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Muslim Brotherhoods: an impediment to Investment?

Dismantling a myth

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Que ne voyagent-ils sur la terre afin
d'avoir des cœurs pour comprendre
et des oreilles pour entendre?

Sourate 22 Hajj, verset 46

Table of Contents

List of Charts, Figures, Maps and Tables

List of Acronyms

APIX	Agence nationale chargée de la Promotion de l'Investissement et des Grand Travaux
BCEAO	Banque Central des Etats de l'Afrique de l'Ouest
CIA	Central Intelligence Agency
ICS	Investment Climate Surveys
IFAN	Institut Fondamental d'Afrique Noire
IFI	International Financial Institution
IMF	International Monetary Fund
FDI	Foreign Direct Investment
HIPC	Highly Indebted Poor Country
MNE	Multinational Enterprises
NEPAD	New Partnership for African Development
NIE	New Institutional Economics
NIP	New Industrial Policy
NPA	New Agricultural Policy
OECD	Organization for Economic Co-operation and Development
PFI	Policy Framework for Investment
SAP	Structural Adjustment Programme
UNCTAD	United Nations Commission for Trade and Development
US	United States
WDR	World Development Report
WIR	World Investment Report
WTO	World Trade Organisation

Abstract

This paper addresses a myth, which exists on the difference between western and Islamic institutions, by giving empirical evidence on the relationship between religious affiliation and the inflow of foreign direct investment (FDI). The influence of Muslim brotherhoods on the inflow of FDI in Senegal is being tested with a cross-country study, an over-time comparison and an in depth analysis based on literature and field-research.

Findings show that Muslim brotherhoods, perceived as Islamic institutions, do have an influence on the economic and political affairs in the Senegalese society. However results from both the cross-country study and the country-specific research do not support the notion that Muslim brotherhoods form a significant impediment to FDI. Other factors than religious affiliation must be more important in explaining the low FDI-inflows in Senegal.

Relevance to Development Studies

This study focuses on two recurring themes in international political economy. In the first place it works with the conviction that FDI is the most efficient way to economic development. Secondly it challenges the viewpoint that Islamic institutions impede economic development. The specific analysis of institutional impediments to FDI contributes to the tradition of studies that hold that FDI is the solution to poverty. The discussion that evolved around Islamism in the 21st century often lacks careful analysis. Nevertheless it continues to shape attitudes in international relations.

Keywords

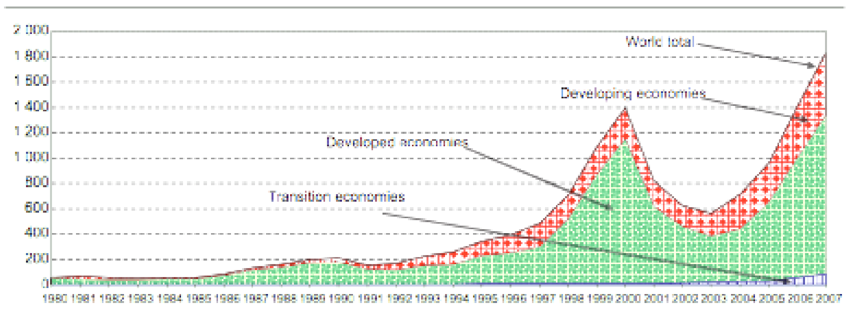
FDI, Muslim brotherhoods, Senegal, institutionalism, clash of civilizations

1. Introduction

Identification of the problem-area

Since 1980, with the liberalization of developing economies, the volume of FDI has been growing significantly. FDI forms a large share of capital formation in developing countries, as is shown in figure 1, and is promoted as one of the best opportunities to escape from severe poverty, by building up productive capacities and international competitiveness.

Figure 1 FDI inflows: global and by groups of economies, 1980-2007



Source: UNCTAD FDI/TNC database (www.unctad.org/fdistatistics) and annex table B.1.

However, obstacles to investment keep African country's investment rates low. Therefore the growth potential in Africa stays very limited, hold major international financial institutions (IFI's) and governments, both in Africa and in the developed world. Consequently there has been a growing interest in the determinants of FDI. One reason often given for a low inflow of FDI in developing countries, is a lack of a properly developed institutional framework in the receiving country (IMF 2008, NEPAD 2001, OECD 2003b).

Senegal, as many other developing countries, has despite of many efforts and institutional changes, not been very successful in attracting investments, as is shown in table 1. In 2007 the FDI-inflow was only 2.7% of the GDP.

Table 1 FDI-flows: 1990-2007

Foreign direct investment (FDI) overview, selected years

(Millions of dollars and percentages)

FDI flows	1990-2000 (Annual average)	2004	2005	2006	2007	*as a percentage of gross fixed capital formation* 1990-2000 (Annual average)	2005	2006	2007
Senegal									
Inward	**57**	**77**	**45**	**220**	**78**	**5.9**	**2.0**	**9.1**	**2.7**
Outward	***6***	***13***	***- 8***	***10***	***9***	***0.6***	***- 0.3***	***0.4***	***0.3***
Memorandum									
Angola									
Inward	602	1 449	- 1 304	- 38	- 1 500	32.7	- 52.7	- 0.6	- 17.8
Outward	-	*35*	*219*	*191*	*331*	..	*8.9*	*3.1*	3.9
Côte d' Ivoire									
Inward	206	283	312	319	427	14.8	18.3	17.9	21.2
Outward	*7*	*- 26*	*52*	*- 27*	-	..	*3.1*	*- 1.5*	-
West Africa									
Inward	2 106	3 790	5 652	15 766	15 553	20.4	21.3	52.7	45.2
Outward	*470*	*532*	*651*	*547*	*601*	*5.5*	*2.6*	*2.1*	*2.0*
Africa									
Inward	6 884	18 020	29 459	45 754	52 982	7.1	16.3	21.4	21.3
Outward	*1 913*	*2 050*	*2 282*	*7 629*	*6 055*	*2.2*	*1.5*	*4.1*	*2.7*
Developing economies									
Inward	130 755	283 641	316 444	412 990	499 747	9.2	11.4	12.5	12.6
Outward	*52 928*	*120 008*	*117 579*	*212 258*	*253 145*	*3.8*	*4.3*	*6.5*	*6.4*
World									
Inward	492 605	717 695	958 697	1 411 018	1 833 324	7.7	9.7	12.9	14.8
Outward	*492 535*	*920 151*	*880 808*	*1 323 150*	*1 996 514*	*7.9*	*9.0*	*12.2*	*16.2*

Source: UNCTAD, World Investment Report 2008

In a way this is surprising, because Senegal has always had a relatively stable political situation and is key-promoter of investment-initiatives, such as the New Partnership for African Development (NEPAD) which is internationally regarded as a hopeful project to attract more FDI (Coleman 2002, NEPAD 2001). Nevertheless, foreign investors stay away.

One possibility, anticipated by the Dutch Embassy in Dakar (Oosterom and Hesseling 2007), which has increasing resonance as of late, is the evident presence of Islamic institutions. An important aspect of Islam in Senegal is the organization in *tariqas,* or brotherhoods. The brotherhoods have always had a lot of attention, both in the academia and in politics, because of an atypical cohabitation of religious and political power in Senegal, but have recently gained new international interest.

For long time, Islam in Senegal has been considered to be a bulwark against radical Islam in Africa (EIU 2007). However, lately more worries have arisen on their goals and objectives for different reasons. Some younger marabouts that find the Islam in Senegal not 'pure' enough, have started new movements dedicated to a more 'pure' Islam (Soares 2007). Internationally the brotherhoods are gaining importance through strong migration-networks, while their influence in Senegal seems to exceed the religious realm, continuing on the political (Copans 1978, Mbacké 2005). Economically they are important stakeholders in agriculture (Behrman 1970, Boone 1992, Copans 1978, Mbacké 2005), and many of their rank-and-file are owners of well-integrated local firms. The World Bank argues in general that often these types of firms are not complying with rules and regulations and therefore contribute to higher costs for foreign firms (Worldbank et al. 2004). Does this imply that Muslim brotherhoods form an institutional impediment to FDI inflows in Senegal?

Justification

To ground this study, the two themes, as introduced above, must both be placed in a broader perspective. First of all there is the view of Islam clashing with economic development and secondly, there is growing interest in FDI in developing countries.

The way Islam is regarded these days is not only a result from the 'global war on terrorism.' Already in 1993 Samuel Huntington warned that the differences in culture would be the new fundamental source of conflict. Defining identity in ethnic and religious terms, replacing the political and ideological boundaries of the Cold War, people would become more likely to see sharp boundaries between 'us' and 'them'. The 'clash of civilizations', as Huntington predicted, would first take place between the West and the Islamic world (1993). His prediction had big consequences in the public discussion, academic debate and also (international) policy-making. Edward Said poses the situation as follows:

> 'This world system, articulating nomics, and political power along with their military and demographic coefficients, has an institutionalized tendency to produce out-of-scale trans-national images that are now reorienting international discourse and process. (…) You could hardly begin (in the public space provide by the international discourse) to analyse political conflicts (…) without eventually having to resort to the categories and images of 'terrorism' and 'fundamentalism', which derived entirely from the concerns and intellectual factories in metropolitan centres like Washington and London. They are fearful images that lack discriminate contents or definition, but they signify a moral power and approval for whoever uses them moral defensiveness and criminalization for whomever they designate.' (Said 1994: 374-375)

Moreover, in several respects, the post 9/11 era has dramatically brought into head earlier trends connected with the 'age of neo-liberalism' (Seesemann 2007: 157). Democracy and the capitalist market economy, important features of Western civilization, suddenly appeared to be under threat. To many the attacks made clear that a group of radicals was ready to fight "the West" with all available means. Critical discourses on Islam and Muslim populations have proliferated (Bayat 2008), studies of Islam have tended to focus on the destabilizing force of religious groups (Maussen 2007), and political Islam is, not only by US foreign policy, largely being treated as a global threat (Esposito 2002).

To go short, the world seemed to be on the edge of the 'clash of civilizations', with religion taking a major position in the conflict. Trends suggest that religion's public impact has increased worldwide, with major policy and security implications. (Pew 2008) Katherine Marshall of the World Bank's Development Dialogue on Values and Ethics, confirms that: 'Religion exerts considerable influence on democratic transitions, and religious political parties and movements have garnered significant popular support in a variety of democracies' (Marshall and Van Saanen 2007).

Investment, on the other side, is believed to be the drive for economic development and the key to poverty reduction. Its perceived ability to deal with two major obstacles, namely shortages of financial resources and technology and skills, has made it the centre of attention for policy-makers, in particular of those concerned with low-income countries. It is often argued that when the right policies are being implemented, investors will follow (Alfaro et al. 2003, Bourguignon and Smith 2004, OECD 2006). This focus on the implementation of the 'right' institutional framework combined with the international attention for Islamic organisations, gives a relevance to this study, which exceeds the national level of Senegal, or 'an isolated suspicion of one embassy.'

Question, Objectives and Argument

The question raised is whether Muslim Brotherhoods in Senegal impede FDI inflows in Senegal. This research aims to demonstrate that Muslim brotherhoods in Senegal do not form an obstacle for FDI. A subordinate objective is to nuance the debate on the perceived 'clash of civilizations'.

It will be argued that Muslim Brotherhoods are not the main-impediment to FDI, by showing that there is no significant correlation or theoretical base to believe that they are inimical to FDI. These findings demonstrate that the negative image of Islamic organizations is in the case of Senegal not empirically sustained.

Approach, Methods and Structure

Building up my analysis I have first looked critically at the general theoretical discussion on determinants of FDI and zoomed in on the neo-classical take and some of its derivatives. Within this paradigm it is asserted that FDI is unequivocally 'good' for development (Moran et al. 2005), a point of view reiterated by the Washington Consensus. Subsequently I will discuss the shift that was made towards the Post-Washington Consensus, because it highlights how the focus of policy-makers has shifted to Institutionalism. In conclusion of the theoretical part I have looked to at ways in which in international policies on FDI attraction have taken notice of these views. This discussion is deepened by a specific discussion on the alleged impact of Islamic institutions.

In chapter 3 I will provide the requisite background information on the economic development of Senegal, paying special attention to the investment inflows and the policies towards these. Also in this chapter basic information on the nature, structure and position of the Muslim brotherhoods will be given.[1]Against this backdrop I will provide data and information to support my argument. I will use simple statistical methods to analyse and present numeric data on FDI flows in Senegal and other West-African countries. Firstly, a cross-country study on FDI inflow between West African countries with different percentages of Muslim population is presented. The second part of the analysis is focused on FDI inflow in Senegal. In this part an over-time analysis of the inflow of FDI over the years 2000-2005 is related to Islamic affiliation over the same period. To support and give nuance to the findings I will use interviews that I conducted in Senegal and The Netherlands with representatives of the government of Senegal, members of brotherhoods and Dutch and Senegalese researchers and business-councils.

Scope and Limitations

The research is limited to the question whether Muslim brotherhoods impede FDI-inflow in Senegal, therefore I have not studied the imaginable positive effect of the brotherhoods on development. Nor will I answer the question what, if not the brotherhoods, causes the low inflow of FDI in Senegal. Also, though numerous grounded doubts exist, I will not go into the question whether FDI really has a positive effect on developing countries, or try to explain in this research why FDI per-se occurs.

I have limited my discussion of FDI to the paradigm based on neo-classical economics, since this forms the base of most policy-recommendations done. It is also from within this paradigm that worries have arisen on Islamism. Yet, preliminary research showed that not many studies have been done to the impact of Islam on the institutional framework, which limited my literature review.

Another issue to address here is the difficulty in getting data on the effective power of Muslim brotherhoods, the numbers of their rank-and-files and their economic impact on society. Since my time in Senegal was short, and open resources limited, I have made the decision to take the derivative of percentage of Muslim population instead of popularity of Muslim brotherhoods. One problem with the substitute of percentage of Muslim population is that one still doesn't know whether the outcomes are indeed a result of the presence of the brotherhoods, although it is often stated that most of the West African Muslims are affiliated to one of the brotherhoods. To make up for this lack of preciseness I have used interviews to gain better understanding of the relationship between the variables.

For other parts of my research I had to look for my information in secondary data on the Muslim brotherhoods. Earlier researches on this topic are sometimes coloured by either pro- or anti-feelings, because often members of the brotherhoods or for example Western institutions do them. I have tried not to fall into this trap by reading both, going through studies about Muslim brotherhoods done by third parties and going to Senegal myself to enrich my understanding and make my own contacts. For big parts this has helped me, however, I do realize that, with the limited time I had, this study is an ambitious project to undertake as a western student.

2. Literature Review: Institutional Determinants of FDI

2.1 Theoretical discussion on Determinants of FDI

Foreign direct investment is one of the most important aspects of international trade. In order to understand and explain why FDI is occurring different theories have been developed. The first theoretical studies on the international trade date back to the Adam Smith: 'If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the production of our own industry, employed in a way in which we have some advantage' and Ricardo: 'trade is advantageous to both parties also in case of "comparative" advantage' (cited in Pelligrini 2008). Here the foundations were laid for the neo-classical theory on FDI flows. This theory is a generic benchmark model along which more specific theories such as the Product Cycle, the Internalization and the Eclectic paradigm exist (Shiferaw 2008).

Specific Theories

Ohlin is in 1933 one of the first authors to go into a discussion on the determinants of FDI. According to him FDI is mainly motivated by the possibility of a high profitability in growing markets, along with the possibility of financing these investments at relatively low rates of interests in the host country. Other determinants are the necessity to overcome trade barriers and to secure sources of raw materials (Nonnemberg and De Mendonca 2004).

Three decades later Hymer takes another perspective by studying the behaviour of multinational enterprises. Hymer regarded FDI as a mean to transfer knowledge and other firm assets in order to organize production abroad (Sethi et al. 2003). Kindleberger modified Hymers analyses slightly by stating that it's not the firm-behaviour that determines the market structure, but in stead it is the market structure that determines the conduct of the firms. Caves added to this that FDI will be made mainly in sectors that are dominated by oligopolies. In explaining why FDI occurs Hymer and Caves both focused on initial advantages arising from firm-specific assets that allow firms to remain competitive in a foreign country (Yee et al. 2007). Named after Hymer, Kindleberger and Caves, the hypothesis of direct investment being determined by specific assets that compensate the initial disadvantage faced by foreign firms in relation to local firms went on to become the HKC-tradition (Nonnemberg and De Mendonca 2004).

Vernon (1966) used argued that firms set up production facilities abroad for products that had already been standardized and matured in the home markets. Also in this theory profit is used as a push factor for FDI (Shiferaw 2008). A set of studies that regarded the spreading of MNE's as being sequential, taking place in stages evolved after Vernon's conceptualization of the product cycle.

Another strand in the literature is the internalization theory, which emphasizes the intermediary product market and the formation of international production networks. In this theory MNE's are believed to have a disadvantage with regards to national firms due to communication and management costs, language and cultural barriers. The internalization theory starts with the idea that the intermediate product markets are imperfect. FDI is here perceived as a firm level response to market failures in knowledge and technology. Market-failures such as incomplete contracts and missing markets expose the MNE to opportunistic behaviour. The MNE minimizes such risks by internalizing the market for Ownership Specific Advantages (Nonnemberg and De Mendonca 2004, Shiferaw 2008).

Dunning develops a more holistic approach to explain FDI. He starts his analysis by stating that ownership of dissimilar assets may be considered as one of the factors responsible for the existence of multinational firms (1977, 1993). Dunning outlines four reasons for a firm to invest abroad: the searches for resources, for markets, for efficiency and for new strategic assets. His eclectic paradigm provides an ownership, location and internalization (OLI) advantages-based framework to analyze why, and where, MNEs would invest abroad (Sethi et al. 2003). A firm would look for all three; firstly it must have ownership-advantages in for example knowledge, technology and brand names. Secondly there must be internalization advantages as compared to licensing or selling its ownership advantages. Thirdly he adds that it must be more profitable to use these advantages in combination with some foreign factors of production, otherwise the firm would produce and export at home. These are the location-advantages of the host country (Shiferaw 2008). Dunnings paradigm is called the 'eclectic theory', incorporating most of the other theories on FDI.

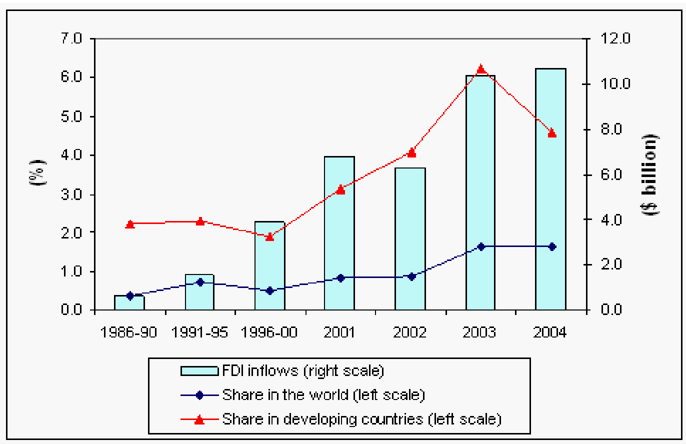
Of the current empirical studies on the determinants of FDI 'Many are based on ownership advantages. Significant relationships have been found between FDI and technological intensity (Lall, 1980), firm size (Li and Guisinger, 1992), capital intensity (Pugel, 1981) and product differentiation (Caves, 1971)' (cited in Sethi et al. 2003: 316). These studies focused on the narrower question of the constraints facing only foreign investors (Smith and Hallward-Driemeier 2005). Other empirical studies have focused on location factors; main variables used here are the size of the market, the rate of GNP growth, economic stability, the degree of openness of the economy, as well as several institutional variables. While there is a considerable degree of consensus about the economic determinants of FDI, the role of institutional factors has only relatively recently come under scrutiny (Blanton and Blanton 2007).

Critics on the Neoclassical Take

In the neo-classical approach FDI is thus a firm level decision based on variations in returns to investment. Accordingly, FDI should flow from capital abundant countries to capital scarce countries, i.e. from developed to developing countries. A second neo-classical motive for FDI is minimization of risk through portfolio diversification. One way to achieve this is to invest in different locations, hence FDI (Carkovic and Levine 2005: 219).

There are many critiques on the neo-classical take. Empirically it is easy to demonstrate that the FDI in developing countries is relatively low, as is demonstrated in figure 2. Furthermore table 2, with the top ten of FDI home- and host-countries proves that most FDI is still taking place between developed countries, and is thus not mainly going from developed to developing countries. A third argument against the neo-classical interpretation on FDI is that multinationals tend to invest in very similar business-lines, instead of in different industries. This should not have been the case had differential rates of profit indeed been the main drivers of FDI (Shiferaw 2008).

Figure 2 FDI worldwide and in developing countries



Source: (UNCTAD 2008)

Table 2 FDI stock top ten countries

Inward FDI stock	% of total	Outward stock	% of total
USA	14.9	USA	19.1
UK	9.5	UK	11.9
France	6.5	France	8.7
Hong Kong	6.4	Germany	8.1
Belgium	5.0	Hong Kong	5.5
Germany	4.2	Netherlands	5.2
Netherlands	3.8	Switzerland	4.7
Spain	3.7	Spain	4.1
Canada	3.2	Belgium	3.7
Italy	2.5	Japan	3.6
Total top-10	59.7	Total top-10	74.6

Source: compiled from World Investment Report 2007, UNCTAD, compiled by (K. Jansen 2008)

This empirical evidence suggests that perhaps another set of explanations for FDI is more appropriate. However, although there is a tendency to look more closely into country-specific situations, to involve perspective of investors, local firms and national governments (Smith and Hallward-Driemeier 2005), the most influential bodies have not completely broken with the neo-classical take on FDI attraction, as will be demonstrated in the following sections.

2.2 The broader picture

Around 30 years ago there were, broadly speaking, three dominant schools of competing economic thinking; free market capitalism, communism and the 'planned' market economy. When the Berlin Wall collapsed in 1989, communism lost a lot of its appeal. After this historical change, the economic debate took mainly place between those who propagate the free market ideology and those who see an important role for the state interventions in the market (Stiglitz and Lof 2006: 46). At first the 'pure' neoclassical take seemed to become the dominant paradigm, but around 1993 this changed to a policy-framework in which the role of institutions became again more important. After describing this change I will relate this 'new' to New Institutional Economics in order to understand why institutions were welcomed as an influential actor.

Washington Consensus

The ideology of free market capitalism has taken the shape of a reinvention of economic liberalism. Although different labels, like free market liberalism, classical liberalism, liberal conservatives, economic conservatives or economic liberalism, are used, they all refer to the 'reinvention of economic liberalism' (Gamble 2006: 20). In the past couple of decades this ideology has been dominant, both in the academia and in the realm of western policy making. Its theoretical underpinnings lie in the neo-classical economics in which assumptions on individual behaviour, consumption, production and scarcity, form the cornerstones of the ideal of free market capitalism.

In terms of policy-making, this ideology was most clearly materialized in the 'Washington Consensus'; a term coined by Williamson (1990), used for the policy prescriptions of the World Bank and the International Monetary Fund (IMF) for the developing countries in the early 1980's. Williamson summarized the 'economic policies that Washington urged to the rest of the world' to adopt as 'prudent macro-economic policies outward orientated and free market capitalism' (Williamson 1990: 18).

Initially designed for Latin America to deal with the debt crisis, 'Washington'[2] agreed to a ten-point economic policy prescription. The objectives of economic growth, low inflation, a viable balance of payments and an equitable income distribution were seen as the way to economic development. Reforms aiming at privatization, financial liberalization and deregulation were strongly encouraged by the Consensus. All was done in order to reduce the role of the state. Consequently there was a wave of policy reforms throughout the developing world.

On the African continent, due to different reasons, the reforms were brought into practice with less speed, however there too ‘a substantial part of the new policy agenda was adopted: state marketing boards were dismantled, inflation reduced, trade opened up and significant amounts of privatization were undertaken’ (Rodrik 2006: 874).

In hindsight it is now generally agreed that these reforms have not worked out the way they were intended; the neo-classical ideology of economic development had proven not to work. Even the most ardent supporters had to admit that the results of their free market ideals were below expectations. In countries, making the transition from communism to market-economies, output collapsed. Sub-Sahara Africa failed to take off; and financial crises in Latin America, East Asia, Russia and Turkey were frequent and painful (Rodrik 2006).

However, in spite of a declared continuation of trust in the market, the Washington Consensus policy-framework was about to come under heavy attacks for it’s lack of success, overnight reforms and sole focus on economic development.[3] Critical voices[4] made that not much later academics, policy-makers and governments worldwide agreed on a change of direction so that the focus shifted to the development of a healthy institutional framework in order for economic measurements to function.

Post Washington Consensus

Jospeh Sitglitz was one of the most fervent attackers of the policy-reformers, mainly criticizing the IMF and the US Treasury for their ineffective, uniform economic policies at times of economic crises and the undemocratic and their secretive behaviour patterns.

> ‘The Washington consensus held that good economic performance required liberalized trade, macroeconomic stability, and getting prices right. Once the government handled these issues - essentially once the government "got out of the way" - private markets would produce efficient allocations and growth ... But the policies advanced by the Washington consensus are hardly complete and sometimes misguided. Making markets work requires more than just low inflation, it requires sound financial regulation, competition policy, and policies to facilitate the transfer of technology, to name some fundamental issues neglected by the Washington consensus.’ (Stiglitz 1998: 1)

This speech marked the birth of the Post Washington Consensus, in which much attention was devoted to the formation of democratic institutions, as a prerequisite of economic growth. The Post Washington Consensus is based upon the need to acknowledge market imperfections, a very old idea in itself. It begins by recognizing that a broader set of instruments is necessary to achieve the same goal and endorses that, apart from economic development, also social and political development are important. Institutions are seen as crucial in this, because they don’t only facilitate growth, but also take care of other aspects of development, such as education, health and social security.

State and institutions are no longer seen as malicious obstacles to economic growth, but are in stead seen as powerful source and benevolent corrective to market failures.

The potential of this 'new' view was that it was better capable of explaining how *developmental states,* like those in East-Asia, managed to reach a high level of economic growth while having anything but a rolled backed government. The implication of this view is that the task of making the state effective is considerably more complex than just shrinking its size. Table 3 summarizes the Washington Consensus policies and the augmented version. Clearly in the Post Washington Consensus the need for the right institutional structure is strongly emphasized as a basic premise for economic growth.

Table 3 The Washington and Post Washington Consensus

Original Washington Consensus:	"Augmented" Washington Consensus The previous 10 items, plus:
1. Fiscal Discipline	11. Corporate governance
2. Reorientation of public expenditures	12. Anti-corruption
3. Tax reform	13. Flexible labor markets
4. Financial Liberalization	14. WTO agreements
5. Unified and competitive exchange rates	15. Financial codes and standards
6. Trade Liberalization	16. "Prudent" capital-account opening
7. Openness to FDI	17.Non-intermediate exchange rate regimes
8. Privatization	18. Independent central banks/ inflation targeting
9. Deregulation	19. Social safety nets
10. Secure property rights	20. Targeted poverty reduction

Source: Rodrik (2006: 984)

Rodrik, who made this table, sees the Post Washington Consensus as the 'augmented' version of the old policy framework. Both the Washington Consensus and the Post Washington Consensus are for this reason often criticized (Gamble 2006). Whether it is continuation is debated though; Stiglitz for example holds that the new consensus marks a break with the earlier version. However, the table is useful for seeing some key-aspects of the changes that were made. Before I continue with a discussion on how the described paradigm is executed in terms of FDI-attraction, I will first elaborate on some of the theoretical underpinnings of the newly gained trust on institutions.

New Institutional Economics

In the broadest sense, institutions are simply rules; as such they are the foundation of political behaviour. Some are formal (as in constitutional rules) some are informal (as in cultural norms), but without them, believe Institutionalists, there could be no organized politics (Harriss et al. 1998, Steinmo 2001). There are different kinds of Institutionalism, however currently most attention is paid to New Institutional Economics (NIE).

NIE builds on the fundamental assumption of neo-classical theory, of scarcity and hence competition that underlies its microeconomics (North 1998). It rejects, however, the very restrictive neo-classical assumption that the market is perfect, but finds its starting point in the reality that information is rarely complete and that individuals have different ideas of the way in which the world around them works. The following explanations on NIE show how new institutionalism forms the core-thinking in the most important policy-making bodies.

Firstly, 'it is positively regarded that NIE remains within the dominant paradigm of modern economics, but extends the scope of economics as it is understood from the neo-classical side (Harriss et al. 1998: 1)'. Through the discovery of 'transaction costs' (Coase in Toye 1995) NIE solves the puzzles thrown up by the theory of general equilibrium of why firms are administrative organizations as well as economic actors within the explanatory framework or marginalist microeconomics (Toye 1995: 53-54). This solution makes that the mathematical demonstrators can now talk about institutions, too, because they have found a language to do so with which they feel intellectually comfortable. Secondly, through NIE's questioning of the dominant role of the market, 'those who had emphasized the importance of market-failure find in the new institutionalism a new justification for their interventionist believes' (Bates 1992). Another reason nuances this previous reason bit; NIE doesn't simply represent a shift from the 'grand theory'[5] of a market-centred to a state-centred theory, rather NIE argues 'that neither state nor market is invariable the best way' (Harriss et al. 1998: 2).

With this synthesis NIE comforts neo-classical economists, while providing simultaneously reasons for reinventing policy frameworks such as the Post Washington Consensus. International institutions concerned with global trade and development such as the IMF, OECD, UNCTAD, the World Bank or WTO are now mainly operating from this 'augmented' version with a strong focus on institutionalisation, also when it concerns FDI attraction.

2.3 Institutions

Investment is a powerful catalyst for innovation, sustainable growth and poverty reduction. In order to receive more investment host countries should implement 'the right' institutional structure, argue the major IFI's. Furthermore they are also concerned in the specific characteristics of these institutions. In the closing section of this chapter I will discuss some studies on this, to investigate the proposition, that it there is a tendency to argue that religious, mostly Islamic, institutions impede economic growth.

Policy framework

The IMF defines 'investment-climate' as: the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs, and expand. Researchers thus looked at various aggregate indicators of a country's institutional and policy environment, such as the rule of law, corruption, legal origins, financial sector depth and openness to trade (Smith and Hallward-Driemeier 2005). Their work underscored the importance of secure property rights and good governance to economic growth.

The Monterrey Consensus, adopted in 2002 and agreed on by 171 nations, identified private capital, including foreign direct investment, as 'vital complements to national and international development efforts' and emphasized the need 'to create the necessary domestic and international conditions to facilitate direct investment flows'(OECD 2006). The OECD 'Initiative on Investment for Development' is inspired by the values that underpin the Monterrey Consensus: respect for human rights, including the right to development, accountability and transparency.

A study on the investment-climate conducted by the OECD concludes that an 'undiscerning use of investment incentives and other discretionary policies by governments to attract FDI can have a negative effect on FDI inflows.' (Oman and O.E.C.D. 2000: 11) In spite of these critical findings on the benefits of investment incentives, OECD continues to stress the importance of strong policies for investment to mobilize capital in Africa (OECD 2007a: 3). In the OECD Policy Framework for Investment (PFI), designed in 2006, the central role of private investment for growth, poverty eradication and sustainable development worldwide is accepted without many critical notes.[6]

The PFI was developed as a non-prescriptive checklist of issues for consideration by interested African governments engaged in domestic reform, regional co-operation or international policy dialogue aimed at creating an environment that is attractive to domestic and foreign investors and that enhances the benefits of investment to society. OECD does warn that 'there is no blueprint for mobilizing investment. Each PFI user has to develop their own strategy, based on the institutional capacity and specific economic context, and tailored to needs and resources' (OECD 2007a: 6). In short OECD recommends governments to take the following actions.

Table 4 Summary of the PFI

Guiding principles for Policies toward attracting foreign direct investment checklist for foreign direct investment incentive policies
1. Safeguarding public sector transparency, including an impartial system of courts and law enforcement. 2. Ensuring that rules and their implementation rest on the principle of non-discrimination between foreign and domestic enterprises and are in accordance with international law. 3. Providing the right of free transfers related to an investment and protecting against arbitrary expropriation. 4. Putting in place adequate frameworks for a healthy competitive environment in the domestic business sector. 5. Removing obstacles to international trade. 6. Redress those aspects of the tax system that constitute barriers to FDI. 7. Ensuring that public spending is adequate and relevant.

Source: (OECD 2003a)

Quite certainly the PFI has an impact on the creation of investment-improving strategies worldwide. The G-8 2007 Heiligendamm Summit Declaration welcomed the PFI as a 'valuable mechanism in defining a shared understanding of healthy investment-climates' and recommends 'the OECD, UNCTAD and other organizations such as the World Bank to use the PFI.'

Also the World Bank itself launched two major surveys, *The Investment Climate Surveys* (ICS)*,* to learn more about the determinants of growth and productivity. The starting point for the research came from the following argument: 'if the investment-climate is so powerful, if the benefits are so clear and the evidence so compelling, why isn't it that more governments aren't making much faster and broader progress in improving their investment-climate?' (Bourguignon and Smith 2004)

The results of these surveys form a big part of the World Development Report (WDR) that was published in 2005 by the World Bank.[7] The objective of the WDR 2005 was to design an instrument with which to reduce poverty through empowerment; the point that was stressed was the increase of investment. Its finding that economic activities in developing countries take largely place in the informal sector, has driven the other conclusion that in order to make progress in the amelioration of an investment-climate, more needs to be done than just changing the formal policies; attention has to be paid to the situation on the ground. It is argued that connected firms enjoy a more favourable climate: 'it is not just the level of bribes that contribute to high costs, but often quite deep distortions of policies in favour to particular insider firm, that drive the costs up' (Bourguignon and Smith 2004). ICS therefore pay a lot of attention to the smallest local firms. Normally these firms are 'not registered, nor complying with normal laws, regulations and policies.

Islamic Impediments

Clearly, literature and policy-bodies have since the late 1990's focused on the quality of domestic institutions for FDI attraction in order to achieve economic growth. But what should these institutions look like? The common characteristics of desirable institutions according to the IFI's thus provide security of property rights, enforce contracts, stimulate entrepreneurship, supply social insurance and comply with international laws and regulations. They are transparent, democratic, not arbitrary, not corrupt, and they enhance voice and accountability (Rodrik 2008). But what exactly do all these buzzwords imply and, specifically important for this research, how are religious institutions regarded?

Until recently economists have paid little attention to the potential impact of religious belief on economic performance. But in the wake of September 11 and the rise of militant Islam, fresh work by economists on the nature of religiously inspired terrorism is drawing widespread attention' (Weber and Coy 2004). At the beginning of the 21st century academic studies and public discourses on Islamic practice have produced a critical set of interpretations of the roles and functions of Islamic houses of worship. Detailed analyses of religions apart from Eurocentric models are few and policy-makers, particularly since 9/11, have showed an inability or even unwillingness to distinguish between radical and moderate Islamists (Bayat 2008). Often this has resulted in the conviction that Christian inspired economies function better and that Islam has a negative influence.

Amoore and De Goede (2005) find that 'in the war on terrorism Islamic financial institutions had to close down as a result of the negative image that was created on their way of doing business, while their was no evidence.' De Goede argues that the policy discourse implicitly constructed Western banking as the normal and legitimate space of international finance (De Goede 2003). Milton Friedman speculated that free markets and American-style religious pluralism have gone hand in hand, stimulating both economic growth and religion. American religious practices have adapted to economic conditions, says Chiswick of the University of Illinois at Chicago(Weber and Coy 2004).

Elaborating on Huntington, Lal proposes to examine how factor endowments in general affect culture, religion and politics, and how they then all jointly affect economic performance. Lal (1998) asks in his study on the impact of culture on economic performance, "Why have all countries not adopted these (the liberal economic package) growth-promoting policies?" specifically focusing on the alleged impact of Islam. Kuran, for example argues that:

> 'The Middle East became underdeveloped because of the region's dominant religion as obstacles to economic development. (…) Islamic institutions generated evolutionary bottlenecks. These institutions turned into handicaps by perpetuating themselves during the long period when the West developed the institutions of the modern economy.'(Kuran 2004)

Kuran holds that institutional constraints explain why non-Muslim religious minorities increasingly dominated commerce within the Middle East until the widespread adoption of Western institutions and practices in the 19th century. He stands not alone in his analysis. The basic argument is that Islam preaches fatalism, which is inimical to growth (Noland 2005: 1229). In a comparison of the world's major religions Guiso, Sapienza and Zingales identified Muslims as being most 'anti-market' (2003: 7). They conclude that:

> 'The underdevelopment of many Islamic countries cannot be attributed to Islam per se, but is possibly due to the development, somewhere in between the ninth and the eleventh century, of inflexible political and legal institutions in the Islamic world designed to discourage growth values and practices and aimed at preserving the status quo.' (Guiso et al. 2003: 9)

Studies show that Muslims worldwide and on an individual level indeed are rather poor. There is a long line of scholarship that ascribes this state to Islam itself. (Noland 2005) However, the correlation that they found can as well be argued to be the other way around. History shows that when people are in poverty they tend to seek their salvation in religious beliefs. In the first place, fighting poverty is at the core of most of the major religious traditions in the world. They are focused very much on the people who are excluded, the people who suffer and the people who are poor.(Johnson 2006). Additionally, most religions offer opium or consolation, as has been repeated frequently after Marx.

Yet, even as an empirical matter it is less clear whether Muslim countries have in fact underperformed. Indonesia for example has grown far more rapidly than the world average. Studies focused on Middle Eastern countries indicate that the performance of this region was not very different from other developing regions. Noland demonstrates in a study with several cross-country regressions that Islam is no inimical to growth, 'If anything, Islam promotes growth' (Noland 2005: 1215). The Pew-research centre adds that there is broad support among Muslims for the key economic features of capitalism and globalization. Solid majorities throughout the Muslim nations surveyed in 2007 agree that free markets are good for society. Most believe that multinational companies are having a positive impact on their countries; also support for international trade is higher in Muslim countries than in the economically advanced nations of the West. (Pew 2007: 1)

Nevertheless, it could be that the earlier stated interpretations of Islam are correct in the case of Senegal and its Muslim brotherhoods. In the following chapter I will elaborate on the history, the economic situation, investment-policies and the Muslim brotherhoods of Senegal.

3. Background: Senegal

3.1 From promising student to HIPC

French colonial rule in Senegal left three legacies that would prove to be critical in shaping the post-colonial political economy: the primacy of trading networks rather than production itself as a locus of capital accumulation, the weakness of the indigenous business class and the peasant production of the groundnut (Boone 1992: 10). Although now slightly diminished, for decades the groundnut has been the main source of income for many Senegalese.

With the still active backing of France, Senegal's postcolonial rulers used market structures forged under the hegemony of colonial merchant capital to extract surpluses from the peasantry, thereby generating an economic base for the emergent ruling class. The state regulated economy was based on the nationalisation of the peanut-trade and rural cooperative development, combined with foreign capital and the private sector.

Modern economic growth has a relatively brief history in Sub-Saharan Africa. At independence most African economies were underdeveloped. Partly this was due to the interruptions caused by the First and the Second World War. Partly this is seen as the heritage of colonial administration. But also issues of political instability, climate, and a rapidly expanding population were key-factors dominating the explanation of the underdevelopment of Africa in the 1960's and 1970's (Berg 1981).

In an influential report of the World Bank on Africa, it was argued that liberation struggles, problems with institutional heritage of the colonial governments, the lack of fertile soil and the demanding agricultural systems formed major obstacles to rapid economic development (1981). The main problems highlighted in this report are the severe balance of trade deficits, falling volumes of export and hence a diminishing capacity to import the consumer, intermediate and capital goods needed for economic growth. The causes of these problems were primarily located in an overvalued exchange rate and the negative effects from administrative controls such as corruption, delays and the underutilisation of capacity. It was said that the overextension of most African states, overprotected industries and discriminatory price-systems led to a high inequality between state-elites and farmers, a massive inflation, huge debts and hardly any economic development (Van Donge 2008). 'The limited benefits present in Africa were being wasted on large shares of public expenditure allocated to administration and defence and a huge expansion unproductive employment', conclude Sender and Smith (1984: 22).

Senegal, compared to its neighbouring countries, was after independence believed to have good opportunities in terms of economic growth. However, internal problems as described above, and external factors like the international oil crisis, adverse weather conditions and the poor performance of the groundnut in the world market, had a great negative impact on the economy of Senegal. Therefore, after dialoguing with the IMF, president Senghor proposed in 1979 a five-year economic recovery plan.

This plan set the stage for the implementation of the Structural Adjustment Programmes (SAP) of the 1980's. The SAP's go beyond only economic policies, because they start intervening with the political process of the countries at stake (Fine 2001). It was argued by the World Bank that without policy improvement there is insufficient structural adjustment to get the economy back onto a faster growth track. Accordingly, president Diouf, who succeeded Senghor in 1981, adopted the slogan 'Small government, better government'[8], completely reflecting the IFI's insistence on privatization and reduction of state owned enterprises. As a result the role of the government had to decrease dramatically and two major state privatization policies were implemented.[9]

Thanks to the SAP's, so believed the Bretton Woods Institutions, Senegal's economy did well in the 1980's. However, they accused the government of a 'lavish lifestyle, mismanagement of public resources, a lack of transparency and lack of willingness to combat corruption'(Berg 1981, Daffé and Diop 2004: 5). Therefore, in the 1990's aid was withheld until the government agreed to implement more structural adjustment (Hemenway 1997). In exchange for extra money the government promised again to lower the number of civil servants and state officials, cut down the salaries and privatise the state-owned companies (Hesseling 2007: 90). In 1994 Senegal undertook a bold and ambitious economic reform programme. This reform began with a 50% devaluation of the currency, the CFA franc, which was linked at a fixed rate to the French franc. The devaluation of the CFA franc provoked a real turnaround in the relations between Senegal and donors by creating a new climate of trust[10] (C.I.A. 2007). As a result, after a contraction of the economy of 2.1% in 1993, Senegal made in important turnaround with a real growth in GDP averaging over 5% annually during 1995-2007 (CIA 2007). While until the end of the 1980's political parties, especially the opposition, had always been very critical about the SAP's, in the 1990's there was a change that reduced the opposition to the policies recommended.

The reform-programmes were thus to a certain extent quite successful in Senegal. However, on the overall outcome there is no agreement. Critics claim that the positive data are unreliable and that any growth increase was due to external factors such as optimal weather conditions rather than the result of the SAP's (Daffé and Diop 2004). Berthelemy for example argues that 'the initial advantages[11] were wasted to such an extent that they all became in the course of time, obstacles to development, failing an early adjustment of Senegalese policies and Senegalese society' (1997: 12). It is often stated that there was an overdose of the medicine prescribed by the Bank and the IMF. Not only did the applied shock therapy fail to cure the illness, but also the results obtained proved contrary to the expected effects. For the majority of the population the increased social costs went much faster than economic prosperity (Hesseling 2007: 90-92). Instead of enriching the country as a whole, and preventing clientelism from continuing, the majority of the newly gained prosperity went to the same small group of owners and to foreigners who saw opportunities in the newly opened market-economy of Senegal[12] (Daffé and Diop 2004).

At the beginning of the reforms there was an income-increase in the rural areas, but the stop on subsidies soon counteracted this. But even more harming was the export-oriented production. Farmers were forced to sell and buy their products at 'the price of the world-market'. Consequently Senegal became almost completely dependent on less expensive, imported products. This resulted in significant migration waves to urban areas. But also there the standard of living had since the reforms worsened. Social services, such as health-care end education, had been reduced with the rollback of the government, and jobs where hard to find since the slimming of the state-apparatus (Hemenway 1997).

Many see the reforms, apart from an economic drama, also as an attack on their culture because of the severe political interference (Soares 2007). Earlier, already when the SAP's were implemented, some religious leaders in Senegal and Mali had formulated concerns about the new influences in the country. Now that the internal market was opened and much had been privatized, nightclubs, bars and other sort of 'occidental' novelties were said to 'pollute' the Islamic culture. The World Bank (1993) also recognizes that 'other social players not only showed hostility towards the reforms but also organized to defend their interests.'

Since Wade has become president in 2002 privatisations are continuing. During Wade's presidency most political conflict was with the separatist movements in the Casamance, with which only in 2007, right before Wade's re-election, reconciliation was announced. Economic performance of Senegal continues steadily since 1995 with a real GDP growth between 3% and 6.5%. Exceptions are the years 2002 and 2006 when it slowed to 2%, because of a poor harvest and difficulties in the phosphate industry. Since the drought in 2002 the deficit in the supply of groundnut seeds has worsened, and finally in 2003 Sonacos (the state-owned company responsible for purchasing and processing most of Senegal's groundnut produce) was also privatized (EIU 2007: 10). At the moment of writing Senegal still relies heavily upon outside donor assistance, and is receiving a debt reduction package under the Heavily Indebted Poor Countries (HIPC) Initiative from the World Bank.

3.2 Senegal and FDI Attraction

Not only in Senegal, but also in many other African countries FDI is quite low. Despite the growth of FDI inflow in Africa to $53 billion in 2007, the African share of FDI still remained at 3% of global FDI (UNCTAD 2008: 9). In 2007, FDI inflows to the Least Developed Countries (LDCs) in Africa increased to $10 billion, from $9.6 billion in 2006 as international entrepreneurs responded to the continued rise in global commodity prices. This growth of inflows marks a second year of consecutive growth in their FDI inflows, mainly due to large inflows to the African non-LDCs, Nigeria, Egypt and South Africa. The share of LDCs in FDI inflows to Africa declined to 19% in 2007 from 21% in 2006 (UNCTAD 1999). FDI in Africa is no longer concentrated in the traditional natural resources sector but shifted to manufacturing and services industries.

In these industries FDI has proven to be highly profitable and fairly consistent over time. (Odenthal et al. 1999: vii)

Unfortunately neither the manufacturing nor the service industry in Senegal is very developed. Senegal, as most West- African countries, is in terms of economic growth still mainly dependent on the agricultural sector and fishery. A significant portion of the FDI that does flow in is used for infrastructure and tourism projects. Exploitation of resources is also attracting investment, for example the Indian fertilizer company IFFCO is willing to invest up to 200 million dollar. Around 300 million dollar was lately invested in hotels and infrastructure for the summit of the *Organization of Islamic States* in held March 2008 (IMF 2008: 16).

The current president, Abdoulaye Wade, has adopted a more active regional and international profile for Senegal. He has invested a lot in order to improve the infrastructure, restored the diplomatic ties with China and is a driving force between initiatives to improve the investment-climate (EIU 2007). Wade is 'creator' and one of the most active promoters of the New Partnership for African Development (NEPAD), designed in 2001. NEPAD is a combination of existing plans 'to promote growth and sustainable development; eradicate poverty; and halt the marginalization of Africa in the globalization process'(NEPAD 2001)[13] The key-priority is to attract FDI in energy, agriculture, communications and human resources (Chabal 2002: 447, Coleman 2002).

The argument adopted in the Partnership is straightforward: democracy should reduce the scope for conflict and make good government more likely. In return, good government should bring about the political sustainability, the institutional consolidation and the operation of the rule of law; factors that are 'universally' seen as the necessary framework for investment. Greater investment should facilitate economic growth, and growth in its turn, provides the foundations for development (Chabal 2002). NEPAD explicitly refers to partners in the developed world to achieve the goals set. With this it ensures that African leaders, although taking up the main-responsibility, are not working alone. And indeed, the G8 countries adopted NEPAD as a framework for their development support, and responded by developing the G8 Africa Action Plan, which focuses on NEPAD priorities. The OECD-countries embraced NEPAD in a similar way.

Not everyone, though, was as enthusiastic about the prospects of the program. According to Melber NEPAD sounds like an 'unrealistic shopping basket, based on wishful thinking' (2002: 26). Melber sees the success of the partnership as solely dependent on the willingness to cooperate. In 2003, one year after Melber formulated his concerns, a succeeding initiative was created: The Africa Investment Initiative of OECD-NEPAD. Designed under the umbrella of NEPAD, 'The Initiative' was developed targeting even more specifically on FDI-promotion in Africa (OECD 2003b).[14] The overall aim of the described plans is to develop policy-building tools that would help NEPAD countries to support implementation of investment-climate reform policies with a specific focus on the investment environment conditions (OECD 2007b). It is again emphasized that the impact can only be positive when the right institutional framework regulates it.

Aside from NEPAD and The Initiave, Senegal is a member of the Economic Community of West African states, the West African Economic and Monetary Union (WEAMU) and the African Union. Also Senegal benefits from the United States' market access initiative, the African Growth and Opportunity Act and the partnerships agreement between the African, Caribbean and Pacific countries and the European Union. Additionally the country established an investment arbitration centre in 1998, which is administered by the Dakar Chamber of Commerce. It has bilateral investment treaties with France, the United States, Switzerland, Denmark, Finland, Spain, Italy, the Netherlands, South-Korea, Romania, Japan and Australia, and has concluded tax treaties with France, Mali and the French-speaking African states of the *Organisation Commune Africaine et Malgache* (UNCTAD 2006).

These developments resulted in more government policies again aimed at a reduction of the dominant role of the administration in the private sector, the enactment of an Investment Code to attract foreign investors, readjustment of the Labour Code, and a promotion of high return investment projects. The Senegalese Investment Code provides equitable treatment of foreign firms and grants special incentives to companies willing to locate outside the Dakar region. In addition, the code offers tax holidays and tax-free export processing zones; no barriers regarding total ownership of business by foreigners and exonerates foreign investment form the Minimum Personal Income Tax and the Business License Tax (UNCTAD 2006). To make a long story short; a lot is being done in terms of policy-changes and (inter)-national agreements to raise the level of investments in Senegal.

3.3 Muslim Brotherhoods

To study the role of the brotherhoods in Senegalese society it requires a critical assessment of their internal structures, and of the multiple impacts of their cultural, social, economic and political activities. Although many studies have been done already on the brotherhoods and their position in Senegal, no agreement has been reached yet on their effective role today. It is clear that they are there, but researchers have widely differing views on what the brotherhoods are like. In the following section I will do an attempt to discuss the structures of the Senegalese brotherhoods and elaborate on their political-economical position in society.

Organization and structure

In Senegal almost 90% of the population belongs to one of the six big ethnic groups; the Wolof, the Mandinka, the Diola, the Peul, the Toucouleur and the Serer. One very important binding factor between these ethnicities was, and still is today, the Islamic religion. In Senegal, as in many parts of Africa, religious practices, both in the Christian as the in the Islamic culture, are combined with local, 'traditional' cultures (Oosterom and Hesseling 2007: 4). The 'black Islam', as it is sometimes called, is very different from the Arabic Islam. Besides its mixture with animism, it is based on hierarchical coordinated *tariqas*, brotherhoods. The internal structure of a brotherhood binds its members to each other and itself. If the structure is coherent, it can foster strong social cohesion and creates solidarity between its members, others Muslims and 'people in need' (Mbacké 2005).

Brotherhoods are pyramidal organizations. At the apex is the *caliph*,[15] the supreme authority off the community, who is succeeded by his brother or son. *Marabouts or muqaddams* (supervisors or lieutenants) or *shaykhs* (Elders or Masters), depending on which brotherhood defines the names, occupy the next rank. They are confirmed in their leadership positions and are authorized to initiate new members. At the base are the constituent masses of disciples or adherents, designated as *murids* (aspirants), or *taalibés* (students) (Mbacké 2005: 73, Villalón 1995: 280).

The religious legitimacy of the brotherhoods is based on spiritual authority as well as on power structures taken from pre-colonial times. After the death or forced integration of the pre-colonial rulers, the religious leaders were given this position. The Muslim brotherhoods transcend country borders and have their web through most of the West-African countries. The tradition of Islamic states in West Africa makes the national boundaries in some ways less significant than the idea of a broader regional community based on trade and mutual respect (Behrman 1970).

For over hundred years *taalibés* have been cultivating groundnuts and various cereals in return for religious instruction. *Taalibés* who cultivate their own land will sometimes devote one day a week during the growing season to cultivating for their marabout. Important to notice is that though the marabouts command considerable resources, they also are subject to many demands. They are considered to be an inexhaustible source of funds, a veritable bank the needy will turn to. In practice, a good portion of whatever accumulates at the summit of the hierarchy circulates back down the echelons. (Boone) By obligation through the religious hierarchy the marabouts have to sustain the poor members of their family or of the families of their *taalibés*, the poor Muslims who are not affiliated to the brotherhood and the 'industrious and hard working' (Mbacke).

Muslim brotherhoods in Senegal were formed at the beginning of the 19th century. In Senegal most of the Muslims are affiliated to the Layene, the Mouride or the Tidjaniya brotherhood. Of these the Tidjaniya have the biggest (50% of the whole population) following in the population, but the Mouride are probably the most visible (Gierczynski-Bocandé 2007: 107, Hesseling 2007). The oldest brotherhood in Senegal is the Qadiriya, but it doesn't have that many *taalibés*. The Mouride are not very widespread in other African countries, Tidjaniya and Qadiriya are. For the past century the brotherhoods have been characterized by two contrary phenomena. One is represented by the objectives of the founding *shaykhs* who strove to establish fraternal relationships between all Muslims. The second phenomenon is represented by the tendency of the masses within each brotherhood to place added value on its supposed specificity and superiority over others (Mbacké 2005: 115-116).

Political and economic ties

The brotherhoods had both with the colonial rulers and, after independence, also with the national leaders good relationships. It is often argued that the organizational structure of the Sufi orders had helped to provide a system of authority after the collapse of the pre-colonial Wolof states during and after colonial rule(Cruise O'brien 1971).[16] Through the same system that regulates the spiritual functions, the brotherhoods in Senegal are believed to be very influential in social life. Directives emanating from above were for long time closely followed by the rank-and-file. The speed with which decisions and initiatives from the top can be implemented reveals much about the influence these religious institutions wielded within their communities.

The *ndigal*, advice on who to vote, that was given by *caliphs* in the first decennia after independence are seen as crucial for the, at that time ruling, *Parti Socialiste* of Senghor. Senghor himself though was a catholic, but above all a proponent of a secular state. Nevertheless it is believed that he listened to the requests of the marabouts and reversely attempted to use their influence for implementing his policy (Behrman 1970: 116). This sometimes gave interesting outcomes. When religious leaders attempted to move the young republic towards an Islamic state, president Senghor succeeded in persuading the members of the council to stop that. As a result Senegal's secular constitution was adopted in January 1959 (Gierczynski-Bocandé 2007: 108).

Succeeding presidents Diouf and Wade also had and have close ties with respectively the Tidjaniya and the Mouride brotherhood. But despite of their political position, the brotherhoods remained away from political decision-making argues Mbacké (2005: 94-102). The neutrality of the government in religious matters is shown in a number of ways. The victory of Wade in 2000 is in fact often interpreted as a break with the *ndigal* tradition, because the *Parti Socialiste* was not re-elected. Furthermore, different than in some Arab or North African countries, in Senegal religion holds an eminent position in the secular state-system (Gierczynski-Bocandé 2007: 107 en 122). Mbacké stresses even that 'the mockery of Islamic symbols in theatre and cinema, the censorship of serious Islamic debate, the encroaching secularization of family law, the exclusion of religious education from public schooling, all indicate that the State has taken no account of the views and opinions of Senegal's religious leaders'(2005: 113-114).

As mentioned, when the socialist government was voted out of office in 2000 and the liberal Abdoulaye Wade came to power against the recommendation of the Tidjaniya *caliph*, many regarded this as a sign of the end of the intervention between the state and religion (Gierczynski-Bocandé 2007: 108-109). However, taking into account that Wade travelled after his victory to Touba to thank the religious leaders for their support (Weinberg 2007a), and that he is the first president who publicly declared his strong affiliation with the Mouride brotherhood, such a statement can be disputed. In fact some hold that the *Caliph-General* of the Mouride became the principal political ally of the new president and committed himself and his institution to him in a manner unprecedented in history of Senegal's Islamic brotherhoods. Again, also this is disputed.

In Senegal the largest ethnic group and economically most significant part of the population belongs to a brotherhood, whose leaders can therefore not be ignored (Behrman 1970: 178). Today, the brotherhoods contribute most to the economic development of Senegal through their involvement in the agricultural sector. The in agriculture influential Mouride brotherhood first helped to develop this crucial sector of Senegal's economy, but now rural-urban migration has changed the traditional relationships a bit. More than the revenues generated from the agricultural production, the liquid assets constituted by these urban remittances have allowed the more enterprising marabouts to improve their rural holdings or expand into other sectors of the economy like industry or commerce.

Though in Senegal also other brotherhoods have their interest in certain sectors it is the Mouride that equate with Senegalese economy. The Mouride-*taalibés* are generally more submissive to the political directives of their spiritual guides than those of other brotherhoods (Copans 1978, Villalón 1995). They are a major economic institution, in the sense that the Mouride own big parts of land and some bigger enterprises. Examples can be found in their transport company (*le Mouride*), their gasoline-station (Touba-Gaz), their nicknames (*roi des arachides*), their omnipresence in names of small stores and restaurants (Kane 1994), their own magazines, coffee-production line and the picture of their founder Serigne Bamba, which can be found almost everywhere, including government buildings. Touba, Bamba's birth-village, has become the second largest conurbation in Senegal after Dakar, with a population of more than half a million(Guéye 2002). The commercial clout of Mouridism extends far beyond Senegal; many Senegalese overseas are industrious Mourides following Bamba's strictures (Weinberg 2007b).

The efficacy of the Mouride's commercial networks and work can be attributed to several factors. The first relates to the structure and ideology of the brotherhood, which allows a good interaction with the market. The second factor is the establishment of connections between the distribution points in Dakar and the Mouride emigrant communities living in the international centres of wholesale commerce. The third factor, according to Diouf, is the participation in complex circuits of buying and selling that allow Paris or Strasbourg street merchants to sell merchandise bought in New York's Chinese neighbourhoods or in Hong Kong and merchants in Brussels to sell copper articles from Morocco to the city's Muslims. In this respect the Mouride show extraordinary flexibility; they are taking advantage of the opportunity to sell whatever is in demand at a lower price. Through their network and modes of operation, and by basing themselves solidly on their ritual community they impose in their own way an order on the market (Diouf 2000).

Mbacké argues that since material prosperity in the brotherhoods has grown, spiritual fulfilment has diminished (2005: 119-120). Only a small fraction of enlightened *taalibés* is demanding a return to the original educational mission. These reformers are nonetheless resolved to pursue their action and are increasingly successful in convincing their fellow Muslims to give material and moral support to their cause. They hold that the success of this reform will determine the destiny of Islam in Senegal and its capacity to contribute to the development of the country in the future.

In conclusion, Islam is on the one hand clearly central to the political sociology of Senegal: the religious elite carries great weight in national politics and political discourse is replete with references to Islam. At the same time however, there is little evidence of the social phenomena which might be expected to accompany to politicization of Islam: social political cleavages based on religion are virtually non-existent and outside a very small urban minority there is virtually no opposition to the secular principles on which Senegal is based (Villalón 1995: 2). The political role of Islam in the country is clearly not that which much of the recent literature on Islam and politics would lead one to predict. In terms of economic actions, the brotherhoods and specifically the Mouride are regarded as 'normal' entrepreneurs, with a strong network based on religious affiliation.

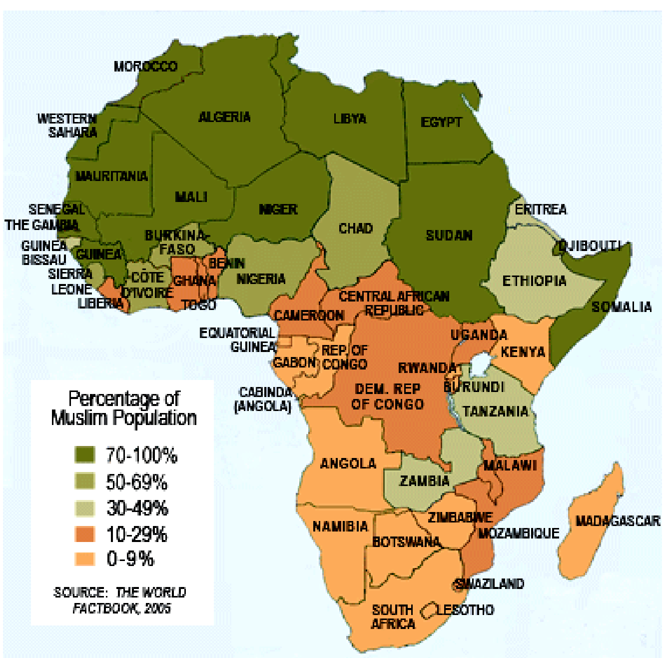
4. Analysis:
Testing Muslim Impediment

4.1 Cross-country analysis

In the following section a cross-country analysis of FDI inflow and the percentage of Muslim population of West-African countries will be presented. The first variable to look at is rather straightforward. In table 5 both the absolute FDI flow inward and the FDI flow inward as a percentage of GDP are included. Besides the West-African countries, I have also added 'West Africa', 'Africa', 'Developing Countries' and 'World', serving as a baseline.

The second variable is more complicated, since data on the number of members of the brotherhoods was not retrievable; instead I have used the percentage of Muslim population of the individual countries in West Africa on which the CIA fact book provides information. This is a bit problematic but, as was mentioned in chapter 3, a majority of the West-African Muslims are related to the brotherhoods. On the map an overview of the Muslim population in the whole of Africa is given. This map demonstrates that, in terms of religion, the West African countries are quite diverse. This difference must help to find, if existing, an evident difference between the countries with a Muslim majority and other countries. In table 5 I have grouped the data from these two variables, resp. Fgdp and Mpop. The information is put together in chart 1, so that the relation between the two variables becomes more visible.

Map 1 Percentage of Muslim population in Africa



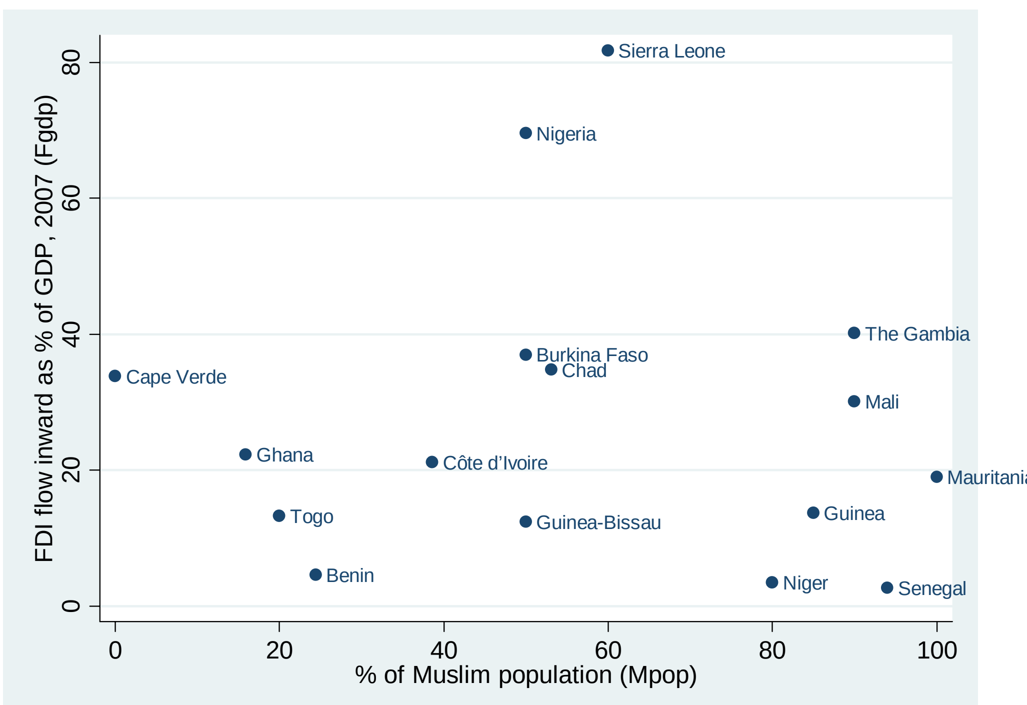
Source: CIA World Factbook 2005

Table 5 FDI flow inward as % of GDP and % of Muslim population

Country	FDI flow inward, in million of $, 2007	FDI flow inward as % of GDP, 2007 (Fgdp)	% of Muslim population (Mpop)
Benin	48	4.6	24.4
Burkina Faso	600	37.0	50
Cape Verde	177	33.8	0
Chad	603	34.8	53.1
Côte d'Ivoire	427	21.2	38.6
The Gambia	64	40.2	90
Ghana	855	22.3	15.9
Guinea	111	13.7	85
Guinea-Bissau	7	12.4	50
Liberia	N/a	N/a	20
Mali	360	30.1	90
Mauritania	153	19.0	100
Niger	27	3.5	80
Nigeria	12 454	69.6	50
Senegal	78	2.7	94
Sierra Leone	81	81.7	60
Togo	69	13.3	20
Africa	393 429	31.0	-
West Africa	15 553	45.2	-
Developing Econo-mies	499 747	12.6	-
World	1 833 324	14.8	-

Sources: CIA World Fact book 2008 and the WIR 08, compiled by author.

Chart 1 FDI flow inward as % of GDP and % of Muslim population



Sources: CIA World Fact book 2008 and the WIR 08, compiled by author.

According to the idea that is tested, one should expect to find higher FDI-inflows when the percentage of Muslim population is low, and vice-versa. But instead most of the countries are more or less evenly spread around.

Outliers are Sierra Leone and Nigeria. The column (table 5) with the absolute number demonstrates that Nigeria makes up for 80% of the total of FDI inflows in West Africa. The high inflow of FDI in Nigeria must be ascribed to the large oil industry in this country. When it concerns FDI Nigeria is always regarded as an extreme case (UNCTAD 2007). With Sierra Leone this is different. Since the FDI inflow is only 81 million dollar, GDP must be very low in this country. Mostly probably this extreme poverty is caused by the long civil war that has tortured the country.

Cape Verde (0% Mpop) and Mauritania (100% Mpop) do not have a significant different FDI inflow. The countries with Fgdp below 5% (Benin, Niger, Senegal) have Mpop ranging from 24.4% to 94%. The chart show also how on the side close to 100% of Muslim population FDI values differ from 2.7% (Senegal) to 40.2 % (The Gambia). So although Niger and Senegal have a high MPop and a low Fgdp, this cross-country analysis tells that there is no evident correlation between Mpop en Fgdp.

4.2 FDI and Islamic affiliation in Senegal

The question raised was whether the amount of FDI inflows in Senegal is influenced by the presence of the Muslim brotherhoods, therefore in this section an analysis will be made on the relationship between the inflow of FDI and the Muslim population over time in Senegal.

Here I use IMF-data because UNCTAD gave inconsistent data in the WIR's before 2004. IMF gives the net FDI inflow as a percentage of GDP therefore the numbers in this section are slightly different to those in 4.2. Again I have used information on the Muslim population from the CIA World Factbook. Since it proved to be impossible to identify falls and rises in the power or popularity of the Muslim Brotherhoods over time, it is in this section again assumed that the influence of Muslim Brotherhoods gains strength when the overall population of Muslims increases. The data are shown in table 6.

Table 6 FDI flows and Muslim-population, Senegal

	2000	2001	2002	2003	2004	2005	
% of Muslim population	92	92	94	94	94	94	
Net FDI (Negative = Inflow) in % of GDP	-1.3	-0.8	-0.8	-0.7	-0.8	-1.2	-1.2 (Hist. Average 6/)

Source: CIA World Factbook and IMF Country report Senegal, compiled by author.

In the first place the differences that appear in table 6 are too small to be of any significance, therefore on the basis of these data it is difficult to hold that Islamic affiliation influences FDI flows, also in terms logic reasoning it is not sure.

Within the scope of this research a difference could have been awaited after the events of 9/11 2001. It is interesting to see that the Muslim population has grown slightly in these years, but instead of a decline in FDI it stays almost the same and only goes down a little in the year to follow.

Furthermore, as mentioned in chapter 2, the reason for the small increase of Muslims in 2002, might also be caused by poverty, emerging from for example the bad harvest in the same year. However, in order to follow this logic one would need to collect data from for example around 1994 when because of the devaluation people became poorer.

Another change could have been expected in 2000 after the victory of the liberal party, which is according to some more related to the Mouride, while others hold that this event marked a separation between politics and religion. Either way, it would have had an influence on the FDI flow. The table shows that in 2001 FDI has decreased with 0.5%, while the percentage of Muslims stays the same. This could suggest that the Mouride had indeed had undertaken action trough politics to block foreign investment from coming in. However I believe this to be very unlikely since Wade's policy is much oriented towards an improvement of the investment-climate.

After 2002, while the percentage of Muslim population stays equal, FDI inflow increases steadily. Already this could be the result of the in 2001 created NEPAD. However, the increase from 2004 onwards can most probably be attributed to NEPAD and the other investment-initiatives implemented by the Wade-government. There is until 2008 no change in the percentage of Muslim population registered.

Judging from these data, there is in Senegal no direct correlation between the growth of the Muslim population and the net FDI inflow of FDI as a percentage of GDP, neither statistically nor theoretically.

4.3 Interviews: Religious power in Senegal

Since the aim of this research is to gain a better understanding of the influence of Muslim brotherhoods on the FDI-inflow, I have conducted several interviews on the investment-climate in Senegal, and on the nature of the brotherhoods as political and/or economic actors. In this last section these interviews are used to demonstrate that, although the influence of the brotherhoods on politics, economy and society seems in general high, their stronghold doesn't directly extend to the area of the investment-climate.

In Dakar I had the opportunity to work from the *Institut Fondamental d'Afrique Noire* (IFAN), related to the Cheikh Anta Diop University. The director, Abdou Salam Fall, a sociologist, holds that the brotherhoods are mainly present in society through the influence they have on 'normal people'. 'Although many say that the *ndigal* is over, the marabouts can still be compared to the 'Grand Electors'.

Also Aliou Gadio, from the Ministry of Finance, charged with 'Good Governance' signals that their political influence has not diminished: 'The impact of religious power on politics should be understood as an impact on the whole community. The political situation here is very much influenced by the religious communities. This influence is much hidden, we can all see it, but can't really touch it.' Gadio suggests that the religious leaders can even choose their ministers. It is a temporal power combined with a spiritual power. 'The leaders of the state are afraid of the religious leaders.' Furthermore, he concludes, their cultural influence is much stronger than their influence on the law. 'The emphasis must lie on their sociological influence.'

But the representation of the brotherhoods is not only in politics. They are represented through their members, and these members have also another life as a citizen, as was emphasized by Villalón in chapter 3. Although many shops and restaurants are called after the great leaders and the founder of the Mouride brotherhood, it is not true that this is done by force from the hierarchical brotherhood. 'These members however form a framework within the informal sector; this means the service sector and small commerce,' states Fall.[17] Elh Malick, editor of a magazine and himself a Tidjaniya, confirms this: 'the sellers on the street are very dependent on whatever the brotherhood decides. In the informal sector the power of the state is very absent. Similar things happen in the distribution of land.'

Besides the informal sector, there is indeed the agricultural sector, holds Aliou: 'at this moment there exists a certain religious impact on the Senegalese economy. The religious leaders are developing towards real economical factors, this happens through their agricultural projects. In the economy the Muslim Brotherhoods have certain advantages, contact with them can help to enter the market more easily. They have a monopoly on the production sectors. The real 'capitalist' are the Mouride',

Also in the real estate the Mouride are said to be quite powerful, tells Mamour Ousmane Ba, from the Head of Direction of Economic and Financial Cooperation Division of the ministry of economy and finance. Elh Malick comments that: 'The power is not distributed equally. And with that the distribution of land is not equal. The Mouride brotherhood is the most powerful in terms of economy. After them the Tidjaniya follow. The conflict though between the brotherhoods is not very evident'. Although Elh Malick confirms that their relation is not very friendly either. 'If there are conflicts they will not be on the interpretation of the Koran but rather on economic and power issues. In general the brotherhoods tend to form a block against the state, instead of against each other.'

The real problem, according Fall is a 'problem of institutions, transparency and justice,' which was confirmed by other respondents. Gadio: 'within the constitution there is a separation of powers. In my experience there is a cohabitation of powers.' Mody Guiro, secretary general of the *Confederation Nationale des Travailleurs du Senegal*, adds: 'the majority of the population follows the advice of the marabouts It is in this sense that they have an influence on society. Also when there is for example a conflict between the manager and the workers, the Caliph can intervene and help to resolve it. Although this all seems to work more or less smoothly, it is anything but transparent. It is all a matter of interests.'

Elh Malick tells that: 'The fundamental problem is that the state always has to consult the religious power in order to make a project work.' However he hurries to make clear that the state and the Muslim Brotherhoods work together for the well being of the population. 'They have an alliance, but this alliance is not directed against the interest of the people.'

Another noticeable impact comes from the migrated Senegalese, many of which belong to the Mouride brotherhood. 'Abroad, they are extremely well organized, and they invest in what their religious leader recommends them to do. These advises are informal, but it is all planned', states Gadio. The aspect of international migration has not been mentioned before in this research, because it fell outside the scope. However, it sheds a new light on our question on FDI, since it is true that both from Senegal and West Africa many migrants go to for example Italy and France.

When asking more about the possible influence of the brotherhoods on the investment-climate, Djibril Diaw, of the *'Service Balance de Payment, exterior'* of BCEAO, couldn't provide me with a lot of information on the influence of the Muslim Brotherhoods. 'Since the bank works more on a macro-economic level and is therefore not mainly concerned with economic systems like those of the brotherhoods. But he confirms the importance of the international networks of the brotherhoods. 'I believe that by a study of the migratory countries some information could be gained.' Currently BCEAO is working on an investigation-project with the International Debt Relief program in order to gain more knowledge on the impact of FDI on Senegalese enterprises. Diaw expects that from this investigation also more statistics can appear on the cultural factors influencing the investment-climate. But since 'the type of institution of a brotherhood is not clear' Diaw also expects that BCEAO will not search for much information on them.

Mody Guiro holds that if it is the case that FDI is blocked; it is not primarily done by the brotherhoods. He believes that any blockade must come from somewhere else. 'In contrary of forming an obstacle, they are more often a positive factor. But if investors wish to invest in sectors where the Caliph is active, it might cause some difficulties. There is a form of protectionism within. The government has changed the rules, but the power is still with them. Furthermore the administrative system is not up to the investor's wishes. The constitution is not transparent and there is a lot of corruption. The production sector is not very well developed. The comparative factors such as water, electricity and infrastructure are not well developed. It is for the investor important to know that the environment offers security to have a return on the investments.' The government, according to Guiro, must give this security. 'This terrain is not dependent on a decision from the marabouts, but it is all about the quality of the offer done to the government.'

Both Guiro and Diaw pass the problem of the investment-climate on to the government, which indeed recently has established an agency charged with the promotion of investments; APIX. Speaking with them left me with not much more than was already announced on the website. The *Code de Investissement* is meant to make it as easy as possible to invest money in Senegal. This code made it for example possible to set up a firm within 48 hours. Furthermore they promise a greater protections of investment, they have improved the investment incentives, they give advises on priority sectors and the bureaucratic part is supposed to go quite smoothly now. Also APIX chooses not to look specifically for information on the sector in which religious forces might be influential. What APIX mainly tries to do is to make it as easy as possible for investors to come to Senegal by improving the institutional framework, as is prescribed by the IFI's.

However not everyone agrees with this strategy. According to Guiro the least the state should do at this moment is to tie investors to certain rules. He is not sure about the beneficial effect of the FDI that the government is now trying to attract. Also Ousmane Ba is doubtful about the positive effects on the economy. 'The effects are not significantly, and definitely not on the Mouride business camp. However the Mouride or any other brotherhood cannot do a lot to stop it.' When I ask Guiro whether that could be a reason for brotherhoods to block newcomers, he answers that 'It has nothing to do with the Muslim brotherhoods; they would not even have enough power to make it easier to enter. For example the influence of Chinese investments is growing, but that this is quite negative for the people working in informal sectors in Dakar. They are being crowded out of the market. People feel threatened by the new social actors that have entered the stage, coming from China and India. In Senegal, Mali, Togo, Burkina Faso and The Congo you can find Chinese and Indian enterprises all over. The geopolitical power is changing rapidly.'

Judged from the IMF data from 3.2 on the big investment coming from India and the increasing numbers of investment in Africa coming from China, Guiro seems to have a point here. However, he and also other interviewees tended to make slightly contradictory statements. It is said that it helps to have contact with the brotherhoods if you want to invest. However it is also mentioned that actually the government should coordinate this. And in fact, some say that the brotherhoods wouldn't have enough power to something against it, even though it is felt that not all type of FDI is benefitting the country.

To enrich this analysis I decided to also talk to somebody who could tell me a bit more about the reasons for investors to work in a certain country. I wondered whether the presence of Islamic organizations would indeed be a reason for them to invest in another country. Bob van der Bijl from the Netherlands-African Business Council (NABC), an 'organization of Dutch entrepreneurs that do business in Africa and through their activities promote this sustainable development of the African continent.' explained me, not surprisingly, that only 2% of the Dutch export goes to Africa. This comes mostly from big companies like Shell, Heineken, L&G, and Unilever. Small companies that invest in Africa mostly have a personal reason. 'Lately we went to West Africa; Burkina Faso, Cote d'Ivoire, this was because we had some connections there. Most of the reports that are written, such as Doing Business, are not really looked at. Businesses think the other way around, not about policies, but we think 100% market-wise and don't want too many troubles. The decision to invest is often made quite randomly, a black box.'

When I asked about what kind of things are regarded as 'troubles' he explained that 'The biggest problems we encounter are not with the policy-frameworks, the most difficult is to get started, but that goes really for all African countries. And, the competitive advantage is really small, so wherever it seems easier, we start there. Ghana for example is easy; they even have their own chamber of commerce for foreign investors.'

Another thing he noticed is that when foreign aid is high, investments are diminishing. 'A sentiment of ' It's not OK in that country' occurs when to much aid is given.' Since sentiments are important when investment-decisions are taken, I asked whether the 'global fear' for Islam has had influence on NABC. 'In

East-Africa there is the Isamili, Agha Khan Network; they are a closed and strong network. As business partners we are happy to work with them. The fact that they are Islamic doesn't form an obstacle at all, the opposite is true.'

Interesting is that although the Muslim brotherhoods are believed to be very influential in politics, the government-officials that I spoke to could not give me any concrete information on the position of the brotherhoods. It could have been that I interviewed the wrong person, or that the brotherhoods are not so influential that they steer the political wheel. Another explanation given was that official institutions are simply not very interested in the practices of the brotherhoods. Judged by the apparently non-existing data on their economic activities that I tried to gather, I believe that this can be true. Again this confirms, as discussed in chapter 3, the dual position of Senegal, which is and wishes to be a secular state, but simultaneously one of the most important actors in society are Muslim brotherhoods. However, this does not seem to be an important factor for an investment-decision.

5. Conclusion

The scenario sketched at the beginning of this paper, showed that Senegal, had not been able to reap the expected benefits of the rising FDI inflows worldwide and in the developing countries. Not only is Senegal still among the poorest countries of the world, also the FDI inflow in Senegal is considerably low. Naturally this can be caused by many factors of which in this research only one was investigated.

Dominant theories on the determinants of FDI indicate that the development of the 'right' institutional framework is important for an increased inflow of FDI. Therefore logical next questions to ask are how this can be done, and what factors impede the inflow of FDI in Senegal? These questions have been placed in the broader perspective, often coined as the 'clash of civilizations'. This perspective gave ground to have a closer look at the society in Senegal in which Muslim brotherhoods form an important actor. Based on their interest in economy and historical ties with politics, they are regarded as a significant institution. Furthermore it was demonstrated that the 'regular' institutional framework in Senegal was 'in order'. This is where the question of this research originated. Are the Muslim brotherhoods than an institutional impediment to FDI in Senegal?

The discussion on determinants of FDI showed that the institutional approach dominates the policies that are designed for developing countries. Also I demonstrated that the 'right' institutional framework is mostly equated with western-style institutions. And, although a feeling exists, in fact not many studies have been done to the alleged impact of Islam on development. Already from the literature-review it became clear that, although the myth is widespread, Islam in general is not inimical to economic growth. I did not demonstrated here that the brotherhoods are not an institutional impediment to FDI. Therefore, in the analysis-section, I deepened the research by focusing specifically on FDI inflows to West Africa and Senegal and the Muslim population there. The statistical analyses were supported by a discussion on the structure of and position in society of the brotherhoods, the economic history of Senegal and its efforts to attract more FDI. It appeared that no significant correlation exists between the Muslim population in Senegal, or West Africa and the inflow if FDI. Statistical information on the brotherhoods is lacking, but from the literature and also from the interviews was concluded that the relationship between state, economy and the brotherhoods is dualistic and changes over time. However none of the findings gives reason to state that the brotherhoods form the main obstacle for FDI.

Whether one agrees with Huntington or not, the situation in world politics, the accelerated globalization and the influence of the media, has led to a world in which people from different backgrounds, religions, cultures, civilizations (if you wish) get confronted with each others practices. In many places in the world people are increasingly concerned with questions about religion. In the western world a fear exists for the closed communities that Muslim brotherhoods are associated with. At the same time, the brotherhoods have not done a lot to show that they are different, what they really do, is not very seizable. It should be questioned though to what extent they should change their responsiveness to these fears. In the Muslim world people are concerned with the practices of Islam, and as it are often poor societies, they are concerned with increasing the standard of living. Their societies are undergoing fundamental challenges in seeking to balance the often-conflicting objectives of modernization, such as western styled economic development and finding an own way to develop. After all, previous interventions from western financial institutions have not always had positive results and not all practices are in line with interpretations of the Islam. This struggle however should not be confused with the notion of a 'clash of civilizations' between the West and the Islamic world.

In the case of Senegal, the question could be posed how significant the efforts of trade openness are for a country whose export is dependent on a small number of main products. Since the industrial fabric is little diversified, it is unlikely that the mechanism of allocating resources could function at all without state intervention, as was tried in the 1980's and 1990's. It seems in place to continue studying how institutions could contribute to a better investment-climate. But I stress the importance of starting with the institutional organizations of the country at stake, 'second-best institutions' as Rodrik calls them. Additionally, research to the beneficial effects of FDI should be done. The effect of FDI in developing countries is still under question; it might push aside local initiatives (Dunning 1993), exploit local labour (OXFAM), or be a drain on foreign exchange because foreign firms often import most of their materials (Chudnocsky and Lopez 2002).

Another question that was touched upon, but deserves further study, is whether foreigners themselves are not afraid or at least sceptical to invest in countries where 95% of the population is Muslim. One given answer in the interviews stated that this is not true at all. Likewise I believe that not only investors might be pro cooperation, also Muslim brotherhoods have given me no reason to think that they are against it. Further investigation of Islamic business-networks could in the first place make a contribution to bridge a gap, and secondly it could be beneficial to entrepreneurs both in Islamic as in non-Islamic countries.

This research has provided some preliminary answers to the status of the Muslim brotherhoods in Senegal. To enhance these findings a more thorough study should be done to the exact functioning of these communities, both as a religious society as in the form of an economic entity. Are there ways in which they could contribute (more) to the development of Senegal or West Africa? Also their migrant-networks are an interesting terrain of investigation (Kaag 2005, 2007). I can only acclaim that research on these topics is being done.

With this study I hope to have showed possible other perspectives for international policy-making. The fact that the question on Islamic influence on economic development arises is very interesting in itself. It demonstrates how international geopolitics has changed; religious communities are being welcomed, both positively and negatively, as important social, political and economic forces. From this starting-point Islamic communities might, just as other civil communities, be able to contribute positively to development, but in order to do so, a more open attitude from 'the other' seems indispensable.

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Notes

[1] There are different ways in which the names of the brotherhoods, the elements in the organisations and Arab terms are written in English. I have used the spelling as I found it in most of the literature I used.

[2] Washington was defined by Williamson as: 'The political Washington of Congress and senior members of the administration and the technocratic Washington of the international financial institutions, the economic agencies of the United States government, the Federal Reserve Board and the think-tanks' (1990: 7).

[3] The real turning is marked by the publication of the World Bank report 'The East Asian Miracles', and the reactions on it. In this report the success of the Asian tigers was reduced to their extensive interventions being equivalent, where successful, to what the market would have done, if working properly. (Fine 2001) Promoters of the WC clearly hold on to their ideology; however the critical reactions outvoted them. Obviously the disgrace of the Washington Consensus didn't come into being from one day to another. Many theoretical and empirical debates had been devoted to the effectiveness of the reform packages. For further discussion: (Fine 2001, Gamble 2006, Rodrik 2006, Stiglitz 2000)

[4] The critical voices came from two sides, the more radical economic theorizers and the 'pure' neoclassical thinkers. The first group disagrees with the assumption of market-supremacy being the point of departure for an economic analysis. The second group disagrees with the shifted focus to government intervention and argues that the market should 'do it alone', even stronger than before.

[5] Grand Theories are the ones that Stiglitz called Communism, The Planned Market Economy and the Free Market Capitalism. Harriss argues that the time of the Grand theories is over. And indeed after the end of the Cold War one can recognize a tendency towards a more post-modern, multi-dimensional worldview, instead of the idle search for an all-inclusive truth.

[6] The PFI is designed by a task force of officials from 60 OECD and non-member governments in association with some ten OECD Committees and Working Groups. OECD ministers endorsed the PFI in 2006, and they called on the OECD to continue to work with non-member governments and other inter-governmental organisations to promote its active use.

[7] The WDR of 2005 is the most recent result of the World Bank's research on the investment climate. The World Bank's WDR annual is a guide to the economic, social and environmental state of the world today. Each year the WDR provides in depth analysis of a specific aspect of development. Past reports have considered such topics as agriculture, youth, equity, public services delivery, the role of the state, transition economies, labour, infrastructure, health, the environment and poverty. (Gersovitz 2006)

[8] Moins d'etat, mieux d'etat

[9] These privatization-programmes are the New Agricultural Policy (NPA), implemented in 1984 and the New Industrial Policy (NIP) implemented in 1986. The first one aimed at reducing the rural development agencies, while the NIP privatized state-owned businesses and industry in the private sector and removed protective tariffs.

[10] For donors, the World Bank and the IMF in particular, the shock of the devaluation was necessary, if the new adjustment program was to be speared the lack of credibility, institutional obstacles and social and political pressure which the implementation of

the previous reforms had suffered. The change in the exchange rate send out a 'four-pronged message: 1) to give a strong signal on the involvement of the countries concerned in a strategy that marked a total break with the hesitations and institutional weakness of the past; 2) to guarantee, through the simplicity and scope of the operation, the irreversible nature of the option of a strengthened liberalization of the economy; 3) to create a framework that would more conducive to deepening the structural reforms designed to liberalize the economy; 4) to dispel the fears linked to a possible break up of the CFA franc area after France had abandoned it. (Daffé and Diop 2004)

[11] It's initial advantages were according to Berthelemy 'far from negligible; a capital endowed with infrastructure and a productive base, which could have led to industrial development by an agglomeration effect; a relatively stable and democratic society headed by a well-trained elite; a favourable disposition from aid agencies; and a stable monetary framework which prevented a balance-of-payments crisis.'

[12] Previously state-owned enterprises such as the telephone and energy company are due to the massive privatisations, now in foreign hands.

[13] At the forefront are Thabo Mbeki, president of South Africa, Abdoulaye Wade, president of Senegal, and Olusegun Obasanjo, former president of Nigeria. Mbeki and Wade created respectively the Millennium Partnership for the African Recovery Programme (MAP) and the OMEGA Plan.

[14] *The Initiative* had three distinct objectives: 1) to support African government efforts to develop an integrated policy roadmap based on concrete measures for improving the investment climate in African countries, 2) to raise the profile and image of Africa as a place in which to invest, to facilitate regional co-operation among African countries and to give an African voice in international dialogue on policies for investment; and 3) to strengthen and support African countries' own capacity to design, implement and advance a result-oriented national reform agenda to improve the investment climate.

[15] In Senegal the Caliph is often designated as the 'Caliph-General'.

[16] Islam has spread throughout West Africa through the trans-Saharan routes. In the 11th century a movement from Morocco, through Mauritania came to Senegal, while from the east an Islamisation from the Malian empire reached Senegal **(**Klein in Kaag, 52-53).

[17] This idea I found confirmed in an old survey dating from 1994, in which the researcher tries to find a relationship between small shops and their religious identity (Kane 1994).