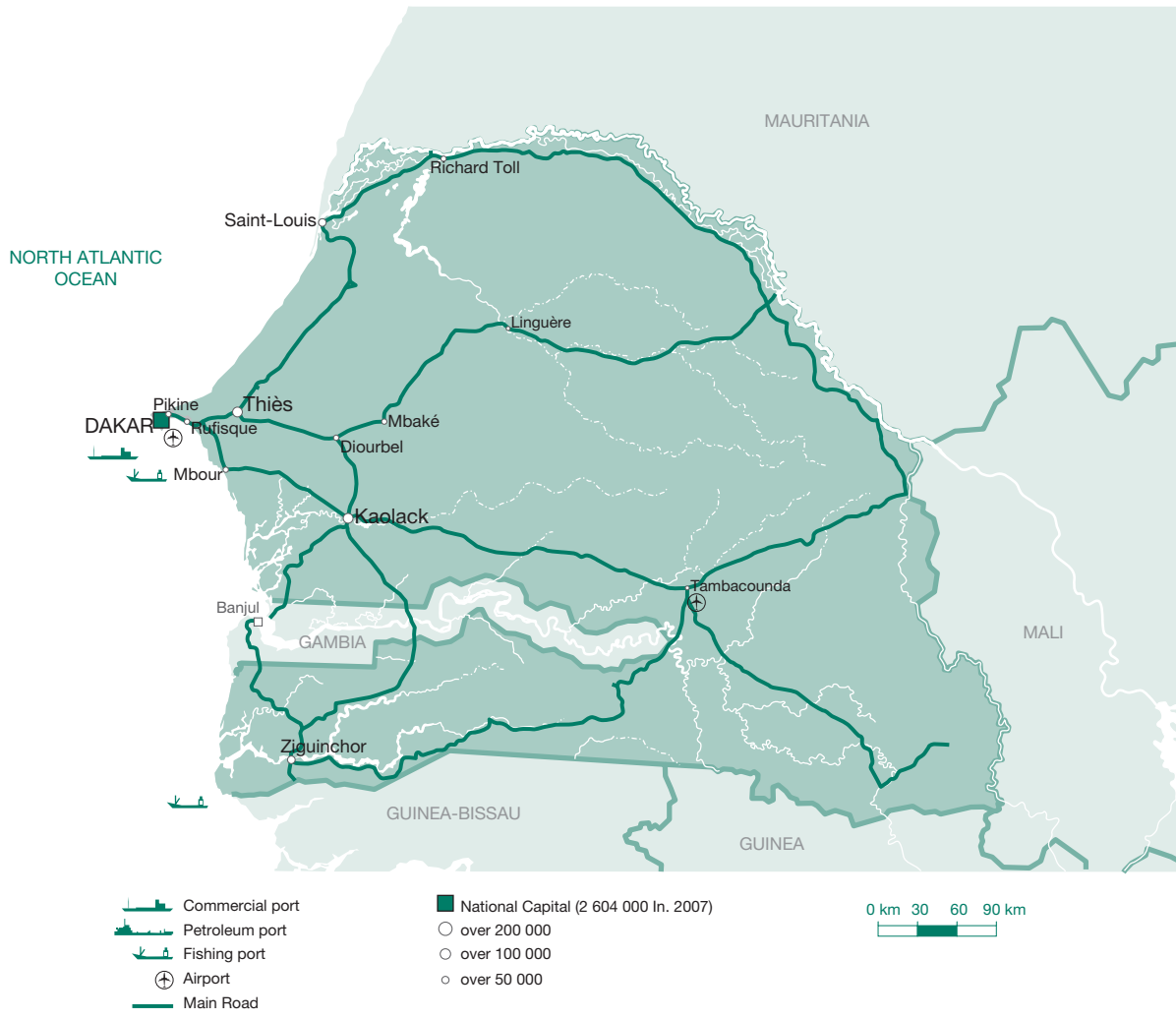




Senegal
2011

www.africaneconomicoutlook.org



This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Senegal

Overview

After two years marked by the effects of the global financial crisis, the Senegalese economy began to recover in 2010 thanks to the global economic recovery and the measures taken by the authorities to boost national economic activity. Gross domestic product (GDP) was estimated to have grown from 2.2% in 2009 to 4.2% in 2010, and is projected to reach 4.5% in 2011. This will be largely due to the performance of the three sectors of the economy – primary, secondary and tertiary – which respectively accounted for 14.7%, 20.4% and 64.9% (including administration) of GDP in 2010.

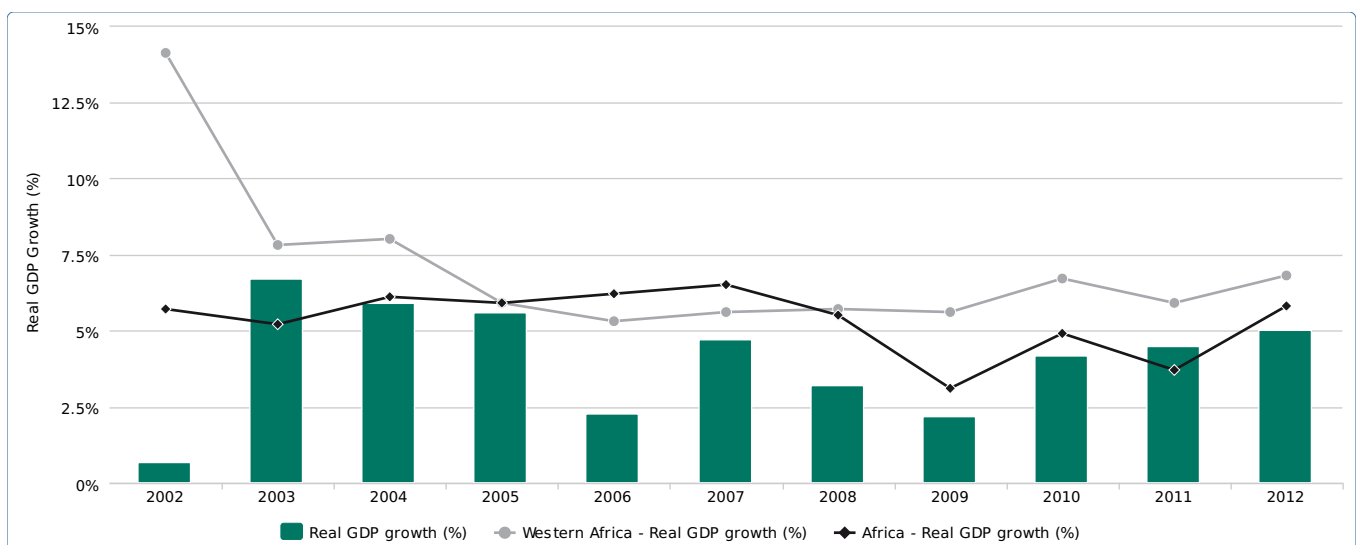
Analysis of the basic macroeconomic indicators in 2010 reveals the start of a recovery in the Senegalese economy. The real growth rate thus rose from 2.2% in 2009 to 4.2% in 2010 and 4.5% in 2011 (forecasts). The average annual rate of inflation (-1.0% in 2009) was 1.2% in 2010. In 2011 inflation measured by the GDP deflator is forecast at 3% largely as a result of higher energy prices. The expected change in the investment rate measured by the Gross Fixed Capital Formation (GFCF) is positive: 23.9% of GDP in 2010 and 24.1% in 2011. The tax-burden rate of 18.9% in 2010 also complies with the requirements of the sub-regional convergence criteria (greater than or equal to 17%).

Senegal's external position in 2009 and 2010 resulted in an improved current account deficit (6.7% of GDP in 2009 and 5.9% of GDP in 2010, compared to 14.2% in 2008). The good rate of revenue collection, up by 11% compared to 2009, and control of the increase in public expenditure (7.1%) characterised Senegal's fiscal policy in 2010. The overall budget deficit, including grants, improved 0.4 percentage points, from 4.9% of GDP in 2009 to 4.5% in 2010. It was estimated at 5.8% in 2011.

Since 2000, Senegal has initiated new partnerships with emerging countries, particularly China, India and Iran. The main achievements are to be found in the areas of training, infrastructure and transport.

The year 2010 was marked by social movements linked to demands for better access to basic services, sometimes at the initiative of citizens' movements unrelated to opposition political parties. New armed clashes resulted in seven deaths among the armed forces in the Casamance region in December 2010. Specific development programmes are being implemented with the objective of re-establishing peace in the region.

Figure 1: Real GDP growth (W)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932404484>

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	2.2	4.2	4.5	5
CPI inflation	-1.1	1.2	3	2.3
Budget balance % GDP	-4.9	-4.5	-5.8	-6.3
Current account % GDP	-6.7	-5.9	-5.9	-10.3

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932406840>

Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2010
Agriculture, forestry, fishing & hunting	16.8	16.6
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	1.1	1.9
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	15	13.8
of which hydrocarbon	-	-
Electricity, gas and water	2.6	3.2
Electricity, water and sewerage	-	-
Construction	4.9	5.1
Wholesale and retail trade, hotels and restaurants	19.6	18.6
of which hotels and restaurants	1	0.8
Transport, storage and communication	11.3	12.5
Transport and storage, information and communication	-	-
Finance, real estate and business services	3.6	3.5
Financial intermediation, real estate services, business and other service activities	-	-
General government services	7.3	6.9
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	17.7	17.8
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department; Ministry of Finance.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932407809>

Following the global economic and financial crisis in 2008 and 2009, Senegal's economy began to pick up in

2010, despite the crisis in the electricity sector, as a result of the global recovery and the economic policies implemented by the Senegalese authorities to revive economic activity. These policies included the government's efforts to clear its domestic debt, which badly affected the private sector in 2009. The economic recovery in 2010 was mainly due to improvements in the main sectors of the economy.

The primary sector accounted for 14.9% of GDP in 2010 and this figure is forecast to fall slightly to 14.7% in 2011 and 14.4% in 2012. The growth rate for this sector registered an increase of 4.5% in 2010 compared to the 10% in 2009. This slowdown in the rate of growth is a result of the results recorded by the agriculture, livestock and fisheries sector. The primary sector's contribution to GDP in 2009 was formed by agriculture (8% of GDP), livestock and hunting (4%), fisheries (1.7%), and forestry (1%). The sector remains vulnerable to exogenous factors, these being the weather conditions and volatile global commodity prices.

Industrial or export crops (especially groundnuts and cotton) grew by an estimated 5.4% in 2010, and growth of 4.7% and 4% is projected for 2011 and 2012. Groundnut production increased from 731 000 tonnes in 2009 to 1.032 million tonnes during the 2009/10 season and is expected to reach 1.064 million tonnes in 2010/11, representing a 3% increase.

Nevertheless, the groundnut sector is going through a difficult period because of the low prices paid to producers. On the ground, production is harvested and delivered to the oil manufacturers by the licensed private marketing agents, known as *opérateurs privés stockeurs*, who are responsible for obtaining financing from banks. The producer price of groundnuts is set following consultation between the oil manufacturers and a national committee for stakeholders in the groundnut industry, the *Comité national interprofessionnel de l'arachide* (CNIA). For the 2009/10 season, the CNIA set a price of XOF 165 (CFA Franc BCEAO) per kilo. This included a state subsidy of XOF 45.

The low producer price was underlined by a recent study undertaken by agronomists, which found that the farm-gate price for the 2009/10 season should have been XOF 192, meaning a loss of XOF 27 per kilo for producers. For the 2010/11 season, the price set by the CNIA remains at XOF 165, with the state subsidy reduced to XOF 15 per kilo. In addition to the low price, the season started late.

Dysfunctional marketing compounds the farmers' problems, who are sometimes leading farmers to sell their harvest at much lower prices than the set price of XOF 165 (a kilo of groundnuts at local markets costs XOF 90). Cotton production fell in the 2009/10 season to 18 500 tonnes, down from 26 256 tonnes in 2008/09. The 2008/09 season also saw falls in the production of cassava (-71%), cowpeas (-31%) and sesame (38%). During the 2010/11 campaign the decline in production of cassava, cowpeas and sesame has continued (respectively, -18.1%, -17.5% and -91%). However, cotton production has recorded a turnaround, with an increase of 26% over the 2009/10 season.

Regarding horticulture, fruit production rose by 11% in 2009 and vegetable production rose by 8.3%. Through the "horticulture" plan, Senegal implemented a policy aimed at increasing exports from 35 000 tonnes in 2010 to 50 000 tonnes by 2012 and 75 000 tonnes by 2015.

Livestock farming's contribution to GDP, which was 4% in 2009, has strengthened by 0.2 percentage points in 2010 and is expected to remain the same in 2011. In 2010 the sector grew by 3.7%, with milk production increasing by 5% and poultry farming growing by 4%. The good levels of milk production began in 2009, when 166.7 million litres were produced (100% of the projected production). The high production is the result of an appropriate artificial insemination policy and the development of peri-urban dairy farms. Growth of 3.5% and 3.8% is predicted for 2011 and 2012.

The fisheries sector saw growth of 10% in 2010, up from 2.6% in 2009. Projected growth for 2011 and 2012 is 2.1% and 2.3% respectively.

In the secondary sector, the marked recovery begun in 2009 has not continued in 2010 mainly because of the deteriorating business environment largely due to the difficulties in the energy sector. In 2010, the estimated growth was 2.9% (compared to 4.8% in 2009) and the projected growth for 2011 and 2012 is 5.1% and 6.0%. This upward trend is the result of growth in branches such as the manufacture of chemical products, construction, construction materials and metallurgy.

After negative growth of 18.1% in 2008, the manufacture of chemical products grew strongly in 2009 (+15.3%) and 2010 (5.0%). This strong growth was a result of the revitalisation of the sector following the recapitalisation of *Industries chimiques du Sénégal* (ICS) in 2008, when the Indian Farmers Fertiliser Cooperative Limited acquired 85% of ICS stock. The growth rate of phosphoric acid production, one of the main activities of ICS, thus increases by 10.3% in 2010.

Following a weak performance in 2009, with a 4.4% fall in activity, the construction sector recovered in 2010, growing by 5.8%. There are optimistic projections of 7% growth in 2011 and 7.5% growth in 2012. The benefits

of the recovery in 2010 include the continuation of the construction of the Dakar-Diamniadio toll motorway and Blaise Diagne International Airport, and in particular, the implementation of the 2010-15 five-year road infrastructure programme, with a budget of XOF 1.6 trillion

This upturn in the construction sector enabled good results in the construction materials sector. Furthermore, foreign demand for cement grew substantially in 2010, with exports increasing by 50.6% during the first six months, compared to 2009. There was a similar upward trend in the metallurgy industry, also as a result of the recovery of the construction sector, with growth of 22.7% in 2010 following a 0.4% contraction in 2009.

Mining and quarrying recorded growth of 6.8% in 2010 following the exceptional boom of 54.9% growth in 2009 as a result of the development of phosphate mining to accompany the growth in the production of chemical products. Mining and quarrying were also stimulated by the establishment of the state phosphates firm SERPM (*Société d'étude et de réalisation des phosphates de Matam*), which to support the success of the GOANA agricultural drive (*Grande offensive agricole pour la nourriture et l'abondance*) produced 20 000 tonnes of soft natural phosphates in its first year in 2008. In 2009, it increased its production to 25 000 tonnes (GOANA 2). In 2010, the SERPM produced and manufactured a high-quality compound granular fertiliser in accordance with the recommendations of the Ministry of Agriculture to meet the specific needs of Senegalese agriculture in order to complete GOANA 3.

In the energy sector, growth was 5.4%, reflecting the upward movement of water production (5.2%) and that of the electricity suppliers from SENELEC (including GTI) of 35%. SENELEC's production in turn contracted by 4.5% due to outdated production facilities combined with cash flow problems from the company. In the period 2008/09, the state injected XOF 139 billion to recapitalise the state energy firm SENELEC and XOF 140 billion to keep prices stable. These real efforts could not avoid the usage of frequent power cuts, which are crippling the country's economic activity. The situation reached a critical point in July 2010, when the use of adulterated fuel severely damaged several machines from the distribution grid. The numerous power outages have caused protests in the suburbs of Dakar and in several cities in the country. To permanently resolve the electricity problem in Senegal, the government has implemented an emergency plan called "Plan Takkal" whose implementation should be spread over the period 2011-15.

The oil refining industry shrank in both 2009 and 2010, by 16.2% and 13.8% respectively. The fall in activity was caused by the problems encountered by the refinery company *Société africaine de raffinage* (SAR): volatile international prices, low storage capacity, problems in the logistics of receipt and offload at the port in Dakar.

The meat and fish processing and preservation sector also contracted in 2010, by 8.7%, as certain companies ceased operations because they did not comply with the sanitary and phytosanitary standards imposed by European countries.

Finally, cotton ginning and textile manufacturing activity also declined in 2010 (-26.2%), having also declined in 2008 (-5.7%) and 2009 (-1.1%). The declines in 2009 and 2010 were due to the drastic fall in cotton production, as well as fraud and smuggling. In total, the secondary-sector share of GDP rose from 20.4% in 2009 to 20.8% in 2010. According to projections, the share will rise to 21.4% in 2011 and 21.9% in 2012.

A recovery was expected in the tertiary sector in 2010 (+4.9%) after the slowdown in 2009 (+0.8%) and 2008 (+3.2%). This good performance was due to the increased growth in trade, which expanded by 4.1% in 2010, up from 2.2% growth in 2009, notwithstanding the slowdown in growth of commercial activities (1.4% in 2010 compared to 2.2% in 2009) following a contraction of imports of 1.5% in real terms.

Other branches that stimulated growth in the tertiary sector in 2010 include the post and telecommunication services (9.3% against 2.3% in 2009), transport (11.4% against -6.4% in 2009), accommodation and catering (14.2% against -6.9% in 2009) and financial services (13.4% against 0.9%). Telecommunications benefited from a buoyant mobile telephony boosted by the sales of discounted phone cards, often carried out by the operators. The accommodation and catering industry benefited from the economic recovery in Europe and from the organisation of major events in Dakar, such as the inauguration of the Monument of the African Renaissance and the World Festival of Negro Arts (FESMAN).

Nevertheless, the latest statistics confirm the importance of the tertiary sector to the Senegalese economy. The sector's share of GDP was 46.8% in 2009, and at 46.2% in 2010. It is projected to remain stable in 2011 and 2012, around 46.1%.

In 2010, there was a marked recovery in gross fixed capital formation (GFCF), which grew by 5.3%. In 2009, GFCF contracted by 7.4% due to a 12.7% fall in private investment as a result of the global economic and financial crisis. In 2010, the rise in GFCF will have concerned both the public and private sector thanks to the government's major efforts to clear its domestic debt and to the global economic recovery. These conditions caused investment, measured as GFCF, to rise from 23.7% in 2009 to 23.9% in 2010.

Final consumption was estimated at 92.4% of GDP in 2010, down from 92.8% in 2009. At the same time, the domestic-savings rate is estimated to have risen from 7.2% in 2009 to 7.6% in 2010. According to projections for 2011, final consumption should represent 90.7% of GDP while the domestic-savings rate equals 9.3% of GDP. For final consumption, this represents a projected rate of growth of 4.1% in 2011, compared to 3.8% in 2010. The main reason for this positive trend is private consumption, the growth rate of which is expected to rise from 4.1% in 2010 to 4.3% in 2011. In real terms, domestic demand is estimated to have risen by 4.2% in 2010, compared with growth of 0.7% in 2009, thus reflecting the recovery in economic activity.

External demand, meanwhile, has been characterised by a decrease of imports of 1.5% in real terms in 2010 compared to an increase of 0.6% in 2009. Equally, imports as a share of GDP decreased from 43.1% in 2009 to 39.9% in 2010. The projected share for 2011 is 39.1%. On the contrary, exports as a share of GDP rose by 7% in 2010, up from 2.9% in 2009. This upward trend was thanks to sales of cement, petroleum products and phosphoric acid stimulated by the recovery in the performance of ICS. As a share of GDP, exports rose slightly from 23.2% in 2009 to 24.2% in 2010.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	17.2	23.7	5.3	11.1	12.2	2.6	3.2	3.8
Public	5.7	6.7	5	7	6	0.3	0.5	0.4
Private	11.5	20.4	10.6	12.3	14	2.2	2.8	3.4
Consumption	93.2	92.8	3.8	4.1	2.6	2	2.1	2.3
Public	13.3	14.2	1.5	1.7	2.5	0.2	0.2	0.3
Private	80	78.6	4.1	4.3	2.7	1.8	1.9	2
External sector	-10.4	-19.9	-	-	-	-0.4	-0.9	-1.1
Exports	28.5	23.2	7	3.7	3.3	1.1	0.9	0.8
Imports	-39	-43.1	-1.5	4.2	4.6	-1.5	-1.7	-1.9
Real GDP growth rate	-	-	-	-	-	4.2	4.5	5

Source: Data from Ministry of Finance; estimates (e) and projections(p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932408778>

Macroeconomic Policy

After the food and energy crises in 2008 and the global recession in 2009 badly affected Senegal's development, the country's economy recorded an upturn in growth in 2010 owing to the effects of the global recovery and better targeted macroeconomic policies.

Fiscal Policy

The last few fiscal years saw significant overspending and ongoing domestic payment arrears towards the private sector. To address these flaws, the government implemented a prudent fiscal policy in 2010 aimed at stimulating overall demand, controlling public expenditure and clearing the domestic debt. In October 2010, the government publicly stated its desire to finish paying off the extra-budgetary expenditure dating from 2008. Overall for 2010, budgetary resources are estimated to have grown by 13%, compared with a 2.6% fall in 2009. Government capital expenditure, meanwhile, is estimated to have grown by 6.1%, compared with 1.9% in 2009.

The budgetary resources for 2010 amounted to XOF 1.246 trillion, up slightly from XOF 1.122 trillion in 2009. This XOF 124 billion increase was mainly due to the more favourable domestic environment. Budget receipts for 2010 rose by 10.6% to XOF 1.199 trillion from XOF 1.085 trillion in 2009.

The additional tax revenue was generated by reforms aimed at broadening the tax base and modernising the tax authorities, but also by increased direct and indirect taxes, which respectively accounted for 28.5% and 71.5% of tax revenue in 2010. Non-tax revenue rose to XOF 46.3 billion in 2010, up 24.1% from XOF 37.3 billion in 2009. This rise was mainly due to the strong upward trend in property taxes following the introduction of a new reform to the property laws. The share of tax revenue in GDP continued its upward trend, rising from 18.0% in 2009 to 18.9% in 2010. A similar share of 19.1% is projected for 2011, still well above the ECOWAS floor of 17%.

Total expenditure and net lending were estimated at XOF 1.722 trillion in 2010, up from 1.608 trillion in 2009. There are various reasons for this upward trend, including the increase in capital expenditure, staff costs and interest on external debt. Overall investment rose by 21.7% from XOF 606.9 billion in 2009 to 738.3 billion in 2010. This progress is both related to capital expenditure financed by domestic resources (up 67.2 billion compared to 2008) as to those financed with external resources (up 64.2 billion compared to 2009).

Current expenditure included a 7.7% rise in personnel costs in 2010 and interest on debt (27.7%). The interest on external debt, affected by the Eurobond loan taken out in 2009, thus rose from XOF 23.1 billion in 2009 to XOF 34.8 billion in 2010. Operating expenditure, however, is estimated to have been reduced by 8.9% in 2010, as it was in 2009.

In total, the overall budget deficit, including grants, is estimated to have improved slightly, from 4.9% of GDP in 2009 to 4.5% in 2010, and is projected to rise to 5.8% in 2011. Senegal's fiscal position thus places the country in line with two out of three first-order convergence criteria for public finance management issued by the West African Economic and Monetary Union (WAEMU): an overall debt-to-GDP ratio of less than 70% (Senegal's was 34.8% in 2009 and is estimated at 34.5% for 2010); the elimination of payments arrears (Senegal met the criteria for 2010).

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	19.5	22.8	21.7	22	23.1	22.2	21.4
Tax revenue	16.9	19.3	18.3	18.3	18.9	19.1	18.6
Oil revenue	-	-	-	-	-	-	-
Grants	1.7	2.4	2.3	3	2.6	2.2	2.1
Other revenues	1	1.1	1.1	0.6	0.6	0.6	0.6
Total expenditure and net lending (a)	21	26.5	26.5	26.8	27.6	28	27.7
Current expenditure	13.7	16	16.4	16.7	17	17	16.5
Excluding interest	12.6	15.5	15.8	16	16.1	15.9	15.5
Wages and salaries	5.4	6.1	5.8	6	5.9	5.6	5.4
Goods and services	3.6	4.4	4	5.6	6	6	6
Interest	1.1	0.5	0.6	0.8	0.9	1.1	0.9
Capital expenditure	7.4	10.5	10	10.1	10.5	10.9	11.1
Primary balance	-0.4	-3.2	-4.2	-4.1	-3.6	-4.7	-5.4
Overall balance	-1.4	-3.8	-4.8	-4.9	-4.5	-5.8	-6.3

a. Only major items are reported.

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932409747>

Monetary Policy

Senegal is a member of the WAEMU along with seven other countries: Benin, Burkina Faso, Togo, Mali, Guinea-Bissau, Côte d'Ivoire and Niger. The authorities therefore have little room for manoeuvre, since the country's monetary policy is the responsibility of the Central Bank of West African States (CBWAS). Because of the close monetary ties between France and the African states, there is a fixed exchange rate between the West African CFA franc (XOF) and the euro (1 EUR = 655.957).

To provide greater autonomy on monetary policy, the CBWAS created the CPM committee (*Comité de politique monétaire*) in 2010. Composed of 19 members – the governor, the deputy governor, one member appointed by each state, a member representing France, and four people from the WAEMU – chosen for their competence in monetary, financial and economic affairs. The first meeting of the committee took place at the headquarters of the CBWAS in Dakar on 14 September 2010. The CPM's missions are to set the monetary policy, choose the appropriate intervention tools for the central bank and set the inflation objective. In 2010, inflation in Senegal, as measured by the Harmonised Index of Consumer Prices (HIPC), rose slightly (+1.2%), with the prices of energy products (+5.9%) and food prices (+4.0%).

In 2010, the position of the monetary institutions led to an increase in the net external assets and in internal credit. Net external assets amounted to XOF 987.9 billion in 2010, compared to XOF 858.6 billion in 2009, covering a little more than five and a half months of imports, as opposed to five months in 2009. Internal credit grew by XOF 249.5 billion to XOF 1.853.1 trillion in 2010, from XOF 1.604 trillion in 2009. This positive evolution is the result of a 10.7% increase in credits to the economy on the one hand and on the other and a XOF 100.2 billion improvement in the government's net position.

Analysis of credits to the economy reveals that long-term credits predominate, to the detriment of medium- and short-term credits. During the first six months of 2010, according to the economic forecasting department, short-

term credits accounted for 63% of the total, medium-term credits accounted for 33% and long-term credits accounted for 4%. This configuration of credits to the economy is damaging to long-term investment, which is fundamental for sustained economic growth.

The sectoral distribution of credits to the economy shows that the catering and accommodation sectors receive almost 43% of bank financing – much more than is received by the primary sector, even though the latter employs 70% of the working population. These conditions mean that companies in the primary and secondary sectors, which are very dynamic in creating jobs and reducing poverty, are neglected. In this regard, there was a small reduction in the rate of bank financing to the economy in 2010, which stood at 24.5%, down from 24.8% in 2009. To put this into perspective, the rate is close to 100% in countries such as Tunisia, and even higher in countries such as South Africa (145%). The rate in Morocco is 77%.

External Position

Senegal's external position was marked by an improvement of its current account due to the reduction of its trade deficit. The current account deficit was estimated at 5.9% of GDP in 2010, down from 6.7% in 2009. The trade balance deficit decreased from XOF 957.7 billion in 2009 to XOF 941.5 billion in 2010, having improved by XOF 16.2 billion. As a share of GDP, it decreased from 15.9% in 2009 to 14.8% in 2010, and is projected to reach 14.4% in 2011. The deficit diminished because Senegal's imports (XOF 40.5 billion) increased less than its exports (56.8 billion) in 2010. On a year-on-year basis, exports grew by 5.7% in 2010, thanks mainly to increased sales of groundnut products (+40.7%), cotton (+70.5%), phosphoric acid (+64.1%), fish (+4.9%) and petroleum products (+6.5%).

The growth in exports in 2010 was thanks to the good 2009/10 agricultural season, which saw groundnut production break the million tonne mark and an upturn and recovery in ICS activities following the recapitalisation in 2008. Imports also grew, from XOF 1.948 trillion to XOF 1.988 trillion in 2010. Much of this 2.1% growth came from increased imports of petroleum products (+12.9%) and capital equipment (+6.1%). Petroleum products were the main imports in 2010, accounting for 28.1% of the total, followed by capital equipment (25.5%). Food products, which were the main imports in the early 2000s, were only the third largest type of import in 2010, accounting for 21.4% of the total.

Net current transfers increased from XOF 695.6 billion in 2009 to XOF 703.6 billion in 2010. The growth in current transfers was thus 1.1%, compared to a decrease of 7.8% in 2009, when they were affected by the international economic and financial crisis. As the ratio of GDP, current transfers decreased 4 percentage points: 11.5 % in 2009 vs 11.1 % in 2010. The capital account and financial operations had a surplus of XOF 503.7 billion in 2010, up from XOF 496.8 billion in 2009. The surplus enables to cover the deficit in current transactions for 2010.

The Highly Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) have enabled Senegal to reduce its debt to a more manageable level. The MDRI provided USD 137 million in debt relief in February 2010. The stock of public debt is estimated to have increased to XOF 2.189 trillion in 2010 from XOF 1.964 trillion in 2009 (+11.5%). As a ratio of GDP, this represents an increase from 32.6% in 2009 to 34.5% in 2010, still way below the 70% ceiling specified in the WAEMU's convergence pact. In 2010, as a percentage of GDP external debt was estimated at 27.5% and domestic debt at 6.9%. Projections for 2011 give 39.5% of GDP for public debt (29.2% for external debt and 7.5% for internal debt).

Table 5: Current account (percentage of GDP)

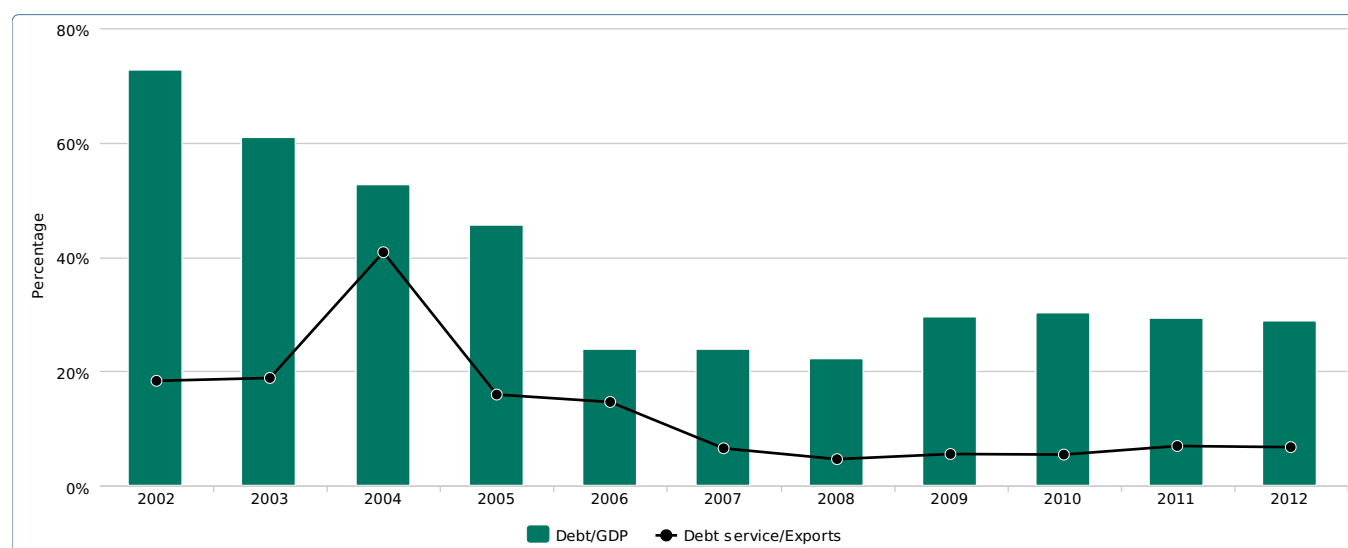
	2002	2007	2008	2009	2010	2011	2012
Trade balance	-10.1	-22	-25.6	-15.9	-14.8	-14.4	-20.4
Exports of goods (f.o.b.)	20	14.8	16.6	15.8	16.7	16.8	16.5
Imports of goods (f.o.b.)	30.1	36.9	42.2	34.1	33.9	33.7	36.9
Services	-0.3	-0.3	-0.9	-0.7	-0.7	-0.5	-0.4
Factor income	-2.4	-0.7	-0.4	-0.3	-0.4	-0.4	-0.4
Current transfers	6.9	11.4	12.7	11.5	11.1	11.8	10.9
Current account balance	-5.9	-11.6	-14.2	-6.7	-5.9	-5.9	-10.3

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932410716>

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932404484>

Structural Issues

Private Sector Development

In the World Bank's *Doing Business* ranking for 2011, Senegal was placed 152nd out of 183 countries, one place lower than in 2010. The country has been asked to make efforts to reduce the high cost of transactions. Nevertheless, the 2011 report highlights progress in various areas.

Senegal was placed 25th for improvements to the business climate and for the ease of obtaining construction permits. It is also one of the few non-OECD countries to have successfully set up a one-stop shop to facilitate business start-up. Other positive points were also highlighted in the area of cross-border trade. Senegal is also praised for the various institutions that exist to create good governance. These institutions include the anti-corruption commission and the CENTIF unit responsible for processing financial information (*Commission de lutte contre la non transparence, la corruption et la concussion*), and the CENTIF financial-information processing centre, and Senegal is also an active member of the Inter-Governmental Action Group against Money-Laundering in West Africa

The Senegalese financial system is governed by the requirements applicable to the eight member states of the WAEMU. The organisation responsible for ensuring that these requirements are adhered to is the *Conseil régional de l'épargne publique et des marchés financiers* (CREPM). This regional body monitors the market's two most important structures: the Regional Stock Exchange for Stocks and Shares (BRVM) and the Central Depository/Settlement Bank (DC/BR). The principal mission of these two structures is to promote the financial market. Senegal occupies a privileged position in the regional financial market thanks to the predominant role given to the state telecommunications firm Sonatel in the market capitalisation.

Although the Senegalese banking system is very fluid, many factors hinder it in distributing medium- and long-term credit to businesses. These factors include the informal nature of businesses and the information asymmetry for correct accounting. These two problems must be resolved to end the reluctance of banks to issue credit.

Other Recent Developments

The authorities resulting from the political transition in 2000 have initiated a series of reforms covering areas such as the public sector, infrastructure, the environment and agriculture.

Public-sector reform

There has been a major step forward in the decentralisation reform that began a number of years ago. In collaboration with economic and financial partners, the PNDL local-development programme (*Programme national de développement local*) was created with the mission of taking grass-roots action to eradicate poverty. Furthermore, the President of the Republic announced the implementation of a green revolution in rural areas aimed at dealing with certain problems such as the diversion of subsidies by "non farmers". As part of these plans, the government wants to set up a national farmers' bank (*Banque des agriculteurs du Sénégal*) with a capital of XOF 30 to 40 billion to enable Senegalese farmers to try and deal with their problems themselves. To help with the deployment of the green revolution, the government envisages giving the farmers the state's shares in the state agricultural credit fund, the CNCAS, (*Caisse nationale de crédit agricole du Sénégal*).

The latest government initiative in this area has been the creation of a commission charged with leading a reflection on the "provincialisation of the country", with the objective of introducing a new, local, participative form of governance.

As part of its budgetary policy, the government envisages continuing its ambitious plan of reforms aimed at increasing effectiveness and transparency. It has thus undertaken a series of measures, including limiting the use of supplementary budget appropriations (*décrets d'avance*), appointing specific accounting officers to public bodies to reduce extra-budgetary spending, improving the functioning of the SIGFIP public-spending management system (*Système intégré de gestion des finances publiques*) that was set up in partnership with donors, and reforming the court of auditors so it can audit the public accounts each year.

Infrastructure

The public authorities very quickly showed their firm desire to develop the country through an ambitious infrastructure programme, hence the work carried out within the framework of the Organisation of the Islamic Conference's national agency and completed at the end of 2009.

A whole series of measures have also been taken to improve the functioning of the energy sector: the state

electricity firm's programme to reduce non-technical losses was strengthened, anti-fraud measures were taken, and the GTI power station, which had been closed for several months, was reopened.

For the provision of fuels, the authorities have taken measures to increase storage capacities so as to have the right provisions for the market. These measures included the opening of a 164 000 m³ storage depot for petroleum products in Mbao, near Dakar, in partnership with the private company DIPROM. The company SENSTOCK was set up with a capital of XOF 12.4 billion shared between PETROSEN (46%), DIPROM (34%) and Société africaine de raffinage (SAR) (20%).

The solution to the SENELEC crisis and the power cuts is now directly related to the co-operation agreement signed between the Minister of State Karim Wade and the French energy company EDF. According to the terms of the agreement, EDF is committed in particular to helping Senegal increase production and improve the performance of its facilities.

Management of natural resources and the environment

In the area of natural resources and environmental protection, Senegal faces difficulties such as low rainfall and inconsiderate human behaviour (a massive rise in the number of forest fires and an increase in deforestation). Together, these problems have led to a deterioration of forestry resources and of the population's living conditions.

Despite these difficulties, Senegal is coming closer to achieving Goal 7 of the Millennium Development Goals (MDGs). In 2010, 97% of urban households and 73.6% of rural households had access to safe drinking water. The objective of 75% for rural areas set for 2009 has therefore not been achieved. The rate of access to sanitation was 63.6% of urban households and 28.9% of rural households. The objectives for 2015 are 78% and 59% respectively.

These statistics show the major improvements Senegal has made to these facilities: it has already achieved the MDG target for access to drinking water in urban areas and is very close to achieving the target for basic sanitation in urban areas. The difficulties in achieving the latter target come from opposition from the people of Cambérène to the implementation of the EU-funded project to enlarge the outfall of the town's sewage treatment plant.

Agricultural reform

The REVA plan (*Retour vers l'agriculture*, or "Return to Agriculture") and the green revolution are the latest agricultural reform innovations. They enabled cereal and groundnut production to double between 2007 and 2009. A series of land reforms have also been introduced with the aim of making transactions transparent. The state thus envisages creating an inventory of all its built and non-built assets before the middle of 2011 and intends to update it regularly.

Emerging Economic Partnerships

Much of the economy is financed through the partnership between Senegal and donors. Since the turn of the century, Senegal has signed co-operation agreements with new donors, the most important of which have been China, India and Iran. The co-operation with these emerging countries is both rich and diverse.

Without long discussions or political divergences, China and Senegal signed an agreement on 25 October 2005 to re-establish diplomatic relations. The Chinese offensive is justified by the strategic position of Senegal in Africa and its role in international organisations.

Located at a crossroads between Europe, the Americas and the countries of Africa, Senegal is becoming a major hub, enabling fairly easy access to these different markets. Added to this is the country's importance in the sub-region, the continent as a whole and the wider world. Senegal's voice is both heard and respected in organisations such as the Economic Community of West African States (ECOWAS), the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the United Nations (UN).

The focal points of this co-operation are education (scholarships), infrastructure (construction of 11 regional stadiums and repair of the Alassane Djigo de Pikine and Ely Manel Fall de Diourbel stadiums) and transport (enlargement of the vehicle fleet used by the Senegalese authorities and construction of the toll motorway, the Patte d'Oie interchange and Colobane Bridge).

Accounting for 20% of the loan agreements signed by Senegal in 2007, the partnership with China is particularly prominent in the trade sector. In 2010 there was a massive presence of Chinese people in the new Chinatown that has developed on Allée Papa Gueye Fall, which begins at the end of Avenue Charles De Gaulle in the Senegalese capital. The main products imported from China are tea, organic and non-organic chemical products, artificial and synthetic fibres, shoes, printed cotton fabrics, ceramic stones and veins, and fruit and vegetables.

Between 2000 and 2005, these exports were estimated to amount to XOF 34.864 billion, while imports amounted to an estimated XOF 8 billion, despite the Chinese government having negotiated preferential access to 440 types of Senegalese products, particularly fish products, agricultural products, mining products, chemical products, hides and skins, wood, cotton, textiles and clothing, jewellery, and handicrafts.

Senegal is interested in co-operating with China in the area of information and medication technologies (ICTs) as part of its battle against the digital delay. The two countries have signed a XOF 55 billion agreement to finance the e-government project that includes extending the government intranet to the embassies, consulates, prefectures and subprefectures as well as creating and developing a telemedicine and distance-learning network in Dakar. Furthermore, the China Economic and Social Council (CESC) provided a large donation of computer equipment to its Senegalese counterpart, formerly known as the *Conseil de la République pour les affaires économiques et sociales du Sénégal*, or CRAES, but now known as the Economic and Social Council.

India is Senegal's second emerging partner. As a percentage of all agreements signed, the proportion of loans from India increased from 5% in 2004 to 20% in 2009. India is also Senegal's second commercial partner, and is involved in various projects, including the car-assembly project developed by Tata. India also contributed to ICS's recovery. At the end of 2008, the commercial contract between Senegal and IFFCO (ICS's main client), which runs until 2012-13, allocates all production to IFFCO, which now holds an 85% share in ICS, the remaining 15% belonging to the state for the production of fertilisers. India is also involved in mining through the Arcelor Mittal group.

The two countries also successfully co-operate in training civil servants in computer skills. In health care, India supports Senegal through a XOF 2.5 billion agreement with the Export-Import Bank of India to finance facilities at centres giving the Senegalese people better access to healthcare.

In education, the focus is on training and capacity building through a partnership established in 2010 between the ISM management school in Dakar (*Institut supérieur de management*) and the Indian Institute of Foreign Trade (IIFT). Since 2004, India has awarded more than 1 600 scholarships and internships to Senegalese students.

Finally, the Foreign Trade Directorate estimates commercial transactions between the two countries to be worth XOF 448 billion. In 2010, an estimated 26.7% of Senegalese exports went to India. India is also involved in rural electrification.

Senegal's third emerging partner is the Islamic Republic of Iran. The Organisation of the Islamic Conference (OIC) summit in 2008 gave Senegal the opportunity to establish commercial relations with Teheran. Iran is slightly isolated in the Islamic community, but by actively co-operating with countries of the Non-Aligned Movement like Senegal, it is able to consolidate its position on the global stage.

In the area of transport, this co-operation resulted in the opening of an assembly factory by the motor-car manufacturer Iran Khodro at a cost of USD 80 million. The factory assembles vehicles under licence from Peugeot and Mercedes-Benz. The partnership also led to the creation of a refinery and petrochemicals factory in collaboration with the Senegalese state refinery firm SAR (*Société sénégalaise de raffinerie*). Furthermore, in 2008, Iran rehabilitated various roads in Dakar and the surrounding region and built the four-lane highway between Thiès and Touba.

In terms of trade, Senegalese exports to Iran amounted to XOF 20 million in 2007, while imports from Iran were estimated at XOF 12 billion. In 2010, as a continuation of the dynamic co-operation between the two countries, they signed agreements in very specific areas, covering: the implementation of food self-sufficiency programmes for rice, the creation of industrial chicken farming units, the promotion of agricultural equipment (Sen Iran car-assembly factory and full tractor and lorry assembly lines) and support for the energy sector (the construction of the interconnection between Tambacounda and Ziguinchor, the building of a factory manufacturing low-energy light bulbs).

Despite the importance of the projects at stake, Senegal recalled its Teheran ambassador in December 2010 after a ship from Iran travelling to The Gambia was discovered carrying 13 containers full of arms of various kinds, including ammunition for heavy weapons. The ship was intercepted by Nigeria, who informed the UN Security Council of its content. The situation continued to get more tense until, in late February 2011, Senegal decided to break diplomatic relations with Teheran.

Senegal co-operates with its three emerging partners within the framework of bilateral agreements requiring action from the directorates of the finance and foreign affairs ministries and the corresponding embassies. In addition to its fruitful partnership with these emerging countries, Senegal participated in the China-Africa, India-Africa and OIC summits in 2008.

Political Context

In Senegal, the President of the Republic is elected by universal suffrage. A two-chamber parliamentary system has been in force since 2007 with a 150-member National Assembly and a 100-member Senate. An 80-member Economic and Social Council has recently been created. In power since 2000, re-elected in 2007, Abdoulaye Wade is a candidate to succeed himself for a third term in 2012. However, the Constitution, amended by referendum in January 2001, now limits presidents to two terms of office. This divides constitutionalists on the admissibility of the candidacy of the incumbent President.

The opposition is focusing its attention and energy on the next presidential elections and on the opportunity to present a single or plural candidacy. It has thus abandoned activity on the ground in favour of citizens' movements, which exploded in number in 2010. These movements are led by politicians, academics, celebrities and religious leaders, including the singer, Youssou Ndour, the former Foreign Affairs Minister, Cheikh Tidiane Gadio, the academic, Amsatou Sow Sidibé and the marabout Serigne Mansour Sy Djamil.

2010 was marked by social movements linked to demands for better access to basic services. Various mass protests against power cuts and floods were held in Dakar and its outskirts. Further armed clashes resulted in seven deaths among the armed forces in the Casamance region in December 2010. Specific development programmes are being implemented with the objective of re-establishing peace in the region.

Social Context and Human Resource Development

In its pursuit of the MDGs, Senegal is on the way to achieving the target of schooling for all. The gross primary school admission rate has reached 117.5%, so the target of 110.3% by 2015 has already been achieved. The gross enrolment rate (GER), which stood at 80% in 2008, is now estimated to be close to 95% if Arabic classes are included. The primary school completion rate, which was 58.4% in 2008, is now above 60%, but remains low compared to the objective of 90% by 2015. This low rate is the result of ongoing problems such as students dropping out, malnutrition, and the recurring issue of temporary shelters, although considerable efforts have been made over the past decade in the construction of new classrooms, the establishment of elementary schools, colleges, high schools and regional university centers across the country.

In lower secondary education (11-13 year olds), the GER, for which the 2015 target is 54.5%, was 41.4% at the end of 2009. The estimated rate by sex was 38.5% for girls and 44.1% for boys. These figures show the gradual reduction in the gap between boys and girls in access to lower secondary education.

In terms of the MDGs, Senegal is somewhat behind schedule in the area of healthcare, mainly because of difficult access to care and vaccine stock-outs in certain rural areas. The infant-child mortality rate is approximately 21%, with 25% of those deaths occurring during the prenatal period. Another poor statistic is the high maternal mortality rate, with 401 deaths per 100 000 live births in 2010.

Progress has been made, however, in controlling the prevalence of AIDS, which remains at 0.7% (0.9% of women and 0.4% for men). The authorities have reduced the cost of antiretroviral treatment by 90%. Further, as part of the social measures related to healthcare taken in 2010, on 1 May 2010 the government made artemisinin combination therapies (ACTs) for malaria free. In addition to free anti-malarial drugs, the cost of treatment for haemodialysis was reduced by 80% as of 7 April 2010. In terms of budgetary policy, substantial efforts were made to try to achieve the MDGs. Nevertheless, the share of the budget allocated to healthcare in 2010 was 10%, still below the 15% threshold set by the World Health Organization (WHO).

In the area of employment and poverty reduction, several initiatives have been undertaken by President Wade since he came to power in 2000. These include the youth employment agency (ANEJ), the youth employment fund (FNPJ), the OFEJBAN office to promote the employment of young people in the suburbs, and in August 2010, the Young People on Arable Farms project (JFA), which is responsible for creating 75 farms in the country for 3 000 new people trained in farming techniques. Despite the variety of measures taken by the government, the fight against poverty, which affects a great deal of the population, continues to be one of the priorities of government action.