

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



REPUBLIC OF SENEGAL

**SENEGAL: MID-TERM REVIEW OF THE RESULTS-BASED COUNTRY
STRATEGY PAPER**

2005-2009

**Country Operations Department
West Region**

February 2008

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This report was prepared following a country team mission to Senegal, led by Gilbert GALIBAKA, Country Economist, ORWB, and comprising experts in rural development, infrastructure, social development and institutional capacity building, and budgetary support of the Regional Office of the Bank in Senegal (SNFO). The mission was in Dakar from 29 October to 14 November 2007. Dialogue continued from 28 to 31 January 2008, during a mission to review cooperation between the Bank and Senegal, led by Mrs. E. GOLDSTEIN, Director of ORWB.

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ACRONYMS AND ABBREVIATIONS

AATR	:	Autonomous Road Transport Agency
ACAB	:	Budget Support Framework Arrangement
ADB	:	African Development Bank
ADPME	:	Small and Medium-size Enterprises Development Agency
ANDS	:	National Population and Statistics Agency
APIX	:	National Agency for the Promotion of Investments and Major Works
ARMP	:	Public Procurement Regulation Agency
ASER	:	Senegal Rural Electrification Agency
BCE	:	Business Creation Support Office
BCEAO	:	Central Bank of West African States
CFPA	:	Administrative Procedures Facilitation Centre
CNCAS	:	Senegal National Agricultural Credit Fund
CNIA	:	National Agriculture Interprofessional Committee
CNP	:	National Employers' Council
CPI	:	Presidential Investment Council
CPIA	:	Country Policy and Institutional Assessment
CRAES	:	National Council for Economic and Social Actions
DCEF	:	Department of Economic and Financial Cooperation
DCMP	:	Central Public Procurement Directorate
DDI	:	Debt and Investment Department
DR	:	Discount Rate
DWSS	:	Drinking Water Supply and Sanitation
EFA	:	Education for All Programme
EPA	:	Economic Partnership Agreement
FIAS	:	Foreign Investment Advisory Service
FNR	:	National Retirement Fund
FPE	:	Economic Promotion Fund
HCPI	:	Harmonized Consumer Price Index
HIPC	:	Heavily Indebted Poor Country
ICS	:	Industries chimiques du Sénégal
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
LI	:	Labour-intensive
LONASE	:	Senegal National Lottery
MDRI	:	Multilateral Debt Relief Initiative
MTEF	:	Medium Term Expenditure Framework
NEPAD	:	New Partnership for Africa's Development
OMVG	:	Gambia River Development Organization
OMVS	:	Senegal River Development Organization
ONAS	:	Senegal National Sanitation Authority
PADERCA	:	Casamance Development Support Programme
PAGIRE	:	Integrated Water Resources management Action Plan
PAP	:	Priority Actions Programme
PAPIL	:	Small Local Irrigation Support Programme
PDEF	:	Ten Year Education and Training Programme
PEPAM	:	Millennium Drinking Water and Sanitation Programme
PESF	:	Financial System Evaluation Programme

PGIES	:	Integrated Water and Soil Management Programme
PMIA	:	Agricultural Modernization and Intensification Programme
PNDS	:	Health Development Programme
PNIR	:	National Rural Infrastructure Programme
PPEA	:	Agricultural Exports Promotion Programme
PR	:	Pension Rate
PRSP	:	Poverty Reduction Strategy Paper
QUID	:	Unified Development Indicators Questionnaire
RBCSP	:	Results-Based Country Strategy Paper
RCCM	:	Trade and Private Property Loan Register
RMP	:	Road Maintenance Project
SAR	:	Société Africaine de Raffinage
SENELEC	:	National Electricity Corporation
SGBS	:	Société générale des banques du Sénégal
SIGFIP	:	Integrated Public Finance Management System
SIGMP	:	Integrated Public Procurement Management System
SONACOS	:	Senegal National Oilseed Marketing Corporation
SONATEL	:	National Telecommunications Corporation
UNDP	:	United Nations Development Programme
WB	:	World Bank

CURRENCY EQUIVALENTS

(February 2008)

Currency Unit	=	CFA Franc
UA 1	=	CFAF 703.717
UA 1	=	USD 1.59527
UA 1	=	EURO 1.07281

Fiscal Year

1 January to 31 December

Weights and Measures

Metric System

I **INTRODUCTION**

1.1 The 2005-2009 RBCSP was considered and approved by the Boards of Directors in June 2005 (ADB/BD/WP/2005/68/Rev.1-ADF/BD/WP/2005/65/Rev.1). During its consideration, the Boards noted the satisfactory macroeconomic performance recorded over the 2000-2004 period. They had also expressed satisfaction with the country's compliance with the criteria of the WAEMU convergence, stability, growth and solidarity Pact. The Boards congratulated the Government on the country's attainment of the HIPC Initiative completion point in April 2004 and its eligibility to benefit from the Multilateral Debt Relief Initiative. Furthermore, the Boards welcomed the progress made by the Government in the implementation of structural reforms, as well as the action plan of the budgetary and financial reforms aimed at improving the management of public resources. Lastly, the Boards appreciated the initiatives taken by the Government to improve the performance of the portfolio of projects financed by the Bank Group in Senegal. In spite of this progress, the Boards expressed their concern about the incidence of poverty, notably in rural areas, which was still affecting a high proportion of the Senegalese population.

1.2 This mid-term review paper aims at informing the Boards of Directors of the progress made in the implementation of the Bank's strategy since its approval in June 2005. It confirms the Bank's strategic orientations in Senegal over the 2008-2009 period. In preparing this paper, the country team used the results of the portfolio review of December 2007, the review of co-operation between the Bank and Senegal in January 2008, the conclusions of the advisory group on the financing of the Poverty Reduction Strategy Paper II (PRSP II) of October 2007, the conclusions of the 7th Session of the Presidential Investment Council (CPI) of November 2007, and the conclusions of the final version of PRSP II for the 2006-2010 period. The paper also takes into account discussions with the other partners in the monitoring of aid coordination as well as on the Budget Support Framework Arrangement (ACAB) and implementation of the Paris Declaration. This review encountered difficulties with the poor monitoring and evaluation system, as well as the limited efforts towards obtaining results by the Senegalese administration and the project implementation units.

1.3 After the introductory note, the paper presents in Chapter II, the recent political, economic and social developments. Chapter III analyzes the implementation process of the Bank's assistance strategy, as well as the mid-term results. Chapters IV and V are devoted to the lessons learnt in the medium term and the Bank Group's assistance strategy for the remaining period, respectively. Chapter VI draws the conclusions and makes recommendations.

II. **RECENT DEVELOPMENTS IN THE COUNTRY**

2.1 **Political Developments**

2.1.1 Since the adoption, in June 2005, of the Bank Group's assistance strategy for Senegal for the 2005-2009 period, the country has witnessed two major events, namely the organization of presidential and legislative elections. Following the presidential elections of 25 February 2007, H.E. Abdoulaye WADE, the outgoing President, was re-elected in the first round with 56% of the votes cast, for a second 5-year term. As concerns the legislative elections initially scheduled for June 2006, they took place on 3 June 2007, without the participation of a large part of the opposition, which decided to boycott the elections; the elections were won by the coalition of the ruling Party with 131 seats out of 150. Furthermore, it should be noted that a constitutional reform on the establishment of the

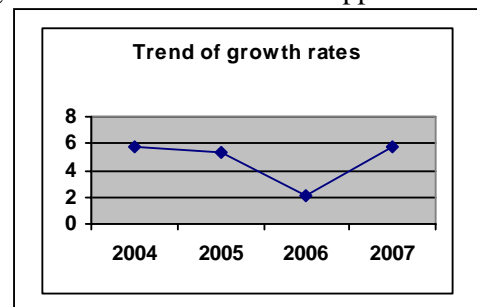
Senate (abolished by the present regime in 2001) was adopted in 2007 by the outgoing National Assembly. This second House has 100 representatives, 35 of whom are elected by indirect suffrage and 65 designated by the President of the Republic. The senatorial elections, organized on 19 August 2007, were also won by the coalition of the ruling party (34 of the 35 seats).

2.1.2 The Government enjoys a large majority in the National Assembly and Senate, as well as a popular base in the urban and rural areas, which is an indication of political stability. Furthermore, there is no true parliamentary opposition; there are also very frequent cabinet reshuffles that could disrupt the follow-up of governmental action and promote practices such as begging and corruption as well as legal insecurity of land ownership, especially in and around the Dakar peninsula. Persistence of these phenomena could constitute potential sources of social unrest and disruption of national or even sub-regional stability. The Government is aware of the danger posed by these phenomena, and new measures are under way to curb them.

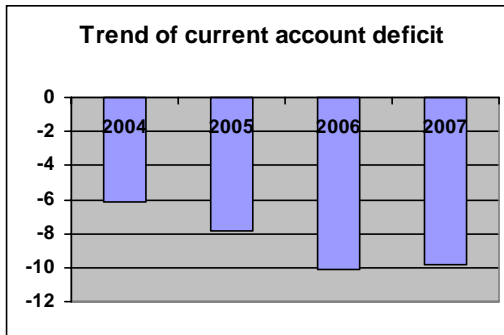
2.2 Economic and Social Developments

2.2.1 The period under review coincided with the finalization and adoption of PRSP II 2006-2010 and the conclusion with the IMF of an economic policy support programme **without drawings**. The PRSP II aims at: (i) reducing the incidence of poverty among the population to less than 30% by 2015, (ii) achieving a growth rate of at least 7% over the period, (iii) accelerating access to basic social services while improving food security, (iv) reducing inequalities and eradicating all forms of exclusion, and (v) promoting good governance and the rule of law. To take up all these challenges harmoniously, the Government has focused its strategy on four main pillars, namely: (i) creation of wealth for pro-poor growth, (ii) promotion of access to basic social services, (iii) social security, as well as risk and disaster prevention and management, (iv) good governance, as well as decentralized and participatory development. The orientations of 2005-2009 RBCSP are consistent with the four strategic areas of PRSP II and are based on two pillars aimed at: (i) improving the business environment in order to foster accelerated growth; and (ii) reinforcing basic infrastructures.

2.2.2 *Mixed macroeconomic performance:* The growth rate in real terms dropped from 5.3% in 2005 to 2.1% in 2006. This poor performance in 2006 is could be attributed to external shocks (oil price hikes), the decline in agricultural production, difficulties in restructuring “Industries Chimiques du Sénégal (ICS)” as well as the financial difficulties of SENELEC and “Société Africaine de Raffinerie” (SAR). As regards the current account, its deficit reached 10% of GDP in 2006. Inflation, for its part, was 7% in July 2007, well above the norm of 3% adopted in the WAEMU convergence criteria, reflecting the delays in adjusting regulated prices of energy and soaring foodstuff prices. In 2007, growth returned to its record trends and stood at 5.1%. To enable the economy to stay on this path and boost Senegal’s growth potential so as to ensure poverty reduction and attainment of the Millennium Development Goals, the Government concluded an economic policy support program for a three-year period at the end of 2007 with the IMF, without financial drawings; the programme has four main objectives, namely: (i) return to a prudent budget policy, which supports



macroeconomic stability, (ii) improve governance and budgetary transparency for an efficient public sector, credible economic policies and external assistance; (iii) encourage private sector activities by improving the business climate and supporting reforms in ailing public corporations; and (iv) improve the financial sector's contribution to the economy, while addressing vulnerable sectors.



2.2.3 *Strengthening of good governance:* A new Public Procurement Code was adopted in April 2007, and implemented as from early January 2008; two organs responsible for procurement issues were set up recently, namely the Central Public Procurement Directorate (DCMP) and the Public Procurement Regulation Agency (ARMP). An integrated public procurement management system (SIGMP), managed by the DCMP and accessible to the public from a Website, is already in its pilot phase. Moreover, results-based management started with the 2006 Finance Law, and the sectoral MTEFs rose from four (4) in 2004 to seven (7) in 2007.

2.2.4 *Improvement of the business environment:* Although Senegal is 162nd among 178 countries according to the ranking of *Doing Business* 2008, the environment continues to improve thanks to the efforts of the Presidential Investment Council (CPI), notably with the removal of obstacles to the start-up and closure of businesses, the reduction of time taken to issue documents from the Trade and Personal Property Loan Register (RCCM) to 24 hours, the establishment of the Administrative Procedures Facilitation Centre (CFPA), which has been operational since July 2006, and the establishment within CFPA of the Business Creation Support Office (BCE) which has reduced the time of administrative procedures for starting a business from 58 days to 48 hours.

III. MID-TERM RESULTS OF THE BANK GROUP'S INTERVENTION STRATEGY

3.1 Progress towards Expected Results

3.1.1 The Bank Group's assistance strategy for Senegal over the 2005-2009 period is based on two pillars: (i) improvement of the business environment to foster accelerated growth; and (ii) improvement of basic infrastructures. The results expected by 2009 are: (i) transparency of budget management and procurement, with the indicator being the MTEF for budget management and the setting of the ceiling for direct negotiation contracts at 20% for public procurements, (ii) acceleration of administrative procedures in the enforcement of court decisions, the indicator being the significant reduction in time taken to enforce court decisions; (iii) doubling of the number of land certificates produced and distributed, the indicator being the significant reduction in the time taken to obtain the certificates; (iv) increase in the private sector's contribution to GDP; and (v) improvement access to basic infrastructures, the indicators being an increase in the percentage of the rural population with access to drinking water, increase in the percentage of the rural population with access to sanitation, increase in the percentage of the road network in average and good state, paving the way for the establishment of a new development pole.

Table 1: Trend of Indicators for the 2004-2007 period

Indicators	2004 (base)	2006 (results)	2007 (forecast)	2007 (reviewed)	2009 (targets)
Pillar					
MTEF (No.)	4	4	10	7	12
Enforcement of court decisions	4 years	3 years	1year	2 years	9 months
% direct negotiation contracts	40	80	20	20	20
Time taken to obtain land certificate	4 years	4years	2 years	4 years	4 months
% of private sector to GDP	71	72	72.5	72.5	74
Pillar					
% access to rural drinking water	64	69	71	71	77
% access of rural population to sanitation (PEPAM)	17	18	20	20	33
% road network in average or good state	25	35	48	46	60
Establishment of new development poles	0	0	1	1	1

3.1.2 Table 1 above shows that Pillar 1 indicators produced mixed results. On the other hand, those of Pillar 2 show progress towards the expected results and suggest overall trends towards attainment of the Millennium Development Goals.

3.2 Progress in the implementation of the Bank Strategy

3.2.1 Table 2 below gives the status of the initial portfolio, as well as the initial lending programme. The table shows that the initial portfolio had four projects in Pillar I, notably the first Private Sector adjustment support programme, the Land Register Modernization Project, and the National Population and Statistics Agency Support Project. As regards Pillar II, it had five projects, namely the Rural Electrification Project, the Dakar Town Sanitation Project, the Education Project IV, the Health Project II, and the Kounoune Power Station Project.

Table 2: Initial Portfolio and Initial Lending Programme

Initial Portfolio	Initial Lending Programme	
<u>Pillar I</u>		
1- Private Sector Adjustment Support Programme	1-Casamance Rural Development Project	
2- Land Register Modernization Project (PAMOCA)	2- PAASP II and Governance	
3- National Population and Statistics Agency Support Project	3- National Archives Digitization Project	
4- Local small-scale Irrigation Support Project	4- Agricultural Exports Support Project	
<u>Pillar II</u>		
1-Rural Electrification Project	5- Cooking Oil Project (private sector window)	
2-Dakar Town Sanitation Project	<u>Pillar II</u>	
3-Education Project IV	1-Road Maintenance Project	
4.Health Project II	2-Rural DWS Sub-Programme I	
5-Kounoune Power Station Project (private sector window)	3- Toll Highway Project	
	4-Rural DWSS Sub-Programme II	

3.2.2 The assessment of the results of the Bank's strategy takes into account not only the operations of the initial portfolio but also the projects carried out over the 2005-2009 period. Table 3 shows that out of the six operations scheduled for the 2005-2007 period, three were approved; two were not appraised owing to lack of financing (Private Sector Adjustment and Governance Support Programme II and the Agricultural Exports Support Project), and two operations not programmed but in conformity with Pillar II were approved and financed by the African Water Facility. An analysis of progress by pillar is as follows:

Table 3: Initial Programme, 2005-2007 Outputs and 2008-2009 Revised Programme

<u>Initial Programme</u>	<u>2005-2007 Outputs</u>	<u>2008-2009 Revised Programme</u>
2005 Casamance Development Project Road Maintenance Project Rural DWS sub-programme I	2005 Casamance Rural Development Project Road maintenance Project First rural DWS sub-programme	2008 PAASP II & governance Toll Road Project National Archives Digitization Project
2006 PAASP II & governance	2006 Study Ziguinchor Master Plan (African Water Facility)	2009 Exports Support Project Second rural DWS sub-programme Zircon Great Coast Project (OPSM)
2007 Exports Support Project Cooking oil Project (OPSM)	2007 PAGIRE Project (African Water Facility)	
2008 Toll highway Project National Archives Digitization Project		
2009 Rural DWS Project II		

A. Pillar 1: Improve the business environment for accelerated growth

3.2.3 The Bank should contribute to the improvement of the business environment through the first and second Private Sector Adjustment Support Programmes, the Land Register Modernization Project, the ANDS Support Project, the Casamance Rural Development Support Project, and the Small-scale Irrigation Support Project. **The implementation of the first Private Sector Adjustment Support Programme** contributed to the improvement of the business environment through: (i) the creation of an electronic portal, a Website on public procurement, accessible to the public and which became the Integrated Public Procurement Management System (SIGMP), (ii) the preparation and implementation of a consultation framework programme in the Presidential Investment Council, (iii) the upgrading of 60 companies, (iv) the development of an SME label, (v) the establishment of a new exports promotion support system, (vi) the launching of the process to transform the Economic Promotion Fund (FPE) into an SME financing institution, open to the private sector, (vii) the enhancement of the international negotiation capacities of employers' organizations, (viii) the law on postal regulations, (ix) modernization of the procurement system, and (x) transposition of the Community directive in national law as regards fight against money laundering. **The second Private Sector Adjustment Programme** that should continue the reforms undertaken in the first programme was not appraised due to lack of financing. Measures to contribute to reduction of time taken to enforce court decisions are thus included in the budget support scheduled for 2008.

3.2.4 **The implementation of Land Register Modernization Project** contributes to the reduction of time taken to obtain land certificates through digitization of the land register, better control of land and improvement of access to ownership and tax revenues. As regards the actions of the National Population and Statistics Agency Support Project (ANSD), they help to reinforce the PRSP implementation measures, build the socio-economic information coordination, production and dissemination capacities of the National Population and Statistics Agency.

3.2.5 **The Casamance Rural Development Support Project** finally became effective only in 2006, and is already contributing to stabilizing the populations and enhancing social peace, with the launching of the Rice Valley Development Works. By 2010, it will help to increase annual rice production by 33,000 tonnes and vegetable production by 2,000 tonnes. Effectiveness of **the Local Small-scale Irrigation Support Project** was also far behind. Its activities started with the dissemination of water control documents and capacity building for producers in Fatick, Tambacounda and Kolda regions.

B. Pillar II: Improve access to basic infrastructures

3.2.6 **Under this second pillar**, there are ten national and two multinational ongoing projects to improve access to basic infrastructures in the rural electrification, sanitation, electrification, education, health and road sectors. These projects contribute to improving the indicators relating to access to basic infrastructures. Accordingly, with **the Dakar Town Sanitation Project**, not only has the domestic water purification capacity been increased to 18 000 m³/day, but the collection and treatment of wastewater in Dakar are improving, and the household wastewater pumping system of developed plots has been restructured.

3.2.7 **The first Rural DWSS sub-programme** started its activities in 2006, and 35% of the family latrines have already been constructed (6,000 out of the 17,000 envisaged) and 27.5% of the multi-compartment latrines (130 out of the 470 envisaged) for village public facilities. Furthermore, 64,000 people already have access to drinking water, i.e. 35% of the initial target. Thanks to the implementation of **the Rural Electrification Project**, the number of people with access to electricity will rise from 48,208 in 2004 to 124,808 in 2009. If this trend continues, the rural electrification rate will increase from 8% in 2004 to 30% in 2015. **The Kounoune Power Station Project** has provided an additional capacity of 67.5 MW. **In the roads sub-sector**, the **Road Maintenance Project** activities to be carried out in 2008 will provide 116 km of rehabilitated surfaced roads in Kaolack and Kolda regions, 338 km of rehabilitated earth roads, 28 km of reconstructed roads, 640 m of the Emile Badiane bridge rehabilitated. The multinational projects will provide 69 km of improved roads, 89 km of rehabilitated surfaced roads between Medinas Gounas and Tambacounda, 60 km of rehabilitated surfaced roads, and 20 km of improved roads between Kédougou and Falemé, as well as two frontier checkpoints. In general, the outputs of these projects will help to increase the access rate to drinking water in rural areas as well as the rate access to primary schools in rural areas, and reduce the number of road accidents and facilitate regional integration.

3.2.8 **In the social sector**, the implementation of the Education IV and Health II projects will help to broaden access to education, improve the quality of education, enhance health coverage and improve the quality of reproductive health services and disease control (malaria, STI/HIV/AIDS). The implementation of the Education project IV has already led to the construction of two (2) colleges (Mbacké & Dagana), the procurement of 400 000 textbooks at the elementary education level and the reprinting of 587 supplementary textbooks, and the training of 5,000 teachers.

3.3 Resource Allocation

The ADF X resources allocation to Senegal in the form of loans dropped from UA 120 million in 2005 to UA 111.76 million in 2006 and UA 82.51 million in 2007. This drop is due mainly to Senegal's poor performance in governance and portfolio management. This reduced allocation resulted in the non-implementation of the Second Private Sector Adjustment Support Programme and the Agricultural Exports Support Project. The programming of these two operations and others in 2008 and 2009 will depend on the commitment of the Senegalese authorities to the strengthening of governance and improvement of portfolio performance.

3.4 Portfolio Management

3.4.1 The portfolio review carried out in December 2007 on the basis of fifteen (15) active projects highlighted the existence of two risk projects, four (4) old and potentially problem projects, three (3) potentially problem projects and four (4) projects being implemented satisfactorily. This portfolio corresponds to that of a "fragile country", with poor institutional capacities. Consequently, despite the operationalization of the activities of the Regional Office in Senegal and the institutionalization by the Government of quarterly and annual reviews of the Bank's portfolio, there are still generic problems such as: (i) late effectiveness loans and grants, (ii) insufficient monitoring and evaluation of projects, (iii) long delays in processing files, and (iv) non-compliance with Bank rules of procedure for procurement by the Project Executing Agencies, and (vi) low annual disbursement rates (11% for 2007). In addition to these old problems, there are new ones such as: (i) lack of efforts towards obtaining results in project management despite systematic inclusion of logical framework matrices in appraisal reports; and (ii) lack of monitoring of commitments in the performance contracts of officials project executing agencies. All these constraints have reduced the visibility of the Bank's strategy on the development of Senegal.

3.4.2 The Bank and Senegalese authorities are working closely to mitigate all these constraints. Indeed, at the level of the Bank, the staff strength of the Dakar Regional Office will be increased, and thereby facilitate the organization of seminar workshops on efforts towards obtaining results, monitoring of performance contracts, closer monitoring of projects, notably those at risk, and compliance with supervision quality and annual standards (2 per year) requirements. Measures will be also taken to ensure stricter implementation of cancellations. The Government, for its part, will carry out even more regular quarterly and annual reviews, and will strengthen the capacities of the three structures (DCEF, DDI and CAPE) responsible for monitoring the Bank's portfolio in Senegal. The Regional Office will strengthen its working relations with the three structures, and ensure a monitoring system based on periodic assessment of results.

3.5 Aid Coordination

3.5.1 Aid is coordinated by the Ministry of the Economy and Finance through two departments, namely the Department of Economic and Financial Co-operation (DCEF) and the Debt and Investment Department (DDI). With the adoption of PRSP II in 2006, the institutional PRSP steering and monitoring-evaluation framework has been consolidated and is implemented at two levels: the strategic level and the operational level. The strategic level, which lays down and formulates policies, comprises the Inter-Ministerial Steering

Committee, chaired by the Prime Minister, the National Steering Committee chaired by the Minister of the Economy and Finance and comprising representatives of the sectoral ministries, the civil society, local authorities, the private sector, trade union organizations, and Regional Steering Committees chaired by the Governors and comprising the decentralized Government services and the civil society. The activities are monitored by the Poverty Reduction Programme Monitoring Unit within the Ministry of the Economy and Finance, which provides secretarial services for the Steering Committee. At the sectoral level, Ministerial Monitoring Committees are set up under the coordination of a focal point.

3.5.2 In accordance with the Paris Declaration, the capacities for better coordination are being put in place, as well as a common and harmonized framework through the "Budget Support Arrangement Framework" (ACAB) of partners providing budget supports, including the Bank. Within this framework, a joint matrix of budget support donors is appended to the ACAB. The matrix will be fine-tuned gradually and reviewed annually.

3.5.3 As regards project management, the Bank still has a high number of semi-parallel Project Implementation Units (PIU) (11 out of 15). However, the tendency is towards their reduction with the drinking water and sanitation, small-scale irrigation, rural electrification and transport programme. The Bank has not yet adhered to common basket funding. It does not often use the national procurement system. It participates in strengthening the procurement system through its contribution to the CPAR exercise and financing of policy-based lending for reform of public procurement systems in the WAEMU area.

3.6 Monitoring and Evaluation of Bank Group Assistance

3.6.1 The Bank's mechanism for monitoring and evaluating its assistance has been conventional. First of all, the Bank undertook supervision missions for projects and programs (14 out of 15 were supervised in 2007) and sector reviews (one in the rural development sector and another in the water sector) to monitor its assistance. Furthermore, monitoring was conducted through the portfolio review of December 2007 and participation in the quarterly and annual Governmental reviews of the Bank's portfolio in Senegal. Participation in discussions on economic policy support programme with the IMF on macroeconomic issues enabled the Bank to monitor macroeconomic developments. The monitoring and evaluation mechanism agreed upon with the Government did not function. Indeed, during the period under review, information on living conditions and poverty never reached the Bank headquarters or Regional Office.

3.6.2 Despite the Bank's adherence to the results-based management approach, the existence of a new generation of results-based strategy paper, and the systematic inclusion of logical frameworks in the appraisal of all new projects, the monitoring and evaluation mechanism still faces rigid constraints, notably: (i) the absence of baseline situations in most of the projects and programs, (ii) the non-existence of a culture for results, (iii) failure to take into account the indicators contained in the performance contracts.

3.6.3 With the commitments made during the conclusion of the ADF-XI cycle, notably the improvement of the quality of the results framework, the consideration of baseline data in monitoring the results of projects/programmes, the systematic preparation of supervision reports and completion reports, the Bank is resolutely geared towards the establishment of efficient monitoring and evaluation systems for projects and programmes. This requires the strengthening of existing mechanisms within States and Project Implementation Units.

IV. LESSONS LEARNT AT MID-TERM

4.1 For the Bank:

- **Need to maintain the strategy and pillars for the remaining period:** In spite of the mixed results noted in Pillar I, there is a need to maintain the Bank's strategy in Senegal during the remaining period given that it is relevant and consistent with the fundamental aspects of the poverty reduction strategy.
- **Monitoring and evaluation problems and the need to inculcate the culture for results:** Taking into account the difficulties encountered in monitoring and evaluation and to ensure better implementation of projects and better assessment of the Bank's contribution to the development of the various sectors concerned, the Bank and the Government should take steps to organize training courses for coordinators of project executing agencies so as to foster the culture for results.
- **Need to monitor the indicators in performance contracts:** In order to ensure that performance contracts are not mere formalities, the indicators should be monitored closely in the quarterly and annual reports, as well as during supervision and mid-term review missions.
- **Need to undertake multi-disciplinary launching missions to boost project start-up:** In order to improve the performance of the Government in compliance with Bank procedures, the project launching missions should be reinforced in the areas of procurement, disbursements and fulfilment of loan conditions. Moreover, mission periods should be longer to provide for workshops for stakeholders in the implementation of projects.
- **Need to assist Senegal in reforms to improve the business climate and governance:** In order to achieve a growth rate that would have a significant impact on poverty reduction, the Bank will assist Senegal in reforms to improve the business environment and governance. To that end, the Bank, in addition to other partners such as the IMF and the World Bank, will monitor the trends of the indicators in *Doing Business*.

4.2 For the Government :

- **Need to improve portfolio management:** The Bank's portfolio in Senegal is facing persistent old generic problems and the emergence of new ones, which are affecting its **performance**. The Government is required to remove these constraints through regular quarterly and annual portfolio reviews, strengthening of the DCEF, DDI and the project assistance unit, as well as the Steering Committees and Project Executing Agencies.

- **Need to revitalize the monitoring and evaluation mechanism for the PRSP, sectoral Ministries and programmes, and project executing agencies:** The monitoring mechanisms put in place in the Poverty Reduction Unit and sectoral Ministries and programmes, as well as project executing agencies still have serious limitations. The Government should take measures to revitalize them by building their capacities and organizing seminars and workshops on the culture for results.
- **Need to implement the commitments in the performance contracts:** In order to effectively implement project activities, the Government and officials of project implementation units have signed performance contracts. The Government must ensure compliance with the commitments contained in the aforementioned performance contracts by submitting specific and regular reports of their implementation during the quarterly and annual reviews. The project implementation support unit should coordinate this task.

V. BANK GROUP STRATEGY FOR THE REMAINING PERIOD

5.1 Strategy for the 2008-2009 period

5.1.1 Taking into account the strategic areas of PRSP II, including the accelerated growth strategy, Government priorities relating to basic infrastructures (water, sanitation, transport and energy) as well as multi-sector policies to stimulate growth, the economic policy support programme which emphasizes improved governance and budgetary transparency, encouragement of private sector activities by improving the business environment, dialogue with all stakeholders, the mid-term results and the strategic orientations of ADF XI, the Bank strategy for the remaining period will not change. It will be based on the two pillars already adopted, namely: (i) improvement of the business environment for accelerated growth, and (ii) improvement of access to basic infrastructures. This will result in the continuation of ongoing operations, the processing of new projects under ADF XI in the areas of improvement of the business environment, water, sanitation and roads, as well as the conduct of studies that should lead to pipeline projects.

Pillar I: Improve the business environment for accelerated growth

5.1.2 The Bank will continue its contribution to the improvement of the business environment through budget support. The implementation of this programme will enable the Bank to contribute, in addition to the other technical and financial partners, signatories to the ACAB-PRSP, to the coordinated financing of the actions adopted in PRSP II. The budget support will pursue actions in the areas of governance, improvement of the justice system, and the business environment.

5.1.3 Wealth creation will be pursued through three operations - the digitization of public archives, the agricultural exports support project, and the Zircon greater coast project (private sector window) - whose conditions for financing will be good governance of extractive industry revenues and Senegal's joining the EITI process. Under budget support and digitization of public archives, the Bank will monitor the indicators in Pillar I as well as the trend of the indicators of *Doing Business*.

5.1.4 Under this pillar, two studies - one on the key factors of tax performance and the other on the local taxation- should increase the number of pipeline projects.

Box 1 : Operations envisaged under Pillar I

New Operations (i) PAASP II & governance, (ii) National archives digitization project (iii) Agricultural exports support Project (iv) ZIRCON Greater Coast Project (ADB/ private sector, UA 38 million)

Pillar II: Improve access to basic infrastructures

5.1.5 Under this Pillar, the Bank will continue the actions in the road, water and sanitation sub-sectors. More precisely, accelerate the implementation of: (i) the road maintenance project, (ii) the first rural DWSS sub-programme, (iii) the rural electrification project, (iv) the implementation project of the integrated water resources management action plan, (v) the conduct of the study on the Zinguichor Town sanitation master plan, (vi) the Education project IV and (vii) Health project II; appraise new projects such as the toll highway project, the second rural DWSS sub-programme and complete the Dakar town sanitation project, as well as the Kounoune energy project.

Box 2 : Operations envisaged under Pillar II

New Operations : (i) Toll highway Project, (ii) Second rural DWSS sub-programme ,

5.2 Consultation with stakeholders

The consultation was carried out regularly within the framework of the PRSP process, which led to the adoption in June 2006 of PRSP II (2006-2010). Other consultations regularly took place on the monitoring of the implementation of the Paris Declaration, within the framework of theme groups, such as that of public finance, which led to the budget support arrangement framework, and within the framework of the mid-term review of the RBCSP, which led to this report. Lastly, consultations also took place with the Senegalese authorities, the other stakeholders as well as the technical and financial partners on the Bank Group's assistance strategy for the remainder of the period (2008-2009).

5.3 Dialogue Themes

The Bank will pursue dialogue with the Senegalese authorities in the following areas: (i) governance and macroeconomic management, (ii) improvement of the business climate and private sector development, (iii) portfolio management and monitoring, (iv) governance in the extractive industries and Senegal's joining the EITI process, (v) monitoring and evaluation of the PRSP in order to contribute to the achievement of the poverty reduction objective, (vi) NEPAD and regional integration, and (vii) monitoring of the achievement of the millennium development goals.

5.4 Risks and Mitigating Measures

5.4.1 During the preparation of the RBCSP, a number of risks that could hinder the implementation of the assistance strategy were identified: (i) failure to honour the commitments made during the signing of the peace agreements in Casamance at the end of

December 2004 and the resurgence of conflicts in sub-region, (ii) persistence of the constraints of urban mobility, notably in Dakar, (iii) suspension of the implementation of the CFAA/CPAR action plan, and (iv) external shocks (fluctuation of oil prices, drought...) which could jeopardize macro-economic objectives.

5.4.2 Over the 2005-2007 period, the Senegalese authorities were able to control the key risks related to the crisis in Casamance despite sporadic resurgence, as well as the risks to urban mobility, the pursuit of reforms, and external shocks.

5.4.3 Over the 2008-2009 period, the key risks will concern a growth rate lower than that envisaged, slippages in the reduction of the budget deficit, external shocks such as the continuous rise in oil prices, drought, invasion by migratory locusts, the decline of the purchasing power of citizens and the upsurge of begging and absence of a real opposition in the National Assembly.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

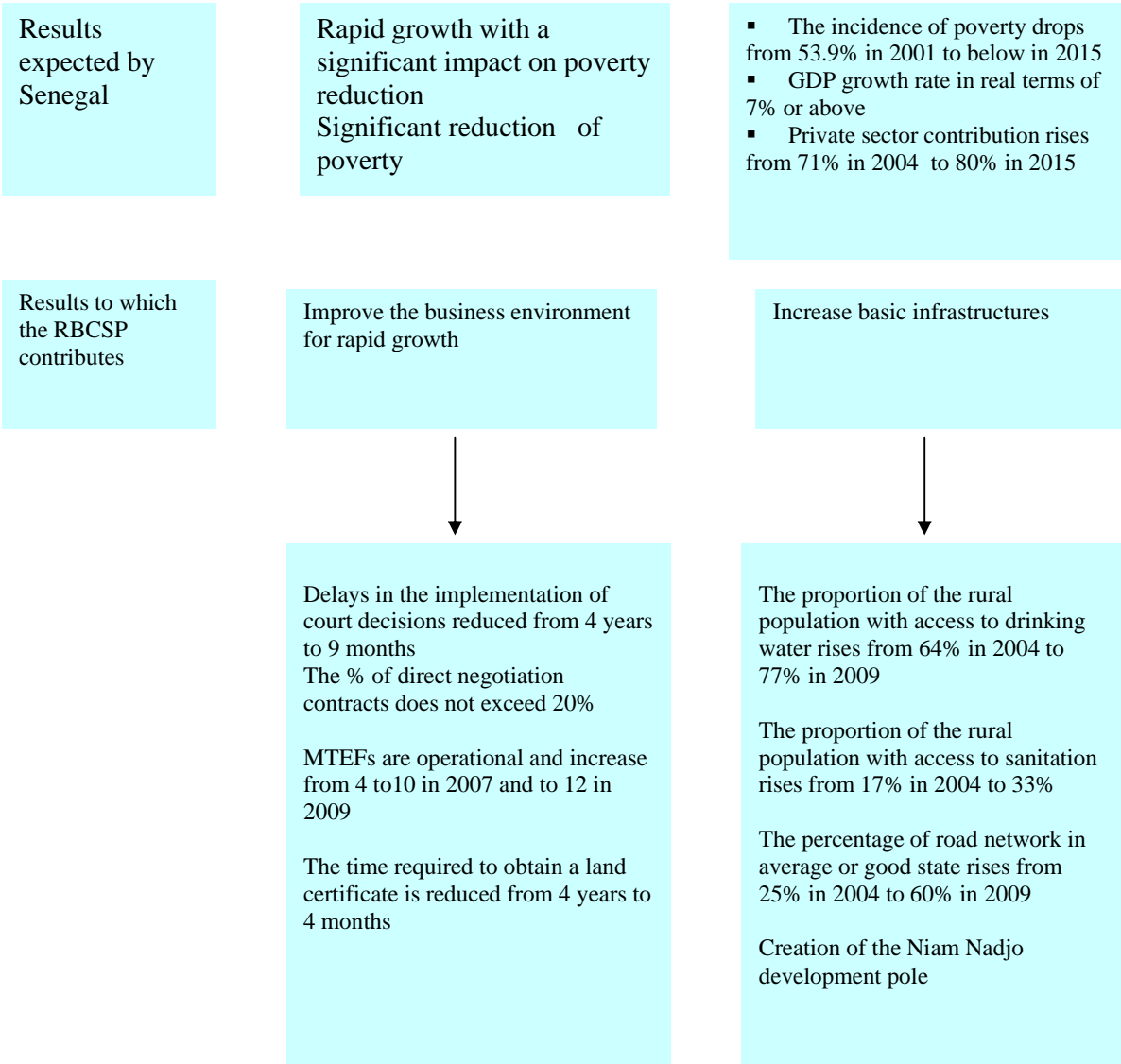
6.1.1 In June 2006, Senegal adopted PRSP II for the 2006-2010 period, whose strategic actions are consistent with the orientations of the 2005-2009 RBCSP. The mid-term review of the RBCSP showed that Senegal's overall performance is mixed as concerns Pillar 1, while there is significant progress in Pillar 2, notably as concerns access to rural drinking water and sanitation and in the road sub-sector.

6.1.2 Despite the mixed results noted in Pillar 1, this mid-term review proposes that the strategy approved in 2005 should be maintained, as well as the two pillars, namely: (i) improvement of the business environment for accelerated growth, and (ii) improvement of access to basic infrastructures. The Bank Group urges the Senegalese authorities to increase their efforts in implementing reforms and improve portfolio management. To that end, the Bank Group will honour the commitments made during the conclusion of the ADF XI cycle, notably the improvement of the quality of the results framework, the consideration of baseline data, and the systematic preparation of supervision reports and completion reports. These measures will require the reinforcement of existing mechanisms in sectoral Ministries and project implementation units, as well as stronger involvement of the Regional Office.

6.2 Recommendations

The Boards are invited to approve the activity programme and priority areas of intervention proposed for Senegal for the 2008-2009 period, based on part of the ADF XI resources allocation. This allocation, in the form of loans, includes policy-based lending resources.

Annex 1: Indicators monitoring and evaluation framework for the 2005/2009 period



Annex 2: Thematic Results Matrix

Long term strategic objectives	Short term CSP outputs				Bank Priorities and performance	
Long term strategic objectives	Sectoral issues	CSP products and outputs that the Bank intends to impact through its interventions	Intermediate indicators for the CSP outputs	Strategies/actions for intermediate indicators and outputs	Interventions of the Bank and other partners in the sector	Processes and implementation of assessment of Bank performance
Double per capita income by 50% and reduce poverty by the same rate by 2015	Promote good governance	Budget management and procurements are transparent	20% of contracts are negotiated privately in 2007	Pursuance of the procurement reform	CPAR Plan of action (ADF/WB /EU)	Joint mid-term review
			The MTEFs of the four priority sectors are operational in 2007	Pursuance of budget reform	CFAA Plan of action (ADF/WB /EU)	Joint mid-term review
	Modernize the justice sector and the land register	Administrative procedures in the execution of court decisions are accelerated	The execution of court decisions does not exceed 9 months in 2007	Implementation of the Justice sectoral Programme	Justice sectoral Programme (France, WB , EU)	Supervision and mid-term review
			Doubling of the title deeds produced and distributed	The period for obtaining a title deed is reduced from 4 years to 1 year in 2007	Pursuit of the CFAA plan of action	
Improve private sector contribution to the GDP	Resumption of productive activities in Casamance, New cooking oil production unit	Private sector contribution to the GDP rises from 70% in 2003 to 72.5% in 2007	Pursuit of the implementation of the private sector development strategy	Casamance Project, Cooking oil production Project, projects of other partners (USAID, WB)	Supervision and mid-term review	
Improve access to basic services	Improve accessibility to socio-economic infrastructure	Improved rate of access to economic and social infrastructure	Increase of 1.5 point of the road network in 2007. Access rates to drinking water, health services and primary schools rise to 42% and 75% respectively in 2007	Implementation of the R.M.P. and DWS and rural elect., Health II and Education IV projects and two multinational projects	PST-2 (ADB, WB, EU) DWS (ADB, WB)	Mid-term review

Annex 3: Ongoing Bank Group Operations at 31/12/2007

Project title	Approval date	Signature date	Final disbursement deadline	Effectiveness Date	Amount approved	Cancellation	Undisbursed amount	Amount disbursed	Net commitments	Disbursement rate
Agriculture Sector										
1. CASAMANCE DEVELOPMENT PROJECT	19/10/2005	11/11/2005	21/12/2012	22/03/2006	20,000,000.00	0.00	19,570,385.62	445,688.95	20,000,000.00	2.2
2. LIVESTOCK II PROJECT	05/17/2000	07/14/2000	12/31/2008	02/01/2002	10,000,000.00	0.00	780,095.82	9,219,904.18	10,000,000.00	92.2
3. ANAMBE DEVELOPMENT SUPP.	04/25/2001	10/26/2001	12/31/2008	07/11/2002	7,180,000.00	0.00	2,978,389.51	2,978,389.51	7,180,000.00	41.5
4. RURAL INFRASTRUCTURE PROJECT	04/03/2002	05/06/2002	12/31/2008	02/04/2003	11,852,000.00	0.00	1,572,440.87	10,279,559.13	11,852,000.00	86.7
5. SMALL IRRIGATION SUPPORT PROJECT	10/22/2003	18/12/2003	31/12/2010	07/09/2004	14,310,000.00	0.00	12,078,131.10	2,296,460.09	14,310,000.00	16.0
Total Agriculture					63,342,000.00	0.00	36,979,442.92	25,220,001.86	63,342,000.00	39.8
Transport Sector										
1. ROAD MAINTENANCE PROJECT	29/06/2005	20/07/2005	31/12/2009	21/06/2006	29,000,000.00	0.00	29,000,000.00	0.00	29,000,000.00	0.0
Total Transport					29,000,000.00	0.00	29,000,000.00	0.00	29,000,000.00	0.0
Public Utilities sector										
1. DAKAR CITY SANITATION PROJECT	07/12/2001	10/26/2001	12/31/2008	12/29/2002	11,930,000.00	0.00	6,669,759.39	5,491,528.89	11,930,000.00	46.0
2. RURAL ELECTRIFICATION PROJECT	13/10/2004	29/11/2004	31/12/2010	08/08/2006	9,580,000.00	0.00	9,580,000.00	0.00	9,580,000.00	0.0
3. RURAL WATER INITIATIVE PROJECT	21/09/2005	26/10/2005	31/12/2011	23/01/2006	25,000,000.00	0.00	18,774,512.46	7,582,198.87	25,000,000.00	24.9
4. PAGIRE implementation Project	31/08/2007	10/10/2007	30/11/2009	10/10/2007	1,438,875.13	0.00	1,438,875.13	0.00	1,438,875.00	0.0
5. Study Zinguinchor sanitation master plan	21/12/2006	26/06/2007	31/05/2009	09/08/2007	831,628.57	0.00	417,177.80	414,450.77	831,628.57	49.8
Total Public Utilities					48,780,503.70	0.00	36,880,324.78	13,488,178.53	48,780,503.57	27.7
Social sector										
1. EDUCATION IV (loan)	06/25/2003	07/21/2003	31/12/2009	15/10/2004	13,840,000.00	0.00	11,550,840.32	2,289,159.58	13,840,000.00	16.5
1. EDUCATION IV (grant)	06/25/2003	07/21/2003	31/12/2009	15/10/2004	1,000,000.00	0.00	556,940.44	443,059.56	1,000,000.00	44.3
2. HEALTH II (loan)	06/18/2003	07/21/2003	12/31/2009	22/04/2004	10,000,000.00	0.00	7,141,322.24	2,858,677.76	10,000,000.00	28.6
2. HEALTH II (grant)	06/18/2003	07/21/2003	12/31/2009	22/04/2004	1,350,000.00	0.00	883,534.83	883,534.83	1,350,000.00	65.4
Total social sector					26,190,000.00	0.00	20,132,637.83	6,474,431.73	26,190,000.00	24.7
Multi-sector										
1. Support to depart. of forecasts and Stats.	12/12/2002	02/07/2003	30/09/2008	05/07/2003	1,550,000.00	0.00	850,649.12	722,258.21	1,550,000.00	46.6
2. LAND REGISTER MODERNIZATION. PROJECT	22/04/2005	17/05/2005	31/12/2009	12/08/2005	2,500,000.00	0.00	2,024,466.74	475,533.16	2,500,000.00	19.0
Total multi-sector					4,050,000.00	0.00	2,875,115.86	1,197,791.37	4,050,000.00	29.6
Grand total					171,362,503.70	0.00	125,867,521.39	46,380,403.49	171,362,503.57	27.1

Annex 4: Senegal: Selected Macroeconomic Indicators

Indicators	Unit	2000	2002	2003	2004	2005	2006	2007
National Accounts								
GNI at Current Prices	Million US \$	4,650	4,574	5,478	6,883	8,239	9,054	...
GNI per Capita	US\$	450	420	490	600	700	750	...
GDP at Current Prices	Million US \$	4,679.6	5,333.9	6,797.0	7,941.5	8,574.4	9,185.3	10 690.9
GDP at 2000 Constant prices	Million US \$	4,679.6	4,926.0	5,254.7	5,560.4	5,855.5	5,978.5	6 285.9
Real GDP Growth Rate	%	3.2	0.7	6.7	5.8	5.3	2.1	5.1
Real per Capita GDP Growth Rate	%	0.6	-2.0	4.1	3.2	2.7	-0.4	2.6
Gross Domestic Investment	% GDP	20.5	17.2	20.5	20.5	23.4	22.8	25.4
Public Investment	% GDP	4.5	5.7	3.1	3.6	3.6	3.5	5.5
Private Investment	% GDP	16.0	11.5	17.4	16.9	19.8	19.3	19.9
Gross National Savings	% GDP	15.0	13.3	19.7	20.6	22.0	19.1	23.0
Prices and Money								
Inflation (CPI)	%	0.7	2.3	0.1	0.5	1.7	2.0	2.0
Exchange Rate (Annual Average)	local currency/US\$	712.0	697.0	581.2	528.3	527.5	522.9	...
Exchange Rate (End of Period)	local currency/US\$	705.0	625.5	519.4	481.6	556.0	498.1	...
Monetary Growth (M2)	%	10.7	8.2	31.5	12.2	8.2	1.4	...
Money and Quasi Money as % of GDP	%	23.7	26.1	32.0	33.8	34.0	32.7	...
Government Finance								
Total Revenue and Grants	% GDP	18.8	19.5	20.0	20.4	20.9	21.6	22.9
Total Expenditure and Net Lending	% GDP	18.1	20.1	21.6	23.3	24.2	27.7	27.7
Overall Deficit (-) / Surplus (+)	% GDP	0.7	-0.6	-1.6	-2.9	-3.2	-6.1	-4.8
External Sector								
Exports Volume Growth (Goods)	%	-12.8	5.5	-2.0	4.4	-3.7	-11.2	-3.0
Imports Volume Growth (Goods)	%	-1.7	7.1	5.9	1.5	3.9	5.8	5.7
Terms of Trade Growth	%	1.7	-4.2	-0.7	-3.4	-2.5	4.8	5.3
Current Account Balance	Million US \$	-307.6	-302.7	-421.7	-487.8	-676.0	-928.1	-1,028.4
Current Account Balance	% GDP	-6.6	-5.7	-6.1	-6.1	-7.8	-10.1	-9.6
External Reserves	months of imports	2.6	3.7	5.0	5.2	3.9	3.9	...
Debt and Financial Flows								
Debt Service	% exports	14.0	14.3	14.7	18.2	15.9	104.2	8.0
External Debt	% GDP	76.0	81.9	71.8	66.6	59.4	44.5	43.7
Net Total Financial Flows	Million US \$	473.8	540.1	525.4	998.5	667.1
Net Official Development Assistance	Million US \$	423.2	444.6	446.7	1,054.9	689.3
Net Foreign Direct Investment	Million US \$	62.9	78.1	52.5	77.0	54.0

Year	Growth Rate (%)
2000	3.2
2001	4.5
2002	0.7
2003	6.7
2004	5.8
2005	5.3
2006	5.1

Year	Inflation (%)
2000	0.7
2001	2.3
2002	0.1
2003	0.5
2004	1.7
2005	2.0
2006	2.0

Year	Balance (% of GDP)
2000	-6.6
2001	-5.7
2002	-6.1
2003	-6.1
2004	-7.8
2005	-10.1
2006	-9.6

Source: ADB Statistics Department; IMF: World Economic Outlook, September 2007 and International Financial Statistics, October 2007;
World Bank: Development Data Platform Database, September 2007. United Nations: OECD, Reporting System Division, January 2007.
Notes: ... Data Not available

