

**AFRICAN DEVELOPMENT BANK GROUP**



**SENEGAL**

**EVALUATION OF THE STRUCTURAL ADJUSTMENT  
PROGRAMME II**

**Project Performance Evaluation Report (PPER)**

**OPERATIONS EVALUATION DEPARTMENT  
(OPEV)**

**12 November 2001**

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## CURRENCY, ACRONYMS AND ABBREVIATIONS

### Currency Equivalents

<u>At Appraisal</u> (December 1989)	<u>At Completion</u> (November 1996)	<u>At Post-Evaluation</u> (September 2000)
UA 1 = CFA.F 408.669	UA 1 = CFA.F 738.517	UA 1 = CFA.F 961.029
UA 1 = US\$ 1.27980	UA 1 = US\$ 1.44623	UA 1 = US\$ 1.30480

### Weights and Measures

1 km :	kilometre	=	1000 metres
1 ha :	hectare	=	10 000 square metres (m <sup>2</sup> )

### Fiscal Year

1 July – 30 June (1989)  
1 January – 31 December (since 1996)

### Acronyms and Abbreviations

ADB	:	African Development Bank
AGETIP	:	Agence d'exécution des travaux d'intérêt public (Public Works Executing Agency)
BCEAO	:	Central Bank of the West African States
CFD	:	Caisse française de développement
CIDA	:	Canadian International Development Agency
DIRE	:	Direction à l'insertion, à la réinsertion et à l'emploi (Directorate for Integration, Reintegration and Employment)
ECOWAS	:	Economic Community of West African States
EDF	:	European Development Fund
EEC	:	European Economic Community
EIG	:	Economic Interest Grouping
ERFP	:	Economic and Financial Recovery Programme
ESAF	:	Enhanced Structural Adjustment Facility
FNE	:	Fonds national de l'emploi (National Employment Fund)
GDP	:	Gross Domestic Product
IBRD	:	International Bank for Reconstruction and Development
IDA	:	International Development Agency
IMF	:	International Monetary Fund
MLAP	:	Medium and Long-Term Adjustment Programme

NGO	:	Nongovernmental organization
PIP	:	Public Investment Programme
SDA	:	Social Dimension of Adjustment
SENELEC	:	Société nationale d'électricité (National Electric Power Utility)
SME/SMI	:	Small and Medium-Size Enterprises/Small and Medium-Size Industries
SOFISEDIT	:	Société financière sénégalaise pour le développement de l'industrie et du tourisme (Senegalese Financial Corporation for the Development of Industry and Tourism)
SONATEL	:	Société nationale de télécommunications (National Telecommunications Company)
TYPIP	:	Three-Year Public Investment Programme
UNDP	:	United Nations Development Programme
VAT	:	Value Added Tax
WAEMU	:	West African Economic and Monetary Union
WAMU	:	West African Monetary Union
ZFID	:	Zone franche industrielle de Dakar (Dakar Free Industrial Zone)

## PREFACE

1. This Project Performance Evaluation Report (PPER) concerns the SAP II for the 1989-1992 period for which the African Development Fund awarded Loan no. F/SEN/PAS/90/13 for an amount of UA 30.39 million in 1990.
2. Initially designed to be implemented over the 1989-1992 period, the SAP II finally covered the 1990-1994 period. The slippage on implementation was primarily due to difficulties encountered regarding the fulfillment of certain conditions relating to the second and third tranches. The disturbed social and political context which led to a slackening in the Government's pursuit of the reforms was another reason for the slippage, especially with regard to civil service reform, the restructuring of the parastatal sector and the privatization of public enterprises, which started timidly towards the end of the programme in 1994.
3. The SAP II aimed to create the conditions for sustainable and lasting growth through macroeconomic stabilization (reorganization of government accounts, improved external current account and the containment of domestic inflation), as well as by the promotion of a dynamic and competitive private sector. Specific action to promote employment was also envisaged.
4. This Bank loan was intended to support the balance of payments with a view to easing the Government's financial difficulties in order to facilitate the pursuit of strategic and financial reforms, as well as job-creating activities in the context of the social dimension of adjustment. The programme was the subject of a completion report (RAP - ADF/AD/IF/98/48) prepared by the Bank following a completion mission to Senegal from 17 November to 1 December 1996.
5. Following this PCR, it was noted that major elements relating to the effects and impact of the Programme (private sector development, social dimension of adjustment) and the sustainability of its impacts had not been the subject of an in-depth analysis. It was, therefore, necessary, to carry out an in-depth evaluation of the Programme in accordance with the directives of the Bank's Boards of Directors.
6. This report was prepared following a programme performance evaluation mission to Senegal from 28 August to 12 September 2000. It refers to the appraisal and completion reports and is based on: (i) information available to the Bank, (ii) statistical, economic and social information gathered during the mission and (iii) discussions and meetings with the key officials of the Ministries concerned by the Programme and the representatives of the IMF, the World Bank, the European Union and the French Development Agency in Dakar.
7. The PPER complements the findings, analyses and conclusions of the PCR and comprises a performance evaluation on the basis of criteria and efficacy and efficiency both from the standpoint of outcomes and the sustainability of the programme impacts. It draws conclusions and lessons and formulates recommendations for the Borrower and the Bank for the consolidation of the Programme's achievements.
8. Copies of the PPER have been sent for comment to the Senegalese Government and the Bank's West Region Country Department. The comments of the Country Department have been taken into consideration in the final report. Despite many reminders the Government has not reacted.

**BASIC SAP II DATA****A. Preliminary Data**

Country	:	Republic of Senegal
Programme	:	Second Structural Adjustment Programme
Loan	:	F/SEN/PAS/90/13
Borrower	:	Government of the Republic of Senegal
Executing Agencies	:	(i) Interministerial Supervisory Council (ii) Monitoring Committee for Economic Policy Programmes (ii) Special Management Unit for the Programme of Action for Youth Employment Creation

**B. Loan Data**

LOAN	ESTIMATED	ACTUAL
Loan Amount (UA million)	30.39	30.50
Service Charge	0.75% per year on amounts disbursed and outstanding	0.75% per year on amounts disbursed and outstanding
Duration	50 years including the grace period	50 years including the grace period
Grace Period	10 years	10 years
Repayment Terms	One per cent (1%) of the principal per year from the 11 <sup>th</sup> to the 20 <sup>th</sup> year and three per cent (3%) per annum of the principal thereafter.	One per cent (1%) of the principal per year from the 11 <sup>th</sup> to the 20 <sup>th</sup> years and three per cent (3%) of the principal per year thereafter.
Disbursement Terms	(i) Economic SAP: Three successive tranches of UA 11.05 million, UA 6.44 million and UA 5.52 million  (ii) Programme of Action for Youth Employment Creation: initial advance of UA 3.68 million renewable	(i) Economic SAP: Three successive tranches of UA 11 million, UA 6.5 million and UA 5.6 million  (ii) Programme of Action for Youth Employment Creation: initial advance of UA 3.7

Appraisal	-	million, then UA 2.2 million and UA 1.4 million
Loan Negotiations	-	
Board Approval	March 1990	July 1989
Signature	-	January 1990
Effectiveness	April 1990	March 1990
		March 1990
		May 1990

**C. Basic SAP II Data**

	Estimated	Actual	Difference
1989-1991 Financing Requirements (UA million)	1459.9	-	-
Duration	1989-91	1992-96	36 months
Date of Disbursement of the 1 <sup>st</sup> Tranche	1990	1990	-
Date of Disbursement of the 2 <sup>nd</sup> Tranche	December 1990	December 1991	12 months
Date of Closure	31/12/1992	31 December 1994	24 months

### **Financing Plan**

Sources of Financing	At Appraisal (UA million)	At Completion (UA million)	Difference
ADF	30.39	30.50	+ 0.11
IDA	62.44	43.94	- 18.5
OTHERS (Switzerland, Belgium, France, Japan and USA)	59.77	49.2	- 10.57
	152.60	123.64	- 28.96

#### D. Performance Indicators

1. Number of Extensions of Deadline	:	1
2. Programme Status	:	Completed
3. Implementation Performance	:	Unsatisfactory
4. Bank's Performance	:	Satisfactory
5. Evaluation of Project Results	:	Unsatisfactory

#### E. Missions

Missions	Number of Missions	Number of Persons	Composition	Staff/Days
1. Identification	-	-	-	-
2. Preparation	1	2	1 economist 1 loan officer	-
3. Appraisal	1	3	2 economists 1 loan officer	-
4. Mid-Term Review	1	2	1 economist 1 disbursement officer	11 5
5. PCR	1	2	1 economist 1 consultant	
6. Post-Evaluation	1	2	1 post-evaluation officer 1 consultant	30

F. **Disbursements (UA million)**

	<u>ESTIMATED</u>	<u>ACTUAL</u>
Total Disbursed	30.39	30.50
Amount Cancelled	0.00	0.00
Undisbursed Amount	0.00	0.00
Repayment	None	None

Annual Disbursements (UA million)

	<u>Estimated</u>	<u>Actual</u>
1990	21.21	14.78
1991	9.18	6.49
1992	0.00	2.22
1993	0.00	1.44
1994	0.00	5.57
Total	30.39	30.50

G. **Other Structural/Sectoral Adjustment Programmes financed by the Bank Group in Senegal**

Programme	Year of Approval	Loan (UA million)	Status	Completion Date	Status of PPER
SAP I	1987	27.63	Completed	1989	

## **1. EVALUATION SUMMARY AND MATRIX OF RECOMMENDATIONS**

### **1.1 Objectives and Scope**

This Performance Report concerns the SAP II of Senegal for which the ADF awarded loan no. F/SEN/PAS/90/13 of UA 30.39 million in March 1990. This programme was initially planned to be implemented over the 1990-1992 period, but was only completed in 1994. It aimed to strengthen the macroeconomic framework in order to create the conditions for sustained economic growth. The principal expected results were: (i) a 3.8% GDP growth rate in 1991/1992, (ii) the containment of inflation at 2.5% in 1991/1992, (iii) the recovery of public finances with a fiscal deficit (on a commitment basis excluding grants) of – 2.8% in 1989/1990 and a surplus of 0.8% of GDP in 1991/1992, (iv) a 2.7% annual export growth rate over the 1988-1992 period and 5% over the 1993-1997 period; (v) the narrowing of the current account deficit (excluding grants) from 8.3% of GDP in 1989-1990 to 6.1% of GDP in 1991/1992 and, (vi) a fall in the long-term public debt service to exports ratio to 10% in 1997. The measures concerning State divestiture of public enterprises were intended to help to ease pressure on the State, to improve the performance of the economy and to support private investment. A programme of action for youth employment creation was implemented in order to mitigate the social impacts of the SAPs.

### **1.2 Implementation Performance**

1.2.1 The implementation performance was unsatisfactory. The difficulties in fulfilling the conditions for the release of the last two tranches led to slippage on disbursement which affected the project implementation rate, as did the imposition of sanctions on Senegal for the non-payment of arrears on Bank loans. Another factor was the socio-political context (elections and social unrest between 1991 and 1993) which led to a slow-down in the implementation of reforms.

1.2.2 The programme implementation structures and monitoring system did not function properly. In addition, some of the most crucial measures, especially those concerning parastatal and civil service reforms, were not fully or properly implemented during the programme owing to their complexity but were included in other programmes following the devaluation of the CFA franc. The procurement procedures were complied with. The loan was closed two years behind schedule and after two extensions of the deadline.

### **1.3 Institutional Performance**

#### **Borrower's Performance**

1.3.1 The performances of the Government and the executing agency were unsatisfactory because of shortcomings arising from the weak commitment of the Senegalese authorities towards taking some key structural reforms, the lack of involvement of the social partners in the reform process as well as shortcomings in the programme monitoring system (Interministerial Supervisory Committee not reactivated, ineffectual Monitoring Committee, Committee for the Implementation and Monitoring of the Social Dimensions Component not established). In addition, the Borrower did not submit the quarterly programme implementation reports or the loan account audit reports.

## **Bank's Performance**

1.3.2 The Bank's performance was unsatisfactory. It participated in the preparation and implementation of the programme by carrying out one supervision mission and two mid-term review missions. But it was inadequately monitored with a low technical input for the main purpose of its mission was only to review the status of fulfillment of the conditions precedent to the release of the loan tranches. In addition, the duration and composition of the missions were inappropriate. These shortcomings prevented it from fostering fruitful technical and policy dialogue with the Government, which would have led to closer monitoring of the programme, in particular the social component.

### **1.4 Programme Impact**

1.4.1 The macroeconomic results on completion of the SAP II were unsatisfactory. In fact, with the exception of 1990, when favourable weather conditions led to a 3.9% increase in GDP in real terms, which remains, however, below the targeted 4.6%, the salient features of the programme period were erratic growth (-0.4% and -2.2% respectively in 1991 and 1993; 2.2% and 2.95% in 1992 and 1994) which did not achieve the target. This poor performance was the outcome of the combined effects of several factors such as the underlying weakness of the economy, the productive base of which is little diversified and highly sensitive to exogenous events, the unfavourable socio-political context and weak domestic demand.

1.4.2 The public finance situation deteriorated throughout the programme, reflected in low budget savings over the 1990 to 1994 period. The fiscal and current account deficits were not significantly narrowed. Difficulties in streamlining the management of civil service staffing and reducing the wage bill prevented effective control of expenditure. Low budget savings in relation to investment requirements led to a widening overall deficit on a commitment basis (excluding grants) from -1.03% of GDP in 1991 to -3.2% in 1994. The overvaluation of the CFA franc impacted negatively on exports which fell gradually (from CFA.F 204.6 billion in 1993 to CFA.F 243 billion in 1990), whereas imports stagnated at around CFA.F 315.4 billion which was reflected in a deterioration of the trade and external account balances (excluding grants). Inflation was contained over the 1989-1992 period, and following the devaluation of the CFA franc in January 1994, the rate rose to 19.8% giving an average of 3.48% over the 1989-1994 period. This devaluation and the support measures implemented led to a significant improvement in Senegal's economic and financial situation.

1.4.3 From the social standpoint, the AGETIP programme of action for youth employment creation undoubtedly made it possible to create jobs, albeit temporary in most cases, and limited in number in relation to the high unemployment rate. A deterioration was observed in the social indicators during the SAP II implementation period. This phenomenon was confirmed during the 1996-1999 period, which, despite a strong annual economic growth rate of 5.5%, was characterized by a high poverty prevalence rate from 57.9% in 1996 to 57% in 1999.

## **1.5 Sustainability**

1.5.1 The overriding factor for the sustainability of the programme impacts remains the political will of the authorities to pursue the reforms. Furthermore, the State shall endeavour to guarantee social cohesion by reducing social disparities and unemployment, especially among young people, to prevent the risk of social unrest, which could undermine the development efforts and jeopardize the sustainability of the programme. To ensure the success and sustainability of the impacts, it is vital to win the support of all the socio-economic partners for the design and implementation of the programme, which was not the case for the SAP II. The Government has thus gradually adopted a participatory approach for the implementation of these reforms, which demonstrates its determination to make available and disseminate the programme results, thus helping to gradually create an information-focused culture regarding development-related issues.

1.5.2 Furthermore, Senegal is committed to a regional integration process within the framework of WAEMU and ECOWAS which could ensure the consolidation of economic reforms and strengthen the sustainability aspects through the adoption of common policies. It is vital for community decisions and provisions to be complied with in order to harmonize the reforms with a view to achieving higher growth rates which would make it possible to address the issue of poverty.

## **1.6 Conclusion**

1.6.1 The results of SAP II are considered unsatisfactory and the macroeconomic performances are below target. The erratic GDP growth rate stems from the instability of the socio-political environment, the weak productive base of the economy, which remains highly sensitive to extraneous events, and also weak public and private investment rates. Public finances were not reorganized in keeping with the objectives and the lack of determination to pursue the public enterprise restructuring and privatization process, in compliance with recommended standards which would guarantee transparency, impeded the development of the private sector. The social indicators deteriorated during the programme. However, the containment of inflation was the only programme objective attained during implementation mainly as a result of sluggish domestic demand.

1.6.2 The devaluation, as well as the support programmes implemented, have significantly improved macroeconomic performance. The results achieved over the 1994-1999 period are encouraging but remain fragile. It will be necessary to pursue structural reforms in order to increase the stability of the macroeconomic framework and lay the foundations of an enabling environment for the development of private investment and establish an operational poverty reduction-focused institutional framework.

## **1.7 Feed-back and Follow-up Measures**

1.7.1 The lessons to be learnt from the experience of this programme, for the country and the Bank, in addition to those mentioned in the PCR, concern, in particular, the consequences of exogenous factors and the internal political situation, which were not taken into consideration, the political will to pursue the reforms, as well as coordination of the activities of the donors involved.

1.7.2 In order to consolidate the outcomes of the SAP II, it is recommended to the Government to pursue on the one hand the efforts to build economic management capacity so as to ensure greater consistency between sectoral strategies and macroeconomic orientations and, on the other structural and policy reforms to rationalize the macroeconomic framework, create the conditions for sustainable development and private sector promotion, and finally to prepare and implement a realistic national employment policy.

1.7.3 To the Bank, it is recommended to pursue policy dialogue with the country with a view to deepening the reform efforts and strengthening the operational guidelines in respect of monitoring.

1.7.4 For the Bank, the follow-up measures concern the strengthening of the operational guidelines in respect of monitoring as well as policy dialogue, and for the Government pursuit of the public enterprise restructuring process, as well as the easing of constraints on private investment by further strengthening the legal and regulatory framework for business and investment.

## **II. PROGRAMME BACKGROUND**

### **2.1 Country Economic Context**

2.1.1 In the late seventies, economic conditions in Senegal were unfavourable owing to continuing drought, a fall in world phosphate prices and the deterioration of the terms of trade as a result of the second oil crisis. The negative impacts of this situation were exacerbated by the country's development strategy, which hinged on an expanding public sector. The subsequent structural weaknesses of the economy impacted negatively on the macroeconomic framework, reflected in low economic growth rates and intolerable financial imbalances. The loss of competitiveness as well as strong domestic demand highlighted the deterioration of the external current deficit which widened from -1.9% of GDP in 1970 to -11.7 % in 1978, resulting in a sharp fall in the overall balance of payments from a surplus of CFA.F 6.3 billion to a deficit of CFA.F 21.5 billion.

2.1.2 To address these underlying problems, the Senegalese Government implemented a short-term stabilization programme in 1979 followed by a medium-term economic and financial recovery programme for the 1980-1985 period (EFRP). These programmes had two objectives: (i) to stabilize the financial situation by narrowing the current account deficit from 15% to 7% of GDP, (ii) to increase public savings from 15% to 35%, (iii) to increase the investment rate from 16% of GDP in 1981 to 18% in 1985 in order to attain an annual GDP growth rate of 4% and (iv) to limit the role of the State in the economy by streamlining the public sector.

2.1.3 On completion of the EFRP, though Senegal's economic situation improved considerably, the results remained unsatisfactory in comparison with the appraisal objectives. This poor performance was related both to internal and external factors including, in particular: persisting adverse weather conditions (periods of drought from 1980-1981 and 1983 to 1984), fluctuations in the world prices of commodities produced by Senegal and weaknesses in the

economy owing to the predominance of the public and parastatal sectors. This situation led the Government to embark on more comprehensive reforms through a medium and long-term adjustment programme for the 1985-1992 period (MLAP).

2.1.4 Designed in three phases, the MLAP aimed to consolidate the foundations for economic growth through the adoption of new sector strategies (new agricultural and industrial policies) and the introduction of incentives for the recovery of private investment, the easing of structural constraints on the economy by resizing the public and parastatal sectors while improving their management, safeguarding long-term growth through the implementation of basic infrastructure strategies, continuation of the medium-term reorganization of public finances and the strengthening of Senegal's external position. The first two phases financed mainly by the World Bank and the IMF also received Bank support under SAP I. Their implementation did not permit any easing of the structural constraints on the Senegalese economy or restoration of the principal macroeconomic balances, which would lead to rapid and sustainable growth.

2.1.5 To address the situation, the Government initiated the third and final phase of the MLAP for the 1989-1992 period, with which the SAP II was in keeping, in a concern to pursue the adjustment process with regard to the Senegalese economy.

## **2.2. Review of Policy-Based Lending Operations**

2.2.1 The SAP II, the subject of this report, was preceded by the SAP I for the 1987-1988 period, for which the Bank awarded a loan of UA 30 million, under the second phase of the MLAP. The objectives of the SAP I were: (i) the development and consolidation of the foundations of economic growth through the redefinition of adequate sectoral strategies and the introduction of appropriate incentives to boost the recovery of private investment, (ii) the easing of structural constraints on the economy, (iii) enhanced efficiency of public investment, (iv) safeguarding the foundations of long-term growth through strategies focused on education, health and basic infrastructure, and (x) the medium-term reorganization of public finances and the external current account.

2.2.2 Implementation of the SAP I failed to attain the set objectives. In fact, the budget deficit did not narrow but tended to widen in 1989, economic growth which was weak and erratic, especially in the primary sector, fell sharply by -8.4% in 1988, public and private investment rates remained below target, whereas the external current account deficit was twice the estimated amount. Public finances did improve, but the targets were not achieved. In fact, implementation of the SAP I did not have any significant structural impacts on the economy of Senegal.

2.2.3 Following the SAP II, the Bank also financed a programme for tariff reform and the promotion of competitiveness, approved in December 2000, aimed at improving the external competitiveness of the economy, strengthening the regional integration process and providing support to the poverty reduction strategy. This programme is being implemented.

## **2.3 Programme Formulation**

2.3.1 The SAP II is an integral part of the MLAP, builds on the activities already initiated, deepens some of the measures of the SAP I, in particular the strengthening of the macroeconomic framework, the restructuring of the public and parastatal sectors, the promotion and development of the private sector and the mitigation of the social impacts of the programme.

2.3.2 The Bank participated actively in the preparation of the programme by using the documents prepared by the World Bank and the IMF and maintaining regular dialogue with these two institutions, even taking part, as an observer, in the loan negotiations between the World Bank and representatives of the Senegalese Government, with a view to harmonizing the measures and conditions precedent of the programme.

## **2.4 Programme Rationale**

Implementation of the first two phases of the MLAP over the 1985-1988 period, prevented attainment of the set macroeconomic and sectoral objectives. Indeed, economic growth remained weak, the current account deficit widened, debt servicing and the civil service wage bill rose, the situation of the public enterprises did not improve and continued to weigh heavily on public finances, etc. Convinced of the need to restore a cohesive macroeconomic framework, the Senegalese Government initiated the third phase of the MLAP in 1989. The Bank accepted the Government's request to provide financial support to that phase under the SAP II. That programme thus addressed a concern to revive economic growth by reorganizing public finances, curbing inflation and stabilizing the country's external account. To alleviate the social tensions caused by the negative impacts of the previous adjustment programmes, especially unemployment, a social dimension component, which was not taken into consideration in the MLAP, was included in the programme.

## **2.5 Objectives and Scope at Appraisal**

2.5.1 The overall objective, as well as the specific objectives of the programme are mentioned in the appraisal (par. 3.1.2, 4.1.2) and completion (par. 2.1 and 2.2) reports. The specific objectives were aimed at restoring the macroeconomic balances by containing domestic inflation and export subsidies to reduce the external current account deficit. These were supplemented by measures to restructure the public sector and promote the private sector through the establishment of an incentive regulatory framework in order to create appropriate conditions for sustained growth. Furthermore, a programme of action was implemented to support youth employment and decisions were to be taken to increase spending on health and education.

2.5.2 The appraisal report failed to provide details concerning some indicators which would have made it possible to assess the quantitative results and performance of the programme. Furthermore, the indicators concerned different time frames, which complicated the objective assessment of the results. Furthermore, the programme was formulated on the basis of a single scenario growth objective which ignored the structural constraints of the economy and the impact of exogenous factors such as the deteriorating international economic situation, marked by recession in the principal western countries, as well as adverse weather conditions. This

situation prevented the adoption of appropriate solutions in keeping with the changing environment with a view to attaining the objectives. The programme also comprised a large number of measures (refer to Completion Report ADF/BD/IF/98/48-annex) to be implemented over two years without taking into consideration the implementation capacities of the Senegalese Administration and without a specific timetable for their implementation, in particular for measures concerning the restructuring of public enterprises.

## **2.6 Financing Arrangements – Banks and Other Co-financiers**

The financing arrangements concerned the undertakings by the Bank and other donors in conformity with the financing plan in the appraisal report. In addition to the Bank and World Bank with respective loans of US\$ 38.8 million and US\$ 80 million, bilateral donors contributed US\$ 76.7 million to the financing of the programme. Total financial assistance secured thus stood at US\$ 195.5 million. It should be underscored that part of this amount, i.e. SDR 18.7 million, corresponding to the third tranche of the World Bank loan, was not disbursed because of slippage at the level of public finances. This loss of revenue upset the smooth implementation of the programme by depriving it of the resources required for some of the components.

## **2.7 Evaluation Methodology and Approach**

2.7.1 This evaluation is based on: (i) analysis of the documentation on the programme available at the Bank, (ii) analysis of documents obtained from Ministerial Departments and, (iii) discussions with the administrative authorities and the resident missions of the development partners in Dakar involved in the programme.

2.7.2 It was not easy to obtain reliable statistical information, and the qualitative nature of some of the programme objectives made it difficult to establish relations of cause and effect between the trends of the socioeconomic variables of Senegal observed during implementation of the programme, and following its completion. The assessment of the programme impacts will therefore be confined to a comparison between the results obtained and the initially set macroeconomic objectives. It is difficult to attribute the impacts of the programme, for the trend of real GDP in Senegal, for example, also depends on exogenous factors over which the SAP has no control, such as demand for commodities in developed countries, their international prices, rainfall and net inflows of external resources, as well as the national socio-economic context. Finally, implementation of the SAPs over successive periods, and the post-evaluation further complicate the attribution of these impacts. All of this considerably narrows the scope of the SAP impact analyses.

# **III. PROGRAMME OUTCOME AND RESULTS**

## **3.1 Effectiveness**

The Government easily fulfilled the conditions precedent to loan effectiveness within an acceptable time frame. The Loan Agreement was signed one week after the date of approval and the loan became effective a little over two months later, as virtually all the conditions were rapidly fulfilled. Only the condition concerning evidence of the allocation of an amount of approximately UA 7.4 million to finance projects contained in the programme of action for the creation of youth employment was reformulated as an undertaking to facilitate effectiveness, for the evidence requested could not precede disbursement of the first tranche.

### **3.2 Implementation Schedule**

3.2.1 Fulfillment of the conditions precedent to the release of the tranches was not tied to a specific and tight schedule, but difficulties were experienced with some of them and their fulfillment consequently took much longer than expected. Such was the case with the conditions relating to the adjustment of oil prices, the settlement of cross debts, the conduct of audits, the public sale of private enterprises and the adoption of the labour code.

3.2.2 As analyzed in the PCR (refer to Section 4.2), most of the measures were implemented within acceptable time frames. Some of the most crucial ones, however, were not fully or properly implemented during the programme, owing to a lack of political will and the complexity of the said measures; they were subsequently included in other programmes. These were, in particular, civil service reform, the public enterprise restructuring process, measures concerning improved public resource management and the flexibility of the labour market. Because of the long delays in the fulfillment of the conditions and implementation of the measures, and also because of sanctions on Senegal during the programme period for the accrual of arrears on the repayment of Bank loans, there was a two-year time overrun on the SAP II.

### **3.3 Financing Requirements, Loan Disbursement and Use of Counterpart Funds**

3.3.1 At appraisal, external resource requirements were estimated at CFA.F 642.7 billion (excluding official grants) for 1989-1992, comprising the external current account deficit of approximately CFA.F 339.8 billion (53% of total requirements) and the amortization of approximately CFA.F 208.2 billion of public debt (32% of the financing requirements for the period). Financing identified stood at CFA.F 537 billion (CFA.F 292.5 billion in bilateral and multilateral loans, CFA.F 244.5 billion in grants and CFA.F 51.9 billion in debt relief expected in 1989 from the Paris Club). The residual financing gap (CFA.F 105 billion) was to be financed from rescheduling during 1990-1992 and by supplementary donor resources.

3.3.2 The first tranche was rapidly disbursed, while there was considerable slippage on the disbursement of the last two tranches owing to the sensitive nature of some of the conditions, as mentioned above. Release of the third tranche, initially planned for 31/12/91, was only effected in September 1994, i.e. two and a half years behind the initial schedule.

3.3.3 Part of the counterpart funds generated by the Bank Loan were allocated to the Civil Service voluntary separation programme, while the remainder was allocated to the financing of projects under the programme of action for youth employment creation.

### **3.4 Logical Framework Approach**

Though the logical framework approach already existed in the Bank's Operational Guidelines, it was not used in the case of the SAP II. The Appraisal Report set out the objectives, as well as some expected quantitative results while the other objectives remained qualitative. Nor did this report analyze the consequences and risks related to implementation of the programme. For the requirements of the evaluation, a retrospective matrix was prepared and performance indicators identified on post evaluation to allow the evaluation of performances in respect of results and the attainment of objectives.

### **3.5 Consistency with the Strategies and Policies of the Bank and the Country**

All the orientations of the SAP II confirmed the strategic choices expressed by the Government in the MLAP and reiterated in its Development Policy Letter of December 1989. They also returned to the priority areas retained in the Bank's strategy for Senegal as defined in the Economic Prospects and Country Programming Papers (1989 and 1994), and which were the continuation of the process for the liberalization and promotion of foreign trade, the restructuring of the parastatal sector and state divestiture of the productive sectors, as well as development of the private sector.

### **3.6 Consistency with Regional Economic Integration**

The programme was not designed in a perspective of economic integration. However, some of the policies pursued, concerning in particular the management of money, control of inflation and improvement of the legal and regulatory framework will facilitate the integration of Senegal into the sub-regional economy and, more especially, WAEMU.

### **3.7 Reform Measures**

3.7.1 The 134 measures of the SAP II focused on the following components: (i) reorganization of public finances on the basis of increased mobilization of budgetary resources through the enhancement of the tax management and recovery system, the strengthening of the tax institutions, and also on the control and rationalization of expenditure, control of the wage bill, improved scheduling of investments and debt management, (ii) restructuring of the parastatal sector in order to reduce its burden on public finances and enhance the economic efficiency of the sector, (iii) promotion of the development of the private sector by establishing an incentive framework to revive investment, (iv) the social dimension of adjustment through the creation of employment opportunities for youths with a view to mitigating the social impacts of the SAP. Implementation of these measures was adequately covered in the PCR (Section 4.2).

3.7.2 Most of the measures were implemented during the period of the programme. However, the sociopolitical context, the lack of political will of the authorities and sanctions for arrears on the repayment of Bank loans, held back some of the most crucial measures, and which only started to be implemented from 1994, following completion of the programme. They included: (i) reform of the parastatal sector, implementation of which began modestly over the 1994-1998 period with the privatization of some large public sector units; (ii) reform of the civil service which was impeded by pressure exerted by civil servants and the weaknesses of the bodies responsible for the management of State employees, especially with regard to the payroll rationalization component (difficulties in controlling staffing), computerization of the payroll records as well as voluntary separations of State employees owing to a lack of resources; (iii) an enhanced regulatory and institutional environment of the enterprise in particular the decision to liberalize access to the professions, a reduction in the cost of notarial deeds instead of their elimination, the establishment of a Committee for the Simplification of Administrative Formalities and Procedures in favour of the SMEs which were only effective in 1995.

3.7.3 There are several other reasons for this slippage: (i) a difficult economic situation related to weather conditions and an adverse international environment, (ii) the complex and delicate nature of measures concerning privatizations and the restructuring of the parastatal sector which assumes a stable economic and financial environment, the audits of accounts, the establishment of an information system for appropriate management of the performance contracts and, (iii) the weak technical capacities of the Administration.

### **3.8 Institutional Performance and Follow-Up**

#### **A. Borrower's and Executing Agency's Performance**

3.8.1 The PCR (Chapter V) contained a sound analysis of the institutional performance and the monitoring system established. Of course, the Government participated actively in the design and preparation of the programme, but its implementation performance was unsatisfactory. The Interministerial Supervisory Committee, established in 1985, which was supposed to be revived, was not, the Committee for the Monitoring of Economic Policy Programmes responsible for monitoring the implementation of measures was unable to effectively fulfil its functions owing to the inadequacy and scattering of its personnel and the Specific Committee which was to see to the control, implementation and monitoring of the programme of action for youth employment creation was not established. In addition, the Borrower did not submit quarterly implementation reports or loan account audit reports, but merely submitted annual economic policy reports including sectoral programmes.

3.8.2 These shortcomings affected the performance of the Borrower and Executing Agency, which was unsatisfactory. They arose mainly from the socio-political context (elections and social unrest between 1991 and 1993) which resulted in a slackening of the reform efforts and which reflects the lack of involvement of the social partners in the reform process and the lack of commitment of the Senegalese Authorities towards the implementation of key structural reforms. They also stem from the poor operation of the structures responsible for monitoring the programme, as well as a lack of coordination between the donors involved in the financing. In fact, the Bank did not concur with the World Bank's decision to suspend the disbursement of its third tranche owing to the failure to control public finances, and pursued the implementation of its programme.

#### **B. The Bank's Performance**

3.8.3 The Bank prepared the SAP II in close collaboration with the World Bank, and the two institutions appraised it jointly. During implementation, the Bank carried out one supervision mission and two mid-term review missions. But the main purpose of these missions, as mentioned in the PCR, was to review the status of fulfillment of the disbursement conditions. In addition, the time allocated to these missions and their composition (one economist for five days for the supervision, one economist for each of the mid-term reviews for about ten days) did not take into consideration the number of measures and the complexity of the programme which contained an investment section under the social component. Consequently, it was impossible for the economist to deepen the discussions with all the technical services involved and to cover

all the aspects of the programme. In particular, this was the case with the monitoring and supervision of works carried out under the programme of action for youth employment creation which required technical skills that an economist does not have, and which was implemented without Bank supervision. Thus, the Bank's monitoring was unsatisfactory and inappropriate and was consequently unable to sustain fruitful technical and policy dialogue with the authorities on all the programme components. The Bank's performance was therefore considered unsatisfactory.

### **3.9 Compliance with Loan Conditions and Covenants**

Overall, virtually all the conditions were fulfilled. However, the Borrower experienced tremendous difficulties in fulfilling some of them relating to the last two loan tranches. Despite missions to the country, not all the covenants were complied with, with the exception of the procedures for the procurement of goods and services: the quarterly implementation reports and loan audit reports were not submitted.

## **IV. EVALUATION OF PROGRAMME IMPACTS**

### **4.1 Programme Relevance**

4.1.1 Following the unsatisfactory results of the development plans implemented over the 1960-1980 period, Senegal prepared a Medium and Long-Term Adjustment Programme (MLAP) with a view to effecting appropriate structural modifications, the principal objectives of which were recalled in paragraph 2.1.4 above. Since the objectives set were not attained following the implementation of the first two phases, the Government decided to complete the reforms already initiated and to pursue the economic adjustment process while taking measures to reduce the social costs. This was the purpose of the third phase of the MLAP with which the SAP II was in keeping.

4.1.2 The expected results of the SAP II were: (i) a 3.8% GDP growth rate in 1991/1992 (ii) containment of inflation at 2.5% in 1991/1992, (iii) the recovery of public finances with a budget deficit (on a commitment basis and net of grants) of -2.8% in 1989/90 and a GDP surplus of 0.8% in 1991/1992, (iv) annual export growth of 2.7% over the 1988-1992 period, (v) the narrowing of the current account deficit (excluding grants) from 8.3% of GDP in 1989/1990 to 6.1% of GDP in 1991/1992 and, (vi) improved long-term debt service to exports ratio.

4.1.3 Furthermore, public spending cuts, improved recovery of fiscal revenue as well as enhanced public debt management were all intended to consolidate public finances. The State's measures to disengage from the productive sectors were intended to help to alleviate the burden of public enterprises, to support private investment and the promotion of exports with a view to improving the allocation of available public resources. The concern to preserve social stability threatened by the scale of under- and unemployment among youths prompted the government to incorporate in the SAP II a programme of action for youth employment creation.

4.1.4 The objectives of the SAP II were relevant and, as already mentioned in keeping with those of the MLAP, and corresponded to the priorities contained in the Economic Prospects and Country Programming Papers (ADF/BD/WP/89, ADF/BD/WP/94, ADF/BD/WP/95/16).

## **4.2 Attainment of Objectives and Impacts of Programme**

4.2.1 There are three major obstacles to evaluation of the programme performance: (i) the cofinancing of a programme by several partners makes it difficult to identify specific impacts of one donor's activities in comparison with another; (ii) the difficulty of accurately measuring the impacts of reform policies on an economy which is extremely sensitive to exogenous events, which are not a consequence of the programme, but which impact considerably on the overall results; (iii) the time lag between the date of the performance evaluation compared with that of the programme completion date. In a changing context with successive projects impacting on the country's economy and where exogenous events with multiple impacts occur, it is difficult to conduct an objective analysis of a given programme separately.

4.2.2 In light of these considerations, a pragmatic approach has been adopted, which consists in a comparison of the results obtained with the objectives retained at appraisal. This comparison will make it possible to highlight the level of attainment of these objectives.

### **Macroeconomic Performance**

4.2.3 The strengthening of the macroeconomic framework aimed to create the conditions for sustained GDP growth in 1991 and 1992, through the consolidation of public finances, containment of domestic inflation, improvement of the external position and support to private sector development.

4.2.4 Analysis of the data on economic trends in Senegal over the SAP II period shows that the performances were very mixed. In fact, apart from 1990, when favourable weather conditions led to a GDP growth rate of 3.9% in real terms, the period was marked by erratic growth: -0.4% and -2.2% in 1991 and 1993; 2.2% and 2.95% in 1992 and 1994, i.e. an average rise in real terms of 0.98 % per year, which is well below the rates targeted in the programme (4.6 % in 1990 and 3.8% in 1991-92). In view of the demographic growth rate (2.7%), this poor performance was reflected in an annual fall in income per capita of 1.72% and led to a drop in final consumption of an average of 0.4% per year over the period. It stemmed, however, from the combined impacts of several factors:

- (i) in the past, difficulties regarding the implementation of institutional reforms which could have given greater impetus to economic growth. In fact, some sectoral strategies defined in the MLAP, concerning in particular the new industrial and agricultural policies, were not satisfactorily implemented and did not lead to the restructuring of these sectors through State disengagement in favour of the private sector. The intermittent implementation of measures concerning liberalization, the easing of administrative constraints to private investment, and a fall in the costs of factors of production contributed to the poor performance of the industrial and agricultural sectors whose respective growth rates were 2.02% and -1.3% on average over the 1989-1993 period ;

- (ii) the structural weakness of the country's economy which stems from the failure to diversify its productive base making it highly sensitive to exogenous events;
- (iii) the social tensions arising from the negative impacts of adjustment and the lessons of 1993 which impacted negatively on the confidence of private operators by creating a wait and see atmosphere and indecision regarding the implementation of reforms, especially those concerning the restructuring of public enterprises;
- (iv) the overvaluation of the nominal exchange rate of the CFA.F franc (17.2% appreciation between 1989 and 1992) affected the economy's competitiveness which, coupled with the high cost of factors, prevented a favourable export trend (annual average growth rate of -3.2%) or a sustained increase in private investment which only averaged 1.9% over the 1989-1993 period.

4.2.5 Following the devaluation of the CFA.F franc in 1994 and the support measures taken, Senegal's economic and financial situation improved considerably. The macroeconomic objectives set for the 1994-1997 period were, on the whole, attained. Thus, following a period of virtual stagnation, GDP in real terms increased by an average of 5% in 1995-1997. This growth stemmed mainly from the recovery of activities in the service, construction, industrial and mining sectors with an overall annual growth rate of 5.93% over the period. Agriculture, which remained dependent on weather conditions, only contributed modestly to GDP growth.

### **Public Finances**

4.2.6 The key public finance objective under the SAP II was the control and rationalization of current spending while improving the recovery of fiscal resources so as to create budget savings required to finance investments. The recovery of public finances was intended to narrow the budget deficit (on a commitment basis excluding grants) to -2.8% of GDP in 1989 with a surplus of 0.8% in 1991/1992.

4.2.7 The public finance situation deteriorated over the programme period. The budget deficit remained significant over the last three years at around CFA.F 40 billion. Budget revenue rose significantly in 1990-1992 at an annual average rate of 3.45%. In 1993, on the other hand, revenue fell sharply by approximately 12%, because of a slowdown in economic activity. The fiscal revenue trend, which represented approximately 80% of budgetary resources was uneven: rising by 9.30% and 8.60% in 1990 and 1991, falling in 1992 (-6.9%) and 1993 (-12.2%) before rising again by 17.82% in 1994. It is not clear that the contraction in economic activity and the subsequent low GDP growth rate are the only reasons for this poor performance. Though the bulk of the tax collection management measures have been taken, the complexity of the regulations, as well as the reintroduction of high duties (stamp, customs, on vehicle transactions) speeded up the contraction of the formal sector, which constituted the fiscal base and, consequently, a narrowing of the tax base. Another cause was the continuing practice of exemptions, which led to a substantial loss of budget revenue for the State.

4.2.8 From an expenditure standpoint, the programme did not attain the expected results either owing to difficulties regarding the effective implementation of a real policy for the rationalization of public spending, which could have made it possible to correct the structural public finance imbalances. Overall, the rationalization of public investment and debt management, as well as the total removal of subsidies to public enterprises, were effected satisfactorily. Indeed, progress was made in the management of the debt trend since no domestic or foreign debt payment arrears remained as at 31 December 1995. In addition, the burden of public enterprises on public finances was significantly reduced from the 1991/1992 financial year for non-commercial enterprises (CFA.F 7.4 billion compared with 13 billion in 1988/1989 prior to the implementation of the SAP II) and it totally disappeared for the other public enterprises during the 1991/1992 financial year, despite standing at CFA.F 1.35 billion in 1988/1989.

4.2.9 The principal difficulty in controlling current expenditure lay in the wage bill trend, for the following reasons:

- (i) since the civil service reform did not make any significant progress, the wage bill continued to weigh heavily on the budget (from CFA.F 129.5 billion in 1990 to CFA.F 133.9 billion and CFA.F 148.8 billion respectively in 1992 and 1994);
- (ii) though all the legal and regulatory measures were implemented, and despite the interest displayed by civil servants in voluntary separation, the objective of 4300 separations as at 30 June 1992 was not attained due to a lack of resources. Since the Government did not honour its commitment to contribute CFA.F 2.5 billion to the financing of the voluntary separation programme, the said programme was suspended in 1993;
- (iii) the modernization and establishment of organs for the management of civil service staffing such as the Directorate for General Administration and Infrastructure (DAGE), as well as the computerization of the civil service payroll records, were ineffective mainly because the payroll records were not computerized and the recruitment and salaries policy not applied. Thus, it became difficult to control staffing because of the suspension of voluntary separations and the unauthorized recruitment of new workers, which led to significant overruns on the wage bill in relation to the original ceiling.

4.2.10 From the public finance management standpoint, decentralization of project identification and preparation activities as well as the adoption of the annual investment budget under the Three-Year Public Investment Programme (TPIP) helped to improve the programming of investments and debt management. Despite these achievements, the objective of controlling budgetary expenditure was jeopardized by the failure to effectively control civil service staffing. This also led to the accrual of arrears on the repayment of foreign debt, especially that of the World Bank, which was the reason for the cancellation of its final tranche of SDR 18.7 million under the SAL III, which contributed at the same time to a deterioration in the country's economic and social situation.

4.2.11 Overall, the reform efforts aimed at improving the management and tax collection system, the broadening of the tax base and the stabilization of revenue, as well as the computerization of customs through the strengthening of the GAINDE system did not have a significant impact on the State Budget. The reorganization embarked upon only permitted weak budgetary savings over the 1989-1984 period from  $-4.24\%$  of GDP in 1989 to  $1.8\%$  in 1992 and  $1.54\%$  in 1994. The low public savings in relation to investment demand is due to the persisting overall deficit on a commitment basis (excluding grants) which widened from  $-1.03\%$  of GDP in 1991 to  $-3.9\%$  and  $-3.2\%$  in 1993 and 1994. Public investment, which averaged  $14\%$  of GDP over the 1990-1994 period was chiefly financed from external resources.

4.2.12 The public finance situation improved considerably over the 1994-1998 period, owing to the positive impacts of the devaluation of the CFA.F and the related support programmes. The deficit (on a commitment basis and excluding grants) narrowed as fiscal revenue increased following an upturn in economic activity, and also as a result of tighter control of public spending. Fiscal revenue rose on average by  $13\%$  per year between 1994 and 1997 and from  $14.9\%$  of GDP in 1994 to  $16.3\%$  in 1997. Over the same period, total spending rose by  $3.6\%$  in 1997, primarily as a result of rising investment expenditure. Current expenditure stabilized owing to a gradual fall in debt service charges and containment of the wage bill. It should be emphasized that all the internal and external payment arrears were fully repaid in 1994/1995 and that internal and external debt service payments were effected on the due date. The reorganization of public finances resulted in an overall surplus (on a commitment basis, excluding grants) of approximately  $9.3\%$  of GDP in 1994 and  $7.6\%$  in 1997.

### **Balance of Payments**

4.2.13 The external current account trend differed from the programme estimates. The objective was to narrow the current deficit (excluding grants) from  $-8\%$  of GDP in 1989/1990 to  $-6\%$  in 1991/1992 owing to export growth of  $2.7\%$  in 1988 and  $5\%$  in 1993-1997. This was not achieved, for exports in value gradually fell from CFA.F 243 billion in 1990 to 204.6 billion in 1993, whereas, at the same time, imports stagnated at approximately CFA.F 315.4 billion which was reflected in a widening of the trade deficit from CFA.F  $-73.7$  billion to CFA.F  $-108.4$  billion over the two years. The underlying service deficit (factor and non-factor) led to a widening of the external current account deficit (excluding grants) from CFA.F  $-139.9$  billion in 1990 to CFA.F  $-165$  billion in 1993; i.e. respectively  $-9.01\%$  of GDP in 1990 and  $-9.74\%$  in 1993. These results were below the programme estimate of a surplus equal to  $6.1\%$  of GDP in 1991/1992.

4.2.14 The SAP II did not provide for any specific foreign trade-related measures; however, the measures taken to stimulate economic growth and strengthen competitiveness were intended to improve the country's external position. The fall in the volume of exports is mainly the result of fluctuations in the prices of Senegalese exports on the international market (groundnuts, phosphates, fisheries products), as well as a fall in harvests as a result of low rainfall in 1992 which led directly to an approximately  $5.7\%$  drop in exports of agricultural products. With regard to imports, the predominance of food imports (rice and wheat), which represented approximately  $30\%$  of their total value, explains their downward rigidity, since the fall in national agricultural production was systematically offset by imports.

4.2.15 Net transfers steadily declined from CFA.F 72 billion in 1990 to CFA.F 67.9 billion in 1993, whereas, at the same time, capital flows were erratic with a growth rate of 5% in 1990, -265% in 1991 and 261% in 1993. This was due to the adjustment and revaluation of BCEAO assets in 1990 and 1992. Thus, the balance of payments total steadily declined from -1,7% of GDP in 1989 to -4.3% in 1993.

### **Money and Inflation**

4.2.16 The objective of containing inflation at 2.5% over the 1989-1992 period was attained. As measured by the GDP deflator, the price index (based on 1987) rose from 102.1 in 1989 to 104.2 and 103.2 respectively in 1991 and 1993, i.e. an average annual growth rate of 0.21%. Only in 1994, under the impact of the devaluation of the CFA.F franc, did the inflation rate climb to 19.81% with an average over the 1989-1994 period of 3.48%. The prudent monetary management introduced following the reform initiated in 1989 within the framework of WAEMU, aimed, in addition to checking inflation, to control global demand to correct external imbalances, as well as tightening control of liquid assets and banking surveillance. The first two objectives were attained owing to the tight control of domestic credit, which fell from CFA.F 574.5 billion in 1989 to CFA.F 505.2 billion in 1992 and CFA.F 486.7 billion in June 1993. Credit to the economy was further affected and contracted by an average of 1.35% over the period from CFA.F 447 billion in 1989 to CFA.F 421.6 billion over the first half of 1993.

4.2.17 The containment of inflation and the management of liquid assets contributed to the reorganization of the banking system. In fact, the liquidity ratio of commercial banks, which is the ratio between short-term assets and short-term debts, fell from an average of 120% in 1989 to 70.8% and 72.6% respectively in 1992 and in 1993, which reflected a fairly liquid position in keeping with the prudential rules which Banks should comply with. With regard to net foreign assets, the progress made in respect of monetary management improved the situation, from CFA.F 220.3 billion in December 1989 to CFA.F -172.2 billion in 1992. This trend was the result of an improvement in both the external position of primary banks as well as that of the Central Bank.

4.2.18 The need to put a ceiling on domestic credit, contain inflation and control domestic demand prevented the stimulation of economic growth. Indeed the practice of high interest rates stemming from it was not conducive to the domestic financing of investment, while weak domestic demand was the cause of declining economic growth. In fact, bank credit was mainly short-term and focused on commercial activities to the detriment of long-term investment credits for the productive sectors.

4.2.19 As a result of the 1994 monetary adjustment measures, money supply grew by 9.2% in 1995, and 7.3% in 1997, averaging 9% over the 1995-1999 period. Net credit to the Treasury which had ceased to fall from 1992, dropped sharply by 41% in 1997 thus helping to improve the State's financial position while at the same time credit to the economy contracted by approximately 15% on average over the 1995-1997 period.

## Private Sector Development

4.2.20 One of the key objectives of the SAP II was the development of productive investment, especially in the industrial sector, through the pursuit of privatizations, the ending of export monopolies and the establishment of an incentive regulatory framework.

4.2.21 From the regulatory standpoint, considerable progress has been made with the implementation of many measures aimed at improving the institutional environment of business, namely: (i) private sector incentives by reducing administrative and regulatory constraints to the establishment of enterprises (simplification of business registration procedures), (ii) the strengthening and broadening of the functions of the single window, (iii) establishment of the business environment support unit in 1991, as well as the restructuring of the General Tax Directorate with a view to simplifying its procedures. Despite these efforts, the private sector did not expand significantly during the programme, as reflected in the private investment rate which averaged 7.65% of GDP over the 1989-1994. Overall, the buoyancy of the private sector is closely tied to economic performance and especially to the diversification of the productive base, the quantitative and qualitative availability of basic infrastructure, and also to the quality of support services provided by the Administration in terms of the costs of installation, upgrading (training and guidance) and financing. But, during the programme, not only were these conditions not guaranteed, but other constraints weighed heavily on the development of the private sector, in particular:

- (i) the absence of conditions which would guarantee the confidence of economic operators (stable sociopolitical environment strengthened by a cohesive macroeconomic framework) which highlighted the fragility of the banking system and encouraged short-term rather than development investments;
- (ii) the absence of an overall sectoral strategy within a framework of ongoing dialogue with private sector operators with a view to promoting competitiveness;
- (iii) slippage on the implementation of structural reforms, in particular, privatization, where non-compliance with the rules and procedures prevented competition and transparency;
- (iv) the continuing high costs of the factors of production, as well as pressure from social partners which would prevent strict implementation of some of the provisions of the SAP II relating to the flexibility of the labour market which resulted in a real competitiveness problem for the Senegalese economy; and
- (v) land tenure problems which were reflected in difficulties in access to land and the development of industrial sites, especially in urban areas.

4.2.22 The reforms aimed at downsizing the parastatal sector and creating an enabling environment for private investment were not implemented under the programme and only really started up over the 1994-1997 period. Thus, as at 31 December 1997, seven public enterprises were restructured (Caisse de péréquation et de stabilisation des prix, Société industrielle d'assainissement du Sénégal, Société hôtelière Saly and Société nationale des eaux du Sénégal in 1996, Agence sénégalaise pour l'assurance du commerce extérieur and Société des textiles de

Kaolak in 1997). In addition to the restructuring, the Government liberalized prices over that period, ended all monopolies including the one on rice, put in place instruments to regulate economic activity and promote competition (establishment of a Competitiveness Commission June 1997 as well as Consumer Associations). Other initiatives were also taken, in particular the establishment of the Economic Promotion Fund, the implementation of the Private Sector Capacity Building Programme and the Private Sector Development Support Framework Programme. But, all the reforms related to the restructuring of the parastatal sector and the establishment of an enabling environment will only be fully realized, in terms of production and development of the private sector over a fairly long period in view of the rigidity of the structures of the Senegalese economy and the development of the external environment. It should be underscored that the Government of the Second Republic has expressed its determination to recraft its entire privatization strategy by defining new rules and procedures for takeovers which would guarantee transparency and competition in the interest of Senegal.

### **4.3 Social Dimensions of Adjustment**

4.3.1 Following the implementation of the rigorous economic recovery and financial policies of the eighties, the social situation in Senegal deteriorated leading to rising unemployment and poverty. Indeed, these policies led to job losses in the public and parastatal sectors following the restructuring and/or winding down of public enterprises and civil service cut backs. To address the social unrest caused by the situation, the Government took various measures, the most important of which was the establishment of a National Employment Fund (FNE)

4.3.2 The review of the FNE experience was one of the measures of the SAP II Plan of Action, in order to learn lessons which would permit the expansion of the employment programme and the speeding up of refinancing procedures. In fact, FNE was intended to create jobs through project financing, with a view to facilitating the social integration of redundant civil servants and young unemployed graduates. Through its executing agency – the Delegation for Integration, Reintegration and Employment (DIRE) – FNE awarded lines of credit to financial institutions, which were responsible for project designs, the financing and supervision of developers, as well as recovery. The discussions with the Senegalese Authorities revealed that, from an operations standpoint, the FNE and DIRE experienced organizational and operating problems. The main problems were: (i) a lack of any serious monitoring and non-compliance with the conventions signed with the financial institutions led to disputes many of which remain unsettled; (ii) the non-existence of a body responsible for recovery within DIRE prompted the organization to entrust the task to consulting firms and executing agencies, as well as collection firms. The outcome of this situation was the impossibility on the one hand of retracing financing on lines of credit and consequently of finding all the projects financed, and, on the other, of recovering all the funds invested, a task which had not yet been completed as of the SAP II post-evaluation.

4.3.3 In the end, the FNE experience which was intended as a concrete and practical response from the Authorities to the issue of employment was not a real success, since only 1000 jobs were created. The failure of this experience was due to several reasons, in particular: (i) the absence, at government level, of a national employment policy and clearly defined strategies which limited the area of activity and scope of the FNE; (ii) the lack of project monitoring which compromised their smooth implementation owing to the principle of delegation initiated by DIRE without any controls; (iii) the banking system crisis, especially the failure of the two

principal banks involved (SOFISEDIT and SONAGA), which did not facilitate recovery leaving major sums unaccounted for; (iv) the absence of socio-economic studies which would improve knowledge of developers and their environment which led to the financing of fictitious projects and the predictable failure of many others so that it is difficult to determine the exact number of projects financed or the rate of success or failure; and v) the organizational weaknesses and poor management of DIRE which made it difficult to recover funds entrusted to intermediaries which it did not monitor.

4.3.4 All these problems prevented FNE from fulfilling its mission which was to help to alleviate under- and unemployment and therefore to reduce social unrest. An audit of accounts will have to be conducted to address the problem of recovering funds. The failure of this experience resulted in the initiation by the Government of two new experiences under the SAP II with a programme of action for youth employment creation and a human resources development programme.

4.3.5 From an institutional standpoint, the Programme of Action for Youth Employment Creation was to be implemented by three bodies: the Programme Supervision and Monitoring Committee, the Interministerial Committee on Youth Employment and AGETIP. The first two bodies were not established. Only AGETIP was established in July 1989 and it was entrusted with the management of the programme. The principal objectives of AGETIP were to create a significant number of new jobs especially in urban areas, to improve, through the implementation of the work financed, the know-how of the labour employed and the technical and financial management capacity of the enterprises responsible for the implementation of the projects identified, to draw up transparent, simplified, rapid and flexible procedures for the identification and appraisal of the operations to be implemented, to award contracts and pay enterprises. In addition to ADB financing (approximately UA 7.4 million), this organization received financial assistance from the Senegalese Government as well as several multilateral and bilateral donors. These contributions financed the projects submitted by the central and local services of the Government as well as by the local authorities.

4.3.6 The impact of all the projects financed, the number of which is difficult to determine in view of the variety of financing, was considered encouraging in terms of jobs created, despite the difficulties of AGETIP in adhering to their implementation periods. As at 31 December 1994, 84,104 fixed term jobs and over 3000 permanent jobs had been created for a total project value of CFA.F 17.2 billion (the labour force ratio was the most important criterion in the selection of enterprises). The implementation of projects benefited over 2000 entrepreneurs, and 435 small- and-medium-size enterprises including consulting firms out of the 1600 registered with AGETIP were awarded contracts. 80 of the projects were financed from ADB funds and generated approximately 8,000 jobs. These included: (i) the rehabilitation of the surgical wing of the Aristide Le Dantec Hospital, (ii) the rehabilitation of the Mboro fruit project on an 84 ha farm which permitted the integration of 1500 youths and 14 economic interest groups (EIG), as well as the planting of 2400 fruit trees and 6000 filaos on the perimeter of the scheme as windbreaks, (iii) the Louga Environment Project which helped to resolve the problem of the environment of the town and enabled the farming of 60 hectares and the integration of 150 youths and, (iv) the building of the Touba-Taïf and Keur Momar Sarr- Diagle feeder roads with the participation of the local population.

4.3.7 The number of jobs created by AGETIP remains however limited in relation to the high levels of unemployment in Senegal; but, owing to the amounts distributed, this organization has effectively helped to reduce poverty. Thus, in 1993, the total salaries distributed amounted to CFA.F 2.78 billion, which, in relation to investments of CFA F 10.97 billion, gave an average labour force ratio of 25.23%. The level of investment per job created was CFA.F 146.52 with an average wage of CFA.F 37,217 which represented over one third of the annual income per capita of CFA.F 90,000 thus helping to improve the standard of living of the target population.

4.3.8 The programme of job-creating activities for young people made it possible to raise the level of qualifications of the manpower used in the projects and build technical, managerial and procurement capacities of small-and-medium-size enterprises and economic interest groups, owing to well-targeted training activities. Thus, as at 31 May 1994, over 2000 entrepreneurs, workers and labourers had benefited from the training programme set up by AGETIP. Thanks to consulting firms, 102 participants enrolled for training in work organization, 853 for administration and management, 239 for improvement of labour and 15 for the training of trainers. In view of the practical nature of the work carried out by young people, the training and experience acquired, though rudimentary, could serve as a springboard for a more or lasting integration into the labour market. Encouraged by the results of this first project, the Senegalese Authorities sought financing for a second AGETIP project from the World Bank, in the context of the decentralization of Senegal consisting of creating short-term employment, as well as the conditions for the long-term development of municipal infrastructure. This project was completed in 1997 but its results were not evaluated.

4.3.9 Efforts were also made to tap human potential by improving the allocation of resources to the education and health sectors in the budget and the TYPIP in order to meet the requirements of the most disadvantaged segments of the population. In fact, the social sectors were considered as priorities during the SAP II and their budgetary appropriations were increased by an annual average of 4.7% in real terms for education and 5.5% for health. They represented approximately 27% of the total operating budget for education and 7.3% for health. The outputs in respect of health care consisted in the building and rehabilitation of some health facilities and the training of workers. Over the 1994-1997 period, the proportion of social spending (education, health, women's promotion, and the protection of the child and family) in total current spending (excluding debt interest) rose significantly: from 33% of GDP in 1994 to 42% in 1997. The situation in the health and education sectors remains of concern in light of the requirements of the most disadvantaged segments of the population.

4.3.10 Despite implementation of the social dimension of adjustment component and the social support measures following the 1994 devaluation (temporary subsidies on consumer prices of rice, wheat and health care expenditure, etc.) the social indicators deteriorated during the programme. This phenomenon was also confirmed over the 1996-1999 period which, despite strong economic growth (5.5% per year), was marked by a high poverty prevalence rate of 57.9% in 1996 and 57% in 1999.

#### **4.4 Institutional Development**

4.4.1 The SAP II did not contribute much to institutional capacity building. However, the strengthening of the Customs General Directorate, especially its computerization through the GAINDE system, made it possible to improve its operation, shorten customs clearance times and consequently reduce its costs. The expansion of the functions of the single window helped to simplify the formalities for creating enterprises as the computerization of the Civil Service and payroll records made it possible to improve management of staffing and more or less control the wage bill.

4.4.2 The training activities carried out under AGETIP made it possible to build the technical and managerial capacity of the SMEs and EIG and to raise the qualifications of the manpower used for the projects implemented. Similarly, the training of State employees under the ADB institutional support programme and other programmes implemented during the SAP II, with a view to improving economic management capacities, have undoubtedly helped to improve the technical capacities of the personnel of the Ministries responsible for economic management. But these training activities do not seem to have had a significant impact during the programme. There were for example low PIP implementation rates (approximately 53%) and a lack of visibility and internal cohesiveness in the different technical ministries, reflected in shortcomings in economic management (rationalization of the PIP, harmonization of sectoral policies with national orientations.). Nevertheless, as from 1995, significant improvements were observed in economic and administrative management. However, the high turnover in government personnel led to a loss of experience and knowledge and consequently was one of the limiting factors on the scope of these training efforts.

### **V. PROGRAMME SUSTAINABILITY**

5.1 The sustainability of the impact of the SAP II is difficult to assess owing to other similar or complementary programmes implemented from the macroeconomic and sectoral standpoint, as well as the sociopolitical context during the programme which wiped out most of the positive impacts of the programme. However, the key determinant of the sustainability of the programme impacts lies in the political will displayed by the Senegalese Authorities to pursue the reforms. Sustainability assumes, moreover, social cohesion and the removal of social disparities; but rising unemployment, especially among youths, has worsened the social climate and could lead to unrest which would jeopardize the development efforts. In addition, since not all the economic partners were involved in the design and implementation of the programme, its success or sustainability could not be guaranteed. Aware of this, the Government has gradually adopted a participative approach, henceforth involving all the partners concerned in the implementation of its reforms, which confirms its will to disseminate the outcomes of the programme.

5.2 The strengthening of the Government's will to pursue and consolidate these reforms, against a backdrop of enhanced governance and decentralization, is likely to contribute to building the national management capacities of development policies, a guarantee of sustainability. Consequently, development of an informative culture around fundamental issues related to Senegal's development and in favour of an appropriate management of institutional, economic and social information must be strengthened by the establishment of a reliable and operational database.

5.3 Furthermore, Senegal has embarked on a process of regional integration with the other WAEMU and ECOWAS countries of the region which can guarantee the consolidation of the economic reforms. It is vital that the decisions and provisions for harmonizing the reforms be complied with to attain higher growth levels which would make it possible to address poverty issues.

## **VI. PERFORMANCE RATINGS**

The programme performance rating tables are presented in Annex 4.

### **6.1 Implementation Performance**

The programme implementation performance was unsatisfactory. In fact, some of the most crucial measures, such as the privatization and restructuring of public enterprises, the adoption of the labour code and the reorganization of the civil services were not satisfactorily implemented during the initial programme period, owing mainly to the sociopolitical context and the Government's lack of political will. In addition, the implementation structures and monitoring system of the SAP II did not function satisfactorily.

### **6.2 Bank's Performance**

The Bank participated jointly with the World Bank in the preparation and appraisal phases and the appraisal report prepared was considered to be satisfactory. However monitoring was insufficient and of a low technical level. Indeed, the Bank carried out two mid-term review missions and one supervision mission, but these missions were chiefly devoted to the fulfillment of the loan conditions. In addition, their duration and limited composition prevented any fruitful technical and policy dialogue with the Government on the implementation of the measures, especially the social component. Consequently, the Bank's performance was unsatisfactory.

### **6.3 Evaluation of Results**

6.3.1 On the whole the results of the SAP II are considered unsatisfactory, with individual ratings varying from one indicator to another. The programme efficiency indicator shows the attainment of objectives to be unsatisfactory. Overall, the macroeconomic indicators are below the estimates, in particular with regard to GDP growth, the reorganization of public finances and the external current account. Institutional development is also considered unsatisfactory even though the institutional framework was improved by institution building activities in the context of the institutional support projects (ADB, UNDP and ACBF) but the mobility of personnel, the weaknesses of information systems, archiving and information management difficulties made it difficult to learn lessons from the experiences.

6.3.2 With regard to sustainability, the results are also considered unsatisfactory mainly due to the sociopolitical context and despite the Government's determination to pursue the reforms. This determination was clear in the implementation of the support measures following the devaluation of the CFA franc in 1994 which explains the encouraging performance of the

economy over the 1994-1999 period. However, further efforts must be made to strengthen the macroeconomic framework by deepening structural and policy reforms so as to make the private sector the principal engine of growth and an instrument in the fight against poverty.

## **VII CONCLUSIONS, LESSONS LEARNT AND RECOMMENDATIONS**

### **7.1 Overall Assessment**

The macroeconomic performances of the SAP II in Senegal are below the objectives set at appraisal. The erratic growth of GDP is due to the weak productive base of the Senegalese economy which remains extremely sensitive to exogenous events. The efforts made with regard to the reorganization of public finances and especially the mobilization of fiscal resources have not been entirely successful, while at the same time, there have been major difficulties controlling current expenditure especially civil service salaries and wages. The containment of inflation was the only objective attained owing mainly to the sluggishness of domestic demand. The slowing down of the public enterprise restructuring process was a constraint to development of the private sector. The programme of action for youth employment creation and the implementation of other social measures prevented any improvement in the social indicators which deteriorated during the SAP II. The January 1994 devaluation of the CFA.F and the support measures implemented significantly improved the macroeconomic performances. But the achievements remain fragile and require the pursuit of structural and policy reforms by the country as well as the strengthening of policy dialogue between the authorities and donors. Sustained efforts are vital for the strengthening of the stability of the macroeconomic framework and laying the foundations of an enabling environment for private investment.

### **7.2 Feedback and Recommendations**

7.2.1 The lessons to be learnt from the SAP II experience for the country and the Bank, in addition to those already mentioned in the PCR, concern the following factors:

- (i) constant changes on the domestic and external fronts have compelled the country to consider alternative growth scenarios which will take into consideration all factors and to select strategic options which correspond to the evolving situation (paragraph 2.5.2) ;
- (ii) failure to comply with financial commitments or the withdrawal of a donor could upset the smooth operation of the programme by delaying or preventing the implementation of some components pivotal to the success of the programme (paragraph 2.6);
- (iii) a base of reliable and standardized data will make it possible to establish the cause and effect relation between the socioeconomic trends observed during and after the programme and thus to assess the impact of the latter (par. 2.7.2);
- (iv) poor coordination between donors involved in the implementation of a programme could jeopardize its success (paragraph 3.8.2);

- (v) development of the private sector requires the prior establishment of a stable legal and regulatory environment (paragraph 4.2.21);
- (vi) any attempts to reduce under-and unemployment can only succeed in the context of a real national employment policy in keeping with the basic objectives of the socioeconomic development plans and the country's resources (par. 4.3.3).

7.2.2 To consolidate the results of the SAP II and in addition to the recommendations of the PCR, the Government shall:

- (i) remove the constraints on the development of the private sector (strengthening of the regulatory and legal business and investment framework, strengthening of the supervisory services and support services) (par. 4.2.21) ;
- (ii) pursue the process of privatizing public enterprises and winding down those which have been inefficient in conformity with previously determined rules and procedures guaranteeing sound competition and transparency in order to foster private investment (par. 4.2.22);
- (iii) carry out an audit of the FNE accounts and conduct an in-depth evaluation of its experience in order to define and implement a real national employment policy in keeping with the fundamental objectives of the economic and social development plan and the country's resources (par. 4.3.3 and 4.3.4);
- (iv) build the capacities of the technical departments in respect of programming and implementation of sectoral policies by developing training and stabilizing the personnel trained to increase visibility and cohesiveness in economic management (par. 4.4.2);

7.2.3 For the Bank, in addition to the recommendations contained in the PCR, it is recommended to pursue policy dialogue with the country in order to deepen and support the reform efforts and to strengthen the operational guidelines in respect of programme monitoring (par. 2.5.2);

### **7.3 Follow-Up Measures**

#### **A. At Government Level**

- (i) the establishment of a reliable and standardized quantitative data base (par. 2.7.2);
- (ii) speeding up of the process of privatization and restructuring of public enterprises in conformity with the Government's new strategy (par.. 4.2.22);
- (iii) the conduct of an audit of the FNE accounts (par. 4.3.4);

- (iv) building the capacities of the technical ministries and the ministries in charge of the economy by developing training activities and stabilizing employment (par. 4.4.2); and
- (v) the pursuit of structural and policy reforms (par.7.1.1);

**B. At Bank Level**

- (i) the strengthening of the operational guidelines with regard to programme monitoring, especially with regard to the frequency, duration and composition of missions in consideration of the number and complexity of the measures of a programme (par.. 3.8.3); and
- (ii) policy dialogue through frequent economic missions (par.. 7.1.1)

**MATRIX OF RECOMMENDATIONS AND FOLLOW-UP MEASURES**

<b>Principal Findings and Conclusions</b>	<b>Recommendations</b>	<b>Follow-Up Measures</b>	<b>Responsibility</b>
<b>Programme Formulation and Rationale</b>			
1) There is no analysis of risks induced by exogenous factors with a major impact on the programme performance.	Effective consideration of exogenous variables when setting programme objectives	Conduct impact studies on the predictable impacts of exogenous factors.	Government
2) The complexity and number of measures are not adequately taken into consideration.	Preparation of targeted measures taking into consideration the country's administrative and management capacity	Establish training programmes involving seminars/workshops	Government/ Bank (Country Programme Dept)
<b>Programme Implementation</b>			
3) Slippage on the implementation of measures	Establishment of an accurate and realistic implementation schedule for the measures	-establish a monitoring-evaluation unit  -carry out regular economic missions  - provide the technical and design departments with adequate human and logistic resources	Gov./Bank (Country Programme Department)  Bank (CPD)  Government
<b>Programme Performance Evaluation</b>			
4) Low Implementation Capacities of the Technical Departments	Implementation Capacity Building at the Ministries	-establish a well-targeted training programme concerning them	Government
5) Lack of consistency between sectoral strategies and national guidelines	Strengthen the functional ties between the Planning Directorate and the sectoral planning units	-prepare procedures for the identification, scheduling and monitoring of projects/programmes	Government

Principal Findings and Conclusions	Recommendations	Follow-Up Measures	Responsibility
6) Lack of private investment	Strengthening of the legal and incentive framework	Reduce factor costs and adopt a new investment code in harmony with that of WAEMU	Government
7) Inadequate involvement of social partners	Strengthening of the mechanisms for consultation among all the socioeconomic partners	-Establish appropriate consultative structures	Government
8) Insufficient dialogue among donors	Stepping up of dialogue among donors	-Organize training seminars/workshops	Government
9) Weakness of the economic and social information management system.	Establishment of information gathering and management tools	Establish and/or strengthen the functional consultative mechanisms	Government
10) Absence of a strategic poverty reduction framework	Preparation of a poverty reduction policy paper	Provide the Directorate of Forecasting and Statistics (DPS) with adequate human and material resources.	Government
		Implement the matrix of poverty reduction measures as defined in the policy paper	Government

**Logical Framework Matrix of the SAP II of Senegal**

Hierarchy of Objectives	Indicators	Objectively Verifiable Indicators (OVI)			Source of Verification	Assumptions
		At Appraisal (1989)	At Completion (1994)	At Post-Evaluation (2000)		
<b>1. Overall Objective:</b>						
Create the conditions for sustainable and lasting growth	Real GDP growth rate of 4.6% in 1989/1990 and 3.8% in the following two years	-1.4%	2.9%	6.0%	DPS Annual Reports BCEAO Reports	
<b>2. Objectives</b>						
2.1 Restore the Macroeconomic Balances	2.1.1 Contain inflation at 2.5% in 1991/92.	0.9 %	32.1%	2.0%	DPS Annual Reports	▪ Stability of Sociopolitical Situation
	2.1.2 Fiscal balance (commit. and excluding grants) narrows to – 2.8% in 1989/90 and to + 0.8% of GDP in 1991/1992,	-0.98%	-1.2%	5.35%	BCEAO Annual Reports	▪ Availability of Financing ▪ Favourable international economic environment
	2.1.3 2.7% growth in exports in 1998-1992 and 5% in 1993-1997		119.1	6.1	BCEAO Annual Reports	▪
	2.1.4 External current balance (excluding grants) narrows from – 8.3% of GDP in 1989 to – 6.1% in 1991/92	-9.9%	-9.3%	-6.7%	BCEAO Annual Reports	▪
	2.1.5 Public debt to exports ratio reduced to 10% in 1997		21.9%	16.1%	DPS Annual Reports	▪
2.2 Private Sector Development	2.2.1 Private investment rate	6.9%	29.0	8.5%	DPS Annual Reports	▪
	2.2.2 Net private capital transfers (in billion CFA.F)	2.0	353.7		DPS Annual Reports	▪ Stability of Sociopolitical situation
	2.2.3 Increase in private sector credit (in CFA.F billion)	417.6	5%		DPS Annual Reports	▪
2.3 Mitigate the social impacts of adjustment	2.3.1 Trend of spending on health as a % of public spending	5.5% (1992)	28.03%		Budget Directorate	▪ Availability of External Financing
	2.3.2 Trend of spending on education as a % of total spending	36.5%	94708		Budget Directorate	▪
	2.3.3 Trend of number of jobs created by AGETIP	1162 (1993)			AGETIP Activity Report	▪

Hierarchy of Objectives	Indicators	Objectively Verifiable Indicators (OVI)			Source of Verification	Assumptions
		At Appraisal (1989)	At Completion (1994)	At Post-Evaluation (2000)		
<b>3 Outputs</b>						
3.1 Reorganization of Public Finances	3.1.1 Current spending cuts (in billion CFA.F)	254.3	318.6	609 (1999)	National Accounts	<ul style="list-style-type: none"> <li>Government will to adhere to budget discipline</li> </ul>
	3.1.2 Increase in fiscal revenue (in billion CFA.F)	219	267	491 (1999)		<ul style="list-style-type: none"> <li>Deterioration in terms of trade</li> </ul>
	3.1.3 Budget savings as a % of GDP	-0.54%	1.63%	7.47%		<ul style="list-style-type: none"> <li></li> </ul>
	3.1.4 Public Investment Rate	7.1%	9.3%	8.5%		<ul style="list-style-type: none"> <li></li> </ul>
3.2 Private Sector Development	3.2.1 Private Investment Rate	6.9%	9.3%	8.5%	National accounts	<ul style="list-style-type: none"> <li>Liquid banking system</li> </ul>
	3.2.2 Net private capital transfers (in billion CFA.F)	2.0	29.0		BCEAO reports	<ul style="list-style-type: none"> <li></li> </ul>
	3.2.3 Rate of increase of credit to private sector. (in billion CFA.F)	417.6	353.7			<ul style="list-style-type: none"> <li></li> </ul>
3.3 Alleviation of the social costs of adjustment	3.3.1 Incidence of poverty			53%	-General State Budget	<ul style="list-style-type: none"> <li>Availability of international aid</li> </ul>
	3.3.2 Proportion of spending on health (as a % of total spending)			8.75%	Public Spending Review Report	<ul style="list-style-type: none"> <li>Deterioration of public finances</li> </ul>
	3.3.3 Proportion of spending on education (as a % of total spending)		26.3%	30.2% (1999)		<ul style="list-style-type: none"> <li></li> </ul>
<b>4 Activities</b>	<b>FINANCING PLAN</b>					<ul style="list-style-type: none"> <li></li> </ul>
4.1 Contain current spending through the reform of the civil service		US\$ Million	%		General disbursements ledger	<ul style="list-style-type: none"> <li>Fulfillment of Conditions Precedent</li> </ul>
4.2 Rationalize and enhance the efficiency of the Three-Year Rolling Investment Programmes (TYIP)	ADF	38.80	24.84		Appraisal and completion reports	<ul style="list-style-type: none"> <li>Slippage on positioning of financing</li> </ul>
4.3 Improve collection of tax revenue	IBRD	59.43	38.05			<ul style="list-style-type: none"> <li>Withdrawal of a donor</li> </ul>
4.4 Pursue the privatization/ liquidation of public enterprises	Others (Switzerland, USA France, Japan, Belgium)	58.0	37.12			<ul style="list-style-type: none"> <li></li> </ul>
4.5 Restructure the parastatal sector	<b>TOTAL</b>	<b>156.23</b>	<b>100.00</b>			<ul style="list-style-type: none"> <li></li> </ul>

Hierarchy of Objectives	Indicators	Objectively Verifiable Indicators (OVI)			Source of Verification	Assumptions
		At Appraisal (1989)	At Completion (1994)	At Post-Evaluation (2000)		
4.6 Promote private sector development						▪
4.7 Restore the internal and external competitiveness of the economy						▪

**SAP II OF SENEGAL:**  
**PERFORMANCE RATINGS**

**1. Implementation Performance**

<b>Indicators</b>	<b>Scores (1 to 4)</b>	<b>Observations</b>
1. Adherence to Schedule	1	The programme was over two and a half years behind schedule; some measures were implemented well after the completion of the programme
2. Adherence to Costs	2	The overall financing requirements were covered. However, there were insufficient resources for some of the programme's components
3. Compliance with Conditions and Covenants of the Loan Agreements	1	Some of the conditions of the 2 <sup>nd</sup> and 3 <sup>rd</sup> tranches were fulfilled with difficulty. Similarly, not all of the conditions of the loan agreement were fulfilled (submission of quarterly implementation reports, the conduct of audits of the loan account) nor were some of the most crucial measures fully or properly implemented during the programme.
4. Adequacy of Monitoring-Evaluation and Quarterly Status Reports	1	Not all the planned implementation and monitoring structures were established, and those which did exist, did not operate smoothly. Coordination of the administrative structures involved in the programme was weak. General monitoring was, therefore, poor.
5. Satisfactory Operation (where necessary)	NA	
<b>Overall Assessment</b>	<b>1.25</b>	<b>Unsatisfactory</b>

**2. Bank's Performance**

<b><u>INDICATORS</u></b>	<b><u>RATING</u></b> <b>(1 to 4)</b>	<b><u>OBSERVATIONS</u></b>
1. At Identification	N/A	
2. At Preparation	2	Alongside the World Bank, the Bank participated in the preparation of the programme, which facilitated the definition and coordination of the measures to be implemented under the programme
3. At Appraisal	2	The Bank participated in the appraisal of the programme in July 1989, jointly with the World Bank. The quality of the appraisal report was considered satisfactory.
4. At Supervision	1	Technically the monitoring was inadequate and poor owing to the duration and composition of the missions. This explains the delays and failure to implement some of the key measures. The social component was not supervised.
<b>Overall Assessment of the Bank's Performance</b>	<b>1.66</b>	<b>Unsatisfactory</b>

**3. Performance of Programme Outputs**

INDICATORS	RATING (1 to 4)	OBSERVATIONS
<b>1. Relevance and Attainment of Objectives</b>	<b>1.6</b>	<b>Unsatisfactory</b>
i) Macroeconomic Policy	2	With its MLAP (1985-1992) the Government embarked upon an economic reform programme into which the SAP II integrated.
ii) Sectoral Policy	2	Agricultural and industrial sectoral policies were implemented under the MLAP, well before the SAP II, but they did not produce the expected results in terms of the restructuring of the said sectors.
iii) Physical Outputs (including production)	2	Projects were implemented under the SDA but owing to inappropriate technical monitoring by the Bank, it is difficult to assess the results.
iv) Financial Results	NA	
v) Poverty Reduction, Social Aspects and Women in Development	1	Despite the measures taken under the programme of job creating measures for young people, the social indicators did not significantly improve on completion of the programme and the poverty prevalence rate remained high.
vi) Environment	N/A	
vii) Private Sector Development	1	Despite the efforts to improve the business institutional environment, the private sector did not evolve significantly. The precariousness of the political context and the lack of continuity of the privatization efforts we not conducive to this development.
viii) Others (to be specified).	NA	

<b>2. Institutional Development</b>	<b>1.75</b>	<b>Unsatisfactory</b>
i) Institutional Framework (including restructuring)	2	The Senegalese Administration was the beneficiary of the institution building measures, before and during the SAP II but the mobility of personnel and the sociopolitical situation weakened the structures.
ii) Financial Information and Management System, including the audit system	1	The information system has shortcomings. The development of the informative culture through the improvement of archiving, the management and circulation of the economic and social information must be a priority and reflected in the stepping up of human and physical resources of the DPS.
iii) Transfer of Technology	2	The involvement of technical assistance through the institutional support project contributed to the transfer of technology in certain areas (computer, programming and implementation of public investments, etc))
Assignment of qualified staff (including turnover), training and assignment of counterpart staff.	2	Training activities and the involvement of national staff in the design and preparation of programmes in the planning of public investments, the management of PIPs and public debt contributed to providing the administration with qualified staff. However, a high staff turnover was noted.
<b>3. Sustainability</b>	<b>1.5</b>	<b>Unsatisfactory</b>
Continuing Commitment of the Borrower	1	The determination of the authorities to pursue the reforms was not clear during the programme implementation period owing to the sociopolitical situation. As from 1994, the trend was reversed with a firmer commitment by the authorities.
Political Environment	1	Unfavourable sociopolitical situation during the programme period, but a considerable improvement since 1994.
Institutional Framework	2	The reforms embarked upon have significantly improved the legal and regulatory frameworks
Technical viability and retraining of personnel	N/A	
Financial viability, including cost recovery system	N/A	
Economic viability	2	The macroeconomic foundations for rapid and sustained growth exist. The economic performances were not encouraging during the programme with the exception of the last year of the alter owing to the effects of the devaluation of January 1994. The pursuit and strengthening of the reforms is necessary to improve the macroeconomic framework.
Environmental Viability	N/A	
Maintenance and Operating mechanism (availability of recurrent funds, foreign exchange, spare parts and maintenance workshop)	N/A	
<b>4. Internal Rate of Return</b>	<b>N/A</b>	
<b>5. Overall Assessment of Results</b>	<b>1.61</b>	<b>Unsatisfactory</b>

**SENEGAL : MACROECONOMIC INDICATORS**

Indicators	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>Growth, Savings and Invest. as a %</b>												
- GDP Growth in volume	-1.4	3.9	-0.4	2.2	-2.2	2.9	5.6	5.2	5.1	5.8	6.1	6.1
- Investment as a % of GDP	12.7	12.9	13.3	13.3	13.8	13.6	16.9	18.5	17.3	18.1	19.7	19.9
Incl. public investments	4.2	4.1	4.6	4.5	4.7	4.7	5.2	6.4	6.4	7.1	8.4	7.3
Private sector	7.1	6.9	6.7	6.8	7	8.9	11.7	12.1	10.9	11	11.3	12.6
- Domestic Savings as a % of GDP	7.5	8.7	6.7	7	6.8	9.4	11.3	12.8	11.6	12.4	13.9	14.6
Incl. Private Sector	-	-	-	-	-	-	-	8.3	5.4	6.3	7.7	8.4
- Incremental Capital–Output Ratio	3.5	3.3	4.3	-	-	3.1	3.0	3.6	3.4	3.1	3.2	3.2
<b>Money and Inflation</b>												
- Monetary Growth as a %	-	-	-	-	-	37.8	9.2	10.8	7.3	8.6	9.2	-
- Inflation Rate (consume. price)	0.9	0.6	0.5	1.2	0.4	32.1	8.8	2.8	1.8	1.1	2.0	2.0
-Discount Rate as a %						10.0	7.5	6.5	6.0	6.3		
- Rediscount Rate in Real Terms as a %						-	-1.3	3.7	4.2	5.2		
						23.2						
<b>State Budget as a % of GDP (*)</b>												
-Fiscal revenue as a % (**)	9.3	14.1	15.5	14.9	13.5	12.4	16.3	15.5	16.3	15.9	16.2	15.3
- Wage Bill as a %	8.6	8.2	8.4	8.4	8.3	7.5	7.0	6.8	6.3	5.9	5.7	5.4
- Deficit on a commitment basis %	-2.1	-3	2	-2.4	-2.9	-6.2	-3.5	-4.4	-2.0	-3.3	-4.4	-3.4
- Domestic Public Debt %							14.0	15.0	13.7	11.4	9.5	7.8
<b>Foreign Trade</b>												
- BP Current Deficit as a % of GDP excluding transfers	9.6	8.5	8.3	8.8	9.4	-	-9.2	-8.0	-7.8	-8.8	-7.0	-6.3
						10.1						
- FOB Export Growth as a %	19.7	0.5	-4.4	-5.7	-7.1	8.1	7.3	4.2	7.9	4.6	7.5	10.4
- FOB Import Growth as a %	11.9	-0.5	-0.9	1.1	-1.8	-4.4	5.0	7.5	7.6	4.6	9.1	11.0
- Real Exchange Rate (index)	95.8	93.3	86.3	87.1	85.2	58.7	63.6	64.1	61.7	64.0		
<b>Public Debt</b>												
- Outstanding Foreign Debt/GDP as a %							14.0	12.6	11.1	9.0	7.6	6.5
- Outstanding Foreign Debt/GDP as a % (after rescheduling)	71	65.6	63.1	57.5	64.7	80.9	76.6	77.3	73.1	69.4	66.0	61.7
- Public Debt Service/State Revenue as a % (after rescheduling)							42.4	30.7	28.7	20.8	20.2	20.4
- Debt Service/Exports of Non-Factor Goods and Services as a %	21	20.3	18.2	20.6	21.5	16.7	20.1	15.0	17.6	11.1	9.0	6.8

SOURCES : World Bank, IMF and Government

(\*) from 1989 to 1991, figures corresponding to the fiscal year ending in June of the given year

(\*\*) data revised since 1996

**SENEGAL : STATE FLOW OF FUNDS TABLE**

(in CFA.F billion)	89/90	90/91	91/92	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>1. Total Revenue and Grants</b>	<b>279.5</b>	<b>327.2</b>	<b>327.5</b>	<b>313.9</b>	<b>272.6</b>	<b>385.6</b>	<b>439.7</b>	<b>533.5</b>	<b>497.8</b>	<b>541.9</b>	<b>576.9</b>	<b>586.7</b>
<b>1.1 Revenue</b>	<b>259.9</b>	<b>300.9</b>	<b>307.3</b>	<b>293.4</b>	<b>255.9</b>	<b>301.5</b>	<b>366.2</b>	<b>394.3</b>	<b>432.2</b>	<b>460.1</b>	<b>502.1</b>	<b>516.7</b>
Fiscal Revenue	219.0	241.4	264.1	247.1	220.2	267.9	330.3	369.3	401.1	438.9	486.5	495.8
Non-Fiscal Revenue	40.9	59.5	43.2	46.3	35.7	33.6	35.9	25	31.1	21.2	15.6	20.9
<b>1.2 Grants</b>	<b>19.6</b>	<b>26.3</b>	<b>20.2</b>	<b>20.5</b>	<b>16.7</b>	<b>84.1</b>	<b>73.5</b>	<b>139.2</b>	<b>65.6</b>	<b>81.8</b>	<b>74.8</b>	<b>70</b>
Capital Grants	13.0	13.5	13.0	13.0	15.0	30.0	30.0	139.2	53.7	63.1	70.0	70.0
Budget Grants	6.6	12.8	2.6	7.5	1.7	54.1	43.5	0	11.9	18.7	4.8	0
<b>2. Current Expenditure</b>	<b>254.3</b>	<b>232.1</b>	<b>232.9</b>	<b>282.0</b>	<b>249.5</b>	<b>318.6</b>	<b>316.7</b>	<b>312.6</b>	<b>317.6</b>	<b>310.1</b>	<b>353.7</b>	<b>362.9</b>
2.1 Wages and Salaries	126.8	129.5	130.3	133.9	132.3	148.8	157.5	162.6	160.4	162.6	170.0	174.3
2.2 Interest on Public Debt	41.2	38.1	36.0	32.0	34.7	71.5	64.5	55.9	58.6	34.8	45.6	46.6
- external	36.6	31.1	29.8	26.6	28.1	58.3	55.8	45.9	47.5	27.8	35.3	34.9
- domestic	4.6	7.0	6.2	5.4	6.6	13.2	8.7	10.0	11.1	7.0	10.3	11.7
2.3 Other Current Expenditure	86.3	64.5	62.0	111.5	82.5	98.3	94.7	94.1	98.6	112.7	138.1	142.0
Including Subsidies and Transfers	25.2	26.5	30.9	39.3	34.0	33.7	30.2	29.2	43.0	36.8	36.0	36.0
Current Balance		71.7	65.8	29.6	2.7	67.0	123.0	220.9	180.2	231.8	223.2	223.8
<b>3. Capital Expenditure</b>	<b>39.8</b>	<b>44.5</b>	<b>71.2</b>	<b>82.6</b>	<b>64.9</b>	<b>100.2</b>	<b>117.7</b>	<b>183.0</b>	<b>163.8</b>	<b>196.9</b>	<b>251.6</b>	<b>235.7</b>
On Domestic Financing	7.8	12.0	37.2	46.6	27.9	26.2	35.7	41.6	57.5	78.5	103.5	110.7
On External Financing	32.0	32.5	34.0	36.0	37.0	74.0	82.0	141.4	106.3	118.4	148.1	125.0
4. Special Accounts (former CAA & Vth Plan)	-16.0	-11.4	-3.1	-4.3	-2.7	-5	-4.2	7.9	7.3	8.3	3.7	0
5. Correspondents (net)	-4.1	1.5	-12.7	15.0	-2.7	-0.9	-6.2	-5.6	-4.4	35.3	26.3	29
Deficit on a Commitment Basis	<b>-46.4</b>	<b>31.2</b>	<b>3.7</b>	<b>-40.2</b>	<b>-47.2</b>	<b>-39.1</b>	<b>-5.1</b>	<b>35.6</b>	<b>13.5</b>	<b>-8.7</b>	<b>-58.4</b>	<b>-40.9</b>
Deficit (excluding grants)	-66.0	4.9	-16.5	-60.7	-63.9	-123.2	-78.6	-103.6	-52.1	-90.5	-133.2	-110.9
6. Changes in Arrears	21.5	-20.0	9.0	54.5	49.3	-160.8	-60.4	0	2.7	-2.7	0	0
- Domestic	15.9	-14.4	-0.5	27.1	12.9	-32.1	-14.9	0	0	0	0	0
- External	5.6	-5.6	9.5	27.4	37.3	-128.7	-45.5	0	2.7	-2.7	0	0
Cash Deficit	<b>-29.0</b>	<b>-0.4</b>	<b>6.1</b>	<b>8.3</b>	<b>-2.8</b>	<b>-199.9</b>	<b>-65.5</b>	<b>35.6</b>	<b>16.2</b>	<b>-11.4</b>	<b>-58.4</b>	<b>40.9</b>
Financing	29.0	0.4	-6.1	-8.3	2.8	200.0	65.4	-38.1	-5.3	21.7	58.4	29.4
External Financing	<b>56.8</b>	<b>7.2</b>	<b>33.1</b>	<b>23.4</b>	<b>8.6</b>	<b>186.7</b>	<b>80.5</b>	<b>10.4</b>	<b>55.1</b>	<b>50.3</b>	<b>65.6</b>	<b>20.6</b>
Drawings	41.6	25.5	48.1	49.5	40.1	80.9	81.6	83.1	101.4	108.7	131.6	90.0
Cash Flow	22.6	6.5	15.5	14.9	0.1	18.9	29.6	23.5	2.4	19.1	41.6	0
Project Loans	19.0	19.0	21.0	23.0	22.0	44.0	52.0	59.6	53.6	89.6	90	90
Others	-	-	11.6	11.6	18.0	18.0	0	0	45.4	0	0	0
Amortization	-56.9	-52.5	-53.8	-46.7	-41.4	-83.1	-73.1	-72.7	-72.0	-58.4	-66.0	-69.4
Rescheduling Obtained	51.3	28.5	23.8	11.3	9.9	188.9	72.0	0	25.7	0	0	0
<b>Domestic Financing (net)</b>	<b>-27.8</b>	<b>-6.8</b>	<b>-39.2</b>	<b>-31.7</b>	<b>-5.8</b>	<b>13.1</b>	<b>-15.1</b>	<b>-48.5</b>	<b>-60.4</b>	<b>-28.6</b>	<b>-7.2</b>	<b>8.8</b>

(in CFA.F billion)	89/90	90/91	91/92	1992	1993	1994	1995	1996	1997	1998	1999	2000
As a % of GDP												
Ordinary Revenue including Grants	18.0	20.6	20.9	19.0	16.8	19.5	19.6	22.4	19.4	19.6	19.3	18.1
Ordinary Revenue excluding Grants						15.3	16.3	16.6	16.8	16.7	16.8	16.0
Fiscal Revenue	14.1	15.2	16.9	14.9	13.5	13.6	14.7	15.5	15.6	15.9	16.2	15.3
Subsidies and Transfers						1.7	1.3	1.2	1.7	1.3	1.2	1.1
Overall Primary Balance (excluding grants)	-4.3	0.3	-1.1	-3.7	-3.9	-6.9	-3.9	-7.9	-2.3	-5.0	-5.4	-4.1
Interest on Debt						3.6	2.9	2.3	2.3	1.3	1.5	1.4
Ordinary Balance including Grants						-0.9	2.2	3.4	4.5	5.4	5.0	4.7
Grants						4.3	3.3	5.9	2.6	3.0	2.5	2.2
Capital Expenditure						5.1	5.2	7.7	6.4	7.1	8.4	7.3
Overall Deficit (excluding grants)						-6.2	-3.5	-4.4	-2.0	-3.3	-4.4	-3.4
Wage Bill						7.5	7.0	6.8	6.3	5.9	5.7	5.4
Interest/Ordinary Revenue Excluding %						18.5	14.7	10.5	11.8	6.4	7.9	7.9
Salaries/Ordinary Revenue excluding Grants %						49.4	43.0	41.2	37.1	35.3	33.9	33.7

Revision of Data from 1996

Sources : Senegalese Government (MEFP/DPS), IMF and the Bank