



CONSORTIUM POUR LA RECHERCHE
ÉCONOMIQUE ET SOCIALE



Université Cheikh Anta Diop de Dakar
FACULTÉ DES SCIENCES ÉCONOMIQUES ET DE GESTION
Laboratoire d'Analyse des Politiques Publiques (LAPP)

SÉRIE DE DOCUMENTS DE RECHERCHE

Macroeconomic policy formation in Senegal: Challenges in formation and coordination

Mbaye Diene¹

Consortium pour la Recherche Economique et Sociale
Rue 10 Prolongée Cité Iba Ndiaye Djadji
Lot 1 et 2 - Pyrotechnique - Dakar, Sénégal
CP : 12023 - BP : 7988, Dakar Médina
Tél : (221) 33 864 77 57 - (221) 33 864 73 98 - Fax : (221) 33 864 77 58
Email : cres_ucad@yahoo.fr / cres@cres-sn.org
Information : contact@cres-sn.org / Site Web : www.cres-sn.org

2012 - 44

Abstract

The first twenty years after the independence in 1960 are characterized by a significant centralization in the management of the economy and the use of planning.

However the effectiveness of the government's policies had been questioned when the country faced a sharp debt crisis in the 1980s. The austerity related to the adjustment programs following that crisis did not allow growth to take place in the economy.

This shows that the government is now unable to cope alone with the economic and social problems. That is why the macroeconomic policy formation in Senegal involves now other actors than the public administration only.

The international donors are also involved from the beginning to the end of the process of definition and application of the economic policies, and the Non State Actors play now a more important role. The consequence is that the economy has been greatly shaped by the policies recently undertaken by the government and its institutional partners (IFM, World Bank, etc.) in conjunction with the private sector. The purpose of this paper is to present the framework of economic policy formulation in Senegal from 1960 to 2012 with special focus on the years since 2000, and to identify the political, social and economic objectives of these policies. The role of the stakeholders such as the government, the international financial and technical partners, the civil society, the local administrations is also identified and propositions for a better impact of the economic policies in the future are made.

LIST OF ABBREVIATIONS

ACBF: African capacity Building Foundation
AfDB: African Development Bank
AGS: Accelerated Growth Strategy
CBWAS: Central Bank of the West African States
CIS: Chemical Industries of Senegal
CNGOAD: Council of the NGOs Acting for Development
CRA: Centre for Rural Activities
CRE: Center for Rural Expansion
DESP: Document of Economic and Social Policy
DFES: Direction of Forecast And Economic Studies
ECB: European Central Bank
ECOWAS: Economic Community of West African States
EFRP: Economic and financial recovery plan
EOP: Economic Orientation Plan
EPSI: Economic Policy Support Instrument
FAP: Foreign Aid Policy
HCP: High Council of Planning
IMF: International Monetary Fund
LDCs: Least Developed Countries
LIP: Local Investment Plans
MLTEAP: Medium and Long Term Economic Adjustment Plan
NASD: National Agency for Statistics and Demography
NCE: National Council of Employers
NPGG: National Program for Good Governance
NPS: New Planning System
OAT: Office of Agricultural Trade
OPESD: Orientation Plan for Economic and Social Development
PRGF: Poverty Reduction and Growth Facility
PRSP: Poverty Reduction Strategy Paper
RCD: Rural Community Development
RCDA: Regional Centre for Development Assistance
RPID: Regional Plan for Integrated Development
RPID: Regional Plan for Integrated Development
SAP: Structural adjustment policies
SBD: Senegalese Bank for Development
STRP: Short Term Recovery Plan
TPIP: Triennial Public Investment Program
TUECA: Unions Expertise and Council Agency
UEMOA: Union Economique et Monétaire Oues tAfricaine
UNECA: United Nations Economic commission for Africa
UNDP: United Nations Development Program
WAEMU: West African Economic and Monetary Union

Abstract	1
1 Introduction	4
2 The Economic Policy Changes since the 1960s	6
2.1 Planning as a priority economic policy tool	6
2.2 The New Planning System and the Adjustment Policies	8
2.2.1 The new economic plans and the liberalization policies	8
2.2.2 The Economic Performance since 1960	9
3. The New vision on Economic policies since 2000	10
3.1 The Dual Planning	11
3.2 Medium-term perspective policies	13
3.2.1 The Third Poverty Reduction Strategy Paper	13
3.2.1 The Accelerated Growth Strategy	14
3.3 The Performance of the Economy and the Policies in the period 2000-2012	15
4. Conduct of Macroeconomic Policies in Senegal	16
4.1 The monetary policies	16
4.2 The fiscal policies	17
5 Macroeconomic Policy Formation in Senegal	18
5.1 The Technical and Financial Partners	18
5.2 The Non State Actors	20
6 Conclusions and recommendations	21

1 Introduction

Despite its political stability, Senegal faces many economic and social difficulties leading to regular interventions of the government. Since February 2012, there is a political change in the country and a new politically liberal regime is ruling for five years at least. It appears to preserve the same economic policies decided by the former regime since 2000, as shown by the still strong collaboration with the International Monetary Fund (IMF) and the World Bank (WB) and other financial and technical partners such as the African Development Bank (AFDB), the United Nations Economic Commission for Africa (UNECA) the African Capacity Building Foundation (ACBF).

The development strategies and the economic policies undertaken until now largely explain the actual performance of the economy which is dominated by the tertiary sector.

This latter represents 60% of the GDP. The secondary sector is about 24% of the GDP and is based on the extraction and processing of phosphates, food processing, construction and cement industry. These latter activities are mainly supported by investments from Senegalese expatriates and the government.

The sector has been very dynamic in 2011, thanks to the improvement of electricity supply, following the Plan "Takka²" and the recovery of Chemical Industries of Senegal (CIS). The sector of energy is very critical and socially sensitive in Senegal that is why many specific policies are adopted and they are not always successful. Mainly because of large expenditures in this sector the public deficit has increased from 5.2% of GDP in 2010 to 6.9% in 2011.

Also because of imports related to investments or the same sector, the current account deficit is expected to be greater in 2012 than in 2011.

This illustrates the fact that the specific policies taken in the country often greatly affect its short term economic performance. The same is the case with the recent economic programs such as the Accelerated Growth Strategy (AGS), the Third Poverty Reduction Strategy Paper (PRSP III from 2011 to 2015), and the Document of Economic and Social Policy (DESP), initiated by the government

In fact, the country faces many economic and social challenges (poverty, inequality, illegal immigration, climate change issues, more or less permanent public sector and external deficits, etc.), and the authorities have implemented various programs for budgetary and financial reforms??which ones?. Thanks to these programs, the inflation still remains below 3% and will be around 2.7% in 2012 according to the National Agency for Statistics and Demography (NASD). A surplus of the balance of payments is also really possible for 2012, as there is

²It means lightning, in the local language, Wolof. The plan is the subject of widespread support from development partners of Senegal, and it has significantly reduced the power cuts in the country.

a good performance of the capital account and in financial transactions. The real GDP growth rate is expected to be of 4.4% in 2012 while it was of 4% in 2011. This increase requires some fiscal efforts combined with an improvement of the efficiency and the modernization of the public finances, That is why the tax burden is 19.3% in 2011 against 18.8% in 2010.

It appears that the Senegalese economy has been greatly shaped by the policies recently undertaken by the government and its institutional and private partners. The role of each actor involved in the conception of the economic policies has changed and less centralism from the side of public authorities is now observed. The purpose of this paper is to present the framework of economic policy formulation in Senegal from 1960 to 2012 with specific consideration of the years from 2000 and to identify the political, social and economic objectives of these policies. As well the implementation and the outcome of policies is analyzed; The role of the stakeholders is also identified. We adopt the following presentation: in section 2 we present the economic policy changes since 1960s. In section 3 we discuss the new vision on economic policies since 2000. The conduct of macroeconomic policies is presented in section 4. In the section 5, the macroeconomic policy formation in Senegal is treated. In section 6 some conclusions and policy recommendations are presented.

2 The Economic Policy Changes since the 1960s

The government is the main actor in the first forty years of development policies in Senegal since 1960, the year of independence. The years 1960-1970, called post-colonial period by Ndiaye (2003:66), is a phase marked by a nationalist-populism meaning a significant centralization in the management of the economy and the use of planning. However the presence of the Senegalese government has been questioned during the years 1980-1990, when sub-Saharan Africa experienced a debt crisis which favored the involvement of international donors. The country experiences distinct economic policy phases since 1960, and macroeconomic policy performances during that period.

Three stages can be distinguished in the development of planning in Senegal: at the first time, from 1960 to 1985, the authorities enthusiastically believe in the power of planning for the development of the country. When they notice the failures of the planning system, they adopt a New Planning System (NPS) And asked the support of the international financial organizations since 1985. From 2000 to 2012 the planning system is nationally and locally coordinated and is accompanied by strategic specific options. It is supported by various international technical and financial partners.

2.1 Planning as a priority economic policy tool

The economic policy and the investment programs of the government were defined in the First Plan of 1961-1964. The Second Plan (1965 - 1969) reinforced the goals of the first one. Specific projects are developed in the first two years of this plan combined with regional development programs. The Third Plan (1969 - 1973) tried to improve the level of human capital, the food security and the reduction of inequalities between regions. During the period of these three plans (1961- 1973), the economy of the country was relatively stable. For the period 1960 to 1967, the average annual growth rate was 3%, which is rather close to the growth rate of the population (2.3% per year, according to the ANSD). The economic growth is mainly explained by the development of peanut production. Indeed, peanut exports accounted for nearly 80% of the domestic exports and 12% and 15% of GDP during that period.

The recycling of peanut incomes is the main driver of the other economic sectors, but peanut production is affected by high seasonality that affects the agricultural activities, the imports and the income distribution. Peanut incomes allow a steady increase of the imports of rice from Asia, at about 7% per year.

This orientation of exports and imports contributes to the regular deficit of the external balance.

In terms of inequality, the **urban income increased by 35% between 1960 and 1967** while the income of the rural areas increased only by 15%. However, there is a degradation of the urban per capita income because of the rural exodus that swells the low income classes in the cities. During the period, the **households' purchasing power declines of about 20%** while the price of peanuts remained almost constant in current francs.

During the period 1967-1974, the country's exports remain always vulnerable to the fluctuations of world prices. Like for most African countries, the terms of trade of Senegal deteriorated since 1967 and its share in the world markets for cash crops decreased (World Bank, 2000). The fall of the export prices deteriorates the terms of trade by about 25% over the period. The effect on rural producers' incomes is negative because the price passes from 21.5 CFA francs to 18 francs per kilogram. This is also accompanied by a sharp fall of the crops production. There were **three** main consequences of this situation. First, a recession of agricultural production at a rate of 1% per year on average is accompanied by a sharp drop of farm income. Second, the GDP grew weakly, and third, a direct intervention of the State becomes necessary, mainly to meet the weakness of private investment. This situation raises also inequality between urban and rural households and induces a significant deterioration of the purchasing power. Both rural income and urban jobs drop.

The government uses the Fourth Plan (1973-1977) to tackle this situation, but the context of the international oil crisis and of drought was not favorable. Its main objectives were the improvement of the living conditions of the households and the industrialization of the economy. The efforts led first to an increase by 82% of the value of the exports between 1973 and 1974, and the

terms of trade doubled. The strong growth of the prices of phosphates and peanut (274% and 132%, respectively) far outweighed the consequences of the oil shock, which was a very new constraint for the economy. This exceptional situation increases the purchasing power of the households. Rural income therefore evolves positively, the purchase price of peanut producer grows by 38% in 1975, and the minimum wage rises by 61% in the same period.

The Fifth Plan (1977-1981) is also adopted in a situation of a global crisis. That explains why its completion rate was only of about 72.6%. The main characteristic of this Plan is the significant level of internal and external funding mobilized and the relief of the external financing conditions. A breakdown by regions of the National Development Plan is introduced in this Plan. This new approach did not lead to a change in the declining trend of the economy.

The year 1978 is marked by the return of unfavorable economic conditions: peanut production becomes fluctuating and export prices fell by 25% between 1978 and 1981. The growth of the imports of consumption goods was the main cause of a high current account deficit. In 1979, the price of peanuts was at a level lower than it has been during the period 1969-1973, meaning a decrease of rural income, and leading to another set of constraints in the rural areas. Inequality and poverty increased. Structural imbalances led the Senegalese Government to implement from 1980 onwards, according to the World Bank and the International Monetary Fund (IMF), a set of economic programs to try to solve the situation. The Sixth Plan (1981-1985) coincides with the change of the political regime and it adopted a new methodological approach: administratively, permanent committees of planning are introduced at the national and regional levels. Simultaneously new economic policy tools appear in the actions of the government. The second oil crisis, drought and structural imbalances (fiscal and balance of payments deficits and mostly unsustainable debt figures) lead the country to adopt stabilization plans and Structural adjustment policies (SAP) with support from the IMF and World Bank.

2.2 The New Planning System and the Adjustment Policies

Since 1979, planning is no longer the only way to prepare and undertake economic and social policies. Senegal adopted first a Short Term Recovery Plan (STRP) from 1979 to 1980, an Economic and Financial Recovery Plan (EFRP) from 1980 to 1985, and a Medium and Long Term Economic Adjustment Plan (MLTEAP) from 1985 to 1992. This leads to a readjustment of the planning system in the mid-80s. This readjustment took into account the high vulnerability of the economy vis-à-vis external shocks and the requirements of the donors.

2.1.1 The new economic plans and the liberalization policies

During the meeting of the High Council of Planning (HCP) held in 1987 the New Planning System (NPS) was created, including an “Economic Orientation Plan” (EOP) for six years that comprises the Orientation Plan for Economic and

Social Development (OPESD) and a “Triennial Public Investment Program” (TPIP). The main reform of the planning system was to better adapt the plans and programs to their budgets.

The Seventh Plan (1985 - 1989) aimed the economic and financial recovery by the stimulation of production and the reduction of institutional barriers that may limit productivity and economic growth.

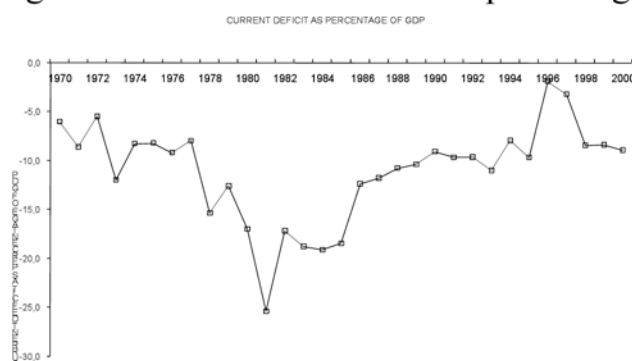
The Eighth Plan (1989-1995) was implementing the NPS: a prospective study named "Senegal in 2015" and the Triennial Public Investment Program (TPIP) were available. They nearly had the same objectives than the Medium and Long Term Economic Adjustment Plan (MLTEAP).

Launched in February 1988 by the way of methodological workshops, the study “Senegal in 2015” was considered by the Government on 17 July 1989. The Eighth Plan which is based on this prospective study was approved by the same Government on 20 October 1989, completing then the adoption of the NPS. This Plan sought to increase the total factor productivity, adapt the national education to the productive system, control urbanization and give more scope to the rural economy. The austerity implications of the adjustment programs led to low public investment and a disengagement of the State from productive and social sectors. This did not allow an expansion of the economy. The Ninth Plan (1996 - 2001) aimed to address the issues raised by the liberalization of the economy.

2.1.2 The Economic Performance since 1960

The new economic policies have very disastrous effects on the lives of the most vulnerable populations. The economic reforms have been paid a high price, they have not promoted domestic savings, the terms of trade are lower than those were in the 1970s (fall and Saip Sy, 2003: 8). The exports remained weak, at only 30.5% of GDP between 1994 and 2000 (Daffé, 2002:71). The current account balance is chronically in deficit as shown in Figure 1. This means that there were limited opportunities for foreign exchange earnings and this is mainly explained by the specialization of the economy in primary products (peanut and phosphates essentially).

Figure 1. The current balance as percentage of the GDP



Source: NASD, Database (BADIS, 2000)

The debt is still very important while there are low savings rates. However, the withdrawal of the government and the liberalization of the economy have encouraged the expansion of the informal sector (Daffé, 2002:77).

The economic adjustment associated with the 50% devaluation of the CFA franc in 1994 raises new issues such as inflation, high production costs and poverty. Indeed it appears that the increase of jobs in the modern sector (increases from 58, 300 to 70, 300 employees between 1994 and about 1995), that followed the devaluation, was only temporary. It was quickly followed by a strong determination of the government to reduce the number of formal employees.

According to the Survey on Priorities (SP) of 1992 the proportion of poor people was estimated at 33% (with a poverty line of 2400 calories per day per adult equivalent). But a post-devaluation survey, the Senegalese Household Survey (SHS) of 1995 estimated that proportion to 65%. This equates to a doubling of the proportion of poor people.

Concerning inflation, the government has not enough financial latitude to reduce inflation. The exchange rate between the Euro and the CFA franc is not flexible and the Central Bank of the West African States (CBWAS) aligns with the monetary policy of the European Central Bank (ECB). In the absence of this monetary instrument, the government uses fiscal policy to achieve financial stability and to reduce inflation. But since that devaluation, there was a reversal of the trend towards sustainable growth slowdown.

Table.1 shows that the growth rate of GDP is of 5.5% in the period 1994-2000. After the excesses associated with the automatic effects of the devaluation, inflation remained under control at the end of the 1990s: it fell by 32.1% in 1994 to 2.8% in 1996 and 0.8% in 1999. These encouraging results however are neither generally applicable to all sectors nor to all fractions of the population. Not only production and agricultural exports (mainly peanut products) remained irregular, but only a slow increase of agricultural producer prices was observed. This explains why rural incomes have not experienced the expected improvements. A slight increase in rural incomes relatively to urban incomes was observed.

Table 1. Percentage growth rate of the GDP and the per capita GDP

Periods	1960 - 1969	1970 - 1979	1980 - 1984	1985 - 1993	1994 - 2000
GDP	2,2	3	1,8	2,2	5,5
GDP per capita	-0,5	0,3	-0,9	-0,4	2,8

Source: NASD, various publications of the Economic and Social Situation of Senegal.

3. The New vision on Economic policies since 2000

After the Ninth Plan, the country was engaged in the preparation of the Tenth Plan for 2002 to 2007. But it was not adopted because at the meeting of the High Council of Planning (HCP) in December 24, 2002 the Head of State (HOS) had requested a revision, and an implementation of the dual planning approach?, taking into account all regional concerns in the National Plan.

The strengthening of the process of decentralization and a better implication to international integration policies characterize this period. The government chooses a Regional Plan for Integrated Development (RPID) and a Local Investment Plans (LIP) as tools for regions and district planning. Similarly, the country was engaged in a context of regional integration and adopted the declaration of the Millennium Development Goals (MDG). The country also began to apply economic policies recommended by regional integration institutions such as the West African Economic and Monetary Union (WAEMU). In this context, the harmonization of fiscal policies proposed by the WAEMU was adopted in Senegal. The country applied the common taxes externally and the unique VAT tax, as the other members of the union. For the first time, international common policies are adopted in Senegal, concerning the real sectors, as the monetary policies are always made by the Central Bank of the West Africa States.

In parallel, the country developed and implemented a first Poverty Reduction Strategy Paper (PRSP) covering the period 2003 to 2005, accompanied by the Accelerated Growth Strategy (AGS). These strategies are the policies used by the government to make Senegal an emerging country.

3.1 The Dual Planning

The dual planning is a two-level approach that articulates the national and local levels. It is a system that brings together a national planning guidance and regional operational planning. It ensures the continuity and fluidity of the economic policies (starting from the local to the regional and national levels) and it takes advantage of synergies between the geographical areas and the economic sectors.

Since 1972, the year of the territorial and local administration reform (Law number 72-02 creates the Rural Community), the decentralization has been amplified throughout the country. In the same way that the municipality which already existed, the Rural Community (a group of villages) is considered as a local administration with legal personality and financial autonomy. During the 1990s, the option for decentralization was accelerated by:

- the transfer of the management of the budgets to local authorities);
- the adoption of a local law code (creating new local governments and regions and the transfer of nine responsibilities, including planning, to local

administration). Therefore, the initiative of development activities is no longer the sole responsibility of policy makers and central planners. By this transfer, the government gives a great responsibility to local governments in areas such as health and education. Significant resources from local taxes, transfers from the State, international decentralized cooperation, are invested by local authorities in their own areas.

The country has several independent local administrations and the law provides for wide possibilities for dialogue and solidarity actions that have rarely been exploited by the local administrations. Each region develops its Regional Plan for Integrated Development (RPID), and every district has its Local Investment Plan (LIP) and its Rural Community Development (RCD).

The main problem in the coordination of the economic policies in that case is the fact that each local government is jealous of its prerogatives and wishes to take its actions independently. The consequence is that, until 2000, there had been the National Development Plan and other regional plans, municipal plans and local plans; together, these plans were completely independent and not related to each other. This multitude of plans is characterized by different horizons and goals. While it seems more effective if local administrations from the same regions work together and harmonize their different actions.,

The new national planning mechanism gives solution to that. It presents the vision, evaluates the macroeconomic aggregates, defines the national guidelines and supports the implementation of projects and programs. Regional planning mobilizes the resources of the region and efficiently allocates them for the best results taking into account the human, material and financial constraints. It facilitates the harmonization of the plans of local authorities in the same region and allows their articulation at the national planning. This new option has the following institutional consequences:

- the creation of the Ministry of Decentralized Cooperation and Regional Planning in 2002;
- the transformation since 2010 of the Commission of Decentralization into the Regional Planning Commission for a better management of the dual planning; and
- the creation, within the Ministry of Decentralization, of a Department for the Dual Planning.

Since 2004, a team comprising the Ministry of Planning, the Ministry of Regional Planning, the Ministry of Decentralization, local elected officials and donors, is working. It proposes a mechanism of joint plans and a methodology for the dual planning. The works on the Eleventh Plan for 2008 to 2013 are placed under the seal of the dual planning.

3.2 Medium-term perspective policies

The main feature of the government's new strategies, concerning economic policies, is that the maximum of stakeholders are now involved. The technical and financial partners work together with the social partners as the civil society, and the central and local administrations. The donors are always participating from the beginning to the end of the process of defining and applying the economic policies. Soon the need was realized by the donors to involve non-state actors in defining sector-based objectives. That's why they took the initiative to fund the training and the participation of all the actors in the definition of policies. Transparency in budget management was the key word of the donors. They have very soon understood the necessity of the use of all competencies to make better policies. This explains why programs such as the PRSP III, the AGS and the Economic Policy Support Instrument (EPSI) involve many experts from different sectors. The latter is an IMF program for Senegal. The country had acceded in the EPSI in 2007. The EPSI program is designed to help the government to:

- i) pursue a cautious approach to public finances and debt in order to maintain economic stability;
- ii) increase revenues in order to generate greater fiscal space for financing priority expenditures;
- iii) strengthen the public financial management and governance;
- iv) promote private sector development by making structural reforms, particularly in the areas of energy and finance, and other reforms relating to the business environment.

In 2008 a major slippage in public finances was found, and the state had large arrears to the private sector. This explains why the second program review of EPSI was approved by the IMF in 2008 despite of difficult problems with the programme.. This approval allowed the mobilization of funds from the international community. Approval of the third review of the program EPSI was effective in 2009. The EPSI is extended over the period 2010-2013, allowing government to complete the major infrastructure spending programs.

During the same time, structural reforms and sector-based policies are designed to bring the average growth rate above 4% for 2010-2015, under the PRSP III and the AGS, which are the main strategic options of the government.

There is continuity between the two options and the economic planning documents that are in progress.

3.2.1 The Third Poverty Reduction Strategy Paper

The PRSP III is the framework for political, economic and social development of Senegal for the period 2011-2015, and it is an extension of PRSP I (2002) and PRSP II (2006). It is structured around the following strategic areas:

- Wealth creation for a pro-poor growth strategy, accompanied by the development of transport infrastructure and energy;
- Promotion of access to basic social services in conjunction with the MDGs to be achieved in the social sectors;
- Social protection, prevention and management of risks and disasters (drought, floods, locusts, etc.).
- Good governance, decentralized and participatory development with particular emphasis on the continued implementation of the National Program for Good Governance (NPGG) and the AGS.

The PRSP III gives a central role to the current AGS for the generation of sustainable high rates of GDP growth, the creation of jobs and the improvement of the households' living conditions.

3.2.2 The Accelerated Growth Strategy

The AGS is about to lead to a process of diversification and economic transformation by strengthening competitiveness Adopted in 2005; it is based on two major pillars:

- The development of groups of clusters with high growth potential (growth areas), with a ripple effect on the overall economy;
- The promotion of investment by continuously improving the business environment, by aligning it with international standards, and strengthening the efficiency and infrastructure sectors as transport, energy and telecommunications.

The AGS is designed to foster a dynamic process towards economic emergence. Operationally, it is focused on promoting private investment and growth in the following clusters:

- Agriculture and agro-industry, aquaculture and seafood, textiles and clothing;
- ICT, tourism, cultural industries and crafts.

These clusters are polarized in specific geographic areas: the group "agriculture and agro-industry" will operate in the areas of Casamance and the Senegal River delta (high potential for development of export crops), and that of tourism in the regions of Saint Louis, the great Coast (city tourism), Casamance (beach tourism), Thiès, the Islands of Saloum (ecotourism) and Dakar (business tourism).

The strategic options of the AGS should indeed include a strong institutional framework and an action plan. The institutional framework for implementation of the AGS, defined by the orientation law n ° 2008-03 of 08 January 2008 and its implementing regulations, is organized as follows:

- The Steering Committee and monitoring (Prime Minister);
- Technical Committee (Minister of State, MEF);
- The Permanent Secretariat;
- Management teams and promotion of growth clusters

3.3 The Performance of the Economy and the Policies in the period 2000-2012

In 2000, the alleviation of poverty was, among others, the primary policy objective of the government of Senegal and that led it to initiate a program named Poverty Reduction and Growth Facility (PRGF), which ended in 2002.

In 2003, a new PRGF is signed for a period of three years (2003-2005). Through this program, assessed in 2006, Senegal has achieved a considerable macroeconomic stability.

The strategic options lead to exceptional performances of the economy as it can be shown there.

Inflation: An inflation rate of 2.2% on average in the period of the PRGF. In terms of macroeconomic performance, inflation stood at 1.7% in 2003-2005. An episode of inflation around 6% is observed between the years 2007 and 2008, but it declined in 2009 by 0.9%. Over the period from 2000 to 2012, it has averaged 2% against 6.3% for ECOWAS countries.

Economic growth : The period 2000-2002 was marked by a real GDP growth rate of 2.8%. In 2003-2005 the real GDP growth rate was of 6.1% over the period. Over the period 2006-2010, the average economic growth is of 3% per annum meaning a loss of 3 points compared to the period 2003-2005. *Public budget:* Broadly regarding the management of public finances, there is a significant improvement of the tax system by broadening the tax base, combined with reforms. The tax revenues rose in fact by nearly 16.1% in 2000 to 18.8% in 2010. Is it the share in GDP or the annual growth rate of revenues. Compared to their level of 1994, the budgetary revenues tripled in 2011. They passed from 562.5 in 2000 to 1.237 billion CFA francs in 2010, more than doubling.

In detail, the public deficit is about 12% of the GDP in the period 2000-2002, according to the NASD. In 2003 – 2005, the public deficit is 6% of GDP. From 2010 to 2011, the budget deficit is below 5% of the GDP, improving the quality of the public expenditures.

Public spending rose sharply from 2000 to 2010. Thus, the total expenditure as a percentage of GDP increased from 18.1% to 28%. Total expenditures in billion CFA francs from 2000 to 2010, they rose from 603.6 billion CFA francs to 1730.91 billion CFA francs.

Impact of macroeconomic policy on Poverty: There are not enough households' surveys in Senegal for the assessment of the evolution of poverty. The country remains poor, though the proportion of poor people has been reduced. It passed

from 61.4% in 1995 to 48.5% in 2002, and to 40 % in 2006, according to the different respective surveys (Surveys on the households in Senegal, I, and II and Survey on the Perceptions of Poverty in Senegal, SPPS). But the SPPS in 2006 shows that 65% of households interviewed consider themselves as poor and 23% consider themselves as very poor. Furthermore, 64% of households consider that poverty has worsened over the past five years. Poverty is largely localized in rural areas: the poverty rate in rural areas varies between 72 % and 88% while in urban areas it varies between 44% and 59%. This situation raises questions on the effectiveness of the policies adopted until now, for the reduction of poverty.

It can therefore be concluded that the reforms were more successful where the government' initiatives are supported by the international financial and technical partners.

4. Conduct of Macroeconomic Policies in Senegal

Though the government conducts the macroeconomic policies in Senegal, it has no autonomy on the monetary domain. The monetary policies, such as in all the WAEMU countries, are led by the Central Bank of West African States (CBWAS). The traditional instruments of monetary policy used by the CBWAS are the changes in interest rates and the refinancing of the economy. The country as well does not have enough space to undertake fiscal policies, since they are directed by international organizations, such as ECOWAS and mainly WAEMU. In fact, the effectiveness of the instruments used for monetary, fiscal and exchange rate policies is not completely controlled by the government.

4.1 The monetary policies

The transmission of monetary policy in Senegal is much more done by the interest rates and the monetary aggregates than by the exchange rate, since the currency is pegged to the Euro.

Nevertheless, the NASD has shown that on the one hand, there are close relations, between interest rates and real exchange rates with the aggregate real supply in Senegal and, on the other hand, between the real exchange rate and inflation. In fact, a temporary tightening of monetary conditions - as an increase in the real interest rate - induces a transient decrease in real output (Dramani, Ly, Diouf, 2007: 46). Similarly, in the short and medium term, a currency depreciation causes economic expansion, combined with a high inflation.

Interventions of the CBWAS effectively impact on the real sector and on inflation.

In addition, a depreciation of the CFA franc against the dollar by 10% results in a higher cost of imports and a renewed competitiveness of the domestic products. Imports of capital goods increase by 17% on average over the two years following the depreciation. The GDP increases by 3.01% during the first year and 0.55% in the third year. In 2012, the real effective exchange rate estimated by the CBWAS itself shows an improvement in the competitive position of Senegal, estimated at 1.7% compared to the partner countries.

The NASD also shows that inflation grows of about 4.73% in the first period and decreases gradually to 0.46% at the end of the third year.

The main lesson is that the transmission of the monetary policies is often late. Lessons can be learned also from the current situation where- at the beginning of the year 2012 a decrease of banks' liquidity is observed in the country, and outflows are assessed by the CBWAS to 205.6 billion for Senegal.

The monthly average money market rate is the monthly weighted average of the marginal rates of weekly tender operations. It is the main tool the CBWAS uses to influence the liquidity in the economy. For banks, it is the basis for determining the rate of remuneration of deposits and certificates of deposit less than one year. The NASD has shown that an increase in one year of this interest rate induces a 10% decrease of the money supply by 4.52% in the second year. It also implies a decline in private investment by 0.4% in the first year. This affects negatively the economic growth which decreases by 0.03% in the third year. In the first quarter of 2012, the interest rate has declined, being equal to 3.2940% against 3.2736% a quarter earlier.

It is important to notice that the CBWAS helps financing the public deficit also. Its global financing provided to the Treasury are valued at 11.9% of fiscal revenues while the maximum is 35%. This explains why for its refinancing the country has a high net margin valued at 219.7 billion in mid-2012. This margin is determined by the CBWAS by deducing from the statutory limit the amount of loans granted to banks and backed by government securities. Nevertheless, the government issues Treasury bonds and obligations to reduce its deficit.

Fiscal policies also help the government for this aim.

4.2 The fiscal policies

It is worth noting that fiscal policies really exist in Senegal just since 1980. The VAT exists since that period and it distinguished two rates according to the products: 10% for imports and some goods and services, and 20%. But since 2001, the rates are harmonized at 18%, due to a reform introduced within the WAEMU countries. There exist other indirect taxes, such as a business tax is applied on imports from other countries of sugar, oil of peanut, etc. In addition

to custom duties, products coming from non-WAEMU countries are subject to several supplementary taxes: the WAEMU, statistical royalties (1% rate), the community tax for solidarity (1% rate), and the tax from ECOWAS countries (level 0.5% rate).

Nevertheless, the government has not great policy space to make fiscal policies, by using mainly indirect taxes, despite the fact that this type of taxes contributes highly to the fiscal revenues. Actually, tax revenues are 1.3132 trillion CFA francs in 2011 and they increased by 9.9% compared to 2010. This performance is mainly due to indirect taxes. These taxes grew by 10.8% due to VAT, oil revenues and customs duties. Direct taxes, for their part, grew moderately by 2.9% and this increase is mainly due to the income tax, according to the NASD. In total, the tax burden is estimated at 19.2% in 2011 against 18.8% in 2010, and this reflects more an improvement of the effectiveness of revenue collection than higher tax rates.

5 Macroeconomic Policy Formation in Senegal

Traditionally, the government is the first actor that is involved in the definition and implementation of the national development policies. These policies are defined within the ministries' departments. The actions of the departments are also supplemented by sector-based agencies, supposed to be more financially independent and technically flexible than the public administration. The agencies, for example, have the ability to hire experts from different sectors to support the government programs. This is the case of agencies that work for youth employment, rural electrification, etc. However, the decentralized communities are not fully involved in the process of definition of the economic policies because they have limited human and financial resources.

The other actors playing a role in the economic policies in Senegal are the technical and financial partners, and the Non State Actors (NSA), comprising the private sector and the civil society. Most of these actors are grouped into committees for the dialogue on the development strategies such as the PRSP-III and the AGS.

5.1 The Technical and Financial Partners

Participation in economic policies is a challenge for all stakeholders and the donors are no longer considered as finance providers only, they are also institutional and technical partners. In 2006, a survey was conducted by the World Bank on the 35 international financial partners that support the development of Senegal. It focused on three elements: financial commitments

over the period 2003-2005, the projected financial commitments over the period 2006-2010, and the judgments that these partners have on their cooperation with the government and on the coordination between themselves. The information also concerned on the distribution of funds received from these donors, according to the PRSP II, the types of intervention (budget support, support of projects and programs, NGOs and others) and the nature of the aid (grants or loans). The survey shows that donors have disbursed over 439.793 billion CFA franc in 2005, while the Government Financial Operations Table indicated

\$ 251.520 billion CFA franc. This difference of 75%, shows a real lack of coordination in the assessment of funding. There were 474 projects at the end of 2005. UNDP, followed by Canadian cooperation, the FAO and the European Union had the largest number of projects. The survey also shows that only 25% of the projects are co-financed by several donors. In terms of jobs, the international financing of programs, named the "aid industry", is the second largest employer in Senegal after the public administration. The employees are consultants, coordinators, performers, etc. The problem is that it creates a crowding out effect, that is to say, a hemorrhage in public administration, because the best staff, attracted by higher wages and responsibilities, migrate to development projects.

In the PRSP, donors have supported the following components: wealth creation; capacity to deliver social services; protection of vulnerable groups; and support for good governance and participatory development. This last component has received 35% of the investment supported by the donors, followed by the creation of wealth with (34.5%) and capacity building and access to social services (22.4%) (World Bank, 2006:42).

Table 2 shows list of the donors intervening in more than ten projects in the country. UNDP, the FAO and the CIDA appear to support most projects. It doesn't mean that the donors with the largest portfolio have the largest number of projects, as the World Bank, with only 17 against 52 projects for UNDP, spends an amount which is 15 times higher than the latter's.

Table2: The Role of Donors in Senegal, in 2005

Partners	Amounts in 2005 in billions of FCFA	Number of projects	Number of cofinanced projects
Italy	11.1088	11	0
Belgium	22.9512	14	6
UNICEF	17.6064	14	14
Spain	1.8864	15	3
Japan	84.9404	17	1
World Bank	352.2328	17	8
AfDB	177.4788	18	8
The Netherlands	11.8424	22	9
FDA	90.0756	23	8
Luxemburg	22.532	23	4
DCCA	23.23416	30	3
EU	194.3516	42	1
FAO	4.6636	49	22
CIDA	34.1648	50	0
UNDP	23.056	52	9

Source : World Bank, 2006:43.

5.2 The Non State Actors

The first collaborator of the international development partners is the government, but the Non State Actors (NSA) play a major role in the implementation of the economic policies in Senegal even if the country has no national structure which represents all the NSA. There are groups of these actors (NGOs, employers, unions), but with no coordination or unified structure. However, the structures of these NSA are ad-hoc, based on programs where they are directly involved, such as using open spaces for dialogue within the framework of political cooperation (PRSP, AGS and donors). There is also no political involvement of non-state actors, but some associations are particularly apparent in the process of representing the civil society for the donors.

The NGOs: In the context of national policy, Senegalese NGOs have often had difficult relations with the public administration, but it tends to change. The two main structures, grouping most of the NGOs, are the CNGOAD (Council of the NGOs Acting for Development) and the FNGOS (Federation of the NGOs in Senegal). The first one aims to develop interactions and exchanges between NGOs. It defends their interests, mobilizes them for their activities and needs in particular the support of the civil society in general. It is fairly representative

because it includes more than half of the NGOs in the country, but its leadership is challenged by organizations such as the Civil Forum, the platform of European NGOs, etc.

The CNGOAD is involved in the economic policies because its main objective is to promote the social, political, economic and cultural dialogue between actors and the enhancement of their existing networks.

The FNGOS acts mainly in the rural sector and it includes more than 24 peasant associations of Senegalese. It groups about 2031 villages, composed of 100,000 active members with 65% of them being women (HERMIER, 2004: 6). It aims to strengthen solidarity and autonomy of farming structures and it promotes accountability of its members through programs of communication and training. It has various activities such as reforestation, training, literacy, land management, etc. This leads FNGOS to be involved essentially in the diffusion of agricultural policies in the country.

The Trade unions: The employers are implied in the process of definition of economic policies, by means of the National Council of Employers (NCE) and the Trade Unions Expertise and Council Agency (TUECA). The NCE is a structure of coordination, advocacy and information for the companies. It includes more than 650 companies and 20 syndicates. It covers more than 70% of productive activities in the modern sector and 80,000 permanent employees. It publishes economic and social studies and actively participates in the processes of sub-regional and regional economic integration.

The TUECA helps trade unions' officials to understand and analyze the economic and social and issues. It also serves as a tool for mobilization and lobbying campaigns of the trade unions.

6 Conclusions and recommendations

The government is the first actor that is involved in the definition and implementation of the national development policies. The analysis of the economic policy changes since the 1960s shows that the first ten years after the independence are characterized by a nationalist-populism meaning a significant centralization in the management of the economy and the use of planning. However the effectiveness of the Senegalese government has been questioned when the country faced a sharp debt crisis in the 1980s.

The austerity implications of the adjustment programs following that crisis led to reduced public investment and to a withdrawal of the government from productive and social sectors. These policies have had very disastrous effects on the lives of the most vulnerable populations. They did not allow an expansion of

the economy but they raised both inequality and poverty levels. The informal sector exploded also.

This set of great challenges for the policymakers shows that the government is unable to cope alone with the economic and social problems and that it failed to implement entirely its programs. That is why the macroeconomic policy formation in Senegal involves now other actors than the public administration only. The economic and financial partners work together with the social partners, such as the NGOs, the trade unions, etc. The international donors are also involved from the beginning to the end of the process of definition and application of the economic policies. They are no longer considered as finance providers only but they are also institutional and technical partners.

It is necessary to encourage a process of innovative and continually reinforced participation in the economic policies formulation, which involves all stakeholders, including non-state actors (NSA) from the regions and the rural areas. For this direction to emerge, it is desirable to create functional and durable mechanisms of dialogue between the government, the donors and the NSA.

The following specific actions are to be supported :

- Coordination of the NSA who have skills to participate in technical discussions because of their expertise, but who are not able to formulate economic policies. This can be done by the establishment of a national cell of the NSA to enhance their participation in the formulation and implementation of national development programs,

- Strengthening of the institutional support for the NSA and local authorities by the government and partners,

- The financial partners should help to strengthen the capacity of sector-based analyses of situations that led to detailed proposals at national and sub-regional levels,

- Establishment of a national observatory to monitor the degree of partnership with stakeholders in the development of economic policies. NSA are experts in the field, and their greater involvement in economic policies would allow beneficiaries to better understand the implications of these policies,

- The strengthening of the dissemination of information on economic policies,

- A constant monitoring and evaluation of national policies and business sector development projects.

Effective mechanisms of transmission of the economic policies to the population suppose a broad involvement of all the stakeholders, and a better use of the

References

AFRICAN DEVELOPMENT BANK, (2010) “Country Strategies Paper, Senegal) Department of Country Operations. West Region. Dakar

BANQUE MONDIALE. (2000). Can Africa claim the 21st century?, The World Bank, Washington.

DAFFÉ, Gaye. (2002). «La difficile réinsertion du Sénégal dans le commerce mondial», dans DIOP, Momar-Coumba, La société sénégalaise entre le local et le global, Paris, Karthala, pp.67-80 France;

DIRECTION OF FORECAST AND ECONOMIC STUDIES (2011) Financial and Economic Situation in 2011 et perspectives in 2012, biannual publication of the DFES, NASD, Dakar

DRAMAMI, Latif, LY, Binetou, DIOUF, Diama. (2007). Transmission de la politique monétaire au secteur réel au Sénégal. NASD. Bureau des Synthèses et Etudes Analytiques; Dakar;

FALL, Abdou Salam and Omar SAIP SY.(2003). Les économies ouest-africaines dans un contexte de mondialisation, (CRDC), Université du Québec en Outaouais, Gatineau

HERMIER, Anne. (2004). Les acteurs non étatiques au Sénégal :Vers une stratégie d’action politique des acteurs non étatiques (ECDPM, En Bref 3C) Maastricht: ECDPM.

UNDP, 2011, HUMAN DEVELOPMENT REPORT: Sustainability and Equity, A Better Future for All-Explanatory note on 2011 HDR composite indices.UNDP, Senegal.

NASD: National Agency for Statistics and Demography (2011): Situation économique et sociale du Sénégal. Edition 2010.Dakar?

NDIAYE, Sambou. (2003). «Économie populaire et développement local au Sénégal : État des lieux et perspectives», dans Collectif, Création de richesses en contexte de précarité : l’expérience de l’Afrique de l’Ouest, Cahier de la Chaire de recherche du Canada en développement des collectivités (CRDC), Université du Québec. Canada?

Ministère de l'Economie et des Finances, Revue trimestrielle d'information et d'analyse du Ministère de l'Economie et des Finances. (2010). Echos-finances n°8. Juin.2010. Dakar

THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION (2012): Doing Business in a More Transparent World. Economy profile: Sénégal. Washington DC

WORLD BANK (2006) :Sénégal, Développements Récents et les Sources de Financement du Budget de l'Etat. Revue des Dépenses Publiques, Rapport No. 36497-SN