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The Chronology of Development in Senegal

Senior Project Submitted to
The Division of the Social Studies
of Bard College

by
Charles Simmons

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Introduction

The Republic of Senegal, named after the Senegal River, is a Sahelian country with a population of 17.3 million.[1] Senegal is located in the westernmost part of Africa and borders the Atlantic Ocean. The Senegal River forms the border with Mali to the east, Mauritania to the north, and originates in Guinea's Fouta Djallon highland region in the southeast. Guinea-Bissau borders the southwestern region of Casamance. The Gambia, Senegal is located at the westernmost point in Africa and has positioned it as a strategic hub within Western Sub-Saharan Africa. Dakar, the economic and political capital, is a regional leader within Francophone Africa. Senegal is a member of the Communauté Financière Africaíne (CFA) franc zone and the West African Economic and Monetary Union (WAEMU). WAEMU was created following the decolonization of French West Africa and the French Treasury guarantees the CFAF under a fixed exchange rate that requires Senegal to hold 50% of CFAF reserves in the Banque de France. Senegal is a lower-middle-income services economy (LMI) with major exports of oil (15% of total exports), phosphate (13%), gold (13%), and fish (10%).[2] Major trade partners include Mali, Switzerland, India, China, and the Côte d'Ivoire. There is also the presence of a large informal sector that engages nearly the entire active labor population according to ILO estimates (96.4%).[3]

In 2014, then-president Macky Sall launched an ambitious 10-year development strategy known as the Plan Senegal Emergent (PSE) with the goal of transforming Senegal into an

1 "Population, total - Senegal," The World Bank.

2 "Senegal Exports," Trading Economics.

3 "Senegal's Integrated National Strategy for the Formalization of the Informal Economy (SNIFEI) and Operational Action Plan for the Transformation of the Informal Sector (PAOTSI)," International Labour Organization

emerging market by 2035. The PSE framework outlines three central axes of growth: a) facilitating an export-driven structural transformation in the primary agricultural sector (2) promoting human development and investments in human capital through improved access to health, education, and technical training (3) improving governance and civic security through government reforms. The PSE is structured as two separate 5-year periods. During the 2014-2018 period of the PSE, Senegal recorded an average growth rate in excess of 6 percent.[4] In 2019, PSE II was released for the 2019-2023 period by the Senegalese Ministry of Finance. Priority sectors included agriculture, construction, energy, oil and gas, mining, tourism, and finance. PSE II also includes structural reforms to attract FDI and stimulate private sector growth and domestic investment through a revenue mobilization strategy focused on broadening the tax base, digitizing collection, and strengthening the tax authority. The Government of Senegal is targeting a tax-to-GDP ratio of 20% by 2025.[5]

Additionally, the Country Strategy Paper (CSP) for 2021-2025 seeks to build resilience through infrastructure and transformation of the agricultural and industrial sectors. Economic growth slowed to 4% in 2022 from 6.5% in 2021 due to external shocks, including soaring commodity prices related to the Russian invasion of Ukraine, rising interest rates, continued recovery from the COVID-19 pandemic, and sanctions imposed on Mali, Senegal’s largest trade partner, by the Economic Community of West African States (ECOWAS). Secondary sector

4 "Senegal, the 2nd Largest Economy in the WAEMU area," UMOA-Titres.

5 IMF Executive Board Approves US$1.51 Billion under the Extended Fund Facility and Extended Credit Facility, and US$324 Million under the Resilience and Sustainability Facility for Senegal, 12.

growth shrunk from 7.8% in 2021 to 1.1% in 2022 due to supply chain disruptions and spillover effects from a contraction in the primary sector (-1.4%) due to higher input costs. The tertiary sector grew by 6.7% in 2022 and has been a catalyst for growth. Despite continued headwinds from the global macro environment, Senegal's economy expanded by 4.5% year-on-year in Q3 of 2023 with growth seen across the primary (+6.3%), tertiary (+4.7) and secondary (+3.9%) sectors. In December 2023, the country recorded an inflation rate of 0.8%, its lowest since April 2021.[6] GDP growth for 2024 is forecasted at 8%, with oil and gas production anticipated to begin mid-year.[7] Senegal has heavily invested in the hydrocarbon sector and more than half of the forecasted GDP growth over the next two years. While uncertainty remains around the start date and expected output, state-owned oil company Societé des Petroles du Sénégal (*PETROSEN*) projects revenues of 900bn CFAF ($1.5bn) by 2025.[8] Several risks cloud Senegal's growth outlook, including further supply chain disruptions and price increases, persistent inflation, regional instability surrounding the withdrawal of Mali, Burkina Faso, and Niger from ECOWAS, and lingering political tensions stemming from the initial postponement of the 2024 presidential elections before the election of Diomaye. Senegal is also severely affected by climate change and has also developed a climate mitigation and adaptation plan to reduce its vulnerability to droughts, flooding, and other adverse climate impacts.

6 "Senegal News," Trading Economics.

7 Midterm Review of Country Strategy Paper 2021-2025 and the 2023 Country Portfolio Performance Review (African Development Bank, 2023), 2.

8 Théo Du Couëdic, "PETROSEN: Our Ambition Is to Make Senegal an Oil and Gas Giant," African Business, last modified April 19, 2023, https://african.business/2023/04/dossier/petrosen-our-ambition-is-to-make-senegal-an-oil-and-gas-giant.

By analyzing the post-independence trajectory of Senegal, this paper seeks to explore the nature of the development process in Sub-Saharan Africa and the role of the state in facilitating development agendas. This paper asserts that to fulfill its development potential, Senegal must prioritize structural tax reform to increase domestic revenue via increasing the tax base, targeting the informal sector, simplifying tax codes, and strengthening governance and compliance frameworks. This must be coupled with substantial investment toward accelerating the structural transformation of the primary sector through investments in human capital and widened access to quality education and healthcare services that better facilitate inclusive growth and productivity. Through targeted fiscal policy reforms and strengthening institutional capacity, Senegal can create a robust environment for sustainable development. This paper delves into the political-economic and socio-political history of Senegal and seeks to situate its current political and economic landscape in the context of its history as an independent nation. Following the historic election of Bassirou “Diomaye” Faye and Ousmane Sonko in the 2024 February Presidential elections, this paper seeks to understand the development trajectory and nature of economic development in Senegal, the role of the International Monetary Fund (IMF) and Structural Adjustment Programs (SAPs) in the 1980s, and the effectiveness of the recent *Plan Senegal Emergent* (PSE) in helping Senegal meet its current development ambitions.

This paper asserts that to fulfill its development potential, Senegal must prioritize substantial investment toward accelerating the structural transformation of the agricultural sector through investments in human capital and widened access to quality education and healthcare services to better facilitate inclusive growth and productivity. Additionally, structural reforms

must be implemented to increase domestic revenues via increasing the tax base, targeting the informal sector, simplifying tax codes, and strengthening governance and compliance frameworks. By implementing tailored fiscal policy reforms and strengthening institutional capacity, Senegal can create a robust environment for sustainable development and accomplish its development aspirations. Chapter 1 explores Senegal's early post-independence era, focusing on the leadership of Leopold Senghor and his ideological doctrine of African Socialism that shaped the country's initial development trajectory. Chapter 2 maps the progress of "Senegalization" and "dirigiste" policies implemented throughout the 1970s and the consequences of events such as the oil crises of 1974 and 1979, cyclical droughts, and other external factors on the development process. Chapter 3 examines the Structural Adjustment Era and the role of the IMF in shaping the development framework of the 1980s. The paper concludes by assessing the *Plan Senegal Emergent* and the development challenges that continue to face Senegal.

Chapter 1: Leopold Senghor, African Socialism, and the First Development Decade

On April 4, 1960, Senegal achieved its independence from France, marking the end of nearly three centuries of French colonial reign. On August 25, 1960, following Senegal's withdrawal from the Mali Federation with French Sudan (now Mali), the National Assembly adopted a constitution establishing a mixed parliamentary-presidential system in Senegal. Celebrated statesman and poet Léopold Sédar Senghor was elected President of the Republic, and Mamadou Mustapha Dia, former Vice Premier of the Mali Federation, was appointed Prime

Minister and president of the Council of Ministers.[9] In 1948, the pair co-founded the Senegalese Democratic Bloc, the predecessor to the Union Progressiste Senegalaise (UPS), the ruling party following independence. The partnership between Senghor and Dia would dramatically fissure over differing visions for the trajectory of the young nation. Throughout his tenure, Prime Minister Dia fiercely supported the farmers of the national cooperative movement and introduced a four-year plan designed to eliminate the "infernal cycle of trade" in the colonial groundnut industry. For Dia, African Socialism represented the promise of a new anti-imperial and independent path to national development. Dia championed reforms that would increase the economic and political influence of the rural masses. Senghor had been a disciple of Lamine Guèye, founder of the Socialist Party of Senegal in 1927 and Senghor's co-representative in the French Section of the Workers' International. With Guèye's endorsement, Senghor won the 1946 election for the protectorate deputy's seat and began to formulate a cohesive political apparatus capable of guiding Senegal through the initial phases of independence. His authority only grew after a victory over Guèye in 1951 established him as the dominant political figure. Senghor's political doctrine was informed by his theory of *voie africane du socialisme* or "African socialism," which strived to integrate a nascent "African" identity into an inherited Francophone cultural context.[10] President Senghor expressed an accompanying social and economic vision of Senegal achieving Western industrial status by the turn of the millennium.

To this end, he maintained a zealous allegiance to France and aligned himself with the pre-independence socio-political status quo, arguing that private enterprise was essential to

9 Ibrahima Thioub, "The Economic Foundation of the Nation-State in Senegal," in *Nation, State, and the Economy in History* (n.p.: Cambridge University Press, n.d.), 251.

10 Wilbert J. LeMelle, "A Return to Senghor's Theme on African Socialism," *Phylon* 26, no. 4 (1965): 330, JSTOR.

accomplish the dual mandate of economic development and nation-building. The approach centered around the “Senegalization” of the agro-industrial sector and a public sector–led approach to rural development as the state took control of the groundnut trade between peanut producers and foreign French firms. Politically, the colonial arrangement of including Muslim religious leaders known as *marabouts* was maintained. Marabouts were a central pillar in ensuring the continuity of the colonial economy and wielded considerable influence in the central Groundnut Basin region. The groundnut model was introduced to Senegal by the French Empire, and commodities like peanuts, palm oil, wax, and gold were developed on a regional scale, primarily for export to Southern France. Agricultural cultivation, introduced by French merchants in 1848, was primarily concentrated in the western regions of Niayes and Thiès, along the Sine-Saloum and Senegal Valley and the town of Kaolack, which bordered the Gambia, a major groundnut trade partner. [11] As European interests prompted rapid cultivation, the French increasingly relied on marabouts to increase groundnut cultivation for export and rewarded allies by granting them control over the institutional apparatus and resource base. This precedent was embedded into the post-independence identity landscape as the expansion of peanut production was largely driven by rural cultivation in the Groundnut Basin and marabouts remained an important national interest within Senghor’s regime.

In 1960, as the UPS government took control of the peanut economy, the cooperative movement consisted of 100,000 farmers across over 800 rural associations.[12] Cooperatives were introduced to Senegal in the 1950s, with several local *Sociétés de Prévoyance* (provident societies) established by the rural and religious elite. These societies imposed compulsory

11 Wilbert J. LeMelle, "A Return to Senghor's Theme on African Socialism," *Phylon* 26, no. 4 (1965): 330, JSTOR.

12 Thioub, “The Economic,” 258.

membership dues and taxes on the sale of crops and heavily invested in groundnut production and marketing. Post-independence, cooperatives were conceived as an attempt to implement a grassroots approach to African socialism in rural areas and a conduit for empowering rural farmers. Prime Minister Dia considered the cooperative movement to be a "revolutionary rejection of old structures" and challenged members to turn "archaic structures into a new order."[13] A new policy designed to minimize costs by boosting the overall output of groundnuts was introduced with the aim to increase the volume of rural production by thirty percent and commercial revenues by fifty percent.[14] Under Dia, the state assumed a centralized role in implementing its economic agenda, and cooperatives functioned as conduits that managed marketing efforts and agricultural inputs and coordinated technical assistance to farmers. Dia's rhetoric and attempts to enact his agricultural reforms were met with firm opposition from the private sector and Senghor's faction within the UPS expressed to and. In December 1962, a vote of no confidence was initiated against the prime minister, almost entirely by Members of Parliament with commercial interests.[15] Dia contested the motion, ordering the Senegalese military to halt the vote, a measure interpreted by Senghor as an attempt to stage a coup. Senghor ordered Dia's arrest and, in 1963, Senghor was reelected as President of Senegal under a new constitution that abolished the premiership and consolidated his rule.

Senghor's UPS unveiled a "New Look" that reoriented the nation's economic and social policy the following year. Senghor abandoned the reforms initiated by Dia and returned to the clientele model, effectively turning state agencies into efficient political machinery. Former US

13 Thioub, "The Economic," 258.

14 Thioub, "The Economic," 258.

15 Thioub, "The Economic," 262.

Ambassador to Kenya Wilbert J. LeMelle contended that Senghor's theory of "the African road to socialism" was "essentially that approach of emerging African society to development which reflects a sincere commitment to rapid, technical, scientific progress together with a fundamental concern for the relevant, inherent humanism of traditional African society."[16] Influenced by Marx's theory of socialization and French Jesuit Pierre Teilhard de Chardin's understanding of the individual's relationship to society, Senghor believed that development could be achieved through the creation of a "communal society," driven by a mobilization of the rural population and social ownership of industry and agriculture. His theory of development consciously diverged from certain tendencies he felt inherent in both the capitalist and communist development models. As he stressed, "'the problem is not to find ready-made solutions, but to search, objectively, for possible solutions . .. in the light of African realities."[17] Senghor expressed skepticism of the laissez-faire development approach without proper institutional support and was wary that unchecked growth would lead to the "alienation of man" forewarned by Marx. Similarly, Senghor's mistrust of communism was influenced by a desire to maintain a pro-West orientation and a fear that nationalization would deter potential investors. In this vein, Senegal was the only member among the Organization of Senegalese River States (OMVS) members Mali, Mauritania, Guinea to oppose communist financing the construction of the Manatali dam in the Senegal River basin. LeMelle categorizes Senegal's development strategy as a three-pronged approach comprising a "socialized sector", a mixed sector, and a free sector. The free sector, focused on commercial and industrial development, required large sums of

16 LeMelle, "A Return," 336.

17 Walter A.E. Skurnik, "Leopold Sedar Senghor and African Socialism," *The Journal of Modern African Studies* 3, no. 3 (1965): 354, https://www.jstor.org/stable/159548.

development capital beyond the state's ability to provide. As Senghor explained, "Development is not only a matter of total expansion of production and a quantitative increase in the national product. Development embraces all sectors of social life and aims not only at the increase of the agricultural and industrial production, but also the raising of the cultural level of the people…It results in the harmonious progress in every sector of human activity of which much can be measured by the indices of production."[18]

Established in 1966, the Office National de Coopération et d'Assistance pour le Développement (ONCAD) was the national agricultural marketing board and managed agricultural input distribution and output marketing. In 1966, the groundnut sector accounted for nearly 80% of jobs and several agencies were created to implement the rural development policy of increased groundnut production.[19] The regional Banque Sénégalaise de Développement (BSD) and the national Banque Nationale pour le Développement du Sénégal (BNDS) were chartered to finance agricultural programs and the Office de Commercialisation Agricole (OCA) was tasked with the collection of crops and the transfer of leftover surplus that could not be distributed locally.[20] In alignment with the development theory of public sector-led growth, the OCA was created to replace the French commercial monopoly over groundnut exports and imports of rice and farm inputs and was given a legal monopoly over groundnut marketing. The state was the primary intermediary between peasant farmers and peanut oil firms. Crop collection occurred through two main channels: cooperatives, composed of local farmers and coordinators, and

18 LeMelle, "A Return," 338.

19 Senegal: Tradition, Diversification, and Economic Development (Washington, DC: International Bank of Reconstruction and Development, 1974), 15, https://documents1.worldbank.org/curated/en/896701468777961052/pdf/multi-page.pdf.

20 Thioub, "The Economic," 258..

OCA-authorized traders associated with the Organismes Stockeurs (OS).[21] OS traders were widely regarded as extortionate middlemen and the creation of ONCAD, a colossal administrative entity tasked with overseeing the state-controlled monopoly on groundnut production and marketing, was accompanied by legislation prohibiting private groundnut marketing. Following the colonial precedent, ONCAD bought groundnuts from peasants at fixed prices, facilitated loans and credit for purchasing agricultural inputs, equipment, and pesticides as well as marketing the harvest.The 1964 Yaoundé Convention between the 18 Associated African States and Madagascar (AASM) and the Member States of the European Economic Community (EEC) marked the end of the Common Agriculture Policy (CAP) and the beginning of the gradual withdrawal of French price supports on Senegalese peanut exports.[22]

European policymakers asserted that repealing French agricultural subsidies and adjusting to global conditions would incentivize the Senegalese government to commercialize the peanut industry and integrate into the world market over a five-year term, ending in 1968. Despite receiving a disbursement of 47 million units of account to compensate for the fallout of this policy shift, the Senegalese Ministry of Finance estimated that losses related to these measures amounted to 12bn CFAF over the five-year period. The drop in export prices for groundnuts led ONCAD to decrease producer prices from CFAF 21.5/kg to CFAF 18/kg and the volume of exports fell by 25% in 1969. These conditions caused a sharp fall of groundnut production, halving from 1.1 million tons in 1967 to 500,000 tons by 1972.[23] Between the end of the Second World War and 1967, rainfall followed a regular four-year pattern of one high year of

21 Thioub, “The Economic,” 258..

22 CVCE, "The Yaoundé Convention," Luxembourg Centre for Contemporary and Digital History, https://www.cvce.eu/en/education/unit-content/-/unit/dd10d6bf-e14d-40b5-9ee6-37f978c87a01/c303f9ae-1356-4fd2-ad61-b650f07f10ec

23 *Senegal: Tradition*, Pg.25.

precipitation, one low year, and two average years. Beginning in 1968, this cycle shifted as droughts began to occur biannually and became increasingly severe. In 1972, rainfall was the worst in over a half century and was responsible for a nearly fifty percent decline in agricultural production and severe losses in the livestock industry, requiring emergency imports of major crops like millet, rice, and corn.[24]

Senegal adopted an import substitution approach to preserve its colonial industrial base, anticipating the arrival of foreign capital. Dakar had been the previous administrative capital of the disbanded French West Africa (AOF), and the closure of the protected AOF market, an area counting 20 million people, idled productive capacity, leading to a general collapse of heavy industry as private capital fled.[25] Senegal, now only a market of 2.5 million people, established its first investment code in 1962 to accomplish the objectives of the import substitution strategy and committed itself to promoting an attractive environment for foreign capital by offering target firms generous tariffs and taxation exemptions. New enterprises obtained substantial import protections and the growth of manufacturing was fostered in an environment of low competitiveness. In 1965, the code lowered the required investment from 1bn CFAF to 500mn CFAF, and expanded tariff and tax exemptions to deferred taxes on imported inputs.[26] While this approach did achieve concentrated growth in Senegalese manufacturing, reaching nearly six percent annual growth, public investment for the first Four-Year Plan reached only 50% of its target, and private investment fell from 10bn CFAF in 1959 to 6bn CFAF in 1962.[27] From 1959

24 *Senegal: Tradition*, Pg.40.

25 Christopher L. Delgado and Sidi C. Jammeh, *The Political Economy of Senegal under Structural Adjustment* (New York: Praeger, 1991), 22.

26 Fatou Cissé, Ji Eun Choi, and Mathilde Laurel, "Scoping Paper on Industry in Senegal," World Institute for Development Economics Research, last modified December 2014, https://www.wider.unu.edu/publication/scoping-paper-industry-senegal.

27 Senegal: Tradition, 96

to 1963, the industrial sector saw only a 32% increase in production, and, in 1962, Gross National Product (GNP) was 2.6%, drastically underperforming the 5% target outlined by the regime.[28] While the failure to stimulate the Senegalese industry can be attributed in part to the priority given to the rural sector, the lack of a clear and coordinated development strategy greatly undermined the industrialization process. Following independence, there remained a serious overreliance on foreign imports, and only a few industries could sustain the high labor costs and low productivity. Additionally, the industrialization process was guided by a near-term profit motive that prevented long-term, sustainable development. As Senghor lamented in 1964, "The responsibility of governing, of balancing budgets, of fighting illness, misery, and ignorance, we left to the coloniser. We were preoccupied only … with the goal of obtaining a little more 'territorial' revenue, without worrying about development, or even economic growth."[29] Despite Senghor's attempts to imbue socialism into an institutional framework, following the first two development plans, the state was saddled with a weak economy, a bureaucratic political apparatus, and a heavy reliance on foreign aid. A 1966 CIA memo notes that "although Senghor favors modernization--framed in terms of building African socialism--he finds that his control of the political situation is dependent upon conservative leaders who have the power to frustrate Senghor's reform measures."[30] Senghor's African socialism attempted to develop a doctrine out of his *Negritude* framework that could effectively facilitate an economic, social, and cultural transformation. Senghor envisioned a society that embraced both individual self-realization and collective well-being and this ideological framework oriented policies and initiatives toward a

28 Skurnik, "Leopold Sedar," 360.

29 Skurnik, "Leopold Sedar," 361.

30 Leopold Sedar Senghor (Central Intelligence Agency (FOIA), 1966), 1, https://www.cia.gov/readingroom/document/06773332.

dual mandate of achieving economic growth and fostering a sense of cultural pride among the populace. As Walter Skurnik writes, “The challenge of Africa was one of an emerging, pre-capital society whose structure was in the process of disintegration. The task confronting the African statesmen was to lead their countries and to build an identity.”[31] Inspired by the optimism of the 1960s sparked by independence movements across the continent, the 1966 World Festival of Black Arts in Dakar illustrates Senghor’s vision of fostering a “cultural movement whose goal is the black man, whose research instruments are Western reason and the Negro soul; because it takes reason and intuition.”[32] At the end of the “First Development Decade (1960-1970)”, as heralded by the UN, the average annual real GDP growth was 2.5%, only slightly exceeding population growth of 2.1% with per capita income at a mere $200 USD.[33] While it was generally believed that political independence would lead to rapid progress in raising the quality of life for the population, Senghor was slow to adapt to the response to the decline in services and institutional capacity experienced following the French exit. Senghor’s African Socialism, riddled with corruption and greed, left much to be desired for the Senegalese people. The fall in groundnut prices between 1966 and 1968, led to a period known as the *malaise paysan*.[34] Urban workers, frustrated about the stagnation of purchasing power, had begun to demand higher wages. Indebted to government agencies like ONCAD, they refused to settle their debts and turned away from official marketing channels. In 1968, a joint strike between the Association of Senegalese Students and the Dakar Association of Students led to

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31 Skurnik, "Leopold Sedar," 358

32 Florian Bobin, "The Senghor Myth," Africa is a Country, last modified May 2020, https://africasacountry.com/2020/06/the-senghor-myth.

33 Senegal Country Economic Memorandum (Western Africa Regional Office - The World Bank, 1984), 31, https://documents1.worldbank.org/curated/ar/901191468335438265/pdf/Senegal-Country-economic-memorandum.pdf.

34 Delgado and Jammeh, *The Political*, 136.

one death and over 900 arrests. The strike was prompted by Senghor's apathy toward the 1966 US-backed coup of Ghana's Kwame Nkrumah and the announcement of a reform of the grant system that reduced the level of grants available by 50%.[35] Throughout 1968, the UDES started to campaign against government policies. On May 18th, students organized a one-day strike. By May 26th, the problem remained unsolved, and a general strike was called. The following day, the protest gained momentum as university and secondary school students joined in solidarity. Within two days, Senghor sent a message to the students through the University Council asking the students to confirm that their intent was not to overthrow the government. The student leaders refused to comply and Senghor closed the university, declaring a state of emergency. The following day, police stormed the campus in Dakar. One student, Solomon Khoury, was recorded dead, but the rumor spread that the death toll was even higher. The students who were in their rooms were violently evicted. This sparked a reaction from Senegalese trade unionists who launched a strike in solidarity. The following day, leaders of the Union Sénégalaise des Travailleurs (National Union of Senegalese Workers, UNTS) were arrested during a meeting. Despite the government's attempts to suppress oppositional discourse via the radio station and newspaper *Dakar-Matin,* growing frustration about the perceived abuse of Negritude in the "Senegalization" of the economy and stifling political dissidents, evidenced by the arrest of Dia and other opposition leaders, led to riots in Dakar and the government was forced to release the imprisoned union leaders to negotiate an end to the crisis, which stretched into early June. The state agreed to increase the minimum wage by 15% and to reduce the salaries for members of the

35 Andy Stafford, "Senegal: May 1968, Africa's Revolt," Void Network, last modified August 2016, https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://voidnetwork.gr/wp-content/uploads/2016/08/Senegal-MAY-1968-AFRICA%25E2%2580%2599S-REVOLT-by-Andy-Stafford.pdf&ved=2ahUKEwjCyqWui-2FAxULF2IAHQCOCsAQFnoECBAQAQ&usg=AOvVaw1DpFl77rUDiAlo6GZmXVX9.

National Assembly. While the state re-opened the closed University of Dakar, the site of the strike, and agreed to pay the 1967-68 academic year, students remained dissatisfied with Senghor's rule. The Democratic Union of Senegalese Students dubbed Senegal a "reactionary, feudal and neocolonial regime" and Senghor a 'neo-colonial valet."[36] This anti-imperialist and anti-capitalist criticism argued by the movement was reminiscent of the banned *Parti Africain de l'Indépendence* (PAI), a party influenced by Marxist, pan-African, and nationalist beliefs. In the *Party Progamme*, adopted at the party's First Congress in 1962, the leadership of the PAI asserted that Senghor's African Socialism "safeguards the interest of the local bourgeoisie and the foreign bourgeoisie, [and] is nothing more nor less than an African form of capitalism belonging to the neocolonialist era."[37] The aftermath of May 1968 was all the more poignant when, in 1969, President Senghor estimated the loss in income due to government fraud and corruption at 5bn CFAF, and the embezzlement of public funds at 200mn per year.[38] Despite Senghor's ambition, the glaring development failure of the 1960s was that control of the "infernal trade cycle," as termed by Dia, had not been transferred from the French to rural peasantry through cooperatives but instead had been co-opted by a political elite class that largely drained domestic resources, harming the national economy and solidifying its dependence on the neocolonial model.

36 Stafford, "Senegal: May 1968," Void Network.

37 LeMelle, "A Return," 340.

38 Thioub, "The Economic," 264-65.

Chapter 2: Peanuts and Oil: "Senegalization" and the Second Development Decade

Senegal's economic landscape in the 1970s was marked by several periods of prosperity and turbulence, driven by the combination of domestic policy choices and external economic factors. The early 1970s ushered in a commodities boom, but this optimism was soon tempered by the abolition of the Bretton Woods system in 1971 and subsequent oil price shocks in 1973-4 and 1978-9. These external factors, combined with a series of droughts in the Sahel between 1970 and 1978, dealt severe blows to Senegal's economy. Between 1968 and 1973, annual GDP growth only averaged 1% as the share of groundnuts in total exports fell from 80% to 40%.[39] These shocks were further exacerbated by a development-oriented policy that persisted despite declining revenues by the late 1970s. Following the first decade of development, the GNP per capita declined by nearly 7% to about 54,500 CFAF in 1969-71, highlighting the challenge of sustaining growth.[40] Weak economic expansion in the 1960s was primarily a result of the country's poor resource base and lack of diversification. Although peanut acreage expanded significantly, yields did not grow to match. As Senegal entered the 1970s, rural agricultural policy starkly shifted away from its original form of community-oriented social change and increased popular participation toward a new focus on maximizing administrative efficiency and economic incentives aimed through measurable production goals. In 1971, nearly 70% of the labor force was employed in the agricultural sector.[41] Between the first four-year development plan (1961-64), and the third development plan (1968-71), rural sector investments more than

39 Delgado and Jammeh, *The Political*, 25.

40 Senegal: Tradition, 28.

41 Senegal Country, 11.

tripled, with marked results.[42] A major achievement of the third development plan was rural diversification, in the form of cotton, rice, and tomatoes. Rice production was primarily concentrated in the southernmost region of Casamance. Similar improvements were made in the Groundnut Basin, including adopting more efficient production methods for groundnuts and millet. Following rises in world prices for commodities like groundnuts and phosphates, the UPS government increased groundnut output. During the 1968-73 period, only 7.5bn CFAF of the 34.1bn CFAF development budget was allocated to groundnut production as an increasing discrepancy between productivity and wages emerged.[43] In 1971-72, 900,000 tons of groundnuts were produced and farmers' income more than doubled between 1970-71 and 1971-72.[44] Notably, producer prices were raised by more than 25%, primarily driven by favorable weather conditions, and there was a nearly 50% surge in output relative to the 1970 crop yield. Producer prices were kept unchanged throughout 1972. A commodities boom between 1973-77 saw the price of phosphates, accounting for nearly 10% of imports, rise by nearly 400% and the price of raw peanut oil by ~132%.[45] In 1976, the production of peanuts reached record levels and prices again increased the following year. Between 1974-77, the Senegalese budget surplus reached 20bn CFAF.[46] Optimism over these favorable conditions and the belief that they would persist spurred policymakers to continue an expansionist policy that increased the industrial minimum wage by 82% and peanut producer prices by 30% in 1974 and 38% in 1975.[47] To mitigate cost

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42 Senegal: Tradition, 26.

43 Delgado and Jammeh, *The Political*, 25.

44 Senegal: Tradition, 26.

45 Shantayanan Devarajan and Jaime de Melo, "Adjustment with a Fixed Exchange Rate: Cameroon, Côte d'Ivoire, and Senegal," *The World Bank Economic Review* 1, no. 3 (1987): 95-96, JSTOR.

46 *Senegal Country*, 58.

47 *The Economic*, 14.

increases in the price of imported wheat and rice and a nearly 25% rise in the cost of oil, the Caisse de Péréquation et de Stabilisation des Prix (CPSP), was created to regulate and stabilize consumer and producer prices for major commodities (rice, flour, tomatoes, cotton, sugar and groundnuts). Established in 1973, its operations were supervised by the Ministry of the Economy, Finances, and Planning and the National Treasury allocated substantial resources to food grain subsidies, accounting for more than 10bn CFAF in fiscal year 1973-74.[48] Further, the government undertook a series of ambitious measures to increase agricultural productivity, organize trade, stimulate investment, and expand the public sector. Between 1974-77, government spending increased by 78%, and the annual trade deficit reached 20bn CFAF.[49] While the first two four-year plans (1961-69) promoted an import-substitution industrialization policy that stressed the need for large, capital-intensive public enterprises, the Third four-year plan (1969-1973) subsidized small and medium enterprises (SMEs) and emphasized their role in the development of the agro-industrial sector. SONEPI (Société National d'Etudes et de Promotion Industrielle) was established in 1969 to provide technical and financial assistance to local entrepreneurs and SMEs. SONEPI, a quasi-public organization, also allocated private funds to provide liquidity and incentives to the private sector. By 1970, 20% of local manufacturing production (excluding groundnut oil) was exported, accounting for almost 40% of Senegal's total exports (compared to 23% in 1965 and 17% in 1960).[50] CSS (Compagnie Senegalaise Sucrière), Senegal's national sugar company, was established as part of the investment code reforms in 1970 and became increasingly noncompetitive following the adjustment to world prices. By

48 François Boye, "A Retrospective Analysis of the Senegalese Economy" (working paper, Center For Economic Research on Africa, School of Business, Montclair University, Upper Montclair, NJ, December 1990), 21.

49 Delgado and Jammeh, *The Political*, 25.

50 Delgado and Jammeh, *The Political*, 116.

1973, the Ministry of Planning and Cooperation had been established to orchestrate the Fourth Four-year plan (1973-1977). A 1974 survey found that approximately 50% of small firms (10-20 employees) and 90% of large firms (>20 employees) were foreign-owned.[51] A January 1975 economic report from Finance Minister Babacar Ba to the UPS National Council expressed frustration at the lack of progress in achieving development goals:

"The economy is fragile and productivity is low. The economy is therefore dependent; it is condemned to import not only almost all manufactured goods, but also a large share of mass consumption goods. Financially, we cannot control our income and spending because they depend upon world market prices which we cannot control. World prices also determine the amount of subsidy we must give rice and sugar. With internal private and public savings so restricted, we have to call for foreign investment - which reinforces our dependence and is often very costly…And foreign investors, to be attracted, must be given tax advantages which diminish budgetary receipts and reduce the State's capacity to invest - a vicious circle."[52]

To further stimulate domestic trade, the Dakar Industrial Free Trade Zone (ZFID) was established in 1974 to attract labor-intensive industries. Dakar was the first of five industrial zones that had been created to attract SMEs. The other four, Saint-Louis, Kaolack, Thiès, and Ziguinchor, were all created in 1984.[53] Firms operating in these zones were exempted from all duties and taxes and were required to have majority Senegalese ownership. This tax exemption, lasting five or seven years, was among the fiscal incentives the 1970 Investment Law granted. Several large firms enjoyed long-term privileges ("conventions spéciales"), including legal import/export monopolies, as was the case with the Société Africaine de Raffinage (SAR). The SAR, established in 1964, remains the only refiner in Senegal and the previous sole importer of crude oil and petroleum products like petrol, kerosene, and jet fuel. Its refinery M'bao is an off-

51 Senegal Country, 58

52 Jonathan Barker, "Stability and Stagnation: The State in Senegal," *Canadian Journal of African Studies* 11, no. 1 (1977): 24, JSTOR.

53 Trade Policy Review Mechanism Senegal (World Trade Organization, 1994), 43, https://docs.wto.org/gattdocs/q/GG/CRM/S41.PDF.

shore oil terminal near Dakar, built in 1963, had an annual processing capacity of 1.3 million tons. Several parastatals and regional development agencies were also established in 1974 and 1975, among them SONACOS (Société Nationale de Commercialisation des Oléagineux du Sénégal), SODAGRI (Société de Développement Agricole et Industriel du Sénégal) and SODEFITEX (Société de Développement des Fibres Textiles). The state repurchased colonial peanut processing mills and SONACOS was incorporated to organize groundnut production and marketing and the import of vegetable oils. Ownership of SONACOS was a 65/35 split between the state and French firms in the groundnut processing sector.[54] SODAGRI was linked to ONCAD and responsible for vegetable oil and rice imports from Southeast Asia, primarily Thailand, Vietnam, and India as well as technical oversight for agricultural projects in Casamance (Kolda, Sedhiou, Ziguinchor) and Kédougou and Tambacounda. Cotton cultivation was channeled through SODEFITEX, and all profits were used to subsidize CPSP's price equalization fund and local agricultural production. All these agencies were privately owned and tasked with implementing government development policies and providing technical and financial assistance. A 1977 law, designed to promote SMEs, outlined two separate tax codes: a "grand code" for larger, multinational firms and a "petit code" for firms with under 20mn CFAF in investments.[55] A December 1978 advertisement in the New York Times highlights the reach of the advertising campaign taken by Senegalese officials to attract foreign capital:

"Crown Communications has picked up an interesting assignment. It is to publicize and advertise the six-month old Dakar Industrial Free Zone just outside the city of Dakar in Senegal, West Africa. It will run seminars for American

54 Trade Policy, 35.

55 LeMelle, "A Return," 340.

companies on the West African Economic Community, conduct a direct mail and sales promotion campaign and run advertising in The Journal of Commerce, The New York Times, Fortune and Dun's Review."[56]

Following two successive droughts, in 1977 and 1978, a sharp drop in phosphate prices from 1976-78 and the oil price hikes of 1979, the terms of trade deteriorated while the Senegalese government maintained its policy of expanding public consumption, growing at an average rate of 6.7% between 1975-80, while annual productivity (per capita output) declined by 0.6% over the same period.[57] Between 1977-81, oil imports surged from 6.5% of export revenues to 31%. There was a 50% decline in agricultural production between 1976-7 and 1977-8 due to poor weather conditions and falling world prices for peanut oil, which accounted for more than 40% of export revenue until 1977. Despite attempts to boost exports, the policies implemented during the 1974-79 period, particularly the tendency for consumption over investment and a limited export-oriented strategy, laid the foundation for the subsequent economic crisis of the 1980s. This was the view expressed by Mamadou Touré, Ministre de l'Economie et des Finances during that time, in a 1985 memo to the National Council of the Socialist Party.[58] Agencies like ONCAD incurred increasingly burdensome operational costs and began to require external financing from institutions like the IMF and commercial lenders. As a result, Senegal depended heavily on foreign aid and private lending to meet its development targets. From 1974 to 1979, more than 40% of Senegalese financing was drawn from commercial financial institutions at market rates.[59] While the annual GDP growth rate rose to 4.5% over this period, surpassing

56 Philip H. Doughtery, "Advertising," *The New York Times*, December 19, 1978, , https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.nytimes.com/1978/12/19/archives/advertising-clustering-the-clout-at-y-r-crown-to-publicize-dakar.html&ved=2ahUKEwjTtb7Iou2FAxVJrokEHSCZD5MQFnoECBgQAQ&usg=AOvVaw38xE8xSd02ObUccvN2fkYC.

57 Delgado and Jammeh, *The Political*, 45.

58 Thioub, "The Economic," 266.

59 *Senegal Country*, 144.

population growth for the first time since independence, this growth did not stimulate production. Following structural changes in vegetable oil markets and a collapse in commodity prices, protectionist policies and a general mismanagement of the nationalization process led to overlapping management responsibilities between development organizations. These difficulties were further exacerbated by administrative and technical constraints, unproductive investment, poor implementation, and corruption. Economists Shanta Devarajan and Jaime de Melo argued that an alternative adjustment path, namely a real exchange rate devaluation, would have lessened the impacts of the shocks of the 1970s and the structural adjustment measures necessary. Devaluation would have permitted a reduction in import tariffs and less costly incentives for infant industries. However, this policy tool was not available to Senegal due to its shared monetary policy as a member of the CFAF monetary union. Monetary policy for Senegal is set at the regional level by the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO). In response to the droughts, the State relied on fiscal policy measures to align the domestic prices of rice and peanut oil products with foreign prices to offset the costs of CPSP subsidies and other government programs. The boom in commodity prices during the 1970s, coupled with low global interest rates and easy access to international markets, enabled Senegal to become creditworthy and led to a surge in borrowing and prolonged monetary shock in Senegal in 1980-81. This global collapse in stability and sustained volatility in the macro environment was coupled with another down year in the drought cycle. Faced with a growing deficit, the state appealed to the IMF. In 1979, the year of the first stabilization program, the state simplified and reduced import tariffs and taxes, while export taxes were eliminated except on peanuts and phosphates. By the end of the 1970s, Senghor’s project of economic development through African socialism had exhausted the economic capacities of the nation, and the intense struggle

for control of public resources governed the management of the economy, neglecting actual structural priorities and drastically reducing the productive capacity of key sectors. The 1970s saw a shift in the political agenda in favor of the urban-based national bourgeoisie, using state structures to advance the interests of this group over those of farmers and foreign capital. Leaders of the urban elite were also leaders of the state. In 1970, following the political unrest and scrutiny of Senghor's increasingly autocratic rule, the prime minister position was re-established, and Abdou Diouf, Senghor's hand-picked successor, was appointed Premier. A 1974 World Bank Report reflecting on Senegal's performance observed that "for political and social considerations the government was unable to reduce its excessive bureaucracy" and that "government policies remained largely administrative and were not sufficiently development-oriented."[60] In the Fifth Four-Year Plan for Development (1977-81), Senghor restated his goal of semi-industrial status by the year 2001. The Fifth Plan also reaffirmed the state's commitment to import-substitution industrialization as the development engine, projecting a target annual GDP growth rate of 5.8%. This strategy focused on Senegalese cotton and textiles and increased attention to social services like health and technical and professional education. The goal was to triple the amount of cotton produced by local industry and cover at least 80% of market demand for textile products by 1981.[61] The industrial policy that guided the Fifth and Sixth Plans concentrated state efforts on transforming domestic and raw materials. The four priority sectors were textiles, fishing, the chemical industry, and tourism. Senegal produced 4,000 tons of cotton in 1970 and 15,000 tons in 1975. The textile industry had been among the fastest growing and most dynamic sub-sectors of manufacturing and, by the mid-1970s, about 15 firms producing

60 Senegal: Tradition, 46.

61 Senegal: Tradition, 46.

textile goods accounted for 40-60% of domestic demand and about 10% of Senegal's private sector labor force, some 4,000 employees.[62] Following independence, the policies of the Senegalese government promoted the growth and integration of legacy firms from the colonial period under a policy of continuity that stressed the role of private French capital in the local economy, the organization of the groundnut sector, and centralized control over the rural surpluses and the sale of consumer staples. By the early 1970s, about three-quarters of local industry was oriented toward the domestic consumer market. The French importers of the textile industry benefited greatly from the state-enforced monopoly. Under this scheme, profitability reflected the absence of market competition and the use of import controls to inflate the prices of local goods. The World Bank noted "the presence of rents" in the local textile industry in the early 1970s and observed structural weaknesses in the form of high input costs, excessive capacity, and inflated production costs. After 1975, the illegal textile trade ballooned, and by 1980, the informal textile market had become the de facto importer and accounted for 70% of all imported textile goods.[63] The total collapse of the textile industry and increasingly unsustainable external debt levels prompted Senegal to appeal to the IMF and the World Bank. In 1979, Senegal became the first African state to obtain a structural adjustment loan (SAL) from the World Bank. The fiscal year 1978-79 budget deficit was CFAF 4.3bn, compared to CFAF 1.4bn in 1977-78. In 1979-80, it expanded to CFAF 29bn.[64] Previously, Senegalese authorities had little reason to raise domestic taxes to satisfy this rising public sector deficit due largely to the availability of favorable terms of external financing from international financial institutions.

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62 *Trade Policy*, 72.

63 Ibrahima Thioub, Momar-Coumba Diop, and Catherine Boone, "Economic Liberalization in Senegal: Shifting Politics of Indigenous Business Interests," *African Studies Review* 41, no. 2 (1998): 71.

64 Delgado and Jammeh, *The Political*, 45.

Debt service obligations grew from 5% of government revenues in 1975 to 19% in 1979, effectively eliminating any potential surplus.[65] This was part of a larger trend of overlending from Bretton Woods Institutions and US banks to developing countries. The combined factors of the emergence of syndicated lending, a sustained period of negative real interest rates, and an influx of petrodollars led commercial banks to ease loan criteria and net international bank lending rose from US$68 billion in 1977 to US$160 billion in 1980.[66] Nearly one-third of these capital flows were directed toward oil importers with surplus revenues following the earlier commodity booms and easy access to international capital markets. Following a 1979 World Bank report that noted the "para-public sector has become so large that its sound economic performance is crucial for the whole economy,"[67] The 1979 Medium-Term Economic and Financial Recovery Plan (PREF) instructed the state to reduce the current account deficit from 15% to 7% and to pursue an industrial development policy of liberalization that would limit the role of the state in the public sector economy.[68] IMF officials believed this approach would stimulate competitiveness, increase production, and reduce domestic manufacturing costs. "There is a need to reorient some aspects of overall economic policy. With the decline of the private share in the modern sector, the Government can no longer count on foreign capital for most replacement investments and expansion. Whereas in the past, the Government's main concern was to keep the foreign profit margins low and maximize employment of Senegalese citizens, it should now shift its focus to additional generation of savings and greater profitability of investments. Following a trend of low production and unsustainable losses, ONCAD, widely

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65 The Economic, 17

66 Julianne Ams et al., "Chapter 1: The 1980s Debt Crisis," in *Prevention and Resolution of Sovereign Debt Crises* (IMF, 2018).

67 The Economic, 42

68 The Economic, 17

viewed as the paragon of inefficiency and corruption following the *malaise paysan*, was dissolved in 1980. Despite its initial success in reorganizing the groundnut industry, ONCAD left a debt of 90 billion CFAF over the agency's lifespan, including a loss of 12bn CFAF due to "unaccounted expenditure." This loss accounted for a staggering 15% of Senegal's GDP in 1980.[69] By the end of the decade, Senghor's project of economic development through African socialism and the 'dirigiste' role of the state had exhausted the economic capacities of the nation. The intense struggle for control of public resources was the primary concern that governed the management of the economy, and actual structural priorities were neglected, leading to stagnation in the productive capacity of most sectors. The profitability of the groundnut trade was increasingly questioned, and the depletion of savings, sharp fluctuations in GDP growth, and high inflation spawned a volatile international market that severely weakened the terms of trade. Inflation reached 30% in 1975 before averaging 6% between 1975-80. The state limited intervention in the economy and implemented structural reforms that promoted privatization and IFI-led liberalization, directing the economy away from the neocolonial, import-substitution industrialization model. Following the dissolution of ONCAD in 1981, the government established the *Société Nationale d'Approvisionnement du Monde Rural* (SONAR), a reshaped agency with a more limited scope of responsibility. SONACOS was delegated responsibility for groundnut marketing, and the *Programme Agricole*, which had provided input credit to farmers since 1960, was discontinued in 1980. Between 1980–85, the brief period of SONAR's existence, SONAR generated an additional deficit of 27 billion CFAF, persuading decision-makers to cease all rural credit provisioning subsequently.[70] The political pressures of the 1970s

69 Thioub, "The Economic," 258.

70 Boye, "A Retrospective," 32.

led to the decentralization of control, and constitutional revisions in 1976 reintroduced the multi-party system. These changes resulted in the formation of three new parties: Senghor's Union Progressiste Senegalaise (UPS) rebranded as the Parti Socialiste (PS), the Parti Democratique Senegalaise (PDS), led by Abdoulaye Wade, and the previously banned communist Parti Africain de Independence (PAI), led by Majhmout Diop.[71] In February 1978, the first general elections were held. Senghor defeated Wade, the only opposition candidate, with 82% of the vote, and the Parti Socialiste won 82 out of the 100 National Assembly seats. In January 1980, high school students in Ziguinchor, the capital of Casamance, went on a strike disrupted by the local police force. Schoolteachers called for a national strike and four months later, in May 1980, the Democratic Teacher's Union of Senegal (SUDES) organized a strike. The demand for salary increases was the mobilizing issue. In reply, authorities dismissed complaints and punished teachers by replacing and suspending positions and reassigning teachers to schools in rural areas. Amid mounting accusations of economic mismanagement, electoral manipulation, and widespread fraud, in December 1980, President Senghor resigned before the end of his five-year term, ending a near-20-year reign as leader of the nation.

Prime Minister Abdou Diouf took office on January 1, 1981, and served a two-year interim presidency through the 1983 elections. Diouf had previously served as governor of Sine-Saloum, Senegal’s largest region, in his twenties and was appointed prime minister in March 1970. He announced three core policies: promoting stability by a complete opening of political and trade union activity, modernizing the political system by dismantling the clientage model and reducing corruption and inefficiency, and accepting the aid of the IMF in rectifying the

71 Delgado and Jammeh, *The Political*, 125.

economic fallout of the shift toward a liberal system. Political pluralism was at the crux of his tenure as president, and these policies became essential for the “national rebirth” that Diouf proclaimed in January 1981. In April 1981, Diouf’s regime amended Article 3 of the constitution, which removed limitations on the number of parties and the requirement for a specific political alignment. Senegalese leadership expressed concerns about the reliability of the French treasury and its increasing dependence as a source of aid. This downgrade in relations between Dakar and Paris created the context for then Prime Minister Diouf to approach the Bretton Woods Institutions in 1979 with an invitation for a policy dialogue. His first major act as president was to appoint Professor Iba der Thiam as minister of national education, establish an ad-hoc committee to analyze the flaws in the educational system inherited from the French and make policy recommendations for sweeping reforms.

Politically, the drive for “Senegalization" remained strong in the 1970s. In 1976, firms in which the State had direct or indirect involvement produced 43% of the modern sector output.[72] However, over Diouf’s tenure, commercial control shifted away from the state and foreign enterprises toward a nascent informal sector. The competition between state, foreign, and local firms for control over the import-export trade and the relative political weakness of the native business class led to a rise in factionalism as all economic agents were heavily dependent upon the state to facilitate access to the most profitable sectors of the economy. Similarly, the labor market in Senegal was heavily regulated and discouraged the hiring of new job seekers or temporary workers through complicated and lengthy administrative pro-cedures. The labor code guaranteed lifetime employment to almost all formal sector (private sector and civil service)

72 The Economic, 38.

workers.[73] The informal sector was considered a partial solution to the strong monopolistic patterns and overregulation of the heavily regulated formal economy. Informal sector firms were more competitive than many formal businesses, largely due to a system of transport and distribution networks and their ability to elude value-added taxes (VAT), registration fees, profit and payroll taxes, duties and tariffs, and social security payments. The state organized commercial interests into “business associations" that facilitated commercial dialogue and largely served French and neocolonial interests. The Dakar Chamber of Commerce, described by Thioub as a “glaring symbol of European control,” regularly advised government ministries on import taxes and quotas.

During the *malaise paysan*, over 2,500 local businessmen formed the *Union des* Groupements Economiques du Senegal (UNIGES). UNIGES criticized the regime’s failure to promote "the national interest," and its failure to pursue an economic policy "that would permit Senegalese enterprise to develop."[74] UNIGES demanded improved access to credit and state-regulated markets and increasing participation in the foreign sector. Senghor defused the movement by converting the association into a renamed government-sponsored affiliate of the UPS called GES. The shift from a centralized colonial administration to an increasingly fragmented system of bureaucratic control that accompanied state development policy eroded the state’s capacity to exercise restrictive control over market access and undermined the import/export trade regime. In the rural informal sector, groundnuts and imported goods were smuggled through the Gambia. The rise of these informal markets provided an alternative to the

73 Amor Tahari, "IV Senegal, 1978-93," in *Adjustment for Growth* (IMF, 2024), https://www.elibrary.imf.org/display/book/9781557755667/C4.xml.

74 Ibrahima Thioub, Momar-Coumba Diop, and Catherine Boone, "Economic Liberalization in Senegal: Shifting Politics of Indigenous Business Interests," *African Studies Review* 41, no. 2 (1998): 68.

fixed producer prices set by ONCAD, enabling rural farmers to default on their debts during the *malaise paysan*.[75]

In a 1980 *African Affairs* article, economist Pamela Cox observed that the dramatic ousting of Dia stalled the momentum surrounding the cooperative movement. "Controlled totally by the government through ONCAD, the cooperatives are a case of animation from the top down, instead of a true popular movement. There are indicators that the farmers view the cooperatives as an extension of the government rather than as grassroot democratic organizations defending farmer interests…Moreover, [ONCAD] is riddled with corruption and almost universally hated by the peasants that produce for it."[76] Senegal's sluggish economic growth stemmed primarily from exogenous shocks, a flawed incentive system, and heavy taxation from the groundnut sector. Notably, between 1974 and 1977, when taxation was relatively moderate, production experienced a significant upsurge. Furthermore, the manufacturing sector grappled with the challenges of a small domestic market and high production costs that required considerable trade protections. The economic malaise was exacerbated by structural weaknesses, administrative constraints, and rampant corruption within state-led development agencies. The mismanagement of resources and the failure to prioritize strategic sectors further eroded the productive capacity of the economy. Despite initial successes in reorganizing industries such as textiles, the absence of market competition and the use of import controls combined with poor plan implementation undermined their sustainability.

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75 Thioub, Diop, and Boone, "Economic Liberalization," 68.

76 Pamela Cox, "'Après Senghor' - A Socialist Senegal?," *African Affairs* 79, no. 316 (1980): 336, JSTOR.

CHAPTER 3: STRUCTURAL ADJUSTMENT AND THE IMF

In December 1979, the announcement of the Medium-Term Economic and Financial Recovery Plan (PREF) marked the beginning of the structural adjustment process and the partnership between Senegal and the IMF. Over the 1970s, external debt grew from $130 million in 1971 to nearly $1 billion by 1979, driven by the cumulative effect of declining terms of trade and the series of exogenous shocks that disrupted development efforts.[77] The average annual growth rate of public long-term foreign debt averaged 25% annually and public consumption surged from 15% of GDP in 1975 to 22% in 1980, while private consumption increased from 72% to 79.4%.[78] In the fiscal year 1980-81, two-thirds of Senegal's groundnut yield, the primary source of revenue, was smuggled into the Gambia, and internal arrears accrued by the central government and the public sector exceeded total government income during that year. As the unsustainability of the 1970s debt-based strategy became apparent, PREF, a five-year program (1980-84), was designed to stabilize the economy, promote domestic investment, increase public savings, liberalize trade policies, and dismantle the inefficient public sector.

Ultimately, this framework led to an overextension of the public sector, rent-seeking, and stagnation of the agro-industrial economy. The heavy subsidization of parastatals through external debt further exacerbated the balance of payments and produced a "crowding out" effect in the formal commercial sector. The industrial production index (based at 100 in 1969) fell from 189.5 during the third quarter of 1979 to 157.8 in 1980 and hardened interest rates following the second oil crisis saw the marginal borrowing rate increase from about 8% in the early 1970s to

77 Senegal Country, 155.

78 Tahari, "IV Senegal."

15% over the 1979-81 period.[79] The primary aim of the PREF was to reduce the current and fiscal account deficits by increasing revenues and reducing public expenditures. After 1979, public investment began a downward trend. PREF was supplemented by further intervention with the approval of a three-year $200 million Extended Fund Facility (EFF) in August 1980. Structural reforms focused on restructuring the public and agricultural sectors through realigned incentives and stabilization measures monitored by the IMF. Initial results were limited due to overly ambitious policies, poor implementation, and recurrent drought. In June 1981, the National Assembly adopted the Sixth Plan of Economic and Social Development (1981-85). The Sixth Plan emphasized the importance of revenue-generating investments, reducing energy dependency, and improving agricultural resilience. As a result of the crisis, oil exports soared from 5bn CFAF in 1972 to 50.6bn CFAF in 1980, and rice imports were an estimated 36bn CFAF.[80] PDS assemblymen Mamadou Fall Puritain and Fara Ndiaye criticized the role of the IMF and The World Bank in the planning process, stating plainly that "The Sixth Plan was drawn by foreigners" and "This plan is, in our view, the expression of a policy which we condemn. A policy that has opted for economic stagnation, for economic dependency."[81]

The publishing of the 1980 Organization of African Unity (OAU) "Lagos Plan of Action" and the 1981 IMF report *Accelerated Development in Sub-Saharan Africa*, popularly known as the "Berg Report," illustrate the underlying tension of development discourse during the decade. The Berg Report, commissioned by the African Governors of the World Bank and published in Washington, marked a shift from a more interventionist approach that acknowledged the active

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79 Ams et al., "Chapter 1: The 1980s,"; Tahari, "IV Senegal."

80 Tahari, "IV Senegal."

81 Sub-Saharan Africa Report (United States Joint Research Publication Service (CIA), 1981), 35, https://www.cia.gov/readingroom/document/cia-rdp82-00850r000400040015-7.

role of the state in the development process to a free market-oriented doctrine based on balance of payments and liberalization. The report declares plainly that "domestic policy issues are at the heart of the crisis in Sub-Saharan Africa" and marked an early iteration of the ideological framework that would later become the "Washington Consensus."[82] The Lagos Plan, a follow-up to the 1979 Monrovia Declaration, marked a total rejection of the neoliberal policy reforms promoted by the West and an attempt by the member states of the OAU to adopt a coordinated, regional approach to industrialization and economic integration based on the principle of collective self-reliance. The preamble asserts that the "effect of unfulfilled promises of global development strategies has been more sharply felt in Africa than in the other continents of the world."[83] The Lagos Plan outlined decade-long priorities, including achieving agricultural self-sufficiency in food production, developing socio-economic infrastructure, poverty alleviation, and establishing an integrated African Economic Market by 1990. The goal of an African Economic Community by 2000 was central to the plan "to promote collective, accelerated, self-reliant and self-sustaining development of Member States."[84]

Unlike the Berg Report, the Lagos Plan explicitly acknowledged the historical context of development and the lingering shadow of colonialism. "Africa was directly exploited during the colonial period and for the past two decades; this exploitation has been carried out through neo-colonialist external forces which seek to influence the economic policies and directions of African States."[85] Ndiaye also contended that the annual GDP growth target of 3.5% outlined in

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82 John Loxley, "The Berg Report and the Model of Accumulation in Sub-Saharan Africa," *Review of African Political Economy* 27/28 (1983): 197, JSTOR.

83 Lagos Plan of Action (Organization of African Unity, 1980), 4, https://mmeipa.africa-eu-energy-partnership.org/lagos-plan-action-economic-development-africa

84. Lagos Plan, 99.

85. Lagos Plan, 5.

the Sixth Plan was deceptive, given that the projected population growth of 2.7% over the same period would substantially diminish the actual growth rate. In June 1981, the National Assembly enacted a new Investment Code, a move championed by Prime Minister Habib Thiam. The code aimed to attract 100bn CFAF of private capital and create 8,000 jobs annually.[86] It also provided additional incentives for firms outside Dakar. In September 1981, the 1980 EFF program was ended and replaced with a Stand-By Arrangement (SBA) for the fiscal year 1981-82. The initial IMF intervention between 1979-82 was marked by abrupt fiscal austerity measures taken without the proper institutional capacity. Despite the efforts of the 1980 EFF to rectify Senegal's structural weakness, its effectiveness was marred by overly-ambitious plan targets and a persistent pattern of overspending. Moreover, the inability of both the IMF and Senegalese authorities to reach a consensus on viable reform initiatives, particularly in response to the economic shocks of the late 1970s and the droughts of 1981 and 1982, further hindered progress.

At the onset of the adjustment process, the Senegalese government hesitated to discontinue the agricultural price support provided by the CPSP. The Fund exerted pressure on the government to strengthen its tax collection system, freeze public sector hiring, cut food subsidies, and slash petroleum imports. The IMF, motivated by the fear of substantial debt defaults, squeezed access to credit by imposing additional constraints on borrowing and other forms of debt financing. France, Senegal’s principal aid contributor, conditioned its assistance on compliance with these IMF mandates. These terms, coupled with a severe liquidity crisis following a debt burden of $157.8 million due to a decline in peanut exports, prompted the government to revise the goals and program timeline and seek alternative sources of financing.

86 Sub-Saharan Africa, 37.

To finance the nearly $360 million deficit and reduce overdue payments, Dakar appealed to the Paris Club in October 1981 and abandoned the EFF for the 1981-82 SBA.[87] Subsequently, strong adjustment measures were implemented, encompassing an increase in the VAT and price hikes aimed at curbing the fiscal gap, administrative and accounting reforms, and improvements in the agricultural support schemes. Tariffs were increased from 5-10% in March 1980 and to 15% in September of the same year. The list of tax-exempt products was revised to broaden the taxable base and revenues from the export tax (20%) were to be used to stimulate domestic production. These policies led to a surge in the price of consumer goods. By February 1981, the consumer price index of a family in Dakar had surged to 283.3, compared to a base figure of 100 for 1970.[88] The 1981-82 budget was structured based on three chapters: the operational budget, the investment (or capital) budget, and the treasury special accounts. Notably, the capital budget jumped from 21.2bn CFAF in the preliminary budget to 55.6bn, whereas the special accounts dwindled from 65.5bn in the government's initial draft to 39bn CFAF in the budget ratified by the assembly. SONAR received operating subsidies of 13.6bn CFAF, the most of any development agency.

As a result of the SBA program and the recovery in agricultural production, a significant adjustment was made and the overall fiscal deficit declined to about 7% of GDP in 1981-82.[89] Furthermore, the government succeeded in reducing payment arrears by 11.7bn CFAF and repaying 9.6 billion of crop credits. However, despite this progress, Senegal's real per capita

87 Delgado and Jammeh, *The Political*, 28.

88 Sub-Saharan Africa, 38.

89 Tahari, "IV Senegal."

income in 1982, amounting to $440, remained below that of neighboring countries Cameroon and Côte D'Ivoire, whose GDPs it had surpassed in 1960.[90]

A new arrangement for the fiscal year 1982-83 was not finalized due to substantial losses sustained by the CPSP following a sharp drop in export prices that exacerbated these policy hurdles and severely hindered cash crop production. The fiscal regime was adjusted in February 1983 to raise government revenues and encourage a consumption shift toward locally produced goods. Customs revenue rose by more than 15% between 1982-83 and 1983-84 but persistent structural and financial problems were compounded in 1983-84 by the return of severe drought conditions and the policy dialogue fell apart in June. The drought, the second most severe since 1972-73, reduced the volume of agricultural production by 40% and 1984 GDP fell by 4%, sparking a deep recession.[91] From 1983-85, average inflation was 11% and real GDP growth remained negative and, from 1960-1986, Senegal experienced the lowest GDP growth rate (2.3%) of any African nation unaffected by war or civil strife.[92] 1984 marked a seminal year with the adoption of the 1984 *Nouvelle Politique Agricole* (NPA). In February 1983, Diouf's regime sought a fresh mandate during the presidential and parliamentary elections. Diouf faced popular pressure to improve living conditions and reduce the corruption and cronyism that had become a central characteristic of Senghor's tenure. Diouf had served eight years as prime minister and cemented himself as a modernizing and adaptable leader capable of balancing various competing interests. Eight of the fourteen legally recognized political parties contested the 1983 elections and voter turnout was 56% as over one million Senegalese casted ballots. A 1982 amendment to

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90 Senegal Country, 23.

91 Tahari, "IV Senegal."

92 Senegal Country, 23.

the Electoral Code introduced electoral changes that increased the National Assembly to 120 members and modified how they were chosen through a new mixed system. Candidates at the departmental level were elected by party-based majority vote whereas cabinet level positions were decided through proportional representation. In the presidential election, Diouf secured a decisive victory, defeating Abdoulaye Wade (14%) with 83% of the vote.[93] Diouf's PS also won 111 of the 120 National Assembly seats and Wade's PDS secured 8 seats. Mamadou Dia, a fierce critic of the incumbent and his administration following his release from a life imprisonment sentence in 1974, ran as the Mouvement Democratique Populaire (MDP) candidate and garnered 15,000 votes, roughly 1% of the overall vote.

Following his re-election, Diouf's government announced the NPA with the primary policy objective of achieving domestic production covering 80% of Senegalese consumption by the year 2000. Deregulation and restructuring of marketing channels for major crops, including cotton, groundnuts, and rice, were designed to increase the role of the private sector producers and distributors. Government officials aimed to reduce the share of groundnuts as the dominant cash crop and to boost cotton, sugar, rice, fruits, and vegetables. The 1984 Economic Adjustment Program for the Medium and Long Term (PAML) was a policy framework for the 1985-92 period that was used in the development of the second Structural Adjustment Loan (SAL II) (1986), SAL III (1987), and SAL IV (1990).[94] The first tranche of SALL II disbursed $70 million and approved an 18-month IMF standby arrangement of SDR 76.6 million. Under SAL II, several structural weaknesses were identified: pricing incentive policies, a large and inefficient public sector, and poor productivity and quality of investments. Limited

93 "Senegal 1983," Inter-Parliamentary Union, http://archive.ipu.org/parline-e/reports/arc/SENEGAL_1983_E.PDF.

94 Delgado and Jammeh, *The Political*, 9.

manufacturing growth was attributable to excessive protection of the domestic market and haphazard labor policies that reduced the competitiveness of exports and drove up production costs. Revisions of the industrial incentive system established a basis for development through the liberalization of agricultural inputs, the "disengagement" of rural development agencies, and improved programming and budgeting for public investment and debt management. In 1985, the output market for groundnuts was gradually liberalized, and private traders were allowed an intermediary role through the state. Notably, the advent of the three-year Policy Framework Paper format (PFP) in the 1986 Structural Adjustment Facility (SAF) introduced a new policy tool aimed at prioritizing social development issues. To qualify for the concessional assistance under the SAF, countries were required to fall below a per capita income threshold of $550.[95]

The 1986 Cereal Plan sought to attain the ambitious goal of 80 percent cereal self-sufficiency through domestic production of millet and sorghum, in the Casamance region. Accordingly, "appropriate" pricing and import substitution policies, namely, market liberalization and the withdrawal of the state in the direct oversight of agricultural production, were implemented. In 1985-86, producer prices were increased by 20-30% for millet and sorghum and by 40-50% for maize and rice to further incentivize farmers to produce cereals. These price incentives, coupled with good weather conditions, worked as agricultural production expanded at an average growth rate of 9% between 1987 and 1991. From a low of 500,000 tons in the drought period of 1984-85, peanut output climbed to 950,000 in 1987-88.[96] SONAR and several other rural parastatal organizations were liquidated or restructured as the market for agricultural inputs was liberalized, and rural-state agencies were privatized. The NPA privatizing

95 Senegal Country, 23.

96 Delgado and Jammeh, *The Political*, 55-57.

of rural public agencies was pursued in agricultural marketing (SODAGRI), industries (SONACOS), and public utilities SONATEL (telecommunications), SONEES (water), and SENELEC (electric utility). The government also assisted the fishing sector through investments in processing and marketing capacity, institutional support, and subsidies for the modernization of the fleet. A 1989 WTO Trade Policy Review described fish as “the single most important export commodity of Senegal " and, in the same year, export revenue from fisheries exceeded groundnuts and groundnuts products.[97] The small-scale fishing fleet of around 10,000 vessels with 45,000 fishermen accounted for 70% of the national catch and one-third of shrimp exports.[98] Sectoral issues pertaining to overfishing, supply chain bottlenecks, and the relocating of processing plants to lower-cost countries like Côte D’Ivoire led to a decline in fish and fish product exports toward the end of the decade. Following the VIIth Development Plan (1986-89), announced in July 1985, the CPSP withdrew from marketing and imports of vegetable oils and groundnuts in 1985 and 1986, respectively, and the government pursued policies that would accelerate economic diversification in fishing and tourism and stimulate a gradual transition toward free market prices. Additionally, policies focused on raising output through price floors and ceilings and a program that improved production potential for irrigated cereal. In 1988, all grain prices were regulated, and minimum producer prices were set at CFAF 85/kg.[99]

While the government attempted to reform the agricultural sector by adjusting the prices of commodities like groundnuts, cotton, and rice, adopting these sectoral development strategies for agriculture and industry did not have popular political legitimacy in rural or urban areas.

97 Trade Policy, 16.

98 Tahari, "IV Senegal.”

99 Trade Policy, 58.

Subsidies of these commodities were to be gradually phased out to eliminate the added social cost of production. This shift, coupled with urban austerity measures, strained socio-political tensions and alienated the coalition of bureaucrats and business elite who profiteered on these contracts. Dakar grappled with the ramifications of a consumer tax policy imposed on rice imports that brought significant hardships on a large populace reliant on rice-based diets. The increase of rice prices emerged as a mobilizing issue in the February 1988 election, underscoring the depth of discontentment. Faced with mounting political instability, the Diouf government was compelled to enact a 19% reduction in consumer rice prices in May 1988. 1986 was another landmark year when the Parti Socialiste announced the *Nouvelle Politique Industrielle* (NPI). PFP measures in the 1986 SAF helped generate a 9bn CFAF surplus in 1986, and the first PFP in 1988 indicated a dual approach focused on streamlining the path to private sector growth and improving government finances. The NPI signaled a break from the import-substitution industrial policy that had guided the state through independence.

Senegal's investment framework was revised in 1987 with the enactment of a new Investment Law. The law covered agriculture, fisheries, livestock, manufacturing, mining and exploration, and tourism. Investments of at least CFAF 5mn were required to create at least three posts for Senegalese nationals and were to be financed by a minimum of 30% equity (20% for SMEs).[100] The 1987 law introduced automatic investment approval, including in existing Senegalese companies owned and controlled abroad. Policies aimed at improving the competitiveness of Senegalese firms, promoting investment and exports, reducing government intervention in administering industrial incentives, and limiting current expenditures, including

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100 Trade Policy, 42.

the civil service wage bill. The NPI consisted of complementary measures of improving competitiveness by liberalizing the economy through reducing customs tariffs, removing quantitative restrictions, facilitating investment opportunities through restructuring public enterprises, and reducing the cost of key inputs, including labor. The implementation of these measures took place mostly between 1986 and 1988.[101] Trade liberalization proceeded mostly on schedule, but reforms aimed at reducing production costs and improving the incentive environment proceeded slowly, producing only a marginal impact on the industrial sector. The NPI included provisions removing quantitative import restrictions (licenses and quotas), streamlining the customs code, and lowering and standardizing tariff rates. The NPI attempted to create SMEs and industries capable of strengthening the industrial base and improving employment. Senegal's import regime was heavily liberalized through tariff reductions, removal of prohibitions and licensing requirements, and quota increases. The Tariff Reform Code of August 1986 and the new General Tax Code of 1987 cut the tariff rate from 65% to a range of 30-40% within two years and eliminated non-tariff measures on imports of textile inputs, clothing, certain agricultural goods (poultry, eggs, fruit), tobacco, and other consumer products.[102] The decision was partly motivated by a desire to reduce smuggling and tax evasion as the informal economy flourished. Between 1980 and 1991, the informal sector grew at an average of 4.3%, 1.8x faster than the industrial sector, and one estimate put the loss of customs revenue due to illicit trade with the Gambia at 20bn CFAF annually between 1986-87.[103]

101 Tahari, "IV Senegal."

102 Trade Policy, 81.

103 Modiene Ndiaye, "Senegal: The Economic Reforms and the Influence of the Informal Sector on the Economic Reform Process" (master's thesis, Navy Postgraduate School, 2002), 2, https://apps.dtic.mil/sti/tr/pdf/ADA405813.pdf.: Delgado and Jammeh, *The Political*, 188.

The strong implementation during the 1984-1988 period marked the golden years of Senegalese development and reversed the previous strifes of earlier years. This was partly due to a substantial increase in foreign aid, rising from $59 per capita in 1984 to $91 in 1989. Comparatively, Senegal's per capita aid flows were 2.5x higher than the median of other sub-Saharan African countries, and nearly 80% of public investment was financed using external liquidity. The European Communities, the predecessor to the European Union, was Senegal's largest trading partner, and member states like Spain and Italy accounted for over half of total imports and exports. However, while real GDP growth averaged 4.1% between 1984 and 1987, the NPI could not stem the industry's decline. In 1989, the manufacturing sector, largely concentrated in Dakar, employed around 38,000 workers, accounting for 20% of the formal sector GDP.[104] Removing these import protections brought the stagnation of industrial activity as large-scale formal sector production declined by 20% between the second trimester of 1987 and 1988. Many firms remained vulnerable to import competition, aging machinery, low capacity utilization, and poor labor productivity. The closure of undercompetitive firms hurt employment as large firms (gross profit greater than 500 million) fell from 31,000 in 1983 to 26,700 in 1988, and the private sector shed 10,000 more jobs between 1986 and 1990. The 1974 DFIZ intended to attract export-oriented manufacturing through duty and tax concessions had underperformed initial expectations. In July 1990, only 60 of the reserved 650 hectares had been developed; of that amount, the actual occupied area was merely 30 hectares.[105]

Furthermore, in 1989, confronted by diminishing tax revenues, the state found itself compelled to defer the implementation of the second phase of the NPI, known as the recovery

104 Trade Policy, 17.

105 Trade Policy, 44.

phase, initially slated for execution in 1988. SAL IV, approved in 1990, sought to help the authorities “restore Senegal’s competitive position and achieve growth with macroeconomic equilibrium” through various production incentives, including alleviating tax burdens, reducing production costs, and addressing rigidity in the labor market. Additionally, it aimed to streamline the public sector by implementing civil service reforms, scaling back government subsidies to public enterprises, and advancing privatization efforts. Discussions between the Fund and Senegalese authorities during the 1992-93 period covered devaluation as a policy option for the CFAF zone. Abdou Diouf had promised citizens during his 1993 campaign that the CFAF would not be devalued. However, with the French franc appreciating and commodity prices falling in the late 1980s, devaluing the CFAF became increasingly attractive. Ultimately, in January 1994, the CFAF was adjusted from a fixed parity of 1 French franc: 50 CFAF to 1:100. Overnight, the price of milk and rice doubled. Diouf's broken promise led to widespread unrest, underscoring the disillusionment among citizens who bore the consequences of France's decision and the devaluation orchestrated by the IMF.

Senegal’s struggles with debt and structural challenges in the 1980s were part of a broader continental cycle that hindered development efforts. Corruption and capital flight further exacerbated debt challenges caused by a depletion of national savings and an overreliance on foreign loans. During this period, the former Bretton Woods Institutions underwent significant changes. While the IMF initially provided short-term lending, its role expanded as structural problems became apparent. Simultaneously, The World Bank transitioned from financing long-term projects to offering medium-term lending with policy conditions later encapsulated in the "Washington Consensus." The policy initiatives introduced through the NPA and the subsequent NPI were intended to revitalize the agro-industrial sector and foster economic growth. However,

these policies contained significant drawbacks and limitations. The absence of an institutional framework linking the NPA and broader economic policies, along with insufficient policy elaboration and dependency on external models, underscored the need for a more coherent and independent approach to agricultural liberalization.

CONCLUSION: The Plan Senegal Emergent and the "African Century"

In 2014, former president Macky Sall announced the ambitious Plan Senegal Emergent (PSE) development agenda with the goal of achieving emerging market status by 2035. The main objectives of the PSE included structurally transforming the economic and social institutions of the nation, inclusive growth, investments in human capital and development programs, improving quality of life and ameliorating poverty and civil stability. PSE I (2014-2018) prioritized substantial public infrastructure investment and economic growth driven by the primary agricultural sector and sought to implement several flagship projects in the construction and mining sectors. These initiatives were complemented by structural reforms across the whole economy, seeking to stimulate foreign investment and real GDP growth to a target average of 7.1%. PSE I delivered an average GDP growth rate of 6.4% per year and 6.6% in agriculture, which employs 30% of the labor force. This growth also contributed to a 5% reduction in poverty, falling from 42.8% in 2011 to 37.8% in 2018.[106] GDP per capita has increased from $1,397 in 2014 to $1,706 in 2023, and in 2018, Senegal achieved the IMF classification as a lower-middle-income country. Logistically, PSE is implemented by the Bureau Opérationnel de

106 Midterm Review of Country Strategy Paper 2021-2025 and the 2023 Country Portfolio Performance Review (African Development Bank, 2023), 156.

Suivi du Plan Sénégal Émergent (BOS) through five-year Priority Action Plans (PAPs). The BOS is responsible for coordinating, monitoring, and assessing the execution of PSE flagship projects as well as providing technical support to the private sector. PSE II (2019-2023) was announced in 2018 and was expected to accelerate economic growth to an average rate above 9% through targeted private sector reforms and investment.[107]

However, in the wake of the COVID-19 pandemic and the Russian invasion of Ukraine, Senegalese officials have significantly increased public expenditure to mitigate the effects of these successive shocks and tackle issues of health and food insecurity. The post-COVID-19 recovery effort has sought to build resilience and accelerate the agricultural and industrial development of the country. The government increased public expenditure to 16% of GDP, mainly providing energy subsidies that amounted to 4% of 2022 GDP. Before the pandemic, the average budget deficit between 2015-2019 was 3.3% of GDP. Following this increase in spending in response to global events, the deficit has increased to 6.1% in 2022. Public debt has also increased to 77% of 2022 GDP, and the government has expressed a goal to achieve a tax burden of 20% of GDP by 2025 through structural reforms aimed at broadening the tax base through digitization via the SEN'FINANCE portal, applying VAT to electronic transactions, and improving the regulatory framework of the tax regime.[108] An interesting characteristic of Senegal is the presence of a large informal sector. Informality is defined as individuals who do not contribute to social security or do not have a formal accounting system in their non-agricultural

107 Midterm Review, 156.

108 Midterm Review, 145; "Plan Senegal Emergent," Operational Office for Monitoring the Emerging Senegal Plan, https://www.senegal-emergent.com/en/the-pse/.

enterprise. The IMF reports that the informal sector in Senegal produces more than half of the total economic output and comprises nearly three-quarters of total employment. In a 2016 national survey of over 407,000 firms conducted by the Senegalese Agency for Statistics and Demography, 97% of them were considered to belong to the informal sector.[109] The survey also states that more than 70% of workers are employed in the informal sector and that tax losses attributable to the informal sector are estimated at CFAF 588bn in 2014, or 39.7% of tax revenue and 6.0% of GDP. The development challenge for Senegal, as it pursues the next stage of its growth, is to accelerate the pace of transformation and continue to implement structural reforms that increase the transparency and efficiency of government officials. The conclusion of PSE II (2019-2023) marks the end of the first decade of the Plan Senegal Emergent and, with the election of Diomaye, an exciting opportunity for the nation to take the next step in its development journey.

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