Less State, fewer benefits

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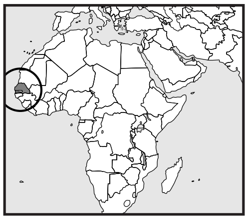

While applying structural adjustment programmes in the mid-1990s the government designed and implemented a sweeping plan for the privatisation of public companies. Since 1989, 27 public companies have effectively passed into private hands. The result has been the deterioration of the education system and the public health service, the degradation of food production and security, increased unemployment and the growth of exclusion and inequalities.

The most controversial privatisations in Senegal were those of SONEES (water), SONATEL (telecommunications) and SENELEC (energy), three sectors that for a long time had been considered strategic.

The main arguments put forward in favour of privatisation were increased demand for the services and the fact that the State was unable to assume the cost of the necessary investment in these sectors in the context of tight budgetary restrictions. Privatisation has so far taken two major forms. One consists of transferring assets (as is the case of SONATEL) and the other involves leasing (as in the case of SONES, the National Senegal Water Company, with a patrimonial body belonging to the State and a private management company).

This policy fits very well into the framework of the general strategy for State withdrawal from marketing, production and credit functions. The main beneficiaries, however, have been the foreign monopolies, to the detriment of national capital, workers and even the public services.

Privatisation to the benefit of foreign monopolies

In 1996, the Senegalese National Company for Water Exploitation (SONEES), the first major privatisation, was split into three units: the Senegalese National Office for Sanitation (ONAS); SONES, an entirely state patrimonial asset-holding company; and the Senegalese Water Company (SDE), responsible for the exploitation and distribution of water and whose main shareholder, Saur International (the French Bouygues Group), possesses 50.5% of the capital.

The privatisation of electric energy is a critical issue, as there is strong opposition from the trade unions. Privatisation of the generation and distribution of electricity was rejected several times until March 1999, when it ended up in the hands of a Franco-Canadian company, Elyo and Hydroquébec International. This party was to be responsible for meeting the demand for electric energy, which increases by at least 5% per year, by putting a major investment programme into operation. The State for its part, thanks to a special provision in the 1998 energy law that prohibits SENELEC (the National Electricity Company) from producing energy, was to authorise it to invest in order to increase its capacity to the level necessary to cover the demand for electric energy.

However, the new service suppliers never made the investment necessary to satisfy demand, which resulted in a shortage of electric energy and the rescission of the privatising contract.

A little under a year after the failure of this first attempt at privatising SENELEC with the Elyo-Hydroquébec consortium, the new authorities decided to re-launch the process of transferring the company to private hands, but made fundamental changes in the rules of the game. Now a total concession for a 10-year period has been made, covering production, transport and distribution. Furthermore, the State decided to increase the participation of the strategic partner. Privatisation would take place through the sale of 51% of the existing shares to a partner having a solid technical and strategic capacity. (The participation of the strategic partner was only 34% following the first privatisation operation in 1999.) Ultimately, this privatisation did not take place because Vivendi, the purchaser, was unable to assume its financial commitment.

The privatisation of the electric energy sector, always on the agenda, will not resolve the energy crisis. It has been presented nonetheless as a solution to the State's difficulties and a panacea for meeting the increased demand and reduced access to electricity throughout the country. Despite privatisation, the State objective of 60% urban electrification and 15% in rural areas, will not be achieved any time soon. The failure of this privatisation has been resounding, since this sector plays a major role in economic development. It is estimated that the electricity shortage has been the main reason for a drop in the 2002 growth rate.

In the telecommunication sector, the Senegalese State transferred 42% of the capital of the National Telecommunications Company (SONATEL) to France Cables and Radio (FCR), a branch of France Télécom. Pressed by its foreign creditors, the State sold an efficient and modern public entity.

This underlying problem with the privatisation of SONATEL has never been discussed publicly. Some sectors, and they are not the minority, believe the government should never have sold this gem of the national economy: it was a well managed public asset, well equipped, with up-dated technologies; its profitability increased year by year and its growth was continuous.

The only explanation for the privatisation of SONATEL is that it was one of the conditions imposed by the World Bank, which considered that the State should not operate in this area of the economy. However, it is ironic to note that France Télécom, the public company that bought up 42% of SONATEL capital, is a leader in the market and first in stock exchange capitalisation in its own country, at least up to 2002. The other paradox is that France Télécom has a debt of almost USD 69,000 million, owing to its eagerness to acquire foreign telecommunication companies, which endangers its own existence.

At all events, the privatisation of SONATEL has not generated any competition in the telecommunication market. Those who fear that private monopolies will take the place of the State monopolies have a reason to be concerned. The privatised SONATEL *is* a monopoly. It possesses the entire landline telephony network in Senegal. When it was a State company, it was responsible for installing the whole network of landline telephony in the country. However, that public service role did not survive privatisation.

On sharing out SONATEL investments, the State and France Télécom inherited the country's entire telephone network. Despite privatisation of the sector, SONATEL maintains a dominant position in the market. It establishes the rules, fixes the prices and determines access to the national and international telephone network. This lack of options when choosing operators obliges the Senegalese to resort to SONATEL without considering the price and the quality of the services. SONATEL dominates, but it is not able to fulfil its obligations:

requesting the installation of a landline can become a hard battle for a Senegalese. Is this a logistic problem or a decision to limit the landline telephone network, which is expensive to install? SONATEL will never reply to this question.

Clearly, the State must find other public management options that can contribute to consolidating national capital.

Privatisation without social benefits

SONATEL's spectacular profits have also caused great uproar. Many legitimately wonder why a company assured of permanent growth and with considerable assets, establishes such high rates for connection and use despite the citizens' economic difficulties and scant purchasing power. The usual reply, which justifies this policy by the need for reinvestment in the sector, does not sway the negative public opinion.

Investment in the telecommunication sector has not yet resulted in a significant extension of the network into rural zones, and therefore exclusion and inequality continue to prevail.

The doctrine of «less State, better State» has shown its limitations with the resounding failure of privatisations in the agricultural sector. Following the sudden and unplanned elimination of Sonagraines (the company responsible for marketing peanuts), the government has structured a network of 400 economic operators in the private sector, carefully selected and certified to market peanuts. In this way, the government has put peanut growers in the power of the private sector without giving them any real capacity for negotiation, threatening agricultural production and food security.

In the education sector, the deterioration of the system has led the most privileged people to enrol their children in private schools, thus feeding inequality and generating a two-track system. This is a *de facto* privatisation. For the past 15 years the World Bank has been convinced that, to solve the deficiencies of the education system, it is necessary to open it up to the private sector. The government, committed to paying the debt and with the imperious need to reduce budget deficits, has become incapable of fulfilling its obligations in this sector. The multiplication of conflicts with teachers, as well as student strikes, give further evidence of the erosion of State education.

The same trends are to be observed in the health sector: poorer public service, difficulties in accessing health care and drugs, and the flourishing of a two-track system. After many years of policies of government subvention and much talk about participation, the reality is that the burden on family budgets has increased.

In the employment sector, we are witnessing the loss of jobs in the industrial sector, caused on the one hand by the waves of privatisation that have left thousands of workers out of work and, on the other, by the fact that for years now the economic growth of Senegal (around 5% annually) has not resulted in the creation of new jobs. At the same time, informal or casual jobs are taking over a larger share of the economy. ■

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