percent of these people living in the Dakar/Cape Verde area. The growth of the GNP in Senegal for the period 1970 through 1978 was 2.2 percent per year (less than the 3.6 percent per year average growth for the low-income countries as a group). Only eight countries in Black Africa, Uganda, Upper Volta, Chad, Mauritania, Zaire, Sierre Leone, Mozambique, and Madagascar, experienced lower growth during this same period, and some of these countries had highly unstable political situations, including wars and revolutions.

Of the GNP, 72 percent of the total is used for private

consumption, 17 percent public consumption, and the remainder for domestic investment and savings. The distribution of its GNP is predominantly in the "services" sector, with services accounting for almost 50 percent, followed by an even split between industry (25 percent) and agriculture (25 percent). Senegal has shown an average annual growth in its gross domestic investment (GDI) of only 2.5 percent, while the population grows at 2.6 percent. Of Senegal's 5.4 million population, 53 percent is between ages 15 and 64 or in the working age (actual employed work force is estimated at 1.7 million). Of this group, 77 percent of the population works in agriculture, 15 percent in services, and only 8 percent in industry.

Two other important characteristics of Senegal's population is a 10-percent literacy rate and a 42-year life expectancy at birth. This rate is among the lowest in the world, including other West African states.

As an indication of its present economic crunch, Senegal's debt service rate is now 5.4 percent of its total GNP and equal to 13 percent of its annual export trade. Its external public debt stands at about 30 percent of its GNP, which is higher than the 22-percent average for low-income countries, and is more characteristic of a "middle-income" country. However, middle-income countries generally have a larger industrial capital base on which to rely for income generation. Lastly, the 1980 oil import bill will exceed its earnings from groundnut exports. Other than groundnut exports, which is by far the most important cash crop, Senegal is a

high production cost exporter of phosphates and some cotton.

The country is governed by an urban Senegalese elite, well educated by most francophone African standards, with government service traditions that go back to the days when Dakar was the colonial administration center for all of French West Africa. The urban setting contrasts sharply with the structure of the rural regions where life is still grouped around the village (of up to 1,000 inhabitants of 75 families with about 14 to 15 men, women, and children in each family).³ The dominant religion in the country is Mohamedism although this varies in the regions to the south, where there is a Christian influence due in part to the Portuguese colonization of Guinea Bissau.

These cultural ties to the very fundamentalist Moslem religion tend to make the rural region very conservative. The ties in the urban areas are not as strong and are not under the direct influence of the marabouts. However, the population still tends to determine the very basic attitudes in the society toward change which must be brought about by modern economic necessities.

In Senegal, as in francophone West Africa, there is a strong tradition of free movement of people which dates back to when this was all one administrative region. There are, of course, no restrictions between movements and migrations between the rural and the urban areas within Senegal, and probably none are possible politically. In addition, migration is difficult to control.⁴ This is particularly true in the area of the unregistered "petit artisan of production and service,"

the "informal area."

Another parameter of Senegal's problems is the general low level of productivity that has been allowed to permeate the productive economy. Through other administrative fiat such as the Senegalization laws, the country's public and para-public roles are filled with non-show employees. In the private sector where there are expatriate owners or managers, there is pressure to employ "quotas" of Senegalese, especially if there are government permits required to do business. This has led to the situation where there are generally more employees than productive work to be done, and productive work is not being done because there are too many employees. This is one of the problems pointed out by the IMF in their critique of Senegal's economy.

The general result has been to stultify the economic growth of the country. It is possible, and not wholly unjustified, to blame the recent recurrent droughts which have reduced cash income for the country from its chief exports, peanuts and peanut oil. The export earnings problem was exacerbated by the precipitous decline in the world's phosphate prices, which is Senegal's second most important export and foreign exchange earner. But this does not belie the fact that the country itself has an aging (albeit still functioning) infrastructure, and this infrastructure is gradually being permitted to decay through lack of reinvestment. There are plenty of employees on the payroll, but maintenance is not being done. The lack of materials, lack of defined and achievable targets, the laxity of managers (including expatriates) all have been

cited. Blame has also been laid at the doorstep of the foreign assistance donor community, saying that this group has been only too eager to come to Senegal's aid with quick-fix solutions.

But even if this is true, the responsibility still rests with the Senegalese to address their own problems. They are the ones who are mortgaging their future by overly relying on contributions from the donor community, and by not mobilizing their own savings and internal productivity possibilities.

The Target Population

The academic community first and now the aid donor group, have decided that small-scale enterprises in the informal sector have the best possibility to absorb this unemployment and underemployment. It argues that with "capital saving technology,"⁷ employment generation could be enhanced in "third-world" countries. The "informal" sector in Senegal has been one of the most often quoted examples⁸ and has been the focus of many recent studies by the ILO and others. However, if this area is the answer to Senegal's chronic underemployment problems, then it is time that some action is taken.

By definition, the "informal sector" is those small enterprise businesses that operate outside of the general framework of government control. Estimates of this group made in 1976⁹ give the population of this group in Senegal as follows:

	<u>Cape Verde Area</u>	<u>Other Areas</u>	<u>Total</u>
Registered/censused artisans	22,000	14,000	36,000
Small traders	10,000	5,000	15,000
Maids/boys	16,000	4,000	20,000
Others	<u>36,000</u>	<u>120,000</u>	<u>156,000</u>
TOTAL	82,000	145,000	227,000

The category "others" includes the uncounted artisans, small traders, providers of small services, informal transportation, and activities that do not fall into the fifty-two artisanal activities distinguished by the Senegalese government statistics office (see Appendix V, Tables 1 through 4).

Data from the artisans who were counted in the 1972 government census are shown in the tables.¹⁰ In 1977, the contribution to CNP of the artisan group was estimated at 5.6 billion fcfa (1.2 percent of the total). These data indicated that about 13.5 percent of Senegal's working population (about 60 percent of the urban labor force) is engaged in artisanal activity. Among the forty-five categories (corps de métiers) that officially comprise the artisans of production (twenty categories) and the artisans of service (twenty-five categories), the artisans of production are about three times more numerous than those in the manufacture of art objects, and four times more numerous than those providing services. Tailors are by far the most important trade, followed by woodworkers and leatherworkers. Masonry and blacksmithing are also important.

Among artistic artisans, jewelry making was the most

important trade, followed by weavers, woodcarving, and basket-making.

In the rural area, the products of the informal sector are closely linked to the agricultural sector. Artisans are involved in basket making, manufacture of agricultural equipment (blacksmiths), making fishnets, woven products, leather products (including water containers), and other products that are necessary for daily life.

Among artisans of service, general mechanics are the most important, followed by barbering, radio and TV repair, watch repair, laundries, and painters (both construction and auto). In the rural area, transportation, milling, repair of agricultural equipment (blacksmithing) are the most important activities. Casual fishing and casual labor also produce a little income in the informal sector.

In the rural area, the income earning opportunities vary from region to region. The Casamance, because of its wider variety of agricultural production and due to the more entrepreneurial nature of its indigenous population, is thought to be richer in informal opportunity than most rural sectors. In the Fleuve region, stock breeding and fishing were the main areas of activity outside of the traditional farming. There are also many informal activities that occupy the women in the rural area. Examples are making butter and cooking oil, drying fish, and preparing food for persons outside the immediate family. To determine when the women are involved in informal activity is harder because of the wider range of their tasks. In general, when the output is sold or traded for something

else, this is defined as informal artisanal activity.

Another factor influencing informal activity in the rural regions is the general lack of a strong monetary economy. In the Casamance, rice is a traditional gift, and passing of rice has monetarized to some extent this commodity. In the Fleuve region, with millet and sorghum remaining a traditional part of the daily diet for the evening meal and with most of the farmers now having been converted to rice culture, these agricultural products are exchanged and have been monetarized.¹¹ However, it is the migration pattern which is the strongest influence on informal activity.

The informal sector in the urban areas is also the area where the young who do not like farming, or those wishing to escape the hierarchial structure of the village (i.e., those with entrepreneurial tendencies) gravitate in the hopes of finding employment. In economic terms, marginally improved possibilities of income earning have been mentioned as one of the principal reasons for this migration. Also, there is a characteristic of the Senegalese of seeking out earlier migrants from his family or village, and those settled migrants feel obligated to take the new migrant into their home and provide him with food and shelter. This assurance of a new start contributes to this tendency for easy migration to the cities. While the government is providing opportunity in the rural area to get training in some sort of skill besides farming, training is focused on traditional rural needs: home economics for the women and agricultural-related activities for the men. The bright lights of the city beyond their general attraction due

to a more exciting atmosphere, also offer greater diversity of job opportunities and training.¹²

There are also longer term expectations of becoming "cadre," that is, having a permanent employment in some sort of enterprise, be it private, semi-private, para-statal, or government. The same chain of connections that is relied upon for instant shelter work in the job search. While perceptions of opportunity exceed reality, there is still that basic desire in the Senegalese to see for oneself.

The informal sector is basically the producer of goods and services for the poor, for people of the same economic level, the low-income groups. With a declining expatriate population in Dakar due to the Senegalization efforts, the growth in demand is higher for the products of the informal sector than for those produced in the modern sector with an affordable price. These goods are perhaps acceptable only to clients at the same economic level. There is discussion of the government increasing its purchase from the informal sector and encouraging the general growth of the informal area in provision of goods and services. The quality of the goods and services that is provided at present lower price levels is not conducive to attracting clients in the modern sector. It will be only with well-coordinated efforts that the quality level of the informal sector can be upgraded so that the outputs will attract, or in some cases, form a part of the output of, the modern sector producer and customer.

Strategies for Developing the Informal Sector

According to the World Bank's recommendations for Senegal, a strategy for developing the (employment potential) of the informal sector should have several elements:¹³

1. Measures to increase demand by modern sector enterprises, government, and consumers for the outputs of the informal sector

2. Financial assistance through the provision of credit on reasonable terms designed to meet the informal sector's requirements

3. Technical assistance and additional training perhaps through using an extension service such as SONEPI

4. A more positive attitude on the part of the Senegalese government toward informal sector activities

To Widen Market Possibilities

One of the characteristics of the "informal" sector at the present time is a lack of consistent and acceptable quality standards. The efforts that the Senegalese Government has taken in the area of the artisanat producing art objects by the SOSEPRA¹⁴ in the establishment of acceptable standards of quality in order for articles to be sold in the artisanal centers are a step in this direction. However, I would disagree with the SONEPI concept that this can be accomplished only with "Domaines Industriels" for artisans of production and service. These producers must remain closer to their potential markets. Perhaps through a "guild" system or through the purchase and resale of "informal" sector products in the government-controlled shops (SONADIS) and the "magasins temoins,"¹⁵ the

government could encourage acceptable levels of quality standards. This would permit the "informal" sector to compete with the modern sector. With imports on a more equitable basis, the generally low import level of the raw materials used in the "informal" sector would also save foreign exchange, as well as increase the employment levels due to increased demand.

Availability of Credit

In their study on rural enterprises for AID,¹⁶ Daines, et al, stated:

Rural enterprises frequently identify credit as their primary problem. [But] although in many cases, credit is a major restraint, it is often only symptomatic of more fundamental problems [and if] small entrepreneurs were more successful, they would become more attractive customers to the commercial banks.

The ILO surveys¹⁷ on the urban informal sector indicated that present credit sources for entrepreneurs tend to be family-oriented in the majority of cases, with former bosses or apprentice masters providing the rest of the credit obtained.

The granting of credit requires an individual, case-by-case analysis of each loan. The informal sector, in general, urban and rural, is a difficult population to reach on a one-by-one basis. An example of this problem is the high delivery costs of the Partners for Productivity project. By the nature of any credit program, loan requests must be addressed individually, researched, and analyzed. If the credit is granted, there may also be followup necessary before repayment is gained. In the "informal" sector, the family connection and the neighborhood/village money lender is more in touch with the

situation than is perhaps possible for an outside lending source. Where larger loans are necessary, especially for purchase of equipment or capital goods, some limited use of the SONAGA and commercial banking system is being made. A broadened BNDS franchise would be the cheapest delivery system of this credit in the rural areas.

Technical Assistance

Technical assistance (TA) is usually thought to mean improvements in the artisan's ability to make quality goods on the one hand, i.e., increased trade and skill education, and the introduction of accounting/numerological business skills on the other hand. The first need is being addressed at least in part by the present government and PVO training programs. The second need is theoretically the responsibility of the SONAGA; SONEPI has some overall responsibility to initiate and oversee efforts in this direction. With much of the population illiterate, the real need for these skills is still to be quantified. Apparently, the "informal" sector has survived to this time without too sophisticated an accounting system. It is questionable whether additional business training would assist its growth.

Positive Attitudes on the Part of Government

A need which the informal sector has often expressed is more government support. This must be founded on a genuine understanding of what the informal area is, how it functions, and how the present government policies restrict its growth. Senegalization laws have tended to produce quotas of employment

with the result that there are huge permanent staffs and little incentive to make use of the small subcontractor. With permanent employees so unproductive, more flexibility in hiring and firing is necessary.

To focus on the Senegalese productivity provision, the subcontractor gets paid only if he produces the work and is perhaps one good answer. There might be a net loss in total jobs during the transitional period; however, the country's level of productivity and therefore its GNP per capita will again start to grow.

To do this, the government must standardize its overall requirements for doing business and simplify them. In effect, it must recognize that the problem in the informal sector is not "that there are a lot of illegal operators who are giving the modern sector unfair competition." The levels of the "minimum wage" and various taxes must be examined to see if they encourage or discourage employment creation. In this regard, the Groupements Economiques du Sénégal (GES), an organization of Senegalese employers, as well as the Chambre de Commerce d'Industrie et d'Artisanat, have started sections for artisans. These organizations are beginning to speak out for better government treatment and policies of encouragement.

A typology of artisanal enterprises with a description of their problems is attached as Exhibit 6. It was originally developed by Susanna Badgley for her report to the World Bank in a mid-term review of the AFCOPA project. It illustrates the diversity of problems to be addressed in trying to assist this non-homogeneous population. The program must remain flexible to be able to meet the requirements of the intended recipients.

PART V: RECOMMENDATIONS

Since 1974, Senegal has created some 5,000 jobs, primarily in the tourist and modernization of textile industries, at a cost of about \$7,000 per job. By comparison, the cost of job creation per job in some twenty-six projects with investment levels under 100 million fcfa (\$500,000 in total investment) which were financed through SOFISEDIT averaged only \$7,500 each, and about \$8,300 each for some 1,600 jobs created in this small-medium scale enterprise sector by SONEPI. Although Senegal has an urgent need to address unemployment and under-employment problems, with the means it now has at hand, it has been advised by the IMF and the World Bank to promote light-labor-intensive industry.

The traditional avenues for employment, starting with the most educated and continuing to those with a minimum of education, were:

1. Government service, now saturated and not really open to new entries ever since the days of independence when Senegal/Dakar was the center of a colonial administration designed to administer all of francophone Africa
2. The post-independence, para-public economic sector, now saturated due to unreasonable staffing quotas under the administration of the Senegalization laws
3. The private industrial sector, which was designed to substitute for imported products and is now suffering from

a net disinvestment because of built-in inefficiencies and the general economic stagnation in Senegal today

4. The "informal sector"

With its new recognition as the only hope for relatively cheap job formation, the government is now giving this sector attention in terms of promotion and encouragement. However, the basic attitudes persist, i.e., that the businesses in the true "informal sector" of the economy unfairly compete with the modern sector by remaining outside of government regulation and tax obligations. In addition, not enough is really known about the mechanisms which interplay in this sector of the economy to form the basis of an enlightened and constructive government and aid donor program for its promotion.

In terms of expectations from increased attention to this sector, it is generally agreed that the best prospects for additional employment generation lie in the encouragement and the redressment of the problems in the existing "informal sector," which is almost entirely urban based. This sector, while highly inefficient in modern economic terms, thrives, or perhaps survives, in spite of any of the government efforts at regulation thus far. For example, it has been documented that by far the greatest part of the present participants in this sector has received training through the apprenticeship system, with the remainder having gained their skills through on-the-job learning in modern sector employment. Only an insignificantly small fraction of the participants have received their training through the various institutions that have been set up by the government and the various private

voluntary organizations it has chartered to operate in this area.

It is also acknowledged that perhaps because of government action, there is scarcely any private informal sector in the rural areas. Prior to the government's recent announcement of the dismantling of ONTAD, the government represented a monopoly in the provision of agricultural needs and in marketing agricultural output. Where the government did not operate directly at the village level, it encouraged the formation of cooperatives and thus precluded the development of private initiatives. Although it is now widely recognized that there are needs for goods and services in the rural areas, i.e., the irrigation pumps are always breaking down in the Fleuve regions, etc., there is no encouragement of private individuals to meet these needs through entrepreneurial activity. Among ethnic populations that exhibit an entrepreneurial spirit, i.e., the Diola in the Casamance Region, this spirit is reflected in the decision of the younger generation to leave the area and search employment in the cities.¹ Therefore, until there is a change in the basic institutional structures in the rural areas, i.e., the government's encouragement of only cooperative efforts, the Senegalese hierarchial structure of their families and villages, etc., the "informal sector" will remain predominantly an urban phenomenon.

Within USAID's ongoing interest in the promotion of small-scale private enterprise for employment generation, there remains a bias toward the rural sector. There is therefore a dichotomy:

1. There is a present need for additional foreign donor assistance in the promotion of job-creating programs for the "urban informal sector"

2. The underlying structure existent in the rural area is probably not sufficiently developed to permit a meaningful contribution to be made if limited to the informal structure in this area

The evidence from a series of studies as the "informal sector" in Senegal, primarily in the Cape Verde/Dakar region, indicated that it is a major source of present employment and would hopefully represent possibilities of increased employment if properly encouraged. If any program were to be adopted by USAID at the present time, it would necessarily have to start with the existing Cape Verde/Dakar area; progress toward more encouragement of enterprises in the other regional urban areas; and finally, long-term, work toward a rural informal sector and increased rural non-farm employment. The program could be designed with some sort of incentives to try to encourage re-migration back to natal villages, but considerable economic disparity now exists which must be redressed. In addition, the general economic climate for Senegal would probably have to have a major improvement, i.e., more money in the hands of the farmers and more monetarization in the rural regions, before meaningful progress would be achieved.

Project Design

The area of project design is full of new ideas; very few of them, however, have a previous period of experience.

If the problem of reaching this target group is recognized as being untried, and most of the existing programs as only partial successes, then these new innovative approaches could be worth trying. It is certainly axiomatic that Senegal should be one of the places where experimental programs in this attempt to reach the informal sector should be tried. The country has been studied long enough without any concrete results. The only situation that would preclude an effort, albeit experimental, in the promotion of informal sector employment growth, would be a lack of commitment on the part of the Senegalese Government to redress their policies as required.

In the area of projects, a proposed ILO project for Lome Togo is an example of what is possible. It seems to lack real focus in exactly what will be done, but it is an attempt to get into the problem. In this case, the Togolese Government has apparently asked for something to be done in the small "informal" enterprise area.

Also, USAID is working through the Partners for Productivity and AITEC to design a project called PISCES (Program for Investment in the Small Capital Enterprise Sector). A copy of the AITEC PISCES pre-field workshop is included in the literature. From this very early report, it is immediately obvious that the approach is very experimental and untried. But USAID is looking for some project locations to attempt this new approach, and Senegal should be one of them.

The project should incorporate incentives toward the establishment of entrepreneurial enterprises in the rural

sector, while at the same time starting with the trained/partially-trained population now living in the urban environment. It should incorporate the growing body of experience that is emanating from: (1) other USAID-assisted small enterprise programs, namely such programs as Partners for Productivity in Upper Volta now included as a sector of the World Bank artisanal training program; and (2) the indigenous Small Business Advisory program (a PISCES project) that has been initiated in the Gambia with Peace Corps assistance, etc. The program should contain incentives that would capitalize on the continuing ties of new migrants to their rural birthplaces. These could be credit advantages (lower interest rates, longer grace periods and terms for repayments, shorter waiting times for credit approvals, etc.). If the credit is for a rural enterprise, it could incorporate the "credit-in-kind" scheme which works best in a non-monetarized environment. At the same time, it should be cognizant of the continued needs for assistance in the urban informal sector and should try to establish a base of experience there--a success story on which it would gain public confidence and approval.

What kind of program? What are the options? What are the necessary ingredients?

USAID's methodology of consulting with the eventual recipients of the intended assistance could be a welcome and timely addition to the solution of the problems in the informal sector.

In the design of the program therefore, it would be

best to seek the input from the intended beneficiary population through the GES or the Chamber of Commerce, both organizations having now formed artisanal groups. They are the most likely spokesmen for the informal sector as it now exists, and that is the sector on which it would be necessary to build for increased employment generation.

The SONEPI will necessarily be a co-sponsor of the program because the promotion of small-scale enterprises (excluding the artisanal sector producing art products) is their area of responsibility within the government structure.

However, the World Bank's working only through SONEPI, a delivery agent and not a recipient, to design the AFCOPI project proved unsuccessful. This project, after some two years, has not met its objectives. The evaluation is in progress, and it is still too early to cite the many reasons why it has failed.

In general, a program for the promotion of small-scale enterprises would encompass the following areas:

1. Technical assistance--both increased skills training in the basic "metier" and business skills training for business success
2. Some kind of credit program to address this need if expanded business opportunities are to be used to advantage
3. A government encouragement program, including opening of expanded markets through quality assurance, government subcontracting, etc.

What kind of technical assistance? How to deliver it?

SONEPI, perhaps in imitation of the SOSEPRA's artisan

villages, has embarked on a program of "encadrement," of trying to group all artisans of production and services with like business interests. In addition, there has been some effort to bring these artisans into special industrial estates to facilitate SONEPI's delivery of services to this sector.² It should be questioned whether this is a desirable goal: Should these informal artisans be physically moved into enclaves, or should they remain closer to their traditional markets? If only certain artisans are selected for inclusion in an industrial estate with only representation from each type of artisanal activity, is this not a selective process which aids one group at the expense of all the others? These are questions which could be best addressed by groups of the artisans themselves. And what kind of TA is needed?

The program should obviously contain efforts at coordinating training opportunities. This is not meant only offering new courses or changing curricula. From the standpoint of the potential entrepreneur or the potential craftsmen, what are the options now presented? What are the existing opportunities for starting a business? Are apprenticeships limited to one family or ethnic grouping? Could they be open to all on the basis of talent and inclination? What can be done with an essentially illiterate, or less-than-literate, base population in terms of teaching them enough skills to succeed in their own business? The situation in Senegal is not unlike that faced by the poor black and Hispanic in the US over the past twenty-five years, and the experience of organizations like the Booker T. Washington Group³ might be brought to bear on it.

What kind of credit does the informal sector need?

There should undoubtedly be a credit delivery function. There are many options.

In terms of loans, the informal sector needs money for working capital, purchase of raw materials, cost of holding goods already manufactured, cash to meet short-term requirements, costs of waiting for government payments if used as a subcontractor. These needs are now met, if at all, through savings within the extended family, or from master to apprentice.⁴ These sources would be augmented or replaced. Longer term money would replace that now available only on a monthly basis.

Loan terms to this SME sector are usually now limited to loans of 2 million fcfa or less and for periods probably not exceeding five years. If the program was granted official sanction by the government, the loans would be at the current preferential interest rate of the BCEAO (9 to 11 percent). In addition, the loans could be discounted in part by the banks at 8 percent to maximize the mobilization of capital. From the Entente Council's African enterprise loan experience, absorption rate would not exceed \$1 million a year in loans.

The program could be a guarantee fund type of operation, guaranteeing the loans that would be made through the existing credit extension agencies of the government. A guarantee program would only have to reimburse the bank or other agencies for their losses.

In this regard, those government financing agencies already presented are reviewed:

1. SOFISEDIT. Minimum loan is now 2 million cfa; five-year minimum term. It is oriented toward the modern sector

2. SONEPI. Has a guarantee fund and equity participation fund. After eight years and about sixty-five projects now are in the category of traditional or informal, as incorporation and registration with government authorities is required

3. BNDS. The most widely dispersed of the government financing agencies, with many offices throughout the country. Has a franchise to make short-term loans (less than two years) to small enterprises including artisanat area. Experience in artisan loans has been unsatisfactory

4. UBS. Functions like a commercial bank but has unused lines of credit for small enterprise promotion

In this writer's opinion, a combination of SONAGA for urban (Dakar) credit delivery under a loan guarantee program and BNDS or UBS in the outlying areas would be best. SOFISEDIT is interested in participating but too oriented toward the modern sector. SONEPI should concentrate its experts on promotion of enterprises, training, business skills delivery systems, and get out of the credit delivery area. This is controversial territory and, of course, subject to bargaining and negotiation.

Other Technical Assistance Possibilities

To initiate a small program destined to this sector of the economy where there is presently little, if any, commercial banking activity, it would be necessary to train and expose the bank personnel to other programs or to small business loan

programs in the US. There is ample experience in the US commercial banking system with some forty years of Small Business Administration loans behind it. In addition, there are now many small business investment companies, some minority black owned and operated, which have specific experience in the "informal" sector in the American environment. This mobilization of relevant experience might be one of the most important things that USAID could contribute.

In addition, there is a growing academic interest in African small-scale enterprise promotion. The University of Pittsburgh is now running ten-week seminars given in either French or English to train basic business and administrative skills.

There is also the possibility of involvement of other interested parties in an outreach effort. Working through local Senegal voluntary private organizations, such as some of the church missions,⁵ Peace Corps, etc., entrepreneurs and potential candidates could be identified for skills training and loans. The selection process, both from the standpoint of the institution granting the educational or credit opportunity, and from that of the applicant in his selection of what he wants to do and can do best, is an imperfect mechanism at best. "Outreach" might help this effort.

Need for a Senegalese Government Commitment
Beyond the Involvement of SONEPI

In addition, USAID's determination to get the support of the government of Senegal for its projects would also address another constraint to success in this area. Without the full

support of the government, i.e., a more positive attitude toward this sector and a willingness to experiment with methods and programs, the job creation and expansion effort is doomed to fail. The analysis indicates there is much to be done in organization of standards, expanding markets, provision of subcontracting opportunities, areas that the private initiative cannot do without government assistance in Senegal's present economic climate. Senegal has gone a long way down its road toward African socialism, i.e., government has come to exert a great deal of control on the economic sector. It will require a commitment to "privitization," i.e., to accept more private enterprise and contracting and less full-time staffing; in other words, to let the private sector do it, rather than have everything the responsibility of a government agency. Is Senegal willing and ready to make such a commitment? This would have to be one of the most important questions addressed.

Summary

The problem of starting in the rural sector alone to promote the informal sector seems fraught with chances of little success. The expected absorption rate would be low. The private entrepreneur is not in the rural but in the larger urban areas.

The urban area of Dakar/Cape Verde is the present magnet, the pole of attraction, for these entrepreneurs because there is business activity here. As and when the government withdraws from some of its monopoly positions in rural agriculture, the private initiative could be given an incentive to

replace it, but the government remains committed to the cooperative for rural development.

Meanwhile, the urban areas are almost overpopulated with informal sector entrepreneurs. They need to widen their market to better compete within the modern economic structures. There is also a need to improve quality. With improved quality levels, the poor who are the major informal sector customers would upgrade their lifestyle. In addition, there would be the possibility of saving foreign exchange through import substitution for products presently imported and perhaps even some regional export possibilities.

The present credit mechanism is based on old-tradition family financing. The entrepreneurial class is therefore limited to those who inherit the possibility of being financed. It is not open to the poor.

This sums the situation. The options and issues have been raised. The rural sector can remain the target, but I believe it is best addressed by opening up the opportunities in the informal sector, and then putting incentives into the program to encourage re-migration back to the rural areas.

ADDENDUM

Upon its completion, this report was discussed in Senegal with a group from USAID/Senegal which included Sam Rea, Don Brown, Axel Magnusen, all of the program development staff. In addition, the conclusions were discussed in Dakar with the regional representative of the ILO in charge of small business promotion, Ivan de Pierpont.

The forementioned from USAID clarified at least one point in the interest of USAID/Senegal of developing small-scale private enterprise in the rural region. Because of its on-going projects in the Casamance and Fleuve areas, there is a need for small-scale contractors to undertake construction of grain storage facilities, and other similar types of physical plant. It would be considered desirable, if this work could be handled on a totally local basis, ie: by a rurally-based construction entrepreneur. During the discussion, it was pointed out that this was one way that USAID/Senegal could start the incentive system which would be necessary to attract entrepreneurs to the rural area - ie: give bid preference, and some degree of price concession - perhaps including financing through advances, to contractors who would mobilize locally. A similar type of incentive system is being examined concurrently by USAID/Washington - Housing Development office for preference systems towards small enterprise/'informal sector' contractors in their programs. A study, being carried out by the National Savings and Loan League for Housing and Urban Development, is investigating

the possibilities of the 'informal sector' being able to self-finance, and the cost/credit mechanisms that this sector uses at the present time are being evaluated.

From the standpoint of the Senegal ILO office, there was some interest in developing a similar project for Dakar/Cape Verde to that being underwritten by USAID/Togo for Lome. This project could^{be} replicated in other cities in Senegal after enough experience has been gained.

The paper was also presented and discussed with Messrs. Jetha and DuFour at the World Bank office in Washington. The similarity of the conclusions with those arrived at independently by Susanna Badgley in her September 1978 report were noted. That report has now also been reviewed. (It had not been available in the Dakar field office.) Several ideas, especially the 'topology' of the informal sector problem, have been included in this edited version of the paper.

Lastly, a meeting was held with Harold Lubell USAID/Washington Plans and Programs office. Mr. Lubell is the author on the definitive paper describing USAID's efforts to-date in promotion of small-scale enterprise, which was included in the material accompanying the Tony Babb memorandum on this subject.

USAID/Washington has now set up a special group that is following small enterprise development. The different members and their responsibilities are as follows:

Lou Faoro	Small Enterprise and Employment Development/urban
Michael Farbman	PISCES Program
Cliff Barton	Rural, (non-farm) Small Enterprise Promotion

Contact was made with this group, which will comment direct to AID/Senegal on this paper, including updates on other projects.

Lastly, contact was made with Mr. Fred O'Regan of The Development Group for Alternative Policies, which participated in the analysis of the PISCES projects, Phase I. His recently published 'Part II, Case Studies - Africa' was reviewed, especially in light of the experience gained from the establishment of the 'Indigenous Business Advisory Service' in Banjul, The Gambia. The lessons learned from that program might be profitably applied in a program for Senegal. The former project manager, (former Peace Corps)- Paul Sevier, is available for consultation, and has returned to the Washington area.

It was also noted, that the Partners for Productivity Project in Upper Volta, which previously was entirely independent of any local government connection, will now be incorporated into the successful World Bank financed artisan training program there.

FOOTNOTES

Introduction

¹General vocational training for potential entrepreneurs/employees to teach them a technical skill is already being carried out in the rural areas under "Promotion Humaine" through a project called "De Formation Professionale Rurale." This program and similar types of vocational training projects in the Cape Vert/Dakar area are being assisted through financing by foreign aid donors, including the UNDP and ILO. USAID is already contributing to the costs of a program in Dakar run by the YMCA and ORT, which is specifically oriented toward school dropouts.

²For purposes of the project, the following definitions have been applied to distinguish between traditional and modern sector enterprises:

<u>Type of Enterprise</u>	<u>Assets \$</u>	<u>Term Credit \$</u>	<u>Employment</u>
Informal Sector/			
Traditional	Up to 1,000	Up to 2,000	Up to 10
Small-scale	Up to 100,000	Up to 60,000*	Up to 50
Medium	Up to 400,000	Up to 240,000	Up to 150
Large	Over 400,000	Over 240,000	Over 150

*It should be noted that the Central Bank (BCEAO) authorizes preferential interest rates to be given to small-scale enterprises on loans up to 20 million fcfa (\$100,000).

³The areas of commerce (petty production and petty services which live outside the government's legal structure) do not register in the many ways required to be legally entitled to do business, do not pay minimum wages to their employees, and do not pay any or perhaps not all of the various taxes and fees. This area of small enterprise is commonly termed the "informal" area. There have been numerous studies in the past five years conducted by the International Labor Organization (ILO), and individual academics (Dr. William Steel in Ghana and Cameroon) that purport to show that the employment generation possibilities in this sector outweigh those of the "formal" industrial sector.

FOOTNOTES

Part I

¹Laws 77-90/91.

²Law 78-4.

³Société Nationale d'Etudes et de Promotion Industrielles.

⁴United Nations Industrial Development Organization.

⁵United Nations Development Program/Special Fund.

⁶Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme.

⁷Kreaitanstalt fur Weineraveran.

⁸Banque Ouest-Africaine du Développement (BOAD).

⁹International Labor Organization (of the United Nations).

¹⁰AFCOPA: Association Française de Formation, Promotion et Animation des Entreprises--Paris-based.

FOOTNOTES

Part II

¹French Assistance Cooperants.

²UNIDO: United Nations Industrial Development Organization.

³In effect, the African counterparts originally foreseen under the loan with 41 percent interest subsidy to the Entente Council for ten years have yet to be recruited. This may become a condition under a follow-on loan.

⁴The suppliers of US-manufactured equipment do not appear to be sufficiently interested in sales in francophone West Africa to follow up on product inquiries, and to offer some reasonable guarantee of after-sales service on their equipment. Unfortunately, the experience with purchases from other less developed countries, specifically Taiwan and Korea, have had the same result--a lack of after-sales service commitment.

⁵This concession was made in recognition of a distinct and logical preference upon the part of trucking fleet owners and operators to duplicate the models, albeit not the latest, that are existent in the fleet stock within the country, due to the ease in which spare parts can thus be obtained.

⁶The maximum loan granted to date under the program was 91 million fcfa to the SAP of Upper Volta. This company manufactures bicycle tires and tubes using about 500 Voltaic laborers, plus Ivory Coast natural rubber and Togolese shalk. The loan essentially assisted the entrepreneurs to raise their equity capital from 10 percent they had available to the 30 to 35 percent required for them to retain private control. A Dutch firm sold them a dismantled labor-intensive plant from Indonesia and took a 15-percent equity interest at the time, which is to be liquidated when the entrepreneurs have accumulated the capital.

⁷The approximate disbursements at the end of 1979 by country were:

Ivory Coast (Two Banks)	\$5.5 million
Benin	2.0 million
Togo	2.85 million
Niger	2.15 million
Upper Volta	1.0 million
TOTAL	13.5 million

See status report issue at end of 1979 by program director.

⁸See evaluation report dated January 1979, "Terrell Report."

⁹The World Bank is staffed sufficiently that it can disburse funds on a limited basis, that is, on the receipt of orders for material and equipment, and can check the competitiveness of the prices for such material to assure that there is no leak of funds through faulty billing, etc. This requires considerably more people and contacts than are possible in a program administered solely in the field.

¹⁰The aid loans are essentially guaranteed also by the guarantee fund of the Entente Council, which had cash deposits of over \$40 million.

¹¹The Caisse Central and the KFW are also prepared to request board seats as a condition of their loans to the development banks, as well as to send staff on extended missions in an effort to improve the internal operations of the banks as well as the promotion centers.

¹²According to the program budgeting/accounting/reporting system printout on small-scale enterprise assistance, the Entente program is the only AID program in Africa.

¹³Certain objectives and criteria are quoted from the country development strategy statement (CDSS) from Lesotho.

¹⁴The two expatriates working in Upper Volta for Partners for Productivity were listed as John Shiller and Bengt Thoren; the Voltaic counterparts are Boama Beogo and Riegober Tyombiano.

¹⁵See World Bank appraisal of an artisan and small/medium enterprise project, Upper Volta, August 1977.

¹⁶Credit-in-kind is a program using a cash revolving fund of approximately \$400,000 in each training unit to supply raw materials such as wood, cement, metal, wheelbarrows, shovels, axes, saws, molds, and other basic tools to finance simple building construction to the masons. There is a similar type of program for the other artisans, too. To control this program within the limits of average loan size (\$400 to \$2,000 for entrepreneurs, \$8,000 to cooperatives) and in terms of maximum loan periods of one year to ten years and grace periods for repayment of six months to three years, IDA will review each loan. The loans will be administered by the government extension officers who would distribute the equipment and raw materials to the artisans, assist them in their loan applications, and arrange for loan collection. The government will assist the artisans in the marketing of their output.

¹⁷For details, see CIADFOR Bulletin, Issue 10, October 1979. CIADFOR = Centre Interafricaine pour la Developpement de la Formation Professionale and is in Abidjan.

¹⁸The Banque Nationale du Developpement (BND) of Upper Volta has not made any development loans for over two years. It is presently requesting all its creditors to forgive its loan debts in order to replenish its capital. Accumulated losses made on a number of large prestige projects which have failed to materialize, such as an electric steel mill, more than equal the total capitalization of the bank.

¹⁹See Senegal Appraisal of SOFISEDIT, March 1974/September 1976.

FOOTNOTES

Part III

¹The second loan for \$4.2 million granted in 1976 is about two thirds allocated, and an evaluation team just completed an on-site visit in preparation for a decision on a third loan for \$6.5 million and an IDA credit of \$2.3 million.

²Mr. Jethra, now leader of the evaluation team, was the first head of the Investment Department in Charge of Project Appraisal, Implementation, and Followup.

³Of the small industry loans of less than 50 million fcfa capitalization, one was for a fishery expansion, another involved the production of plastic articles, and the third was for the production of hair ribbons.

OPERATIONS FY 1975-79 (FCFA Millions)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Total</u>
No. of Projects	10	14	11	17	19	71
Loans	533	952	760	1,115	1,130	4,490
Equity	71	37	35	15	30	188
Total	604	989	795	1,130	1,160	4,678

SOURCE: Fiscal Year from October 1 to September 30, 1975-79.

⁴In a census taken at the end of 1979 of all projects financed by SOFISEDIT since it commenced, thirty-four of the seventy-one projects in their portfolio were operating; eleven projects were in a start-up phase, nine were waiting for some reason, four were presently blocked, eleven projects had been terminated, and two were in liquidation. The two in liquidation were tourist projects now cancelled, but with loans guaranteed by the state.

⁵The project for assistance to the National Society for Industrial Studies and Promotion (SONEPI) was approved by the Governing Council of UNDP in January 1970. The assistance to be provided by UNDP/SF will enable SONEPI to work toward the implementation of the following functions:

(a) Centralize and disseminate information on the industrialization of the country; this will include the collection of relevant statistical data and other information of value to potential investors, its presentation in a form best suited to facilitate investment decisions and the establishment of an effective distribution system.

(b) Undertake feasibility studies on industrial projects, including production cost calculations, marketing studies, possibilities of financing, etc.

(c) Study and foster the establishment of industrial estates for small-scale and medium-sized enterprises.

(d) Establish training and extension services for the Senegalese industry, including advice on organization and method of work, quality control, financing, common ventures using foreign know-how and domestic capital, and deepening the knowledge of Senegalese industrialists through courses, seminars, fellowships, and study tours.

The Government will pay an amount estimated at the equivalent of 15 percent of the estimated gross cost for the experts as a cash contribution toward the local operating costs of the project.

⁶SONEPI's industrial estates are being financed by various donors:

These are financed with loans from USAID and the Belgian Government. Ziguinchor is financed with a grant from UNIDO and Great Britain. St. Louis is to start with financing under an arrangement with KFW. Kaolack is to start with financing from the BOAD.

⁷West African Monetary Union. Since 1962, Senegal, Upper Volta, Ivory Coast, Benin, Togo, and Niger have been members of the Union Monétaire Ouest Africaine (OMOA) and share a common central bank, common currency, the CFA, parallel credit, monetary and interest rate policies.

⁸BCEAO (the Banque Centrale des Etats de L'Afrique de l'Ouest) is the central bank of the West African Monetary Union. With offices in Dakar, rediscounts are permitted by member

companies and development and commercial banks of up to two years for short-term credits and up to ten years for medium- and long-term credits. Normal rediscount rate is 8.0 percent, but fluctuates with the credit market. Preferential discount rates for small/medium development projects were 8.0 percent, with allowable final rates from 9 to 11 percent.

⁹Reference Private Initiatives in the Senegalese Economy, Colvin, page 12ff.

FOOTNOTES

Part IV

¹Statistical data is quoted from the World Development Report published by the World Bank in August 1980.

²It was estimated by a Peace Corps resident in the Fleuve area that a family in that region, while growing substantially all of its own food, still required about 25,000 cfa (\$125) per adult person for various purchases, i.e., cooking oil, charcoal, clothing, etc.

³The average "mature" family was said to contain one adult male, the father; two adult females, the wives; and six to eight children by each wife.

⁴There are similar attempts to control immigration in the other coastal states, namely the Ivory Coast and Togo. There is a growing reliance on visa restrictions to limit the number of immigrants from the poorer inland countries and to control this flow through the issuance of identity cards, frequent police checks at bus stops, roadblocks, etc., and limiting of employment opportunities.

⁵This critique on the Senegalese economy appears in the IMF Plan de Redressment.

⁶USAID has issued a series of concept papers on assistance to the small-scale entrepreneurs using capital saving technology. These papers are attached to a memorandum from Tony Babb dated August 21, 1980.

⁷"Capital saving technology" was formerly termed "appropriate technology." The name, but not necessarily the concept, was changed due to the complaint by the third world countries that promotion of less than the most modern technology for use in the less developed countries would always maintain an economic advantage for the more developed countries.

⁸See "Petty Producers and the Urban Economy," by Chris Gerry, 1974.

⁹Statistics in this section are quoted from "Developing the Informal Sector in Senegal," ILO/JASPA Team, December 1976.

¹⁰The Ministry of Finance counted only 1,555 licensed artisans in their 1973 census data.

¹¹Rice cultivation was introduced into the Fleuve region after the Sihelian droughts and is presently in only its third annual cycle. While it has been accepted as a more prestigious food by the local population, it is eaten only at the midday meal. The traditional millet or sorghum for the first meal and the last meal of the day have not been replaced in their diets.

¹²As quoted by Dr. Colvin, 70 percent of petty producers learned their trade by apprenticeship, 24 percent by working for others, and only 6 percent in an organized, government-sponsored course.

¹³See "Informal Sector Development," The Economic Trends and Prospects of Senegal, Vol. IV, Human Resources.

¹⁴SOSEPRA is an organization of the Senegalese government with responsibility for the promotion of the Artisan of Art. It has its headquarters in an artisan of art village, Soumbédioune in the Dakar area. It has also started centers in Diourbel, Thies, Saint-Louis, Ziguinchor, Tambacounda, and Kaolack. It helps the artisans market their products, mostly to tourists. It also sponsors exhibits abroad of the Senegalese artisans' work. It has a credit provision system through provision of raw materials, i.e., credit in kind.

¹⁵SONADIS is the state marketing monopoly at the wholesale and (in Dakar) at the retail level. The program of "magasin témoin" was started to encourage Senegalese to enter the small retail shop business and in an effort to drive out the Lebanese and the Mauritians (Moors) who traditionally operated in this sector. It was stated by the Assistant Minister of Plan that this was considered to be an important project to Senegal, but that it was not working well.

¹⁶Rural Enterprise: An Overview of the Role and Potential of Rural Enterprises to Contribute to the Employment and Income of the Rural Poor in Developing Countries, AID, April 1978, page 9.

¹⁷Specifically, the Rapport de la Mission sur l'Artisanat, la Formation Artisanale et les Technologies Appropriées dans le Sénégal and report on the "informal sector" (le secteur non-structure) in Dakar published in May 1977 by the ILO and financed by the World Bank. In that census of some 500 small enterprises, more than 450 started their enterprises with only their own or their family's personal savings, or with the help of their former employer. Only thirteen cases were able to find outside financing, mostly in the form of the "money lender." Also in the matter of financing inventories and raw materials, more than half were on a cash basis. About one third depended upon advances from clients in either the goods or cash, and credit from the supplier was limited to only seven cases or about 1-1/2 percent of the total.

FOOTNOTES

Part V

¹In a discussion with Charles Steedman, Casamance project manager, he outlined the traditional patterns of that region for the rice cultivation. The heavy requirement for manual labor takes place during the planting season. The division of work between the men and the women is traditionally as follows: the men prepare the field, and the women who are still in the village prepare their seed beds. Each plot is a family group undertaking, and the plots are small, with families having several plots in different locations to hedge against weather and other conditions destroying their crops. It is traditional for the young women of the Casamance area to do the transplanting of the new rice shoots. Many of these young women migrate to the cities to work as domestics. But they return to the village each year when their employers depart on home leave to take their position in the rice transplanting process.

²SONEPI has a program to start domaines industrielles alongside their present industrial estates to bring the artisanats of production together. This was also mentioned as an objective of the planning ministry.

³See letter of November 9, 1979, from Fluornoy Coles, Jr., of Booker T. Washington Foundation and proposal for training assistance of small entrepreneurs in rural areas and market towns.

⁴A concurrent study of the credit provision mechanisms of the informal sector is being researched for USAID's Housing Bureau in West Africa, including Senegal, by Sonya Hammam of the National Savings and Loan League (1101 15th Street, N.W., Washington, D.C.). Her research in Senegal confirms that short-term credit of from one month to perhaps a total of six months is available through the extended family. However, the debtor's obligation to the creditor is not liquidated upon repayment of loan and interest.

⁵Mr. Frank Cawthon of the Mission Baptiste, Senegal, suggested this approach might be an appropriate contribution of his group.

APPENDIX I

AID/SENEGAL'S PROPOSED SMALL ENTERPRISE PROJECT

Project Title: Support for Private Sector AIP

Project No.: 685-0252

Proposed Obligation: FY 1982: \$500,000 LOP: \$500,000

Purpose: To provide credit and management training to small-scale rural private enterprises

Background: Senegal's rural economy should begin to grow as a result of GOS and donor investment in the rural sector over the past six years. This should create expanding needs for local non-farm enterprises to provide the increased goods and services demanded by the rural population. This AIP is a priority activity in developing means by which AID can encourage and support a growing, active private sector in the rural economy. The project provides joint management trade and credit inputs, the two most pressing needs of the small-scale entrepreneur. It will establish a small credit fund and a limited amount of credit/management advice within a pilot area centered in a small town (Bakel). Request for credit from local existing or new entrepreneurs would be analyzed by the credit/management advisor with the participation of the applicant for appropriateness. If the request appears well founded, a loan would be granted on condition that the applicant attend a bookkeeping/business management short course given by the credit/management advisor. The applicant would also be required to keep records in a prescribed fashion for periodic inspection by the credit/management advisor. The project will be undertaken by a PVO or consultant firm.

Host Country and Other Donors: The project would be undertaken as a pilot operation in collaboration with SONEPI, the GOS agency to assist small-scale enterprises. Vocational and technical training for potential entrepreneurs is already handled by Promotion Humaine under three programs funded in part by the World Bank and the UNDP.

Beneficiaries: Direct beneficiaries would be the small-scale private entrepreneurs and their employees. The project would also provide positive effect on the population in the area by supporting the provision of needed goods and services in close proximity and to encourage competition and greater efficiency among local firms.

1982 Program: The first year of the project will see the development of the AIP proposal. Implementation will be carried out by a PVO or consultant firm with expertise in small-scale business development. The development of the training course and the credit system will also be undertaken. Initial selection and training of the credit/management advisor will occur and by the end of the year, the first loans will have been made and the training program will have been started.

Other Outputs

All Years

Management/Credit Course	X
Credit/Management Advisors	X

APPENDIX II

(The text of Patricia Daly's report is incorporated but is not bound in this report.)

APPENDIX III

PERSONS CONSULTED

Senegalese Government Officials

Ministère du Plan

Abdoulaye Mar Dièye, Deputy Director

Ministère des Finances/Contrôle Financier

Firouz Vakil, Consultant, Louis Berger, Inc.

SOFISEDIT

Amath Samb, President Director General
Jules Richard Correa, Director, Department of Operations

SONEPI

Cheikh Tidiane Sakho, President
Louis Audibert, Secretary General
Ibrahima Ba, Chief of Study Service

SONAGA

Alioune Diagne, President Director General

BNDS

Abdoula Sese, Director General (Assistant)
Alioune Khaly Ba, Director, Financing in the Social and
Professional Sector

OTHER AID DONORS

World Bank/Dakar

Johnathan Browne, Director
Sangone Amar, Deputy Director

World Bank/Senegal Loan (SOFISEDIT) Evaluation Team

Bahadurali Jetha, IDF/West Africa Projects (formerly
Director of Investments, SOFISEDIT)
Patrice DuFour, IDF/Senegal Loans

International Labor Organization/Dakar

Ivan de Pierpont, Regional Advisor/West Africa Small
Enterprise Development
Dirk Vandenrydt, Associate/Senegal

United Nations/UNIDO

M. Aregs, Regional Coordinator
M. Levanchau, Resident Advisor/SONEPI

African Development Bank/Abidjan

William Steel, Chief Economist; author, "Small Scale
Employment and Production in Development"

Peace Corps

Richard Haavisto, Rice Cultivation Specialist living in
Fleuve village
Jean Murphy, Registered Nurse administering village hut
health projects
Andy Thatcher, Living in Senegal Oriental village

Private Voluntary Organizations Operating in Senegal

Frank Cawthon, Mission Baptiste, Senegal
Robert C. S. Powell, National Council of Churches/Church
World Services
Flournoy A. Coles, Jr., Booker T. Washington Foundation

US Embassy

David Rawson, Political Officer
Abraham Houdrouge, Economic/Commercial Section

USAID/Washington

Harold Lubell, Plans and Programs Office

APPENDIX IV

MATERIAL REVIEWED AND FILED

SONEPI

Société Anonyme (Articles of Incorporation/Charter), July 1968, with amendments July 1970, July 1976, and March 1977.

Présentation de la SONEPI.

Rapport d'Activité 1978-1979.

Annexe Statistique concernant les Petites et Moyennes Industries assistées par la SONEPI.

L'Execution de la Politique sénégalaise en matière d'Artisanat Utilitaire, Service Artisanat, July 1978.

Le Projet-pilote (AFCOPI) pour la mise en place d'une politique artisanale sénégalaise efficace, June 1978.

AFCOPI

Projet Pilote, Rapport d'Exécution.
Rapport sur la Mission d'Encadrement, Perspectives et Propositions.

SOFISEDIT

Statuts.

Rapport d'Activités 1979-1980.

SONAGA

Statuts.
Interventions de la SONAGA les secteurs productifs.
Note sur les Activités de la SONAGA.
Rapport du Conseil d'Administration/Rapport d'Activité, September 1979.

BNDS

Rapport d'Activité, Exercice 1978-1979.

Assemblée Nationale du Sénégal

Loi 77-90, Définissant les Domaines Industriels.

Loi 77-91, Portant Encouragement à la Création ou à l'extension de la PME.

Loi 78-4, Code des Investissements.

Ministère du Développement Industriel et de l'Artisanat

Communication en Conseil Interministériel sur l'Artisanat, May 1978.

Requête adressée à la Banque Mondiale en vue de l'Assistance à la formation et au suivi des Artisans ruraux, October 1978.

World Bank

The Economic Trends and Prospects of Senegal, December 1979.

Volume I: Main Report

Volume II: Industrial Sector

Volume IV: Human Resources

Senegal Appraisal of SOFISEDIT (DFC), March 9, 1974; September 7, 1976; October 24, 1980.

Employment and Development of Small Enterprises, February 1978.

Rural Enterprise and Non-farm Employment, January 1978.

Small Enterprises in African Development: A Survey, October 1979.

Mobilizing Technology for Developing Countries: Appraisal of an Artisan and Small-Medium Scale, March 1979.

Enterprise Project: Upper Volta, August 1977.

World Bank Development Report, August 1980.

Assistance for Artisans in Senegal by Susanna Badgley, September 1978.

United Nations/UNIDO

Technical Services for Small Scale Industries, 1970
(Description of the UNIDO project with SONEPI, pages 234-35).

International Labor Organization

USAID-ILO Requests for Project Financing/Advisory Services for the Promotion of Entrepreneurship and Employment in the Urban Informal Sector in Francophone West Africa, 1980.

Développement du Secteur non Structure au Sénégal: Une étude de son Contexte et son Potentiel, January 1977.
 Programme des Emplois et des Compétences Techniques pour l'Afrique Enquête sur le Secteur Non-structure-Dakar, May 1977.
 Propositions pour une Politique du Développement du Secteur Non-structure, Volume II (Confidential), April 1977.
 Assistance au Secteur Non-structure a Dakar: Le Problème de l'Accès à une Technologie Appropriée, January 1979.
 Rapport de la Mission d'Emploi au Sénégal (Confidential), January 1980.
 Rapport de Mission sur l'Artisanat, La Formation Artisniale et les Technologies Appropriées dans le Sénégal, July 1980.
 Rural Industrialization and Employment Project in French-Speaking Black Africa (Senegal, etc.): Policies, Achievements, and Problems, July 1980.
 Overcoming Rural Underdevelopment Workshop Proceedings, April 1979.
 CLADFOR Informations/(Centre Interafricain pour le Développement de la Formation Professionnelle), No. 10, October 1979.
 Developing the Informal Sector in Senegal, December 1976.

African Development Bank

Report on Resource-Based Industrialization Policies: Mission to Cameroon and Mali, May 1980.

Entente Council--African Enterprises Program

First Loan Proposal, May 1972.
 Technical Assistance Grant Proposal, July 1973.
 Evaluation Report/First Loan (Eric R. Nelson).
 Memorandum for Development Loan Staff Committee Recommendation for Second Loan (not to exceed \$10 million), May 1975.
 Proposed Technical Assistance Program, 1976 through 1985.
 Second Loan (II): Outline of Project Paper.
 Evaluations: Assistance aux Petites et Moyennes Entreprises Africaines, Ford Foundation.
 Evaluations: International Development Consultants/Terrell, January 1979.
 Semi-Annual Progress Report, December 1979.
 Status Report (one-page summary), December 1979.
 Notes on a Management System for Entente African Enterprises II Project, Practical Concepts, Inc., February 1977.

USAID/Washington

A Strategy for a More Effective Bilateral Development Assistance Program: AID Policy Paper, March 1978.
 Evolution of the "Basic Needs" Concept, DCC Policy Paper, revised July 1980.

- Capital Saving Technology: Report to the Committee on Appropriations, US House of Representatives, February 1980.
- Small-Scale Enterprises and Foreign Aid (Lubell Report), May 1980.
- Program Budgeting Accounting Report: Small-Scale Enterprises Projects, March 1980.
- Memorandum: Small-Scale Enterprise Development, Capital Saving Technology and Employment Generation (Tony Babb), August 1980.

USAID/Senegal

- Senegal: Country Development Strategy Statement, FY 82, January 1980.
- Joint Assessment of US Assistance Programs in Senegal and Annex Final Report, 1980.
- PL 480 Title III, Program for Senegal.
- Discussion Paper on Agricultural and Rural Strategy for USAID/Senegal, First Draft (Don Brown/Axel Magnuson), November 1980.

USAID/Consultants

- Some Ideas on Support of the Private Sector (DAI), May 1980.
- Private Initiatives in the Senegalese Economy (Colvin), July 1980.
- Analysis and Evaluation of Roles Played by Promotion Humaine Regional Development Agencies and Local Institutions in Promoting Rural Development in Senegal and Prospects for Future USAID Collaboration (Gellar), August 1980.
- An Outline of Rural Investment Credit in the Lower Casamance Project (Shearer/Ohio State University), March 1980.
- Rural Non-Farm Employment in Senegal (Daly), April 1980.
- Rural Enterprises: An Overview of the Role and Potential of Rural Enterprises to Contribute to the Employment and Income of the Rural Poor in Developing Countries (Daines), April 1980.
- CILSS Proposal for an Informal (Enterprise) Sector Survey Terms of Reference (Rifkin/Delmas, ILO), September 1980.
- Project Evaluation Study: Rural Enterprises in Upper Volta (Partners for Productivity) Project, December 1979.
- PISCES: Program for Investment in the Small Capital Enterprise Sector--Pre-field Workshop (Accion Intl.), February 1980.
- PISCES, Phase I, Part II, Case Studies/Africa.
- YMCA/ORT Youth Job Development Project (bi-monthly report), April 1980.
- Proposal Training Assistance for Rural and Market-town Enterprise Development in Less Developed Black Africa, Booker T. Washington Foundation, November 1979.

General

- Development of the Urban Artisan Sector in Ghana and Cameroun (William F. Steel/Policy Planning and Development Department, African Development Bank), 1979.
- Petty Producers and the Urban Economy: A Case Study of Dakar (Chris Gerry, ILO Research Paper), 1974.

APPENDIX V

TABLE 1
NUMBER OF ARTISANS BY TYPE AND RELATED TO THE SIZE OF
THE POPULATION IN EACH REGIONAL CAPITAL, 1972

	Urban Registered Population	Artistic Artisans	Artisans in Production	Artisans in Services	Total Artisans
Dakar	798,792	2,438	15,792	3,990	22,220
Ziguinchor	72,726	268	1,404	561	2,233
Diourbel	50,618	523	684	215	1,422
St. Louis	88,404	158	1,046	381	3,007 ^a
Tambacounda	25,147	190	453	110	753
Kaolack	106,899	330	1,928	755	3,766 ^a
Thies	117,333	368	1,781	651	2,800
TOTAL	1,259,919	4,275	23,088	6,663	36,201 ^a

^aVertical and horizontal totals differed substantially in the original data with inconsistencies for St. Louis and Kaolack; in this analysis, we retained the higher vertical total.

SOURCE: Population figures from the 1976 census. Number of artisans from the Senegalese Statistical Office (1976).

TABLE 2
IMPORTANCE OF DIFFERENT CRAFTS AMONG
ARTISTIC ARTISANS, 1972

Number of Workshops	Cape Verde		Other Regional Capitals		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Jewelers	474	43.4	239	25.7	738	29.4
Leatherworkers (Artistic)	7	0.6	3	--	10	--
Painters	2	--	6	0.6	9	--
Photographers	45	4.1	33	3.5	84	3.3
Potters	16	1.5	21	2.3	55	2.2
Woodcarvers	75	6.9	59	6.3	142	5.7
Dyeing	31	2.8	28	3.0	71	2.8
Weaving	385	35.3	453	48.7	1,231	49.1
Knitting	6	0.5	11	1.2	29	1.2
Basketmaking	51	4.6	74	7.9	135	5.4
Leatherpainting	--	--	3	--	3	--
Taxidermy	--	--	--	--	--	--
Pearl Producers	--	--	1	--	1	--
TOTAL	1,092	100.0	931	100.0	2,508	100.0

SOURCE: Senegalese Office of Statistics, Enquête sur les exploitations artisanal. Figures below 0.5 percent have not been calculated. Horizontal and vertical totals do not always correspond.

TABLE 3
IMPORTANCE OF DIFFERENT CRAFTS AMONG
ARTISANS IN PRODUCTION, 1972

Number of Workshops	Cape Verde		Other Regional Capitals		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Bakers	26	0.5	18	0.5	44	0.5
Hatmaking	1	--	--	--	1	--
Brickmaking	48	0.9	127	3.5	175	2.0
Coppersmith	8	--	7	--	15	--
Leatherworkers	574	11.0	445	12.3	1,019	11.6
Tailors	3,060	58.7	1,953	54.1	5,013	57.1
Instrumentmakers	1	--	--	--	1	--
Mattressmakers	86	1.7	86	2.4	178	2.0
Blacksmithing	143	2.7	207	5.7	351	4.0
Foundry	24	0.5	4	--	28	--
Printing works	10	--	8	--	18	--
Masons	320	6.1	236	6.5	548	6.2
Woodworkers	800	15.4	401	11.1	1,194	13.6
Metalworkers	21	--	22	0.6	43	0.5
Pastrymaking	7	--	19	0.5	26	--
Tanning	--	--	3	--	3	--
Making fishnets	--	--	2	--	2	--
Furnituremakers	82	1.5	35	1.0	117	1.3
Ropemakers	--	--	2	--	2	--
Teethmakers	--	--	1	--	1	--
TOTAL	5,211	100.0	3,612	100.0	8,778	100.0

SOURCE: Senegalese Office of Statistics, Enquête sur les exploitation artisanal. Figures below 0.5 percent have not been calculated. Horizontal and vertical totals do not always correspond.

TABLE 4
IMPORTANCE OF DIFFERENT CRAFTS AMONG
ARTISANS IN SERVICES

Number of Workshops	Cape Verde		Other Regional Capitals		Total	
	Number	Percentage	Number	Percentage	Number	Percentage
Laundries	128	10.3	35	3.4	163	7.2
Butcher shops	36	2.9	47	4.6	83	3.6
Barber shops	236	18.9	103	10.0	339	14.9
Electricians (Construction)	1	--	4	--	5	--
Electricians (For cars)	27	2.2	38	3.7	65	2.9
Watch Repairmen	121	9.7	78	7.6	199	8.7
General Mechanics	265	21.2	210	20.4	475	20.8
Machine Repairers	2	--	4	--	6	--
Milling	35	2.8	83	8.1	118	5.2
Painting (Const.)	58	4.6	23	2.2	81	3.6
Lamination	1	--	5	0.5	6	--
Plumbers	2	--	3	--	5	--
Refrigerator Repair.	12	1.0	10	1.0	22	1.0
Motorbike Repairmen	27	2.2	102	9.9	129	5.7
Sewing Machine Rep.	1	--	8	0.8	9	--
Glasses Repairmen	16	1.3	17	1.6	33	1.4
Radio & Television Repairmen	93	7.5	104	10.1	197	8.6
Small Portable Stove Repairmen	1	--	--	--	1	--
Taximeter Repairmen	1	--	--	--	1	--
Welding	21	--	16	1.6	37	1.6
Painting (Cars)	101	8.1	57	5.5	158	6.9
Lathe-work	3	--	4	--	7	--
Glazing	9	0.7	16	1.6	27	1.2
Vulcanization	51	4.1	51	4.9	102	4.0
Well Drilling	--	--	11	1.1	11	0.4
TOTAL	1,248	100.0	1,031	100.0	2,279	100.0

SOURCE: Senegalese Office of Statistics, Enquete sur les exploitations artisanal. Figures below 0.5 percent have not been calculated. Horizontal and vertical totals do not always agree.

APPENDIX VI

CHART

A TYPOLOGY OF URBAN ARTISANAL-ENTERPRISES

FEATURES	- - - - - level of development - - - - ->		
	CLASS A	CLASS B	CLASS C
Entrepreneur	<ul style="list-style-type: none"> -actively involved in production; other management functions are not separately defined -functionally illiterate; may speak only African language -does not distinguish between revenue and profit; no distinction between business and personal funds -training: informal sector apprenticeship 	<ul style="list-style-type: none"> -has two distinct roles: producer and promoter/manager -functionally illiterate, but speaks modern language -has a sketchy understanding of profit, but rarely able to figure total costs; no calculation of personal salary -training: informal sector apprenticeship; usually several previous jobs in other artisanal businesses 	<ul style="list-style-type: none"> -more active in management than actual production -functionally literate, speaks modern language -understands concept of profit and value of labor inputs, but does not separate personal returns from business profits -training: same as B, perhaps a modern sector job
Product/Service	<ul style="list-style-type: none"> -simple, functional, often in traditional style; low quality inputs, inconsistent finishing 	<ul style="list-style-type: none"> -basic, functional, but with some embellishing detail; outdated, modern models; inconsistent quality of inputs and finishing 	<ul style="list-style-type: none"> -functional and/or decorative; modern styles; generally well-finished
Employees/Laborers	<ul style="list-style-type: none"> -few, if any, salaried employees; young apprentices and family members are a chief source of labor; these are frequently paid in food and other non-monetary benefits 	<ul style="list-style-type: none"> -several skilled workers receiving salary (non-minimum wage) -numerous apprentices in training, paid as in A 	<ul style="list-style-type: none"> -same as B, but skilled workers play a vital role in production; direct work of apprentices
Equipment	<ul style="list-style-type: none"> -little mechanization -old, generally obsolete equipment; traditional tools (home-made or purchased from another artisanal producer) -equipment corresponds to low skill level 	<ul style="list-style-type: none"> -equipped with several machines, some manufactured tools; generally obsolete -productivity could be increased w/ the use of more sophisticated equipment to match available skills 	<ul style="list-style-type: none"> -variety of fairly modern tools and equipment; these tend to be heavily used and lack good maintenance and repair -skilled workers are trained to work with equipment efficiently

FEATURES

CLASS A

CLASS B

CLASS C

FEATURES	CLASS A	CLASS B	CLASS C
Business Activity	<ul style="list-style-type: none"> -non-continuous work, often seasonal(especially in regional urban centers) -small volume precludes economic profit(subsistence level) -business is still a "family" affair; often handed down from father to son -produces on demand only 	<ul style="list-style-type: none"> -continuous work throughout the year; produces mainly on demand -volume should permit savings, but disorganization and social obligations(family, church, charity) dissipate profits; no distinction between the economic unit of the business and that of the family 	<ul style="list-style-type: none"> -demand is too great for orderly processing; leads to subcontracting w/ other artisans -large portion of work is done on a commission basis -enterprise is distinct business entity -produces mainly on demand; small inventory of standard models
Clientele	<ul style="list-style-type: none"> -local: agricultural or informal sector demand 	<ul style="list-style-type: none"> -local: informal sector and salaried modern sector households; may include some foreign customers in other areas of the country living in the country 	<ul style="list-style-type: none"> -local: as in B -opportunities for expanding sales
Location/Facilities	<ul style="list-style-type: none"> -often installed within family compound -not convenient to central market area -often lacks access to utilities 	<ul style="list-style-type: none"> -workshop is separate from family compound -poorly situated relative to centralized market, especially suppliers -limited access to use of utilities 	<ul style="list-style-type: none"> -same as B -lacks work and display space -could benefit from good market location more than A or B -use of electrically powered tools requires
Organization	<ul style="list-style-type: none"> -no systematic organization of production process; enormous waste of time and materials -no planning(sporadic nature of products does not necessitate careful planning) 	<ul style="list-style-type: none"> -little organization; minimal division of responsibilities -no planning(business suffers from lack of work schedule) 	<ul style="list-style-type: none"> -minimal workshop organization although tasks are fairly well delineated/apportioned among workers -insufficient planning(business loses customers due to delays)
Control	<ul style="list-style-type: none"> -minimal -no record keeping 	<ul style="list-style-type: none"> -minimal, but entrepreneur is aware of losses due to waste and inefficiency(and theft) -receipts kept, but no records 	<ul style="list-style-type: none"> -rudimentary record keeping -enterprise may pay to have statements prepared, but these do not reflect real assets or equity position; deceptive and actually harmful to entrepreneur since they present a false picture of affairs

FEATURES

CLASS A

CLASS B

CLASS C

Pricing	<ul style="list-style-type: none"> -often a barter agreement with client -final price does not even compensate entrepreneur for labor inputs 	<ul style="list-style-type: none"> -relatively "fixed" price for similar goods produced in the artisanal sector; determined by supply and demand -price usually covers basic costs plus some labor 	<ul style="list-style-type: none"> -no fixed price -final price includes profit -prices may be comparable to modern sector goods.
Financing	<ul style="list-style-type: none"> -no working capital -purchases financed almost entirely by consumer advances; consumers often buy materials to give to artisan 	<ul style="list-style-type: none"> -insufficient working capital -entrepreneur is often forced to sell off finished inventory at a loss to get cash for new orders -no outside financing 	<ul style="list-style-type: none"> -insufficient working capital -some suppliers' and purchasers' credit/advances -occasional outside financing; bank credit is obtained mainly through connections and not financial records/standing
Major Problems/ (Areas of Assistance Required)	<ul style="list-style-type: none"> -product development (design and quality control) -marketing(broadening client-type) -location of enterprise (separate from family compound, closer to markets, utilities) 	<ul style="list-style-type: none"> -control: production techniques (better use of tools, upgrade skills); organization of workshop(planning schedule, physical layout); finances(bookkeeping) -product development (update models, quality control) 	<ul style="list-style-type: none"> -control: production efficiency; organization(planning schedule, division of labor); finances (bookkeeping, cash-flow management, accumulation of profits) -marketing (broader market for standardized products)
Investment Required for Increased Productivity	<ul style="list-style-type: none"> -better tools 	<ul style="list-style-type: none"> -tools, simple equipment(purchase and repair), working capital 	<ul style="list-style-type: none"> -equipment -working capital, facilities
Potential for Increase in Employment	<ul style="list-style-type: none"> -negative:market is constantly shrinking 	<ul style="list-style-type: none"> -zero: need to use present employees more productively 	<ul style="list-style-type: none"> -positive: possibility for upgrading skills of present employees and taking on more apprentice-types