

African Development Bank Group



Development Effectiveness Review 2013

SENEGAL

Country review



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Note: In this report, "\$" refers to US dollars.

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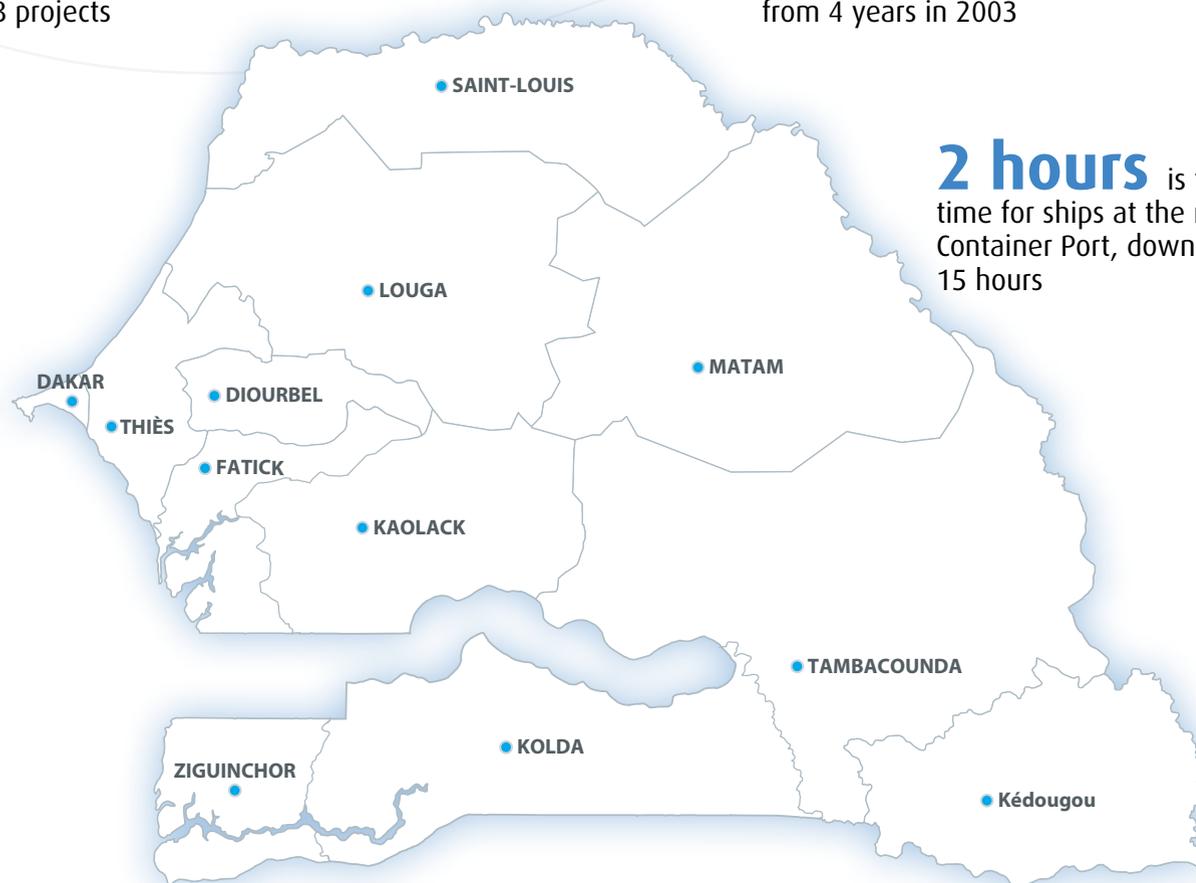
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The Senegal country review in 7 numbers

\$1.5 billion in new investments have been leveraged through AfDB private sector funding

1.37 million people enjoy access to improved water and sanitation through AfDB projects

4 months is the time required to register land titles – down from 4 years in 2003

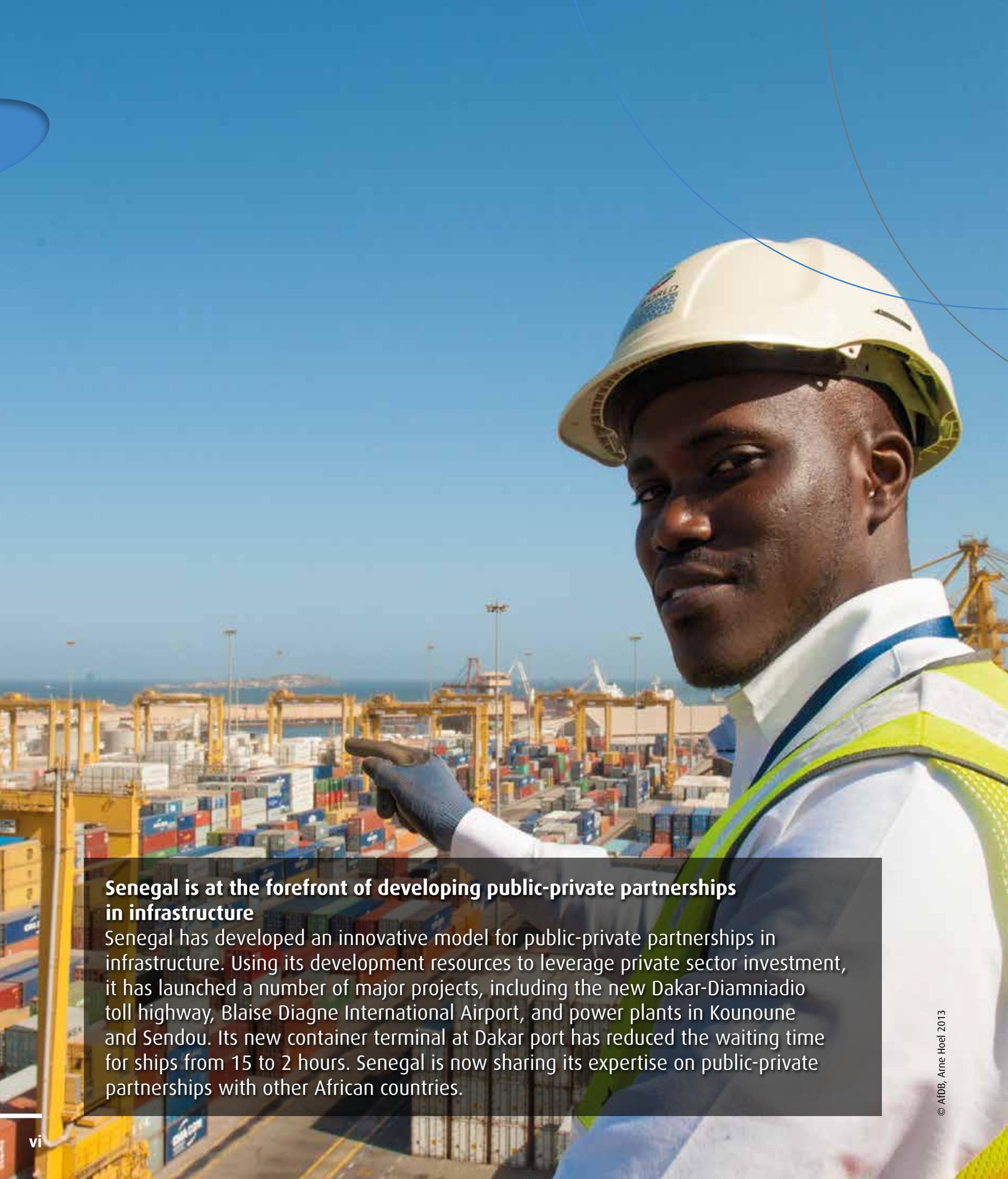


2 hours is the waiting time for ships at the new Dakar Container Port, down from 15 hours

17 "quick wins" and 37 "doing business" measures are being taken by the Government to energise the private sector

1.4 is the number of informal checkpoints faced by motorists every 100 km – down by three-quarters following an ECOWAS campaign

100% is the share of our Senegal operations currently rated "satisfactory"



Senegal is at the forefront of developing public-private partnerships in infrastructure

Senegal has developed an innovative model for public-private partnerships in infrastructure. Using its development resources to leverage private sector investment, it has launched a number of major projects, including the new Dakar-Diamniadio toll highway, Blaise Diagne International Airport, and power plants in Kounoune and Sendou. Its new container terminal at Dakar port has reduced the waiting time for ships from 15 to 2 hours. Senegal is now sharing its expertise on public-private partnerships with other African countries.

Foreword

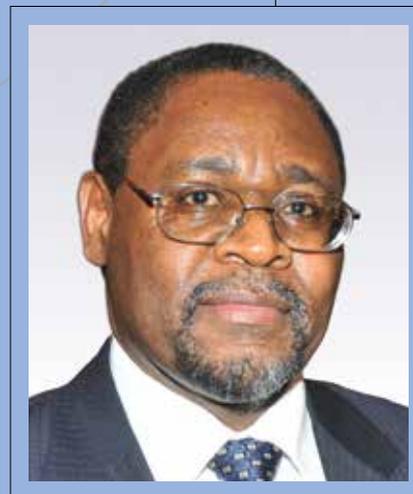
I would like to congratulate Senegal for being a front-runner in Africa on attracting private investment to help fill the country's major infrastructure needs and on promoting structural transformation. Working closely with the African Development Bank, the Government of Senegal has been pioneering the use of public-private partnerships in infrastructure development. These innovative financing instruments maximise development impact by leveraging additional investment from the private sector. This has enabled Senegal to proceed with ambitious investments in major transport infrastructure, improving its integration with the regional economy. By giving the country's producers access to larger markets, these investments are key to achieving structural transformation and thus accelerating progress in the fight against poverty.

For the Bank, supporting Senegal in this process has entailed some important innovations in that our public sector financed operations are complemented by private sector lending. Senegal has been among the first low-income countries in which we have a substantial private sector portfolio. To support this portfolio, we have been combining our expertise in major transactions with initiatives to improve the national and regional institutions that are needed for the investments to be effective.

This is an excellent example of our One Bank concept at work. Through this far-reaching approach, we are working to ensure that all of the Bank's different resources – both financial and operational – work together to maximise development impact.

This Development Effectiveness Review of our Senegal country programme assesses our contribution to Senegal's development progress and complements our Annual Development Effectiveness Review. It supports transparency and accountability by presenting our operations and approaches to development in an accessible way. It also helps ensure that innovations and good practices are shared more broadly.

We look forward to continuing our strong partnership with Senegal as it pursues its national development goals.



A handwritten signature in dark ink, appearing to read 'Z. Sakala', written in a cursive style.

Zondo Thomas Sakala

Operations Vice Presidency in charge
of Country and Regional Programs



Improving trade facilitation

Upgrades will significantly improve the efficiency of the Dakar Container Port Terminal. This public-private partnership, approved in 2009, is upgrading the equipment and transforming the operations of the terminal under a 25-year concession. Consumers, producers and staff at the port will all benefit. Consumers will save an estimated \$150 million through cheaper imports, shipping lines will reduce their costs, and revenues for government will increase by \$130 million. The Bank will support these trade facilitation measures by investing in infrastructure projects and promoting regulatory reforms through programme-based operations.

Executive summary

This **Development Effectiveness Review (DER)** examines how the African Development Bank (AfDB, or the Bank) is contributing to Senegal's national development agenda. It is the second in the Development Effectiveness Review series to focus on the Bank's operations in a particular country, following one on Rwanda in 2012. It also looks at how effectively we manage our operations and organisation in Senegal.

The Bank has been an active partner with Senegal since 1972, with a strong track record in the agriculture and transport sectors. In recent years, our development partnership has been strengthened through a number of innovations, of which the most prominent has been the development of a substantial private sector portfolio – among the largest in any low-income country. Combining non-sovereign lending with concessional resources has resulted in greater development impact. It has also helped Senegal to develop an impressive model of public-private partnerships (PPPs) for infrastructure development, leveraging private investment to overcome substantial bottlenecks in the country's development financing.

This Review showcases a number of such innovations. It presents the results from our Results Measurement Framework, consisting of 70 indicators in four levels, each corresponding to a chapter of this Review. The first chapter presents some of Senegal's development challenges and the progress it has made in recent years in addressing them. The second chapter presents AfDB's Senegal portfolio and the aggregate results of our operations over the past five years. Chapter three looks at our country portfolio, and chapter four looks at how well we manage our own organisation in Senegal.

Like the other publications in the Development Effectiveness Review series, this Review is written in an accessible style to improve transparency and accountability to our partners and stakeholders in Senegal and across Africa.

Senegal's development progress

In recent years, Senegal has made steady progress towards many of its national development goals. Despite the global recession and instability in Mali, its main trading partner, Senegal has managed to achieve an average annual economic growth rate of 4.3% over the past decade, and there are good prospects that this will continue. A new government was elected in 2012 with a strong commitment to manage for robust, sustainable and inclusive growth. The National Strategy for Economic and Social Development (2013–2017) aims to accelerate economic growth and promote social inclusion through three pillars: promoting economic growth and productivity; increasing human capital and social protection; and strengthening governance, institutions and peace.

In recent years, however, Senegal's economic growth has not kept pace with population growth. While the share of the population living below the national poverty line has fallen, from 48.3% to 46.7%, the net number of Senegalese poor has in fact increased, from 5.7 to 6.3 million. Much of the rural population faces persistent food insecurity, particularly during times of drought.

Senegal has developed an ambitious portfolio of PPPs, which make it a front-runner in Africa

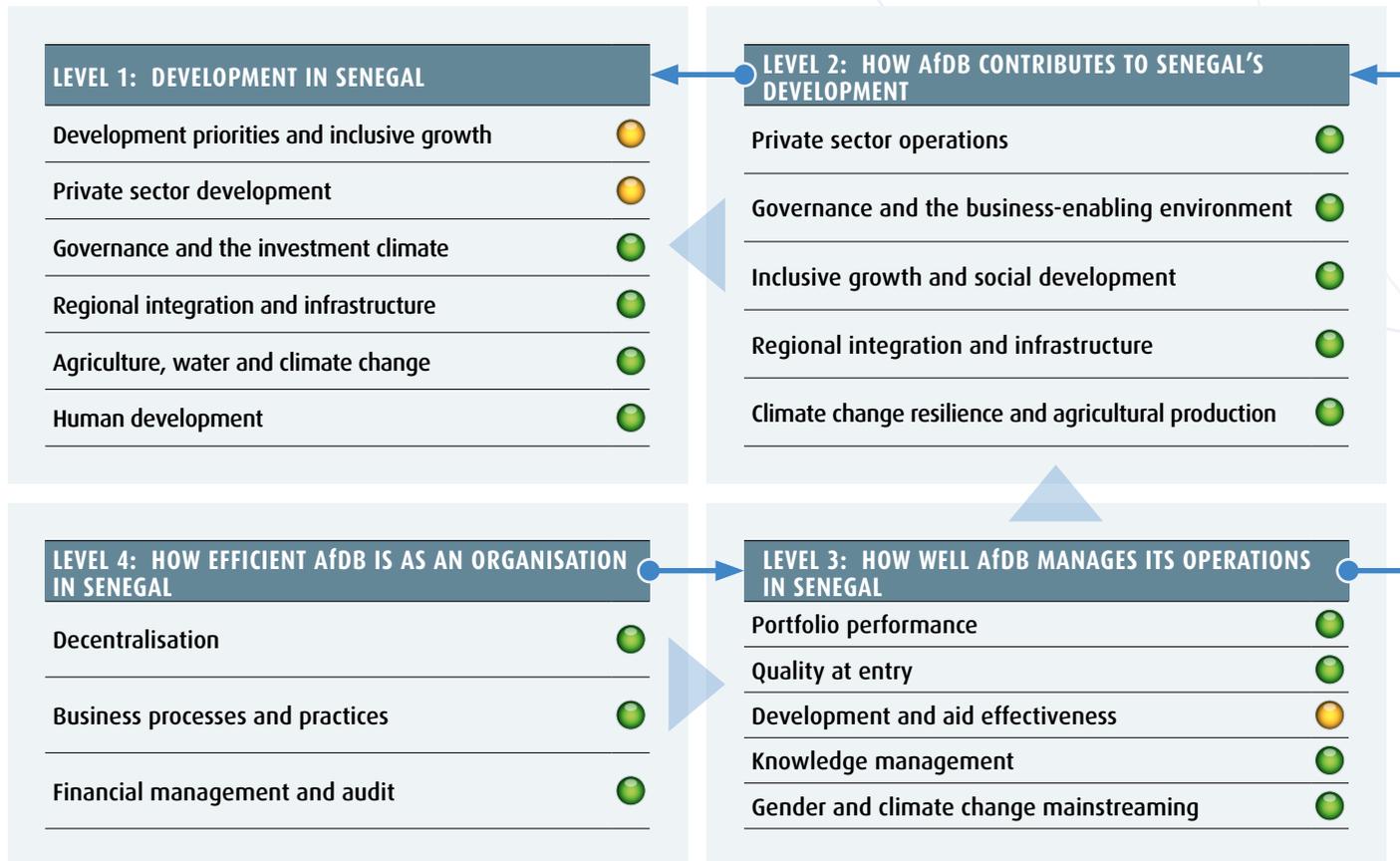
Unemployment is a growing problem, particularly in urban settings and among young people. The private sector should be able to create jobs and other income-generating activities. However, the growth of Senegal's private sector is held back by poor infrastructure, in particular expensive and unreliable electricity supplies, and is not yet generating substantial employment.

Senegal therefore needs to achieve structural change to become a more productive economy. To that end, it has made important progress in recent years in developing an ambitious portfolio of PPPs, in which it is a front-runner among low-income countries. Using its development finance to leverage private investment, it has launched a series of major projects, including the new Dakar-Diamniadio toll highway, the upgraded Dakar Container Port Terminal, Blaise Diagne International Airport, and power plants in Kounoune and Sendou. These projects have been supported by the Investment Promotion Agency (*Agence de promotion des investissements et des grands travaux*). This PPP model is already proving attractive to other African countries, and Senegal has been sharing its experiences with countries such as Côte d'Ivoire, Uganda and the Comoros.

The government is energising the private sector through reforms to improve the business environment and is planning 17 "quick wins" and 37 "doing business" measures by 2015

The development of better transport connections is in turn helping to push regional integration forward. Senegal is an active member of the West African regional groupings and has implemented most protocols of the Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union (WAEMU). Nevertheless, it still has some way to go to reap the benefits in the form of higher regional trade with some of its major trading partners, including Mali, Gambia and Guinea. A lack of high-quality regional infrastructure remains the

Summary performance scorecard 2013



For Level 1, Senegal's relative performance is measured by comparing its progress with progress in peer ADF countries; for Level 2 the Bank's performance is measured by comparing expected and actual achievements for all operations that have been completed; for Levels 3 and 4 the Bank's progress is measured against its progress in achieving its 2013 targets set out in the Bank Results Measurement Framework.

- **Made progress:** More than half of the indicators in the group improved over baselines or reference groups.
- **Little progress:** Results are mixed, with equal numbers of indicators showing improvement or little/no progress.
- **Progress stalled or regressed:** More than half of indicators in the group stalled or regressed over two or more review periods.
- **Progress could not be measured**

major constraint to further integration. Senegal is also investing in transport corridors and in upgrading the port at Dakar, which should provide a major boost for producers, both in Senegal and in neighbouring countries. In addition, Senegal is participating in regional initiatives to address "soft" or institutional barriers to regional trade. For example, ECOWAS is now monitoring and reporting on informal payments by motorists.

Senegal continued its tradition of peaceful democratic rule with successful elections in March 2012. A stable democracy is the foundation for the national development agenda, giving the government the legitimacy to proceed with its planned reforms. Seeking to energise the private sector through reforms to improve the business environment, the government is planning 17 "quick wins" and 37 "doing business" measures by 2015.

In other governance areas, Senegal performs well on revenue mobilisation, although the budget deficit stood at 5.8% of GDP in 2012. It has begun to improve transparency and accountability in its national budget process and in public procurement.

In Senegal, 75% of the population depends on rain-fed agriculture. Climate change and variability therefore present an increasing threat, with more frequent extreme weather events, especially drought and falling soil moisture levels. Although these challenges call for solutions at the global and regional levels, the government is also taking action at the national level by improving land management, strengthening extension services and improving farmers' access to markets and key inputs. Under a national adaptation programme, Senegal has embarked on intensive reforestation and improved water management.

The country has made good progress in promoting human development. Sustained investment in the education system has increased the primary completion rate to 76% in 2011. In health, there have been marked reductions in infant and child mortality rates and in HIV/AIDS prevalence. Overall, the Human Development Index has improved since 2005. According to the latest statistics, however, unemployment stands at 10% on average, and at about 14% for young people and women.

AfDB's contribution

The Bank is strongly committed to working in partnership with the Government of Senegal and other development partners in support of the national development agenda. In 2013, our active portfolio consisted of 11 operations, with total commitments of \$261 million. This was complemented by five private sector operations, for a total of \$215 million, plus seven multinational operations covering Senegal and neighbouring countries (Mali, Gambia, Guinea and Guinea Bissau), amounting to \$308 million. Following Senegal's 2012 election, the Bank reoriented its country portfolio according to the new government's main development priorities: promoting inclusive growth through diversification and economic integration, and sustainably managing natural resources and promoting resilience. Both pillars are aligned to the Bank's Ten-Year Strategy 2013–2022, which emphasises inclusive growth and a transition to green growth.

In Senegal the largest share of our resources goes to support the government's plans for developing the country's transport and energy infrastructure, which is essential to economic diversification and structural transformation. We have worked closely with the government to develop a PPP model that can be used for future projects, both in Senegal and across Africa. Some of these investments, notably the Dakar-Diamniadio toll highway, combine concessional financing and private sector lending in a single project. Across five major projects, we have succeeded in leveraging \$1.5 billion in private sector investments with just \$280 million of our own resources. We are also able to combine our expertise in financing arrangements with our knowledge of regulatory and institutional issues. In accordance with our One Bank principle, we are providing integrated support to the government.

Many of our transport investments support ECOWAS regional transport corridors, which combine infrastructure development with more effective border management, to promote the free movement of goods, services and people. With a coastal position, Senegal plays an important role as a regional transport hub for landlocked countries such as Mali. Our infrastructure investments are already beginning to deliver results. The average waiting time for ships is 2 hours, down from 15 hours. Our Dakar-Bamako road corridor includes a range of innovative features such as a radio communications system allowing operators to report problems, border-crossing stations equipped with scanners to

speed crossing times, and road safety programmes. The result has been that transport times for agricultural products have fallen by half and shipping charges for landlocked countries like Mali have declined significantly.

In collaboration with the government, the Bank supports reforms to governance and the business environment through a combination of programme-based operations and institutional support projects. We have supported the government in introducing reforms that make it simpler to create businesses, transfer ownership, acquire construction permits, access finance and trade across national borders. Some results are already apparent. The number of days required to obtain a construction permit fell from 217 in 2005 to 78 in 2011, while the time required to register titles has dropped from four years to just four months. Newly simplified import and export procedures now take less than a day to complete.

The Bank has worked closely with the government to develop a model of PPPs that can be used for future projects, both in Senegal and across Africa

Our agriculture operations aim to boost productivity, enhance rural incomes and improve food security. We are investing in rural infrastructure and the sustainable management of natural resources, with capacity building as a cross-cutting theme. Our investments help the government increase resilience to climate change, which is a key element in the Bank's approach to promoting green growth. We have supported a range of small-scale, sustainable and climate-proof infrastructure projects in the agriculture sector, increasing yields in our target areas by 50%.

We have improved land management by replanting 500 hectares of mangrove and 1200 hectares of forest and by constructing firebreaks, dams and spillways. The Bank has also drilled or rehabilitated nearly 400 boreholes and wells. Altogether, our agriculture and environment projects have benefitted more than half a million people.

We have succeeded in leveraging \$1.5 billion in private sector investments with just \$280 million of our own resources

Finally, in the social development field, we responded rapidly to the government's request for assistance in providing employment opportunities for youth and women. A new \$35 million project will provide training in entrepreneurial and other skills and facilitate the creation of agro-processing value chains. Other projects over the past five years have enabled 300 000 more students to be enrolled in school. We constructed 324 km of water pipes, giving 1.36 million people improved access to water and sanitation.

The management of our portfolio

In recent years, the Bank has worked closely with the government to strengthen the performance of our Senegal portfolio.

Under a portfolio improvement plan agreed in 2009, we have phased out smaller underperforming projects, creating a more focused portfolio. The Bank has streamlined business processes and invested in increasing the capacity of both government counterparts and Bank staff.

Through these measures, the number of problem projects in our portfolio fell from 47% in 2009 to just 11% in 2012, while all operations eligible for cancellation in 2009 have improved, leaving a far stronger portfolio. On a scale of 0 to 3, we now rate our Senegal portfolio "satisfactory" at a healthy 2.49. These improvements have enabled Senegal to secure a larger allocation of ADF resources, in accordance with the Bank's performance-based allocation system.

Our private sector portfolio has also grown considerably, reaching \$215 million. Senegal now stands out as one of the few low-income countries to make effective use of both public and private sector lending, including within individual projects. Given the different operating modalities of the Bank's two funding windows, this calls for coordinated management of operations and disbursements. We have further leveraged concessional financial resources by accessing vertical or thematic funds, such as the Global Environment Facility and the Global Agriculture and Food Security Programme set up by the G20 in 2009 to support food security.

Decentralisation has helped the Bank to successfully implement the One Bank approach, ensuring that different funding channels and departments work together

We remain committed to working with the government to improve the development effectiveness of our Senegal portfolio. The proportion of our assistance using country systems and recorded on the budget has declined in recent years. Therefore, the Bank is revising its global procurement rules to enable us to make greater use of country systems for national competitive bidding. We have achieved improvements in other aid effectiveness indicators, including the predictability of our disbursements and the phasing out of parallel project implementation units.

The management of our organisation

In Senegal, the Bank is successfully implementing the One Bank approach – that is, ensuring that different funding channels and departments work together as an integrated whole. Through the Bank's decentralisation process, we now have a team of 32 in

our country office (which also serves Gambia, Cape Verde and Guinea Bissau).

Nearly all our operational and support departments are represented in the team, which facilitates effective collaboration. This has proved invaluable in bringing together the varied expertise required to develop complex PPP projects.

Through decentralisation, the Bank achieved the goal of having 70% of projects task-managed from the field office in Senegal. Decentralisation has also enhanced our participation in policy dialogue and coordination.

To ensure the effective delivery of our operations, we have held 13 fiduciary clinics for Bank staff and their government counterparts, providing training on our business processes and leading to improvements in financial management, procurement and audit. This has helped to reduce delays in procurement and speed the payment of disbursements.

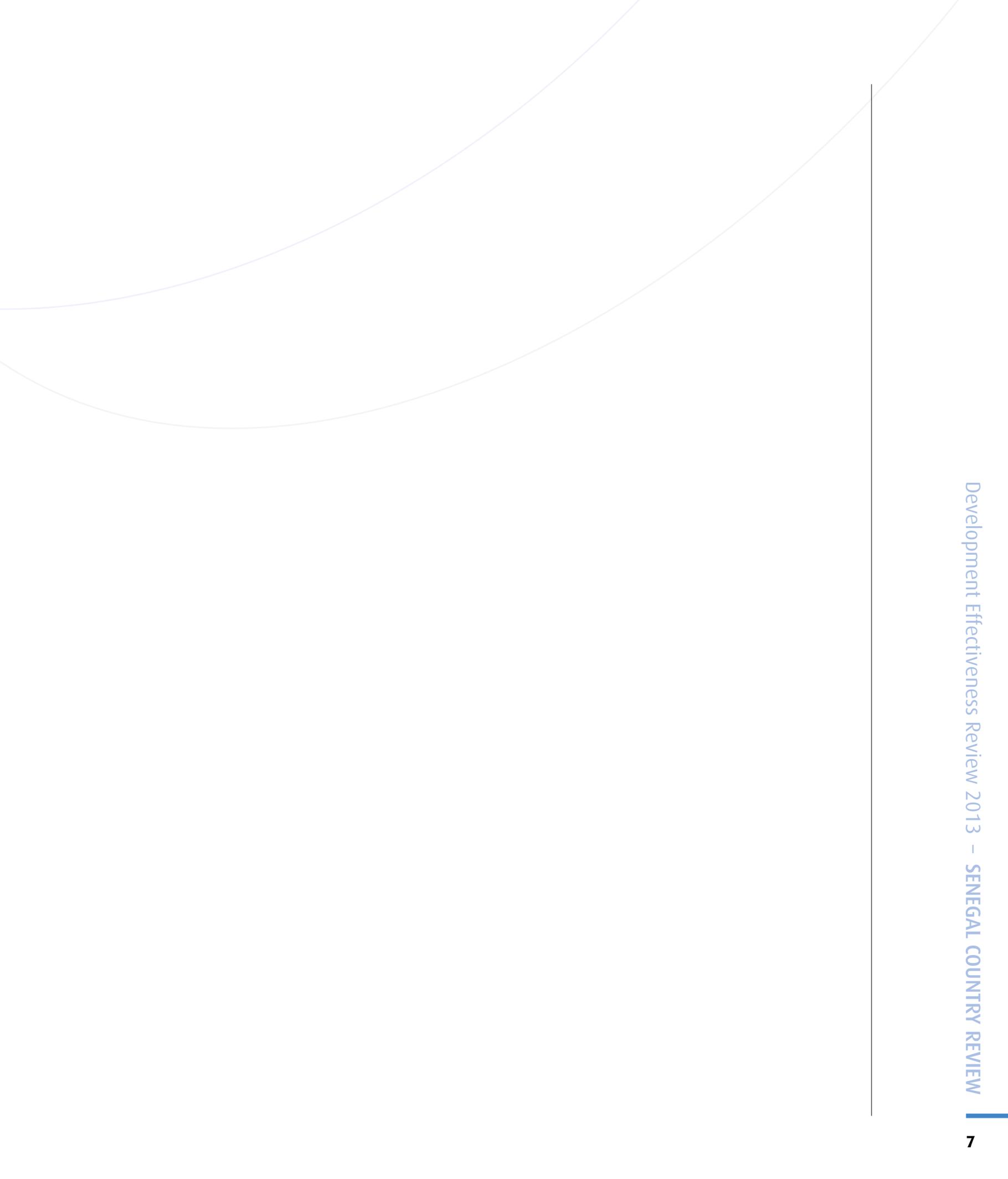
The way forward

The Bank remains committed to supporting Senegal in the achievement of its national development priorities. In the coming period, in accordance with the Bank Strategy 2013–2022 and our Country Strategy, we will focus on achieving sustainable inclusive growth and transitioning to green growth.

In line with the government's priorities, we have two new projects under preparation. One focuses on providing jobs and livelihoods to youth and women, and the other on the sustainable management of Lake Guiers, Dakar's main water source.

The Bank will build upon the successes of our PPP initiatives in Senegal to draw lessons and best practices for developing the model further for other African countries. We will use both ADF and private sector resources strategically to leverage investments in critical infrastructure, to achieve structural transformation of the national economy and to promote economic activity and livelihoods. The Bank will continue to support the government's efforts to improve the business environment, using programme-based lending and institutional support projects. Through regional projects, the Bank will also pay closer attention to the soft side of infrastructure development by helping to build capacity within key government agencies and to develop regulatory arrangements that support Senegal's regional integration goals.

The Bank will work closely with the government to achieve continuous improvement in the quality of our portfolio through our ongoing fiduciary clinics. Finally, the Bank will continue to pioneer new methods of collaborative working, in accordance with the One Bank approach ■





Promoting rural livelihoods through small-scale infrastructure

The Government of Senegal is strongly committed to promoting equitable and sustainable development across the country. To this end, the Bank has several projects designed to improve the management of land, forests, water resources and fisheries. As part of the local small-scale irrigation support project, we are investing in climate-proof infrastructure in the agriculture sector and helping to introduce new technologies. Through our efforts, agricultural yields have increased by 50% in the target areas.

Introduction

This Development Effectiveness Review (DER) on Senegal is the second in this series to focus on the operations of the African Development Bank's (AfDB, or the Bank) in a particular country. The review examines Senegal's development challenges in recent years and assesses the Bank's contribution to addressing them. It also looks at how effectively we manage our operations and own organisation in Senegal.

This Review highlights the considerable improvements in our Senegal portfolio in recent years. A stronger field presence, greater decentralisation of functions, improved training of Bank staff and their counterparts in Senegal, and improved supervision of projects have improved the quality of the portfolio. Increases in both efficiency and effectiveness have led to significant improvements in implementation.

In this Review, we examine the quality of our development partnership with Senegal and our contribution to the country's development results. To measure our performance, we use a Results Measurement Framework (RMF) derived from our corporate RMF that tracks performance across four dimensions (see Table 0). Data from the RMF are presented with a simple traffic-light rating, showing our rate of progress towards targets in the Senegalese context.

The four chapters of this Review correspond to the four levels of the RMF. The first chapter examines Senegal's development progress since 2005 across five areas: inclusive growth and social well-being, the promotion of the private sector, infrastructure, agriculture and governance. We review Senegal's achievements against its national development goals and discuss some of the continuing challenges.

The second chapter looks at the Bank's operations in each of these five areas and at the contribution we have made to Senegal's development results. It looks at how the Bank has realigned its country portfolio in response to the Government of Senegal's development priorities, and at the use of innovative approaches to improve Senegal's access to infrastructure finance. It also presents the aggregate outcomes and outputs of the Bank's operations and compares them with our targets.

The third chapter looks at the performance of our Senegal portfolio and how well we are managing our operations. The final chapter reviews our effectiveness and efficiency as an organisation, looking particularly at how decentralisation within the Bank is helping to strengthen our country operations and implement the One Bank approach at the country level.

Like our other Development Effectiveness Reviews, this report is written in an accessible way for a general audience to make us more transparent and accountable to our partners and stakeholders. It is also an important management tool, helping to ensure that our operations and our own organisation are continuously improving ■

Table 0: **Senegal's Results Measurement Framework**



Improving access to rural water supply

Rural water supply is critical to improve people's livelihoods. The Bank has supported several rural water supply and sanitation initiatives, including in the village of Thienaba, leading to the construction of 324 km of water pipes and benefiting 1.36 million people.

Level 1: Development in Senegal

Senegal has made good progress towards many of its national development goals over the last decade. Despite the global financial crisis and instability in Mali, its main trading partner, Senegal has achieved a moderate annual economic growth rate of 4.3% over the past decade. Moreover, the country has reinforced its reputation as a stable democracy through a peaceful transition of power to a new President, Macky Sall, in March 2012. Although there has been only gradual progress in poverty reduction, which decreased from 48.3% to 46.7%, some impressive increases in access to health and education services have been achieved.

Senegal has made outstanding progress in tackling its massive infrastructure deficit through a series of large-scale public-private partnerships (PPPs). Overcoming the infrastructure gap is essential to promoting regional integration and the structural transformation of the national economy. PPPs are also an important foundation for future private sector investment, growth and employment. Senegal is now seen as a front-runner in planning PPP investments and is sharing its experience with other African countries.

Senegal continues to face many development challenges. Poverty remains deeply rooted among parts of the population and, as in many other African countries, unemployment rates among young people are a growing cause for concern. Unemployment stands at 10% on average, but at 14.8% for young people and 14.1% for women. The private sector is not yet generating substantial employment. It needs an improved business environment and better infrastructure if it is to become the driver of growth. Senegal also needs to revive its agriculture and manage its land and water resources sustainably, to address the impacts of climate change and desertification.

In this chapter, we take stock of Senegal's development progress over the last decade across six areas: development priorities and inclusive growth; private sector development and PPPs; Governance and the investment climate; regional integration and infrastructure; agriculture, water and climate change; and human development and energy.

Development priorities and inclusive growth

The new government of Senegal has set out its development priorities in its National Strategy for Social and Economic Development 2013–17 (NSESD), which builds upon previous national development plans. The focus is on delivering robust, sustainable and inclusive growth and more equitable development throughout the nation.

The NSESD lays the foundation for Senegal to become an emerging economy and emphasises the priorities of accelerating economic growth and promoting social inclusion. The overall success of the strategy will depend on the establishment of solid structural foundations capable of boosting development.

The NSESD is articulated around three strategic pillars; economic growth, productivity, and wealth creation; human capital, social protection and sustainable development; and governance, institutions, peace and security.

The challenge for Senegal is that the structure of growth sources is not sufficiently diversified and lacks resilience to external shocks. The key constraints to economic sectors relate to the low productivity of production factors and their high costs, underdeveloped human capital and the difficulties for small and medium-sized enterprises (SMEs) to access financing. The economy suffers from shortfalls in the quantity and quality of infrastructure, the weakness of the industrial fabric, and low private investment in the productive sectors.

Despite solid economic growth in recent years, Senegal needs to promote the structural transformation of its economy to achieve private sector-led growth

The NSESD will be operationalised through the Priority Action Plan and the Three Year Public Investment Programme. This will require a stable macroeconomic environment, which translates into

Table 1: Development in Senegal (Level 1)

The table summarises Senegal's development progress between 2005 and 2012. The indicators come from the Bank's Results Measurement Framework for Senegal and cover areas where the Bank provides support and advice.

For each indicator, we compare Senegal's progress with that of its peer group of low-income countries in Africa, as follows:

- Progress is strong and better than peers'
- Progress is positive but less than peers'
- Regression against the baseline
- Data are not available to measure progress

INDICATORS	SENEGAL		LOW-INCOME ADF COUNTRIES	
	2005	2012	2005	2012
DEVELOPMENT PRIORITIES AND INCLUSIVE GROWTH				
● GDP growth (annual %)	5.6	3.7	5.2	6.2
● GDP per capita (current US\$)	772	1032	480	894
● Population living below USD 1.25/day at PPP (%)	34	30	54	43 ^a
● Population below the national poverty line (%)	48	47 ^a
PRIVATE SECTOR DEVELOPMENT				
● Foreign direct investment inflows as a percentage of GDP (%)	1.9	2.0 ^c	3.1	3.2 ^c
● Global Competitiveness Index (1 - 7)	3.6	3.7	3.1	3.5
GOVERNANCE AND THE INVESTMENT CLIMATE				
● Doing Business ranking (ranking)	162	166	143	144
● CPIA rating (1 = low to 6 = high)	4.1	4.2	2.3	2.4
● Direct procurement by government (%)	23	18
REGIONAL INTEGRATION AND INFRASTRUCTURE				
● Paved roads ¹ (% of total)	29.3	36 ^b	14	17 ^b
● Percentage of intra-African trade (%)	2.9	2.2	1.0	1.5
● Trade with ECOWAS (%)	20	20	74	63
● Informal controls and checkpoints on roads (average number for 100 km)	4.1	1.9	2.3	1.8
● Logistical trade index (1 = low to 5 = high)	2.37	2.49	2.31	2.42
● GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	6.53	6.39 ^a	9.56	4.41 ^a
AGRICULTURE, WATER AND CLIMATE CHANGE				
● Production crop index (2004-2006 = 100)	113.8	162.4 ^a	100.5	162.4 ^a
● Drinking water access rate in rural areas (% of rural population)	52	56 ^b	52	54 ^b
● Drinking water access rate in urban areas (% of urban population)	92	93 ^b	83	83 ^b
● Cereal yield (kg per hectare)	1200	1196 ^b	1115	1338 ^b
HUMAN DEVELOPMENT				
● Human Development Index (0 = low to 1 = high)	0.44	0.47	0.37	0.40
● Primary completion rate (% of relevant age group)	72	76 ^a	70	73 ^a
● Girls/boys ratio in primary education (%)	96	107	85	88
● Women in national parliament (%)	22	43	20	16

.. = Data not available; CPIA = Country Policy and Institutional Assessment; ECOWAS = Economic Community of West African States; GDP = gross domestic product; PPP = purchasing power parity.

Latest data available are for ^a 2011, ^b 2010, ^c 2009. Baseline is for ¹ 2003.

Sources: African Development Bank, Autorité de Régulation des Marchés Publics, Enquête sur les observatoires des pratiques anormales (UEMOA), Enquête démographique et de la santé à indicateurs multiples (EDS-MICS), 2010/2011, International Monetary Fund, Inter-Parliamentary Union, Organisation for Economic Co-operation and Development, World Bank Group, United Nations Conference on Trade and Development and United Nations Development Programme.

policies and reforms focussing on increasing the average economic growth to 7% of GDP, reducing fiscal and current account deficits by the end of 2017 and stabilising public debt at less than 30% of GDP.

Over the past decade, Senegal has grown at an annual average rate of 4.3%, which falls short of the 7% target set out in its Accelerated Growth Strategy for Poverty Reduction. The earlier years of the decade saw stronger growth, but this weakened as the global financial crisis and economic downturn reduced demand for Senegal's exports, in particular from European countries. The crisis in Mali, which accounts for 20% of Senegal's exports, together with increased fuel and food prices, also contributed to a slowdown in growth. Recently, these challenges have been compounded by persistent power cuts due to the lack of investment and maintenance. This has prevented Senegal from achieving the growth rates seen among the highest-performing economies in Africa such as Ghana and Tanzania. Its ● **per capita GDP**¹ has risen by 33% since 2005 from, \$772 to \$1032, compared with an average increase of 86% across low-income countries.

Despite continuing adverse external conditions, the economic prospects for the coming period are now fairly positive. The main drivers of growth are in the industrial and service sectors, which together account for 85% of GDP. They include construction, fish and meat products, groundnut processing, transportation and tourism. Remittances from the Senegalese diaspora also play a key role, boosting private consumption. The country also has a number of major infrastructure and mineral projects under implementation. These projects will bolster the economy over the next few years, as the government presses ahead with measures to attract the investment needed to promote robust, sustainable and inclusive growth.

In recent years, however, the modest growth rates have not been enough to make major inroads into poverty. While the share of the ● **population living below the poverty line** has fallen by 1.6% over the last six years, to 46.7%, the absolute number of Senegalese poor has in fact increased through population growth, from 5.7 to 6.3 million. This is modest progress compared with other low-income countries in Africa. The rural population is particularly prone to income poverty, with many Senegalese facing persistent food insecurity, notably during times of drought.

In common with many other African countries, Senegal now faces a growing unemployment problem, particularly among young people. A quarter of the population in Dakar has no job – a share that rises to 41% in other urban settings. In recent decades, many rural Senegalese have moved to the cities, fleeing the periodic droughts in the north of the country that have devastated agricultural production. However, the prospect of better livelihoods in the cities has often proved illusory, with opportunities limited to the informal sector or low-paid work in service industries.

Senegal has sought to address the employment challenge through major investments in education. Across the country it has made considerable progress in boosting access, producing an increasingly educated young workforce with higher aspirations for their future. This can be an important economic resource in the coming years. If the energy and creativity of these young people can be harnessed, they can be an important economic resource in the coming years. However, they also represent a substantial social and political challenge.

Senegal's public-private partnerships are a model for other African countries on how to attract private investment for infrastructure development

Youth unemployment can be a driver of social unrest; therefore, Senegal needs to ensure that it has a dynamic private sector to provide jobs, and that its education system is equipping young people with the skills they need to succeed. In recognition of this challenge, the government has placed inclusive growth at the heart of its national development strategy.

Private sector development and public-private partnerships

Senegal has made dramatic progress in recent years in developing an ambitious portfolio of PPPs, standing out as a leader in this area for Africa. By combining private investment with concessional finance from international development agencies, it has been able to launch a series of ambitious new projects: the new Dakar-Diamniadio toll highway, upgraded Dakar Container Port Terminal, Blaise Diagne International Airport, and the Kounoune and Sendou power plants. These initiatives were all identified as high priorities under Senegal's Accelerated Growth Strategy for Poverty Reduction.

Peaceful elections and a stable democracy are a strong foundation for Senegal's development

Infrastructure development of this kind is critical for stimulating economic activity across Senegal and promoting structural transformation. At present, private business is held back by an irregular and expensive power supply and poor transport connections. As a result, the ● **Global Competitiveness Index** for Senegal remained static since 2005, rising by just one decimal point, and the private sector has yet to emerge as a significant driver of growth and poverty reduction. Moreover, ● **foreign direct investment as a percentage of GDP** has increased only slightly since 2005. The new investments should provide a major boost to competitiveness, improving levels of trade and economic activity.

1 A yellow bullet indicates that progress is positive but less than peers'.

Senegal's PPP model is based on the principle of build-operate-transfer (BOT). Investment agreements are overseen by the country's investment promotion agency, *Agence de promotion des investissements et des grands travaux* (APIX), which is also the secretariat for the *Conseil présidentiel sur l'investissement*, a forum for dialogue among private investors, labour unions, technical and financial partners and the state. APIX acts as a "one-stop" investment promotion agency (see Figure 1.1) and has been able to guide large-scale PPP investments. The government now aims to use the PPP model to address its infrastructure needs in health and education services.

Figure 1.1 APIX – a "one-stop shop" for public-private partnerships



APIX is:

- ▶ **Single focal point for investors**
- ▶ **Responsible for project coordination and implementation**
- ▶ **Institutional memory of "lessons learnt" and of transactional best-practice**
- ▶ **Coordination with relevant ministries**

Major infrastructure projects need to be managed effectively if they are to deliver the intended economic and social benefits. They need to be accompanied by "soft" infrastructure – that is, the institutions and capacities required to manage, operate and maintain the new facilities, together with regulatory arrangements that facilitate trade rather than hamper it. This soft infrastructure

needs further strengthening in Senegal, both for the current projects and for future BOT infrastructure investments.

Box 1.1 Sharing Senegal's experience on PPPs

Over recent years, Senegal has developed valuable expertise in negotiating and supervising PPP agreements for major infrastructure investments. These are complex and demanding transactions, involving detailed research and preparation. Building a country's administrative and technical capacity to manage these new financing modalities and to implement the infrastructural investments is critical for leveraging resources and achieving high-quality results.

Senegal's success in attracting private sector finance to large infrastructure projects is widely seen as a model for other African countries. Knowledge and lessons learnt from achieving PPPs are being shared by staff from the *Agence de promotion des investissements et des grands travaux* (APIX) with other NEPAD countries, including Côte d'Ivoire, Uganda and the Comoros. International development agencies are supporting the transmission of these lessons, including new modalities for financing regional infrastructure in Africa.

The Senegalese model has proved an attractive one for other African countries. APIX staff members have shared their experience of negotiating PPP contracts with counterparts across Africa, emphasising the importance of building state capacity to negotiate and handle the PPPs and manage the investments into the future. The experience of developing PPP projects in Senegal is being shared with other African countries (see Box 1.1).

Governance and the investment climate

Senegal is an impressive example of a vibrant democracy in Africa, with its presidential elections in March 2012 continuing a long tradition of peaceful transitions of power within a constitutional framework. President Macky Sall was elected with 65.8% of the votes, after former President Abdoulaye Wade served 12 years in office. Free and fair legislative elections followed in 2012. Senegal's stable democracy forms a solid foundation for its development efforts. It provides the government with the legitimacy to carry out its mandate to deliver robust, sustainable and inclusive growth and more equitable development throughout the country.

To achieve its development objectives, Senegal needs good economic governance and a framework of laws and institutions that help firms and individuals to pursue economic opportunities. The government is seeking to energise the private sector by promoting dynamic regional development poles across the country, but it faces a considerable array of challenges in transforming the regulatory environment. On the World Bank's **“Doing Business” ranking²** of 185 economies, Senegal fell

² A red bullet indicates regression against the baseline.

from 162nd position in 2005 to 166th in 2012. Reforms are still outstanding on business start-ups, trade facilitation, security of property rights and access to finance.

In Senegal, SMEs account for 20% of GDP and 40% of employment – a low share compared with faster growing African economies such as Ghana, Tanzania and Mozambique. Most of the private sector remains informal, with little access to credit or public services and limited potential for growth. The informal sector also contributes to employment but little to national tax revenues. To address this situation, the government has embarked on an agenda of urgent reforms to reduce restrictive business regulations and government practices, with an ambitious plan to implement 17 "quick wins" and 37 medium-term reform measures to improve its Doing Business ranking by 2015.

Over the past decade, the governance picture in Senegal has been a mixed one, but positive trends have followed the 2012 election. AfDB's **Country and Policy Institutional Assessment**³ increased slightly from 4.1 in 2005 to 4.2 in 2011 on a scale of 1 to 6. There have been important improvements in the areas of trade, the financial sector and revenue mobilisation, which has been consistently better than that of other low-income countries.

It is widely accepted that development is more likely to occur where political institutions are responsive and accountable to their citizens. One area of improvement in Senegal has been the award of public procurement contracts. The **percentage of direct procurement** decreased from 23% in 2005 to 18% in 2012. Demand for greater transparency by the private sector and civil society has led to the quarterly publication of public procurement data. There is also a public hotline to the public procurement office (*Autorité de régulation des marchés publics*) for complaints. The procurement system is broadly sound, with the necessary checks and balances, and will be further reformed as Senegal adapts to the public procurement laws and regulations of the West African Economic and Monetary Union (WAEMU).

Senegal's national budget has been an area of concern, with a fiscal deficit of 5.8% of GDP in 2012, but is expected to improve as recent reforms begin to take effect. The budget process is increasingly transparent and accountable to citizens. A new Tax Code has been introduced and tax reforms are being rolled out, which should begin to increase tax revenues and reduce the budget deficit. In principle, a more transparent budget process should lead to a virtuous circle: citizens will become more willing to pay taxes, but also more determined to hold governments to account for how their taxes are spent.

Overall, the indicators on governance show that Senegal is performing similarly to most low-income countries in Africa.

While this is encouraging, it is important to note that Africa's governance scores lag 30% behind the Asian average and 60% behind those of industrialised countries. An area that requires more attention is the improvement of the business-enabling environment, which is critical for long-term private sector growth.

Regional integration and infrastructure

There is a strong conviction across West Africa that regional integration is a prerequisite for robust and equitable growth. Senegal is one of eight members of the West African *Communauté financière africaine* (African Financial Community, or CFA), a monetary union pegged to the euro and an important building block for regional integration. The regional institutions in West Africa are also working towards an ECOWAS Monetary Union involving all 15 member states. Senegal has ratified and applied 83% of the ECOWAS and WAEMU protocols, which aim to integrate financial markets across the region, enabling capital to flow more readily between national economies and increasing the credit available to SMEs.

Senegal needs to integrate with regional markets to enable its producers to create regional value chains

As part of WAEMU, Senegal also applies a common external tariff to promote the movement of goods, services and labour across the region. This gives producers ready access to regional markets in order to expand and diversify their products, thus helping them form more productive regional value chains. It also promotes free movement of labour for more efficient regional labour markets, providing opportunities for job seekers and improving access to skilled labour for specialist production.

Under the initial ECOWAS initiative, Senegal has cracked down on informal payments for motorists

Despite these measures, Senegal still has some way to go before it reaps the economic benefits of regional integration. Senegal's share of **trade with ECOWAS** has remained static since 2005 at 20%, and its **percentage of intra-African trade** has decreased from nearly 3% to 2.2%. One positive development is the increase in the **logistical index** from 2.39 to 2.47 on a five-point scale, which indicates improvements along the logistics supply chain and an increase in logistics "friendliness" to both domestic and international traders.

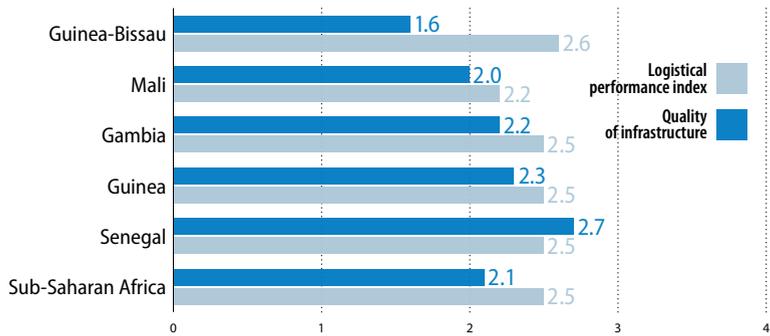
A lack of adequate regional infrastructure has been an important constraint on trade. As major transport, energy and communications

3 A green bullet indicates that Senegal's progress is strong and better than peers'.

infrastructure bottlenecks are addressed, Senegal's private sector will become progressively more competitive. Improved infrastructure will increase access to larger regional markets, allowing producers to lower their costs by developing economies of scale. The resulting increased trade will create jobs and improve livelihoods.

corridors such as the Dakar-Bamako and the Kantchari-Koutiala-Dakar roads. Dakar, with its coastal position, is the main port for both Senegal and neighbouring Mali, providing access to regional and international markets. The Bank has worked with the Government of Senegal in simplifying import and export procedures, thereby improving the competitiveness of the Dakar port.

Figure 1.2 ECOWAS countries are promoting regional integration by addressing the hard and soft constraints in the transport sector



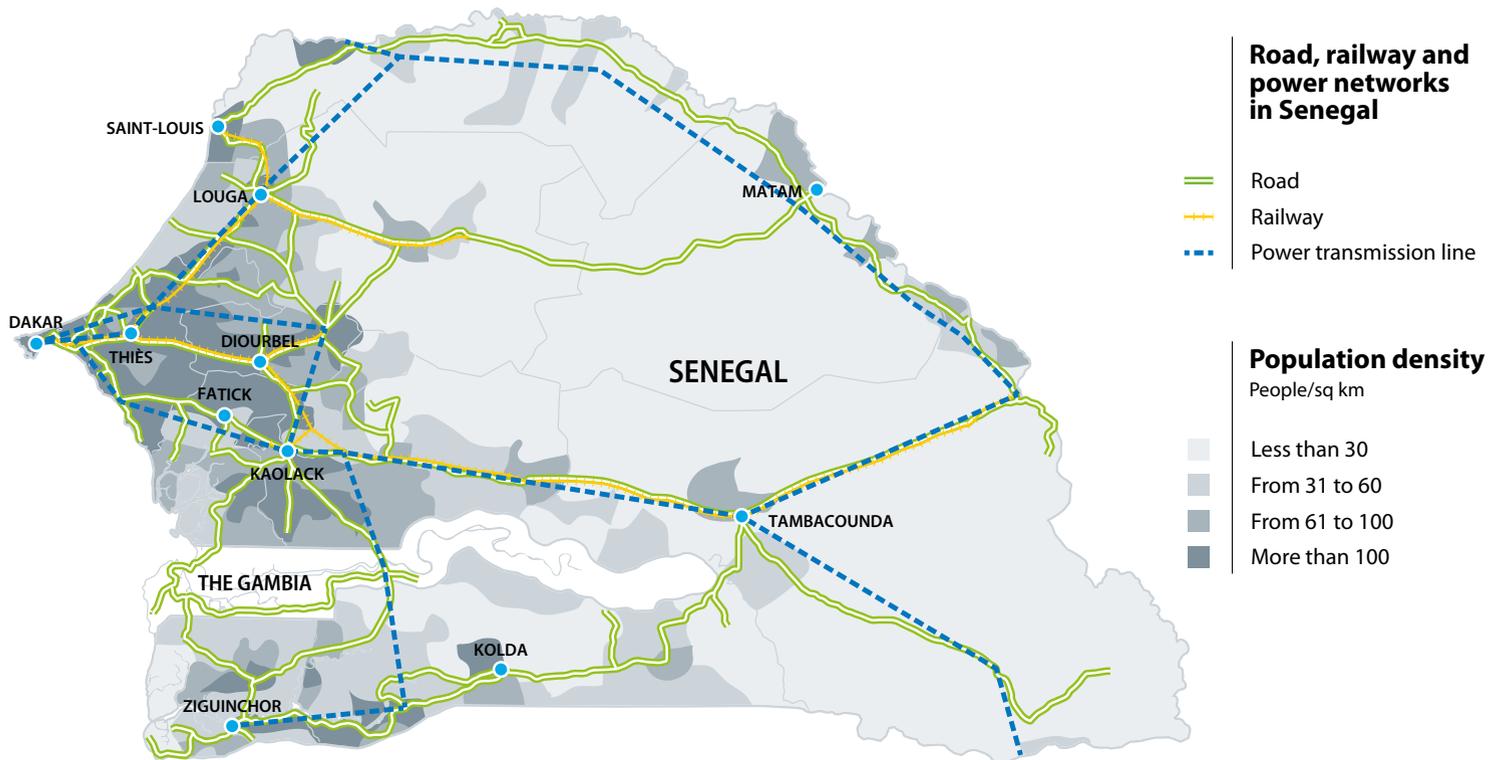
Source: World Bank, Doing Business

Senegal has enjoyed considerable success in attracting foreign private investment into its infrastructure sector. The ECOWAS infrastructure master plan provides a framework for Senegal's transport infrastructure plan and includes several regional transport

Senegal's transport sector, including the Dakar port, already contributes 4% of GDP, and this share is expected to increase with the upgrade and expansion of road capacity. Benefits will accrue to towns and villages along the main highways, as well as to rural communities through a network of feeder roads. For the time being, only a third of the rural road network is paved and provides all-season access. Despite some poor construction standards in the past, Senegal performs well among West African countries with regard both to the quality of its roads and to levels of maintenance (see Figures 1.2 and 1.3). Continuing investment in building public sector capacity to manage the road network is also key to reducing poverty among isolated communities.

One factor that has hindered transport and trade across Senegal is the number of checkpoints. In response to an ECOWAS initiative to crack down on informal payments for motorists, Senegal has made marked progress in reducing the **number of informal controls and checkpoints** from 4.1 per 100 km in 2009 to 1.4 in 2012. This has benefited individuals and businesses using the roads through reduced journey times and lower costs.

Figure 1.3 Senegal's expanding infrastructure network increases economic opportunities



Agriculture, water and climate change

The agriculture sector – including fishery, forestry and livestock – accounts for around an eighth of Senegal's GDP but employs three-fifths of its workforce. Productivity is generally low, and most rural households grow millet and other staples primarily for their own consumption. Rice is the staple of preference and Senegal currently imports an annual 700.000 metric tonnes to supplement domestic production of 375.000 metric tonnes. These imports of rice cost \$135 million and make Senegal vulnerable to price spikes on the international markets.

Imports of rice will continue to grow quickly unless domestic production increases. The ● **crop production index** has risen by 43% since 2005. Given that more than half the rural population lives below the poverty line, improving the performance of Senegal's agriculture is critical for food security and poverty reduction.

Climate change and desertification are making farming increasingly difficult, with falling soil moisture levels, coastal erosion and more frequent extreme weather conditions, particularly drought. With only 2% of agricultural land irrigated, the vast majority of farmers depend on rainfall, and those in northern areas are experiencing encroaching desertification. Senegal has already lost fertile land equivalent to 5% of its agricultural production. Reduced access to natural resources and disrupted food production are leaving poor people increasingly vulnerable as yields are predicted to drop between 5% and 25% in the coming decades.

In response, the government is committed to reviving the agriculture sector through a set of complementary strategies to bolster productivity and enhance resilience. Introducing environmentally friendly land and water management practices, scaling up irrigation (including by exploiting surface water and runoff potential) and improving access to markets and key inputs are more critical than ever. This will require strengthening national and regional agricultural institutions that can support farmers with research and extension services and maintain standards.

Senegal has been tackling the harmful effects of climate change on the ecosystem through its National Adaptation Programme of Action, adopted in 2006. Looking forward, under its National Social and Environmental Plan, the government has set aside resources to build its own capacity to manage natural resources and the environment, promote a green economy and create sustainable jobs.

Sustainable water resources are also critical for drinking water, livestock, irrigation and other economic activities. Considerable progress has been made on increasing access to drinking water across the country, with the ● **rural safe water access rate** now at 56%, compared with 52% in 2005, and the ● **urban safe water access rate** increased slightly from 92% to 93%. Regional cooperation is essential for managing water and handling the effects of climate change across borders. Senegal works with The Gambia and other neighbours through River Basin Commissions to improve trans-boundary cooperation and support

the integrated management of rivers, which are vital to the livelihoods of many people in the Sahel and desert areas. Lake Guiers is a major source of water for Dakar and surrounding areas, and maintaining its quality requires careful management.

Senegal's agriculture sector is highly exposed to the impact of climate change, with soil yields likely to fall by 5% to 25%

Human development and energy

Senegal has made important progress in promoting human development in certain areas, but overall the picture is mixed. Spending on education has topped 18% of the budget for several years, demonstrating the importance that the government attaches to providing education for all. Gross enrolment rates increased from 92% in 2009 to 94% in 2010. Like other African countries that have achieved high enrolment, Senegal now faces new challenges in ensuring high-quality education and keeping children in school. The ● **primary completion rate** has increased significantly, from 72% in 2005 to 76% today, but there is still a long way to go. Health sector spending, at 5% of the budget, has led to marked reductions in infant and child mortality rates, from 121 per 1000 in 2005 to 72 per 1000 in 2011. HIV/AIDS prevalence in the population remains stable at around 0.7%. These are significant achievements affecting many people's lives.

Overall, the number of poor people in the country has increased by 11%, from 5.7 million in 2006 to 6.3 million 2011. The UN Human Development Report ranks Senegal 155th out of 187 countries. The ● **Human Development Index**, which combines life expectancy, educational attainment and income, increased from 0.44 in 2005 to 0.47 in 2012, showing improvement against a low base.

Many of Senegal's young people emerge from the education system to face unemployment. Nearly 15% of youth are unemployed, and many others are underemployed in low-paying jobs in the informal sector. This is not only a wasted economic resource, but also a major social and political challenge for the coming decades. As the number of the children going through schools increases, an additional one million graduates will be looking for work over the next five years.

These educated young people can be an enormous resource for Senegal if their energy and creativity is channelled into productive employment. To facilitate this, the government is developing dynamic regional development poles to stimulate business activity and create jobs. It is also improving the enabling environment for SMEs and is working with the private sector, civil society and donors to improve the skills and employability of graduates.

There has been good progress in educating girls. The ● **girls/boys ratio in primary education** has increased to 107. Nevertheless, women face higher rates of unemployment, with 14.1% seeking jobs compared with 8.3% of men. Most women who work do so

in the informal sector and have limited prospects for economic advancement. Senegal ranked 114th of 187 countries on the 2012 UNDP gender inequality index, reflecting substantial inequality in reproductive health, empowerment and labour-market participation.

Women are nonetheless becoming more engaged at the political level. The percentage of **women in national parliament** doubled to 43% in the new Parliament, following legislation in 2010 that mandated gender parity on candidate lists. Few African countries have achieved such a high level of women's representation. Another gender-related law from 2008 requires that 15% of small public procurement contracts be allocated to SMEs headed by women, although this is difficult to attain because of the limited capacity of such companies.

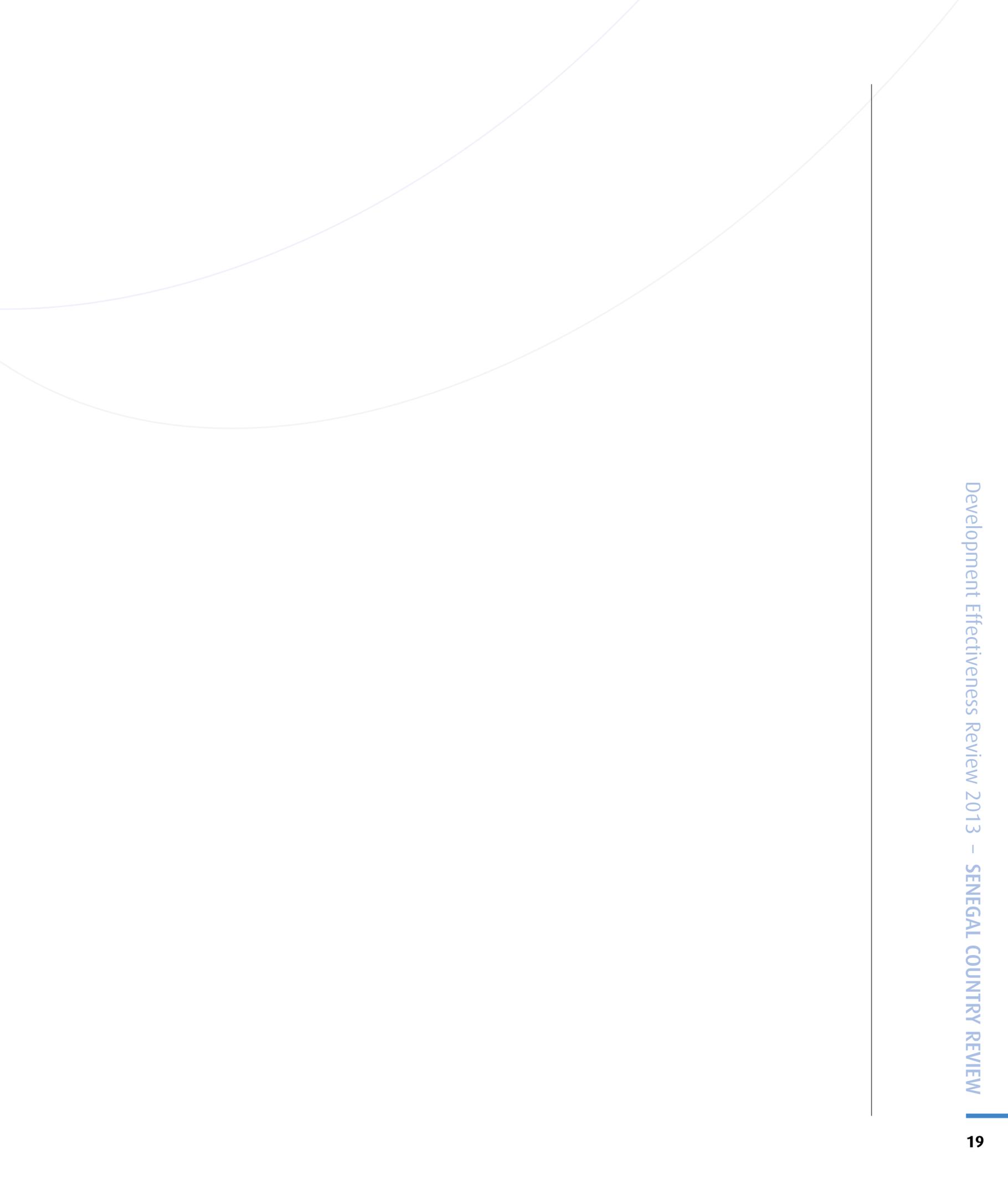
Lack of access to low-cost energy holds back human development across much of Senegal. In rural areas, only a quarter of people have household connections, though this is well above the 10% average rural electrification rate among low-income countries. The supply is unreliable, however, and prices are high. In practice, many rural Senegalese continue to burn biomass for fuel, posing both health and environmental hazards and requiring time-consuming foraging by women and children. The average electricity price for consumers is 22 cents per kWh, compared with 10 cents among peer African countries and just 7 cents in South Asia and Latin America. With 90% of generation using thermal power, which depends on petroleum imports. Senegal's recent investments in energy generation should help many who are connected to the electricity grid, providing reliable electricity at lower prices.

Conclusion

Senegal has made steady development progress in recent years, with moderate growth rates, improved access to basic services, improvements to the business environment and implementation of some important governance reforms. Against this backdrop, two key developments stand out. First, Senegal's successful presidential election has further consolidated its democracy, showing that the nation is able to hold its governments to account for development performance. There is therefore every prospect that the trend towards improved governance will continue.

Second, Senegal has been able to attract significant private sector finance into PPPs for major infrastructure projects, helping to promote structural transformation. These investments will help to remove some of the most important bottlenecks facing Senegalese firms and households. They will also improve Senegal's connections to regional markets. This opens new opportunities to build a private sector capable of taking advantage of lower production and transit costs and participating more actively in regional and international trade. To make full use of these opportunities, Senegal must continue to improve its business environment and to equip its young people with the skills they need to participate actively in the productive sector.

In the next chapter, we look at what the African Development Bank is doing to help Senegal achieve its development goals. In particular, we will focus on how the Bank has adapted to changing national development priorities and how it has helped to promote PPPs by combining public and private sector lending through the One Bank approach ■



Bank operations approved between 2009 and 2012 in Senegal



AfDB projects in Senegal

- | | | | |
|---|-------------------------------|---|-----------------------------------|
|  | Airport |  | Education |
|  | Harbour |  | Health |
|  | Power |  | Water and sanitation |
|  | Regional ECOWAS road corridor |  | Agriculture and rural development |
|  | Roads | | |

Poverty incidence

- %
-  Less than 40%
 -  40% to 50%
 -  50% to 60%
 -  More than 60%

Level 2: How AfDB contributes to Senegal's development

This chapter reviews how the African Development Bank has worked with the government and other development partners to support Senegal's national development agenda. In 2013, the Bank's contribution includes \$261 million in concessional lending, together with five private sector operations totalling \$215 million and a share of seven multinational operations totalling \$308 million. In line with Senegal's Country Strategy Paper, the largest share of our investment has gone towards strengthening infrastructure for transport and energy, which are key to promoting structural transformation. The Bank has supported Senegal in becoming a pioneer of PPP and increasing the value of its infrastructure investments. We have also provided support to the inclusive growth agenda through initiatives in the private sector, agriculture, health and education.

In this chapter, we analyse the performance of the recent Bank operations and their contribution to Senegal's development results in the six development areas highlighted in the last chapter. While the Bank is a strategic partner and one of Senegal's largest development partners by volume of funds, it is only one player among many that contribute to the country's national development agenda.

To assess the Bank's contribution, we build a picture of results from the project level. In Level 2 of our Results Measurement Framework for Senegal, 23 indicators aggregate outcomes and outputs from Bank projects that closed between 2008 and 2012 and for which we have project completion reports or interim progress reports. Although this method does not allow us to attribute specific development results to our operations, it provides a picture of progress against the Bank's country strategy for Senegal and indicates how the Bank's work contributes to the national development agenda. We also provide some examples of the more innovative aspects of the Bank's work in Senegal.

Aligning to national priorities

When the newly elected government set out its development agenda in the form of a National Strategy for Economic and Social Development 2013–2017 (NSESD), the Bank and other development partners were able to realign their support behind these priorities. The new strategy focuses on achieving robust, sustainable and inclusive growth and more equitable development throughout the country by promoting economic growth and productivity, increasing human capital and social protection and strengthening governance, institutions and peace.

The Bank responded by reviewing its Country Strategy Paper (CSP) and adjusting two CSP pillars. One pillar now highlights support for inclusive growth through diversification and economic integration, building on our previous work on the business environment, economic diversification and infrastructure. The second pillar is sustainable natural resource management and resilience.

After aligning the Bank's activities to the new priorities, we initiated two major new investment projects in support of the CSP pillars. The first project, on promoting entrepreneurial skills, amounting to \$35 million, will promote inclusive growth through the creation of employment opportunities for youth and women. The second project will contribute \$25 million to restore the ecological and economic functions of Lake Guiers, enabling its continued use as a source of water for drinking and irrigation as well as for fishing and ecotourism.

The Senegal country programme is at the forefront in promoting the One Bank concept – a holistic approach to supporting our regional member countries by enabling them to access resources, instruments and expertise from across the Bank. A good example of how the One Bank concept translates into operations is our support for the infrastructure sector. Infrastructure development involves both large and complex financing operations, to develop the "hardware", and "software" of institutional and regulatory reforms. Thus our infrastructure

Table 2: How AfDB contributes to Senegal's development (Level 2)

This table presents the contribution the Bank is making to development through its operations in Senegal. The Bank's performance is measured by comparing expected and actual achievements for all operations that have been completed or for which interim progress reports are available:

- Bank operations achieved 95% or more of what was expected at the beginning
- Bank operations achieved 60%-94% of what was expected at the beginning
- Bank operations achieved less than 60% of what was expected at the beginning
- Data are not available to measure performance

INDICATORS	EXPECTED/ BENCHMARK	DELIVERED	PERCENTAGE DELIVERED	EXPECTED (2012-2014)
PRIVATE SECTOR OPERATIONS				
● Microcredits granted (number)	17	17	100	..
● Rural marketing and production facilities constructed or rehabilitated (number)	272	326	120	224
● Average waiting time for cargo ships (hours)	15	2
GOVERNANCE AND THE BUSINESS ENABLING ENVIRONMENT				
● PEFA (I-12): Multi-year perspective in fiscal planning, expenditure policy and budgeting (A = high to D = low)	C+	B	100 ^A	..
● Transfer of business ownership (days)	118	59	148 ^A	20
● Time required to register land titles (months)	48	4	100 ^A	..
INCLUSIVE GROWTH AND SOCIAL DEVELOPMENT				
● Health and education facilities constructed/equipped/rehabilitated (number)	540	500	91	39
● Health care, teaching, water management personnel recruited/trained (number)	7620	8300	108	21 263
● Drinking water transmission and distribution pipes constructed (km)	330	320	97	550
● Textbooks and teaching materials supplied (number, thousand)	100	1200	1208	..
● Students newly enrolled and reached (number, thousand)	304	300	98	400
● People with new or improved access to water and sanitation (number, thousand)	1370	1370	100	1952
REGIONAL INTEGRATION AND INFRASTRUCTURE				
● Cross-border roads constructed or rehabilitated (km)	129	78	60	439
● Roads and feeder roads constructed or rehabilitated (km)	2500	1800	73	15 300
● Staff trained/recruited for road maintenance (number)	104	104	100	343
● People educated in road safety and HIV transmission (number, thousand)	300	300	100	903
● People with improved access to transport (number, thousand)	6280	6280	100	580
● Transmission lines constructed or rehabilitated (km)	57	60 ⁵	105	600
CLIMATE CHANGE RESILIENCE AND AGRICULTURAL PRODUCTION				
● Boreholes and wells drilled/rehabilitated and equipped (number)	294	397	135	182
● Land whose use has been improved: replanted, reforested, landscaped, etc. (hectares)	5000	472	9	224
● Rural population trained/recruited/using improved technology (number, thousand)	29	33	116	687
● Total population benefited (number, thousand)	542	536	99	15

-- Data not available; PEFA = Public Expenditure and Financial Accountability; km = kilometers; m³ = cubic meters.

^A Calculations on deliveries are based on targets as indicated in the log-frame of the appraisal reports.

Source: African Development Bank.

projects address infrastructure deficits, while our programme-based operations support regulatory and institutional reforms.

Another innovative aspect of our Senegal programme has been the creative use of resources to support PPPs. We have taken the One Bank concept a step further by combining our public and private funding windows in a single infrastructure project, thereby helping the government to leverage additional funds from the private sector.

Private sector operations and energy

To support the government's infrastructure development needs, the Bank has an active portfolio of projects funded from its public and private sector windows. As a low-income country, Senegal is entitled to ADF funding on highly concessional terms. In addition, the Bank is now also committed to channelling more of its non-sovereign or private sector resources to low-income African countries (see Box 2.1). The Senegal programme stands out in

this respect because of the government's success in identifying appropriate investment opportunities, particularly for PPPs. This is helping to reduce Senegal's infrastructure deficits and promote structural transformation.

Developing ambitious partnerships with the private sector for major infrastructure investments has been a high priority for Senegal, since public funds are insufficient to meet its substantial infrastructure needs. Working closely with Senegal's Investment Promotion Agency (*Agence de promotion des investissements et des grands travaux*), the Bank has been able to use its private sector resources to leverage additional resources from the private sector. Five major projects totalling \$1.5 billion were approved over a five-year period, with the Bank contributing \$280 million of its own resources. Through these innovative projects, with the Bank's help, Senegal has established itself as a front-runner across Africa in the design and negotiation of PPPs.

Through this integrated approach, we have been able to support the government in maximising the social and economic impact of its investments. Three of the PPP investments approved in this period were in the transport sector: a \$26 million upgrade to the Dakar port, the new \$91 million Blaise-Diagne International Airport and the Dakar-Diamniadio toll road at \$82 million (see Box 2.2), all designed to improve transport connections both within Senegal and for the region. Reduced congestion outside Dakar and access to inland and coastal areas will benefit many Senegalese, contribute to tourism, and significantly reduce transport costs for the private sector. The new container terminal has reduced **average waiting time for cargo ships¹** from 15 to 2 hours. Lower production, handling and transport costs will further increase competitiveness and facilitate regional and international trade, helping to create jobs and reduce poverty.

The fourth and complementary PPP was the construction of the \$72 million Sendou Power Plant, which will meet 40% of the country's energy requirements. The provision of secure and affordable power will make a major difference to the costs of production for the private sector, besides transforming the lives of many people. Overall, we have improved access to electricity in rural communities in the Louga region in northwest Senegal by constructing or rehabilitating 60 km of **transmission lines** and creating 11 826 new connections in 15 villages. In the future, we are looking to support the government's plans for renewable energy projects to help increase access to energy and pursue opportunities for green growth.

Using the Bank's private sector resources effectively within these PPPs has presented some practical challenges. For example, sponsors must use offshore bank accounts, because Senegal lacks banks with the required BB+ credit rating. We hope to provide lines of credit to Senegal and other Francophone countries in the

Box 2.1 Leveraging resources by combining financing instruments

The Bank Group has a number of financing windows at the disposal of regional members. The African Development Fund (ADF) is the concessional window, which provides "soft" loans to low-income African countries, repayable over 40 years with a 10-year grace period. Countries with significant debt burdens are entitled to grants. ADF funds are replenished every three years by a group of 27 donor countries.

AfDB also has a "hard" lending window, which provides loans on non-concessional terms. Using its AAA credit rating, the Bank borrows from international capital markets at competitive rates and lends to eligible African countries. These loans are available both to African governments (sovereign lending) and to companies engaged in major investments that contribute to countries' national development (non-sovereign lending). In this way, the Bank helps its regional member countries with access to international finance.

As part of its One Bank approach, AfDB is seeking to use both windows in a complementary way. In particular, it is promoting greater use of non-sovereign lending in low-income ADF countries. At a time of austerity among major donor countries, ADF resources are becoming more constrained. By combining them with non-sovereign loans designed to leverage additional finance from the private sector, we are able to make our ADF resources go further, resulting in a greater development impact.

Figure 2.1 An integrated approach has a catalytic effect on development



1 A green bullet indicates that the Bank operations achieved 95% or more of what was expected.

Box 2.2 The Dakar-Diamniadio toll highway – a PPP in action

Congestion on the Dakar peninsula and travel time to and from Dakar will be drastically reduced by the construction of the 25 km, 4- to 6-lane Dakar-Diamniadio toll highway. This PPP project, approved in 2009, is helping to shape the urban planning and renewal of Dakar. Its impact will be felt across Senegal, with entrepreneurs and farmers gaining improved access to inputs and markets.

To support this innovative project, the Bank approved \$68 million from the ADF and \$14 million from its private sector window. This is one of the first PPP projects for the Bank in the transport sector, and it has been viewed as a model in other regional member countries. It has proved to be a good example of how to leverage concessional resources by channelling non-sovereign operations to a low-income ADF country. The Government of Senegal is actively sharing its experiences with other African countries, while the Bank has been asked for advice on developing similar partnerships in Mauritius.

future, but these will require adaptation to CFA-zone regulations. Furthermore, Senegal's commercial banks continue to be risk-averse, and we may need to use the African Guarantee Fund to encourage them to lend.

The Bank has helped Senegal to leverage new sources of investment for major infrastructure projects in the transport and energy sectors

The Bank has also supported access to finance for small and medium-sized enterprises (SMEs), to help them expand and create more jobs. This support includes the construction or rehabilitation of 326 **rural marketing and production facilities**.

Governance and the business-enabling environment

The Bank supports the government's efforts to create a conducive environment for the private sector to flourish. This is essential for creating jobs and alleviating poverty in a sustainable manner.

Reforms to Senegal's business environment have reduced the time required to transfer ownership from 118 to 59 days

Under our new Private Sector Development Policy and Strategy, one approach to improving the business environment is to invest in institutional capacity. In Senegal, we do this through a mixture of budget support and initiatives to strengthen institutions. For example, the Bank helps Senegal ease the costs of doing business by improving the regulatory framework governing the private sector. We have two projects that address this goal in a complementary way. The Support for Economic

Reforms Programme provides budget support combined with policy dialogue on reforming public finance systems, laws and regulations. Alongside this, the Private Sector Promotion Support Project directly targets SMEs to improve their management structures and their access to finance and other services. The objective is to make them progressively better equipped to win public procurement contracts.

These initiatives have helped the government improve the business climate through measures that make it easier to create businesses, transfer ownership, acquire construction permits, access finance and deal with import/export procedures. These reforms have already led to some dramatic results. The number of days required for **transferring ownership** of a business decreased from 118 in 2008 to just 59 in 2010.

If these striking achievements could be replicated across the range of constraints identified in the Doing Business survey, Senegal would dramatically improve its business environment, providing real encouragement to the nascent private sector. The government has moved quickly to develop an action plan for tackling a number of these constraints over the next three years.

The Bank is supporting Senegal in developing its land tenure system through revisions to the land registry system, or cadaster. Increasing the security of land and property rights will give individuals and firms greater access to finance by using their assets as collateral for bank loans, providing a significant boost to economic activity. These reforms also provide increased revenue from property taxes and strengthen land conservation efforts. The support has already created one very notable change: the **time required to register land titles** dropped from 4 years in 2003 to just 4 months in 2008.

Strong demand by civil society and the private sector for greater transparency in the use of public finances is adding momentum to the government's reform efforts. The Bank has helped promote better economic governance by supporting the credibility and transparency of public financial management. With the support of the Bank and other development partners, the government is putting in place the building blocks for a medium-term expenditure framework that will capture expenditure in an accurate and timely way. The Bank is also supporting the government in a range of measures to broaden the tax base, which, in addition to raising revenue, will help to strengthen the accountability relationship between taxpayers and the government.

Inclusive growth and social development

The government has recognised that, if economic growth is to succeed in lifting the majority of Senegalese out of poverty, it needs to be inclusive. Thus Senegal has made inclusive growth the central theme of its development strategy, encouraging the private sector to create jobs; and it is seeking to equip women and young people with the skills to become more employable and more entrepreneurial. This will help trigger the structural transformation

of the economy that is required to generate more employment and additional economic opportunities. The government has asked the Bank to support this goal.

The Bank responded rapidly to the government's request by initiating a \$35 million project to promote entrepreneurial skills and create employment opportunities for youth and women. The project will facilitate the creation of agro-processing value chains, allowing farmers and other producers to diversify and achieve greater value-added on their products. The project builds on past experience from rural development projects, such as the Casamance Rural Development and Local Small-Scale Irrigation Support Projects, which increased access to water for people and livestock; constructed health posts, classrooms and latrines; and created 240 local enterprises headed by women.

The Bank has made useful contributions to the government's social development objectives in recent years. We have constructed, equipped or rehabilitated 500 ● **health and education facilities**,² delivering 91% of our target and enabling nearly 300 000 ● **primary, secondary and tertiary students to be enrolled and to benefit**. We also recruited or trained 8300 ● **health care workers, teachers and people skilled in water management**. The Bank supplied over 1.2 million ● **textbooks and teaching materials**, vastly exceeding our target of 100 000. We constructed 320 km of ● **drinking-water transmission and distribution pipes**. Overall, as a result of our support, there are 1.37 million ● **people with new or improved access to water and sanitation**. These projects were implemented using a network of government institutions, civil society organisations and nongovernmental organisations (NGOs). For example, projects helping to implement the national health development plan in the regions of Fatick, Kaolack and Tambacounda engaged NGOs to manage the project through a participatory approach.

While there have been achievements in expanding health services, there are still many challenges to be met to ensure sustainable delivery across the country, such as providing incentives for health professionals to live outside the capital.

Regional integration and transport

Regional integration has been part of the Bank's mandate since its creation; therefore, in the Bank's Ten-Year-Strategy 2013–2022 it continues to be one of the five core operational priorities, alongside infrastructure development, private sector development, governance, and skills and technology. In Senegal, as in many African economies, the small domestic market hampers economic growth. Linking the economy to larger, regional markets would allow businesses to form regional value chains and achieve economies of scale in production.

In West Africa, the Bank's transport infrastructure projects are planned as part of the regional ECOWAS transport corridor framework, which promotes the free movement of goods, services and people. Given Senegal's coastal position, many of these investments are designed to benefit traders not just in Senegal but across the subregion. Landlocked countries like Mali depend on access to the sea for external trade, so Malian producers and consumers will benefit significantly from the reduced handling and transport costs resulting from the upgrade of the Dakar container port and improved connectivity across Senegal (see Box 2.3).

"Since the rural development in Casamance project installed pumps in 2010, I produce more and earn about \$400 compared to previous years. I can look after my children, pay their school tuition fees and feed my extended family."

Mrs. Bigué Gueye, an agricultural producer in the Dianamalary region

Alongside 'hard' infrastructure projects, the Bank also supports Senegal's integration with the regional economy through 'soft' or institutional infrastructure. We are providing technical advisory services to help resolve regulatory issues and build government capacity.

The Bank is supporting the government's commitment to inclusive growth through new initiatives to provide jobs and livelihood opportunities for women and young people

Our regional transport-corridor projects include one-stop border posts, where traders can complete border formalities and receive services through a single window. These measures have proved to be highly effective at reducing transit costs and at improving access to regional markets, although they can be challenging to implement, requiring close collaboration between customs offices and clearing agents. Our transport projects in Senegal also include the introduction of electronic tracking of lorries so that delays in transit, including at police checkpoints, can be tracked and minimised.

Box 2.3 The Dakar Container Port Terminal

A \$272 million upgrade, with a contribution of \$26 million from the Bank, will significantly improve the efficiency of the Dakar Container Port Terminal. Approved in 2009, this PPP is upgrading the equipment and transforming the operations of the terminal under a 25-year concession. Consumers, producers and staff at the port will all benefit. Consumers will save an estimated \$150 million through cheaper imports. Shipping lines will reduce their costs. Waiting time for cargo ships to unload has already fallen dramatically, from 15 hours to just 2 hours. Three hundred new jobs will be created, and existing staff will learn new skills. Moreover, the investment will generate government revenue of \$130 million.

² A yellow bullet indicates that Bank operations achieved 60%–94% of what was expected.

The Bank supported the Dakar-Bamako road corridor, which won the prestigious Development Impact Award from the US Treasury Department in 2012. The award recognised the value of combining a major transport investment with features designed to increase

“The Southern Dakar-Bamako corridor project has been very beneficial, because several villages are now connected and time has been saved.”

Mamadou Kimassoko, a transporter

its socioeconomic impact, including a radio communication system allowing operators to report problems, border-crossing stations equipped with scanners to speed crossing times, axle scales along the corridor, awareness training on road safety and disease transmission, and socioeconomic infrastructure to support local communities. As a result of this project, transport times for agricultural products have fallen by half and shipping charges have dropped significantly.

“The trip goes quickly now. There are a lot of changes, because it used to be difficult to fetch merchandise. Today, we can go from one city to the next in the same day. There are now over 20 transporters on the Kita-Bafing Road.”

Famousa Traoré of the Kita Area Road Transport Union

In partnership with national and regional entities, the Bank's support has produced some important results. We have constructed or rehabilitated **78 km of cross-border roads** and **1800 km of roads and feeder roads**, although this was somewhat short of our target. By providing access to a wide range of social and economic infrastructure,

Figure 2.2 Promoting regional integration by building the Blaise-Diagne International Airport



feeder roads can be transformative for isolated and poor communities. We recruited and trained 104 **road maintenance staff**. We also delivered on our target of 300 000 **people educated in road safety and HIV/AIDS transmission**, which promotes both safety and public health. Most importantly, we achieved 100% of our target to provide 6.28 million **people with improved access to transport** in the regions of Kaolack, Kolda, Diourbel, Fatick, Kaolack, Kolda, Saint Louis, Thiès and Ziguinchor.

Climate change resilience and agricultural production

The Bank's agriculture operations are guided by the Agricultural Sector Strategy 2010–2014, which aims to increase agricultural productivity, enhance incomes and improve food security in a sustainable manner. It includes activities under two pillars – rural infrastructure and the management of renewable natural resources – with capacity building as a cross-cutting theme. Climate change resilience is also a key element in the Bank's goals of promoting green growth across the continent.

Senegal's policy on environment and resource management recognises the vulnerability of many Senegalese to the impact of climate change, particularly on soil yields. Climate change models predict a general yield loss of 5% to 25% in the harvested area in the northern fringes of the groundnut basin in the region of Kaolack. The Bank has several projects that contribute to the government's plans to increase resilience to climate change through better management of renewable natural resources.

In this context, the Casamance Rural Development Support Project and the Local Small Scale Irrigation Support Project have improved the management of forests, land, water resources and fisheries. We supported the development of small-scale sustainable and climate-proof infrastructure in the agriculture sector, and were able to demonstrate how agricultural techniques and technologies can be adapted to reduce the impact of climate change. Through these activities, agricultural and vegetable yields in the target areas have increased by 50%, 1500 hectares of mangrove forest have been regenerated and over 1200 hectares of land have been replanted. Other results include 230 km of firebreaks constructed around forests, 5 salt containment dykes and 19 retention dams completed, and over 250 spillways built to protect and develop more than 6500 hectares of land. By 2011, 34 fish species were recorded in the area, compared with 25 in 2009, showing a significant improvement in natural environment, ecosystems and biodiversity.

In other projects over this period, we drilled or rehabilitated 397 **boreholes and wells** for drinking water and recruited or trained 33 000 of the **rural population to use improved technologies** and practices in water management. The area of **land improved**³ through replanting, reforestation or landscaping

3 A red bullet indicates that Bank operations achieved less than 60% of what was expected.

was, however, well short of our target. The ● **total number of people who benefitted** from our projects in agriculture and water management was 536 000. Our water management projects have a direct impact on farmers.

Looking ahead, the Bank will work with the government and other development partners to co-fund a Food Security Support Project in three hazard-prone regions of Senegal to improve food security and rural incomes by providing climate-proof infrastructure for water control and storage, as well as new technologies, services and training. We will also support the sustainable management of water in Lake Guiers, which provides 65% of the domestic water supply for Dakar as well as supporting agriculture, fishing and other economic activities (see Box 2.4).

Conclusion

Working in partnership with the government and other development partners, AfDB has made a substantial contribution to Senegal's development results over the last five years. The Bank has created the potential for increased private sector activity through investments in transport and energy and through support to governance and the business environment, which are essential to promoting structural transformation. We have supported the government's drive to promote inclusive growth by ensuring that large numbers of people benefit directly from our work across a range of sectors, including water supply, agriculture, natural resource management, education and health.

The most innovative aspect of our support has been working with the government to develop a working model for PPPs, combining both concessional ADF resources and non-sovereign lending. This initiative has succeeded in attracting private sector finance into some critical infrastructure investments and has created a model

Box 2.4 Promoting green growth by improving sustainable management of Lake Guiers

Lake Guiers is the main source of fresh water for Senegal, meeting 65% of the daily needs for Dakar as well as providing water for crops, cattle breeding, fishing and rural ecotourism. The quality of water in the lake needs to be carefully managed, as run-off from agriculture can lead to chemical imbalances that could threaten the lake's ecosystem and render its water unusable. Careful management is also needed to prevent increases in water-borne diseases such as malaria and schistosomiasis. The Guiers Lake Water Authority (*Office du Lac de Guiers*) was created in 2010 and promotes sustainable development and green growth. In 2013 the Bank initiated a project of \$25 million to strengthen the capacity of the Guiers Lake Water Authority and introduce an integrated water-management system. This project also received cofinancing from the Global Environment Facility.

that can be replicated by other African countries. The Bank has recognised the importance of developing infrastructure projects in a coordinated and integrated way, so as to maximise economic and social benefits.

"Thank God for the water storage dam built by the small irrigation support project. Now, we have water all year around. Before the construction of the dam we use to lose between 40 to 60 cattle a year due to lack of water."

Ousmane Ba, Daha Diao, farmer in Médina Namo of the Kolda region

The next chapter looks at the management tools we use to ensure that our operations are effective and to track our results ■



An award-winning road project

In 2011, the Bank received an award from the US Treasury Department for its Mali-Senegal road projects. This initiative was commended for its innovative design and exceptional impact. The southern Bamako-Dakar corridor shortened the route between the capitals of Mali and Senegal by 200 km and provided local communities along the route with a range of socioeconomic infrastructure, such as boreholes, health clinics and schools. The project significantly reduced the time and cost involved in trading with regional markets.

Level 3: How well AfDB manages its operations in Senegal

This chapter reviews how the African Development Bank manages its portfolio of operations in Senegal, using the 16 indicators from the third level of our Results Measurement Framework. The Government of Senegal has taken important steps to strengthen the Bank's country portfolio. Through an agreed programme of measures – including phasing out small or underperforming projects and strengthening the capacities of both Bank and government staff – the performance of the portfolio has improved dramatically in recent years. These measures have enabled Senegal to increase its ADF allocation by 17%, bringing the total amount of concessional financing to \$167 million. The Bank supports high-performing countries by providing additional concessional resources through its performance-based allocation system.

The Senegal country programme is a prime example of the complementarity of the Bank's different financing windows. Under the guidance of Senegal's investment promotion agency, Senegal has been a front-runner among low-income countries in incorporating non-sovereign operations, which help leverage concessional financing. The Bank's ongoing decentralisation programme contributed to improving the quality of our operations.

Portfolio performance

Over the past three years, Senegal's total concessional financing allocation of \$167 million has gone towards a variety of development initiatives, from large-scale infrastructure investments to reform of the business environment and sustainable land and water management practices. This has been complemented by average private sector lending of about \$45 million a year, which has helped to increase the impact of concessional resources.

Keeping our portfolio of operations satisfactory is the joint responsibility of the government and the Bank of Senegal. At the end of June 2012, we had 11 public sector projects, compared with 17 in 2009. By phasing out smaller projects, we have consolidated the portfolio, increasing the average project size to \$19.6 million. This has reduced management overheads and has enhanced efficiency. The Bank also has five private sector operations and seven regional projects in which Senegal participates. These multinational operations are by nature challenging to implement, being dependent on the collaboration of a larger number of actors. One important lesson learnt in Senegal is that the regional institutions, ECOWAS and WAEMU, have limited capacity to implement complex multinational projects. We are addressing this issue by providing additional training to Regional Economic Communities and other West African countries.

Under the guidance of Senegal's investment promotion agency, the Bank's private sector portfolio in Senegal has grown sharply since 2009, reaching \$215 million. Senegal stands out as one of the few low-income countries to make use of the Bank's private and public sector funds in an integrated way to enhance results (see Figure 3.1).

Figure 3.1 Our One Bank approach is increasing development impact by combining public and private sector operations

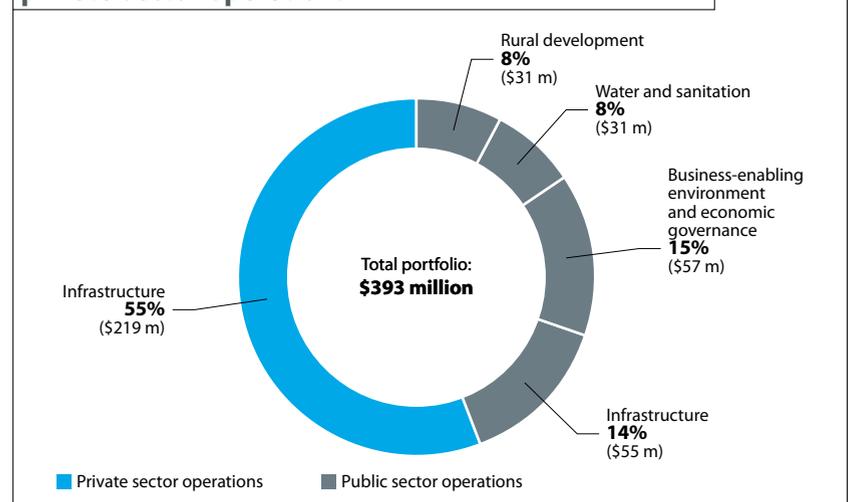


Table 3: **How well AfDB manages its operations in Senegal (Level 3)**

This table presents the Bank's progress in achieving its 2013 targets for portfolio management:

- Good progress has been made, and we are on track to meet our target
 ● Little progress has been made and we are at risk of not achieving our target
● No progress has been made, or we have moved even further away from our target
 ● Data are not available to measure performance

INDICATOR	SENEGAL			ADF COUNTRIES		
	Baseline 2009	Latest 2012	Target 2013	Baseline 2009	Latest 2012	Target 2013
PORTFOLIO PERFORMANCE						
● Operations formally supervised twice a year (%)	83	58	60	61	64	65
● Problem projects in ongoing portfolio (%)	47	11	5	6	2	5
● Disbursement ratio of ongoing portfolio (%)	27	55	32	18	18	20
● Operations eligible for cancellation (%)	21	0	9	20	9.5	10
QUALITY AT ENTRY						
● Time elapsed from approval to first disbursement (months)	15	13	10	13	12	11
● Operations that disclose Environmental and Social Impact Assessments on time (%)	100	100	100	82	90	90
● Operations rated satisfactory (%)	100	100	100	78	96	95
DEVELOPMENT AND AID EFFECTIVENESS						
● Resources recorded on budget (%)	55	16	85	57	67	85
● Predictable disbursements (%)	49	100	80	54	72	80
● Use of country systems (%)	23	16	53	39	58	53
● Parallel project implementation units (number)	7	5	0	113	35	0
KNOWLEDGE MANAGEMENT						
● Existing projects with a timely project completion reports (%)	100	100	100	92	91	90
● Project completion report rated satisfactory (%)	100	100	100	72	74	80
● New economic and sector work and related papers (number)	1	2	3	52	..	73
GENDER MAINSTREAMING						
● Project completion reports with gender-disaggregated data (%)	33	50	75	56	67	75
● New projects with at least one gender indicator (%)	100	100	100	40	70	70

.. = data not available.

Source: African Development Bank

Given the different operating modalities of the two funding windows, this has entailed careful management of disbursements – especially for the Dakar-Diamniodio toll highway PPP, which combined finance from both windows in a single project.

We are further leveraging Bank resources by combining concessional financing with our vertical or thematic funds. For example, in 2013 we approved a project of \$3 million from the concessional financing allocation window of the Bank while leveraging \$40 million from the Global Agriculture and Food Security Programme (GAFSP) to support food security in Louga, Matam and Kaffrine. The GAFSP is a multilateral funding mechanism created under the auspices of the G20 in 2009 to support food security initiatives around the world. Another project is cofinanced by a grant from the Global Environment Facility (GEF) to support ecological and economic functions of Lake Guiers.

Project performance has improved dramatically over the last few years, with a marked reduction in ● **problem projects**¹ from 47% of the portfolio to just 11% (see Figure 3.2). This has been the result of a concerted effort by the government and the Bank. In 2009, we

Figure 3.2 Portfolio performance



1 A green bullet indicates that good progress has been made, and we are on track to meet our target.

Box 3.1 Lessons learnt from Senegal on portfolio management

In recent years, Senegal has dramatically improved the quality of its portfolio on a variety of indicators, ranging from a decrease in problem projects to improvement in disbursement rates. These results were achieved through close collaboration between the government and the Bank. Along the way, we have learnt a number of important lessons from our Senegal operations. The Bank has:

- ▶ Acknowledged that managing complex PPP projects such as the new Blaise-Diagne International Airport are challenging. We learnt how best to structure a PPP project and how to ensure the appropriate "state of readiness" prior to approval. We also recognised the importance of preparing comprehensive and detailed risk assessments.
- ▶ Recognised that the regional institutions, ECOWAS and WAEMU, have limited capacity to implement complex multinational projects. We are therefore in the process of transferring more responsibility for delivery to Senegal and other West African member countries, with the Bank's Regional Integration Department offering training to government staff.
- ▶ Learnt that completed operations must be closed properly to release any remaining resources for other uses.

agreed on a Portfolio Improvement Plan, meeting initially every two months to review the performance of the whole portfolio (see Box 3.1). Among the agreed strategies was a set of measures designed to promote stronger results management within the Bank. Staff numbers in the country office were increased and fiduciary clinics were organised for staff from the country office and from project executing agencies, providing training in procurement, financial management, disbursement and audit. Audit recommendations were implemented more quickly and audit action plans tightly monitored. These measures have resulted in a much stronger portfolio management system. We now have plans to upgrade our computer software to harmonise project monitoring systems.

As a result of this close collaboration with the government, the 21 ● **operations eligible for cancellation** in 2009 had all been remedied by the end of 2012, leaving a far stronger portfolio. We must, however, retain our focus on regular project oversight, as the share of ● **operations formally supervised twice a year**² fell to 58% in 2012, compared with 83% in 2009. Overall the quality of the portfolio is good. On a scale of 0 to 3, we rated the portfolio at 2.49 in 2012 compared with 2.01 in 2009. Given this improvement and the increase in the country's CPIA and Governance Rating scores, the concessional financing country allocation, or performance-based-allocation, for Senegal increased by 17% over three years. The additional funds enabled the financing of two new projects focusing on inclusive growth and sustainable water management, high-priority areas for the government.

Quality-at-entry

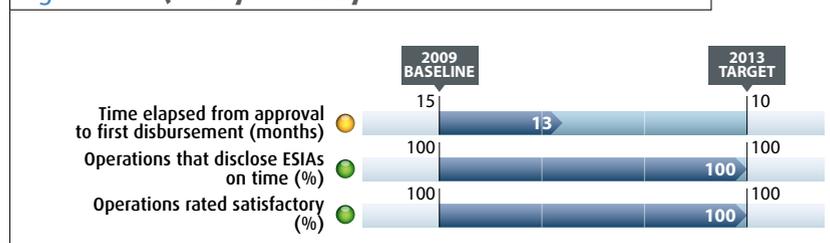
Quality-at-entry is our term for whether the Bank's projects are technically sound and designed to maximise development impact. This is a key determinant of our performance, as poor design is hard to correct once a project is under way. We use readiness reviews to scrutinise the quality of project concept notes and appraisal reports. For private sector operations, we use an Additionality and Development Outcome Assessment tool, which helps us to ensure that our investment decisions are focused on development results.

The Bank uses various indicators to assess quality-at-entry (see Figure 3.3). Overall, the percentage of ● **operations rated satisfactory** in Senegal remains at 100%, as does the proportion of ● **operations that disclose Environmental and Social Impact Assessments on time**. As for disbursement performance, the ● **time elapsed from approval to first disbursement**³ has improved from 15 months in 2009 to 13 months, although it remains slightly behind the average for low-income countries.

The Bank has leveraged vertical funds to increase the development impact of our investments

Quality-at-entry also relates to the level of ownership by government. Senegal has a strong track record of working with international development agencies. For public sector operations, the Directorate of Development Economic and Financial Cooperation, under the Ministry of Economy and Finance, is a strong leader and has the capacity to coordinate development assistance projects. For private sector operations, *Agence de promotion des investissements et des grands travaux (APIX)* is the key entry point. The Senegalese government ensures that AfDB projects are integrated in its national planning frameworks and that counterpart funding is included in its investment budget, which is good practice and demonstrates a strong commitment to effective development assistance.

Figure 3.3 Quality-at-entry



² A red bullet indicates that no progress has been made, or we have moved even further away from our target.

³ A yellow bullet indicates that little progress has been made, and we are at risk of not achieving our target.



In future, to continue to improve quality-at-entry for complex infrastructure projects, the Bank will draw upon the ADF's project preparation facility for national projects and NEPAD's infrastructure project preparation facility, hosted by the Bank, for multinational projects. The two facilities assist with preparing viable and bankable projects in the energy, transport, ICT and water sectors, helping to mobilise both public and private finance. They are able to finalise most details of the design and preparation before implementation, which reduces the risk of delays once the project is under way.

Development and aid effectiveness

The Bank is committed to improving its aid effectiveness, in accordance with the Paris Declaration and its successor instruments. To measure progress in this area, we conduct our own survey of a number of Paris Declaration indicators. New indicators were recently agreed for the Busan Partnership for Effective Development Cooperation, and we will be looking to incorporate them into the Results Measurement Framework.

Senegal exercises strong leadership of its development assistance, ensuring that Bank projects are fully integrated into its plans and budgets

At present, only 16% of our expenditure in Senegal **uses country systems**. This has declined since 2009 and in comparison to other low-income countries in Africa, due to fluctuations in disbursement of budget support operations. To improve our performance, we are using country systems for national competitive bidding. Our evaluation in 2011 assessed Senegal's national procurement system to be broadly satisfactory. Our projects on economic governance are also promoting open and transparent access to public procurement for the private sector, fostering the proper management of public funds.

Figure 3.4 Development and aid effectiveness

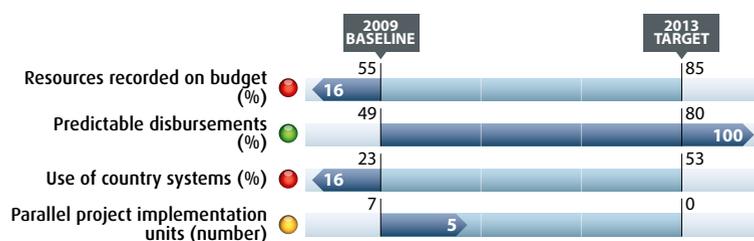
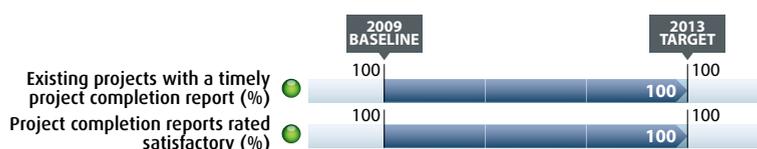


Figure 3.5 Knowledge management



The Bank has recorded improvements in a number of other aid effectiveness indicators, as a result of the intensified supervision of our portfolio in recent years. All our projects now have 100% **predictable disbursements**, enabling the government to plan its resource flows effectively. We also have fewer **parallel project implementation units** in Senegal than in most African countries. However, only 16% of our **resources were recorded on budget**, compared with 55% in 2009 (see Figure 3.4).

Increases in staffing levels in the Senegal office have enabled us to engage more actively in policy dialogue with the government and coordination with other development partners. The Bank actively shares information and engages in a range of joint analytical work. We lead coordination groups on energy, statistics and higher education, and are active as vice-chair in the overall donor group and the budget support group. Our enhanced presence in Senegal has also allowed the negotiation and signing of new projects to take place in Senegal, rather than at the Bank's headquarters, which is preferred by all parties and reduces costs for the government.

Knowledge management

An important aspect of the Bank's support to African countries is the production of high-quality knowledge products, which generate evidence on national development needs and on how best to address them. Analytical work underpins our collective efforts to strengthen national development programmes and enables us to refine Bank policies, procedures and operations. In Senegal, we have been unable to meet our target in this important aspect of our country portfolio. In 2012, we produced just **new knowledge products**, including a flagship study on Senegal's role in regional integration in West Africa and on the electric transmission line for Senegal-Mauritania-Morocco-Spain. In future, we will intensify our activities in promoting knowledge products through economic and sector work. We also launched three new studies, which were finalised in 2013, respectively on the role of Senegal in promoting regional integration in West-Africa, on gender budgeting and on a corridor to further promote Senegal's integration.

Project completion reports are the main tool the Bank uses to capture experiences and lessons from completed projects and improve the design of future projects. The projects that closed in Senegal over the 2010-12 period all produced a **timely project completion report**, all of which were **rated satisfactory** (see Figure 3.5). Project completion reports are increasingly becoming a joint Bank-borrower document, in line with the principle of mutual accountability, allowing us to share lessons learnt.

The Bank also supports the African Governance Institute, a pan-African think-tank based in Dakar that works to raise the influence of African citizens and civil society organisations and promote more responsive and accountable governance. Their work is helping to improve the transparency and efficiency of public finances in Senegal and across Africa.

Gender and climate change mainstreaming

To promote inclusive growth in Senegal, The Bank needs to ensure that our interventions benefit all social groups, including women and girls. Gender mainstreaming means designing projects with specific benefits for women, and disaggregating results data to identify different impacts on women and men. In Senegal, the proportion of **project completion reports with gender-disaggregated data** rose to 50% in 2012, but this remains short of the AfDB average, reflecting a lack of gender baselines and indicators in older projects. All of the new projects approved in 2012 include **at least one gender indicator**, which suggests that our performance in this area is improving over time (see Figure 3.6). The Bank Strategy 2013–2022 emphasises that gender equality should be a guiding principle for all our activities, from project to policy level, to ensure that men and women benefit equally and that every opportunity is taken to empower women.

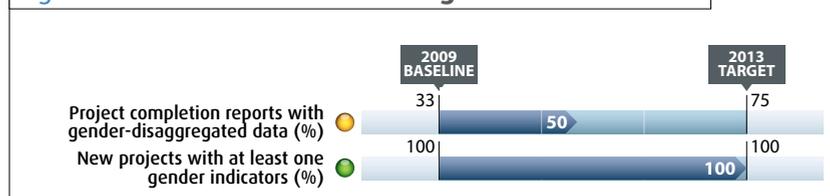
Going forward, we are determined that the Bank's investments across Africa will withstand the impacts of climate change into the future. A growing proportion of newly designed projects have had climate resilience built in to their design, and in 2012 all new projects were assessed as "climate-proof."

Conclusion

The Bank's portfolio in Senegal has improved in quality over the past few years as a result of a concerted effort by government and Bank staff. We are in a much better position with regard to financial and project management capacity, portfolio performance and quality-at-entry than we were five years ago. This has led to a portfolio with no underperforming projects. The Bank has improved the performance on gender mainstreaming and has climate-proofed all new projects. There are some areas with scope for improvement, in particularly knowledge management. Working with the government, the Bank must maintain the discipline of regular monitoring and supervision, while seeking to increase the

use of country systems and ensure that disbursements are made according to plan.

Figure 3.6 Gender mainstreaming



Most importantly, together with the government we have made excellent progress in learning how to prepare and implement complex PPP infrastructure projects. As an institution, the Bank has learnt how to combine public and private sector funding streams effectively in single investment projects, despite their different operational modalities. In doing so, we have succeeded in operationalising the One Bank approach at the country level, while increasing the development resources available to Senegal. The Bank is also leveraging vertical funds – for example, GAFSP and GEF – to extend the reach of our limited ADF concessional resources and improve the overall development impact. We will apply these lessons to future projects.

Our support to the African Governance Institute, a pan-African think-tank based in Dakar, is helping to improve the efficiency and integrity of public spending across Africa

The decentralisation of the Bank's operations to the country level was a critical element in these successes. This and other aspects of our organisational management will be discussed in the next and final chapter of this Review ■



Regional integration in West Africa

West Africa is home to a series of ambitious regional integration initiatives, designed to give producers access to larger markets and help them become internationally competitive. Senegal is a member of the West African Economic and Monetary Union (WAEMU). Senegal has ratified and applied 83% of ECOWAS and WAEMU protocols, which promote the free movement of goods, services, finance and people.

Level 4: How efficient AfDB is as an organisation in Senegal

This final chapter reviews how well we manage our organisation. We do this through seven indicators in the fourth level of our Results Measurement Framework, covering decentralisation of our operations to the country level, the efficiency of our business processes, and our financial management and audit practices.

The results show that decentralisation has been a key element in achieving the One Bank approach in Senegal, enabling us to working more closely with the government on the development of innovative financing approaches. It has also improved the Bank's policy dialogue and supervision of its portfolio. However, we face outstanding challenges in a number of areas, including integrating ICT into our business processes and practices.

Decentralisation

The Senegal office was created in 2004 as part of the Bank's wider commitment to decentralising staff and functions to an expanded network of country offices and regional resource centres. It also operates as a regional office that services Cape Verde, Guinea-Bissau and The Gambia.

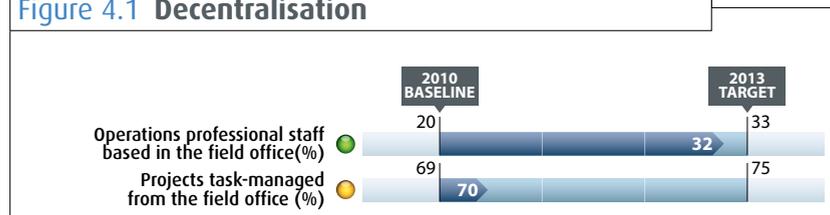
Decentralisation responds to a clear preference among our regional member countries that we locate our operations closer to the communities we serve, making us better able to participate in country-led development processes. It is, at the same time, a profound change in the structure of the Bank, bringing a range of management opportunities and challenges.

In Senegal, decentralisation has enabled us to work closely with the government on the design and implementation of our operations, resulting in improved supervision and delivery. Because of the regional responsibilities, we expanded to 32 the **● operations professional staff based in the field office in 2012**,¹ compared with 20 in 2010 (see figure 4.1). Nearly all of our operational departments are represented in the team, together with support departments.

Decentralisation has enhanced the efficiency of a number of processes, with staff from support departments playing a critical role in strengthening our performance on disbursement, procurement, financial management and audit. We are on target for our goal of

70% of **● projects task-managed from the office**², including smaller procurement, which helps with timely delivery. In addition, our local presence has facilitated policy dialogue and coordination with the government and other development partners.

Figure 4.1 Decentralisation



Decentralisation has led to successfully applying the One Bank approach in our Senegal office

Having different departments represented in the Senegal office has been essential to implementing the new One Bank approach. One illustration of effective integration across our departments was our support to the business climate: our private sector specialists focused on transactions while our public sector experts worked to improve the regulatory environment. The availability of a range of experts was also key to the development of innovative PPP approaches, such as the Dakar-Diamniadio toll highway.

¹ A green bullet indicates that good progress has been made, and we are on track to meet our target.

² A yellow bullet indicates that little progress has been made, and we are at risk of not achieving our target.

Table 4: **How efficient AfDB is as an organisation in Senegal (Level 4)**

This table presents the Bank's progress in achieving its 2012 targets for organisational performance:

- Good progress has been made, and we are on track to meet our target;
- Little progress has been made and we are at risk of not achieving our target;
- No progress has been made, or we have moved even further away from our target;
- Data are not available to measure performance.

INDICATOR	Baseline 2010	2011	2012	Target 2013
DECENTRALISATION				
● Operations professional staff based in the field office (%)	20	20	32	33
● Projects task-managed from the field office (%)	69	73	70	75
BUSINESS PROCESSES AND PRACTICES				
● Disbursement request for special account processed and paid within 30 working days (%)	8	60	100	100
● Disbursement request for direct payment processed and paid within 15 working days (%)	37	62	85	100
● Percentage of procurement documents rejected (%)	..	47	39	40
● Time taken to process procurement documents (days)	15	8	8	3
FINANCIAL MANAGEMENT AND AUDIT				
● Project audits submitted on time (number)	36	55	..	80
● Training to strengthen fiduciary capacity (number)	0	1	6	9

.. = Data not available.

Source: African Development Bank

Business processes and practices

In recent years, the Bank has introduced a range of measures designed to increase the efficiency of our operations across Africa. These reforms are delivering results, with the average time required for procurement reduced by a third and our administrative costs steadily falling.

seminars attended both by our task managers and their government counterparts.

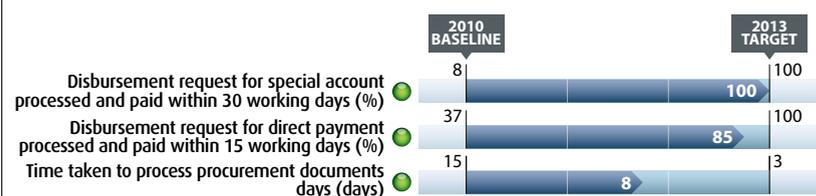
These seminars gave training on business processes, leading to marked improvements in financial management, procurement and audit. This highlights the importance of ensuring that staff have the right skills and capacity when they are assigned new tasks.

Fiduciary seminars have dramatically improved business processing and financial management practices

In Senegal, the Bank has worked closely with the government to increase the quality and speed of project implementation. We meet formally three times a year to review the portfolio, identify challenges faced by projects and develop joint strategies for addressing them. One very useful initiative was the fiduciary

As a result, there have been significant improvements in a number of business processes, increasing our overall efficiency. For example, the percentage of ● **disbursement requests for direct payment processed and paid within 15 working days** almost doubled, from 37% in 2010 to 85% in 2012. On procurement, the ● **percentage of procurement documents rejected** has fallen from 47% to 39%, and the ● **time taken to process procurement documents** has fallen dramatically, from 15 to 8 days (see Figure 4.2).

Figure 4.2 **Business processes and practices**



Alongside these improved processes, the Bank has developed some important new methods of disbursement for projects jointly funded from ADF funds and non-sovereign finance. In operations funded from the private sector window, disbursements are made to sponsors on the basis of investment plans, while ADF funds are disbursed in line with the implementation schedule approved by the Board. Streamlining these processes to ensure smooth delivery was challenging but

has resulted in some important new practices for use in future PPP investment projects, both in Senegal and in other countries.

Financial management and audit

Considerable improvement has been made in the financial management of our portfolio over the past few years, helped by the ● **training to strengthen fiduciary capacity** events that began in 2011 and have continued since then (see Figure 4.3). These regular events build capacity of all those responsible for delivering projects, on both the government and the Bank sides. Participants are invited from the project implementation units, the Ministry of Economy and Finance and audit firms. Another recent innovation was the decision to prepare a project manual setting out details of internal control and accountability systems at the start of every project, as standard procedure.

There is still scope to enhance the quality, timely delivery and validation of audits. Our technical views on audit reports are now sent more quickly to the government, taking an average of just 10 days in 2012 compared with 14 weeks in 2009. Although the number of ● **project audits submitted on time**² rose from 36 in 2010 to 55 in 2011, this remains well below the target of 80 for 2013.

Conclusion

Decentralisation of Bank staff and functions has delivered some important results. It has enabled us to work more intensively with the government to increase project supervision, and thereby improve the quality and efficiency of our delivery. It has resulted in improved policy dialogue with the government and other development partners. Our country team combines staff from different Bank departments, who are able to work together as One Bank in developing innovative projects.

Figure 4.3 Financial management and audit



The fiduciary seminars organised by the Senegal office were a notable success, developing project and financial management skills and practice. The transfer of the remaining functions to the office and strengthening of staff capacity and skills will enhance the service the Bank provides to Senegal ■



Meeting the challenge of climate change

With Senegal's population heavily dependent on rain-fed agriculture, climate change and variability represent a real threat. Drought is becoming more frequent and soil moisture levels are falling. In some parts of the country, yields are likely to fall by up to 25% in the coming decades. The Bank is therefore supporting the government with an extensive programme to boost agricultural productivity and reduce rural poverty, including in the village of Kaor, which is 60 km from Tambacouda.

Conclusion and outlook

This Development Effectiveness Review of our Senegal country programme illustrates the progress that Senegal has made in recent years on its national development agenda, and the contribution AfDB has made in supporting those results. It contains a number of useful lessons both for other African countries and for AfDB as a development bank. It also sets out some of the directions we will take in the coming period to ensure that our development partnership and operations in Senegal continue to improve.

Senegal's development prospects

Senegal has made steady progress towards transforming its economy in recent years, achieving modest growth rates despite a difficult international environment. With a limited natural resource base, its growth prospects are tied to the productivity of its private sector. Structural transformation can be accelerated by addressing infrastructure deficits, including poor road connections and expensive and unreliable power supplies. With the private sector still relatively underdeveloped, unemployment and underemployment are on the rise, especially among young people, and poverty rates remain stubbornly high. Like many African countries, Senegal also faces a complex set of challenges related to climate change and environmental management.

Encouragingly, Senegal has made significant progress in recent years in addressing its infrastructure gaps. It has been one of the front-runners on the African continent in developing PPPs for large infrastructure projects. As these investments reach completion, they will provide reliable and affordable energy and improved transport connectivity, reducing production costs and giving Senegal's producers access to regional and international markets. Connecting producers to their markets is key to achieving sustainable growth in Senegal.

The recent peaceful transfer of power through the electoral process demonstrates the continuing consolidation of democracy in Senegal – an essential foundation for national development. The government has a clear development agenda, with a strong commitment to promoting sustainable and inclusive growth and more equitable development. It has embarked on some ambitious reforms to the business climate and in economic and financial governance. If it succeeds with these reforms, there is every prospect that Senegal's development performance will continue to improve.

AfDB's contribution

Working closely with other development partners, the Bank has made a significant contribution to supporting the Senegalese government in delivering development results. The Bank is a

major financier of infrastructure development. We have increased electricity generating capacity, investing in transmission lines across the country and helping to meet 40% of Senegal's energy needs with reliable and affordable energy. The Bank has also invested in regional transport routes and feeder roads, and has improved transport access for 6.28 million people.

The Bank has supported the government's major PPP investments by leveraging funds from the private sector to help address Senegal's infrastructure deficits

Most notably, the Bank has supported the government's major PPP investments by leveraging funds from the private sector to help address the country's infrastructure deficit. Our One Bank approach has made it possible to work flexibly, so that private and public sector operations work in tandem. Senegal now has one of the most substantial non-sovereign lending portfolios of any ADF country, which maximises the impact of AfDB support. We have helped Senegal to develop an innovative PPP model that can be replicated for other major projects, both in Senegal and across Africa.

The Bank has demonstrated that it can adapt quickly to changing government priorities. We are working to support the new government's commitment to sustainable and equitable growth. Our governance operations have helped to identify and address key constraints on private sector development through reforms to a range of business regulations and practices. As a result, Senegal now offers a more attractive prospect for private sector activity, although constraints remain to be overcome. The Bank has also provided advice and support for improved economic and financial governance, ensuring more transparent and accountable budgeting and public procurement.

In the social sectors, the Bank has supported the government in building health and education facilities and has provided access to water for 1.36 million people. To address the expected impact of climate change on Senegal's rain-fed agriculture, we have

drilled boreholes and wells, invested in sustainable water use and introduced improved land-management practices.

To help address the country's infrastructural deficit, our One Bank approach has made it possible to work flexibly, so that private and public sector operations work in tandem

The Government of Senegal has taken a close interest in strengthening its AfDB portfolio through a range of measures, including phasing out smaller projects and introducing tighter supervision of a leaner portfolio. For our part, we have boosted staff capacity in our country office, with most departments now represented, and have increased the decentralisation of functions. We have improved our financial management through the introduction of fiduciary clinics for both Bank staff and government counterparts. The Bank has increased its development impact by combining our limited concessional resources both with non-sovereign lending and with vertical funds, while leveraging additional funds from the private sector.

Overall, the Senegal portfolio amply demonstrates the potential of our One Bank approach and the value of the increased flexibility in operations that has come about through decentralisation.

The way forward

The Bank is committed to supporting the development priorities of the Government of Senegal and has aligned the country strategy to Senegal's National Strategy for Economic and Social Development. In accordance with the Strategy, we will help the government to achieve robust, sustainable and inclusive growth

and more equitable development throughout the nation. We will support the government with two important new projects: to promote inclusive growth by creating jobs and livelihoods for youth and women, and to support the ecological and economic functions of Lake Guiers. This is aligned to the Bank's Ten-Year Strategy 2013–2022, which emphasises inclusive growth and transitioning towards green growth.

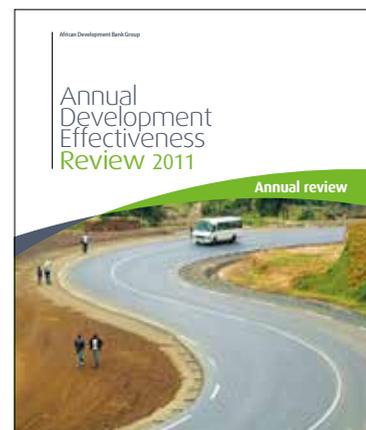
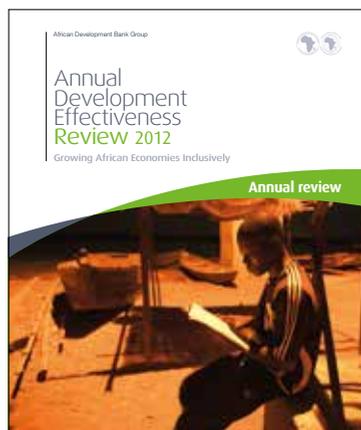
There are a number of key issues to address in the coming period. We will draw on the lessons from our infrastructure PPPs and incorporate them in future projects both in Senegal and in other parts of the continent. In line with the priorities of the Senegalese government, the Bank will continue to focus on infrastructure investments that promote economic activity and livelihoods, and to support improvements to the environment for business investment. We will pay close attention to soft infrastructure by strengthening skills and capacity within key government agencies and helping to develop regulatory arrangements that promote rather than hinder trade.

Jointly with the government, the Bank will work closely with government agencies to ensure tight supervision of our projects, to further improve their efficiency and development impact. We will hold more fiduciary seminars to develop the supervision skills and capacity of task managers in executing agencies and our regional office. At the start of every project, the Bank will also prepare a project manual setting out details of internal controls and accountability systems as standard procedure.

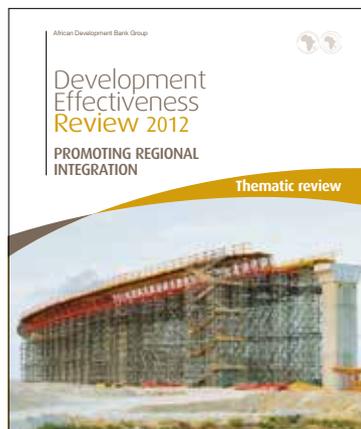
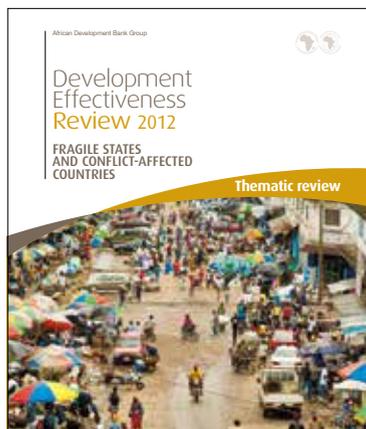
Finally, the Bank will continue strengthen the functions of the Dakar office. We will continue to work in an interdepartmental way, using Senegal's One Bank approach to serve the development needs ■

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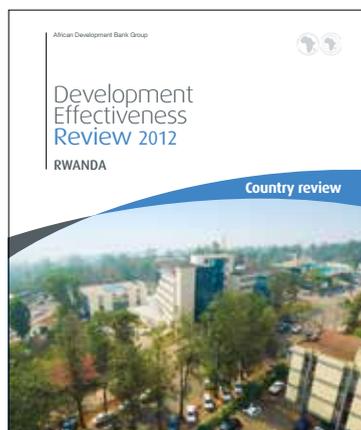
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About this publication

The Development Effectiveness Review 2013: Senegal Country Review is a report on the performance of the African Development Bank's (AfDB) in Senegal. It reviews development trends in the country and explores how AfDB's operations have contributed to development results over the past three years. It also looks at how effectively AfDB manages its operations and its own organisation in Senegal.

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