VOTING FOR REFORM

Democracy, Political Liberalization, and Economic Adjustment

Edited by Stephan Haggard and Steven B. Webb

A World Bank Book
Voting for Reform
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Democracy, Political Liberalization, and Economic Adjustment

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Stephan Haggard and Steven B. Webb

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Even though the emerging consensus on development policy is far from unanimous or infallible, policymakers and advisers know much more about how to design a technically sound adjustment program than they do about how to get adequate political support to sustain such a program. The link of policy reform to politics is especially critical where the political system is undergoing fundamental transformation at the same time. The most dramatic evidence for this comes from Eastern and Central Europe and the successor states to the Soviet Union, where democracy and policy reform are both new. The connection between the two is also crucial in the countries of Africa, Asia, Latin America, and the Middle East, where structural adjustment and political liberalization are new or incomplete.

To examine the political context and implications of reform in developing countries, the World Bank initiated a research project on the political economy of structural adjustment in the context of democratization and political liberalization. This volume presents some of the studies from the project. They contribute to an ongoing inquiry by the development policy community—economists, political scientists, and policymakers—on how the democratic process and economic reform can be brought together.

The book highlights four key political challenges to economic reform.
These challenges are in many cases common to countries at various stages of economic development. Countries can and should learn from each others’ experience. The point is reinforced by illustrating the four challenges with examples from the United States.

The first challenge arises from the fact that democratic governments, rather than concentrating on areas where resources are most needed, generally tend to homogenize the benefits of spending, thereby spreading the benefits very thinly. The United States exhibits multiple symptoms of this problem; a particularly good illustration is found in our regional development efforts. The U.S. government now classifies as “depressed” and eligible for special assistance geographical areas home to 93 percent of our population. At least a small component of the B-1 bomber is produced in each of the fifty states and in 410 out of 435 congressional districts. Our social welfare programs are notoriously untargeted, with far more benefits from social security and medicare going to the upper third of the population in terms of income than to the lower third.

The second challenge is exemplified by the problem of dairy farmers or New York City teachers. Relatively small but highly concentrated interest groups exert disproportionate influence on policy outcomes because of their willingness to stake all their chips on the resolution of a single issue. The vast majority of voters would prefer that milk prices and New York teachers’ salaries come down to market-clearing levels. Few in that vast majority, however, are prepared to vote only on that issue, while a much larger fraction of the small minority are prepared to vote and are prepared to work for candidates only on that basis. Thus, the perverse outcome can arise that the will of the minority prevails, even under democratic conditions. The systematic difficulty is the overresponsiveness of democratic politicians to the demands of narrow but well-organized interest groups.

The third challenge, bias toward the status quo, is exemplified by the sugar growers’ problem. When a group like sugar growers in the United States gets a special favor, that special favor then becomes capitalized into the price of their land and other asset inputs. After it is capitalized in the price of a sugar farm, and particularly when the current owner actually paid that price, it appears unfair to take the benefit away. Democratic governments, and to some extent nondemocratic governments as well, are reluctant to take steps that will tangibly and measurably make somebody worse off in relation to the current status, whether or not that status is justified.

Another striking example came in the course of the U.S. tax reform debate in 1986. One of the liveliest issues was whether business lunches, including those with three martini drinks, would continue to enjoy tax-deductible status. The proposition was highly controversial, but nobody who ate, or drank, a three-martini lunch had any role in the debate. The
constituency for preserving deductibility was made up of all the restaurants that had come into being on the basis of the assumption that those rules would continue. It is not that the constituency had earned excess profits or had gotten rich especially; they had only been earning a fair return on their investment. But removing the provision would cause a capital loss. As a consequence, the rule was only barely altered. The obvious lesson is to avoid creating rents that will then be difficult to take away when they no longer make sense several years later. The tougher question is how to implement desirable change after the distortion is part of the status quo. Relevant to this point, Dani Rodrik's essay in this volume offers the thesis that the ratio of the net social efficiency gain to the magnitude of the reallocations is crucial in determining which reforms happen and which do not.

The fourth challenge is the propensity for democracies to be shortsighted, leading to the deficit problem in the American context and many others. The political science literature has shown that governments divided between parties are more prone to shortsightedness than those that are not divided. And it is not difficult to see why. The essential economics of worker ownership consists of the observation that if an enterprise (including a whole economy) is run for the benefit of today's workers, who no longer will be owners and cannot sell their shares when they leave, the enterprise will not have an adequate incentive to pay attention to the future. The same is true of a government. Voters rarely judge the government on the basis of the economy's outcome several years down the road. With a divided government, as has often been the case in the United States, the problem is compounded because the credit or blame for any outcome, current or future, is shared in voters' minds by Republicans and Democrats. This further weakens the incentive to accept paying a political price in the short run to generate society's economic gain in the long run.

These four challenges, which obviously play out in different ways in different parts of the world, capture a large part of the difficulty in achieving economic reform in new democracies as well. It is no accident that democracies do well when they have to fight external wars, which have the marvelous function of aligning everybody's primary objectives. Without a common and clear threat, however, these mechanisms explain the frequent failures of policy reform. Churchill probably got it right: "No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government except all those other forms that have been tried from time to time."

The research on political economy does not need to describe in more detail how the mechanisms of these challenges operate, though that is interesting. Rather, the task is to find politically acceptable ways of designing institutions to minimize these problems. If communism is the
surest way to destroy an economy and bombing is the second surest way, rampant populism is probably a very close third. What we need are ways to preserve the benefits of democracy without letting popular forces destroy the economy that supports them. The essays here make an important start in answering these questions.

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U.S. Undersecretary of the Treasury  
for International Affairs
Senegal: Stalled Reform in a Dominant Party System

SAMBA KA AND NICOLAS VAN DE WALLE

THE SENEGAL THAT BEGAN ITS PROCESS OF STRUCTURAL ADJUSTMENT in the early 1980s was a country of great contrasts. Covering only 196,000 square kilometers and endowed with a population of only 7.5 million people in 1991, it had nonetheless long enjoyed a high profile in African affairs on account of its “poet-president,” Leopold Senghor, its sophisticated elite, and its open political system. Yet, Senegalese democracy was Janus faced. The country’s modern face included a multiparty political system and a tradition of political pluralism unrivaled in postcolonial Africa. Although the ruling party exercised de facto control over all associational life from 1964 to 1974, liberalization had progressed since then, and legal opposition and considerable freedom of expression were assured. Because of this tradition of pluralism and Senghor’s eloquent rhetoric in international forums, the country enjoyed the reputation of having one of the continent’s most progressive political systems.

This modern political system coexisted with another face: in the countryside, in particular, social expressions were more traditional, and Senegalese democracy had done little to improve the welfare of the majority of the people. Senegal remained largely a peasant society: 61 per-

This chapter is based on interviews in Washington, D.C., Paris, and Senegal during 1991 as well as on materials cited. The authors thank the International Center for Economic Growth for funding and Jeff Coupe for research assistance.
cent of the population was involved in the agricultural sector, and pov­
erty, malnutrition, and illiteracy remained endemic. In most social
statistics, Senegal continued to lag behind other African states. Traditio­
nal and religious ties still played an important role and explained the
strength of the clientelist relationships built around national politicians
and leaders of the Muslim brotherhoods, called marabouts. Indeed,
many Senegalese viewed the marabouts as their link both to God and to
the state; the polarization generated by modern political parties was
mediated by the vertical alliances between patrons and clients.

In contrast to the government’s rhetoric and the heady discourse of
Dakar intellectuals invoking “African socialism,” development policy was
characterized by a stagnant and highly protected manufacturing sector,
an agricultural sector undermined by drought and wrong-headed poli­
cies, and the inexorable growth of a patronage-ridden and inefficient
state bureaucracy. In the first two decades after independence, growth in
gross domestic product (GDP) averaged at most 2.5 percent a year, barely
keeping pace with the country’s rapid population growth.

It is in this extremely fragile economy and hybrid political culture that
a program of structural adjustment was formulated at the beginning of
the 1980s by the Senegalese authorities with the help of the International
Monetary Fund (IMF) and the World Bank. Senghor had retired at the end
of 1980, and his hand-picked successor Abdou Diouf, a technocrat of
impeccable credentials, promised to tackle the country’s economic prob­
lems. Beyond regaining macroeconomic equilibrium, the program sought
to spur long-term economic growth through a series of policy reforms
that introduced price mechanisms and reduced the role of government in
the allocation of resources. The government pledged to reduce its bu­
reaucracy substantially, deregulate the market for domestic goods, gradu­
ally eliminate subsidies, liberalize the labor market, and stop protecting
local industries from international trade. In sum, the program asked a
long-subsidized economy, a polity trapped in the political logic of crony
statism, and a public opinion molded by interventionist ideologies to
accomplish an aggiornamento.

After a stuttering start, the country seemed to make good progress.
President Diouf named Mamoudou Touré, then a high-level administra­
tor in the IMF, to lead the adjustment effort as finance and economy
minister, and an ambitious reform program was articulated. The econ­
omy improved enough for the IMF to call Senegal a model of African
stabilization in 1988. Yet, a couple years later, much of the reform pro­
gram had stalled, Touré had gone back to Washington, D.C., and exter­
nal aid and lending agencies like the World Bank and USAID (U.S. Agency
for International Development) were vowing to “get tough” with the
government. In early 1991, the new prime minister, Habib Thiam, pub­
licly declared his government’s intentions to put reform on the back
burner.
VOTING FOR REFORM

Why did economic reform prove so problematic during the 1980s? Why did the effort stall after a promising start? Observers of adjustment in Senegal—as indeed of economic reform throughout Sub-Saharan Africa—often emphasize one of two arguments to explain the disappointing results of two decades of adjustment. First, many observers argue that reform failed because the government lacked political will. Senegal's high degree of political pluralism is often adduced to suggest that the government's fear of electoral defeat slowed the pace of reform.

Second, other observers argue that adjustment failed because the policy prescriptions of the International Monetary Fund and the World Bank were inappropriate for the African environment. In their estimation, the government did not implement more of the reform program because what it did implement proved disastrous.

Both of these arguments hold a kernel of truth but are ultimately not that useful for understanding the problems of adjustment in a country like Senegal. The political will argument assumes the government wanted adjustment but was afraid to carry it out because of societal pressures. In fact, state elites in Africa are rarely motivated by specific policies. Rather, they seek to maximize their chances of political survival and therefore base their policy decisions on perceptions of political risk. This is not to suggest that ideas do not matter; indeed, this chapter argues that a pervasive distrust of the private sector and a concomitant belief in the state's developmental functions conditioned all economic policy decisions during the adjustment period. Clearly, the ideological orientation of state elites shaped policy choices.

The commitment of state elites to adjustment policies was, nonetheless, a function of their assessment of how reform would affect political stability in the short to medium run. This was, in turn, a function of the credibility of reform and popular confidence regarding its sustainability. A small substratum of the state elite staked its professional future on adjustment. These were typically officials who ran the ministry policy units or the aid-funded technical assistance programs; typically trained in the West and having benefited from several adjustment workshops and seminars, they internalized the values of adjustment, whether by genuine conviction or professional opportunism. Most state officials were poorly informed about the strategy and objectives of adjustment, however, and did not stand to gain personally from it. The top of the state apparatus perceived adjustment as a highly risky undertaking with little or no immediate payoff. They did not lack political will so much as they were unconvinced that undertaking reform maximized their political welfare.

An analysis of the case of Senegal broadly confirms this contention. The regime did not espouse adjustment wholeheartedly because the reform package was not completely credible and muddling through within the current policy regime ultimately seemed the safer strategy. It is true, nonetheless, that Abdou Diouf came to power with reformist ambitions.
Indeed, he based his political legitimacy on his reformist credentials. He put together a team of technocrats that he hoped would be able to implement the reform program and sought to weaken the old-style politicians of the Senghor regime who constituted one of the main obstacles to reform. This led to the high point of economic reform, the period during which Touré was in charge of adjustment (1985–88) and unambiguously enjoyed Diouf’s support. During that time, what some Senegalese intellectuals have called *le débat sur la technicité* tipped the balance in favor of reform. Helped by a brief improvement in the international environment and a strong economy, Touré convinced a majority of the political class that implementing the reform program was desirable. Although the reform package was credible, reformers within the government were never able to build a substantial coalition on behalf of it. After 1987, when the economy’s downturn combined with increasing social unrest, the balance shifted in favor of the forces opposed to reform, effectively ending the reform interlude.

Profound doubt about the political merits of adjustment was justified intellectually, since many experts inside and outside Senegal did not believe in the program’s capacity to lift the economy out of its endemic crisis. This is the second view that is emphasized in discussions of adjustment; it, in turn, has two variants. The first, which might be called the heterodox position, criticizes the adjustment strategy advanced by the twin sisters in Washington, D.C., but argues (more or, often, less explicitly) that there is an alternative path to adjustment (see Commander, Ndoye, and Ouedrago 1989; Diouf 1992; Durufle 1988). The second, or pessimistic position, essentially doubts the capacity of the Senegalese economy to undertake sustained autonomous development. It argues that Senegal’s problems are too significant and its resources too slight for adjustment to be possible, at least without massive infusions of foreign capital for years to come.

This study is not the appropriate forum for analyzing the economic merits of structural adjustment policies as presently conceived or for assessing Senegal’s long-term development potential. For its purposes, this skepticism about adjustment is relevant because of its implications for domestic politics. Throughout the 1980s, the credibility of the reform effort was consistently undermined not only by the heterodox and pessimistic arguments made by local and international experts and scholars, but also by members of the community of external aid and lending agencies itself. These arguments fueled pervasive skepticism within the state apparatus about the reform program and its likely socio-political consequences. The actions of the external aid and lending agencies and the early effects of adjustment measures could not alter these negative attitudes within the political class.

This study measures the formal and informal political and institutional constraints facing authorities implementing the structural adjustment
program in the 1980s. Embedded in an appreciation of economic institutions and realities, this political analysis argues that Senegal’s inability to resort to devaluation because of its membership in the Franc Zone had important political implications. Moreover, the government’s declining extractive capabilities and the resulting budgetary pressures conditioned its commitment to the reforms and their sustainability.

This analysis of the politics of adjustment develops several themes. First, it assesses the impact that pressure exerted by interest groups had on reform. The program’s distributional consequences reduced the relative welfare of the social groups supporting the ruling party, the Socialist Party. These interest groups demonstrated a will to organize and acted in concert to promote and protect their collective interests. Their mobilization was facilitated by a multiparty system that allowed vested interests to be marshaled rapidly into opposition. The question, then, is the extent to which the program triggered opposition and demand for preserving the status quo or generated an organized movement of groups supporting liberalization. The proreform team in the government was never able to create a social coalition to sustain the reform process.

Second, one of the key comparative features of adjustment in Senegal is that it accompanied a process of political liberalization. National elections were held in 1983 and 1988, in the context of a stated desire on the part of President Diouf to see the peaceful emergence of multiparty democracy. What was the impact of democratization on adjustment and vice versa? Diouf believed the two processes were largely compatible, insofar as the forces most hostile to adjustment—the old guard in the Socialist Party—would be weakened by democratization. For the same reasons, he also believed that consolidating and maintaining his own power would be served by economic and political reform. The paradox is apparent: the regime’s democratization in the 1980s never threatened Diouf’s hold on the presidency.

Third, the program entailed bureaucratic reordering. Formulating and implementing a structural adjustment program was concomitant with the rise of technocrats to positions of leadership. The nature of the program increased their autonomy and power, since they had the scarce professional and technical skills the program required. The old administrative elite, however, lost status, discretionary powers, and income as a result of reform. This chapter investigates how old habits and jealousies among bureaucrats slowed or reversed implementation of the program, how well technocrats organized themselves to orient the government’s actions, and how much the president tried to insulate and protect his technocrats in order to allow them to implement the difficult process of adjustment.

Finally, it investigates the role of external aid and lending agencies in the adjustment process. These agencies provided increasingly important
resources to the Senegalese economy. Did their support abet or hinder the adjustment process? Although its role is ambiguous, aid clearly represented an important net resource for the state, which was strengthened, regardless of its commitment to reform. In addition, the need to ensure the continuous flow of aid from external agencies led the government to exaggerate threats to its stability.

This chapter is organized as follows: it begins with a review of the basic features of the Senegalese political economy in the years after independence followed by discussion of the adjustment program and the implementation record. The reasons why the program was not fully implemented are then assessed. Throughout, an avowedly political economy approach keeps explicit at all times the political implications of economic policies and clarifies the economic impact of political choices.

The Political Economy of Postcolonial Senegal

The current crisis has deep historical roots, and a short review of Senegal’s economic history after independence is needed to understand more recent events. Senegal derived advantages from its central position in the French colonial system that left it ill prepared to handle the economic dilemmas of independence. Dakar had long served as the administrative capital of Afrique Occidentale Française, the federation of France’s West African colonies, and as a result Dakar and its hinterlands had been favored in French investment programs. Dakar itself emerged as probably the most important commercial center on Africa’s western coast and possessed an important non-African population, significant industry (Boone 1992), and an impressive communications infrastructure. Indeed, Senegal’s gross national product (GNP) per capita in 1950, estimated at some $238 (in 1974 terms), was among the highest in Sub-Saharan Africa, topped only by that of the Republic of Congo, Côte d’Ivoire, Ghana, and Zambia.¹ On the face of it, the fledgling republic benefited from key economic advantages: France left Senegal with probably the best infrastructure in West Africa, a well-trained labor force, and a significant import-substitution industrial sector that had long benefited from a large, heavily protected market in French West Africa.

Economic Performance after Independence

The end of the colonial federation also dictated drastic adjustments for Senegal. With the end of preferential access to the rest of the French empire, the productive capacity of most manufacturing businesses was underused. Firms had to adjust to a smaller domestic market and the vicissitudes of international competition. In addition, Senegal was left with an oversized public administration and a public sector wage bill that the country could ill afford.² The population of a little more than 3
million persons at independence could not justify a central bureaucracy of 10,000 civil servants, based for the most part in Dakar and enjoying French civil service-scale salaries.3

Finally, the country needed to wean itself away from dependence on what had been the mainstay of the colonial economy, the groundnut sector. France had assiduously promoted the crop starting in the last quarter of the nineteenth century, and growth had been rapid if irregular: output reached 200,000 tons by 1914, 600,000 tons in 1937, and 1 million tons in 1965 (Amin 1973). By independence, roughly half of the land cultivated in any given year was devoted to groundnuts, a remarkably high percentage for a cash crop. France agreed to continue paying highly advantageous prices for Senegalese groundnuts after independence. During the 1960–67 period, groundnuts represented some 78 percent of all export revenues and constituted the largest single source of government revenues, while sales from oil mills represented 40 percent of industrial activity (Youm 1991, pp. 23–24). The elimination of export price supports by France in 1968, in the context of French participation in the Common Agricultural Policy of the European Economic Community, resulted in a decrease of some 25 percent in the country’s terms of trade and began the progressive decline of the groundnut sector.4

Little or no growth could be expected from groundnuts, however, without a technological revolution: the crop’s growth had been fueled almost entirely by increasing acreage, rather than by the use of yield-enhancing inputs. By the early 1960s, little new suitable land was still available (Bonnefond and Couty 1991), and increasing population pressures made food crops more attractive to farmers, who responded by leaving the groundnut economy. Higher productivity was needed to spur further growth but would be economical only in the higher-potential areas on the southern edge of the groundnut basin. Increasingly inadequate rainfall as well as the depletion and erosion of soils were, in fact, tending to decrease average yields. All in all, in the years following independence, the government could no longer realistically expect significant growth in what had been the mainstay of the colonial economy.

The government faced several challenges in the period following independence: it needed to (1) diversify production away from groundnuts, (2) make its industry more competitive, and (3) reduce the burden of the state on the economy. Clearly, without these adjustments, sustained economic growth would prove highly problematic. Indeed, the government’s inability to address these problems, along with several trade shocks during the 1970s and the recurrence of drought, ensured the slow but steady decline of the economy during the first two decades after independence. There is considerable disagreement over most Senegalese economic statistics, but estimates of the evolution of GDP for the 1960–85 period suggest an average annual growth rate of around 2.5 percent. Given an
annual population growth of some 2.9 percent, individual incomes declined during this period.

Through the 1970s and early 1980s, the country’s industrial cost structure continued to make Senegalese products noncompetitive outside the Franc Zone and helped produce a chronic trade deficit. The average annual trade deficit in goods and services totaled some CFAF 36.4 billion between 1970 and 1980, while total exports exceeded CFAF 200 billion only once during this period, in 1977. Dependence on imports was particularly notable in the area of foodstuffs. France had encouraged the importation of cheap rice from its colonies in Indochina, and rice became a staple of the diet, particularly in urban settings, despite being all but absent from traditional farming systems. By 1974, the cost of imported rice had reached CFAF 18 billion, and imported food accounted for 5–10 percent of the value of all imports (Craven and Tuluy 1981; Youm 1991, p. 25).

Successive governments grappled with these structural problems. To decrease real wages in the public sector to levels consistent with post-colonial fiscal realities, the government imposed a wage freeze on public sector employees from independence until 1968. Throughout the 1970s and early 1980s as well, the real wages of public servants were allowed to fall close to one-third (Berg 1990, p. 12). This freeze sharply lowered the real urban wage because the private sector followed the lead set by the state on salaries (see table 8-1). The common perception that post-colonial economic policies have routinely favored urban workers at the expense of the countryside (Bates 1981; Lofchie 1975) is thus, in the case of Senegal, something of a simplification. Between 1960 and 1983, average urban income was halved, while rural incomes decreased a more modest 22 percent. The perception is accurate, however, in the sense that the government was never able or willing to contain growth of public sector employment, in part because of pressures to deal with the problem of unemployment. As indicated in table 8-1, the central bureaucracy grew from some 10,000 employees at independence to 37,700 in 1970 and 59,300 in 1980. As a result, the public sector wage bill still accounted for close to 60 percent of government recurrent expenditures in 1980, despite the reduction in the real wage of the individual civil servant.

Public sector direct involvement in production was for the most part limited to agriculture. The government allowed private French and Middle Eastern interests as well as increasingly aggressive local businessmen to dominate most industrial sectors, albeit in the context of considerable influence peddling, rent seeking, and favoritism (Boone 1992). Direct public sector involvement was focused on agriculture, reasonably perceived as an area of critical importance in which market imperfections justified an important role for the state. An impressive apparatus of
Table 8-1. Civil Service Employment in Senegal, 1970–90

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Government wage bill (billions of CFA francs)</th>
<th>Total employment (thousands)</th>
<th>Average monthly earnings (CFA francs)</th>
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— Not available.

Source: Berg 1990, pp. 4, 194; World Bank staff estimates.

Public institutions was developed in the years after independence, including ONCAD (National Office of Cooperation and Assistance for Development) and its successor agency the National Company for Rural Procurement, the Company for Agricultural Development and Dissemination, SAED (Society for the Development and Management of the Delta), the Company for the Development of Casamance, and SODEFITEX (Company for the Development of Textile Fibers). These organizations sought to intervene in every aspect of the rural economy.

The state's deployment of resources generated by the agricultural and the mining sectors is at the heart of the political economy of Senegal. Over the past thirty years, the government has invested financial and human resources to improve the productivity of the two main commodities, groundnuts and phosphates. An average of 10 percent of all public investment was devoted to the rural economy during this period (Toure 1985, p. 12). The government pushed for the extension of new crops such as cotton, maize, and cowpeas. Specialized public agencies distributed credit, seeds, subsidized fertilizers, and equipment to about 1,700 state cooperatives in villages throughout the country (Barker 1985; Delgado and Jammeh 1991; Waterbury and Gersovitz 1987). It invested
heavily in infrastructure for irrigated agriculture, notably along the Senegal River (Freud 1988).

The government also taxed agriculture, notably by paying farmers well below world market prices. Thus, producer prices for groundnuts averaged only 43 percent of unit export prices during the 1970s. Policymakers argued that taxing agriculture was justified because it funded investments that increased productivity and thus increased or maintained net producer incomes. Using smallholder surpluses to finance public institutions spearheading agricultural development conformed to the dominant development fashions of the day and was eagerly promoted by external aid and lending agencies as well as the government. These institutions and the taxes meant to pay for them would have justified themselves had they engineered significant improvements in agricultural productivity or even prevented its erosion. The fact is, however, that government intervention in agriculture did not generate sustainable increases in either yields or aggregate production.

In particular, the government was only partly successful in diversifying its exports away from groundnuts. By 1982, groundnut products were still the single largest export, accounting for 25 percent of all exports, while phosphates and fishing accounted for 11 and 18 percent, respectively. (Senegal is the seventh largest producer of phosphates in the world, with annual sales of 15 million tons.) Within agriculture, groundnuts retained its central position, although peasants tended to devote an increasing share of their land to food crops. Projects to promote the large-scale irrigated cultivation of crops like rice yielded disappointing results despite cost overruns that rendered them largely uneconomical.

To be fair to the government, it must be said that agricultural policy was conducted in the context of highly variable and declining rainfall. The level of rainfall fell from an average of 799 millimeters a year in 1961–65 to 448 millimeters a year in 1981–85: drought conditions reigned in 1968, 1970, 1972, 1973, 1978, 1980, 1984, and 1985 (World Bank 1989b, p. 49). The effects of this natural calamity were related to and compounded by human activities that accelerated the deterioration of an already fragile ecosystem, notably through deforestation, overgrazing, and improper crop rotation.

The policy of spearheading the development process with an expansive and intrusive public sector was never an economic success, leading eventually to the current crisis. It was much more successful in political terms, as these institutions helped the regime consolidate its power and then maintain political stability.

The Politics of State-Led Growth

After independence, the state extracted revenues from commodity production to buy support from rural elites, the civil service, and, to a lesser extent, the labor union hierarchy and the security and defense apparatus.
The relative strength of these groups and of religious and political patrons was reflected in their differential access to state resources and rents. At the same time, economic stagnation put increasing pressure on the state to limit transfers to them.

Politics was conditioned, first, by the presence of three somewhat overlapping groups, all based essentially in Dakar: civil servants, members of trade unions, and students. The civil service constituted the social base of the regime and was its primary clientele. Its political power can be traced back to the middle of the nineteenth century when France enfranchised a small number of urban African elites and then granted full political rights to the country's four biggest towns (Dakar, Gorée, Rufisque, and Saint-Louis) as communes de plein exercise. As independence approached, the main beneficiaries of this policy of assimilation were the African civil servants, since the public sector was the leading avenue of social promotion for educated elites (Crowder 1962).

Leaders of the nationalist movement made generous promises in order to win the support of what was the most cohesive and powerful social category in the political system. After independence, civil servants continued to receive high salaries and extensive entitlements, such as health care, housing assistance, and so on. In exchange for these benefits, the bureaucracy became a client of the ruling party, and high-level administrative posts became politicized. The overlap of party and state allowed state elites to use administrative institutions to distribute rents, patronage, and other resources in exchange for loans, illicit investments, and profits. They also controlled and benefited from the inflows of foreign aid.

Senghor used the resources of the state to consolidate power and then reward supporters, co-opt opponents, and play political factions against one another. Such political strategies necessarily fueled state growth and conditioned the choice of a state-led development strategy. In addition, the civil service's influence on policy was reinforced by the size of the public sector inherited from the colonial period, the fact that it was concentrated in Dakar, and its organization in the trade unions. Public sector employment, defined as the civil service plus noncommercial public enterprises, comprised 52 percent of total employment in the formal sector in 1960 and still 45 percent in 1980.10

The state's relationship to organized labor was more complex. Senegal had a long tradition of labor movement activities, and unions had played a key role during the decolonization period. However, the postcolonial state soon excluded the most militant and confrontational unionists from labor leadership. In 1968, widespread discontent in its rank and file led the National Union of Senegalese Workers to break ranks with the ruling coalition and call for a national strike to protest the decline in living standards of its membership. The government dissolved that union, banned all independent union activity, and created the National Confed-
eration of Senegalese Workers (Confédération Nationale des Travaillleurs Sénégalais, or CNTS) as the official trade union linked to the ruling party. In keeping with the state’s general strategy of repression coupled with co-optation, the CNTS was guaranteed ministerial posts, as well as the vice presidency and ten deputies in the National Assembly, in exchange for helping maintain social peace. The union was also assured of representation in major bodies such as the Economic and Social Council (Conseil Économique et Social) and the boards of parastatals. In turn, it adopted the policy of participation responsable, under which it discouraged strikes and promoted rank-and-file support for the single party. The CNTS came to represent some sixty or so individual unions, with a membership between 50,000 and 60,000 workers. Its presence in the government allowed it to promote favorable labor legislation, as well as to lobby for subsidies on basic consumer items such as sugar, rice, and bread.

The students—bureaucrats in the making—also received the attention of the government and were the third important group in urban politics, in part because of their sheer numbers in a country where more than half the population was below twenty years of age. Moreover, the University of Dakar, initially designed to serve all of Francophone West Africa, was now essentially Senegalese and increasingly radicalized on political and economic issues. Students received scholarships, free tuition, subsidized meals and rooms, as well as guaranteed jobs after graduation. Despite this, the government never succeeded in incorporating the majority of students in official youth organizations. On the contrary, schools were often disturbed by sporadic demonstrations and strikes. In fact, the student riots of 1968 posed the most serious threat to governmental stability in the decades after independence.

Before independence, politics had been largely circumscribed to these urban groups. The first generation of nationalist leaders, men like Blaise Diagne and Lamine Guèye, hardly bothered seeking support in the countryside. Leopold Senghor’s rise to power was due, at least in part, to his early grasp of the importance of rural support (Coulon 1990). As the franchise was progressively extended to the countryside, his party’s superior organization there ensured him electoral victory. To consolidate his power and ensure political stability, Senghor sought alliances with rural elites and, in particular, with leaders of the Islamic brotherhoods, or marabouts, who dominate rural society.

In Senegal, Islamic brotherhoods carry significant political weight (for a much more complete introduction to them, see Copans 1988; Coulon 1981; Magassouba 1985; O’Brien 1975). More than 90 percent of the population in Senegal embrace Islam, although less than half did so at the turn of the century. The main vehicle for propagating Islam during the twentieth century has been the Islamic brotherhoods. Today, most Muslims are affiliated with one of the three major brotherhoods: the Ti-
Voting for Reform

janiyya, the Mourides, and the Qadiriyya, each distinguished by slight differences in conduct and ritual, but all practicing the Sufi form of Islam. Although there are literally hundreds of marabouts, the brotherhoods are hierarchically organized and led by khalifes who can trace their origin to the founder of the brotherhood.

The marabouts’ political role started in the colonial period and increased during decolonization. The French colonial administration promoted the authority and power of the brotherhood leaders as an instrument of social control, and marabouts feared that independence would rupture the country’s relations with France. They sought to guarantee French economic and political interests in the country. Their stance helped weaken the most intransigent militant leaders within the nationalist movement. In the early years of independence, these religious leaders sided with Senghor against Prime Minister Diá and his team of technocrats, accusing them of introducing rural policies that sought to liberate small producers from the rural elite. The state under Senghor and Diouf continued to use the marabouts as intermediaries in the countryside and as instruments of social control. The marabouts were important beneficiaries of state action, obtaining free distribution of or subsidies for seeds, fertilizers, and equipment. They had easy access to capital, with little pressure to pay back loans, and were able to import duty-free goods. They also served as intermediaries between the state and the peasantry: as patrons, they could guarantee jobs for their followers in the state administration, which they were allowed to influence; and they secured strategically placed development projects such as roads, wells, schools, and industries for their client areas (Copans 1988; Coulon 1981; Gellar 1982; O’Brien 1971, 1975; Schumacher 1975).

The state’s generosity toward the marabouts had economic and political foundations. First, the marabouts controlled large groundnut estates of their own and enjoyed the free labor of their followers, called taalibe. A zakat, or tithe, also brought them a share of the harvest from the private farms of other followers. O’Brien (1977, p. 223) estimates that the khalife general of the Mourides received well over $100,000 annually from groundnuts during the 1970s. His own farms totaled more than 750 hectares (Copans 1980, pp. 243-44). In addition, the marabouts exercised considerable influence over the economic decisions of the taalibe, notably the crops selected at the beginning of each year. As many as two-thirds of all groundnut producers were affiliated with the Mouride brotherhood alone, which accounted for as much as two-thirds of the crop every year. Thus, the approval of the marabouts was critical to the success of any agricultural program (Barker 1985; Markovitz 1970; Waterbury and Gersovitz 1987). Second, marabouts could deliver the rural vote. In a country where 70 percent of the population was rural and illiterate and where policies were discussed in a foreign language and decided by a westernized elite, marabouts provided the link to the masses. Even though they did not make policies, their support for a
leader or a political party generally decided the election. As the regime democratized after 1976, their political importance grew.

The influence of the marabouts, the civil service, and the unions in the allocation of resources was considerable; that of the small agricultural producer and the embryonic Senegalese entrepreneur was not. As discussed, government agricultural policy emphasized large parastatals that were supposed to promote intensive production, not incentives for individual farmers. State institutions were allowed to fall under the control of rural elites. The government's treatment of smallholder agriculture led to what has been called the *malaise paysan*, a wave of rural discontent that grew after 1968.

Farmers were not, however, completely powerless to affect government decisions. Peasants began withdrawing from the production of cash crops and turning toward subsistence crops. They boycotted the official structures in favor of parallel markets and refused to pay the debts they had accumulated toward the state. Even the usually conservative religious leaders joined the peasant movement. In 1970, for example, the marabouts openly undermined the state's authority by refusing to bless the groundnut seeds and then blessing only those of the food crops millet and sorghum. The peasantry's actions denied the state the resources to carry out its policies. In a response that has not varied since, the government briefly increased groundnut prices, forgave peasant debts, and promoted the construction of schools, health care facilities, and water wells in the most sensitive areas. In addition, it increased its assiduous courting of the marabouts. Debt forgiveness was the most important of these measures, given its fiscal implications: in 1981/82, for example, the government canceled CFAF30 billion of farmers' debt, which would not have been paid anyway.\(^\text{11}\)

As Barker (1985, p. 64) perceptively notes, the lack of durable changes in relative prices reflected the political weakness of small producers. Indeed, besides keeping producer prices low, authorities also sought to maintain a rural power structure characterized by the domination of religious leaders, local notables, and party bosses. Thus, small farmers had no institutional leverage to lobby for more timely technical services or better prices. In 1972, the government introduced some reforms in rural administration that officially sought to give rural populations a larger role in local administration. Issues of law and order, rural community budgets, rural taxes, and land allocation were to be discussed in locally elected councils, thus increasing popular participation. These rural councils were nonetheless placed under the supervision and tutelage of the local administrative authority—the *sous-préfet*—obliging the local population to operate within a policy framework set by the government. Furthermore, the reforms served to strengthen the hand of the rural elites, whose influence and power undermined open debate, and further stifled the possibility of political pluralism and change.

Finally, state policies prevented the emergence of an autonomous na-
tional business class. At independence, French businessmen owned more than 95 percent of the firms in the modern manufacturing sector, which included some ninety-five businesses in 1963. The French monopolized the modern banking sector and import-export trade as well. Senegalese entrepreneurs were left to compete with the Lebanese community for retail trade and small-scale businesses in the service sector. During the 1960s, government policies did not challenge the dominance of the French firms, which remained undiminished. As late as 1967, for example, Senegalese businessmen obtained only about CFAF700 million of loans made by the banking sector, some 3 percent of a total of CFAF22 billion loaned that year (Bathily 1989). Government import-substitution policies favored French interests, notably in the allocation of investment incentives (Lo 1991, p. 65).

The progressive Africanization of the economy during the 1960s and 1970s did not strengthen the business class (Boone 1990, pp. 433–37). French withdrawal was followed by state control, an expanding public sector, and growing politicization of the opportunities left for the private sector. Thus, in the agricultural sector, state interventionist policies drove Senegalese intermediaries out of the niche left them by the colonial administration. In 1968, Senegalese businessmen formed the National Union of Senegalese Economic Groups to protest government policies and demand access to import opportunities, loans guaranteed by the state, control of the Chamber of Commerce, and protection for their nascent enterprises (Bathily 1989). These protests, as well as the labor and student unrest in 1968, led the government to nationalize several important private businesses and utility companies. The 1970s thus witnessed the progressive emergence of a more aggressive industrial policy on the part of the state and implementation of most of the union’s demands. Industrial policy was used as a political instrument, however, rather than as a development strategy. The ruling party used the parastatals to finance its activities and to find jobs for many of its adherents. Relations between government and business were characterized by clientelism and cronyism, with access to loans, licenses, subsidies, and government contracts being greatly facilitated for persons claiming family or political ties to the ruling elite. When the first opposition parties put the interests of the Senegalese business class at the forefront of their electoral platforms, the state treasury became even more generous to Senegalese hommes d’affaires, many of whom had more political connections than business acumen. Given these circumstances and the chronic overvaluation of the CFA franc, it is little wonder that the profitability of private enterprises depended on the absence of internal competition and the efficacy of import controls (Boone 1991).

The private sector was weakened by its dependence on the state. Given its need for a dynamic business sector to promote growth, exports, and tax revenues, the Senegalese government was surprisingly reluctant to
foster an autonomous capitalist stratum after independence. This reluctance was motivated in part by the fear that an independent business class would use its power to undermine the regime in power and the understanding that manipulating economic policies in a clientelist fashion would be politically advantageous as well as profitable for friends and kin. In addition, industrial policy was influenced by ideological motives. The appeal of socialist rhetoric played its role here, but even first-generation technocrats who paid only lip service to African socialism had a profound distrust of the ability of the market to value and allocate resources. At least in part because the private sector was widely associated with French and other foreign interests and thus genuinely unpopular, state elites were comforted in their view that full sovereignty and economic development required significant state regulation of the economy.

Democratization of the Regime after 1976

The Senegalese constitution, which has been amended several times since independence, provides for a presidential system of government. The president is elected by direct universal suffrage for a five-year term, as are members of the National Assembly. Half of the 120 members of the National Assembly are elected on the basis of a nationwide system of proportional representation, and half are elected on a winner-take-all system of departmental lists.

The period after independence witnessed the centralization of power in the presidency and the weakening of the legislature. During the 1964–74 period, the party and the state were progressively fused and the power of the president reinforced, all in the name of national construction (Lo 1987). President Senghor emerged from his power struggle with Mamadou Dia in 1962 with the firm intention of centralizing power and making future challenges to his preeminence impossible. He eliminated the prime minister’s office and began centralizing authority within the office of the presidency, taking decisionmaking authority away from most ministries. Two technocrats gained prominence by assisting Senghor’s attempts to centralize power: Jean Collin and Abdou Diouf. Jean Collin, a French colonial administrator who had taken Senegalese nationality at independence, used his position as secretary general of the presidency between 1962 and 1964 and then in various cabinets to help Senghor centralize power. An able administrator and brilliant player of bureaucratic politics, he emerged as the second most powerful man in the Diouf regime in the mid-1980s. Abdou Diouf, a young technocrat trained in France, entered the government in May 1963 as head of the president’s cabinet before replacing Collin in the post of secretary general of the presidency in February 1964. He held this post until his nomination as Senghor’s prime minister in 1970, with an interlude as planning minister.
Some parties were banned, while others were pressured into rallying the Progressive Senegalese Union (Union Progressiste Sénégalaise), so that by the 1968 elections, the party ran uncontested. This period also saw the rise of the “barons” within the party, conservative politicians closely tied to clientelist networks, and the decline of the progressive technocrats, most of whom had sided with Dia. Although such labels should be taken with a grain of salt, it seems clear that despite his lofty rhetoric, Senghor ruled increasingly through the skillful manipulation of clan politics within the single party and state in a process that enhanced the importance of the old guard of clientelist leaders who had strong bases of rural support (Foltz 1977).

The ideology of national construction was formally abandoned in 1975, and new political parties as well as new autonomous unions were legally recognized. Since then, there has been a cautious and progressive process of democratization, with constitutional changes in 1976 and 1979. The regime has come to allow real political pluralism, without threatening the preeminent position of the former single party, renamed the Socialist Party in 1976 (Coulon 1990; Fatton 1987; Mbodji 1991).

The democratization of the regime after 1975 coincided with a return to favor of technocrats in a process clearly abetted by the regime’s economic problems and the sense that the old clientelist politics were undermining the search for economic solutions. Senghor began promoting a younger generation of civil servants with foreign degrees who clearly intended to solve the country’s economic ills and exhibited considerable impatience with the old, less educated barons. The symbol of this generation came to be Abdou Diouf, by then Senghor’s undisputed dauphin. Diouf’s growing influence within the state and within the ruling party during the 1970s came from his technocratic credentials. Although that image was oversold to the public in order to attract young technocrats, rejuvenate the political system, and convey a more credible image of the country to external aid and lending agencies, his appointment as prime minister was clearly part of a strategy for improving the government’s management of the increasingly vulnerable economy. Throughout the 1970s, he was the economic adviser to a poet-president whose understanding of economic issues was at best limited. When President Senghor resigned at the end of 1980, and Diouf became president, this younger generation of well-trained, ambitious civil servants was in a good position to fight for control of the party and the government.

The Onset of Crisis

Given the nation’s structural economic problems and political pressures, it is remarkable that the country managed to avoid recourse to the IMF as long as it did. Fundamental economic problems were masked by several factors. First, the continuation of French preferential treatment for groundnut exports artificially sustained the country’s terms of trade.
in the years immediately after independence. Its termination in 1968 contributed to Senegal's first fiscal crisis in the early 1970s, but the government was able to take advantage of Franc Zone rules in order to avoid fiscal retrenchment and stabilization (Plane 1990). The French treasury intervened to cover Senegal's deficits, although the government did accumulate arrears on various payments.

The commodities boom of 1974–77 saved the economy from this crisis and further delayed reform. In 1974, the price of phosphates increased 274 percent and that of groundnut oil, 132 percent. During the next three years, the price of phosphates remained steady, while that of groundnut oil increased. Overall, Senegal's terms of trade improved dramatically during this period, even though the first oil shock had significantly raised the energy bill (Gersovitz 1987, p. 38). The government suddenly found itself with impressive surpluses; in the single fiscal year 1976–77, state marketing of groundnuts and phosphates generated a surplus of CFAF10 billion for the national budget (Toure 1985, p. 37). The government did not use these windfall revenues to promote investment or to slow the growth of debt accumulated during the previous decade. Instead, it increased government consumption 78 percent between 1974 and 1977, the industrial minimal wage 82 percent in 1974, and the producer price for groundnuts 30 percent in 1974 and 38 percent in 1975 (Youm 1991, p. 26).

With the blessing and financial assistance of the external aid and lending agencies, Senegal also embarked on another round of public sector investment, financed in part with the petrodollars that international banks were all too willing to lend. The pace of parastatal growth quickened, with investments of dubious value and the increasingly careless management of resources. The result was the accumulation of public debt, much of it in the parastatal sector. Thus, ONCAD possessed debts of more than CFAF90 billion by the early 1980s (Caswell 1984); SOSAP, a parastatal for fisheries, had debts of CFAF12 billion; and SAED had debts of CFAF10 billion. The nation's total external public debt was estimated at $1.3 billion, or 45 percent of GDP, in 1980.

The government evidently believed that the commodities boom would continue and that cyclical downturns could be overcome with the help of external aid and lending agencies, whose assistance to Senegal had increased rapidly since the Sahel drought. Indeed, as Lewis (1987, pp. 282–90) has shown, during the 1970s, international transfers more than compensated the decline in domestic investment. The government's optimism initially seemed well founded, since the mid-1970s also saw an average annual rate of growth in GNP of 4.5 percent, the highest since independence. Unfortunately, the boom in phosphates and groundnut oil collapsed in 1978, a severe drought occurred that year, and the second oil shock hit the economy in 1979. The economy found itself in another financial crisis. By 1981, the current account deficit had reached one-
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<td>29.8</td>
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<tr>
<td>Inflation rate</td>
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<tr>
<td>European current price index</td>
<td>11.3</td>
<td>12.5</td>
<td>9.4</td>
<td>8.5</td>
<td>8.0</td>
<td>6.2</td>
<td>-2.2</td>
<td>-0.4</td>
<td>0.1</td>
<td>4.7</td>
</tr>
<tr>
<td>African current price index</td>
<td>5.9</td>
<td>17.4</td>
<td>11.6</td>
<td>11.8</td>
<td>13.1</td>
<td>6.1</td>
<td>-4.1</td>
<td>-1.8</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Exchange rate (CFA francs per U.S. dollar(^d))</td>
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<td></td>
<td>272</td>
<td>329</td>
<td>381</td>
<td>437</td>
<td>449</td>
<td>346</td>
<td>301</td>
<td>298</td>
<td>319</td>
<td>272</td>
</tr>
</tbody>
</table>

**Note:** Errors are due to rounding.

a. Trade figures include goods and nonfactor services.

b. On cash basis, before debt rescheduling. Dates refer to fiscal (for example, 1981 refers to fiscal 1981/82).

c. Annual average.

d. Provisional estimate.

**Source:** Estimates of the World Bank staff; World Bank 1989a, 1989b; International Monetary Fund, various years.
fifth of GDP, while the government’s budget deficit now totaled 9.3 percent (see table 8-2). Between 1977 and 1982, real GNP is estimated to have declined an annual average of 5.3 percent.

The Adjustment Experience, 1980–91

The government’s initial response to the crisis was indecisive and mixed. Segments of the state elite evidently believed the problems were cyclical and could be overcome with fresh infusions of capital from external aid and lending agencies in a pattern already well established (Lewis 1987, pp. 289–99). Thus, despite its difficulties, the government canceled farmers’ debts again in 1978 and allowed public sector wages to increase some 36 percent in 1979, with further negative consequences for the deficit.

Abdou Diouf and Reform

Officially, the government responded to this crisis with a short-term stabilization plan in December 1979, the Medium-Term Economic and Financial Recovery Plan (EFRP), which covered the 1980–84 period and provided the framework for several early adjustment efforts by external aid and lending agencies. A first structural loan was signed with the World Bank in December 1979, and an extended fund facility credit was negotiated with the IMF in August 1980 (Senegal’s relationship with the World Bank is exhaustively reviewed in a 1989 report by the Bank’s Operations Evaluation Department; see World Bank 1989b). The government promised to reduce the current account deficit from almost 16 percent of GDP to between 6 and 7 percent, to increase net public savings from 15 percent of public investment in 1981 to 25 percent in 1985, to raise the overall level of investment from 16 percent in 1981 to 18 percent in 1985, and to achieve a 4 percent annual growth of GDP (Duruflé 1988; World Bank 1989b, pp. 20–22).

It is in this climate of economic uncertainty at the end of 1980 that Senghor resigned in favor of Diouf. In his first speech as president in January 1981, Diouf acknowledged the need for major economic and political changes in the country and made explicit the reformist ambitions of his presidency. As prime minister since 1970, Diouf appreciated the severity of the economic crisis and the unsustainability of current policies. He had played a large role in drafting the EFRP (Lewis 1987, p. 302). The slogan “Moins d’Etat, Mieux d’Etat” (Less State, Better State) reflected Diouf’s heartfelt belief as a technocrat in the possibility of creating a more efficient developmental role for the state. That is not to say that he fully espoused the economic liberalism of the U.S.-based institutions. The ideal state for Diouf and his allies was still a highly dirigiste state, but one without the cronyism and political expediencies of the old single-party model.
He was well aware of the obstacles to reform, however. The political and administrative leadership was deeply divided over the speed of reform, not only because of its uncertainties, but also because many benefited from the current policies. Moreover, the inefficient and slow-moving Senegalese administration was a poor instrument for change. As the appointed heir to Senghor, Diouf found it difficult to control the political game and rein in the old regime's barons, who had independent power bases, particularly within the Socialist Party. Insofar as Diouf had a power base, it lay within the state apparatus, not the ruling party.

Diouf's dilemmas were exemplified by the failures of the EFRP. The government was not able to redress the economic situation, despite the financial support of the external aid and lending agencies. Part of the blame lay in the bad weather of 1980 and 1981, which led to terrible groundnut crops and greater food imports. In addition, public debt turned out to be much higher than originally admitted, and the government proved incapable of balancing expenditures and revenues (table 8-2). In fact, fiscal revenues declined 10 percent in real terms between 1979 and 1984 (Durufle 1988, p. 31). Furthermore, the government lost ground in the months preceding the elections in February 1983 as urban salaries rose considerably. The IMF had already discontinued the extended fund facility credit in January 1981 and replaced it with one-year standby agreements. The World Bank canceled the second tranche of its first structural adjustment loan (SAL I) in June 1983 because of noncompliance.

The process of democratization that Diouf put in motion in 1981 must be understood in this context. The progressive and controlled democratization of the regime served the interests of economic reform in several ways. First, as a long-standing demand of the opposition, democratization would provide Diouf with greater legitimacy and deflect attention away from the economic crisis. Senghor opposed the democratization measures, so Diouf's initiative was welcomed and helped defuse political polarization and opposition to the economic program taking shape. Confident that there was no policy alternative to economic reform and—perhaps more important—that he could maintain control over the political game, Diouf may have felt that the greater pluralism of multiparty democracy would serve as a useful pressure valve and help channel discontent.

Second, Diouf believed that democratization would serve the interests of economic reform by forcing the state to be more accountable and disciplined. Democratization was thus a weapon against the old Senghor barons whose clientelism and corruption Diouf believed to be responsible for the crisis. Democratization would free him from the grips of the Socialist Party. In plebiscitary fashion, democratization would bestow enough power on the presidency and legitimacy on Diouf himself to enable him to accomplish reform without recourse to the web of Socialist Party networks on which Senghor had based his own power.
In this context Diouf moved to liberalize the political system despite foot dragging from the party bosses. There were already four political parties: the ruling Socialist Party; the Senegalese Democratic Party, a liberal democratic party; the African Independence Party, Marxist in orientation; and the conservative Senegalese Republican Movement. On the day of his inauguration, the new president promised to remove all legal restrictions on political parties. Twelve new parties soon emerged, covering the political spectrum, although none had a solid power base (see table 8-3). The only party that proved capable of gaining significant electoral support was the Senegalese Democratic Party, led by the attorney Abdoulaye Wade. Gaining roughly one-fifth of the vote in 1978 and 1983, it alone received support from different segments of society. Other parties received support largely from urban intellectuals.

The failure of the EFRP indicated the obstacles to economic reform. Diouf knew he could not undertake the necessary structural reforms of the state and of the Socialist Party without a popular mandate, which he sought in a general election held in February 1983 (Hesseling 1985, pp. 292–300; O’Brien 1983). These elections, which he promised would be the freest in Senegal’s history, were risky. His promises of political liberalization had, as he had gambled, gained him the goodwill of the public, and he won the presidential race with an impressive 84 percent of the vote, beating five rivals. The multiparty system in fact split the opposition, especially the extreme left, and helped inflate the Socialist Party’s dominance, which officially won 80 percent of the vote and 111 out of 120 seats. For the first time, the party proved less popular than Diouf himself. Despite the low turnout and allegations of fraud (only 58 percent of registered voters actually voted; see Coulon 1990, p. 426), the elections strengthened Diouf’s position and provided him with a popular mandate and considerable legitimacy to begin serious economic and political reforms.

Armed thus, he abandoned the EFRP and replaced it with the Economic Adjustment Plan in the Medium and Long Term (PAEMI), which was announced in mid-1984. Diouf moved quickly to increase his personal control over the administration. First, he eliminated the post of prime minister through the constitutional revision of 1983 and introduced several other institutional changes to limit the power of the National Assembly and reinforce the presidential character of the Senegalese system. As he explained, eliminating the Prime Ministry would “lessen the number of intermediaries and accelerate decisionmaking and provide the presidency with a direct understanding of the problems of the Senegalese people” (authors’ translation, quoted in Wane 1990, p. 84).

Second, the most unpopular barons were eased out of the government and replaced with men and women with obvious technical qualifications. Among the new ministers were well-known opposition leaders as well as experts familiar with international organizations. Technocrats increased their number within the government but also improved their position in
### Table 8-3. Political Parties in Senegal, in Order of their Founding, 1947–88

<table>
<thead>
<tr>
<th>Party</th>
<th>Description</th>
<th>Date founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialist Party (Parti Socialiste)</td>
<td>Democratic socialist; member of the Socialist International</td>
<td>October 27, 1947</td>
</tr>
<tr>
<td>Senegalese Democratic Party (Parti Démocratique Sénégalais)</td>
<td>Center right</td>
<td>Founded August 8, 1974</td>
</tr>
<tr>
<td>Republican Movement of Senegal (Mouvement Républicain Sénégalais)</td>
<td>Conservative</td>
<td>Founded February 7, 1979</td>
</tr>
<tr>
<td>National Democratic Rally (Rassemblement National Démocratique)</td>
<td>Nationalist and pan-Africanist</td>
<td>Legalized June 18, 1981</td>
</tr>
<tr>
<td>Socialist Workers Organization (Organisation Socialiste des Travailleurs)</td>
<td>Trotskyist</td>
<td>Founded July 4, 1981</td>
</tr>
<tr>
<td>Democratic League/Movement for the Workers Party (Ligue Démocratique/Mouvement pour le Parti du Travail)</td>
<td>Marxist-Leninist</td>
<td>Legalized July 9, 1981</td>
</tr>
<tr>
<td>And-Jeff/Revolutionary Movement for New Democracy (And-Jeff/Mouvement Révolutionnaire pour la Démocratie Nouvelle)</td>
<td>Marxist</td>
<td>Legalized July 9, 1981</td>
</tr>
</tbody>
</table>

the ranking order of the ministers, an important indication of their growing influence in decisionmaking. Technocratic skills and the ability to generate alternative analysis became an important criterion for positions of leadership, rather than simply one's position within the Socialist Party. The promotion of independent technocrats indicated Diouf's intention to free himself from the ruling party. In addition, of course, these technocrats tended to be less well known and typically lacked their own power base, making them more dependent on the presidency.

Third, Diouf sought to improve the internal capacities of government by initiating several administrative reforms. He reinforced data collection and policy analysis capabilities to improve the government's infor-
mation base and economic expertise. A team of young analysts and statisticians supervised by Mamoudou Touré was charged with producing periodic, well-documented reports on the economic conditions of the country, first at the Ministry of Planning and later at the Ministry of Economy and Finance. Policy analysis units were created or reinforced in other ministries as well.

The government also created several coordinating committees to promote communication among ministries and speed up decisionmaking. The most important of these was the Interministerial Committee of Supervision, composed of the minister of state; the general secretary of the presidency; the ministers of planning, economy and finance, rural development, industry and crafts, and trade; and the director of the central bank. The Committee for Implementation of the Structural Adjustment

<table>
<thead>
<tr>
<th>Party</th>
<th>Description</th>
<th>Date founded</th>
</tr>
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<tbody>
<tr>
<td>Union for a People's Democracy (Union pour la Démocratique Populaire)</td>
<td>Left</td>
<td>Founded July 20, 1981</td>
</tr>
<tr>
<td>Senegalese People's Party (Parti Populaire Sénégalais)</td>
<td>Pragmatist</td>
<td>Founded October 12, 1981</td>
</tr>
<tr>
<td>African Party for the Independence of the Masses (Parti Africain pour l'Indépendance des Masses)</td>
<td>Leftist</td>
<td>Founded July 30, 1982</td>
</tr>
<tr>
<td>Party for the People's Liberation (Parti pour la Libération du Peuple)</td>
<td>Split of the National Democratic Rally</td>
<td>Founded August 31, 1983</td>
</tr>
<tr>
<td>Union for Senegalese Democracy-Renewal (Union pour la Démocratique Sénégalaise-Renouveau)</td>
<td>Split of the Senegalese Democratic Party</td>
<td>Founded 1985</td>
</tr>
<tr>
<td>Movement for Socialism and Democracy (Mouvement pour le Socialisme et la Démocratie)</td>
<td>Fusion of two former political parties: Movement for People's Democracy (Mouvement pour la Démocratie) and Workers' Communist League (Ligue Communiste du Travail); autonomous socialism and Trotskyist</td>
<td>Founded 1988</td>
</tr>
</tbody>
</table>
Program (CSPA) was created in early 1985 to be the general coordinating body of the adjustment program. Constituted of five high-level technocrats and financed under a United Nations project, the CSPA provided technical support to the Interministerial Committee of Supervision, through its chair, a full-fledged member of the full committee. The interministerial committee met every three months, with the head of state as its chair, to evaluate implementation of the structural adjustment program. Their conclusions were to be implemented by the CSPA. This particular arrangement was intended to insulate the CSPA from the Senegalese administration and professional politicians.

The CSPA, which soon became the main interlocutor with external aid and lending agencies, worked with special cells created within the ministries as part of the structural adjustment program. In time, it diverted power from established agencies, which tended to act like private interest groups engaged in lobbying. The rest of the civil service soon resented the extra resources and perks granted to these special units.

In brief, 1983–85 witnessed Diouf striving to create the necessary conditions within his government for a concerted reform attempt. The reformist team of technocrats he assembled brought about the adjustment he sought and helped him consolidate his power free from the grasp of the Socialist Party.

**The Adjustment Program, 1984–91**

Debates about the adjustment process in Senegal have concerned not only the program’s design, internal logic, and impact on the economy but also the degree to which certain measures were actually carried out. Some observers in and out of Senegal have blamed the economy’s ills on the PAML. Yet, a report commissioned by USAID argues that the government achieved some macroeconomic stabilization but largely failed to carry out the structural adjustment program. It concludes that, “despite many positive changes, little real adjustment took place in Senegal over the decade, and many of the policies set out in government statements of loan agreements were weakly implemented” (Berg 1990, p. xv). Is such a negative assessment warranted? To what extent have Senegal’s continuing economic problems arisen because of, rather than despite, the adjustment program? Parts of the program were clearly implemented on schedule and satisfactorily. Nonetheless, implementation was highly uneven, varying across areas in revealing ways, and slowed considerably after an initial burst of action in 1986–88.

In all but one respect, the PAML consisted of a fairly conventional package of reform measures. The following brief discussion starts with the measures in the program that aimed for short-term stabilization and then analyzes the policy reforms whose objective was longer-term, sustained economic growth and structural transformation of the economy. This analysis is not comprehensive and only covers elements of the re-
form program relevant to the political analysis that follows (it does not, for example, discuss the government's relatively successful restructuring of the banking sector or reform of the public enterprise sector).

**Stabilization.** Stabilization measures, such as limiting government expenditures and placing tighter controls on credit, were pursued more consistently than any other part of the program. Government expenditures were cut from 32 percent of GDP in fiscal 1981/92 to 21 percent in 1989/90. The growth of credit fell from an average of more than 20 percent annually during the 1970s to some 5 percent in 1989. Effort was made to limit the share of the wage bill in overall government expenditures. Real wages in the public sector were allowed to decrease 15 percent between 1980 and 1989, and the size of the civil service was held more or less constant from 1986 to 1991.

These measures are standard fare for reform supported by the IMF and World Bank. The program did not include a devaluation of the currency, however, because this was precluded (through 1992) by Senegal’s membership in the West African Monetary Union. As a member of the Franc Zone, Senegal shared a currency, the franc of the Communauté Financière Africaine (CFA franc), with the other fourteen members. The CFA franc was pegged to the French franc at the rate of 50:1, a parity that had not changed since 1948. The members of the Franc Zone keep their reserves in the French treasury, in exchange for which France agrees to guarantee convertibility of the currency. The developmental merits of the Franc Zone have long been a source of debate (Guillaumont and Guillaumont 1984, 1988; Martin 1986; Vallée 1989; van de Walle 1991). The member states clearly have little control over the parity of the CFA franc with other currencies. Recent years have witnessed both high levels of exchange rate variability and, for many of the countries in the zone, high levels of overvaluation (table 8-2). This has led to repeated calls for devaluation (Vallée 1989), which have been steadfastly resisted by both France and all the member states. Because the government was not able to effectuate a nominal devaluation, it had to pursue a depreciation of the real exchange rate through fiscal and commercial policy alone. The exact level of overvaluation in Senegal during this period is subject to some dispute, and estimates are sensitive to the methodology used (for discussions, see Devarajan and de Melo 1987; Krumm 1987). The level of overvaluation was perhaps 15–25 percent in the late 1970s, followed by improved competitiveness in the early 1980s. This improvement was due to a variety of factors, including the strong appreciation of the dollar between 1979 and 1985, three devaluations of the French franc between 1981 and 1983, and the loss of competitiveness of African economies outside the Franc Zone (these successive devaluations of the French franc resulted in no less than a 25 percent depreciation relative to the deutschmark). By the second half of the 1980s, these external forces began
exerting an opposite, negative influence on Senegalese competitiveness. In particular, repeated devaluations in neighboring African countries undermined the country’s equilibrium exchange rate. By 1991, many observers argued that a depreciation of between 30 and 50 percent was necessary to restore Senegal’s competitiveness (Economist Intelligence Unit 1991, p. 11).

As a result of the measures undertaken under the PAML, the current account deficit was cut from 17 percent of GDP in 1983/84 to less than 10 percent in 1988/89. Similarly, the fiscal deficit was cut from 9 percent of GDP in fiscal 1982/83 to less than 4 percent in 1986/87, before rebounding to almost 5 percent in 1989/90 (if one takes into account foreign grants, these numbers are 8 and 2 percent, respectively; see Berg 1990, p. 6). Modest growth in GDP per capita of almost 2 percent in 1986–88 and a decrease of the official inflation rate from 11 to −2 percent between 1981 and 1988 led some observers to argue that these stabilization measures had put Senegal on the right track to achieve sustained growth. In fact, this progress toward macroeconomic stabilization was fragile. Budgetary growth was limited, by the sheer scarcity of capital, to growth rates of the past. Much of the improvement in the trade balance during the mid-1980s resulted from the appreciation of the U.S. dollar with respect to the French franc. The CFA franc’s depreciation from CFAF209 to the dollar in 1980 to CFAF437 in 1984 provided the economy with a respite and a temporary improvement in the current account. The dollar’s decline after 1985 similarly worsened the trade deficit, however, and by 1990, Senegalese exports totaled CFAF410 billion, while imports remained at levels comparable to the mid-1980s, CFAF474 billion.

The government maintained high domestic prices for several consumer goods, which constituted an increasingly important source of revenue. By 1990, rice imports brought in CFAF15 billion in revenues annually, while the import tax on oil accounted for more than 12 percent of all revenues (imported petroleum products accounted for 22 percent of all government revenues, if value added taxes and nontax receipts are added to the revenues from import duties). In general, that year, taxes on international trade accounted for 40 percent of all revenues. In effect, then, fiscal stabilization depended in large part on a tax policy at odds with the reform program’s objective of trade liberalization.

Finally, at least some of the stabilization progress must be understood in the context of finance by external aid and lending agencies and debt forgiveness and rescheduling. Indeed, it is difficult to overstate the impact of foreign transfers to the economy. During the period 1980–87, international aid grew 18 percent a year, so that Senegal received some $642 million in aid in 1987, equivalent to more than $100 per person, or one-fifth of GDP. This was almost as much as total government revenues, which were about $750 million, and made Senegal the leading recipient of aid per capita in Africa.16
In addition to IMF and World Bank assistance, the country received extensive bilateral assistance. The United States and France both developed independent structural adjustment programs parallel to and coordinated with the World Bank effort. French support of the state budget alone totaled some CFAF131.5 billion in loans between 1978 and 1989 (Berg 1990, pp. 151–53). U.S. aid commitments totaled $472 million between 1978 and 1987. In addition, a host of other bilateral aid and lending agencies were active in Senegal. In total, during the period 1981–88, commitment of medium- and long-term loans and grants averaged $600 million a year, equivalent to 16 percent of GDP.


**Structural Adjustment.** Concurrent with these stabilization measures, the government agreed to undertake measures designed to bring about a higher average rate of economic growth in the long term. In the public sector, reforms sought to liquidate, privatize, and rehabilitate many of the eighty-five existing public enterprises that had been soaking up 40 percent of all gross fixed capital formation. In addition, two sectoral reform programs were developed to spearhead the adjustment program by improving competitiveness and the incentives’ structure. These were the New Agricultural Policy and the New Industrial Policy.

The New Agricultural Policy (NPA) was promulgated in 1984 and given added momentum by measures spelled out in the Seventh Five-Year Plan in 1985 and the National Cereals Plan in 1986. The plan was designed to reduce the government’s role in production and marketing activities, including the liberalization of input markets, the gradual elimination of subsidies on fertilizers, as well as the transfer of functions from state agencies to private ones or to agricultural producers themselves. The movement begun by the dissolution of ONCAD in 1980 was thus accelerated. In addition, reform measures sought to lessen dependence on imported rice and wheat by promoting domestic output of coarse grains. Finally, the state’s monopoly on cereal imports was eliminated.

On one level, the NPA was designed to address the near collapse of traditional state marketing structures. In 1984/85, only 238,000 tons of groundnuts out of the estimated 500,000 tons produced were sold to the parastatal SONACOS; instead, farmers took their crops to parallel marketing structures, which paid better prices. Groundnut production rose 20
percent in 1985/86, but the season was disastrous for the oil mills, which in 1988/89 still operated at only 30 percent of their capacity (Le Soleil, March 11, 1985, April 9, 1986; Sud-Hebdo, no. 61, July 12, 1989; World Bank 1987a, p. 8). Reforms in 1985 and 1986—notably the decision to raise official prices in 1986 as well as to distribute 60,000 tons of free seeds—were thus essentially geared to preserve the official market for cash crops and prevent the parallel market from growing further.

Implementation of the NPA proved problematic. On the one hand, fertilizer subsidies were eliminated progressively between 1986 and 1989, marketing was partially liberalized, the government stopped setting prices for major food crops, and a number of public enterprises were restructured. On the other hand, the government, which came to accept the general principle that domestic prices should be linked to world prices, proved reticent about price liberalization and continued to administer the price of groundnuts, cotton, rice, sugar, and edible oils. By 1988, the depreciation of the dollar and lower world commodity prices led to a net loss for the government on groundnut prices. The government backtracked from its previous commitment to improve farmer incentives and reduced groundnut prices 22 percent, from CFAF90 to CFAF70 per kilogram. It argued, with some justification, that it could not afford yearly subsidies equal to 1.4 percent of GDP.

Pressures from rural elites who had most benefited from the old policies kept delaying implementation of reform policies. For example, in 1989, farmers received a special payment equivalent to CFAF2 per kilogram of groundnuts sold to SONACOS the preceding season. In addition, they were offered the option of swapping bad or pest-damaged groundnut seeds for good-quality seed held by SONACOS and normally only available for cash payments (Economist Intelligence Unit 1989). Marabouts were similarly responsible for pressuring the government to authorize SONACOS to distribute groundnut seeds in 1987, despite a commitment to end this subsidy program, and for keeping alive the issue of fertilizer subsidies.17

As early as 1988, major external aid and lending agencies started pressuring the government to quicken the pace of change. This led to a general declaration of government policy for agriculture in December 1989 and negotiations for an agricultural sector adjustment loan in 1990 and 1991. These negotiations became quite acrimonious in 1991, as the government refused to accept a series of conditions from external agencies, notably policies governing the price of rice and fertilizer subsidies.

At the end of 1991 one could hardly speak of a structural transformation of agriculture. The past five years had witnessed some growth in the production of food and cash crops, but this appeared to be due, at least in part, to the return of normal levels of precipitation after the drought at the beginning of the decade. For example, groundnut production grew
from a low of 500,000 tons in the drought year 1984/85 to 950,000 tons in 1987/88 but still averaged less than the 1 million tons produced annually in the late 1970s. Input use had actually fallen since the beginning of the decade as a result of the reduction of subsidies on fertilizer and pesticides, and output growth had come entirely from increased acreage. Most of the progress in food crops had occurred because farmers were opting out of the traditional cash crops and thus could not be considered evidence of an aggregate increase in production. There was little evidence of productivity growth, and rainfall remained the principal determinant of changes in output (Berg 1990, p. 105).

Industrial reform initially took a back seat to agricultural reform, but a fundamental revision of industrial policy was a condition of the World Bank's second structural adjustment loan in early 1986 (see Berg 1990 for an excellent account of the New Industrial Policy; see also Boone 1991; Thioune 1991). The New Industrial Policy (NPI) was drafted by the Ministry of Industrial Development and Small Industries, with the help of an adviser from the United Nations Industrial Development Organization and in close consultation with the World Bank. There was little or no consultation with industry itself, which learned about the program only weeks before it was promulgated. Besides the measures included in the privatization program, it emphasized the liberalization of trade policies to lower the level of protection benefiting national firms. This included ending quantitative restrictions, reducing and harmonizing tariffs, eliminating special tariffs for specific industries, eliminating mercuriales, and liberalizing import licensing procedures.18

By the mid-1980s, the industrial sector was composed essentially of import-substitution light industries located on the coast near Dakar. They were highly concentrated, with each industrial or manufacturing branch dominated by one or two companies, most of which were hopelessly noncompetitive with foreign goods. Given overvaluation of the currency, the uncertain state of the economy, and high costs of labor, private businessmen had little incentive to invest in long-term projects. Instead, they survived by lobbying for protection and subsidies from the state and by engaging in short-term speculative activities and extensive rent seeking.

Trade liberalization was of course feared by the industrial sector, which had grown used to this extensive protection. Thus, the NPI also included a second set of measures, which came to be known as the mesures d'accompagnement, or accompanying measures, designed to help firms adjust to the stiffer competition. These included measures to decrease production costs by lowering excessive labor and energy costs, as well as financial assistance for firms seeking to restructure, a new investment code, and an increase in the export subsidy available to firms seeking to sell part of their production abroad. Extensive reform of the labor code was also foreseen to eliminate rigidities in labor markets that
raised labor costs and lowered productivity. These measures were intended to help firms weather the shock of competition and prepare the ground for future growth.

Implementation of the NPI was uneven (Berg 1990; Thioune 1991). Quantitative restrictions were eliminated for a wide range of products on schedule, although they remained in place for a small number of important imports (cement and sugar, among others) for which special arrangements exist between the government and individual firms. Tariff protection was reduced, first in July 1986 and again in July 1988, and the tariff structure was simplified. As a result, the average effective protection rate declined from 165 percent in 1985 to 90 percent in mid-1988, and customs duties were spread more uniformly over a larger number of goods. However, 38 percent of all imports remained exempted from the payment of customs duties, because of investment code privileges, dispensations for government purchases, and special agreements between the state and individual businesses. The undeniable success of tariff reduction was partly overturned after 1988. Prodded by the need for revenue and the lobbying of businesses unable to compete in the new environment, the government reintroduced protection measures. By August 1990, the average effective protection rate had once again reached 98 percent.

In any event, the record on tariff reduction remained positive, although implementation of the accompanying measures was less satisfactory. Measures designed to decrease the costs of inputs were not implemented, for example, or were not implemented effectively. For example, in 1991, energy costs remained unduly high largely because of import taxes charged on imported oil. The state never passed on to domestic consumers the decline in the world price of oil after 1984, largely because this tax provided more than 12 percent of the government's revenues by 1990.19

The government held the number of civil servants roughly constant during the 1985–90 period at around 67,000 employees (see table 8-4). The government's wage bill continued to rise, however, despite a wage freeze, largely because of the liberal use of internal promotions (Berg 1990, pp. 194–95; Terrell and Svejnar 1990). Labor costs remained much too high for Senegal to be competitive. The NPI's proposal to change labor legislation in order to make hiring and firing more flexible was defeated in the National Assembly in June 1987, after intense lobbying by the trade unions, and the bill that was eventually passed constituted a much more modest improvement on existing legislation. The World Bank initially backed off the issue when the government pleaded that political realities made such a reform impossible. After a hiatus, the Bank reintroduced the issue in negotiations and made lower labor costs and increased productivity a major objective of the structural adjustment loan (SAL IV) signed in 1990. By that point, the government appeared to
Table 8-4. The Impact of Civil Service Reform in Senegal, 1981–90

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total employed in the civil service (billions of CFA francs)</th>
<th>Wage bill as a percent of current expenditure</th>
<th>Wage bill as a percent of total expenditure</th>
<th>Wage bill as a percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
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Source: World Bank 1990a; estimates of World Bank staff.

recognize that, to succeed, structural adjustment required improvements in the labor situation. In the first decade of adjustment, the civil service wage bill had only decreased 2 percent in real terms, suggesting that a more concerted effort was necessary to make progress on this front. SAL IV foresaw the reduction of the civil service by some 8,642 staff members.20 However, in the uncertain political climate of 1990 and 1991, it was not clear that the government was any more willing to tackle this delicate issue than it had been before. Despite some undeniable initial progress, in which a little more than 2,000 civil servants left public employment voluntarily, only limited further movement on these measures had occurred at the time of this writing.

Another accompanying measure, the increase of export subsidies, was also not satisfactorily implemented. Given the increasing level of currency overvaluation and the impossibility of resorting to devaluation, policymakers viewed export subsidies as a useful instrument for promoting exports. These had been resorted to as early as 1980 as part of the EFRP, but the NPI increased and extended them to new products in August 1986. Various restrictions, administrative delays, and red tape greatly reduced their usefulness. Few exporters received these payments, which were, in any event, too small to compensate the overvaluation of the currency (the subsidy is calculated as 25 percent of domestic value added, rather than the free on board value of the product; on the ineffectiveness of tariff policy to overcome overvaluation, see Salinger and Stryker 1991).

The final accompanying measure of some importance, the creation of a fund to assist in industrial restructuring, also proved unsatisfactory. The World Bank included some funding for this purpose in an industrial restructuring credit of $25 million signed in late 1987. This credit did not, however, start functioning until October 1988 and did not give out a
single loan until mid-July 1989, three years after the first phase of trade liberalization had been completed. Commercial banks were asked to provide loans on \textit{APEX} funding (the Agricultural Promotion Export Fund) through the central bank, although they had little or no experience in industrial lending and were in the midst of their own protracted financial crisis. Various delays again conspired to limit the impact of this fund.

Public enterprise reform was more encouraging (see Berg 1990, p. 31-33; World Bank 1990a, pp. 31-32). After an extremely slow start, much progress was achieved. Of the eighty-five public and parastatal enterprises in the state portfolio before reform, nineteen had been privatized and another eleven liquidated by October 1991. Further, considerable progress was made in restructuring public enterprises, introducing management autonomy, streamlining the institutional and legal framework, improving operations, and settling cross debts among enterprises and between enterprises and the government. Nevertheless, some of the biggest and costliest parastatals had been left untouched, and direct budgetary support for the public enterprise sector still amounted to 5 percent of current government expenditures, some CFAF11.8 billion in fiscal 1990/91, albeit down from CFAF14.4 billion in 1988/89.\textsuperscript{21}

An overall evaluation of the \textsc{npi} is difficult, in part because the quality of the data is extremely uneven and in part because it is difficult to establish the counterfactual, namely, what would have happened in the absence of the \textsc{npi}, on the one hand, or what would have happened had the \textsc{npi} been fully implemented, on the other hand. It seems clear that the industrial sector's crisis worsened after 1986. Estimates suggest that industrial production may have declined 12 percent between 1986 and 1988 and that as many as thirty industrial enterprises may have gone bankrupt between 1986 and 1991 (\textit{Wal Fadjiri}, no. 251, March 7, 1991). Total net industrial employment in the formal sector may have decreased as much as 10 percent during the 1980s.\textsuperscript{22} At the same time, much of the sector's crisis could not be blamed on the \textsc{npi} but rather on the overvaluation of the CFA franc and the prevailing conditions of economic austerity.

\textbf{Explanations of the Scope and Speed of Adjustment}

This section analyzes the reasons why the government did not fully implement the reform program, focusing first on structural economic issues. Without providing yet another economic assessment of the program (Commander, Ndoye, and Ouedrago 1989; Duruflé 1988; Kassé 1990), it examines the political implications of issues relating to the program's design and internal economic logic. Second, it analyzes the importance of several political factors in shaking the government's commitment to reform: the role of the urban riots of 1988 and 1989 and the fears they created about political instability as well as the weight of interest groups in influencing the course of the reform program.
Economic Constraints

As in other African programs, the reform strategy in Senegal was that deregulation, liberalization, and privatization would reduce government consumption and spur private sector investment, improve external competitiveness, and promote export-led growth. The government needed to address three problem areas for the program to succeed: (1) the program had drastic revenue implications, (2) membership in the Franc Zone precluded devaluation of the currency as an instrument to increase competitiveness, and (3) the sources of future growth had to be identified and promoted successfully. Each of these constraints posed critical political dilemmas for the government, and it is important to see how the government tried to address them. Each is addressed in turn.

The Revenue Squeeze. Economic liberalization was likely to have short-term implications for government revenues, since more than 40 percent of all government revenues came from taxes on international trade. A liberalization program thus had to choose among (1) increasing other types of revenues, notably income taxes; (2) reducing government expenditures, cutting down on fraud, and improving revenue mobilization; and (3) finding capital to finance government deficits. In practice, the program counted on all three to balance the budget: improvements in tax administration would increase other tax revenues, expenditure would be cut, and the external aid and lending agencies supporting the program would provide substantial capital. In addition, it was believed that lower marginal tariff rates and a wider base would decrease fraud and improve tax yields. In short, the PAML’s design did not anticipate that fiscal shortfalls would become a major constraint on implementing the program fully.

In the short run, the PAML developed optimistic projections of revenue growth and expenditure cuts to obscure the likelihood of deficits. In the longer run, economic growth resulting from the program was predicted to increase tax receipts and end the need for outside capital. In estimates made to the Paris Club in 1987 and accepted by the external aid and lending agencies, for example, industry and mining were forecast to grow more than 6 percent a year as a result of the NPI, a rate that had no precedent in the country’s recent history and that assumed virtually no lag for the NPI to have a favorable impact on the industrial sector (World Bank 1989b, p. 27). These unrealistic predictions were not questioned because the government sought to avoid having to cut government expenditures even more than promised. For its part, the World Bank did not want to jeopardize the trade liberalization reforms, which it viewed as the most important component of the program, and needed to present a coherent program to its board of directors.

Nowhere were the fiscal implications of the program more dramatic than in the NPI. It is true that eliminating quantitative restrictions, reducing tariffs, and widening the tax base did not decrease customs revenues,
because the reforms rationalized the tariff structure and eliminated opportunities for tax evasion. In fact, taxes on foreign trade increased from CFAF 79 billion in 1984/85 to CFAF 92 billion in 1989/90. Nevertheless, overall government revenues decreased during this period, from 20 percent of GDP in 1981/82, to 19 percent in 1986/87, and to 16 percent in 1989/90 (table 8-2), putting tremendous pressure on the government to control its expenditures. Liberalization made sense only if the accompanying measures were also implemented, since they were designed to allow the economy to respond to external competition. Without them, the overvalued exchange rate and the industrial sector’s outdated capital stock, high input costs, and other production inefficiencies made a rapid growth in exports an unrealistic response. (The NPI was designed in 1984 and 1985, when the real exchange rate was arguably in equilibrium; by the time it became operational, however, the currency was rapidly appreciating.) These measures were never implemented, in part because the government and external aid and lending agencies had underestimated the difficulty of administering them (this was notably the case for the Restructuring Fund, for which the banking sector was ill equipped) and in part because their fiscal implications were prohibitive and would derail the IMF-backed stabilization plan. Because the government was never able or willing to reduce its expenditures, it remained dependent on revenues that undermined the competitiveness of the economy. The tax on energy imports exemplifies this dilemma. In the abstract, the external agencies opposed this state of affairs, but in practice, they recognized that the government had to improve dramatically its capacity to mobilize revenue, a process that could not realistically bear fruit in the short term.23

With the benefit of hindsight, it is clear that the NPI’s liberalization measures were bound to have a powerful effect on the long-overprotected economy and to prove politically unsustainable without the prior, or at least concurrent, implementation of measures to ease transitional problems. Would some other sequence of reform have been preferable? It seems obvious that undertaking deregulation and liberalization without refashioning fiscal policy was a recipe for disaster. It proved a lot easier for the government to reduce import tariffs than to cut the wage bill. Compounded by the overvalued exchange rate, this meant that the domestic economy was opened up before Senegalese industry could respond. The impact of these reforms on the fabric of Senegalese industry then provided enough ammunition to the opponents of reform to reestablish protection in 1989. Indeed, when the inevitable crunch came, the IMF sided with the revenue imperative in the name of budgetary stabilization. Yet, absent even more foreign aid than the external agencies were already providing, the adjustment program they backed was doomed if the government did not actively promote a supply response by the private sector.
ADJUSTMENT WITHOUT DEVALUATION. This conflict between the fiscal requirements of stabilization and the resource needs of the economy was exacerbated by Senegal's membership in the West African Monetary Union, which precluded devaluation. The main vehicle of adjustment, in other words, had to come from fiscal contraction and trade policy. Theoretically, nominal devaluation is not necessary to bring about real depreciation (Devarajan and de Melo 1987; Krumm 1987), which occurs when the domestic rate of inflation falls below the rate of inflation in the economies of the country's trading partners. In practice, however, no country in Sub-Saharan Africa has been able to bring about a substantial and sustained real depreciation of its currency without resorting to several successive nominal devaluations. Senegal's experience during the 1980s illustrates this fact: after a decade of attempts at economic reform and austerity, the level of overvaluation of the CFA franc was as high as it had been in the late-1970s. Indeed, overvaluation increased at the end of this period, according to some estimates (Economist Intelligence Unit 1991, p. 11; Salinger and Stryker 1991).

Given stagnant productivity, overvaluation prevented Senegal from improving its ability to compete. By some estimates, labor costs in Senegal were still 60 percent higher than in Malaysia and 370 percent higher than in Indonesia in 1990 (Berg 1990, p. 12). At such levels of overvaluation, domestic production had to be protected to survive and exports subsidized to be competitive, a fact used to justify a wide variety of government interventions that the state was poorly equipped to carry out and that resulted in extensive rent seeking and fraud. In the meantime, domestic production continued to be devastated by foreign goods.

Evidence from the rest of Africa suggests that devaluation offers at least two major advantages to a government seeking to engineer a major restructuring of the economy. First, it is among the least problematic economic reform measures to implement. Although much of its effect is likely to be short-lived without accompanying measures—notably measures that control inflation—devaluation itself can be accomplished at the stroke of a pen. By forgoing devaluation, in other words, the Senegalese government put the burden of adjustment on policy instruments that are inherently harder to wield.

The second related advantage of devaluation is more strictly political. It offers an indirect but effective way of attacking the purchasing power of the urban bourgeoisie and in particular of public sector wage earners. By shifting relative prices in favor of the traded goods sector, devaluation in effect lowers the real salary of wage earners. Franc Zone countries like Senegal forgo that choice and thus have to lower the nominal wage bill. That this is politically much harder seems clear if one examines the experience of adjustment in Sub-Saharan Africa. After a decade of adjustment, Franc Zone countries like Senegal have barely made a dent in their civil service wage bills, while countries outside the zone have typ-
ically cut the purchasing power of civil servants by more than half. Yet the Franc Zone countries have, if anything, faced more urban labor unrest than other countries (Bratton and van de Walle 1992).

The overvaluation of the CFA franc has long been widely admitted, yet the implications of devaluation, whether it is achieved by pulling out of the West African Monetary Union or by renegotiating new parities with France and other member states, are so complex and sensitive that it has hardly been mentioned in policy debates on adjustment at least until recently. During the 1980s, the government's unwillingness to consider devaluation clearly suggested that the advantages of the Franc Zone outweighed its economic costs, including a much more difficult adjustment process (for an analysis of this issue, see van de Walle 1991). First among these advantages was the link with France, which the government did not want to jeopardize. France remained the leading bilateral supporter in Senegal, and its willingness to respect Franc Zone arrangements provided Senegal with significant balance of payments support. In addition, extensive historical and individual ties existed between the two countries, including those that the politically influential French community in Senegal continued to maintain with France (persistent rumors suggest that French businessmen in Dakar have long helped finance the ruling Socialist Party). In a period of economic uncertainty, the security provided by such ties was very appealing to the government. Moreover, overvaluation favored the import-intensive consumption of social groups that supported the government and served, for example, to inflate the purchasing power of the civil service, which remained unrivaled in the region.

The Issue of Supply Response. The third constraint on economic reform was the absence of any obvious source of rapid, sustained economic growth to spearhead adjustment. The theory of structural adjustment posits short-term sacrifices in exchange for higher rates of growth in the medium to long run. The PAML's credibility and political sustainability depended on the government's ability to find a plausible source of sustained growth in the economy. The more thoughtful studies by external aid and lending agencies argued that the government should not try to plan where the future growth should come from but should only "create a policy and institutional environment that is conducive to entrepreneurship and investment" (Berg 1990, p. 223). If it did so, the argument went, growth would follow. This faith in the market was not shared by the Senegalese, apart perhaps from a small number of technocrats. Most sought a more precise prescription before backing reform.

After all, where would growth come from? Industry was, in theory, the most plausible candidate in the minds of most Senegalese, but its crisis in the mid-1980s, even before the NPI was implemented, indicated daunting structural problems. The conventional wisdom among external aid and
lending agencies suggested that a viable development strategy had to be based on the revitalization of agriculture. But was this the case? For much of the Senegalese political class, the desertification of the north and repeated droughts elsewhere, the complete failure of two decades of attempts at intensification, the decline of international commodity prices, and the general backwardness of the sector were all factors that left agriculture a less-than-convincing candidate to spearhead an economic renaissance.

Indeed, many outside observers viewed agriculture’s future with deep pessimism. Bonnefond and Couty (1991, p. 43), for example, argue that “there will be no [agricultural] development for Senegal without a long-lasting deficit in the balance of payments . . . [and] extensive financial assistance.” Given the increasing unwillingness of external aid and lending agencies to continue providing new finance to the government, such a view was tantamount to denying Senegal’s ability to overcome its crisis. Whether such pessimism was warranted is irrelevant. The important point is that the external agencies pushing for adjustment and their allies in the government never succeeded in overcoming this pervasive pessimism by developing a credible positive scenario for the country’s future. Most observers agreed that there was still “an urgent need to evolve a new long-term economic development strategy with the capacity to replace the old groundnut export system” (Delgado and Jammeh 1991, p. 4). Sadly, a decade of reports, independent studies, and adjustment programs by external agencies did not produce a credible vision of the likely benefits of adjustment.

In any event, the Senegalese political class never accepted the broad argument that the proper incentive structure would produce growth and a secure fiscal base for the state. This should not be surprising, given thirty years of seemingly inexorable economic decline and the failure of successive policy fads. The important point is that pessimism regarding the country’s long-term economic potential may have created the expectation that the adjustment process could not succeed and thus created the unwillingness to invest in it. Adjustment was unlikely to succeed, then, without major changes in those expectations.

The Role of the External Aid and Lending Agencies

International aid played a highly paradoxical role in the adjustment process during the 1980s. On the one hand, the flow of aid constituted a stable source of state revenue that helped sustain the policy mix and made reform less urgent. On the other hand, much of the aid was explicitly tied to economic reform in the form of conditionality. The external agencies argued that aid provided the government with the margin of security it needed to proceed with difficult reforms in an uncertain environment. In political terms, assistance eased the pain of redistributive reforms by allowing the government to provide key constituencies with
compensatory payments during the adjustment process. Aid thus helped induce the government to undertake economic reform.

The external agencies had a highly ambiguous impact on the adjustment process, comforting to both the opponents and supporters of reform. Aid was unambiguously a resource for the state, however, and it had long been perceived as a useful instrument with which to lessen the economic and fiscal constraints facing the state. In the 1980s, Senegal clearly sought external support to deal with the economic crisis. Indeed, support from external agencies weighed heavily in Diouf's decision to commit his government to reform. It was certainly a factor in his appointment of Touré to head the adjustment effort in 1985. On the whole, this strategy met with remarkable success.

What were the implications of international support, both for economic adjustment and for the politics of adjustment? Berg (1990), for example, argues that aid undermined the incentives state elites had to pursue adjustment, because external agencies proved unwilling to impose sanctions for noncompliance. In this argument, the macroeconomic situation was more or less sustainable thanks to aid. In effect, a leader like Diouf asked why the country should opt for reform, when there are no costs to maintaining the status quo.

Berg argues that adjustment was delayed in Senegal because it did not garner "local ownership" and remained after ten years essentially a venture of the external agencies. The result was limited and uneven progress in implementing reform policies: where an external agency took the lead and provided financing, there was progress; where the government was meant to take the initiative, there was none. Traditional conditionality of external agencies was fatally flawed, according to this analysis, because it assumed that conditionality was effective and that financial assistance was provided only to governments reasonably committed to the process of reform. In fact, neither assumption was warranted. As Collier (1991, p. 163) wittily puts it, "Highly detailed conditionality is either a political fantasy (a game played by African governments without the intention of adherence) or a bureaucratic fantasy (fussy interventions from an extremely remote center of decision, reminiscent of the way Philip II ran the Spanish Empire)."

The impact that external agencies had on adjustment in Senegal in the 1980s was nonetheless complex. Their financial and technical resources clearly provided them with some leverage in policymaking. External agencies and their allies within the state apparatus functioned as a powerful lobby that influenced the decisions of top policymakers, if not routinely at least occasionally. It is easy to point to reform measures within the NPA and NPI that would never have been implemented without external agency pressures on the state. An analysis of the World Bank's conditions for structural adjustment loans shows a pretty good rate of implementation, particularly between 1985 and 1989, once delays due
to administrative difficulties are taken into account. Indeed, external agency conditionality was simultaneously too rigid and too lax. Each structural adjustment loan included dozens of conditions, many of which were unrealistic. 26 External agencies effectively set the policy agenda in Senegal during the 1980s. The economic values associated with reform, such as the virtues of the market and the need for less state intervention, were internalized by many government officials and, by the early 1990s, framed most policy debates.

Still, external agencies did not sanction the Senegalese government for noncompliance. Other than expressing their unhappiness and making occasional threats to withdraw from the country, they continued to increase their commitments in Senegal throughout the 1980s. In addition, they consistently accepted excessively optimistic forecasts of Senegal's performance (World Bank 1989b), allowing the government to avoid choices even more difficult than the ones they were making within the adjustment program. The government was allowed to delay necessary reforms and, in effect, to accumulate extra debt.

Ultimately, aid represented a net resource for the government, but an often troublesome one that could never be fully taken for granted. Even if the government could escape from agreed-upon conditionality through delays, obfuscation, and the invocation of special circumstances, it could not afford to disregard completely the promises it had made and was forced to make some concessions to placate, if not satisfy, the external agencies. Given the government’s reliance on external finance, even a temporary interruption of aid would pose real risks for the government. This was particularly true of the IMF and World Bank because—under Paris Club arrangements—other external agencies waited for their approval before providing new credits or rescheduling old ones. A conflict with one of the twin sisters could result in a dramatic decline in the total level of aid.

The various economic constraints reviewed here and the likelihood of continued support from external agencies convinced much of the political class that the benefits to be gained from implementing the reform program fully were much smaller than the dangers posed for social stability—namely the political risks of undertaking major layoffs in general and in public enterprises. Why risk destabilizing the precarious political balance when doing so was unlikely to result in significant growth? This was the cost-benefit calculation that weakened the political class's commitment to the reform process and conditioned the response of Diouf's government to the domestic political pressures that increased in 1988 and 1989.

**Lobbies for and against Adjustment**

Diouf's government faced difficult economic constraints as it implemented the PAML. Whatever the flaws in the economic design of the
program, these constraints clearly undermined the political sustainability of adjustment. Even the generous support of the external aid and lending agencies—and aid conditionality was far from toothless—could not obviate the need for severe deflation and fiscal retrenchment if the program was to succeed. The failure of past attempts to jump start the economy and pervasive pessimism about the country’s development potential undermined the political class’s commitment to adjustment, moreover, and created an expectation of failure in many quarters.

These were daunting problems for the government, but, at the same time, Diouf and his allies began adjustment with significant assets: his technocratic team was competent and dedicated and enjoyed the confidence of the external aid and lending agencies. In addition, the mid-1980s witnessed as favorable an environment for growth as had existed in decades, with a strong upturn in the world economy and the return of decent rains. Finally, Diouf enjoyed considerable popularity and a capital of goodwill on the part of both the general public and several traditionally volatile groups such as students and unions. After the elections of 1983, he possessed a strong electoral mandate to push ahead with economic reform.

The program’s political sustainability depended on two interrelated factors. First, of course, it depended on rapid economic results, without which the reforms would appear ineffective and the regime would lose the expectations game. Second, sustainability depended on the regime’s ability to overcome the opposition of interest groups that stood to lose the most from the reforms. The state needed to mobilize groups favorable or at least not hostile to reform, and it needed to undermine, co-opt, or marginalize groups hostile to it. On paper, these groups were easily identifiable. Two social actors stood to gain most from successful adjustment: the peasantry and the private business class. Labor and the civil service were the likely losers, as were the rural elites and religious leaders who benefited the most from the old agricultural policies. Within the state elite itself, the technocratic element was likely to gain and the old-line political appointees to lose.

Coalition-building was particularly important for Diouf for two reasons. First, in his first years in office, he had distanced himself from the Socialist Party and antagonized many of Senghor’s barons in order to consolidate his power and promote his reform agenda. Second, the regime’s democratization after 1976 resulted in an explosion of associational life: farmer organizations, trade unions, and business associations increasingly voiced demands for their constituencies and were poised to play an important role in mobilizing support for or opposition to Diouf’s policies.

An investigation of the political role of these different groups and of their relationship to the state is necessary to understand why the adjustment program did not fully succeed. What social groups supported the
program? How did the state try to mobilize support on behalf of adjustment? How did it try to overcome opposition? After examining adjustment politics in the countryside in the context of the NPA, this section explores the role of organized labor in the context of the NPI and discusses the relationship between the state and private business.

THE PEASANTRY. The first structural reforms announced and implemented by the government in 1984 focused on the agricultural sector. Agricultural reform was urgently needed, it had been on the policy agenda longer than any other sector, external agency conditionality emphasized it (Lewis 1987, pp. 308-12), and last but not least, the government understood that political opposition to reform would be less difficult to overcome in agriculture than in industry. Contrary to other sectoral policies, the new agricultural reforms were designed to increase the welfare of domestic producers in the short run, despite the progressive elimination of input subsidies. In addition to increases in producer prices, the NPA aimed to empower smallholders to take over tasks formerly undertaken by state institutions, a policy that came to be known as responsabilisation. The NPA privatized or liquidated rural development agencies and allowed farmers to make more market-based decisions and to increase their power and initiative in relation to state developmental administrations. On both counts, therefore, one would expect farmers to have supported the NPA and to have mobilized on behalf of reform. It is thus important to explain why farmers never did so.

As a result of the NPA and of the actions of various nongovernmental organizations working in the countryside, new institutional structures emerged to take over functions previously performed by the parastatals. The new structures included 4,500 government-organized sections villageoises, or village-sections, created by the Ministry of Rural Development in the mid-1980s to replace the largely discredited cooperatives. Their size and importance varied, but they all played an increasing role in the production, transport, and marketing of agricultural products. Their members gained access to inputs and credit from the National Bank of Credit, whose creation in 1986 was part of the structural reform program. The village-sections faced the same problems as the village cooperatives before them, however, and came to be seen by their members as an artificial instrument of the state, rather than as a tool of empowerment.

The government also legislated changes to democratize local government structures. The power of the president of the rural council was somewhat reduced shortly before the November 1990 elections of local councils, and legislation made the seats formerly attributed to the cooperatives subject to universal suffrage. Despite these significant changes, the most dynamic elements of the Senegalese population—youth and women's associations—were not adequately represented in the rural
councils, which came to be controlled by the local representatives of the Socialist Party.

Farmer groups created by private initiative during this same period generated more enthusiasm. The most dynamic sectors of the rural populations were organized in producer groups, groupements de producteurs, such as the strong ones that are managing lands and water resources freed by former rural agencies in Casamance and in the river valley. Particularly striking was the growth of economic interest groups, or groupements d'intérêt économique, new legal entities promoted as part of the NPA policy on responsibility. By 1990, nearly 5,000 economic interest groups were registered, and some village-sections were asking for a change in status. The major advantage offered by these groups was access to credit. Major banks lacked branches in rural areas and only gave loans to big agribusiness and companies that produced inputs. In recent years, however, a few economic interest groups or unions of them, such as the Groupement Économique du Nord, were able to get loans from commercial banks and even direct assistance from external aid and lending agencies.

These groups were strengthened by the assistance of nongovernmental organizations that provided them with organizational skills and material support. The council of nongovernmental organizations as well as the Federation of Nongovernmental Organizations—an umbrella of about 100 private voluntary organizations—were in the process of increasing their role and influence in rural areas, especially in the river valley and the groundnut basin. They saw economic interest groups as useful vehicles for realizing their own objectives. These new rural structures were also reinforced by the participation of farmers who were former bureaucrats, agents of rural development agencies, or returned immigrants from Europe. These new farmers were well informed about organizational techniques and exhibited more entrepreneurial initiative than traditional farmers. Thus, during the 1988 season, despite financial and transport difficulties, farmers—both as individuals and in groups—sold about 45 percent of the fertilizer distributed and collected about half of the agricultural production (Cissoko 1989, p. 62; Sud-Hebdo, no. 61, December 7, 1989).

Yet the growing institutional capacity of farmer organizations did not substantially increase their influence on agricultural policies for several reasons. First and most obvious, farmers are difficult to organize: they are dispersed geographically, the majority are illiterate, their work is seasonal, and they are extremely poor. Decades of low agricultural prices, inadequate rural investment, and a series of droughts weakened their capacity to self-finance agricultural production and left them highly vulnerable. In the absence of efficient input and output markets, farmers depended on traditional clientelism and state organizations regardless of their exploitative nature. The new institutions spread unevenly, and many villages were not affected by them at all.
Second, farmers were not a homogeneous group, and rural society had become increasingly stratified. It included a large number of small producers but also a class of rural elites and marabouts. The state traditionally pursued the classic policy of co-opting rural elites with discretionary benefits and privileges (Bates 1981). The marabouts, in particular, were the principal beneficiary of the agricultural parastatal system. The NPA assailed this system of selective benefits and reduced the welfare of the marabouts much more than that of small producers. The influence of marabouts on agricultural policy should not be exaggerated, however. The wide variety of economic and class interests represented in brotherhoods often prevents them from presenting a united front to the government when pressing claims. In addition, experience has shown that the Senegalese government can compensate the marabouts’ losses by giving away government-protected land or by helping them expand their interests in the real estate, trade, or industrial sectors. Nonetheless, the NPA never altered the traditional power relations in the countryside, despite the creation of new institutions for empowering smallholders.

The political weakness of small farmers was reflected and reinforced by their poor representation in the political leadership even after the formal political process was broadened in 1981. The ruling party never sent farmers to the National Assembly or its executive committee. Farmers played no role in formulating the NPA and continued to be absent from policymaking in general. Although the new structures began empowering them, smallholders remained too fragmented and localized to have a voice on the national stage. A deep mistrust continued to pervade peasant attitudes to the state apparatus, given two decades of drought, the hegemonic aspirations and incompetence of the state, and constant shifts in policy. After years of malaise paysan, two years of reform were not enough to restore trust in the government. The reduction or termination of various subsidies, as well as the increase in producer prices and the reduction of state intervention, only deepened the suspicion that the NPA was some new trick on the part of the state.

The opposition parties included farmers’ demands for higher subsidies and producer prices in their electoral platforms during 1988. One opposition party—the Senegalese Democratic Party—went further and promised free distribution of inputs for two years during the 1988 elections. This gained it some support, but most opposition parties lacked the means to campaign effectively in rural areas, where the supremacy of the Socialist Party was ensured by the complicity of state and parastatal structures. In addition, the leadership of the opposition parties remained essentially urban. Such electoral promises did exert pressure on the state, however; there are indications, for example, that the government waited until after the elections in 1988 to announce the decrease in groundnut prices (although it did not consult farmer groups before doing so).

Of course, many, if not most, officials representing the Socialist Party in the countryside were not highly supportive of the NPA to begin with,
since it threatened their power and discretionary sources of income. To promote reform, Diouf had marginalized the Socialist Party and lessened its importance in the higher echelons of the state apparatus. However, he needed the party, which still dominated state structures at the local level, to mobilize farmers on behalf of agricultural reform. Reform-minded technocrats designing policies in Dakar lacked the rural contacts and knowledge needed to mobilize support for their policies, even if they had been inclined to do so. Their attitudes to the countryside remained paternalistic, if not condescending, and they never thought to seek allies in the rural areas.

**organized labor.** Farmers' attitudes to economic reforms, however negative, posed fewer risks for the government than the reactions of urban groups such as labor unions and students. In Senegal, 39 percent of the population is urban, and there are at least 1,800 persons per square kilometer in the Cap Vert peninsula, where most of the modern labor force and civil servants live. Given their concentration in Dakar, these urban groups influenced policy to a degree not justified by their numbers alone. The government did not fear individual union strikes or student demonstrations. Although troublesome, these kinds of actions had become too commonplace to upset political stability and threaten the regime. The government feared, instead, the kind of general strike that had closed down the country in 1968.

Given their material interests in maintaining subsidies, state regulation, and industrial protection, unions were likely to oppose structural adjustment. Students were likely to oppose the PAML, since reforms would cut funding in the university budget for housing, meals, and stipends, as well as for library books and other recurrent expenditures. Adjustment also reduced graduate students' expectations of employment, particularly in the civil service, a major issue given the rising unemployment rates.

From 1981 to 1987, President Diouf enjoyed something of a honeymoon with these usually volatile urban groups. His early strategy was to make concessions, on the one hand, and to weaken them through various manipulations, on the other. First, his promises of political liberalization were welcomed and seemed to indicate the beginning of a new dialogue with the groups Senghor had spurned and at times repressed. Several opposition figures actually joined the government.

Trade union pluralism, which was reintroduced after 1976, also increased factionalism and encouraged reorganization, weakening the unions. These struggles were diligently manipulated by Jean Collin, secretary general of the presidency and Diouf's point man on union issues (Bergen 1992). In some cases, such as that of the French-owned Senegalese Sugar Company (Compagnie Sucrière du Sénégal), the largest employer in Senegal with 6,600 workers, unified union action was pre-
vented by the membership's split along religious lines. In addition, Diouf indicated his willingness to engage in a dialogue with the unions, and the union leadership was willing to adopt a wait-and-see attitude toward the new government and the talk of a reform program.

The government chose to avoid a frontal attack on these groups in the early years of the PAML. Although the public sector was hurt by the general deflationary trend, issues such as reforms of the civil service, education, and the labor code were not addressed in a sustained manner until 1987. The government seemed to have adopted a strategy of delaying the most difficult reforms while front-loading the easy ones.

The resulting grace period was most obvious in the education sector, where Diouf met most of the demands of teacher, parent, and student groups (Diop and Diouf 1990, pp. 188–92). Thus, after he came to power, the atmosphere at the university and other schools was relatively calmer than that of the late 1970s. Elsewhere, periodic strikes were called by individual unions—notably by the unions affiliated with the National Confederation of Senegalese Workers in the areas of textiles, fishing, and transport—but all in all, labor peace prevailed. This period saw the rise of the autonomous unions, an evolution that would have important subsequent repercussions. These unions were independent of the CNTS and had broken from the government union either because of personality clashes and factional disputes or because of the view that the CNTS was not militant enough on behalf of the rank and file. The militancy of the autonomous unions and the concessions these unions were able to obtain from the government convinced many workers to move away from the CNTS. By 1991, employment losses in the private and public sectors, as well as defections to rival unions, reduced the CNTS from between 65,000 and 70,000 members to no more than 40,000, and perhaps even fewer according to various sources (Bergen 1992; see also Le Soleil, August 12 and October 17, 1991). In the electricity sector, for example, the CNTS-affiliated union captured only 20 percent of the delegates in the 1990 elections, largely because of the inroads made by the Single Union of Electrical Workers (Syndicat Unique des Travailleurs de l'Electricité, or SUTELEC). This union, founded in 1981, rapidly displaced the CNTS's progovernment union in that sector. It claimed 1,600 members out of the 2,000 workers in the energy parastatal SENELEC, and its strikes disrupted the distribution of energy sporadically during and after 1988. Similarly, the Democratic Union of Senegalese Workers (Union Démocratique de Travailleurs Sénégalais), which had broken with the CNTS in 1987, managed to weaken the hold of the CNTS on workers in the manufacturing sector. These defections fueled the militancy of the CNTS, which distanced itself somewhat from the government.

By 1987, the increasing austerity and stringency of the stabilization measures being carried out spelled the end of the honeymoon in the education sector. Students boycotted classes in 1987, complaining that
their grants had not been paid for an exceptionally long period of time and that the working and living conditions at the university were deteriorating (West Africa, March 2, 1987, pp. 111–12). During the entire 1987/88 school year, schools were closed. At the university, the academic year was nullified, and at secondary schools, only 15 percent of the students, mostly from private schools, took the high school examination in mid-July. In the end, public concern brought Diouf to meet and negotiate an end to the student strike with the Student Committee of Senegal. The government agreed to provide more classrooms, more scholarships, and subsidies for transport. Jean Collin was appointed chair of a committee to oversee the return to class for the 1988/89 school year (Africa Confidential, October 21, 1988). Students soon struck again, however, claiming that the government had not honored the agreement (Le Soleil, March 8, 1989). Throughout 1990 and 1991, sporadic strikes paralyzed the school system.

Union militancy also picked up in 1987 in reaction to the budget cuts in the agricultural parastatals and the social ministries of health and education. The Single Union of Health Care Workers (Syndicat Unique des Travailleurs de la Santé) was among the first to react to the increasing unemployment. It had already gone on strike in 1984 and 1985 to call attention to the declining percentage of the national budget devoted to health spending. In September 1988, hospital staff went on strike for two days a week and threatened to strike every other week if their demands for more funds for the health sector were not met. In a compromise, Diouf agreed to negotiate with the union and promised to improve working conditions and increase funding (Africa Confidential, October 21, 1988).

SUTELEC, in particular, was very active in organizing an umbrella organization for autonomous unions. Composed of six autonomous unions, the National League of Autonomous Unions (L'Union Nationale des Syndicats Autonomes) was constituted in May 1990 to counterbalance the pro-government CNS (Le Soleil, August 12 and October 17, 1991). Growth of the autonomous union movement had repercussions for the relationship between the government and the CNS, which had hardened its stand on adjustment to maintain credibility with its members. As early as 1986/87, the CNS had refused to sanction the economic program. Madia Diop, the CNS strong man, even denounced the layoffs foreseen under the adjustment program, although he did not call for a general strike against government policies (see Diop and Diouf 1990, pp. 182–83).

It was over the issue of changes in the labor code that the CNS chose to highlight its differences with government policies. The World Bank and the employers saw the old labor code as a major constraint in two respects: enterprises had to go through the government recruitment services to hire workers, and firing an employee was extremely difficult.
The World Bank and the employers wanted to eliminate such rigidities, making it possible for companies and labor to adjust quickly to market conditions. Changes in the labor code were supposed to be introduced before August 31, 1987, as a condition for the release of the second tranche of SAL II. In a speech to the Economic and Social Council at the end of March 1987, President Diouf rejected external aid and lending agency demands for a fundamental overhaul of the labor code but accepted flexibility in the hiring of temporary employees. A few weeks later, the CNTS denounced the president’s policy, arguing that it reduced worker protection. CNTS members demonstrated outside the National Assembly the day the new amendments were to be debated. The National Assembly rejected the new laws on flexibility, even for temporary workers, at the risk of losing the World Bank structural adjustment loan. It did, however, abolish the government employment services’ monopoly on recruitment, opening the way for private employment agencies. Soon after that “victory,” the CNTS publicly endorsed the candidacy of the ruling party and the president for the elections to be held six months later. Nonetheless, in October 1989, months after the elections and after heated debate, the National Assembly approved a new investment code that, in effect, overrode the legislation restricting the right of employers to take on workers in short-term contracts or to lay them off for commercial reasons. At the time of this writing, the government was still fighting to introduce those provisions in the labor code.

In the months following the 1988 elections and Dakar riots, the CNTS’s stand against reform became more pointed, and it began seeking a rapprochement with the autonomous unions. The possibility of a broad union front allied to the opposition confirmed the worst fears of the government. During the March 1989 Congress, Abdou Diouf reminded union leaders that the CNTS was affiliated by law with the Socialist Party and that its increasing opposition to the policies of the government was out of line. This warning was disregarded by the leadership, which soon formed an alliance with the Marxist Party of Independence and Labor (Parti de l'Indépendence et du Travail), whose militant opposition to the structural adjustment program was well known and whose influence in the union movement was growing. The traditional May Day rally was canceled in 1988 because a state of emergency was imposed in the aftermath of the elections, and the May Day rally the following year promised to be a big show of labor strength. In obvious defiance of the government and much to the annoyance of the Socialist Party, leaders of the CNTS marched with those of the Party of Independence and Labor at the head of the rally that day.

These union activities led the government to delay or reject elements of the reform program in violation of external agency conditionality. The agencies protested but broadly accepted the government’s pleas that the threat of a general strike justified a slowdown in implementing the ad-
justment program. The CNTS's show of strength gained some concessions; the union took credit for the government's decision to lower the price of foodstuffs, including rice, sugar, and oil in 1988. It now claimed the April 1990 wage hike—CFAF6,000 across the board—in blatant disregard of external agency conditionalities. In the spring of 1989, the government had introduced a 5 percent across-the-board tax in order to face its budgetary problems. Joint union protests led the president to overrule his finance minister and rescind his own decree in November 1990, on the eve of municipal elections. Two months later, the government introduced a more progressive income tax. The minister of finance was subsequently replaced.

The teacher unions also increased their militancy in reaction to growing austerity. As their jobs and benefits were threatened and working conditions worsened, the Autonomous Union of High School Teachers (the Syndicat Autonome des Enseignants du Supérieur), the Democratic Teachers Union (the Union Démocratique des Enseignants), and the Single Union of Senegalese Teachers (Syndicat Unique des Enseignants du Sénégal) reacted to the threats to their jobs, benefits, and the worsening working conditions by resorting to demonstrations and strikes. The most important developments took place in 1989, when, after negotiations between authorities and teachers' organizations failed, the unions organized a series of strikes that paralyzed the school system for seventy days. Finally, the government conceded to prevent the loss of a second successive academic year (the first was lost due to a student strike; Diop and Diouf 1990, pp. 242–44). Thus, despite the World Bank's pressure to control salary levels, the government agreed to a 40 percent rise in teacher salaries, special research grants, and a doubling of housing allowances.

In sum, the pressure exerted by both autonomous as well as government unions was successful in slowing down the implementation of the economic structural adjustment reforms. One should not exaggerate union power, however, and it is important to realize the limits of its role in derailing adjustment policies. Union pressures did not prevent the union rank and file from being the big economic losers of the 1980s. Indeed, wage earners may have lost as much as 40 percent of their purchasing power during the adjustment period, while unions saw many of their members lose jobs and face increasing insecurity (Bergen 1992). In early 1991, 24 percent of the economically active population in Dakar was unemployed, and, with 100,000 new entrants to the job market every year, the downward pressure on wages seemed irresistible.

Despite its growing independence from the government, the CNTS leadership remained essentially loyal to the Socialist Party and to government policies throughout this period. Given the worsening economic conditions, union opposition could have been considerably more destabilizing than it was. While trying to keep up with the growing militancy of the
rank and file, Diop and the CNTS leadership consistently sided with the government on the most important issues and remained faithful to the ideals of participation responsible. In other words, the CNTS strategy remained one of trying to channel and diffuse worker discontent in order to maintain political stability.

The appearance that the CNTS had become significantly more independent from the government was ultimately useful to Diouf, not only because it helped maintain the union's credibility, but also because it provided an effective excuse for the government's failure to comply with external agency conditionalities. The external aid and lending agencies proved to be highly sensitive to the issue of union activity and tolerated more slippage in this area than in any other. On the one hand, this allowed Diouf to slow the speed of implementation and maintain the appearance of standing up to the international organizations. This was politically valuable, particularly in the months preceding the 1988 elections. On the other hand, union activities allowed Diouf to convince the external agencies that political instability and Diouf's electoral defeat were real risks if reform proceeded too fast.

**Business Groups.** Unlike students and unions, the business sector was not opposed to reform per se. The liberalization of trade foreseen by the NPI probably threatened the survival of three-quarters of the enterprises established in Senegal. Much of the business sector was composed of classic rent-seeking entrepreneurs who depended on both contacts within the state and government intervention in the economy to make profits. In so doing, they responded to the environment created by state actions. By the mid-1980s, however, fraud, economic austerity, and the breakdown of the banking sector had undermined the old system to the point that businessmen were open to reform. The private sector welcomed the prospect of labor market liberalization, arguing that the current labor code increased their costs and reduced their ability to respond to market forces. It supported all accompanying measures. Businessmen were also likely to benefit from the privatizations, which promised to strengthen the private sector as a whole.

Business influence on policy had traditionally relied on the alliances, family ties, and intermarriages among businessmen, important civil servants, religious leaders, and politicians. Many businessmen were politically active, and their significant contributions to the Socialist Party played a major role in President Diouf's election in 1983 and 1988. The early years of the NPI witnessed the emergence of several business groups, which came to represent different interests in a less personalistic manner. The foremost group was the National Council of Senegalese Managers (Conseil National du Patronat Sénégalais, or CNPS), which was formed in 1986 after the government launched the new industrial policy without consulting the business sector. The CNPS was dominated by the French
employers' union SPIDS, which represents most of secondary industry. CNPS's concerns were raised in letters sent to the authorities and in regular meetings with senior political leaders including the head of state, who met with the CNPS twice a year, and key administrative personnel.

In addition, smaller businesses were represented by the National Union of Merchants and Manufacturers of Senegal (Union Nationale des Commerçants et Industriels du Sénégal, or UNICOIS), an association whose size and influence increased during the NPI, thanks to the liberalization program. Dominated by the Mourides, UNICOIS lobbied on behalf of the brotherhood's increasing investments in trade and small industry.

As mentioned, NPI measures passed in 1986 and 1987 eliminated quantitative restrictions on imports, lowered tariffs, and deregulated import licensing. The number of import licenses dramatically increased as a result, many of them going to Mouride businessmen. These reforms had highly negative effects on the big French companies and the Lebanese commercial houses, which were furious about losing their cozy monopolies. Manufacturers, notably in textiles, simply could not compete with imports. They complained bitterly about the imbalance between the constraining measures implemented under the NPI, the speed of the tariff reduction, and the slow progress made in changing the business environment, which was characterized by a rigid labor market, high interest rates, and multiple administrative bottlenecks. The CNPS, in particular, demanded the reintroduction of protection and a reduction in smuggling.

In contrast, liberalization dramatically helped the more efficient and less regulated small indigenous companies (see Ebin 1992 for a fascinating analysis of one of the bigger firms operating in Sandaga during this period). Reform resulted in Senegalese traders developing their activities in the electronic, equipment, clothing, and footwear sectors. The Sandaga market in Dakar was transformed into a quasi-free trade area as a result of these reforms and the increasing amount of fraud that occurred during this period. The Sandaga traders, frustrated by the slow speed of reform, pushed UNICOIS to lobby on behalf of liberalization.

After a period of speedy implementation of the NPI, the government abruptly reintroduced protective tariffs in August 1989. The decision to rescind much of the NPI sparked anger from the traders, who went on strike in September 1989 and continued to protest the government's decisions. These pressures led the government into a balancing act between the interests represented by the CNPS and those represented by UNICOIS. The return of protection signaled a victory of the old alliance of rent-seeking businesses and conservatives within the Socialist Party who had opposed reform all along. Not willing to displease the Mourides, nonetheless, the government allowed the Sandaga Market to continue flourishing by failing to clamp down on import fraud. The business
sector seeking liberalization was ultimately unsuccessful, however, because the government was preoccupied with the country's deteriorating public finances and with the threat of factory closings and political instability.

By 1991, large sections of domestic manufacturing were bankrupt, and the credibility of the reformers and of their program of free trade had been seriously undermined. Elements in both CNPS and UNICOIS favored industrial reform, albeit for very different reasons, and, under the right circumstances, could have been mobilized to support reform efforts. The government failed to reach out and seek allies among these groups, however, in part because the old clientelist networks linking individual businessmen to the state and party undermined reform. License exemptions, fraud, and tax evasion continued as before. In part, reform failed because fiscal exigencies undermined the government's commitment to liberalization. But in addition, the government failed to seek alliances with business on behalf of the NPI because many of the reformist technocrats within the government considered private business as corrupt and parasitic. Indeed, once again, business leaders were never consulted, let alone involved in a systematic fashion, regarding the NPI reform. Ironically, the antireform element within the state was much more familiar with the private sector, through rent-seeking and clientelist networks, than the free market reformers. Like the cartoon character who loves mankind but hates people, they promoted trade liberalization without wanting domestic firms to succeed.

The Politics of Nonreform, 1987–91

As reform failed to deliver economic results and abate the conditions of austerity, the government was increasingly put on the defensive. After almost a decade of official commitment to economic stabilization and restructuring, most Dakarois felt that the country had gained little except declining purchasing power, deteriorating social services, and rising unemployment (Sommerville 1991). Most blamed the PAML for these ills rather than the policies of the previous quarter century. Constituencies likely to oppose reform were increasingly well organized and, like the union movement, able to mobilize against government policies. This opposition did not actually threaten the regime's stability, but it was bothersome and eroded its popularity. Diouf had undermined the power and legitimacy of the Socialist Party and, in the process, antagonized its stalwart members. This initially strengthened the reformers but in time meant that the one political organization capable of carrying Diouf's message to the country was largely opposed to reform. Open support for the program was increasingly limited to the small cadre of technocrats charged with implementing it. Diouf and his allies had simply never been able to create a coalition for reform among the groups who stood to gain
from it. The last section of this chapter focuses on these economic constraints and coalitional dynamics because they provide the context for understanding key events after 1987 that signaled the end of reform.

In mid-April 1987, the government faced an unexpected challenge from its own police force. Police resentment surfaced when disciplinary and then legal action was taken against seven officers who had tortured a suspect in custody. The police force went on strike, demanding the return of their colleagues. The government responded forcefully by suspending the entire police force, more than 6,000 agents, just months before presidential and parliamentary elections (Diop and Diouf 1990, pp. 285–93). Some of the police were reintegrated after pledging loyalty to the government (Le Soleil, April 16, 29, and 30, 1987). The police strike, motivated in part by deteriorating purchasing power and generally poor working conditions, underscored the dangers posed by the economic crisis to state institutions themselves.

The legal opposition capitalized on growing popular opposition to economic austerity in the months preceding the 1988 campaign. In a skillful campaign, Abdoulaye Wade and his Senegalese Democratic Party exploited popular discontent by promising that if elected, he would cut the retail price of rice from CFAF160 a kilo to CFAF60 and provide free fertilizers to farmers for two years. His party was no match for the Socialist Party, despite the growing discontent. The Mouride hierarchy had declared its support for Diouf and virtually ensured him strong majorities in the countryside (see anonymous 1988a). In any event, Wade’s party could not match the Socialist Party’s control of the media, its much stronger organization outside of Dakar, and its ability to tap public funds for electoral purposes. Nonetheless, its constant slogan, “SOPHI” (meaning “Change!” in Wolof), captured the public’s imagination. Large crowds attended opposition rallies, demonstrating their dissatisfaction with government policies.

The opposition challenged the legality of electoral procedures and accused the government of planning to steal the election. Tension mounted throughout the campaign, with increasingly strident protests by university students and trade unions (Diop and Diouf 1990, pp. 295–301, 311–13). The CNTS became more aggressive as it rightly believed the government would be more likely to make concessions now than after it had renewed its mandate. It pressed the government to reduce the price of basic foodstuffs and of energy and electricity, as well as to increase salaries and create new jobs to compensate for those lost under the economic restructuring program (Africa Contemporary Record, vol. 20B 130, 1987/88).

The election proceeded amidst considerable tension. In the official results proclaimed by the Supreme Court several days later, Diouf received 72 percent of the vote and the Socialist Party was attributed 103 of 120 seats, since it had gained a little more than 71 percent of the vote (see
The Senegalese Democratic Party officially received 25 percent of the vote and 17 seats. Wade himself won 26 percent. A little less than half of the eligible population voted. Most outside observers accepted these results as a reasonable reflection of the actual popular vote, albeit in the context of voter intimidation, some fraud on behalf of the Socialist Party, and the usual practice of marabout-directed voting in the countryside. (See, for example, Young and Kante 1991; O'Brien 1992 argues, however, that Wade actually did win the election, but this is a minority view. Copans 1988 describes well how, in much of the peanut basin, the local marabout votes on behalf of his followers, thus controlling a large number of votes, usually for the Socialist Party.) The opposition contested the results, and Wade claimed to have won the presidency. This was widely believed by urban youth in Dakar, who went on a rampage to protest. The day following the elections, official cars were burnt, government buildings and gas stations were sacked, and the private properties of well-known individuals connected to the regime were looted. The government declared a state of emergency, called in the army to maintain order, imposed a curfew, and arrested the main opposition leaders, accusing them of instigating the riot. Wade himself was arrested and tried for his role in these events; on May 11, he received a suspended sentence of one year but was amnestied almost immediately by Diouf and allowed to take his seat in Parliament.

The state of emergency enabled the government to restore order, but tensions remained high in Dakar for the following months. During April and May 1988, groups of women organized demonstrations in which they protested against the austerity measures by banging empty pots and shaking rice bags. The authorities were surprised and shaken by the depth of popular discontent and dissatisfaction with the economic restructuring program. Indeed, it was not the first time that opposition parties had whipped up popular dissatisfaction and alleged fraud after an election (Hesseling 1985). But the enthusiasm demonstrated by disaffected urban youth for the opposition and the violence occurring after the elections were a new source of preoccupation for the authorities.

This propensity to violence was confirmed by two more episodes. First, late 1988 witnessed growing dissatisfaction among farmers. Cotton farmers in the south were increasingly unhappy with marketing conditions. Unlike groundnut farmers, however, cotton farmers did not have the option of turning to the parallel market, so they protested instead. For the first time in the postcolonial history of Senegal, cotton producers defied the government openly by demanding a 150 percent increase in prices or a 60 percent reduction in input costs. From December 1988 to June 1989, the region of Velingara witnessed farmer protests and a boycott of the cotton parastatal SODEFITEX. Farmers organized themselves using methods so far only seen in urban unions. As a consequence, cotton sales fell from 42,000 to 28,000 tons.
Table 8-5. Official Results of the Presidential and Legislative Elections in Senegal, 1978–88

<table>
<thead>
<tr>
<th>Candidate and party</th>
<th>1978</th>
<th>1983</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of votes</td>
<td>Number of seats</td>
<td>Percent of votes</td>
</tr>
<tr>
<td>Presidency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leopold Senghor (Socialist Party)</td>
<td>82.5</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Abdou Diouf (Socialist Party)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>83.5</td>
</tr>
<tr>
<td>Abdoulaye Wade (Senegalese Democratic Party)</td>
<td>17.4</td>
<td>n.a.</td>
<td>14.8</td>
</tr>
<tr>
<td>Oumar Wone (Senegalese People’s Party)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.2</td>
</tr>
<tr>
<td>Mamadou Dia (Movement for People’s Democracy)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.4</td>
</tr>
<tr>
<td>Majmout Diop (African Independence Party)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.2</td>
</tr>
<tr>
<td>Babacar Niang (Party for the People’s Liberation)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Landing Savane (And-Jeff/Revolutionary Movement for New Democracy)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

More immediately threatening were the riots in April 1989, when increasing tensions with Mauritania over land right disputes along the Senegal River led to an outbreak of ethnic violence (Diop and Diouf 1990, pp. 387–404). Reports of widespread atrocities against the Senegalese in Mauritania that winter aroused anti-Mauritanian sentiment in Dakar, where Mauritians have traditionally controlled a share of the petty trading sector. In April, violence erupted when gangs of Senegalese youths looted shops and lynched Mauritians. Unemployed adults took advantage of the disturbance to plunder shops for their essential needs, and what began as violence targeted specifically at Mauritanian merchants turned into random violence (Wal Fadjiri, no. 158, April 28, 1989, p. 160). In the end, tens of thousands of people had to be protected and evacuated by the army in both countries.
One of the immediate consequences of the departure of the Mauritanian petty traders was that their market share was recaptured by the Senegalese, providing the government with some relief from pressing unemployment. In fact, authorities seized the occasion to encourage unemployed and redundant civil servants to invest in the commercial sector. The violence of this second riot also reminded the government of how precarious social peace had become.

These episodes concerned the government more than growing union militancy or the opposition’s speeches. Diouf’s comfortable margin of victory in the 1988 elections indicated that he need not worry about being voted out of office. Traditional tactics could be used to divide, co-

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<table>
<thead>
<tr>
<th>Candidate and party</th>
<th>1978</th>
<th>1983</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent of votes</td>
<td>Number of seats</td>
<td>Percent of votes</td>
</tr>
<tr>
<td>Legislature</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socialist Party</td>
<td>81.7</td>
<td>82</td>
<td>79.9</td>
</tr>
<tr>
<td>Senegalese Democratic Party</td>
<td>17.8</td>
<td>18</td>
<td>14.0</td>
</tr>
<tr>
<td>African Independence Party</td>
<td>0.4</td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>National Democratic Rally</td>
<td>n.a.</td>
<td>n.a.</td>
<td>2.7</td>
</tr>
<tr>
<td>Movement for People’s Democracy</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.2</td>
</tr>
<tr>
<td>Democratic League/Movement for the Workers Party</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.2</td>
</tr>
<tr>
<td>Party of Independence and Labor</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.6</td>
</tr>
<tr>
<td>Senegalese People’s Party</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.2</td>
</tr>
<tr>
<td>Party for Senegalese Democracy-Renewal</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Party for the People’s Liberation</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

n.a. Not applicable.

Source: Hesseling 1985 and accounts in Le Soleil, Sub-Hebdo, and Wal Fadjiri.
opt, and undermine the opposition and the unions. The violence in 1988 and 1989 came, however, from marginalized and disaffected groups outside the usual political spectrum, for whom traditional methods of social control had proved ineffective.

The government responded to these crises in several ways. First, it became more tolerant of the CNTS's independence, hoping a more credible union would be able to channel and contain discontent. This strategy forced the government to take a series of steps that undermined implementation of the program agreed to with the World Bank. For example, the government responded to the opposition's electoral promises by lowering the price of rice from CFAF160 to CFAF130, the price of groundnut oil from CFAF400 to CFAF350, and the price of sugar from CFAF355 to CFAF300 in view, said the president in his 1988 May Day speech, "of the difficulties faced by families to make ends meet." However, he added, "it is the maximum that can be done," and he pleaded that the Senegalese Democratic Party's campaign promises of further reductions were simply not realistic (Foreign Broadcast Information Service 1988).

The riots convinced the authorities that the problem of unemployment had to be addressed. The government considered creating a civilian form of national service to be administered by the Ministry of Armed Forces and increased support for sports programs, hoping to gain popularity with the young or at least keep them off the streets. More strategically, the president pledged that the social dimension of adjustment would receive greater priority in the future. Specifically, the government reversed its policy of cutting the civil service and began implementing a voluntary retirement scheme promising that "there will be no question of sacking people against their will." This again implied slippage in the implementation of the PAML, but Diouf convinced external aid and lending agencies in September 1989 to mobilize some $50 million to $60 million for a plan to create jobs (Economist Intelligence Unit 1989, p. 4).

The government dealt with farmer demands similarly in the south. In the short run, it refused to make concessions on its cotton pricing policies but accepted a moratorium on producer debt and promised free fertilizer and equipment to the most productive farmers (Sud-Hebdo, no. 59, June 29, 1989). More profoundly, these episodes eroded its commitment to the NPA reforms. By 1991, the government was openly criticizing the objectives of the World Bank's agricultural policy, particularly input subsidies. In his first speech to the National Assembly as prime minister, Habib Thiam complained about the decline in fertilizer consumption: "It is not possible to develop agriculture without subsidies," especially for a country facing ecological challenges such as drought and soil erosion. In a direct barb at the external agencies, he added, "It is such a serious problem, it should not be left to the experts" (Thiam 1991). This signaled a further relapse into the inefficient but stable system of low incentives coupled with selective, politically motivated benefits.
Diouf's second general strategy was a belated attempt to use the Socialist Party as his political instrument. Diouf had largely written off the party up to that point, preferring to consolidate his power by controlling the state apparatus. This policy had been justified in part by the Socialist Party's conservative and ossified nature, and the 1983 and 1988 elections had revealed the extent to which the barons had been discredited. The party had given Diouf little support for reform. The old professional politicians who could have increased the political viability of the economic program remained entrenched in their local fiefs and organized political obstruction of the program.

Diouf now realized, however, that the party remained the only organization at his disposal to ensure social control, the stability of his power, and—albeit now a less pressing concern—economic reform. He thus sought to revitalize it. This proved hard to accomplish. Even after the 1988 elections further discredited the barons, the new and younger militants promoted by Diouf did not capture the top positions in the party. Diouf now launched a frontal attack on the barons. In March 1989, he abolished the central committee and the politburo and appointed a new ten-member committee constituted by his own men (Le Soleil, February 16 and March 6, 1989). The new committee oversaw registration and recruitment, trying to help newcomers capture senior positions in local cells of the party. By July 1989, however, Diouf was forced to acknowledge his failure to rejuvenate the party. The barons were called in to form a new commission for settling internal disputes. Diouf implicitly accepted the need to seek accommodation with the old guard, even if it meant sacrificing policy objectives in the short term.

The third element of Diouf's strategy was to seek a rapprochement with the opposition. In the aftermath of the February elections, Diouf was forced to realize that the ruling party did not represent most of the existing social interests. The narrow social base of the members of Parliament meant that large portions of the politicized public remained outside the arena where they could be co-opted. Diouf understood that he could not afford to allow leaders like Wade to continue taking pot shots at him from the sidelines; the continuation of the austerity program required the passive acquiescence of the opposition, if not its active support. Thus, the government made overtures to opposition leaders, most of whom were soon amnestied from the sentences leveled at them after the 1988 elections. After a rocky start, a series of informal negotiations were undertaken between the Socialist Party and several of the leading opposition parties. In April 1991, Diouf constituted a coalition government in which the Senegalese Democratic Party and the Party of Independence and Labor joined the Socialist Party. Habib Thiam, an old friend of Diouf's whose lack of enthusiasm for economic liberalization was well known, became prime minister, a post he had occupied from 1981 to 1983. Abdoulaye Wade joined the government as its number two minis-
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ter but without any specific attribution. It was widely believed at the time that Diouf had made specific promises to convince Wade to join the government, although both men denied it. Some broad programmatic agreement is likely to have been reached because Wade and the other four opposition ministers did not deviate from official government positions once they joined the government.

What were the implications of cohabitation for adjustment? It seems clear that the granting of ministerial positions effectively tempered the opposition’s criticism of official economic policies. In exchange for this new consensual approach, the government precluded rapid movement on the most controversial aspects of the adjustment program. Some observers feared that the consensus between the Socialist Party and the Senegalese Democratic Party would only serve to discredit Wade as an opportunist and further alienate the disaffected youth from electoral politics. The stand of the Party of Independence and Work against adjustment is well documented; that of the Senegalese Democratic Party is less clear. On the one hand, the Senegalese Democratic Party drew most of its supporters from sectors of the economy where adjustment had had negative effects. On the other hand, it had always claimed that it understood the rationale of the structural adjustment program and was equipped to implement it better than others who were more compromised by the old institutional structures (Wade 1989).

The appointment of Habib Thiam was the logical consequence of Diouf’s strategy for dealing with the heightened political threats he faced after 1988. The elimination of the prime minister’s position in 1983 had signaled Diouf’s commitment to grapple directly with the country’s economic woes. After 1988, Diouf lessened his commitment to the reform process and began criticizing the external aid and lending agencies in his speeches. He distanced himself from the reform effort within the government and increasingly sided with the politicians and against the technocrats. This process was complete when he reestablished the Prime Ministry and named Thiam to head the coalition government. He could now step away from everyday policy issues and let the prime minister share the blame for unpopular decisions. In addition, the appointment of Thiam, an old Socialist Party warhorse with good party contacts, was widely perceived as an attempt to reassure the conservatives in the party that the pace of reform would be slow. Thiam’s first public statements indicated he was at least ambivalent about reform and would contest external agency conditionality much more strenuously than his predecessors.

Thus, by 1991, economic reform had lost most of its domestic political momentum. Continued financial support from abroad was much too important for the government to antagonize the external agencies openly, however. The reform program proceeded, and concessions continued to be made to assuage external agency demands. Nonetheless, reform pro-
ceed much more cautiously than before, and Diouf did not take any risks on behalf of the reform process.

Why, it may be asked, did the reformist team that Diouf had assembled back in 1983 not fight to maintain the program? Many technocrats had staked their careers on reform and had risen to important positions in the state bureaucracy; why were they not able to maintain some momentum for reform? First, the reformist technocrats who were brought in to lead the reform effort in the early 1980s were for the most part political innocents with little or no experience in party politics. They never sought to create a political base or to defend the program in political terms. Only the president and a handful of technocrats could claim to be politicians, and few had the savvy and foresight to gain political experience and power. Most failed miserably in local elections. The absence of this political base was, if anything, an advantage as long as they enjoyed the trust and support of the highest echelons of the state, since it insulated the team from the rough and tumble, pressures, and compromises of politics. Over time, however, it meant that their success and political survival depended on the continued support of Diouf himself.

The president made few sustained efforts to sell adjustment. In the mid-1980s, with the help of Jean Collin, Diouf nominated young militants who espoused his views in the Group of Study and Research (Group d’Étude et de Recherches, or GER). The GER had full membership in the central committee and was represented in the party politburo. The new members were instrumental in focusing the party’s debate on economic issues. Thus, in 1985 and 1986, architects of the structural adjustment program presented their views to all levels of the Socialist Party (to get the flavor of these exercises, see, for example, Kane 1986; Touré 1985). These discussions involved techniques and jargon well beyond the comprehension of the average party member and rarely addressed the everyday concerns of the rank and file. No effort was made to convey the ideas behind the adjustment program. Ironically, Diouf and Collin did not seem to realize that the democratization reforms promulgated by the government had changed the rules of the game and made the old elitist paternalism outmoded.

Second, the technocratic team was undermined by bureaucratic politics. In the early phases, Touré’s credibility as well as the technical competence and integrity of the architects of the program established their reputation. The CSPA, by improving administrative efficiency through its coordinating functions, gained some influence and power. In the process, however, it began to annoy the rest of the administration in the regular ministerial structures. The CSPA’s ability to avoid normal channels, refer issues to the cabinet and presidency, and use its privileged links with the external aid and lending agencies to push dossiers was increasingly resented. A war of attrition emerged between the adjustment structures and the old administrative elite, even within the Ministry of Planning,
where the CSPA was initially housed. Consequently, in April 1988, the CSPA was placed under Collin within the presidency, elevating its status but simultaneously reinforcing the administration's mistrust of it.

The departure from the government in March 1988 of the two architects of the program, Mamoudou Touré and Cheikh Hamidou Kane, left the adjustment team without a spokesperson who had a strategic understanding of the program and enough prestige to counter attacks on the adjustment structures. Reports suggested that Collin had forced Toure out for trying to cut government subsidies to the Sugar Company of Senegal, long an important contributor to the coffers of the Socialist Party (Africa Confidential, May 27, 1988).

In fact, relocating the CSPA to the presidency concentrated decisions in the hands of Collin, who became prime minister de facto. By the end of 1989, he controlled twenty-two out of twenty-six major national services, with the president in charge of the other four, and made all important expenditures decisions and key appointments. Now a bureaucratic patron in his own right, Collin gave key players his protection and help, leaving cabinet ministers with reduced influence over their subordinates. Most of his clients were precisely the persons who had problems with their ministers and were not necessarily partisans of structural adjustment. The minister of state became the arbiter of conflicts between agencies and between the government and pressure groups, which negotiated directly with him rather than with the minister in charge. Even though he agreed with many of the objectives of structural adjustment, Collin was motivated by the accumulation of bureaucratic power and did not always favor quick implementation of structural policies. Some of his decisions, in fact, tended to support conservative forces whose interests lay squarely with the status quo—preserving market distortions related to the patron-client relationship or protecting inefficient industries. Nonetheless, when Diouf finally forced Collin into retirement in March 1990—his departure appears to have been a condition of the national unity talks with the opposition—the CSPA lost a powerful patron, which weakened it considerably.

Other factors also undermined the prospects for reform. Internal divisions and personal rivalries among several members of the reform team appeared precisely when the program was losing momentum and its opponents in the unions and party were colluding to fight against reforms. Institutional instability at the ministerial level also generated confusion. Between April 1983 and April 1991, there were five major cabinet reshuffles—April 1983, January 1985, April 1988, March 1990, and April 1991. The ministerial turnover did not spare "adjustment" of the finance, planning, rural development, and industry portfolios. Ministers came and went every two years on average, as did their teams. Each reshuffle was accompanied by an internal reordering, with functions absorbed or new ones created. For example, data production and fore-
casting and planning agencies were separated at one point before being absorbed by the Ministry of Planning, itself later incorporated into the new Ministry of Economy, Finance, and Planning. In the rural sector, the opposite trend was observed. Farmers’ organizations, which were supervised by the Ministry of Rural Development in the early phases, were placed under the jurisdiction of five ministries, which perform similar functions.

In sum, the institutional reforms associated with the reform program and the ministerial ballet accompanying them created greater disruptions in services than coordination of actions. The continuous reordering of organizational responsibility created administrative discontinuity, strengthened parallel networks, and delayed implementation of the program. Fighting among bureaucracies left the government little energy to face the societal pressures placed on the program.

Conclusions

This study has tried to explain why the economic reform program in Senegal during the 1980s was never fully implemented. The new team that came to power in 1981 with Abdou Diouf based its political legitimacy on technocratic competence and the urgent need to promote economic and political reform. After receiving a convincing electoral mandate in 1983, Diouf’s government presented an economic reform program in line with reforms advocated by the IMF and the World Bank. From roughly 1983 to 1988, the government exhibited a strong commitment to the program, which proceeded reasonably well. After 1988, however, the program lost momentum, and by the end of 1991, the reform impulse appeared to have died, even if the economic crisis and external agency pressures kept reform on the agenda.

The common wisdom suggests that Senegal’s economic stagnation is linked to its being one of the most democratic regimes in Africa. In this view, the presence of political pluralism weakened the state’s will to undertake economic reform. Social pressures were indeed to blame for the failure of reform. The mobilization against the PAML by the workers’ unions, the employer federations, and, to a much lesser extent, farmer organizations pressured the state to return to the preadjustment policies of subsidies, regulation, and trade protection. Regular and reasonably honest elections obviously pressured the government to lessen the bite of economic austerity.

Yet, Diouf’s victory in the 1988 elections by virtually the same share of the vote received in 1983 demonstrates well the limits of this kind of analysis. Electoral defeat was simply never the biggest concern of Diouf and his allies, and this study has argued that the effect of interest group pressures must be put into a larger context if the failure of reform is to be understood. First, the program failed to address critical economic con-
strains on adjustment. The program’s fiscal contradictions, the difficulty of achieving adjustment without devaluation, and the problematic nature of the response of aggregate supply to reforms all returned to haunt the government. Perhaps as important, pessimism about the economy shaped expectations; it lessened the credibility of reform to economic actors and undermined the commitment to reform of a political class already skeptical of the virtues of economic liberalism in the local environment.

Moreover, the effect of interest group pressures must be understood in the context of President Diouf’s consolidation of power. In the early 1980s, the logic of economic and political liberalization coincided with Diouf’s own political needs. Political pluralism and economic reform helped him discipline and weaken the old guard within the Socialist Party and introduce to politics a new generation of men beholden to him. Democratization held relatively few risks as long as he maintained the support of the marabouts, even while he pretended otherwise in negotiations with the external aid and lending agencies.

The violence of 1988 and 1989 changed the rules of the game, however, by suggesting that the traditional methods of social control were not effective on marginalized elements of the population, which were controlled neither by the marabouts nor by the unions and the political parties. It signaled to the government the need to take a much more cautious approach to economic changes.

Finally, the government lacked a viable political strategy of implementation. Because his top priorities were his own political needs rather than the needs of reform, Diouf never attempted to create a coalition on behalf of reform. In particular, the Socialist Party was never mobilized to sell the program, and the technocrats did not compensate for this oversight. They were not active in party politics, were nonexistent in the Parliament, and did not seek out allies among groups of farmers or businessmen who stood to gain from a successful reform program. Lacking any political strategy, they trusted Diouf to continue backing them. With the departure of Mamoudou Touré and Cheikh H. Kane, the two principal architects of the structural adjustment program and its most forceful advocates, the program and its technocratic allies succumbed to the changing political context as well as their own internal divisions and personal rivalries. Some senior civil servants and politicians played the reform card fully. Most sat on the fence, along with Diouf, giving reformers their chance but reserving judgment until the program had proven it entailed fewer risks than the status quo. As the difficulties and contradictions increased, the fence-sitters increasingly abandoned reform.

The external aid and lending agencies were just as shocked as the government by the riots of 1988 and 1989 and relaxed conditionality somewhat for the sake of political stability. By 1991, they were growing impatient again, and the end of the Cold War led many to rethink their
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priorities in Africa. There remained no ready alternative to their program of adjustment, which did not disappear from the policy agenda. Nonetheless, the April 1991 appointment of Thiam as prime minister—a technocrat from the old school with good connections to the old-style patrons of Senegalese politics and an avowed critic of economic liberalism—indicated the extent to which economic reform had been dislodged by the exigencies of Senegalese politics.

Notes

1. Morawetz 1977, pp. 77-78. All dollar amounts are U.S. dollars.
2. Some observers have noted similarities with the situation of Austria and Vienna after the breakup of the Austro-Hungarian Empire; see the references to Senegal’s “Vienna problem” in Berg 1990, p. 1.
3. Complete wage parity between African and French employees had been reached with passage of the Lamine Guèye Law of 1950. As a result, in the early 1960s civil servants had seven times the average household income of peasants and twice the wage of skilled industrial workers (see O’Brien 1975, p. 219).
4. Since the late 1960s, the European Economic Community’s Common Agricultural Policy has promoted other vegetable oils, such as sunflower seed oil, with subsidies that make them much cheaper than peanut oil. As a result, peanut oil has lost considerable market share, passing from more than 80 percent of total consumption in France in 1960 to less than 30 percent by the mid-1980s. See anonymous 1986 p. 1460.
5. Senegal’s currency is linked to the Communauté Financière Afrique. See table 8-2 for the value of the CFA franc relative to the U.S. dollar. A billion is 1,000 million.
6. See Bonnefond and Couty 1991, p. 41. The authors suggest that the income differential between urban and rural areas remains 5:1, down from 7:1 at independence. This evolution reflects, in part, the rapid rate of urbanization through which the rural poor have migrated to the cities, decreasing the average urban income; urbanization proceeded by 3 percent between 1965 and 1980 and by 4 percent during the 1990s. By 1989, 38 percent of the population lived in towns or cities (World Bank 1991a).
7. Terrell and Svejnar (1990, p. 23) estimate that employment in the public sector—defined as the civil service and noncommercial public enterprises—grew from 46,100 in 1960 to 61,800 in 1970 and to 88,400 in 1980.
9. See World Bank 1989b, p. 93. Taking into account the various subsidies granted to smallholder farmers, the implicit tax on their production is estimated at CFAF98 billion in constant 1980 prices between 1967 and 1985, roughly 5 percent of agricultural GDP (see Delgado and Jammeh 1991, p. 7). In addition, the government collected fiscal resources generated by industries related to agriculture (see Sud-Hebdo, no. 61, July 12, 1989; Jammeh 1987 for a full discussion).
10. See Terrel and Svejnar 1990, p. 23. In 1982, according to the Ministry of Planning, the total work force included 2.917 million persons, of which 35 percent were in the formal sector, 54 percent in the traditional rural sector, 11 percent in the urban informal sector, and 12 percent unemployed.
11. For example, in 1979, only 558 out of 1,700 cooperatives reimbursed 65 percent of their debt (Ande-Sopi, May 1979, p. 2).
12. In the mid-1960s, the community of 35,000 to 40,000 Lebanese controlled 25 percent of the retail trade, 20 percent of the wholesale trade, and 40 percent of the semi-wholesale trade (Boumedouha 1990).
13. Collin returned to the presidency as secretary general from 1981 to 1989 under Diouf, when his power reached its peak (see Diop and Diouf 1990, pp. 106–11).
14. The minimum wage went from an index of 100.0 in 1979 to 141.4 in 1983, while the average civil service salary climbed to 146.5 from the same base over the same period, thanks largely to internal promotions and job redefinitions (see Durufle 1988, pp. 34–35).
15. In addition, the trade balance benefited from the relatively low prices prevailing for rice and oil, two of the biggest imports, during the 1980s.
16. These totals do not include French budgetary support through the treasury, which totaled an estimated C100 million. See anonymous 1988b, p. 1951.
17. In a cabinet meeting held in May 1989, the government decided to seek aid to subsidize fertilizers and increase fertilizer consumption, which had decreased from 100,000 tons to 15,000 tons a year in the past five years.
18. Mercuriales are administratively derived values for goods, which are used to derive the appropriate tariff for imports. The tariff is then assessed on the basis of that value rather than on the actual invoice price. Theoretically used to prevent dumping, mercuriales have, in fact, been used to increase the tariffs on goods, since the derived value is invariably higher than the invoice value.
19. According to Berg (1990, p. 132), electricity costs in Senegal were 60–65 percent higher than in nearby Côte d'Ivoire in 1987.
20. According to staff of the World Bank, this included 4,300 staff reductions through a voluntary departure program to be financed in part by the Bank loan; in addition, scheduled retirements would decrease staffing by 2,663 persons, 1,309 civil servants would leave as a result of the privatization program, and 370 irregular employees would also be terminated.
21. In addition, public enterprises continue to benefit from a wide assortment of indirect state subsidies, such as tax exemptions, forgone interest payments, and subsidized interest rates.
22. The government's own data estimate that 3,317 permanent and 1,236 temporary jobs were lost between 1985 and 1988, from a total of 41,843 jobs in the formal industrial sector at the start of the structural adjustment program; see Bergen 1992. The opposition press and some outside observers argue that job losses were as high as 20,000 during this period, but it is not clear whether these figures are gross or net (see Boone 1991; Wal Fadjiri, no. 251, March 7, 1991). The World Bank modestly estimates that 8,500 jobs were lost, or about 6 percent of total employment in the modern sector in 1986.
23. Here, a distinction needs to be made between the IMF, whose priority was short-term balance of payments objectives, and the World Bank, whose primary concern was the longer-term objectives of the Ne. The World Bank apparently lobbied its sister organization for more flexibility on the revenue side and a cut in the tax on oil, but to no avail. The government sided with the IMF, albeit for different reasons.
24. As monetary integration increases, France's obligations within the European Community are likely to impose some reforms on the operation of the Franc Zone; see Guillaumat and Guillaumat 1989.
25. In 1985, Senegal's negative position in the operations account at the French treasury stood at C207 million, and it remained as high as C162 million in 1990.
26. To cite just one example, SAL IV included much too rapid a rate of privatization, given the difficulty involved in valuing assets, evaluating bids, and closing deals; for similar criticisms of Bank conditionality, see Durufle 1988; Lewis 1987; World Bank 1989b. In fairness to the Bank, these criticisms were taken into account in designing SAL IV, which was considerably more circumspect about the possibility of rapid reform.
27. For example, in May 1991, it was revealed that in complete contradiction to the official forestry and ecological policies, the government had cleared some 45,000 hectares of forest in the Kelkho region and given them to an important marabout for his personal cultivation (Sud-Hebdo, June 1991; Wal Fadjiri, no. 267, June 27, 1991).
28. The health budget dropped from 9 percent of the national budget in 1970 to less than 6 percent in 1985 and continued to decrease, reaching some 5 percent in the 1987–88 period; see Berg 1990, pp. 181–83.
29. In 1982, one-third of the persons employed in the formal sector held a permanent job, and that proportion probably decreased further by 1987 (Terrell and Sveinjar 1990, p. 22).

References


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