

Colludo

Whodunit to the World's Poor?

Campaign briefing

October, 2003



Debt and Destruction in Senegal

When the International Monetary Fund (IMF) and the World Bank came to Africa, they promised to introduce 'sound macroeconomic policies' to create 'sustainable economic growth'. Instead they have ridden roughshod over democracy and development, leaving a trail of economic stagnation, social unrest and entrenched poverty in their wake. The case of Senegal exposes how far their policies have failed to match up to their promises.

Who runs Senegal?

From Independence to the 1980s the Senegalese state played a major role in the country's economic and social development. During this period available information suggests real economic growth was good, school enrolment increased and access to health care improved. However, after a series of droughts and a collapse in the price of its exports, in the late 1970s Senegal sought help from the IMF and World Bank. They have largely dictated economic policy since. First they used the innocuous-sounding Structural Adjustment Programmes (SAPs); when these were discredited, they introduced the supposedly more progressive Poverty Reduction Strategy Paper (PRSP).

Different name, same old policies

Despite the claim that PRSPs are "country-owned", the IMF and World Bank have the power of veto and effectively control the process. As a result the key economic policies in Senegal's PRSP reflect the priorities of these two institutions not those of the poor. That means rolling back the state and its control of national policies by imposing yet more liberalisation, deregulation and privatisation.

Deepening Debt

Under these policies Senegal's debt burden has escalated. Despite 13 rescheduling deals with the Paris Club of rich country creditors, in 2002 external

This briefing summarises "Debt and Destruction in Senegal", part of a series of reports and actions building the case of *The People vs. the IMF and World Bank*, calling for an end to the debts of the world's poorest countries without attaching unjust conditions. The author, Demba Dembele, is the founder and Director of the Forum for African Alternatives.



debt was equivalent to 70 per cent of the country's national income (gross domestic product - GDP).

In June 2000 Senegal was admitted to the Heavily Indebted Poor Countries (HIPC) Initiative with a promise to reduce its debt by \$850 million - just 17 per cent of the total. But only if it implements the raft of free-market economic policies outlined in Senegal's PRSP first.

A History of Failure

After 20 years of IMF and World Bank direction in Senegal, there is no evidence of any success in significantly reducing poverty. In 1994 60 per cent of those surveyed were deemed poor. Poverty is now so widespread that nearly 80% of the population live on less than £1.60 a day. In health and education, Senegal is one of the lowest ranked in Africa:

- over 60 per cent of over 15-year-olds are illiterate
- in 2001 more than one in five infants was malnourished
- the proportion of the Senegalese population that is undernourished increased from 23 per cent in 1990-92 to 25 per cent in 1998-2000.

Senegal has slid down the UNDP Human Development rankings until in 2001, after more than 20 years of what the World Bank calls "... far-reaching reforms in the external, commercial and public sectors", Senegal officially became one of the Least Developed Countries (LDCs) - the poorest and most vulnerable in the world.

As things stand, there is little chance

The Liberalization of the Groundnut Sector

The groundnut sector has long had State support because it is the main source of monetary income for two thirds of rural Senegalese and is a key export. This included cheap credits to farmers, subsidised seeds and fertilizers, and collecting and paying a fixed price for the crop regardless of fluctuations in world prices. Despite already cutting subsidies and other reforms, the IMF and World Bank demanded total withdrawal of the State from the groundnut sector as a condition for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

In November 2001 groundnut collection was handed to the private sector. In the absence of State collection, private agents bought the crops at below the official price, often paying cash for a small portion and giving 'vouchers' for the rest. Only 335,000 tons out of an estimated 1.2 million tons was collected, with crops rotting in storage. When farmers tried to sell in local markets, they were confronted with the same speculators. Most of those holding vouchers did not get paid.

The near starvation of millions of people led to a Government Emergency Relief Plan, and the Minister of Agriculture, Pape Diouf, many parliamentarians and farmers' organisations publicly blaming the World Bank and IMF.

"Senegalese ministers fear the World Bank more than God."

Madia Diop, former General Secretary of the National Confederation of Senegal Workers



Senegal will meet the UN Millennium Development Goals (MDGs), which have been agreed internationally as targets to be reached by 2015. If current trends continue, the goal of halving the proportion of people suffering hunger will never be met, nor will all children complete their primary education. The MDGs call for mortality in infants under five to be reduced by two-thirds. In 2001, the infant mortality rate in Senegal was 79 per thousand, little changed from 87 per thousand in 1982. At the current rate, it will be 2110 before under five mortality is reduced by two thirds.

A Change of Direction

Through their decision-making power in the World Bank and IMF rich country governments - including the UK - are responsible for pushing the unfair and unsuccessful PRSP process, promoting social unrest and inhibiting poverty eradication.

If these governments are really committed to poverty reduction as outlined in the Millennium Development Goals, there has to be radical change. In particular, genuinely home-grown alternatives that reflect the interests of the Senegalese people, especially the poor, should be considered.

Privatised Power

The state electricity company SENELEC is vital to Senegal's development so the government resisted pressure for privatisation until the World Bank made it a loan condition. Strong and popular union opposition led to further delay until in 1998, under intense World Bank and IMF pressure, the government falsely blamed union leaders for a blackout. In the following months the entire leadership of the union was jailed or fired, and French-Canadian group, Elyo Hydro-Quebec (EHQ) bought control.

EHQ delivered neither new investments nor reinvestment of profits, and power outages increased, contributing to a significant economic slowdown. With EHQ transferring profits abroad, using mostly external consultants, and paying Senegalese employees a fraction of that given to expatriates, expected benefits to the domestic economy did not materialize. The World Bank has acknowledged the huge economic and social costs to the country.

The controversy contributed to a change of government in 2000, after which the state took back control, and reinstated the union leaders. The utility has improved since, and power outages have declined by more than 50 per cent relative to 2000, but pressure to privatise is again building.

“Structural adjustment policies have destroyed the precious capital accumulated by farmers...left Senegal without a coherent agricultural policy, increased the country’s food security and ruined thousands of rural households.”

Madicke Niang,
Senegalese
government
agricultural
consultant

Colludo: Whodunit to the World's Poor?

Something criminal is happening to the world's poorest countries.

Bludgeoned – Crushing Debt

Beware politicians' promises to end the poor country debt crisis. Under the Heavily Indebted Poor Country (HIPC) Initiative only 8 countries have had significant debt stock cancelled, amounting to just 10% of total poor country debt. Yet research shows full poor country debt cancellation is needed if the UN Millennium Development Goals are to be met.

Blackmailed – Treacherous Conditions

The IMF and World Bank are using their control of Poverty Reduction Strategy Papers (PRSPs) and the threat of withholding debt relief to impose the same discredited free-market economic policies found in structural adjustment programmes.

These policies are:

- Unsuccessful - with a long history of increasing poverty and inequality in poor countries
- Undemocratic - imposed against the wishes of civil society, parliaments and governments leading to civil unrest, and undermining democratic institutions

- Unfair – for example imposing unilateral trade liberalisation on poor countries undermines their negotiating position at the World Trade Organisation(WTO).

Not all conditionality, or all trade liberalisation and privatisation is automatically bad. It is about choices, coercion, reversibility, and democracy. The only acceptable conditions are ones that improve accountability and the inclusion of civil society, so resources go where they should, and PRSPs become truly country-owned.

Whodunit?

It is time rich country leaders, including the UK Government, stopped colluding with the IMF and World Bank to use debt as a lever against poor countries. Instead they should cancel all poor country debt without attaching unjust economic conditions that benefit big business but harm the poor.

Take Action

Please act now to keep up the pressure for change.

Contact WDM or visit the WDM Website www.wdm.org.uk for:

- Action Cards and a template letter to send to your MP
- More information including the full version of this report
- Colludo posters (A2)
- Become a WDM Debt Activist and/or a WDM member

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