THE WEAK LINK
THE ROLE OF LOCAL INSTITUTIONS IN ACCOUNTABLE NATURAL RESOURCE MANAGEMENT

SENEGAL
COVER: Senegalese workers collect soil samples for gold mining company MDL in the area around Sabodala, Senegal

Rebecca Blackwell / Oxfam America
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EXECUTIVE SUMMARY

Senegal’s natural resource wealth presents significant opportunities for revenue generation—revenue that could make an important contribution toward the country’s efforts to address poverty.

This research seeks to understand opportunities for civil society to improve revenue management by exploring the possibilities for (1) increasing the quantity of revenues that remain in Senegal as a result the exploitation of the country’s natural resources and (2) making sure that the revenues that flow from extractive industries are effectively allocated toward fighting poverty. To these ends, this report is focused on understanding the political economy of revenue sharing agreements, budget processes, and oversight capacities.

Revenues from extractives industries in Senegal take the form of taxes and royalties. Notably, these revenues do not receive any special treatment and are simply subject to the same requirements as any other form of revenue collection from other economic sectors. As such they are placed into a joint reserve and are distributed via the central budget. This practice makes tracking extractive industry revenues impossible. Senegal does, however, have a specific Mining Code, from 2003, which is currently under revision. At the time of writing there was no legislation in place to regulate the collection of revenues which are likely to accrue from a recent offshore oil find.

The terms of revenue collection, from extractive industries, in Senegal are considered generous: the outcome of structural adjustment programs that the country implemented to attract foreign investment to drive growth and development, as well as to raise government revenues to fund social expenditure. In recent years, however, there has been growing popular discontent regarding the benefits afforded to mining companies as a result of tax exemptions. In addition, oversight of the sector is limited due, in part, to problems of technical capacities on the part of the government and in part due to an apparent unwillingness of the government to make information available and share it freely. The result is that the political elite are not held accountable for their decisions over the management of these resources, which, in turn, creates concern that they give away concessions in return for control of a share of the wealth these concessions produce.
Because extractive industry revenues in Senegal are distributed through the budget, understanding the budget process is central to understanding how extractive industry revenues are allocated. A cursory glance at Senegal’s budget process suggests that it is orderly, inclusive, and efficient, but a closer look at the processes involved indicates that it is susceptible to being dominated by the executive and suffers from limited oversight. The Senegalese Parliament has limited capacity to serve as an effective oversight institution and has relatively little impact in terms of amending the budget. Accountability in the system is further undermined by the fact that the executive appoints the head of the audit agency. Finally, although the budget is meant to be responsive to domestic needs, the country’s heavy reliance on foreign aid means major donors also play a significant role in shaping areas of priority regarding the distribution of the country’s resources.

Specific accountability challenges for revenue management are located within a broad context of dysfunctional institutions. While the Senegalese Constitution makes formal allowances for a separation of powers between the executive, parliamentary, and judicial branches of government, in reality the executive is significantly more powerful and able to influence the latter two institutions. Powers of the executive include the ability to dissolve Parliament and appoint the heads of all oversight institutions. The president is also thought to be able to exercise control over Parliament through informal processes that tie the political fortunes of elected parliamentarians to remaining in the good standing of the president and the ruling party.

As a result of the above dynamics, Senegal’s national institutions are frequently used for “political patronage” and to pursue clientelist strategies aimed at maintaining political control and accumulating capital for a privileged class, rather than being driven by rational policymaking processes. The management of extractive industry revenues is subject to these same dynamics.

Senegal has made recent efforts to address some of these problems. Despite these efforts, the management of public finances still faces a number of challenges, especially in terms of transparency in budget management, the effective functioning of anti-corruption mechanisms, and the control of public finances and accountability. The extractive sector, too, lacks the institutions necessary to ensure responsible resource management aimed at addressing poverty.

An important upside of the ongoing struggles over democracy in Senegal, however, is the current galvanization of civil society organizations (CSOs) focused on improving governance and affecting national policy. In this regard the country has seen increased participation in the budget process at the national level, while civil society organizations continue to demand further reforms. Despite this progress however, CSO efforts are thought to be frustrated by a lack
of formal legislation mandating citizen participation in the budget at any level. Moreover, CSOs’ efforts are compromised by a lack of coherence and limited coordination among different organizations.

Given that Senegal’s mining law is currently under reform and that oil has just been discovered offshore, and given the country’s ascendant civil society and public appetite for reform, the time is ripe for leveraging governance reforms, which are capable of meaningfully reign in the power of the executive in Senegal and fundamentally shifting the way that natural resource wealth is shared among the Senegalese public.

Acronyms and abbreviations used in this report:

**CEPPP** Committee for the Assessment of Public Policies and Programs (*Commission d’Evaluation des Politiques et Programmes Publques*)

**CFAA** Country Financial Accountability Assessment

**CGE** Center for Big Companies (Centre des Grandes Entreprises)

**CNRI** National Commission for Institutional Reform

**COF** Financial Transactions Controller (Contrôleur des Opérations Financières)

**CPAR** Country procurement assessment report

**CREI** Court of Repression of Illicit Enrichment

**CVCCEP** Commission for the Audit and Control of Public Enterprise Accounts

**DAGE** Directorate of General Administration and Equipment (Direction de l’Administration Générale et de l’Équipement)

**DAPSA** Directorate of Analysis, Forecasting, and Agricultural Statistics (Direction de l’Analyse, de la Prévision et des Statistiques Agricoles)

**DGID** Directorate General of Taxes and Domains (Direction Générale des Impôts et des Domaines), Senegal’s tax authority
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>DPEE</td>
<td>Directorate of Forecasting and Economic Studies (Direction de la Prévision et des Études Économiques)</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EU</td>
<td>European Union</td>
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<td>IGF</td>
<td>General Inspectorate of Finance (Inspection Générale des Finances)</td>
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<td>ITOC</td>
<td>International Trading Oil and Commodities</td>
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<td>MDL</td>
<td>Mineral Deposits Limited</td>
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<td>MEFP</td>
<td>Ministry of Economy, Finance and Planning (Ministère de l'Économie, des Finances et du Plan)</td>
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<td>MTSEF</td>
<td>Medium-term Sectoral Expenditure Framework</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OFNAC</td>
<td>National Office for the Fight against Fraud and Corruption (Office National de Lutte contre la Fraude et la Corruption)</td>
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<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<td>PITP</td>
<td>Public Investment Triennial Plan</td>
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<td>PRACAS</td>
<td>Programme Accéléré de la Cadence de l'Agriculture au Sénégal (Accelerated Agricultural Program in Senegal)</td>
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<td>Senelec</td>
<td>Senegal’s national electric company (Société Nationale d’Electrification)</td>
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<td>SGO</td>
<td>Sabodala Gold Operations</td>
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<td>TVA</td>
<td>Value-added tax (Taxe sur la Valeur Ajoutée)</td>
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<td>WAEMU</td>
<td>West African Economic and Monetary Union</td>
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1. INTRODUCTION

Natural resources present a potentially significant opportunity for developing countries. In 2013, for example, it is estimated that the 85 least developed countries in the world produced mineral, oil, and gas commodities (or ‘resource rents’) worth a total of $645 billion—more than 4.5 times the global aid budget\(^2\) for the same year (Figure 1). Despite such potential wealth, however, many resource-rich countries persist in a “paradox of plenty,” whereby, despite this wealth, the majority of their citizens eke out their lives in conditions of gross material poverty. Strikingly, many of the countries that experience the most dramatic forms of this paradox are also mired in corruption.

![Figure 1. Relative value of natural resource rents](image)

This report is part of a broader study looking at the accountability systems across four countries: Senegal, Ghana, Tanzania, and Peru. These four countries represent a mix of socioeconomic and political conditions, and cover a range of levels of maturity in terms of the extent to which extractive industries are established. Of the four countries, Senegal’s extractive sector is the least developed. With historically moderate activity in mining, Senegal is now focused on attracting investment for the exploration and extraction of gold. The country’s

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1 Resource rents are calculated as the price of commodities, multiplied by production values, less a ‘normal return of capital’ [http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS](http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS)

2 This total includes aid flowing to many countries in addition to those 85. Note that all dollar amounts noted in this report are US dollars.

nascent modern mining industry already accounts for 20 percent of Senegal’s export earnings, with the main minerals being phosphate, iron ore, and gold. In addition, in October 2014, a significant oil field was discovered off the coast of Dakar, and Senegal is soon expected to become an oil exporter. Despite these resources, Senegal remains a lower-middle-income country, and the majority of the country’s 13 million people live in rural areas and in poverty.

The imminent access to extractive resources has the potential to finance important improvements in human well-being; simultaneously, however, it creates the risk of Senegal entering the paradoxical state of having abundant natural resource wealth while many Senegalese citizens persist in poverty.

This research report aims to understand Senegal’s revenue-sharing processes to ensure that the wealth from extractive industries is channeled into investments that reduce poverty. The motivation for this research comes from the desire to achieve three objectives:

1. Increase the proportion of revenues from extractive industries that remain in the country in which those resources are located.
2. Increase the proportion of those revenues being allocated to the sorts of pro-poor investments that will best address human development.
3. Make sure that the money that is allocated for expenditure in the budget actually corresponds to real resource transfers and reaches those points of expenditure for which it is intended.

To these ends, this report focuses on (1) understanding how rules for revenue collection from extractives industries are set and (2) understanding how budget spending is prioritized. In the case of the former, the intention is to identify opportunities to increase the proportion of revenues being retained by the state. In the case of the latter, it is to understand how budget priorities might be influenced so that an increased portion of extractive industries revenues are spent on goods and services that are accessed by poor, rural agriculturalists and that have been shown to yield the greatest returns in terms of poverty reduction.

Increasing the revenue collected by developing countries and better orienting it toward expenditure that meets human development goals are, however, only part of the challenge. It is also critical that legislation is followed and that budgets are effectively executed. Thus, this work is also concerned with (3) understanding the extent to which decision-makers in Senegal can be considered accountable (or not) and identifying the dynamics that shape that accountability (or the lack thereof).

SOCIOPOLITICAL AND ECONOMIC OVERVIEW

Senegal’s geographical location on the Atlantic Ocean has made the country the point of entrance for the first European navigators, missionaries, and colonialists to the rest of West Africa. Hence, the socioeconomic development of Senegal has coincided with complex historical events, such as French colonization, the impacts of which still linger in both the political system as well as economic and fiscal policies. From the postcolonial period to the actual “emergence” era, many transformations occurred, driven by internal and external crises, which in turn have impacted the national budget agenda. In interpreting the political history of Senegal, it is important to bear in mind that Senegalese society is multifaceted, is torn between tradition and modernity with influences from the West and Middle East, and is deeply rooted in African cultures. These various influences have created heterogeneous cultural and religious patterns maintained through tolerance and acceptance by the various groups.

The democratic process in Senegal has taken several turns, with different levels of progress. Despite efforts at democratization since post-independence (for example, elections held on a regular basis, improvements in democratic institutions, and creation of multiparty politics), the political process is still controlled by a relatively small minority of the population.

Until recently, the Senegalese economy depended mainly on agriculture, tourism, fisheries, and services; industry was not an important pillar of the economy. Industrial production, however, swung from 6.2 percent in 2010 to 11.4 percent in 2013.6 This growth was boosted by investments in energy supply as well as by the extractive and construction industries. Natural resource (land and minerals) management has become a pressing issue as a consequence of large-scale land being allocated for extractive industry and agribusiness. The extractive sector (mostly mining) is growing, with significant revenues7 from gold, zircon, and phosphate. Although mining investments have increased markedly since 2000, no publicly known statistical data document the scope of revenues in a systematic manner.8 However, according to the Directorate of Economic Planning (one of numerous directorates within the MEFP), the state has gained


7 These figures are based on statistics provided by the Senegalese tax authority, the Direction Générale des Impôts et des Domaines (DGID). The DGID estimated registered mining companies’ revenues in Senegal at 469.2 billion CFA ($1 billion) and 518.5 billion CFA ($971 million) in 2011 and 2012, respectively.

8 Access to accurate data can be challenging in Senegal, in particular for disaggregated data in rural areas. The main official source of information remains the National Agency of Statistics and Demography (Agence Nationale de la Statistique et de la Démographie (ANSD)).
1,336.6 billion CFA (approximately $2.2 million) in 2011 and 1,670.3 billion CFA (approximately $3.2 million) in 2012 from mining.\(^9\)

For decades, Senegal has been viewed as stable economically and politically. Compared with many other sub-Saharan African countries, Senegal has been relatively peaceful and democratic. And, until 2000, there was little scrutiny of national budget issues and little focus on the need for internal transparency. That changed after the election of President Abdoulaye Wade, when a number of scandals broke surrounding embezzlement and the misuse of public funds. These issues raised concerns about possible gaps between the allocation of resources and how they were actually spent. The current political context is now characterized by growing momentum around budget transparency, accountability, and good governance of extractive industries. This mood is reflected in the approach of international donors who share similar priorities.

**OVERVIEW OF MINING**

Modern mining in Senegal dates to the 1950s with the opening of two large phosphate mines—Taiba and Lam-Lam in the region of Thies. For several decades, these important phosphate deposits have contributed to the success of the Senegalese economy. Modern gold mining is a fairly recent development in the country, only beginning in the late 1980s. As such, the industry is not as well developed as in some other parts of Africa, such as Ghana, Guinea, or South Africa, but it is now expanding and is capturing the interest of the government and investors, including both national and international corporations.

The recent discovery of deposits of gold and zircon in Sabodala and Grande Côte, respectively, has, for example, resulted in the mining sector receiving special attention. Indeed, since 2009, production at the Sabodala gold mine has brought investment in gold to more than 118 billion CFA ($192 million). Annual production is estimated at four tons of gold (136,000 ounces) for 10 years at least, corresponding to an annual turnover of 60 billion CFA ($98 million).\(^10\) Taxes and royalties collected by the state are estimated at 8 billion FCA ($13 million) per year during the first six years of production and about 19 billion FCA ($31 million) annually from the seventh year.\(^11\)

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\(^9\) These revenues are collected from the mining and gas sectors, according to the Direction de La Prévision et des Études Économiques (DPEE) *Situation Économique Et Financière en 2012 et Perspectives*, 2013

\(^10\) Assuming a price per ounce of approximately $950

In addition to gold, phosphate, iron ore, and zircon, prospecting for hydrocarbons is underway off the Dakar coast. With a find in October 2014 of between 250 million and 2.5 billion barrels of oil,\(^\text{12}\) Senegal is soon expected to be an oil producer. Given these riches, extractive industries revenues are anticipated to reduce the high levels of poverty that persist in Senegal.

The eight additional sections of this report explore the imperatives laid out in the preceding paragraphs. Section 2 briefly discusses the methods and conceptual frameworks used. Section 3 describes the technical procedures surrounding mining policy and revenue sharing, including a discussion of how these laws and policies came to be. Section 4 describes the budget process in technical terms, as well as the institutional failings within it. Section 5, based on the analysis contained in the previous two sections, reflects on which actors maintain the most influence over the budget. Section 6 seeks to link institutional failings within the budget process and mining policy to failings within the broader accountability ecosystem in the country by detailing how accountability institutions are meant to function, how they actually function, what the implications of their failure are and how they have been able to stubbornly resist reform. Having focused on how power is manifest at a central level, Section 7 briefly describes the extent to which power has been effectively decentralized in the country. Finally, Section 8 provides an overview of opportunities for civil society to influence budget priorities and drive accountability. Section 9 offers a brief conclusion.

\(^{12}\) EITI, “EITI Countries: Senegal.”
2. METHODS AND CONCEPTUAL FRAMINGS

To address the role of local institutions and the process of ensuring accountability in natural resource management in Senegal, the author employed a number of research methods including technical reviews of the country’s laws and procedures as well as historical analysis of the political economy of these laws - involving literature reviews and interviews. Given that a core framing of the research was that accountability is not simply the outcome of rules, but also the outcome of power relations, a major analytical focus of this study was on documenting differences between what is meant to happen and what actually happens, and then explaining variances. Because this work focused on the means by which revenues are collected and the means by which they are allocated, the author examined the procedures, laws, and policies defining revenue collection, and those defining the budget process. In addition, to account for the fact that power matters in establishing rules, to the extent possible effort was also dedicated to explaining the political and economic contexts that shaped the rules governing revenue-sharing policies and the budget. Finally, to account for the role of citizen groups in accountability, this work also analyzed the capacity for civil society to oversee budget and revenue-sharing processes, and its ability to leverage moments of maladministration to garner an accountable response. This analysis included surveying members of civil society regarding what they thought were the major impediments to achieving accountability. In particular, this research entailed a review of the following processes:

- A description of policies and regulations, for both national and regional guidelines, of revenue sharing terms, the mining code, and a sample of contracts of extractive operations.
- An analysis of the cycle of financial flows, taxes, royalties’ payment/collection procedures, procurements, and the role of entities collecting the revenue (such as the Directorate General of Taxation and Domains [DGID] and the Public Treasury).

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• A review of the extractive resources management tools, including mechanisms for reporting and monitoring, as well as a review of the formal institutions responsible for the audit, accountability, and sanction in case of maladministration.
• A description and analysis of the national budget formulation and execution process, including a detailed content analysis of the formal budget, documentation of the rules by which the budget is formulated and executed, and an analysis of the process by which budget priorities are set. A specialist in public finance completed the description of the budget.

To gain insights into the political and economic conditions shaping policy formation, and to gain a greater understanding of how power is leveraged to the detriment of accountability, this research entailed interviews with personnel in the Ministry of the Economy, Finance and Planning, the Ministry of Agriculture, parliamentarians, the Ministry of Industries and Mines (Directorate of Mining), the Ministry of Decentralization and Local Government, donors (for example, the World Bank, the European Union Delegation to Senegal, and the US Agency for International Development [USAID]), national nongovernmental organizations (NGOs), and the media.

Finally, the work involved a review of literature regarding decentralization and local budget setting. Works examined included studies regarding the challenges and obstacles to participatory decision-making in the context of decentralization, and the extent to which these difficulties have impacted local budget setting.

As with the other countries in ‘Weak Link’ Series, the author attempted to gather reports from NGOs documenting their efforts to “follow the money.” In Senegal however, owing to a lack of budget transparency as well as a lack of a focus on budget issues among civil society, very few relevant studies were found to exist. As such, the ability of civil society to oversee the budget was limited to the survey and interviews. In this respect, although response rates to the survey were high (13 of 25 invitations), the low number of data sources these responses represent suggests that the findings should be treated with caution. That said, in cases of agreement, they are thought to present a substantial point of view representing a significant caucus of civil society actors operating in this field.
3. REVENUE SHARING IN SENEGAL

As mentioned, minerals such as iron, gold, and zircon have become the most important extractive industry outputs in Senegal. As such, they have become the focus of government and investor’s prospecting and extractive efforts.

According to the national budget’s formal regulations, budget revenue collection applies to all kinds of revenue, meaning that taxes from the extractive sector are collected in the same way as the revenues from other economic sectors. Royalties in the sector are set at different rates but, like taxes, revenues raised go to the central treasury (a consolidated fund). There are no special institutions of control dedicated to regulate the process of revenue collection from extractive industries.

The above notwithstanding, Senegal does have a Mining Code (from 2003, and under revision at the time of writing), which outlines the regulations of all fiscal details specific to the extractive sector. The aims of this code are to boost mining investment and promote the rational use of mineral resources. The Mining Code, designed to comply with the international mining legislation and the West African Economic and Monetary Union (WAEMU) community guidelines, is intended to attract capital investment in the sector. It includes measures that afford mining companies significant tax exemptions and ensures that they pay only 5 percent in royalties (previously this was as low as 3 percent). Specifically, incentives (defined in Article 64 of the Mining Code) include the exoneration of all holders of mining concession titles (i.e., international extractive companies) from all fees (droits) and taxes, including the Taxe sur la Valeur Ajoutée (TVA), or valued-added tax, and customs tax pertaining to all the logistics/equipment used for mining operations such as cars, petroleum products, and drilling equipment.

Regarding taxes and royalties that mining companies do owe, the following provisions exist:

- Before the end of the second quarter of each year, each holder of a mining license for the mining substances shall provide a market value return of sales realized in the past year to the Directorate of Mines and Geology.
- Mining royalties (currently 5 percent) are paid in accordance with the provisions of the Mining Code by order of the Ministry of Industry and Mines; they are collected following provisions in Article 119 of the code.
• The holder of a mining license shall submit to the Directorate of Mines and Geology a statement for the calculation of mining royalties.
• Before the end of the first quarter of each year, the holder of a license for the mining of mineral substances must make a statement to calculate the taxable value of the mining royalties (paid on the market value of the production).
• Mining royalties must be paid within 45 days from the settlement issue date. In case of delay in the payment, the amount will increase by an interest that shall be calculated based on the discount rate of the central bank. In the event of failing payment and after formal notice given by the Ministry of Industry and Mines, the amount of royalties is doubled without prejudice to the administrative and criminal penalties under the Mining Code.

These revenues are then collected via a process that is in line with the West African Economic and Monetary Union reference system. The Directorate General of Taxes and Domains (DGID) has sole responsibility for issuance and collection of taxes in order to minimize the risk of fraud during collection and to enhance control. The DGID is also responsible for the hierarchical authority of the Center for Big Companies (CGE), which administers the management of records by taxpayer.

Like all revenues, recovery is enforced by the threat of forced sale of the taxpayer’s property; the transfer or termination of activities; or tax penalties. Notably, in special circumstances, the legislator may suspend tax liability (though suspension is uncommon and is implemented to legally protect some taxpayers in difficult situations caused by special circumstances). If the suspension of tax liability is due to a particular issue, a suspension of payments is possible for taxpayers who make claims or challenge part, or all, of the taxation at their own expense. Following a complaint submitted on time to the Directorate of the Taxes, the taxpayer may request the suspension of payment if she or he manages to provide reliable securities that can ensure the tax collection.

As mentioned, the extractive industry revenues are distributed in Senegal via the central budget. The rationale for this lack of specificity is that all of these decisions should be located within the unity of the Treasury, hence all revenues collected go to a joint reserve. Within such a system it is not possible to link specific extractive revenues directly to social expenditures. Efforts at tracking revenues are made more difficult by the slow release of information that result from long bureaucratic procedures and reluctance among civil servants to promptly share information.14 Even the permanent secretary of the Extractive Industry Transparency Initiative (EITI), Senegal, acknowledged that his team

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14 Evidenced by the author’s experience in researching this report.
experienced similar hindrance in obtaining accurate numbers.\textsuperscript{15} Hopefully, the first EITI report, which should be released by the end of 2015, will enlighten the general public on extractives revenues and their use. Despite these frustrations, it does appear that there might be progress on the issue of revenue tracking: as recently as December 2014, the prime minister mentioned that 40 billion West African Francs (hereafter CFA\textsuperscript{16}) from mining royalties entered the 2015 budget.

In addition, there are provisions tabled in the review of the 2003 Mining Code that make allowances for a number of further allocations. These include contributions to a mining sector support fund, intended to support capacity building so that the state can play a greater role in the development of its own mineral resources, and contributions to the Directorate of Mines and Geology. There are also proposals for the creation of an equalization fund (Fonds de Péréquation) to support the local authorities in mining-affected regions. Finally, mining companies operating in the country will be required to sign a mining convention that will bind them to undertake corporate social responsibility strategies through the creation of a common fund (the Mining Social Fund) that will contribute directly toward local development through investment in social services in mining-affected areas. From the government’s perspective, such an approach is thought to be the most effective means for capitalizing on the development potential of mining, which is located in some of the poorest regions of the country. As mentioned earlier, however, all these provisions are currently tabled in the review of the 2003 Mining Code. At the time of writing, they had yet to be made effective.

Two prominent points emerge from this review of the technical process defining revenue collection from extractive industries in Senegal. The first is that Senegal has not adopted any specific approach for the management of its mining revenues. The second is that mining law (prior to the current review) seems to be focused on attracting foreign capital and is, therefore, generous in terms of tax exemptions and concessions.

To understand Senegal’s nonspecific approach to the management of mining revenues, it is worth noting that, compared with the other countries in this study, Senegal has a relatively small amount of mining activity. As such, part of the explanation for this non specified approach is that neither mining revenues, nor the impacts of mining on local communities, were considered so large as to warrant specific legislation pertaining to their management. In addition, it is worth noting that for both of the African countries (Tanzania and Ghana) in this study,

\begin{footnotesize}
\begin{enumerate}
\item Mr Cheikh T. Touré, Permanent secretary of EITI, Senegal, in discussion with the author, 20 October, 2014.
\item Communauté Financière Africaine (CFA) or “African Financial Community” includes 18 countries.
\end{enumerate}
\end{footnotesize}
most mining revenues\textsuperscript{17} simply enter the central treasury, and in this respect, Senegal is no different. Part of the explanation for this approach lies in the fact that at the time of drafting this legislation, concerns about the “resource curse”—the possibility that governments become less accountable when funded by the windfall income from natural resources rather than by income taxes on citizens—were not as pronounced, and thus worries over the distorting effect of revenues on the budget and political economy were not considered. This being said, both Tanzania and Ghana have more recently developed specific legislation to manage their oil and gas finds. Given that oil and gas have recently been found offshore in Senegal, one might likewise expect the country to develop specific legislation for managing revenue flows from those resources as they come online.

In explaining Senegal’s apparently generous mining policy, which is focused on attracting foreign investment, it is necessary to briefly recount the political and economic history of the country. Beginning with the aftermath of Senegal’s independence, in 1960, the country adopted a socialist, centralized structure, in which the state controlled the domestic economy. With the collapse of Socialism in both France and Eastern Europe, and driven by economic and political decay,\textsuperscript{18} by the end of the 1980s the socialist state in Senegal was losing ground in terms of its monopoly over the economy and politics.

During this period, the country also found itself in significant financial difficulties associated with high levels of social expenditure, related to a socialist ideology and the idea of a ‘providence state’,\textsuperscript{19} which was compounded by a lack of control over the budget. In addition, the state’s fiscal policy was based on its ability raise revenues through either external funding or taxes, with a limited margin (flexibility) in the short term owing to the weaknesses of the administration and the low tax base.

Financing for public expenditure was made possible partly through the use of foreign debt; however, the Senegalese government was also able to supplement these finances through “parafiscal” taxes that were collected from exported goods. A sharp increase in the price of phosphate experienced at the end of the 1970s created an opportunity for Senegal to significantly expand public expenditure.

\textsuperscript{17} In Ghana, 20 percent of these revenues are earmarked for a fund or local expenditure, but the vast majority (80 percent) simply enter the central budget.


expenditure. The government intensified the impact of the boom by mobilizing external support through commercial banks.\textsuperscript{20} The result was a significant increase in government expenditure that drove public debt to unbearable levels.

The result of such expansive debt is that, since 1979, the Senegalese economy has been engaged in an orderly process of adjustment, punctuated by reform programs between 1979 and 1991 and between 1994 and 2000. The basic objective of these programs was to restore economic balances, control inflation, and achieve a healthy and sustainable level of economic growth. Reforms have included privatizing nationally owned service providers (such as those providing water, electricity, etc.), implementing austerity policies, and removing barriers to investment and international trade. Despite the implementation of these structural reforms, state spending continued to be high throughout the 1970s until the middle of the 1980s. During that period, however, particular emphasis was placed on improving public finance, which helped to gradually eliminate the deficit.

By the end of the 1990s, structural adjustment programming had created an unprecedented socioeconomic crisis. As state revenues diminished, social spending was cut, and large portions of the population were impoverished (in particular those depending on subsidies).\textsuperscript{21} These problems were compounded by a devaluation of the national currency (CFA) in 1994. Notably, the country’s reliance on foreign aid is thought to have been important in allowing international institutions to pressure it into restructuring the economy to pay back its debts.

Following 40 years of socialism, in 2000, this socioeconomic crisis drove a democratic transition known as the political “\textit{alternance}.” It was a defining moment and a paradigmatic shift of ideology from socialism to neoliberalism. Soon after that year’s elections, the newly elected president (Abdoulaye Wade, now in the opposition) proclaimed his political regime as liberal and open to international financial flows. The mining policy of 2003, which seeks to attract foreign capital, reflects this shift in ideology. In this vision, benefits from mining accrue as both revenues and employment generated for nationals. Thus, mining policy in Senegal has been defined by a “development narrative” in which corporate-sponsored interventions are seen as the solution to poverty among rural communities.

Looking forward, although it is difficult to pin down the ideology of the current president (President Macky Sall, elected in 2012), it is clear that the neoliberal agenda, in operation for the past decade, is still running its course. The current


regime is attempting to reconstruct socialism within a global framework through a mixture of social programs, development of best practices (from around the globe), and accountable governance of resources. To date, there does not appear to be any dramatic positive change in the way politics are conducted nor has there been a sudden equitable allocation of resources. In the country’s new growth strategy defined in the Plan Sénégal Émergent (2014), the government argues that investment expenditures will reach priority sectors and will benefit the majority of the population, i.e., rural citizens; however, this ambitious policy is already facing a major hindrance regarding the availability of financing. The lack of funds points to the difficulty of revenue collection. To this end, the government has requested the Directorate of Taxes set a 1 trillion CFA (approximately $1.7 billion) revenue target for 2015, to better support the implementation of the Plan Sénégal Émergent.

The above context, mixing neo-liberalism with social protection, is thought likely to shape the reforms to mining policy currently taking place in Senegal. For example, while the government increased the royalty rate from 3 percent to 5 percent in 2013, overall, the country remains caught between the dual imperative of getting the deficit under control while also supporting ambitious development plans that are reliant on heavy government spending. Thus, the government continues to appeal to foreign direct investment as a means to fund these projects—but to attract such investment, the government finds itself having to offer attractive tax concessions.

Bundled into this dynamic, however, is a growing public discontent over the apparently generous deals signed with mining companies, marked by the social and environmental impacts in mining regions and frustration at the extent to which the revenues from extractive industries are not effectively distributed through the budget. Local populations complain that the negative impacts of mining outweigh the positives, and experience from industrial mining in the eastern region of the country appears to confirm the general sentiment that corporate profits from mining are huge while the revenues to the national state and local communities remain relatively small. For example, a 2013 Transparency International report claims that the Senegalese government lost $810 million between 2005 and 2012 in generous tax exemptions for foreign companies. This loss not only affects social expenditure, it also affects future revenues from extractive industries. As an engineer from the Directorate of Mines

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22 Examples of these social programs are universal health coverage, social security for all, the vulnerable families stipend program (“bourses familiales”)—among other popular initiatives—the efficiency of which has yet to be evaluated.


pointed out, a “lack of resources is the main hindrance for more geological prospection.”

Part of the explanation for this inability to capitalize on resource wealth appears to be that Senegal lacks the technical and financial capabilities to take advantage of its extractive sector. In this regard, the country is clearly reliant on companies to extract its resource wealth, but it is unable to negotiate suitable terms on which this should happen.

In addition to these compelling technical arguments, it is also worth noting that more worrying explanations for Senegal’s inability to capitalize on resource wealth are identified in issues of patronage politics and the possibilities for resource wealth to be captured by the elite. The dynamics underlying this process are described by Abayomi Azikiwe: with the decline in commodity prices on the global markets, many African states are already feeling the impact of this looming crisis. These postcolonial governments and the national owners of capital in these countries are more vulnerable than ever because they are largely dependent on the foreign exchange earnings from exports to ensure their dominance within their societies. Further to this, in Senegal, these groups (export companies lobbies, individual entrepreneurs, and religious leaders) are thought to be involved in financing election campaigns for the leading candidates, and they have historically been under the protective wing of the government. As such, to maintain their privileged position, countries continue to seek access to commodities for export. The rapid expansion of extractive industries is thought to be part of this process.

Indicative of these dynamics is the case of the former Australian mining company Mineral Deposits Limited (MDL), later called Sabodala Gold Operations. MDL’s financial report form for 2010 indicates a net increase in cash for the year 2011 of $159.5 million. The net operating cash flow was $16.2 million, reflecting the operations of the Sabodala gold assets until the demerger and the payment of administration and borrowing costs of the company. Initially, the net cash used

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29 Cash is merely a part of overall operations, but it is indicative of prosperity.
in investment activities was $10.0 million. The operating cash flow includes exploration and development expenditure of $11.3 million—$4.7 million relating to the development of Grande Côte (North Senegal)\(^{30}\) and $6.6 million relating to Sabodala. One can see the large gain made off this investment; in three years, MDL earned 10 times more than its initial investment. (The director of the mines claims the contrary when interviewed about the gains that the mining companies are making and the revenue sharing between the stakeholders. According to him, the mining business is not very profitable.) Notably, it was President Wade himself who, in 2005, granted 20,000 hectares to MDL in Sabodala, without respect for the normal standards (for example, call for tenders, consultations with local communities, or any prior environmental and social assessment of mining impacts).

Further to this, MDL, now called Sabodala Gold Operations (SGO), was granted an eight-year exoneration from taxation, including value-added tax and company tax, and no import duties can be charged on company-owned or rented equipment or on goods and services destined for the Sabodala mine. This exoneration extended until May 2015, after which time a tax rate of 25 percent has been applicable.

As mentioned, there is no specific oversight institution in effect to monitor the collection of mining revenues in Senegal. That being said, the country has recently joined the Extractive Industries Transparency Initiative. With the first report due in October 2015, the intentions of EITI membership are to reconcile the payments claimed to have been received by governments with those stated to have been paid by companies.

Otherwise, in addition to problems regarding due process for tendering, the collection of extractive industry revenues is subject to the same challenges as the rest of the tax base in Senegal. In this respect recurrent problems include:

- Maladministration of collected funds\(^{31}\)
- Embezzlements\(^{32}\)

\(^{30}\) Grande Côte is located on the coast of Senegal starting approximately 50 kilometers north of Dakar and extending northward for more than 100 kilometers. In 2011, the state granted MDL this new concession (44,000 hectares) to exploit zircon (with an annual potential of 85,000 tons) and other minerals. Mineral Deposits Limited (MDL), Annual Information Form, for the year ended June 30, 2010).

\(^{31}\) In part a reflection of the fact that daily taxes are still being collected manually and in cash by state agents from the informal sector (street vendors, shops, markets, etc.). In 2015 the Directorate of Taxes decided to modernize the methods of collection and payment by cash for amounts exceeding 100,000 CFA.

\(^{32}\) A theft of 2 billion CFA from the National Treasury earlier this year was allegedly committed by internal agents along with external accomplices; the case is under investigation. See “Vol de 2 milliards du Trésor: Une mafia, composée de transitaires et d’agents du trésor, démasquée,”
Senegal’s approach to extractive industry revenue management appears to have been born out of efforts at liberal reforms, in which attracting foreign direct investment to priority sectors was seen as a means for driving development. At the same time however, it also represents a continuation of politics founded on balancing pressures to spend with the need to limit the budget deficit. In this regard, the county appears caught between policy choices that seek to raise revenue via extractives yet are undermined by the need to offer attractive terms of investment to companies to attract foreign capital. Considering this, it is important to note that there is a prevalent sense that companies have benefited from the boom in commodity prices, while the country remains unable to capitalize on these profits. Evidence of this is born out in the proposals included in the revision of the Mining Code, which require higher contributions from companies to the national economy.

Reflecting on this tension, however, it appears that there are two core problems. On the one hand, there is evidence that the problem is due to technical capacity issues, with the country having been unable to generate effective regulation of the mining sector. On the other hand, worrying accounts suggest that the reason Senegal is unable to capture the wealth from its extractive sector is because a political elite are not accountable for decisions they make regarding the management of these resources, giving away concessions in return for control of a share of the wealth they produce. In order to make better sense of the claims regarding capacity and corruption, we move now to interrogate the vehicle through which revenues are meant to be expended on human development: the budget.

4. BUDGET PROCESS AND REVENUE ALLOCATIONS IN SENEGAL

As mentioned in the preceding text, all extractive industry revenues in Senegal enter the central budget for distribution. For the purposes of this research, understanding the process by which budget priorities are formulated and executed is therefore of central importance. This section seeks to describe the formal budget process and identify major failings within it. The subsequent section offers an account of which groups have particular influence over the budget and the allocation of resources.

The first stage of the budget process involves the formulation of budget priorities, based on an assessment of the country’s economic priorities, which are derived from the country’s macroeconomic framework. This framework, which provides an overall picture of the major economic aggregates, is defined in a national budget and multiyear economic planning document. Following this, the budgetary framework (cadre budgétaire) is elaborated by integrating the following three components:

- All the projects that must be funded by the state
- The expenditures to be made from tax revenues
- Other investments needed but for which the state has to contract debt to finance them

For example, the 2015 budget total is 2,869 billion CFA, composed as follows:

- Budget aid (and donations around 700 billion CFA)

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33 This document outlines Senegal’s Triennial Public Investment Program (Programme Triennal d’Investissements Publics, the PTIP).
• Internal revenue from the fiscal revenue plus debt\textsuperscript{34} (around 1,600 billion CFA)
• Other external resources of approximately 500 billion CFA from borrowing on the financial market usually devoted to the “president’s projects” (infrastructures mainly; discussed later in this text)

For each component, the Directorate of the Budget applies the budgetary norms based on a set of functional and priority criteria aimed at avoiding unproductive expenditures and a dysfunctional budget. These criteria are (1) recurring expenditure, (2) economic productivity, (3) multiplier effect, and (4) welfare.

The preparation of the Finance Law (which authorizes the budget) is the responsibility of the Ministry of the Economy, Finance, and Planning (MEFP), assisted by the delegate minister in charge of the budget. This year, authorities at the MEFP define the 2015 budget as a “budget for development.” This description is meant to convey that the budget represents a convergence of all the needs of the sectorial ministries and is an instrument that will enable the country to address the economic and social priorities defined in the Plan Sénégal Émergent.\textsuperscript{35}

Prior to the execution of the budget, the formulation phase starts with a circular letter sent by the MEFP to the line (technical) ministries, instructing them to formulate their budget needs and inviting them to participate in budgetary sessions. This letter is only advisory, and simply contains general instructions on how to prepare budget proposals and priorities. It does not provide specific financial guidelines. In turn, the Director General of Administration and Equipment (Direction de l’Administration Générale et de l’Equipement, or DAGE) in each ministry submits its budget proposals, delineated by type of expenditure, to the MEFP. During this process the line ministries actually renew their annual budget from the previous year. The proposals are then reviewed by the MEFP, which tries to reconcile them with the initial proposed budget through arbitration and budget conferences.

The MEFP\textsuperscript{36} elaborates the national budget proposal, which is then submitted to the prime minister for review and to the Parliament for approval. After the budget is approved by a vote in Parliament, the MEFP allocates funds to each technical

\textsuperscript{34} Since the initiative of the debt relief for the heavily indebted poor countries in 1996, Senegal was again able to borrow money usually spent in infrastructure, for example, for the construction of the Blaise Diagne International Airport (AIBD) at Ndiass and toll roads.

\textsuperscript{35} This plan has three strategic axes: (1) structural transformation of the economy and growth, (2) human capital, social protection, and sustainable development, and (3) governance, institutions, peace, and security.

\textsuperscript{36} The technical preparation is actually done by the technicians and the ministry’s advisers.
ministry; each ministry disburses those funds at the regional, departmental, and community levels.

**CONTROLLING THE EXECUTION OF THE BUDGET**

Responsibility for the control of revenue collection is assigned to the Treasury’s internal auditors. In addition, however, this task can also be assigned to the state’s general auditors or financial accountants (depending on the directive of the president). State auditors may be responsible for carrying out, on behalf of public accountants, collection and payment transactions. Several mechanisms exist (see below) to ensure the correct execution of budget expenditures. Their ability to be independent and efficient in terms of imposing sanctions and prosecution or any dysfunction is discussed in Section 6, on the ‘Accountability Context’.

The implementation of the state budget is subject to a triple audit: (1) administrative, (2) legal, and (3) parliamentary. An administrative audit is exercised within the administration either before or after payment. The external audit of public expenditure, independent from the administration, is exercised by the National Audit Office (judicial audit) and the Parliament (parliamentary audit).

1. Internal **administrative audits** are exercised within the Directorate of the Budget prior to payment by the financial operations controller (at the direction of the budget) or after payment by the financial operations controller. The control prior to payment of the expenditures is to verify that they are legitimate and do not exceed the budget ceiling. This review is done by the financial transactions controller (COF).\(^{37}\) The latter has the power to authorize expenditure along with the Public Accountant. These forms of internal control are also exercised after payment of the expenditure by the Financial Audit and the state General Inspectorate of Finance (IGF).\(^ {38}\)

2. **Legal or jurisdictional control** is exercised by the National Audit Office (Cour des Comptes),\(^ {39}\) which was created in 1999. It is organized into three permanent chambers, a nonpermanent chamber for financial discipline, and a Commission for the Audit and Control of Public Enterprise Accounts (CVCCEP). The National Audit Office exercises judicial audit over the state accounts, local authorities, and public institutions. Specifically, it is responsible for the annual review of the public accounts: the state’s major accounts, 14 regional accounts, municipal accounts, and public institutional accounts. The National

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\(^{37}\) These controllers are appointed by presidential decree.

\(^{38}\) Created in 1980, the IGF is placed under the direct authority of the president.

\(^{39}\) The head of this office is appointed by the president.
Audit Office submits its reports to Parliament for consideration. Public contracts are not subject to special audit by the National Audit Office. On financial matters, the Constitution entrusts the National Audit Office an assistance mission for the Parliament. The Parliament or the executive can also ask the National Audit Office to conduct investigations; however, the National Audit Office is free to reject the request.

3. Parliamentary control is empowered by the Constitution through the means of a vote on the annual budget law. The Finance Committee of Parliament is responsible, with the support of the Law Committee, to examine acts of a financial nature and to question members of the government and administrative authorities. Members of Parliament have a period of 60 days for the examination of the Finance Act, which must be preceded by a vote on the Settlement Act of the previous administration—that consists of approving the rules/arrangements set during the past vote in order to proceed with the process of review. First, the budget proposal is reviewed by members of the Parliament in technical committees in the presence the budgetary unit of the Directorate of the Budget and then in the Finance Committee, with the Ministry of the Economy, Finance and Planning. Once the Finance Committee adopts the budget proposal, it is submitted to all members of the Parliament in a plenary session. Through the voting of the national budget proposal by parliamentarians, the act becomes a law called the Finance Act of the year. The last stage of the law is completed by its promulgation by the president. Finally, Parliament exercises oversight of the execution of the budget as it is the recipient of reports of the National Audit Office, mentioned earlier.

FAILINGS IN THE BUDGET PROCESS

While the above description of the formal processes for the formulation of the budget suggests a consultative and efficient process, a closer examination of these dynamics and a look at how budget priorities actually get set suggest some deficiencies. In addition a closer look at the oversight institutions regulating the budget suggests that it is not a process without problems.

Firstly, there appear to be real problems with the oversight institutions. The external audit of public expenditures is exercised by the National Audit Office (the legal audit, mentioned above). Created in 1999, this supreme audit institution of public finances exercises judicial audit over the state accounts, local authorities,

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The Parliament has several specific committees (including finance, environment, health, education, and others) in charge of reviewing specific proposals.
and public institutions. Specifically, it is responsible for the annual review of the public accounts. This institution is legally under the control of the Department of Justice; however, according to the analysis conducted during this research, it seems that it is placed under the control of executive, who appoints the head, thereby creating a conflict of interest as a means to hold the executive to account.

Beyond accountability, the idea of an orderly process of budget formulation is undermined by the fact that the priority criteria (mentioned above), which are meant to drive budgetary norms (recurring expenditure, economic productivity, multiplier effect, and welfare), are frequently difficult to apply together because they are often contradictory. Hence, the process of setting formal budget priorities is frequently not conducted as it should be. This, in turn, leads to discrepancies between what is budgeted and what is executed in terms of expenditure. For example, the 2014 budget did not seem to reflect stated government priorities.  

Apparent contradictions among budget principals end up handing discretionary power to those groups mandated with setting the budget terms. In this respect, it is important to understand that even though the routine describing the budget process enables the formulation of the financial law in a timely manner, it also highlights the extent to which the budget process operates within a centralized system under the sole institutional responsibility of the MEFP. This is because although the ministries submit budget proposals to the MEFP, the ceiling for expenditures for the following year, for each ministry, is initially set by the MEFP. Thus, line ministries have to adjust their priority investments and operating expenditures to the predefined budget ceiling. According to respondents interviewed, the centralization of the budget formulation and execution “in the hands” of the MEFP is motivated by the desire to maintain a certain level of “fiscal discipline.” This top-down process, however, also symbolizes the general tendency of hierarchal and centralized administration, inherited from the French during the colonial period.

Although such a system maintains control over the budget, according to an expert at the Directorate of Horticulture it simultaneously generates a “lack of interest in the process of budget preparation.” In addition, given that the budget is in many ways the source of policy formation, the MEFP’s ability to set budget ceilings highlights the role of power relations. As one retired pastoralist expert at the Ministry of Agriculture put it when talking about the budget, “The central state

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42 Dr. Allé N. Diop (technical adviser at the Ministry of the Economy, Finance, and Planning [MEFP]), in discussion with the author.
43 Anonymous interview with Technical advisers to the MEFP.
44 Quote from anonymous interview, April 2015
likes to control the political and economic agenda, thus it gives little authority to decentralized government bodies.\textsuperscript{45}

Further to this, such centralization of control also has implications for budget efficiency. For example, the Directorate of Analysis, Forecasting, and Agricultural Statistics (DAPSA), which has the mission to develop policy proposals, planning, and agricultural development strategies, has little involvement in the formulation of the budget priorities within the agricultural sector. According to an agricultural economist at this ministry, the formulation of the yearly budget proposal involves the administration services (at the highest level) and a few technicians, who often do not have much insight into the policy priorities or are “unskilled in formulating a good budget proposal.”

Although Parliament is meant to play an important oversight role in the formulation of the budget through the involvement of technical committees as well as through its capacity to vote on the promulgation of the annual Finance Law, such oversight functions are severely compromised owing to both capacity problems and a general lack of political will, among parliamentarians, to act against the wishes of the ruling party. Regarding the former, few parliamentarians have the specialist and technical knowledge necessary to evaluate the budget and anticipate problems with its execution. As such, there is little capacity in Parliament for members to raise concerns during the budget marathons held in December, prior to the vote. Illustrative of the extent of this problem, some parliamentarians confessed to not really following the debates during the budget vote, saying that they just attend, listen, and vote blindly. This issue is significant enough that the MEFP has set up a capacity-building program to train parliamentarians on law, budgeting, and analysis—and on the evaluation of public policies.

Regardless of capacity problems, there is also thought to be a significant lack of political will among parliamentarians to hold the ruling party to account. While possible explanations for this are discussed in Section 6, it is worth noting for now that such dynamics further stymie the effective function of oversight institutions. For example, every year the president of the National Audit Office (Cour des Comptes) submits annual reports to Parliament, on the management of public funds for review and further investigation in cases of maladministration. After review, the Parliament can designate investigation commissions (on top of its Commission of Finance) to follow up on the issues raised in these reports; however, this is hardly ever done.

Lastly, it is worth noting that despite improvements in budget transparency, evidenced by significant improvements in the Open Budget Index score, budget

\textsuperscript{45} Quote from anonymous interview, April 2015.
transparency in Senegal is still considered “insufficient.” In this respect it is thought that the budget process could be significantly improved by an MEFP commitment to publish the pre-finance law documents online as they stand prior to parliamentary debate. Such a process would facilitate more control from Parliament and from citizens who could contribute to the debate on the budget.

In summary, while it appears that Senegal’s budget process is orderly and efficient, a closer look at the processes involved suggests that the budget suffers from significant deficits in accountability and efficiency. Major barriers to effective oversight include the ability of the president to appoint the heads of oversight functions and a lack of political will on the part of Parliament to execute members’ oversight functions. Further to this, the efficiency of the budget is undermined by the extent to which the MEFP dominates the process and the lack of capacity among parliamentarians to effectively contest the budget. The result is that budget priorities are not necessarily clearly related to policy priorities. Considering the above, this work now seeks to explore an issue that lies at the heart of this report: How exactly do budget priorities get set and who has the capacity to exert most influence over this process?

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5. INFLUENCING REVENUE ALLOCATIONS

Evidence of the centralized control of the budget is manifest through the idea of the “president’s projects,” a budget-related trend appearing in 2000: the president’s footprint or future legacy of his presidency. It should be noted that such projects are, for the most part, focused on infrastructure and funded by debt and taxes. However, the priority and relevance of these investment projects are questionable—as is the centralized nature of decision-making over them.

As examples, former President Wade had his own autoroute à péage (toll road), and President Macky Sall announced during his recent “economic tours” in Touba—the center of Mouridism⁴⁷—that a highway to Thies-Touba (worth 413 billion CFA) would be constructed in 2015. CSOs argue that this project has no “value added” and is not timely, because there is not much traffic on this route except once a year during the celebration of “Magal Touba” in commemoration of the founder of the religious town.⁴⁸

To justify these projects, defined as priorities, the president appoints “some individuals at the head of departmental ministries and key directorates, or simply creates new agencies, to promote his projects.”⁴⁹ The downside of such a strategy is that ministers and directors can easily manipulate the formulation of budget proposals. This “manipulation” obviously impacts budget execution and potentially diverts expenditures to nonpriority sectors (e.g., for local elections expenditures, discussed later).

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⁴⁷ The Mouride brotherhood, an Islamic order, was founded in 1883 by Ahmadou Bamba. The Mouride make up around one-sixth of the total population in Senegal, and their influence (political and economic) over everyday life can be seen throughout the country. Anecdotally, President Wade was said to be a fervent Mouride disciple to the extent that before making any important national decision he had to seek benediction from the Mouride leader in Touba. President Wade also provided important services to the Touba community; in return, the population there cast their votes for him.

⁴⁸ An economist at Forum Civil (a CSO), in discussion with the author

⁴⁹ M.L. Diallo, a parliamentarian member representing the ruling party coalition, in discussion with the author interviewed in February 2015.
Outside of the MEFP, influence over the budget also comes in substantial form from international actors. As discussed, international financial institutions such as the World Bank have been able to exert influence over the Senegalese budget through structural adjustment reforms, and such influence is bolstered by the extent to which the country relies on foreign aid.50

In addition to these actors, policy formulation, which drives budget formulation, also appears to be heavily influenced by international interests. In this regard, it is worth noting that the flagship policy document, the Plan Sénégal Émergent (Senegal Emerging Plan), which is intended to describe policy objectives aimed at ensuring “economic emergence” by 2035, was launched in France during the Declaration of Paris in February 2014, and most of the investment bids were put together there. Such processes speak to a larger problem of foreign influence over policymaking. As a former senior expert at the Swiss Agency for Development of Cooperation pointed out: “Economic policies and programs are parachuted [into the national context] and are often not suitable for the Senegalese context, or to the needs of the population.”

Even when policy is developed internally, however, it appears to be through a process of highly centralized decision-making, with power located in the executive, which undermines its relevance. The new Accelerated Agricultural Program—Programme Accéléré de la Cadence de l’Agriculture au Sénégal (PRACAS)—is a perfect example of a priority program launched (in 2014 by the Ministry of Agriculture) without any consultation with the sector stakeholders. It aims to attain self-sufficiency in rice by 2017. Many experts,51 however, have demonstrated that this objective isn’t feasible because all the conditions (access to means of production, technology, commercialization, etc.) are not yet met.

Beyond the role of the executive in policymaking, international donors also play an important direct role in shaping budget priorities. The major players in this respect are European Union members, in particular France (as the former colonial power), Japan, the United States, and Canada. Of increasing importance is China, and international financial institutions also play an ongoing and important role.

The World Bank, for example, is omnipresent in the health, education, and agricultural sectors. Indeed, special attention is now paid to achieving increases in productivity through effective investment spending. The World Bank has funded the newly implemented agricultural program defined in the Public Investment

51 These experts include Ibrahima Hathie, director of research at the Initiative Prospective Agricole et Rurale (IPAR), who has evaluated the impact of rice imports on the commercialization of local rice in Senegal: Etat des lieux des impacts des importations de riz sur la commercialisation du riz local.
Triennial Plan (PITP), which is estimated at 126 billion CFA. This program aims to increase Senegal’s agricultural sector activity up to 10.7 percent per year on average during the period 2014–2023. In return, the World Bank recommended that the government respect the objectives and priorities set in the national planning/investment or growth strategy documents in order to benefit from budget aid. The World Bank has set (since 2014) specific imperatives to the government, such as the declaration of assets—“déclaration de patrimoine”—for each member of the government, including the executive directors of national agencies.

USAID likewise intervenes in various strategic sectors such as health, agriculture, education, environment, water, sanitation and hygiene, business environment and competitiveness, democracy, and good governance. The US financial commitments over the period 2010–2015 amount to about 232 billion CFA.\textsuperscript{52} Another priority for Senegal is “universal access to drinking water,” with the objective in 2015 to reach 60 percent, and USAID has already provided $21 million. However, the position of USAID toward the Senegalese government is very clear: the latter manages public finance and therefore it is accountable. USAID’s recommendations generally consist of pushing the MEFP to follow guidelines established by the Economic Community of West African States (ECOWAS), which involve moving from short-term budgeting to a results-oriented budget, setting up an accountable budget, and sharing budget information with stakeholders and the general public.

Finally, the Delegation of the European Union in Senegal promotes the reduction of poverty and sustainable development and democracy. The delegation’s latest budget aid to the state was 21.6 billion CFA to finance sustainable development, namely the protection of the environment and the prevention of land degradation. The EU had disbursed financial aid this year under the condition that the budget of the Ministry of Environment and Sustainable Development be increased. The EU will also directly fund the Public Treasury under the guarantee that the government monitors the efficiency indicators set for the execution of the budget.

Interviews with representatives of these donor agencies suggest that their ability to influence the budget process is not only manifest through their control of significant financial resources, but also through their access to Senegal’s economic and financial data, which allows them to monitor indicators of Senegal’s economic progress and promote rules and guidelines that they approve of.

In general, foreign donors and international financial institutions are, today, less willing to turn a blind eye to practices of corruption that manifest at the highest level. Indeed, they stress the importance of good governance, accountability, and

\textsuperscript{52} MEFP, 2015 (data accessed at http://www.finances.gouv.sn)
the need to link economic development with institutional reform. They likewise tend to promote investment in pro-poor sectors of the economy.

These points notwithstanding, donors are not directly involved in tracking national budget expenditures. They do ask the ministries to do their own job of tracking funds, but a request is certainly not a guarantee of efficient management. Likewise, if one looks at international trends in donor assistance, it is by no means strictly tied to good performance on governance indicators, and it tends to link more closely with foreign policy objectives. In this regard, it is important to appreciate the extent to which Senegal is still dependent on foreign aid.  

Because the government has failed to reduce this dependency, donors are able to keep demanding structural changes under tight conditions that are often accepted—regardless of whether such changes yield improved outcomes for citizens. As one politician interviewed put it:

[T]he level of government sovereignty can be measured by the level of involvement of the donors in the country’s development orientations through budget aid and grants. National policies are then, in reality, “knotted up” by donors or technical and financial partners. As such, the budget’s ability to respond to domestic needs is compromised by requirements of foreign donors. Currently, those interests appear to be about addressing poverty and improving governance; however, this may not always be the case.

All of the above being said, it is notable that agricultural spending in Senegal has increased. It hovered between 7.5 percent and 4.5 percent between 1985 and 2004, but since 2005 it has been above 10 percent, steadily increasing to around 13.5 percent in 2009, which means the country has met and exceeded its commitments to the Maputo Declaration. Of further note is that aid to agriculture has declined, suggesting a real commitment to agricultural spending in Senegal—although it is impossible to determine the extent to which mineral revenues have been directed to agriculture. Notably, despite these allocations, the percentage contribution of agriculture to gross domestic product (GDP) has not increased, remaining at around 4 percent. This stagnation suggests that real

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54 Interview with author, M.L.Diallo.
55 Author’s calculations based on ReSAKSS data from 2014: [http://www.resakss.org/map](http://www.resakss.org/map)
problems remain within the policy and planning processes within the agricultural sector.

In summary, although Senegal’s budget process appears orderly, inclusive, and efficient, a closer look suggests that the process is susceptible to being dominated by the executive branch of government. Such dominance is not only the product of formal necessities, such as the ability to set expenditure ceilings, but also because the guiding principles for budget formulation are contradictory, and therefore hand discretionary power to the MEFP. Evidence of the executive’s dominance over the budget is manifest in the prioritization of presidential projects, which have few accountability structures in place to monitor them and appear open to abuse. Finally, although the budget is meant to be responsive to domestic needs, it appears that Senegal’s heavy reliance on foreign aid means that major donors also play a significant role in shaping areas of priority regarding the distribution of the country’s resources. Although it is noted that these actors, for the most part, promote pro-poor investment and focus on improving governance and transparency, it is simultaneously important to appreciate the extent to which such influence over the budget presents a barrier to achieving effective, citizen-led, accountable government.

With these challenges in mind, and having discussed the processes surrounding revenue collection and the budget process explicitly, this report now turns to look at the broader functioning of accountability institutions, which are meant to ensure effective oversight of decision-making.
6. ACCOUNTABILITY CONTEXT

It was mentioned in the previous section that Parliament operates as a compromised oversight institution owing to a lack of political will. Understanding why this is the case requires taking a broader look at the larger system of relations between different actors, and exploring where their interests might lie in enforcing accountability. In order to do this, this section of the report explores the broader relations of power between the (nominally) separated branches of government. This section describes what relations of power are meant to look like, before discussing what they actually look like. The section then proceeds to discuss the implications of such an arrangement and explores why such conditions are so persistent, despite numerous efforts to address them.

Although many African states are known as authoritarian or autocratic, Senegal’s political system is considered stable, democratic, and mature. Explanations for Senegal’s apparent success focus on its Constitution, which is based on principals of justice, equality, and democracy. The Constitution was enacted shortly after independence and outlined a presidential regime coexisting with a Parliament charged with the control and monitoring of government policies and actions.58

The Constitution also provides for jurisdictional and administrative accountability mechanisms to ensure good governance of public resources. In this respect, Senegal has made important progress. For example, while only one court of justice existed at the time of independence (the Supreme Court of Senegal), which also played the role of supreme oversight institution, by 1992, the country had created three specialized justice institutions: Conseil Constitutionnel (“Constitutional Council”), Cour de Cassation (“Court of Cassation”), and Conseil d’État (“Council of the State”). Furthermore, as recently as 2012 the government passed a Transparency Law (No. 2012-22), which is intended to organize and coordinate the declaration of assets by government officials.

A final important oversight institution worthy of reflection in this report is the media. Article 8 of the 2001 Constitution protects freedom of expression and of the press, and Article 10 guarantees the “right to express opinions freely, in

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58 See Article 85, Constitution of Senegal.
words, in writing, in images, [and] by peaceful marching." The media is eager to report on corruption cases or financial scandals involving state authorities; however, reporting still lacks substantive engagement on fiscal and budget issues.

Despite the Constitution’s formal provisions for a separation of powers, when appraised from the inside, the political system appears more complex. It is torn between two political models: a “French model,” whose foundations are the Jacobin state, political pluralism, and the freedom of the press inherited from the colonial period, and an “African model,” characterized by a presidential regime that is highly centralized. Others portray the latter model as undermined by clientelism, corruption, and close relations between political and religious leaders. Within this hybrid model are the three pillars of government—the executive (consisting of the president and prime minister), legislative (Parliament), and judiciary (courts)—however, despite the fact that the Constitution specifies the separation of powers, their independence is compromised because, in reality, the executive supersedes the latter two pillars, effectively giving the president influence over what are meant to be autonomous oversight institutions.

The dominance of the executive is manifest through both formal and informal means. Formally, the Constitution has reinforced the capacity of the president to dissolve (and reinstate) the government and the Parliament. The president is also in charge of defining the national development strategy. According to Article 42 of the Constitution, the president determines national policy, which is to be conducted by the government under the direction of the prime minister. Article 44 of the Constitution allows the president to appoint civil servants, and Article 49 allows him to appoint the prime minister.

Additionally, the Constitution affords the president the ability to make appointments to the head of all national institutions, including all oversight institutions: administrative, parliamentary, and judiciary. As such, horizontal accountability within the executive sphere and between the institutions is severely compromised, which, in turn, calls into question the extent to which the president is in any way accountable. Contrary to the most mature democracies, where the president’s power is limited and controlled by a legislative body and the courts, in Senegal, the president is not under any effective control from the other institutions. As a consequence, the institutional control and audit systems are often inefficient. For example, the study respondents unanimously reported that procurement audits are seldom conducted.


In terms of the informal means by which the dominance of the executive is expressed, as with the budget, the issue pertains to the compliance of Parliament and its failure to exercise effective oversight. Although formally the Parliament is empowered to pass a vote of censure for the resignation of the prime minister and members of the government, and to call the prime minister\textsuperscript{61} and other members of the government to attend question-and-answer sessions regarding ongoing government programs, the Senegalese Parliament is generally considered weak. In addition to issues of capacity (mentioned above), political will is undermined by a strong culture of party discipline. As one respondent put it, people will follow the “president of the republic’s commands.” This means that a majority in the Parliament translates into effective control for the president of the ruling party.

Part of the problem is that speaking out against the president can jeopardize future political aspirations. The reason for this is that to run as a candidate for election, one first has to be nominated by a registered party. As such, speaking out against the actions of the party means that one jeopardizes future nomination.

Finally, the centralization of budget decision-making power within the executive is thought to have allowed the executive branch the capacity to affect the quantities of revenues that end up being transferred to local government (see Section 7 on decentralization). Although allocations cannot be made on the basis of political compliance, such behavior is thought to be common practice with the executive usually able to find some means to justify particular allocations. The result is that the executive is effectively able to punish dissent by withholding resources from areas in which dissenting parliamentarians and mayors have been elected. It likewise means that there is little incentive for elected officials to hold the executive to account or check its decision-making power. Thus, although Parliament has formal grounds on which to hold the executive accountable, it tends to be compliant with the wishes of the executive/ruling party.

Evidence of the extent to which power is centralized within the executive lies in the number of times that the Senegalese Constitution has been modified. By 1978, the Constitution had been modified six times.\textsuperscript{62} Senegal adopted a fourth Constitution in 2001 following a democratic handover of power to President Wade. In 2012, the year of the last presidential elections, former President Wade tried to once again change the Constitution so that he could seek a third mandate and modify the terms of his succession. Notably his failure in this respect was not due to the legislature, but to public protest.

\textsuperscript{61} This year (2015) the prime minister attended a question-answer session at the Parliament twice twice, a strong sign of political will from the new government.

The ability to reform the Constitution is not essentially a presidential entitlement. In fact, Article 52 of the Constitution clearly states that the Constitution can be reformed only if the institutions of the republic, the freedom of the Nation, the integrity of the national territory, or the execution of international commitments are under imminent threat—and if the public authorities or institutions’ function is interrupted. To date, none of these conditions have been invoked as the reason for Constitutional reform. It seems that the succeeding Senegalese presidents simply took advantage of their position to modify the law so as to maintain their power, increase their prerogatives, or accomplish their political agenda.

This analysis of power within the government is confirmed by findings of the first evaluation report of the Commission for Institutional Reform (CNRI), which was established by the president in 2013. The report highlights a number of loopholes. Firstly, it deems that the powers of government remain merged and the issue of their imbalance remains unaddressed. The predominance of the president of the republic “who is the sole decider” is obvious, given the fact the president is not answerable for his (or her) actions as long as he or she remains in power. Second, the Constitution is “reduced to a toy in the hand of child” in the sense that it is often changed to provide more power to the ruling party and to the majority in Parliament. Third, the report found that Parliament remains under the strong influence of the executive. As a result of these dynamics, some Senegalese scholars argue that the country is a semi democracy with a government unable to control the political and socioeconomic transformations with which it is confronted.

Regarding the issue of “hyper-presidentialism”—the formal separation of powers without checks and balances—there is an established national debate as to whether Senegal should keep a presidential regime or switch to a democratic, parliamentary system. Dominant views in this debate focus on the difficulty in changing the system compared with the negative consequences caused by the current democratic deficits.

This centralization of power within the executive appears to be replicated throughout the country at the highest level among ministerial departments and directorates. According to a respondent from the Directorate of Horticulture,

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63 Rapport de la Commission de Réforme des Institutions au Président de la République du Sénégal, Décembre 2015
64 Former senior researcher at the Ministry of Agriculture, in discussion with the author, (interviewed in March 2015).
within the Agricultural Department, for instance, this centralization reduces the autonomy and flexibility of technicians to deliver services in a timely manner and to implement approved projects. For example, the simplest of procedures—for example, buying gas for the office car in order to go to the field—requires a long wait for approval and for signatures from superiors, a situation that is almost certainly an issue of an unresponsive bureaucracy created by a hierarchical organization in which decision-making power is centralized among a few high-ranking administrators.

In addition to these institutional failings, there are also worrying signs of gerrymandering. For example, Senegalese researchers have confirmed that the creation or splitting of many of the political jurisdictions during the last term of former President Wade were guided more by political calculations than by a need for territorial re-mapping or development requirements.67 The former speaker of Alliance pour le Progrès et la Justice/Jéf-Jél (an opposition faction) added that “creating new entities is an attempt to build support and offer positions to members of the Senegalese Democratic Party (PDS)—the dominant party.”68

In a final analysis, democratic reforms and economic choices were found to be entrenched in political goals of achieving electoral success. Besides being a simple multiplication of electoral districts, redistricting has an economic cost because resources are diverted to support these newly created administrative units.

Lastly, in terms of the media, constitutional allowances that protect freedoms of expression and the press are occasionally undermined, principally, through the use of national security and anti-defamation legislation to suppress dissent among journalists.69 That said, the existence of independent media has ensured that a plurality of information and opinions is available. As mentioned above, however, although the media are quick to report scandals involving corruption, they are less focused on budgetary details and less concerned with public finance (Figure 2). As such, a focus on economic issues, including issues regarding the budget remains, very limited.

IMPLICATIONS OF LIMITED ACCOUNTABILITY

Given the problems cited pertaining to limited checks and balances and to the concentration of power within the executive, it has been noted that national institutions are frequently used for political patronage and clientelist strategies aimed at maintaining political control and accumulating capital for a privileged class. This process includes offering jobs to party members and other influential public figures, promoting businesses controlled by wealthy citizens in return for party contributions, and spending state resources in politically favored territories. There are cases of ministers who orient investment expenditures to their region (of birth), in return for support at local polls. In the exercise of power, legitimacy is often maintained by the ruling party. For example, the president of the republic, who is at the same time chief of party, publicly asks members of his party (some of whom have been appointed as ministers or heads of national agencies) to win local elections at their own risk with the threat of being removed from their position if they lose. Numerous cases illustrate this way of conducting politics.

70 National institutions include ministries, Parliament, councils, and national agencies.


72 It is the ability to control funding in this way that also has implications for parliamentarians being (un)willing to hold the executive to account—as mentioned above.
High levels of presidential autonomy over decision-making in the budget process play into this dynamic. Returning to the president’s projects for example, the president frequently seeks the support of lobbies or rich entrepreneurs (and vice-versa) to help with implementation. This reliance furthers the fusion of political and economic elites. For example, the director of the International Trading Oil and Commodities Corporation (ITOC) is said to be very influential in the energy and oil sectors. These sectors have been in crisis for many years and have benefited from bailouts from the state and big import companies (e.g., ITOC), which had oftentimes provided fuel to the national electric company (Senelec) and butane gas during production shortages. In return, it is said that the company gets benefits from the state such as tax exoneration. More generally, these rich individuals established in the country (or abroad) are known for their generous contributions and support to the top-running presidential candidates during electoral campaigns.

All of the above points have implications for the extractive sector where the problem of corruption is thought to be pervasive, including, for example, corporate representatives being granted mining licenses without following the standard rules of request for proposals (tenders)—as was evidenced in the Sabodala Gold case mentioned earlier.

In addition to corruption, accountability problems drive inefficient economic policies and budget expenditures. According to a recent study, such conditions explain the contemporary decline in many socioeconomic indicators, despite the steady evolution of growth in the country. For example, Senegal has seen little progress in poverty reduction since 2005, and underemployment remains a big problem. A major contributor to this situation is thought to be inefficient common expenditures, which accounted for 14.5 percent of the 2014 budget (an increase of 5.5 percentage points over 2013). This type of spending includes government expenditures not assigned to any sector ministry and it represents a line of discretionary spending, which weakens accountability and transparency. Indeed, on May 7, 2015, an International Monetary Fund (IMF) mission to Senegal held a press conference during which the chief of the mission stated that “one of the issues of the national public salary system is its lack of transparency with many compensations added to salaries.” Such processes resonate with other work that has pointed out the issue of “prestige expenditures,” such as

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73 See lerel.net, “Ces hommes qui gouvernent véritablement le Sénégal.”


expensive cars and houses, which are prioritized over investment in development projects or in agriculture.\textsuperscript{77}

It is hypothesized that efforts at addressing corruption are frustrated by the fact that the Senegalese justice system is not repressive enough to combat corruption. In this regard, the current legislation is considered to be more correctional (disciplinary) than criminal.\textsuperscript{78}

A further challenge is that, from an anthropological standpoint, politics is perceived in Senegalese culture (or at least it is a largely shared view) as “a means that justifies the ends,” the “end” being to obtain power through wealth. Wealth is accumulated and shared with family, community members, and political constituencies. One of the “means” is corruption (inducement mostly). At the same time, there does not appear to be strong public opposition to corruption, with a “culture of corruption” being prominent. By “culture of corruption,” controversial as it may sound, we simply mean that the phenomenon of petty corruption is so pervasive that it is readily accepted by the general public. For example, it is considered common to give some money to a police officer to avoid a traffic ticket; or to bribe someone to get access to a legal document (i.e., a birth certificate) rather than following the normal process.

A notable feature of the Senegalese context is that each new administration claims to bring a change in the way politics and governance are conducted; however, after a short period of time the same practices surface again. The question of why politics of this sort is able to persist is an important one. As such, before moving to discuss potential interventions that might be made to alter the accountability context in the country, it is worth first reflecting on the historical political and economic dynamics that have served to entrench these power relations—and which are thought to lie at the heart of frustrations over the inability to change them.

**UNDERSTANDING A PERSISTENT LACK OF ACCOUNTABILITY**

The contemporary centralization of power within the executive has to be understood in terms of the preceding period of the postcolonial and socialist government that was established by the ruling party in the 1960s. Driven by ideas of the social contract and paternalism (obligations to assist/serve all

\textsuperscript{77} CONGAD. Etude sur le financement de l’agriculture au Sénégal, de 1980 à 2010: plaidoyer pour une plus grande allocation budgétaire 2011.


citizens), the postcolonial state has played a central role in shaping patterns of local private accumulation and has channeled economic resources into the hands of the elite, or dominant, class,\(^79\) thus impacting the welfare of the masses. The concomitant creation of a one-party state sought to suppress debate over the regime's macroeconomic strategy and therefore centralized power in the office of the President (Léopold Sédar Senghor's, in office from 1960-1980).\(^80\)

In noting the persistence of centralized power, the intention is not to dismiss the fact that there have been efforts at reform. Starting in the 1960s the presidential regime was initially characterized by a bicephalous executive scheme in which power was divided between the president of the republic and the chief of the government (président du conseil). However, this political system collapsed in December 1962 after an alleged attempt at a coup by the chief of the government. In 1963, a new Constitution was adopted that attributed all state prerogatives to the president, establishing thus the hegemony of the ruling party\(^81\) in the office of then-President Senghor.

Likewise, in the context of the global collapse of socialism, and following the popular discontent that stemmed from structural adjustment, struggles over democratization and inclusive governance\(^82\) culminated in a transition to democracy. Specifically, this included frustration, manifest at the end of the liberal regime, over stagnant bureaucracies, corrupt institutions, unpopular policies (contested third presidential mandate of President Wade), a lack of transparency in fiscal affairs, and social unrest (riots, growing anger at the rising cost of living and daily power outages, etc.). The partial result has been constitutional and political reform, including granting civil and political freedom for many. This has, in turn, manifest in numerous labor unions and the existence of nearly 250 political parties in the country today.

Within the past three years, the new government has been implementing fiscal reforms in order to maintain financial stability of the state accounts and to improve the management of public finances and public procurement. Moderate progress includes setting up OFNAC (the National Office for the Fight against

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79 Boone, "The Making of a Rentier Class." 1990


81 This party was the Union Progressiste Sénégalaise (UPS), or Senegalese Progressive Union, which later became the Socialist Party (PS).

82 Theses struggles linger: the public education sector has been paralyzed by cyclic strikes since the beginning of 2015, for example, as teachers are calling for more social protection, for payment for extra hours worked, and for housing, among other demands. Notably, the dynamics underpinning these events were identified previously. For example the World Bank obliged the state to reduce the number teaching staff and limit massive admissions of students at the universities; later, the government hired contractual low-ranked teachers to meet the demand. Now, the latter are requested to be fully recognized as faculty members with the same advantages.
Fraud and Corruption), reactivating the CREI\textsuperscript{83} (the Court of Repression of Illicit Enrichment), maintaining an ongoing project for the reform of the National Audit Office, creating the Committee for the Assessment of Public Policies and Programs/Commission d’Evaluation des Politiques et Programmes publiques (CEPPPP), and strengthening the Finance Committee of the National Assembly. In order to arrange a long-term outlook for the state’s financial situation and as part of the effort to increase accountability in the management of public finances, other reforms have been initiated. One of them is the Medium-term Sectoral Expenditure Framework (MTSEF), which provides a strong basis for budget programming and long-term planning of expenditures. Likewise, the country has seen the implementation of the West African Economic and Monetary Union (WAEMU) common guidelines, a shift to results-based budgeting, and a reorganization of its tax system. The reform of public procurement and public finance will certainly benefit from the implementation of the new transparency code adopted by the government.

Part of this of this process is a response to the preceding period of liberalization, with the current government advocating for the “moderate and righteous” governance of public resources as a policy rupture with the status quo. Such changes are thought to have been informed by the recommendations of the country financial accountability assessment (CFAA) and the country procurement assessment report (CPAR), as well as by the findings of the Public Expenditure and Financial Accountability (PEFA) evaluation in 2007.

Despite such reforms however, public finance still faces many challenges, especially in terms of transparency in budget management, the effective functioning of anti-corruption mechanisms, and the control of public finances and accountability. According to a recent study undertaken by the Directorate of the Prevision and Economic Studies (Direction de la Prévision et des Études Économiques), empirical tests have shown that the current budget is still unsustainable and that it cannot carry all the expenditures, especially the investments for the Plan Sénégal Émergent.\textsuperscript{84} As a result, despite the good performance on tax collection and discipline regarding the use of public funds, it appears that there is still a need to improve “budget credibility” through reforms to budget implementation so as to avoid inefficient expenditures.

Notably, however, the extractive sector also requires improved governance mechanisms. The reform of the Mining Code, underway since 2003, is almost

\textsuperscript{83} Created in 1981 by the Socialist government, the CREI was reactivated in 2012 by President Macky Sall. This special court has recently condemned the son of former President Wade to six years in prison for illicit enrichment and maladministration of public funds. The CREI is considered controversial by some jurists (and the opposition), because it was initially legislated by the Constitution and its competence is limited to investigation.

complete. That reform aimed at achieving more-efficient management of extractive resources by capturing greater social and economic benefits for the state and communities, and by making improvements in environmental sustainability. Despite these reforms, however, accountability mechanisms and institutions within the sector remain insufficient.

In this regard, it seems that the findings from earlier studies still hold relevance in identifying the overarching factors explaining why corruption persists in Senegal—despite reforms. These include the findings of an analysis of Senegal’s political, institutional, legal and cultural context, which identified:

- Inadequate checks on executive decision-making resulting from the pattern of extreme concentration of power in the presidency
- Lack of transparency in government operations and lack of autonomy of control and regulatory institutions charged with monitoring public expenditures
- Lack of service orientation in delivery of services to the public
- Inadequate and ineffective public opposition to corruption
- Large public tolerance of corruption based on cultural and social norms (for example, that one cannot return a gift, a topic too broad to detail in this report)

Fortunately, an important up-side of these struggles over democracy is that civil society is now engaged in efforts to improve accountability. Regarding budget processes and revenue sharing, however, two questions remain: (1) Is civil society sufficiently able to oversee government decisions pertaining to budget expenditures and revenue sharing so that accountability might be effectively exercised? (2) Is the decentralization context sufficiently favorable to support effective participation in the budget processes at the local level?

This report now moves to explore these final questions.

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7. A NOTE ON DECENTRALIZATION

Technically, decentralization in Senegal dates to the colonial period and the creation of the four municipalities (Dakar, Rufisque, Gorée, and St. Louis) and the extension of the municipality status to 34 other cities of the country. However, the decentralization of the sovereign state of Senegal dates from the administrative and territorial reform of 1972 in which rural communities were set up as political and territorial authorities as well as municipalities. Rural communities were defined to distinguish local government from municipalities, which were local government structures in urban areas. The consolidation of decentralization took place in 1996 with the creation of regions, both as development centers and as political and territorial entities.

Since the 1996 decentralisation reform, regions, communes and rural communities have been led by local councils composed of members elected by direct universal suffrage. In order to stand as a candidate, however, one first has to be affiliated with, and nominated by, a registered political party. Local elections are therefore competitions between party-appointed candidates, including candidates within the same political party. The councils act as a deliberative body, defining local policies and taking operational decisions for their implementation, via vote by majority. The councils have a president (or mayor for municipalities) and two vice presidents, which constituted the executive. Their role is to put into practice the policies and decisions made by the council and to propose policy, including the creation of an annual budget proposal. Regarding the budget, each year, the municipal and department councils deliberate on budgets and administrative accounts that are prepared and submitted by the mayor.\footnote{Act No. 2013-10 art. 87. République du Sénégal, Loi no. 2013-10 du 28 décembre 2013 portant Code général des Collectivités locales?} The budget can only be valid and implemented when it is approved by the administrative supervision authority, namely the subprefect or the prefect. Notably, these prefects and subprefects are state-appointed authorities and are dependent on the Ministry of Interior. Under the principle of political representation, citizens are not involved in the budget process; they can simply learn about the budget and administrative accounts or claim that planned priorities that have not been met during the implementation of the budget be undertaken. Claimants address their appeals to the subprefect or the prefect,
who decide whether the claims are acceptable and need to be sent to court in cases where the council refuse to take them into account.

With the launch of the full communalization, which occurred in December 2013, regions are no longer political entities; they are no longer led by a local council. However, they still keep the governor as the administrative and territorial leader who represents both the Minister of Interior and the President of the Republic. At the same time, the department acquires a political status and is now led by a local council. Note that the department still has an administrative and territorial status at the top of which is the Prefect—a state appointed-civil servant like the governor. One could say that the department has substituted the region in the political decentralization system. The official reason for shifting rural communities into communes is to create conditions for social and economic justice because the communes have more freedoms than the former rural communities in setting up local taxes and royalties on the businesses and resources within their territories. The difference between the communes and the former rural communities is perceived by the current government as a sign of discrimination against the rural people that needs to be addressed by full communalization, which would mean that all rural communities have become communes with the same legal roles, economic benefits and political responsibilities.

Full communalization has enabled equality in the exercise of powers that have been decentralized from the state to the local political jurisdictions (i.e., communes and departments). Among the powers that are decentralized are education, health, waste management, and renewable natural resources governance. The exercise of decentralizing powers is put under the control of legality operationalized by state-appointed authorities like the prefect at the department level and subprefects at the arrondissement level. The control of legality is a posteriori; that is, any decision taken by municipalities and departments is only valid after the prefects or subprefects approve it in light of the current national policies and legislations. The transfer of powers and the exercise of them are not well implemented, and there are many cases where elected local government authorities are put under political and discursive pressures by state-appointed local authorities and political party leaders.

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87 Act No. 2013-10.
88 Note that the governance of mining resources is not decentralized because mineral, petrol, and gases are considered as nonrenewable resources and for that reason are under state governance.
89 ‘Arrondissements’ are purely administrative structures located below ‘Departments’, but above ‘Communes’—the lowest administrative level in Senegal
The financial means for exercising decentralized powers come from the local taxations, penalties, and returns from fines levied on any illegal activity occurring within the territorial jurisdiction of the communes or departments. There is also a “fonds de dotation de la décentralization” (funds for decentralisation) that is distributed each year by the state to communes and departments, but its distribution is based on political subjectivities favoring the communes and departments led by ruling party affiliates.

There is no interaction between the national and the local level as far as budgeting is concerned; the communes and the departments are autonomous in setting their own budgets, except that they are compelled by decentralization laws to have their budgets approved by the state-appointed authorities, subprefects, or prefects. The approval is to certify that the scheduled activities and funds are consistent with what decentralization laws and public finance principles have instructed.

In summary, it appears that although there have been significant reforms regarding decentralization in Senegal, this process of devolving power remains stalled through the appointment of governors as the heads of departments, the need to have candidates for local government office be nominated by a registered political party and through the mediation of prefects who have to approve both legal promulgations from the local councils and who act to approve budgets. The formal justification for these processes is that they ensure that budgets are in line with broader development priorities. Regardless, it is also quite clear that such agents also provide the central government a degree of control over the functioning of the local councils. In addition, the idea that decentralization offers a meaningful way for political decision-making to be made more bottom-up is fundamentally undermined by the extent to which the central government has effective discretion over allocations of funding to regions.


8. OPPORTUNITIES FOR CIVIL SOCIETY ORGANIZATIONS’ INFLUENCE

Access to budget information has improved dramatically in Senegal. This improvement is thought to be the result of pressure created by low Open Budget Index scores that observers and the media depicted as discouraging foreign investment. Despite improvement—Senegal has seen its index score rise from 3 (out of 100) in 2008 to 43 (out of 100) in 2015 (Figure 3)—access to budget information in Senegal remains limited. (Open Budget Index scores below 60 for 2015 are defined as “insufficient.”)

![Figure 3. Senegal: Open Budget Index scores](image)


92 In 2010, the budget transparency score for Senegal was 3 out of 100 (the world average is 42); in 2012 it was raised to 10, as a result of reforms. See OBI-Sénégal 2012 International Budget Partnership (IBP). Open Budget Survey 2012 available at [http://www.internationalbudget.org](http://www.internationalbudget.org)
Problems of budget transparency are thought to contribute to high levels of perceived corruption. In this regard, for example, in 2014, Transparency International ranked Senegal 69th out of 175 countries93 in their Corruption Perceptions Index. Although this presents as an alarmingly high ranking, it is notable that the country has seen a steady improvement in both index score and rank since 2011, when the country was ranked 112th out of 183 countries.

The same lack of transparency that plagues the national budget is also apparent in local government’s management of funds received from the central government. Furthermore, the collection systems for fees, taxes, and fines are very informal, favoring the misuse of the public revenues.94 In addition, apart from being required to publish the budget and administrative accounts at the end of the financial year, the town council is in no required to report to the citizens about the way it is taking care of their needs or managing local finances.

At the national level, CSOs viewed major problems with the budget pertaining to the government’s failure to publish budget data in a timely fashion and to limited understanding of the budget on the part of the public. Views were varied as to whether there was a sense of entitlement among the public regarding transparent access to the budget as well as how easy it was to identify areas of expenditure within the budget (Figure 4).

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93 Low ranking on the index indicates lower levels of perceived corruption so that a rank of 1 indicates the lower perceptions of corruption and 175, indicates the highest.
Despite these problems, Senegal’s Constitution puts forth legal provisions that give citizens the possibility of exerting control over the implementation of the budget of their local authority and their local public institutions. With the latest changeover of political power, citizen participation in budget processes (from design stages to the development, monitoring, and evaluation of the budget) has become a good governance requirement.\(^{95}\) According to Article 155 of the Constitution, for example, any citizen is able to make a request for a full or partial copy of the budget and accounts of a municipality. Citizens are further entitled to publish these documents, at their own expense. Likewise, each taxpayer has the right to complain (at his expense and own risk) against the municipal council for activities that were initially scheduled and for which money was saved in the budget but that have not been (appropriately) realized (Article 231). Notably, however, a citizen complaint of this kind cannot be made without the consent of the state representative for the local authority and the presentation by the citizen of a statement detailing the purpose and the reasons for the claim (Article 232). A lack of knowledge regarding these provisions and limited efforts to enact them are thought to be part of a broader problem of limited engagement around issues of the budget and public finance within the media and civil society.

Noting a lack of activity in the budget space, however, should not imply that Senegalese civil society organizations have been disengaged or passive. In particular, following the discontent around the political manipulation apparent during the last changeover of political power, civil society organizations have

\(^{95}\) Lamine Mandiang, *Renforcer le rôle des médias pour la transparence dans la gestion des ressources publiques et le contrôle citoyen au Sénégal*, rapport d’évaluation externe du projet (Institut Panos Afrique de l’Ouest [IPAO], December 2013).
joined with social movements to demand greater levels of transparency and accountability from the government. Such activities include formation of the citizen network for budget transparency, created in 2013, from the pooling of efforts from several civil society organizations such as Action Solidaire, Alphadev, and CICODEV Afrique. In particular, it is worth noting the remarkable efforts of the group “Civil Forum” in encouraging local authorities to increase both transparency and inclusion of citizens in the budget process. A number of programs—called “Decentralization, Governance and Transparency,” “Good local governance and citizen control,” and “Good local governance and active citizenship”—are designed and popularized under the idea of “citizen certification”—which is granted to the local authorities who agree to promote citizen participation in the budget process.

In addition, a CSO coalition has been formed around efforts to increase transparency in the mining sector. The core mission of this group is to promote the transparent and inclusive governance of mineral resources. The coalition is generally viewed as having been important in driving Senegal’s adherence to the EITI process and in making contributions to the review of the Mining Code. This coalition has also created a parliamentary network aimed at improving the governance of mineral resources.

Most of the civil society organizations’ actions in terms of budget transparency and citizen participation in budget processes focus on participatory budgeting. Notwithstanding the significant potential for such projects, they are limited by the fact that there is no legal requirement for citizen participation in setting budget priorities, in monitoring or implementing the budget, or in assessing its achievements. Citizen engagement with the budget is therefore legally limited to the ability to complain but not to participate in the processing of the budget. Furthermore, the most recent decentralization reforms did not create any legal requirement making local governments accountable to citizens or improving accountability. For example, the new law on decentralization does not offer the necessary incentives and opportunities for citizen control of local public action, including budgeting processes.

It is worth noting that most cases citizen oversight occurring through the efforts of certain CSOs are carried out with the technical and financial support of

97 Mamadou Mansour Diagne, Du Budget Participatif au Sénégal: Vue panoramique des enseignements, défis et perspectives, communication au Forum Social Mondial (Dakar, February 9, 2011).
98 Act No. 2013-10.
99 Note that the law has been so discredited that it is under review and will be returned to the National Assembly.
international partners (and occasionally the government), for example, the Citizen Charter on Good Governance Certification of Compliance of the Forum Civil.

Despite the gains made by civil society organizations, it is the opinion of the researcher that Senegalese CSOs’ actions lack synergy and that their theories of change lack coherence and are not sufficiently prospective to see if the state is going in the right direction in terms of addressing poverty or ensuring the equitable distribution of revenues. In addition, many CSOs have little capacity to use data for social accountability or they lack substance regarding their lobbying and advocacy activities. According to responses from civil society organization members to survey questions (Figure 5), the lack of coordination among CSOs was viewed as a prominent problem, as was a lack of capacity and funding. In addition to these problems, CSO members cited lack of legislation—more than state capacity or problems with the media—as barriers to accountability in Senegal.

Figure 5. Barriers to accountability in Senegal

Survey prompts

Source: Research Survey (see methods section).
Considering the capacity of civil society in Senegal and accounting for the context in which CSOs work, it is clear that there is a general lack of transparency in the management of public finances—at both the local and national level. This tends to manifest in a complete lack of access to budget information, which, in turn, paves the way for corruption. As a result, constraints on the participation of citizens in the definition of budget priorities, as well as in monitoring and evaluation, are, first and foremost, legislative and regulatory (Figure 5). The only legal way in which citizens are able to effectively sanction local representatives on budget management issues remains the vote. In addition, there are some problems within civil society organizations regarding capacity and a coherence of effort. In terms of capacity, actors in this field suggest that a lack of funding for budget monitoring is a major impediment.

100 Mandiang, *Renforcer le rôle des medias.*
9. CONCLUSION

This study was an effort to understand the political and economic dynamics in motion in Senegal and how they affect the collection and allocation of natural resources revenues. This study is timely in Senegal, where the extractive sector has become an important growth pillar for the country’s economy, which is characterized by a scarcity of budget resources, high dependence on foreign aid, and a lack of monitoring of budget expenditures. Senegal also finds itself in a difficult position because the Senegalese public is clamoring for a greater share of extractive revenues, with the state having to sustain, and increase, levels of social development spending. At the same time, global commodity prices are currently low, and the country needs to attract foreign capital.

In considering the above factors and the findings of this report, it is clear that Senegal faces major institutional problems regarding accountability and efficiency. The most salient challenge is the extent to which power is centralized within the executive in Senegal.

Such centralization manifests in the extent to which oversight institutions remain compromised— with the president formally able to appoint the heads of all these institutions—and in the manner in which the devolution of power, through decentralization processes, has been undermined by the use of prefects and subprefects, who are required to approve budgets and approve complaints. Likewise, limited capacity among parliamentarians, along with their skewed incentives against holding the government to account, furthers this problem. In such a context, the executive maintains effective control over setting budget priorities, with little oversight in terms of budget execution. Both the budget and extractives sector suffer from a lack of transparency, which makes citizen oversight very difficult. The lack of accountability in budget priority setting extends to problems regarding the management of natural resources.

The consequence is that budget making and policymaking are rendered inefficient. When mixed with a political system in which patronage networks are strong, the process of revenue allocation is vulnerable to both gross general mismanagement and explicit misuse of public finances. These dynamics in turn result in the inefficient use of the nation’s resources and contribute to the accumulation of wealth among the political and economic elite—at the expense of efforts to reduce poverty.

The above observations notwithstanding, there are positive signs in Senegal of increasing openness and oversight. Popular discontent over the potential abuse of power when President Wade attempted to extend his term through a
constitutional amendment and the successful blocking of the amendment have generated an air of change in the country. As a consequence, the government has enacted a number of reforms ostensibly aimed at increasing transparency and accountability. In this respect, it is clear that issues of good governance are politically salient in Senegal at the moment.

At the same time, however, challenges persist within civil society. Efforts across civil society organizations remain uncoordinated, and in many cases the funding and the capacity to oversee the use of public finances are limited. Further, the political salience of budget issues and the extent to which the public can be galvanized around issues of public finance remain in question. Finally civil society organizations often have only a superficial understanding of the nature of the corruption they are fighting.

With Senegal’s mining bill currently under reform and with oil recently discovered offshore, there is an important opportunity for pushing governance reforms that might include provisions for the equitable and democratic distribution of revenues while meaningfully reining in the power of the executive. Creating and enacting legislation appears to be crucial if there is to be a fundamental shift in the manner in which natural resource wealth is shared in Senegal. To this end, capitalizing on the atmosphere of reform—while also addressing civil society’s challenges around funding and coherence is critical to improving natural resource management for development in Senegal.
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