

Senegal Integrated Framework

Concept Paper (January 2, 2002)

1. Background for the Integrated Framework Initiative

The WTO Singapore Ministerial Conference (December 1996) mandated the holding of a High-level Meeting (HLM) to help integrate the least-developed countries into the world trading system. The HLM (held on October 27-28, 1997, Geneva) was convened to facilitate coordination of technical assistance and aid and to promote “an integrated approach to assisting these countries in enhancing their trading opportunities” (Integrated Framework – IF). The six core agencies are UNCTAD, the International Trade Centre (ITC), UNDP, WTO, IMF and the World Bank. Following the meeting of the Heads of Organizations in June 2000, the Integrated Framework was redefined to ensure better integration of trade with national development strategies and complemented by a trust fund for IF activities. Senegal was added to the list of least developed countries on 12 April 2001.

Senegal did however benefit from the support of the international community in framing its international trade strategy. With the assistance of the International Trade Centre (ITC) and the Canadian International Development Agency (CIDA) several studies have been undertaken to analyze the export potential of several domestic production clusters with export potential. This initiative resulted in the adoption by the Government of Senegal of an export strategy (STRADEX). The Ambassador of Senegal at the WTO has expressed the Government’s interest in benefiting from the revamped Integrated Framework Initiative to build on these early assessments and assist the Government in preparing a fully coherent and prioritized trade integration action plan. After validation by the Government, this action plan would be incorporated into the PRSP document, support would be sought from the donor community to implement this action plan, and its implementation would be followed up alongside with the other PRSP measures.

A reconnaissance mission led by the appointed task team leader, Luc De Wulf, visited Dakar in early November. He met with many government officials and representatives of the private sector and the donor community and explained the objective of the renewed Integrated Framework initiative for Senegal. This mission received a warm reception and confirmed the decision of the Senegal government to use the findings of the IF initiative to strengthen the PRSP document that in their view does not have sufficient analytical input to fully integrate the sources of growth and its relation to the fight against poverty. The authorities noted that Senegal’s growth performance has in the past not sufficiently benefited from the growth potential of exports. They see the IF as an opportunity to strengthen their strategy to prepare a pro-poor export oriented growth strategy.

2. Outline of the report

The report will aim at preparing a diagnostic of issues with a bearing on trade integration of Senegal, and will suggest a prioritized Action Plan of trade measures and the TA that could be provided by the development partners to implement these measures. In agreement with the Senegalese authorities the study will be selective and will draw on the findings of previous research and on the STRADEX strategy. The proposed outline for the study is as follows:

- Context on macro and socio-economic background and trade performance
 - Senegal's trade regime and market access, West African Economic and Monetary Union (WAEMU) etc., standards
- Competitiveness of the Senegal economy
 - Exchange rate management
 - Cost of factors of production and business environment
 - Customs Department as trade facilitator.
 - Institutions that support export development
 - Human resource capacity
- Sector analysis
 - Tourism
 - Agriculture
 - Textile exports
 - Fisheries
- Trade and poverty
- TA needs

3. Review of the Main Issues to be Covered

3.1 Macro and socio-economic setting and trade performance

Senegal's average annual real GDP growth has been over 5% since 1995, with inflation well below 3% (see Table 1). The economy continued to grow at a solid pace in 2000. Real GDP growth reached an estimated 5.6%, driven by strong growth in agricultural output and a buoyant telecommunications sector, and inflation remained low at 0.7%. The external current account deficit (excluding official transfers) widened slightly to 8.1% of GDP in 2000, following deterioration in the terms of trade. Money supply grew at a rate of 10.4%, significantly faster than the nominal GDP growth (6.4%). Credit to the economy expanded by more than 28%, linked to the financial difficulties of the groundnut and energy sectors.

Table 1. Key Macro economic Indicators, 1997-2000

	1997	1998	1999	2000
Domestic economy	Annual percentage change			
Real GDP	5.0	5.7	5.1	5.6
GDP deflator	2.4	1.7	1.5	0.8
Consumer prices (annual average)	1.8	1.1	0.8	0.7
	In percent of GDP			
Gross fixed investment	15.8	17.6	19.4	19.1
Gross domestic savings	9.2	10.5	11.8	10.1
Gross national savings	11.6	12.9	13.2	12.6
External economy	In millions of U.S. dollars ¹			
Exports, f.o.b.	904.5	973.4	1028.4	959.2
Imports, f.o.b.	-1175.9	-1287.8	-1374.7	-1342.4
Current account deficit (excluding current official transfers)	-328.5	-351.7	-369.0	-350.8
Capital account	96.1	111.1	97.6	74.5
Overall balance	108.3	65.7	85.5	-26.0
Current account deficit (in percent of GDP)	-4.2	-4.6	-6.1	-6.5
External debt (in percent of GDP)	77.1	77.1	74.6	78.6
Real effective exchange rate (percent change) ²	-3.7	2.2	-2.4	-6.5
Financial variables	In percent of GDP ¹			
Government revenue (excluding grants)	16.9	16.8	17.3	18.1
Total expenditure	18.9	20.1	20.8	20.1
Overall fiscal deficit (on a commitment basis and excluding grants)	-2.0	-3.3	-3.5	-2.0
Basic fiscal balance	2.7	2.6	1.7	1.2
Change in broad money (in percent)	7.3	8.6	13.3	10.7
Change in credit to the economy (in percent)	13.7	11.2	10.4	28.6

Sources: Senegalese authorities; and IMF staff estimates and projections.

¹ Unless otherwise specified.

² A minus sign indicates a depreciation of the CFA franc.

On the fiscal side, the overall budget deficit narrowed from 3.5% of GDP in 1999 to 2% in 2000. Revenue performance was strong and Senegal's tax revenue exceeded the regional convergence criterion of 17% of GDP. The basic budget surplus, which measures the underlying fiscal policy stance, declined from 1.7% of GDP to 1.2% of GDP. Despite the positive fiscal outturn, the fiscal situation remained fragile due to the unfavorable developments in the groundnuts and energy sectors where longstanding structural problems led to a substantial build-up of debt by two public enterprises to local banks and suppliers. The groundnut company (SONACOS) could not reimburse the

1999-00 crop credit and borrowed an additional 2.7 percent of GDP from local and foreign banks in early 2001. The additional borrowing was in part supported by guarantee deposits, which the government placed in local banks. As a result, the public treasury faced a tight liquidity situation.

The financial situation of the national power company (SENELEC) worsened after the government decided to repurchase the shares from a private strategic investor in 2000 and its credit lines were reduced. The company has accumulated a substantial amount of arrears over the past 9 months with adverse financial repercussions for petroleum suppliers and the local refinery. The government is committed to solve the debt problems of the two public enterprises through the privatization of SENELEC and SONACOS and the withdrawal of SONAGRAINES from the collection and transport of groundnuts.

Despite the strong economic performance, poverty is still prevalent in the country. Preliminary indications show that Senegal has wide spread poverty and indicators are close to Sub-Saharan average. To ensure pro-poor growth, government is focusing on diversifying and increasing the competitiveness of agricultural products in the international market with the interim relief provided under the HPIC initiative. The government is in the process of finalizing a Poverty Reduction Strategy Paper (PRSP) by March 2002. A household survey is being undertaken to provide a better understanding of Senegal's poverty profile and will be integrated into the PRSP updates.

Trade performance

The appreciation of the CFAF, the common currency of WAEMU, between 1985-94 has led to significant loss of market shares for all countries concerned. After the devaluation in 1994, most of these countries have reversed the loss of market share. Senegal is one of the few countries that have not been able to respond to the devaluation and has continued to lose market share (See Annex Table 1). This is despite the fact that the world demand for Senegal export products has grown at a rapid rate of almost 6.5% per annum after 1994.

During 1989-99, Senegal's exports fell from 22.4% of GDP to 19.3% of GDP, whereas the exports to GDP ratio for most other developing countries gained several percentage points of GDP. In fact, Senegalese exports grew at a rate of 1.7% slower than GDP¹. Since 1995, the share of exports to GDP remained constant at about 21% (see Table 3). The main export products of Senegal are fresh fish products (44%), vegetable oils (20%), feed stuff for animals (6%) and canned fish (5%). Senegal lost a significant market share for these products in the last 10 years. The growth in traditional exports has stagnated while new exports have not expanded as much between 1990-99. For fish products (fresh and canned), which is the major export product of Senegal, the market share fell from 1.49% in 1990 to 0.94% in 1999, for vegetable oils its world market share fell from 2.16% to 0.78%; and for vegetables its market share rose slightly from 0.03% to 0.06%, but it still lags behind the 1985 rate of 0.1%

¹ World Development Indicators . 2001. p. 322.

**Table 2. Importance of Trade in Goods and Tourism Receipts
(as percentage of GDP)**

	1995	1996	1997	1998	1999	2000
	As percent of GDP					
Foreign Exchange Revenues						
Goods and Services	35.13	31.24	30.76	31.64	23.94	32.28
Exports f.o.b.	21.64	21.31	20.70	20.84	21.61	21.88
	As percent of total foreign exchange revenues					
Exports f.o.b.	61.59	68.21	67.30	65.86	67.28	67.78
Groundnut products	6.50	5.52	3.73	3.58	4.12	5.93
Fish products	17.15	19.73	20.76	19.49	19.11	15.72
Phosphate Products	9.66	10.49	10.85	9.76	8.59	7.14
Other exports	28.27	32.49	31.96	33.04	35.46	38.99
Services	38.41	31.79	32.70	34.14	32.72	32.22
o/w: Tourism	10.03	10.78	12.08	11.68	11.37	11.18

Source: Central Bank of West African States; and IMF staff estimates

The destination of Senegalese exports has undergone a considerable change in recent years; the shares of exports to Spain and Italy gained at the expense of exports to France. Exports to Africa has increased significantly but about half of the exports still go to the EU countries and the percentage has risen since 1993. (see Table 2)

**Table 3. Export Destinations for Senegal, 1993-2000
(percent of total exports)**

	1993	1995	1998	2000 est.
EU	42.4	65.3	41.5	48
France	26	30	18.7	19.1
Italy	6.8	12.8	6.3	11.8
Spain	1.6	5.2	5	6.3
Africa	18.2	20.1	27.4	26.1
Mali	5.2	5.7	5.3	6.4
Cote d'Ivoire	2.2	0	3.9	2.4
Mauritania	2.1	1.4	2.6	2.2
US	2	1.2	0.4	0.5

Source: Senegalese authorities

3.2. Competitiveness of the Senegalese Economy

3.2.1 Exchange Rate

Senegal is a member of West African Economic and Monetary Union (WAEMU) since 1994 and shares its common currency—the CFAF- with the other members of that Union. This currency maintains a fixed relation to the French franc, and thus with the ECU. The depreciation of the ECU in recent years, combined with the low inflation rates in Senegal, has resulted in a depreciation of the real effective exchange rate (REER) of close to 10 % in 1999-2000. As the EU is the major trading partner of Senegal (48% of total exports are directed to the EU market²) this has little impact on its export competitiveness. However this tie to the ECU may present problems for Senegal's future external competitiveness outside of the EU.

3.2.2. Trade Regime

Senegal has been a member of the WTO since 1 January 1995. The most recent Trade Performance Report by WTO is from 1995 and no new TPR is planned until 2003. Import regimes affect on the overall incentive system, and imply an anti-export bias. As member of the WAEMU Senegal is a member of a free trade zone and a customs union (since 2000) and thus applies the common external tariff (Tariff Extérieur Commun-TEC) with respect to imports from outside the zone (plus a statistical tax). The TEC is lower and substantially simplified (four bands: 0.5, 0.10, 0.20) as compared with the tariff that existed before 2000 and import restrictions were reduced. Yet, some import licenses and QRs remain. There is some doubt to what extent these new tariffs and other WAEMU regulations are actually applied on the ground. In 2000, the WAEMU Commission prepared a review of the application of the common tariff in member countries, and found that country practices vary widely in the region. An update of this exercise is planned, with IDF support, and should be initiated starting at the end of January 2002.

The report will analyze: (a) the structure of tariffs and other trade policies in Senegal and (b) market access issues and what systems are in place to satisfy import standards of importing countries. The analysis will also benefit the other WEAMU members because they share the same structure.

3.2.3. Cost of Factors of Production and Business Environment

The paper will review the available data, some of which is reflected in the World Bank's Country Framework Review, that analyzed the regulatory and other aspects of the provision of infrastructure services, in order to assess what needs to be done to ensure that they contribute as much as possible to export competitiveness. This CFR covered water, energy, telecom, air and port transport services.

² Based on IMF 2000 estimates

The IF intends to undertake a business environment survey focusing on export business to identify the issues that the business community sees as major constraints to their operations. Emphasis would be on export operations and how to stimulate supply responses to reforms. The survey has already been tested in a number of countries, most recently in Mauritania and will be adjusted for Senegal. This survey will complement the most recent FIAS study.³

3.2.4 Customs as Trade Facilitators

External competitiveness depends on many factors, amongst which is the efficient operation of the customs services. The recent FIAS report (1999) recommended a number of measures to ease trade and help the trading community. The customs services have made substantial progress in recent times in speeding up the clearance procedures and initiated a reform process. The launching of the new version of GAINDE (the locally designed information technology support for customs procedures) and the streamlining of import processes (which is being rolled out at this time), is proof that the customs administration is serious in improving the import-export processes. GAINDE was prepared after intense consultation and participation of the private trading community. However, a number of problems remain to be addressed in detail:

- (i) ensure easy but well targeted access of duty free inputs for exporters,
- (ii) implementation of the WTO definition of value for imports
- (iii) how to make the best use of the PSI contract once the WTO value definition is in place.

The Director General of Customs welcomes an outside review of his Department's efforts to modernize customs and to attract TA to implement the resulting action plan. The WCO already has expressed interest to provide the necessary TA.

3.2.5 Institutional Support for Export Development

The Ministry of Small and Medium Size Enterprises and Commerce, is responsible for defining and implementing the nation's export strategy. The Tourism Ministry, abolished and reestablished in less than 12 months, has the same responsibility for the tourism sector. The new Tourism Minister is in the process of re-launching the Ministry. With ITC and Canadian support, the Ministry of Commerce has prepared a series of sector studies that represent the Government's export strategy (STRABEX).⁴ The Agence Nationale Chargée de la Promotion de l'Investissement et Des Grands Travaux (APIX) has as its mandate to improve the investment climate for investors, with particular attention to exporters. On the private sector side, a number of professional organizations represent operators of given sectors; there are also several federations of employers. The

³ FIAS, (1999), Sénégal, Le Parcours de l'Investisseur

⁴ The sectors covered are: fisheries and aquaculture, horticulture and agricultural product, telecommunication services and intellectual services, artisan and cultural services and export of ethnic products

study would make an in-depth review of these organizations, their capacity, of how they implement their mandate and of how they cooperate with each other. The study would also investigate where best to install the TRADE POINT trade facilitation and information system that is supported by UNCTAD. The review would also investigate how new TA could help these institutions to improve their support for the export sector.

3.3. Sector Reviews

3.3.1 Agriculture

Agricultural exports account for one third of total exports, and are largely made up of traditional exports such as groundnuts and groundnut oil, cotton and cottonseeds. Non traditional exports represent an important segment of exports, but still amount to no more than 5% of the total and include canned and fresh vegetables and fruits.

Horticultural exports are heavily concentrated on one product, string beans (63% of total volume), to one area in Europe (France and the Benelux countries) and provided by two large export firms, which together account for more than 50% of total exports. Senegal's horticultural exports to Europe represent only 1.7% of the continent's annual imports. Other than string beans, Senegal exports more than 500 tons of cherry tomatoes, mangoes and melons each. These exports which now amount to 9,300 tons, are much less than the exports of 20,000 tons in 70s and early 80s, but they are 50% higher than 1997/98 figures. The World Bank's Agricultural Export Promotion Project (AEPP)—which was initiated in 1997 (closing at the end of 2002), has contributed to this increase in export volumes.

Recent studies conducted by the International Trade Center (ITC) attest to the potential for expanding horticultural exports up to 50,000 tons or more by 2006 and have identified a number of products with good potential in the European and regional markets. Senegal has the proper climate and geographical position to supply both tropical products and off-season fruits and vegetables to northern Europe as well as to clients in France and the Benelux countries. Markets in North America and the Middle East could also be developed. Furthermore, the increasing availability of refrigerated ocean transport from Dakar to Europe will permit the shipment of larger volumes at less cost than in currently possible with the use of air transport. More than three-quarters of current shipments are by air.

There are several constraints to realizing this growth potential; some of these are being addressed under ongoing projects. The IF will review the progress to date on these issues and review with government officials, private sector operators and foreign donors further possibilities to enhance the export potential of the horticultural sector.

- Land and labor issues. The region where most commercial horticultural production is concentrated is the Niayes, an area along the seacoast north of Dakar. The region enjoys proximity to Dakar port and to Dakar airport as well as a plentiful labor supply. However, its potential is limited by scarcity of land and

water; urbanization on agricultural land and salinization. While production conditions are good in the Senegal valley, expansion of production there is hampered by poor access to cheap labor and land

- The present organization of horticultural production, dominated by a few large foreign owned producer/exporters, could dampen the favorable poverty impact of export expansion. These producer/exporters are able to meet EU import standards, and appear to produce at lower costs. Can the production system be modified to ensure greater involvement of small producers who would then benefit from improved supply of inputs and technical advice from the exporting firms?
- The present infrastructure for handling, packaging and conserving perishable goods is inadequate and increases export costs. Currently, no modern handling facilities exist at Dakar airport, nor there is a domestic wholesale market for fresh products.
- Many groups that participate in export trading have very weak managerial skills. Furthermore no local business consulting and training services that can support these activities exist. The study would look into how to create a policy and regulatory environment that is conducive to the establishment of partnerships between local operators and foreign investors who can contribute the necessary technical, financial and managerial skills to the partnership.
- Traditional exports- groundnuts and cotton—are the most important revenue sources for the poor farmers. The groundnut sector has suffered from lower demand from world markets in the recent years as well as a high build up of debts. Policies are in place for the privatization of the groundnut processing company. The study intends to build on the knowledge of this sector in Senegal and by WB experts (El Hajj Amadou Toure and Leopold Sarr from the resident mission in Dakar).

3.3.2. Fisheries

Much effort has recently been devoted to preparing a fisheries sector strategy for Senegal. First, there are the recent ITC diagnostic and strategy papers that provide an in-depth analysis of the current marketing and export of fish products, the potential of specific markets and products, and the institutional requirements needed to expand exports. Second, there is the April 2001 document prepared by the Ministry of Fisheries and Maritime Transport, that build on the ITC paper and other strategic studies of recent years. It presents a descriptive analysis for the sector issues and diagnostic as well as a strategy for the sustainable development of the fisheries and aquaculture sectors. These papers will be used as departure points for the IF contribution.

The sector of fisheries represents 2.5% of GDP and employs directly and indirectly about 600,000 people. Total catches in 1999 are estimated at 395,000 tons, with exports of

124,500 tons bringing in US\$185 million, or 40% of the total value of Senegalese exports. Artisanal fisheries accounts for 80% of the total activity of the sector. The sector is also very important as it provides most of the protein in the nutrition basket of the local population.

The most valuable fish resources are overexploited as suggested by research and by the declining number and size of catches of given species. Often industrial and artisanal fisheries compete for the same resources. While industrial fisheries catches have declined, they have maintained their export orientation by processing most of the catch on board whereas the declining catches of artisanal fishermen are sold mostly locally, using traditional distribution, processing and marketing channels. This results in the inadequate supply for the domestic processing industry, which operates with substantial overcapacity, endangering the sector's financial viability as well as employment.

In general the quality of fish products from artisanal fleets is lower than industrially processed fish – preservation on board and unloading on shore leaves much to be desired in terms of quality control – because the institutions in Senegal that control quality of artisanal fisheries and infrastructure available for the sector are still weak. Hence artisanal fisheries are being squeezed on two sides: catches are declining, and access to potentially better paying export markets are cut off because of quality issues.

Competition on the export markets has become increasingly fierce. Sharp competition from Asian exporters exacerbates the difficulty to meet the strict sanitary standards imposed by the major importers (EU and Japan). Local producers need better marketing strategies to be able to get the best prices for their exports. The heavy presence of the foreign fleets that are poorly monitored, also presents a development dilemma for the Senegalese authorities.

These constraints are stated in detail in the existing studies, and the proposed actions are clustered around eight strategic objectives. Areas of focus include:

- The need to articulate a resource management strategy, that implies a transparent system of issuing fishing licenses, including a socio-economic and political analysis of the total costs and benefits of maintaining industrial versus artisanal fisheries at current or lower levels, restructuring the regulatory framework for the operation of foreign vessels, local industrial vessels and the artisanal fleet, imposition of biological rests, in time and space, gearing research towards the preparation and monitoring of specific resource plans, strengthening and improving the efficiency of maritime surveillance, and strengthening the private and public institutions involved in the sector.
- Measures to increase the value added of the artisanal fishery sector: necessary infrastructure (roads, refrigeration infrastructure, processing for export, reduce spoilage, etc.)
- Improved regional cooperation
- Better access to affordable financing.

The various sector strategies and studies on fisheries point out the major issues to be addressed. However, the documents provide little analysis of the strategic choices involved, and particularly fail to prioritize the major development programs included in the current strategy, given the likely shortages of external funding for the program. The IF would assist the Government in prioritizing the proposed actions and press for a more detailed analysis of the implications of these actions. It will also identify the areas where technical assistance can be most useful. This process will build on the ongoing consultation between the private and public sector.

3.3.3 Tourism

Tourism accounts for about 2.8% of GDP and 14% of foreign exchange receipts. The number of arrivals seems to have increased considerably (from 286,000 in 1990 versus 420,000 in 1999). While important, these statistics underestimate the contribution that tourism makes to GDP and to total employment as for each job in tourism, 3.5 jobs may be created in the rest of the economy (indirect effects).

Tourism is a vibrant sector in the world economy and tourism receipts increase at a faster pace than overall export receipts. However, the countries that benefit most are the ones that can position themselves well in terms of quality and diversity of products. Most of the African countries seem to have missed this major opportunity to stimulate growth; the exceptions being Egypt, Tunisia, Morocco and Botswana. Senegal does not have a clear tourism strategy and appears to be losing market share, a trend that will most likely accelerate in the absence of special efforts.

In early 2001 a local consulting firm (Performance Management Consulting—PMC)) prepared a major study for the “Groupe de Reflexion Pour la Compétitivité et la Croissance (GRCC)” that reflected on the development of global tourism, in Africa and Senegal. In the process it widely consulted with the professional associations and individual operators. The report identified the main characteristics of the tourist cluster in Senegal, and proposed an Action Program. This program covers the various policy actions that would improve the performance of the sector and its contribution to GDP as well as employment creation. The areas covered include: (i) the fiscal and regulatory environment; (ii) the infrastructure, land use regulations and regional dimension of the industry; (iii) quality enhancement; (iv) professional training for the sector; (v) promotion of Senegal as a tourism destination, and (vi) support for the development of cultural and artisan sectors can provide to the sector. For each of these areas, it was envisaged that a Commission, representing both the public and private sectors, would elaborate on the detailed work program. However, the Action Plan has not been implemented, in part due to the absence of a Tourism Ministry which has been recently re-established.

The proposed action plan, as it now stands, still lacks good prioritization amongst the many recommendations, and does not pay sufficient attention to the institutional support that tourism development requires, and does not deal with cost implications adequately. However, it provides a good vision and an excellent starting point for the preparation of the sectoral Action Plan for the IF.

3.3.4. Textile and garments

Senegal has a tradition of textile production that stems from the pre-independence period. Initially, the sector was heavily protected through an elaborate system of high tariffs and quantitative import restrictions and benefited from the overvaluation of the CFAF. Since then, the sector has been struggling. It is dominated by a few foreign owned firms and operates below capacity. In general, these firms are operating with outdated equipment and have poor management. State support to domestic operators has not been distributed on pure economic grounds and has failed to create dynamic domestic-owned textile firms. More recently, a new foreign investor in the sector has withdrawn after less than one year of operation.⁵

Regarding the garment sector, Senegal has an abundant supply of excellent tailors, but most of them operate on a very small scale and have failed to penetrate in the export market. From survey data, it appears that the demand for products is much less of a problem than the unreliability of input supply and production constraints for the development of the sector. This leaves Senegal with a sector operating against its comparative advantage i.e. lots of capital-intensive textile firms (spinning, weaving and printing) and little labor-intensive apparel and garment firms.

The textile and garments sectors could benefit from the MFA, which is being phased out by 2004, but more importantly from the US Africa Growth and Opportunity Act (AGOA), which grants duty free access to the American market for African producers of textile and apparel. It should be noted that for the first four of the eight years of the AGOA duty free access is ensured even when apparel is assembled from cloth made outside Africa or the US. This seems to be a good opportunity for renewing the search for investment in the sector and for providing a favorable environment to the foreign and domestic investors attracted to these sectors.

Questions that the study intends to answer include:

- What are the main constraints to the expansion of the sector and what policy actions are required?
- What institutional support (private and public) should be provided?
- What efforts can APIX make to attract FDI to the sector?
- What can be done to assist the existing operators to enhance their efficiency?
- Is there a way to assist exporters in their marketing activities by ensuring timely and adequate commercial information?
- What could the contribution be of well functioning Trade Points?
- What is the role of EPZs; do they provide the required enabling environment for textile and apparel production, or any other production for that matter?

⁵ Stephen Golub and Ahmadou Aly Mbaye (2000) "Obstacles and Opportunities for Senegal's International Competitiveness: Case Studies of the Peanut, Fishing and Textile Industries". Much of this section is derived from this paper.

- How do the TEC and the import quota system affect smuggling and under-invoicing? (Both smuggling and under-invoicing are cited as elements of unfair competition and reasons why installed capacity is underutilized).

The basic question is whether there is a future for the textile industry in Senegal within a framework of a more open economy, either as an efficient supplier for the local and regional market or as exporter outside of the region? What would it take to foster significant growth in the apparel and garment sector?

4. Trade and Poverty

Senegal's average annual real GDP growth has been over 5% since 1995, with inflation well below 3%. Senegal's economic performance was broadly satisfactory in 2000 and during the first quarter of 2001. Yet, despite the economic growth, poverty is still widespread. The UNDP human development index ranks Senegal 154th out of 174 countries. Population growth remained high at 2.7 % during 1980-98.

The economic growth did not benefit all sectors equally. Some sectors, like agriculture, which provides the livelihood of 60 percent of the population, participated only marginally in the increase in GDP. In addition, it did not contribute to lower the unemployment rates or improve living standards for the majority of the people. Selected social indicators, however are up. A Priorities Survey (ESP) of 1991 indicated that 33 percent of the population was deemed poor, based on a per capita indicator of CFAF 110.8 per day and allowing for a daily intake of 2,400 calories. In 1995, the Senegalese Household Survey (ESAM), using the same methodology, concluded that 65 percent of population was considered poor, based on CFAF 392 per day per adult. These data are not easy to compare, given their different definition of poverty, and the consensus at this time is that poverty remains severe despite several years of growth.. A new Survey is being undertaken to refine this view.

Various studies undertaken by the Senegalese authorities indicate that economic growth in the country may not have a significant impact on the poor. This may be largely due to low agricultural productivity. The agricultural sector, which employs 70% of the labor force, is particularly vulnerable to exogenous shocks (droughts and fluctuations in the market prices of primary commodities) and represents only 10% of GDP. In addition, growth has occurred in sectors that supply relatively few jobs (groundnut oil production, fishery product processing plants, phosphates, cement, telecommunications). Poverty in Senegal is more prevalent in rural areas where an estimated 70% of the poor are located. It is more severe in areas where agricultural production is less diversified, and where there is less migration to urban areas

Government is taking measures to reduce poverty by focusing on more pro-poor growth; restructuring the groundnut and electricity sectors that are contributing to the fragile fiscal situation; protecting social sector expenditure. To finance these expenditures, Government has recently modified the VAT to a single 18% rate and reintroduced the pass-through mechanism for the retail prices of petroleum products. Combined with the

strengthening of its tax administration this led to larger fiscal revenues, some of which was used to subsidize petroleum products. The authorities are planning to finance additional poverty related expenditure with the interim relief provided under the HPIC initiative. To ensure pro-poor growth, government is focusing on agriculture. The main emphasis will be on diversifying and increasing the competitiveness of agricultural products in the international market. . The trade strategy presented in the IF study will benefit the poor by focusing on the traditional agricultural sector and artisan fisheries as well as the more labor intensive garment sector which would help lower the very high urban unemployment rate (27 % as of last estimate).

The government intends to finalize a Poverty Reduction Strategy Paper (PRSP) by first quarter of 2002. A participatory process was launched in June 2001, and regional consultations as well as thematic groups have been set up to ensure broad participation of civil society and donors. A household survey is under way to sharpen understanding of Senegal's poverty profile. The complete results of the survey will be integrated into the first annual update of the poverty reduction strategy paper in 2002.

This section will recapitulate the poverty impact of trade strategy, while each of the preceding sections will highlight the poverty impact of their recommendations

5. Technical Assistance

The section will draw on the emerging TA needs in the previous chapters. It will prioritize the necessary assistance and draw a timeline for implementation. The study will also summarize existing support work on trade issues.

6. Staffing of the IF work

Team Leader:	Luc De Wulf (consultant), Nancy Benjamin (World Bank, country economist for Senegal)
Macro Development and Exchange Rate Issues	IMF –Paolo Neuhaus and Luc Moers
Trade Issues (tariffs, access, market product standards, regional issue)	Marcelo Olarreaga (WB)
Cost of factors of production, FIAS issues	Maimouna Savane (WB-Dakar), Zeynep Ersel (consultant)
Business Climate Survey	Dorsati Madani (WB), Senegalese firm
Customs as Trade Facilitators	Bechir Djebali (Tunisian consultant)
Institutional Framework/ Human Resource	

Needs	Michael Langstaff (French consultant) and Moubaral Lo (Senegalese consultants)
Fisheries	Gert Vansanten (Dutch consultant)
Tourism	Performance Management Consultants (Senegalese firm)
Agriculture	Charles Steedman (US consultant) in liaison with WB staff Ismael Ouedraogo, Leopold Sarr (WB_Dakar) and El Hadj Adama Touré (WB-Dakar)
Textile and garments	Ibrahima Deme (Senegalese consultant)
Trade and Poverty	tbd
TA	UNDP (?)
Peer Reviewers	Dean de Rosa

6. Time table

Initiation mission	November 9-14, 2001
Concept Paper mailed	January 3, 2002
Concept Paper review	January 10, 2002
Main mission	February 4- February 15, 2002
Draft report	April 30, 2002
Validation workshop	June 2002

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Annex

Table 1. Export Growth (Export Competitiveness) in 14 Africa CFA Countries

Commodity	Annual Average Export Growth in % from 1986-93			Annual Average Export Growth in % from 1994-98		
	Total Exports	World Demand	Market Share + Diver. Exports	Total Exports	World Demand	Market Share + Diver. Exports
BENIN	-1.19	4.26	-4.99	7.10	-0.53	7.73
BURKINA FASO	5.47	6.23	3.18	25.42	2.36	22.17
CENTRAL AFRICA REP	-1.95	5.44	-3.54	20.01	-0.81	21.24
COTE D'IVOIRE	-2.26	7.46	-6.22	6.63	3.60	2.92
CAMEROON	-1.60	5.38	-3.66	0.52	-0.06	0.58
CONGO REP	6.97	5.50	4.42	-2.46	1.69	-3.94
COMOROS	-2.65	0.83	-2.25	-14.39	8.27	-20.81
CHAD	2.50	4.63	-0.44	17.98	2.88	14.97
GABON	8.84	6.79	5.06	-2.20	-1.32	-0.88
EQUATORIAL GUINEA	0.41	4.74	-1.78	69.82	-8.99	74.57
MALI	10.40	8.89	5.75	10.59	9.15	1.34
NIGER	-6.09	5.41	-8.63	26.94	0.46	24.87
SENEGAL	-2.37	7.27	-6.30	-1.86	6.64	-8.00
TOGO	-8.54	-2.88	-4.41	0.34	1.63	-1.19