Report Number : ICRR0020883

1. Project Data

Country
Senegal

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL
Planned Operations: 3

Approved Operations: 3

Operation ID
P128284

Operation Name
First Governance and Growth Sup Project

L/C/TF Number(s)
IDA-51910

Closing Date (Original)
31-Mar-2014

Total Financing (USD)
55,000,000.00

Bank Approval Date
20-Dec-2012

Closing Date (Actual)
31-Mar-2014

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	55,000,000.00	0.00
Revised Commitment	55,000,000.00	0.00
Actual	55,184,984.00	0.00

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Operation ID
P126470

Operation Name
SN-Governance & Growth Support Credit 2 (P126470)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-51910,IDA-53410	31-Mar-2015	30,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
19-Dec-2013	31-Mar-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	30,000,000.00	0.00
Revised Commitment	30,000,000.00	0.00
Actual	30,184,000.00	0.00

Operation ID	Operation Name
P150976	SN-Third Governance and Growth Support C (P150976)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-53410,IDA-57110	31-Jul-2016	50,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
23-Jul-2015	31-Jul-2016	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	50,000,000.00	0.00
Actual	51,317,020.74	0.00

2. Program Objectives and Policy Areas

a. Objectives

The Governance and Growth Support Credit Series (GGSC) consisted of three DPLs. The program development objective (PDO) for GGSC1 (Program Document [PD1], p. 19) was to *support the authorities' efforts to improve economic governance by strengthening Government transparency and accountability, increasing public sector efficiency and effectiveness, and promoting growth through private sector development.*

The objective remained the same in GGSC2. It was revised in GGSC3 to read as follows: *(i) to support the Government's efforts to improve economic governance; and (ii) promote growth through private sector development.*

The new formulation maintains the objectives of the series.

b. Pillars/Policy Areas

The original policy areas supported by the GGSC series were:

Policy area 1: Improving economic governance by strengthening government accountability. This was to be achieved by improving transparency in public financial management, strengthening the independence of the auditor general, and establishing a mandatory asset declaration system for all government ministers.

Policy area 2: **Improving public sector performance.** This was to be achieved by improving financial management in the education, health and agriculture sectors, by rationalizing and introducing performance measures into autonomous public agencies, and by strengthening monitoring and evaluation of implementation of government priorities.

Policy area 3: Promoting growth through private sector development. This was to be done by improving efficiency and service delivery in the energy sector, and improvements in the investment climate by supporting reforms in three areas – taxes, property registration, and access to electricity. Agriculture was to be supported through land reform and irrigation maintenance.

Revisions to policy areas

There were several changes under policy area 3 for GGSC3:

1. Land reform, which originally had been included in policy area 3, was dropped when it turned out to be a much longer process than initially expected, and replaced in GGSC3 with a measure to improve targeting of agricultural subsidies. This sought to increase the efficiency of the use of financial resources.

2. The "investment climate" element of policy area 3 was revised when better access to electricity was replaced by measures to reduce delays in obtaining construction permits, as the latter was more likely to

improve the investment climate in the short term.

3. The removal of barriers to tourism was added to policy area 3 under GGSC3 to help the sector cope with the Ebola crisis.

c. Comments on Program Cost, Financing, and Dates

Project cost and financing. The commitment under GGSC1 was US$55 million, the second was US$30 million, and the third one was US$50 million (initially US$30 million, but increased by US$20 million during its preparation at the request of the government to address effects of the Ebola crisis).

Dates. GGSC1 was approved on December 20, 2012, became effective on December 28, 2012, and closed on March 31, 2014; GGSC2 was approved on December 19, 2013, became effective on December 23, 2013, and closed on March 31, 2015; and GGSC3 was approved on July 23, 2015, became effective on August 15, 2015, and closed on July 31, 2016.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The GGSC series objectives - to improve public sector governance and promote growth through the private sector - were relevant to the Bank's country partnership strategy (CPS), government policy, and the country situation at the time of appraisal, and continue to be relevant. They are fully consistent with the Bank's objectives as set out in the FY13-17 CPS: the series is an integral part of that CPS and is aligned with the pillars of the strategy – inclusive growth, employment creation, and better service delivery, and a foundation element of the strategy – strengthening governance and building resilience. The GGSC series also supports all three pillars of the government's current Plan for an Emerging Senegal (PES) – growth, productivity and wealth creation; human capital; and governance. Objectives remain relevant to the country situation, as initiatives introduced during the GGSC series are likely to have an impact only over a longer period than the current series covered.

Rating

High

b. Relevance of Design

The chosen policy areas and proposed actions were directly relevant to achieving the PDO. The results chain was clear, and prior actions and triggers could reasonably be expected to deliver the intended outcomes as measured by the result indicators, which were monitorable. Design is also aligned with the Bank's investment projects, technical assistance, and economic and sector work (PD1, p. 19); and with other donors through Senegal's framework agreement on budget support.

At the same time, the program was ambitious: it covered a broad array of themes, and insufficient attention was paid to absorptive capacity in government agencies to apply ambitious reforms over what finally was a relatively short period of time. This affected implementation. Land reform – the Program Document signals the absence of land reform as a major constraint on growth in the agriculture sector, and more broadly, on private sector development – had to be dropped from the program as it would take too long to implement; and other areas (asset declaration, agency rationalization, monitoring and evaluation) faced significant challenges in implementation (ICR, p. 11).

The macroeconomic policy framework during the preparation of the GGSC series was adequate. The country was still recovering from the international recession at the turn of the decade, as well a severe drought in 2011. Still, strong fiscal tightening had contained the risk of an excessive fiscal deficit. IMF staff completed a review of the three-year policy support instrument in September 2012. The final review of the policy support instrument was concluded in December 2014. Performance under the program was considered broadly satisfactory. A new three-year program was approved in June 2015.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
To support the Government's efforts to improve economic governance

Rationale

a. Accountability

Outputs

The following laws were published, and actions taken to improve accountability:

A law on budget transparency, conforming with the West African Economic and Monetary Union's (WAEMU) guidelines was passed (prior action, GGSC1);

A law on the independence of the auditor general was passed (prior action, GGSC1);

A law on mandatory asset declaration for all Ministers was passed and operationalized (related decrees issued, and human and financial resources are in place (prior action, GGSC2).

The 2011 annual report of the government's auditor general issued (prior action, GGSC2).

The asset declaration system was operationalized: (i) implementation decree of mandatory asset declaration issued; (ii) and resources allocated to the anti-corruption office overseeing asset declarations (prior action GGSC3).

Outcomes

Adoption of the WAEMU guidelines can be expected to significantly improve fiscal transparency, build integrity in the system and prevent corruption. Likewise, asset declaration can be an important means of maintaining integrity in public asset management, albeit it has experienced a relatively slow startup with only 52 percent of relevant officials having made declarations by May 2016, compared to a target of 100 percent. The enhanced independence of the auditor general is a further important measure of transparency, although the office's public reporting continues to experience delays: while it has been reduced from 34 months to 17 months, it still lags in timeliness (target: 12 months after the reporting year).

b. Public sector performance

Education:

Outputs

To improve efficiency and effectiveness in the management of education sector resources, the government aimed at improving human resource management through a more decentralized education system, and better systems at the central level.

General education. With the aim of gradually creating an efficient and effective decentralized education system, including a better control of personnel costs:

- A decree on departmental and regional inspections was amended to transfer authority to those inspection offices for the management of human resources in their catchment areas (prior action,

GGSC1);
- To establish effective payroll and human resource control, a system to connect databases of the ministries of education, public service and finance; and preparing annually a recruitment plan for education in collaboration with the Ministry of Finance (prior action, GGSC2).

University education. To reduce the budget deficit of public universities, the financial regime for universities was amended to allow performance-based financing and better own-revenue collection (prior action, GGSC1). To improve access to external revenues, a law and related regulations were adopted reforming universities' governance system, specifying resource allocation and use of external revenues, and appointment of accountants to key faculties in the University of Dakar (prior action, GGSC3).

Outcomes

General education. Success was measured by budget credibility for basic education wages and salaries (the ratio of execution to the approved budget). In 2016, the ratio was 108 percent, against a target of 100 percent, and a baseline of 110 percent. The target was not met**.**

University education. The changes in the financial regime of universities, including access to external revenues helped control the growth in the higher education budget. Again, success was measured by budget credibility: it was 107.5 percent in 2016, against a target of less than 105 percent, and a baseline of 103 percent. Again, the ratio was much higher in 2015 at 116.6 percent, indicating a declining ratio, at least between those two years. The target was not met.

Health

Outputs

Performance contracts were signed between all public hospitals and the Ministry of Health and the Ministry of Finance, to reduce the burden of hospital debt and increase hospital efficiency to create more resources for pro-poor health services.

Outcomes

Using a hospital efficiency index (the difference between a hospital's combined inputs and outputs, and an efficiency frontier estimated with a data envelope analysis – a standard technique for assessing technical efficiency in data-poor environments) - the efficiency index was 90 percent, compared to a target of 85 percent and a baseline of 79.5 percent. The target was met.

Using birth attendance as an indicator of resources released for pro-poor health services, only 53 percent of births were attended, compared to a target of 70 percent for 2015, and a baseline of 65 percent. The target was not met, but the result is likely to have been influenced by the introduction of performance contracts in hospitals, but also a number of other factors beyond financial constraints.

Agriculture

Outputs

To increase efficiency in the distribution of agricultural inputs and simultaneously lower costs and leakage, the government adopted a mobile phone-based e-platform to distribute subsidized agricultural inputs in the 2015 crop season (prior action GGSC3)

To address a long-standing maintenance problem in irrigation, the government approved the use of multi-annual maintenance contracts of hydro-agricultural works with private contractors (prior action GGSC3).

Outcomes

No progress was made on the e-platform.
One multi-year maintenance contract so far has been issued.

Autonomous public agencies

Outputs

With a large and increasing part of the government's investment program allocated to autonomous public agencies subject to weak oversight, an action plan was introduced to restructure them, including merging some; liquidating others; and entering into performance contracts with the six largest agencies (prior action GGSC2).

Outcomes

The number of autonomous agencies decreased from 44 to 30 (an estimate, there appears to be no exact figures). 21 (70 percent) of the remaining agencies are operating with performance contracts, against a target of 90 percent. The target was not met

Monitoring and evaluation

Outputs

To strengthen government policy implementation, enhance performance in key sectors and generate fiscal savings, the planning and monitoring evaluation functions of the state were to be improved by establishing a central level monitoring and evaluation unit for implementing its plans in the President's office. The unit was established (prior action GGSC3)

Outcomes

By the end of the project, 10 government programs had a results framework approved by the unit. However, the reform remains institutionally weak, and may not be sustainable: the unit was implemented with little input from key ministerial counterparts, and it has subsequently been overshadowed by another unit created by the Presidency to monitor priority projects.

In summary, the series did move the governance agenda forward, but not to the extent envisaged. While adoption of the WAEMU guidelines set a strong basis for better fiscal transparency, other measures relating to the supreme audit institution and asset declarations have begun, but still fall short of targets. In assessing public sector performance, again progress was made in most instances, in some cases aligned with expectations (hospital management), in other cases falling short, and in one case (distribution of agricultural inputs) not achieving measurable outcomes. When assessing outcomes, it is also worth keeping in mind that they not only reflect the direct effects of these particular operations, but also contributions from several parallel activities taking place, financed by the Bank as well as other donors.

Rating

Modest

Objective 2

Objective

To promote growth through private sector development

Rationale

Outputs

Electricity. To improve efficiency and service delivery in the energy sector – electricity shortages have been a significant restriction on investment - several government measures have improved performance in the sector:

- Energy sector policy letter and action plan adopted for the period 2012-2016 (prior action GGSC1);
- Financial and operational utility restructuring plan adopted (prior action GGSC1);
- Performance contract signed between the state and the utility (prior action GGSC2);
- Regularization of cross-debts between the utility and the government amended to reduce the utility’s debt burden (prior action, GGSC3);
- performance-based bonuses and sanctions have been introduced into performance contracts to incentivize efficiency (prior action, GGSC3).

Construction. To encourage the construction sub-sector, which is a significant source of growth in the economy, the government:

- issued decrees streamlining construction permits and warehouse inspection (prior action, GGSC3);
- eliminated the minimum capital requirement for creating a new company (prior action, GGSC3).

Tourism. To offset the impact of the ebola crisis on tourism – a major source of revenue for Senegal - the government removed tourism-related fees and taxes (prior action GGSC3).

Outcomes

Electricity. Undistributed energy due to load shedding reached 34GWH, or 90 percent of the target. Government subsidies to the electricity sector for tariff compensation were eliminated, mainly due to a fall in oil prices. With stable oil prices, the subsidy would have been CFAF76 billion, compared to a target of CFAF50 billion, and a baseline value of CFAF105 billion. The energy utilities debt to equity ratio reached 0.9 compared to a target of less than 1 percent and a baseline of 3 percent. The target was partly met.

Construction. The time required to issue a construction permit fell from a baseline of 2010 days to 202 days, compared to a target of 150 days. The target was not met.

Tourism. The number of arrivals by air was 948,000 compared to a baseline of 868,650 and a target of 875,000. The target was surpassed.

In summary, the series focused on a major constraint on the business environment and economic growth – electricity supply. Results indicate an improvement in the financial situation of the electricity company due to generation upgrades and lower international oil prices – both reducing production costs and contributing to the company's better financial situation. In addition, the PAD for GGSC3 indicates that electricity supply increased in 2013 and 2014. However, it is unclear to what extent these developments actually impacted, or reactivated, the business environment. It is furthermore unclear to what extent easier construction permits contributed to the business environment. The rating for this objective is based on the partial achievement of the sub-objective on electricity (90%), the non-achievement of the target on construction, and the achievement of the target on tourism, although attribution in this case is unclear.

Rating
Modest

5. Outcome

Relevance of objectives was rated **high**, as they aligned with the government's development program and World Bank strategy. Relevance of design was **modest**; while the policy framework was relevant to project objectives, it was too broad and ambitious in scope, resulting in weak performance in significant areas. Efficacy for both objectives was **modest.** On the first objective, accountability in the public sphere improved, albeit with room for improvement; while public sector performance was mixed - efforts to improve efficiency in the distribution of agricultural inputs and irrigation maintenance did not produce desired result, restructuring of autonomous public agencies remained limited, albeit boosted by the introduction of performance contracts. On the second objective, efforts to improve the electricity sector's finances appear to have been successful (in part due to lower international oil prices), and electricity supply also appears to have increased. As the ICR states, the reduction in the subsidies would have been only partial (53%) had oil prices been stable. In construction, the targets was not met. Overall, targets fell short for eight out of ten outcomes under objective 1 and in four out of seven outcomes in objective 2.

a. Outcome Rating

Moderately Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

The series launched the adoption of several important reforms, and in most cases their implementation will have to be achieved over the coming years. In most cases such implementation seems likely, as the reforms address challenges already highlighted in the government's PES, and as they provide the institutional underpinnings for projects in relevant sectors. On the other hand, government performance under the project, as reflected in missed indicators, is not especially encouraging, nor is the uncertain sense of ownership manifested by the government. Still, the demonstrated commitment to fiscal prudence, as reflected in the continued IMF program, indicates that trends pursued under the series are likely to continue, albeit less likely in some instances, notably where no or little progress was recorded under the series.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The series drew on prior experience with DPLs, and it reinforced the work of several ongoing projects supported by the Bank and other partners in relevant sectors. It built on analytical work under the *Senegal*

Programmatic Public Finance Review, supporting public revenue and expenditure reviews extending over FY10-FY13, supported by Canada (education), UNICEF (health), USAID (agriculture) and the Netherlands (environment). It maintained a close working relationship with these and other donors during project preparation through government thematic working groups, and continued to do so during implementation. The broad ambitious design, however, proved to be a challenge during implementation, as it stretched the government's capacities, as well as being influenced by some reluctance in the Government to pursue necessary legal processes. These two factors – capacity and modest buy-in -subsequently limited the effectiveness of the operation in some areas, as noted in Section 4. While such risks were recognized, notably insufficient administrative capacity, mitigating efforts, except through more intensive Bank supervision, may not have been sufficiently robust. The results framework was weak in terms of M&E indicators, some of which were only tangential to the outcomes sought.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Project implementation benefited from Bank field presence that facilitated frequent and timely meetings with key counterparts and donors through existing in-the-field mechanisms, as well as cooperation with the IMF in areas where the mandates of the two institutions overlapped, especially in public financial management, where the team sought to ensure that consistent advice was provided to the authorities. Collaboration with other donors occurred mainly through the government's budget support framework agreement. Specific instances of collaboration included building on the USAID's preparatory work on the asset declaration law, and Canadian aid-financed harmonization of human resources for education. Linkages with on-going projects and sector work also benefited implementation. The ambitious program design that appears to have stretched the team's capacities at times, rather than the supervision effort, is likely to have been a factor in the uneven outcomes in some instances.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

The government maintained prudent macroeconomic management and performance during the series, reflected in a falling fiscal deficit and solid growth with support from the IMF program. At the same time, inefficiencies in the bureaucratic process affected performance, as did often lukewarm attitudes for change on the part of the government. While much of this may have been due to capacity constraints, the ICR (p. 23) indicates that several outcome indicators were missed due to insufficient commitment to pursuing the legislative processes or follow-up on implementation.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

Ownership of reforms varied between ministries and agencies, and is reflected in implementation and outcomes. Both the Ministry of Health and the Investment Promotion Agency were driven by an interest to succeed – the former because introducing performance contracting would release funds for new investments, and the latter to improve the country's ranking on doing business, and the prestige that conferred. Where ownership was weaker – in the Ministry of Finance, in agriculture and energy – results were also less satisfactory: administrative inertia in the Ministry of Finance affected university performance; while low commitment and technical difficulties delayed implementation of the subsidized input platform in agriculture. While the energy parastatal did moderately well, it did so with extensive support from the Bank team.

Implementing Agency Performance Rating

Moderately Unsatisfactory

Overall Borrower Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design initially included a series of 15 outcome indicators to measure program performance, all providing information on changes in behavior or conditions, such as public officials making a declaration of assets, or the Audit Court reducing the delay in publishing its annual report. While the time in many instances may have been too short to provide a robust measure of change, some key indicators that were being used were sometimes only tangential to the substance of the reform element, as they tended to reflect broader sector progress. For instance, the effects of the introduction of performance-based financing and expansion of the resource base for universities were to be measured by the difference between budget and budget execution.

b. M&E Implementation

Most of the indicators included in the policy matrix and results framework were monitored by units in line ministries reporting to an inter-ministerial committee established for the purpose. A new monitoring framework developed in collaboration with the Bank and covering ten sectors, was used. Three indicators were dropped during implementation, two were replaced by indicators more in line with the priorities of the reform, and a new one – for tourism – was added.

c. M&E Utilization

The ICR provides no information on this.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

No safeguard policies were noted in the ICR

b. Fiduciary Compliance

No fiduciary concerns were noted in the ICR

c. Unintended impacts (Positive or Negative)

None

d. Other

None

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	,
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately	Moderately	---

	Unsatisfactory	Unsatisfactory	
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The following lessons are drawn from the ICR:

Budget support series should pay attention to absorptive capacity. While budget support provides the opportunity for ambitious coverage and tackling many issues, absorptive capacity in government agencies will often be the limiting factor; it needs to be carefully weighed against potential overreach in program design. The GGSC series was ambitious, increasing the burden on both Bank staff and the administration, and placing the quality of reforms at risk.

Prior actions need to be followed up. The passage of laws and regulations – the usual contents of prior actions – is a first step in reform; once passed, they also need to be put into practice, and this requires the necessary skills and, often, access to companion technical assistance to build up those skills. Significant delays were experienced in a number of instances in this program, notably the application of financial regimes for universities experienced significant delays due to a lack of follow-up in the Ministry of Finance that was in charge of the setting the budget nomenclature.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a sufficient discussion of the background and rationale of the GGSC series to allow for an assessment of the results and ratings of the operation presented in the ICR. However, while it does so, it also falls short in some instances; in particular, a richer and more nuanced analysis of project outcomes in each of the target areas and activities might have led to different ratings; based on evidence in the ICR, the current ratings are justified. A more thorough discussion of the M&E section would also have been helpful, although one does get the impression that there was not much material available on which to base a discussion on. The document was internally consistent, and in accordance with OPSC guidelines.

a. Quality of ICR Rating
Substantial