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**PERFORMANCE AUDIT REPORT**

**SENEGAL**

**ECONOMIC RECOVERY CREDIT  
(CREDITS 2582-SE AND 2582-1-SE)**

**PRIVATE SECTOR ADJUSTMENT AND  
COMPETITIVENESS CREDIT  
(CREDIT 2681-SE)**

February 29, 2000

*Operations Evaluation Department*

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# Currency Equivalents

## Currency Unit = CFA Franc

The CFA franc is linked to the French franc at the rate of 100 CFAF = 1 FF  
(50 CFAF = 1 FF to January 12, 1994)

## Average Exchange Rate

1990 = 272.3	1996 = 511.5
1993 = 280.8	1997 = 583.5
1994 = 555.2	1998 = 609.3
1995 = 495.2	

## Abbreviations and Acronyms

ASAC	Agricultural Sector Adjustment Credit
BF	Belgian Francs
BMOP	Bureau de la Main d'Oeuvre Portuaire
CFAF	Communauté Financière Africaine Franc
CNCAS	Caisse Nationale de Crédit Agricole Sénégalaise
COSEC	Conseil Sénégalais des Chargeurs
COSENAM	Compagnie Sénégalaise de Navigation Maritime
CPSP	Caisse de Péréquation et de Stabilisation des Prix
CRG	Competitiveness Review Group
DGD	Direction Generale des Douanes
DPS	Direction de la Prévision et de Statistique (of MEFP)
EVM	Evaluation Memorandum (of OED)
FIAS	Foreign Investment Advisory Service (of IFC and World Bank)
GDP	Gross Domestic Product
GNP	Gross National Product
GRCC	Groupe de Réflexion sur la Compétitivité et la Croissance
ICR	Implementation Completion Report
MEFP	Ministère de l'Economie, des Finances et du Plan
SENELEC	Société Nationale d'électricité du Sénégal
SONACOS	Société Nationale de Commercialisation des Oléagineux du Sénégal
SONEES	Société Nationale d'Exploitation des Eaux de Sénégal
UEMOA	Union économique et Monétaire Ouest-Africaine
VAT	Value Added Tax

Director-General, Operations Evaluation:  
Director, Operations Evaluation Department:  
Manager, OEDCR:  
Task Manager:

Mr. Robert Picciotto  
Ms. Elizabeth McAllister  
Mr. Ruben Lamdany  
Ms. Alice Galenson

The World Bank  
Washington, D.C. 20433  
U.S.A.

Office of the Director-General  
Operations Evaluation

February 29, 2000

**MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT**

**SUBJECT: Performance Audit Report on Senegal: Economic Recovery Credit (Credits 2582-SE and 2582-1-SE) and Private Sector Adjustment and Competitiveness Credit (Credit 2681-SE)**

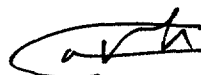
Attached is the Performance Audit Report for the Economic Recovery Credit (ERC, Credits 2582-SE and 2582-1-SE) in the amount of SDR 18.2 million (US\$25 million equivalent) and SDR 2.3 million (US\$3.2 million equivalent), respectively, and the Private Sector Adjustment and Competitiveness Credit (PSAC, C 2681-SE), in the amount of SDR 27.6 million (US\$40 million equivalent). The ERC was approved on March 17, 1994 and the supplement in January 1995; the credit closed in December 1995, six months behind schedule. PSAC was approved on February 16, 1995, and closed in October 1996, four months late.

The objectives of the ERC were to support the Government's reform program adopted in February 1994; to provide balance of payments support during the transition period in which follow-up operations were being prepared (and human resource development was threatened by a shortage of funding); and to continue the policy dialogue between the Government and IDA. The objective of the PSAC was to stimulate the supply response of the private sector to the devaluation by supporting a reform program which aimed to complete the liberalization of domestic and internal trade; improve the export and investment regimes; reduce labor costs and rigidities in the labor market; and reduce maritime transport costs.

The implementation of both projects was satisfactory, except that the ERC could not fulfill some of its supplementary goals for 1994 because of the severe revenue shortage in that year. The PSAC had a large number of conditionalities and achieved nearly everything expected. Further developments have been positive.

The PAR ratings for the ERC agree with those in the EVM: outcome satisfactory, sustainability likely, and performance satisfactory for both the Borrower and the Bank; institutional development impact was not rated earlier, but is rated modest here. The PAR rates the outcome of the PSAC satisfactory, sustainability likely, and institutional development impact substantial; these ratings agree with those in the EVM. The PAR rates both Bank and Borrower performance as highly satisfactory (compared to satisfactory in the EVM), because of its well chosen and implemented conditionality.

The main lesson of the ERC is that although a one tranche operation can be highly effective in improving the policy regime while helping to hold down inflation after a large devaluation, goals beyond the single tranche conditions should be few and chosen with caution in view of the difficulties of projecting revenue. The central lesson of the PSAC is that bringing together private business, labor and the Government in commissions to design the many components contributed greatly both to its quality and to the sense of ownership within the country. The shared goals of the Government and Bank also helped make this project successful.





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This report was prepared by Don Keesing (consultant), with Alice Galenson as the Task Manager. Agnes Santos provided administrative support.



## **Preface**

The Economic Recovery Credit for SDR 18.2 million (US\$25 million equivalent), was approved by the Board on March 17, 1994 and made effective on March 24. It was released in a single tranche, with all conditionalities up front, in March, following the January 1994 devaluation of the CFA Franc. A supplement to the ERC (Credit 2582-1-SE) of SDR 2.3 million (US\$3.2 million) was made effective on January 9, 1995. The total credit was fully disbursed in two tranches on March 29, 1994, and January 13, 1995. Both the initial credit and the supplement closed on December 27, 1995.

The Private Sector Adjustment and Competitiveness Credit (Credit 2681-SE) in the amount of SDR 27.6 million (\$40 million) was approved on February 16, 1995, and made effective on February 28. The first tranche, releasing three fourths of the funds, was fully disbursed by May 12, 1995. The second tranche was released on December 28, 1995, and fully disbursed by January 18, 1996. A parallel Belgian grant of BF 100 million (about US\$31 million) was disbursed on May 22, 1996. The IDA credit closed in October 1996.

The draft PAR was sent to the Government. The comments, which have been taken into account in the final report, are attached as Annex 1.

## **Abstract**

The ERC and the PSAC proved markedly successful and have led to further positive results. Some of the non-binding goals of the ERC were not achieved because of revenue shortfalls in 1994 caused apparently by faulty macroeconomic projections. With more time for preparation and admirable cooperation among all who participated in the project design, including private business leaders, labor and Government in Senegal and IDA staff, the PSAC achieved its goals on almost all of its many fronts. The two credits contributed to consistent GDP growth at over 5 percent a year since 1995.

## Ratings and Responsibilities

### Performance Ratings

	<i>Economic Recovery Credit (Crs. 2582/2582-1)</i>	<i>Private Sector Adj. and Competitiveness Credit (Cr. 2681)</i>
Outcome	Satisfactory	Satisfactory
Sustainability	Likely	Likely
Institutional Devt. Impact	Modest	Substantial
Borrower Performance	Satisfactory	Highly Satisfactory
Bank Performance	Satisfactory	Highly Satisfactory

### Key Project Responsibilities

<i>Economic Recovery Credit (Crs. 2582/2582-1)</i>			
	<i>Task Manager</i>	<i>Division Chief</i>	<i>Director</i>
Appraisal	Bruno Boccara	Jean-Louis Sarbib	Katherine Marshall
Completion	Bruno Boccara	Birger Fredriksen	Jean-Louis Sarbib

<i>Private Sector Adj. and Competitiveness Credit (Cr. 2681)</i>			
	<i>Task Manager</i>	<i>Division Chief</i>	<i>Director</i>
Appraisal	Cherif Azi	Sylvia Sagari	Jean-Louis Sarbib
Completion	Cherif Azi	T. Allen	Mahmood Ayub



## 1. BACKGROUND

1.1 Senegal experienced a downward trend in per capita GDP from independence in 1960 to 1993. The poor performance was due partly to declining and highly variable rainfall, leading to low output growth in agriculture, and partly to shortcomings in institutions and policies, which resulted in high costs and prices in industry and transport as well as tendencies toward an overvalued exchange rate, excessive dependence on external aid, heavy debt service and a budget deficit. Eligibility for IBRD loans was lost in 1981. Exports declined in the late 1970s as phosphate prices and peanut production fell. GDP grew at 3.1 percent from 1980 to 1990, only slightly ahead of population, and the economy took a turn for the worse from 1991 to 1993 (Annex 3). Development assistance, nearly half of it from France, accounted for 12 percent of GNP in 1991 but only 8.8 percent in 1993, then jumped to 17.2 percent of a much lower GNP in 1994, contributing to Senegal's turnaround in 1994 and 1995. Key to this turnaround was the devaluation of the currency in January 1994 from 50 to 100 CFA franc per French franc. By 1996 development assistance had fallen to 11.6 percent of GNP.

1.2 Senegal's economic troubles were exacerbated by severe overvaluation of the CFA franc from 1985 on, caused by a deterioration of the terms of trade and a sharp appreciation of the French franc against the dollar. The resulting loss of competitiveness led to stagnant exports and extremely high protection against imports, accompanied by persistent recession, smuggling and false invoicing, underutilized capacity and stagnant investments. Other problems persisted, including abnormally high production costs, privileged monopolies, widespread price controls, nontariff barriers, and rigid labor markets. The sharp downturn in 1991-93 caused a shrinkage of the tax base and downward pressures on expenditures, including those on education, health and other social expenditures needed to reduce poverty in a country where, in the early 1990s, three-fourths of the labor force was still occupied in agriculture, pastoralism and fishing and 54 percent of the population lived below the international poverty line.

1.3 Between 1981 and the early 1990s the World Bank extended to Senegal four structural adjustment and two sectoral adjustment credits, but they achieved only modest results. These included, for example, improvement of public resource management and a restructuring of the banking sector. The number of state-owned enterprises was brought down from 87 in 1987 to 40 at the start of 1994, through 26 privatizations and 21 liquidations. However, the remaining state enterprises were strategically important and several were loss-making.

1.4 By the end of 1993, the CFA franc was overvalued by an estimated 40 percent. In August of that year, the Government launched a stabilization program known as the Emergency Plan (which became unnecessary in view of the subsequent devaluation). GDP growth turned negative in 1993 (-2.2 percent, or about -5 percent per capita). Exports fell by 7.2 percent in 1992 and remained stagnant in 1993. Public payment arrears, predominantly external, accumulated to 13.8 percent of GDP by 1993.

1.5 Despite these setbacks, the active role of the Government in trying to stabilize the economy helped it to respond quickly to the new situation after the devaluation. Even more important, IDA was in the process of launching a private sector development credit, identified in late 1992 and well along in the process of design in 1993 before the devaluation. Senegal and its leaders were ready to listen to business leaders, and wanted to take measures to improve the environment for private business. All of this greatly helped the preparation of the Private Sector

Adjustment and Competitiveness Credit (PSAC) and the Agricultural Sector Adjustment Credit (ASAC), both launched in 1995. No systematic preparations were undertaken for a new adjustment credit, if and when the long-sought devaluation at last took place.

## **2. ECONOMIC RECOVERY CREDIT**

### **Objectives and Design**

2.1 The Economic Recovery Credit (ERC) was one of nine Bank economic recovery operations designed to provide emergency support to help CFA franc countries adjust to the short-run effects of the parity change of the CFA franc on January 12, 1994. It was a one-tranche credit (plus a supplemental credit), with all conditionalities up front, which served as a quick-disbursing operation to provide budgetary assistance and make funding available for investments, in order to help create conditions to ensure a positive post-devaluation supply response. In Senegal, leadership was provided by the Ministry of Economy, Finance and Planning (MEFP), usually known as the Ministry of Finance.

2.2 The IMF also supported the Government reform program through a standby of US\$63.3 million, which was converted to an ESAF in August 1994 when the Bank and the IMF approved the Government's Policy Framework Paper for 1994-97.

2.3 The ERC was intended to help the Government manage the economy following devaluation, assist it in maintaining macroeconomic equilibrium, meet immediate social needs of the post-adjustment period, and accelerate human resource development by increased access to basic resources and opportunities for income creation. Its explicit objectives were (1) to support the Government's reform program, set out in a Statement of Economic and Social Policies adopted on February 23, 1994, particularly including measures to minimize the negative social impact of the devaluation in the short run; (2) to provide balance of payments support during the transition period in which follow-up operations were being prepared; and (3) to continue the policy dialogue between the Government and IDA for further reforms. To mitigate the risks and help control inflation, the Credit included price controls, fixing ceilings on increases for key prices, and a Government subsidy fund mainly for basic grains.

2.4 Measures to control aggregate demand and thus inflation included increasing the Central Bank discount rate, though this rate was allowed to decline later; preventing any increase in the number of civil servants; putting a ceiling of 10 percent on civil service salary increases (after restoring the pay cuts made in 1993); setting a ceiling (of CFAF 149 billion) for the civil service payroll; and the above-mentioned price controls. Consumer prices were raised by 33 percent for rice, 30 percent for flour and sugar, 23-24 percent for vegetable oils, 22-30 percent for utility services, and 20-30 percent (including the effects of tax changes) for petroleum products. Producer prices were increased by 43 percent for peanuts, 30 percent for cotton, and 6 percent for rice.

2.5 The devaluation offered an opportunity to reduce protection and to simplify the tax system, which had grown excessively complex. The Government's tax reforms aimed to simplify the tax system and its application; to lower duties across the board; to widen the tax base; and to

provide reasonable effective protection to domestic production through tariff measures. (Quite a high level of protection was maintained.)

2.6 A condition of effectiveness (completed by Board presentation) was to simplify the customs tariff structure, setting the ceiling rate at 45 percent and the range of duties at 10-45 percent, plus a stamp duty on all imports of 5 percent. These duties compared to a previous range of 6-124 percent and stamp duties of 6 percent and 12 percent. (However, smuggled valuable goods were easy to buy in public markets.) At the same time, the Government eliminated all taxes on exports and export subsidies. (State-owned enterprises continued to monopolize the processing and marketing of the leading export products, and many prior authorizations to import remained.) The Government also undertook not to institute any new price control or approval system apart from the price controls described above.

2.7 As a further condition of effectiveness, the system of value added tax rates was simplified. In place of five rates on non-petroleum products, from zero to 30 percent, the VAT was reduced to three rates (0, 10 and 20 percent). The zero rate continued on basic goods such as flour and milk, pharmaceutical products, and value added in small commercial activities. The VAT was extended to the transportation of rice, petroleum products and cement. The previous system of four VAT rates for petroleum products, ranging from 7-34 percent, was replaced by a single rate of 20 percent.

2.8 Another major measure was to require a government budget appropriation of CFAF 15 billion for what were called, along with the price ceilings, social safety net arrangements, consisting of CFAF 8 billion for rice (ensuring an adequate supply at the controlled price), 2.5 billion for wheat, 2.5 billion for pharmaceuticals, and 2 billion for education.

2.9 A far-sighted measure, associated with the preparations already made for a private sector development project, was to require the identification of major obstacles, such as monopolies and regulatory instruments, that hindered competition and blocked increased private sector production and investment.

2.10 Other elements in the program were not conditions of effectiveness, but rather targets for 1994 results. They included a revised three-year public investment program for 1994-96; the reduction of public domestic payment arrears by CFAF 32 billion (compared to the level of 47 billion when the year began); the settlement in 1994 of all public external payment arrears totaling initially CFAF 174.2 billion; and an increase in 1994 to CFAF 112 billion in central Government investment.

2.11 The program was to include an acceleration of the 1994 school construction program to build an additional 300 primary school classrooms and recruit and train the necessary teaching personnel. Recapitalization of the Agricultural Credit Bank CNCAS was also called for. Finally, four actions were included to improve the operating results of public enterprises with a large impact on Government finances: an audit of the power company SENELEC; a study of strategies for restructuring the national water company SONEES; finalization of a strategy for privatization of the peanut processing company SONACOS; and restructuring of CPSP (a fund for price equalization and stabilization) in order to reduce its overhead costs.

2.12 Weaknesses in the design of the project were first, that it did not take sufficiently into account the possibility of revenue shortfalls and their implications; second, that it was based on

over optimistic economic projections; and third, that it did not include adequate supervision of the later phases when the non-binding objectives would be pursued.<sup>1</sup>

## Relevance

2.13 This project was designed quickly to help meet the need for emergency financing in a year in which the country experienced serious shortages of revenue and foreign exchange. It supported the Government's ambitious hopes for an adjustment program that would:

- Lead to annual growth at 5 percent or more from 1995 onward;
- Raise the investment/GDP ratio;
- Improve and strengthen the external competitiveness of the Senegalese economy through structural and regulatory reforms;
- Reduce the inflation rate quickly to its pre-devaluation level; and
- Step up poverty alleviation and human resource development efforts.

2.14 The conditionality was generally well targeted. Whether the safety net subsidy of 15 billion CFA francs could have been aimed more toward poorer regions and income strata is debatable, and the producer price rise of only 6 percent for rice seems low. It did, however, contribute to Government revenues from sales of rice. In the rest of the program, the extent of the revenue problem and its implications were not fully anticipated—the initial macroeconomic projections evidently were over optimistic.

2.15 Public expenditures on education and health were shielded in the project design mainly by shoring up the Government's total revenues and expenditures for all purposes, with the help of substantial foreign aid from all sources. The provision for more primary classrooms and teachers and the safety net expenditures in health and education were intended to help also. Attaching to this credit, as goals rather than conditions, actions to accelerate reform of the public enterprises SENELEC, SONEES, SONACO and CPSP seem to have contributed to positive results in all except SONACO.

## Implementation and Outcome

2.16 The 50 percent devaluation had a major impact on Senegal's economy. GDP per capita fell at the official rate from \$753 in 1992 to \$419 in 1994. GNP fell from \$5,805 million in 1992 to \$3,409 in 1994, while imports of goods fell from \$1,107 million to \$808 million. Fiscal revenue dropped from 15.2 percent to 13.2 percent of GDP (Annex 3). These dramatic changes

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<sup>1</sup> The Region notes that macroeconomic framework established under the ERC was also supported by the Fund through a one-year stand-by arrangement on March 2, 1994, replaced by a three-year ESAF on August 29, 1994. Although the review of the Government financial operation at end June 1994 revealed that revenue fell short of targets, the Fund persuaded the Government to keep the initial end-December projections. As pointed out in several Fund reports, difficulties which emerged in revenue collection were due primarily to organizational weaknesses of the tax and customs administration, and tax fraud, particularly at customs. A change in the composition of imports towards products subject to lower levels of taxation (capital goods) also reduced customs receipts. Revenue shortfalls were not the only reason for the delays in implementing some of the non-binding measures. There were also less foreseeable events like shortfalls in external budgetary assistance, due largely to delays in reaching agreements with the Government on the Private Sector Adjustment and Competitiveness Credit and the Agricultural Sectoral Adjustment Credit, and shortfalls in non tax revenue (27 percent below the amount projected for 1994), primarily because of delays in disbursements from the fishing agreement with the European Union.

brought most costs and prices down to realistic levels, expanded both import substitution and exports, and revealed the true income picture.

2.17 The macroeconomic results included an increase of 2.9 percent in GDP at constant 1987 prices in 1994, a sharp rise compared to 1993. This was followed by a 5.5 percent increase in 1995. Exports rose in 1994 by 7.5 percent, bringing them to slightly above the 1991 level. They benefited from relatively high international prices for peanuts, cotton and phosphoric acid, Senegal's leading export products. (The added price incentive also led to an unsustainable rise in fisheries exports, depleting fish stocks and catches by 1996.) Most importantly, inflation was held to 33.2 percent in 1994 and only 7.8 percent in 1995. As a result, the real effective exchange rate depreciated in 1994 by an estimated 36.3 percent.

2.18 The Government implemented the agreed tariff and tax measures well ahead of project effectiveness and kept its other principal commitments in the ERC. For example, at the end of 1994 civil service employment stood at 66,696, compared to the ceiling of 67,100 in the project. All of the consumer and producer price increases were introduced rapidly and served to limit expectations of further inflation.

2.19 The Directorate General of Customs (DGD) chose to adopt four basic categories of tariffs, rather than seven previously, but above the 45 percent ceiling, imposed a surcharge of 20 percent on luxury products, as well as special additional duties of 30 percent on cola, tobacco and alcohol products. At the other extreme, exemptions were eliminated, except for those associated with imports for projects supported by donors and a few other items such as printed matter. Additional protection also seems to have been retained for selected agricultural products, and non-tariff barriers were not completely removed.

2.20 Tight credit policy held credit to 11.2 percent of GDP in 1994, well below the projected ceiling of 24.4 percent. The liquidity of the banking system improved, so it reduced its recourse to Central Bank financing. With inflation falling, by the end of the year the Central Bank had reduced its discount rate to 9 percent.

2.21 The provision to study obstacles to private sector growth led to valuable results. The initial study was completed by March 31. By early March, the Government established the Competitiveness Review Group (CRG or GRCC in French)—the private sector, labor union and Government discussion group that went on to design the principal measures of the PSAC. The early enactment of many of the measures proposed, in some cases as early as June 1994, shows that many of the discussions and workshops were fruitful from the start.

2.22 Total Government revenues in 1994 fell far short of projections, only CFAF 301.5 billion, compared to CFAF 395 billion projected. The budget deficit rose to 5.7 percent of GDP compared to 3.6 percent projected, then came down in 1995 to 3.3 percent of GDP (2.1 percent originally projected). Public expenditures on education rose 12 percent, adequate considering that civil servants' salaries were virtually frozen. The funds for pharmaceuticals strengthened the budget for health.

2.23 The main positive effects on poverty alleviation seem to have come from the 43 percent rise in the producer price of peanuts—produced mainly by poor farmers—compared to inflation of 33 percent; the assured availability of rice and bread throughout the country; and the macroeconomic stabilization without higher inflation. The most conspicuous losers were the rice farmers, with their producer price raised just 6 percent. Overall rural incomes rose by about 32.5 percent, thus keeping pace with inflation.

2.24 Because revenue fell so far short, only three of the 1994 non-binding goals were met after the March effectiveness date. One was the three-year plan, submitted in August. The second was the plan for restructuring SONEES, which was then implemented by February 1996. The third was the reduction of public domestic arrears by CFAF 32 billion.

2.25 The goals not met included several for which funds were insufficient, despite the inflow of foreign aid. Instead of the target of CFAF 112 billion in investment, only 100 billion was achieved. Unpaid public arrears to foreigners were reduced from CFAF 174.2 billion to 45.5 billion. The building of 300 extra classrooms and recruitment and training of teachers for them were not carried out.<sup>2</sup> The agricultural credit bank CNCAS was not recapitalized, and the subsidized safety net expenditures fell below the levels anticipated in wheat (CFAF 1.8 billion) and pharmaceuticals (2.1 billion), rather than the 2.5 billion allocated in each case. Because the French government persuaded textbook suppliers not to double their book prices in CFA francs, the Ministry of Education decided to spend its 2 billion to send more Senegalese students abroad, instead of trying to reduce a national illiteracy rate then around 68 percent—78 percent for women. The financial audit of SENELEC was completed in 1995. A debate in the Assembly on abolishing CPSP began in late 1995 and because of its high costs it was abolished in 1996. SONACOS, in contrast, has not yet been privatized.<sup>3</sup>

2.26 Closer supervision might perhaps have led to more satisfactory results in areas such as education and the SONACOS privatization, and possibly even in revenue and spending, but the front-loaded one-tranche design of the project left little incentive for close supervision.<sup>4</sup>

2.27 Institutional development results were positive in such areas as customs duties, value added taxes, reforms of public enterprises and experience in managing such a huge change in the overall economic situation. Subsequently, privatization has made much headway. Of the four public enterprises included in the ERC, CPSP was liquidated in 1996 because of its high costs; SONEES was privatized in 1997, SENELEC in 1999, and SONACOS will be privatized by late 1999.

2.28 A reform further reducing the high customs duties still in force after this project took place in 1998. The resulting tariffs reflect what Senegal states were tentatively agreed to by the UEMOA countries, prior to their becoming a customs union, scheduled for January 1, 2000. There are now just four tariff levels, ranging from zero to 25 percent (for finished products). The 5 percent stamp duty continues, but numerous imports are now exempted. The duty is supposed

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<sup>2</sup> The Region notes that an ongoing education project was expected to monitor classroom construction. Delays occurred because of inefficiencies in the Government investment program and procurement code, as well as the revenue shortfalls that affected the entire investment program.

<sup>3</sup> A law was passed for the privatization of SONACOS in 1994, and preparation began quickly, supported by the Agricultural Sector Adjustment Credit and by USAID. A first attempt to sell the company in early 1996 failed due to unsatisfactory offers. Senegal requested a waiver for the disbursement of the second tranche of the ASAC at end December 1996. The Bank granted the waiver on the basis of the Government commitment to bring the company to the point of sale. The Government modified the conditions of sale, increasing the share to be privatized, but a second attempt in 1999 also failed due to uncertainties on the tariff regime for edible oil.

<sup>4</sup> The region notes that the ERC was an emergency support project, and its design reflected that constraint. It was understood that subsequent adjustment operations would follow up with the implementation and monitoring of reforms needed for a sustained high economic growth. Indeed, the ERC provided a solid macroeconomic situation which permitted the discussions on subsequent operations (including the privatization of SONACOS) to begin.

to be replaced by a 1 percent statistical tax when the UEMOA customs union comes into effect. Senegal's value added tax, typically 20 percent, is then applied to the product after these duties have been paid. Moreover, there are protective surtaxes on a number of agricultural products (e.g., 20 percent on rice and potatoes) and reference prices with similar effects on others (e.g., sugar, flour and canned milk).<sup>5</sup> Thus, further reforms are needed.

2.29 Taking into account the circumstances and the good overall results, the outcome of the ERC is rated satisfactory.

### **3. PRIVATE SECTOR ADJUSTMENT AND COMPETITIVENESS CREDIT**

#### **Objectives and Design**

3.1 The goal of the PSAC was to stimulate the supply response of the private sector to the January 1994 devaluation of the CFA franc. To this end, it supported a reform program which aimed to (1) complete the liberalization of domestic and external trade; (2) improve the export and investment regimes; (3) eliminate rigidities in the labor market; and (4) reduce maritime transportation costs. As in the ERC, the Ministry of Finance (MEFP) took the leadership role on the Government side.

3.2 The Government's description of the project (in its contribution to the ICR) describes four strategic axes: to encourage competition in domestic commerce and imports; to promote and stimulate exports; to improve incentives for investments; and to reduce the costs of labor. More specifically, the project was directed principally toward the reinforcement of domestic competition and the improvement of enterprises' competitiveness; rationalization of taxes both in ports and in the interior; promotion of exports; improvement of the regulatory and judicial framework; improvement of the functioning of the labor market; reduction of the costs of factors of production; and strengthening of institutional support to the private sector. There is no explicit mention of maritime or other transport costs and some of the emphases are different from those in the President's Report and in the ICR.

3.3 The design of the project emerged from discussions in the CRG, established by March 1994 as part of the ERC. As already noted, this Group consisted of representatives of the private sector, labor and the Government. The CRG organized workshops and discussions under five commissions to review constraints to private sector development. These commissions focused on: (1) domestic competition, imports and monopolies; (2) export promotion; (3) incentives for investment; (4) reduction of transport costs; and (5) labor regulations and costs.

3.4 The project was mainly the result of a national effort, giving the Government and the other participant groups a strong sense of ownership. The Government's description of the project implies, however, that IDA cooperated closely with the CRG commissions during the design stage. A large majority of the measures recommended by the CRG became conditions of Board presentation. These measures generally followed up tasks left incomplete in the ERC.

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<sup>5</sup> Onions and bananas also pay 20 percent, sorghum, maize and cornmeal 10 percent, and specific duties apply also to tomatoes and chickens as well as (e.g.) cigarettes.

3.5 To liberalize imports and promote competition in domestic and internal trade, Senegal was to abolish the reference price system for imports (*valeurs mercuriales*) by the start of 1995, and suppress prior authorizations for imports of 11 products before Board presentation in February. Other prior authorizations, for agricultural products, were quickly suppressed under the ASAC, launched in June 1995, while three were allowed to remain, on gold and silver bars plus one on second-hand clothing, justified as a health measure.

3.6 Out of 24 products subject to price controls, the prices of 13 (accounting for 12 percent of GDP) were liberalized immediately; some of the remaining 11 were soon abolished. To create a substitute safeguard form of protection, an anti-dumping law was adopted before Board presentation. To increase domestic competition, an application decree, satisfactory to IDA, was adopted before Board presentation. This decree set up a Competition Law and created a Competition Committee.

3.7 As another condition of Board presentation, the Government eliminated the legal status of special agreements, which had proliferated with major state enterprises, and signed protocols with the beneficiaries terminating existing special agreements in force with eleven state-owned enterprises, all but two engaged principally in exports. Expired special agreements with other enterprises were not allowed to be renewed, and none of the existing or previous agreements could be transferred to new owners. In each case, agreement was then to be reached on an action plan to eliminate immediately or else phase out the firms' tax benefits. (Only three of the resulting plans involved a phase-out of modest tariffs.)

3.8 To promote exports, Board presentation conditions were to suppress prior authorizations except for those on gold and silver bars, eliminating those on the export of cereals, confectionery peanuts, jewelry and tomato products; to allow imports of packaging products through temporary import regimes; and to simplify foreign exchange administrative procedures through compulsory application of a new standard document for exports and imports considerably reducing the time and cost of these procedures. Two further actions were conditions of second tranche: to reform and improve the temporary import regimes; and to evaluate and review the free-zone system and carry out recommended improvements, with emphasis on the incentive tax package, increasing the transparency of the agreement process, and improving implementation and control.

3.9 On incentives for investments, one condition for Board presentation was agreement on a new list of exceptional professions whose exercise requires prior authorization because of public safety, security or health reasons, for example, medical doctors or armed security guards. An associated second-tranche condition was to adopt the corresponding application decree; but this was actually achieved before Board presentation. A further condition for initial Board presentation was the submission to the National Assembly of a law allowing the Government to sell land, particularly for industrial and commercial uses, in accord with zoning rules, followed by adoption of the application decree. Another measure recommended, although not as a project condition, was the adoption of a law reducing taxes applied to the establishment of new enterprises, in particular small and medium-sized enterprises. The Government was also encouraged to start considering reforms to replace its various incentive regimes and simplify investment procedures. Agreement with IDA on an action plan in this area, guided by FIAS reports, was the last of the four conditions for second-tranche release.

3.10 To reduce labor costs, the main condition for Board presentation was the enactment of legislation authorizing enterprises to adjust freely the size of their working force according to their level of economic activity. The labor code was amended to abolish the requirement of prior approval by Labor Inspection for all layoffs including those caused by economic difficulties or



internal restructuring.<sup>6</sup> The other condition for Board presentation was to terminate the monopoly of the BMOP, the bureau in charge of labor in the ports, to reduce the high handling costs at the port of Dakar.

3.11 In order to reduce maritime transport costs, conditions for Board presentation included the abolishment of the monopoly of COSENAM, the minority publicly-owned maritime navigation company, on 40 percent of the nation's maritime transportation, and greatly reducing the 40 percent share reserved for regular conference lines, thus virtually freeing sea transportation from the 40-40-20 division allowed under the UNCTAD Convention, and opening up competition among domestic sea carriers. A further condition was to give majority representation, and thus control, to private sector importers and exporters on the Board of Directors of COSEC, the shippers' association, which previously had a monopoly power in assigning cargoes to ships. Another condition of Board presentation was to abolish COSEC's levy on exports and on inputs imported for the production of goods to be exported; the level of this levy was then 0.3 percent.

3.12 Three other measures were included, but not as conditions of either tranche. The first, implemented before the first tranche, was to introduce a system of sealed containers to facilitate transshipment of containers within the port of Dakar and between the port and the free zone. The second was to carry out a cost analysis of using the Port and Airport of Dakar, to propose measures to lower these costs by May 1995, and to implement recommended measures by June 1995. The third was to determine and adjust COSEC's levy on imported goods based on a financial audit for the last three years.

## Relevance

3.13 This project was highly relevant to the situation in Senegal following the devaluation and the launching of the ERC. The extent of the conditionality illustrates the many obstacles that existed to the free functioning of markets prior to this project.

3.14 While nothing was explicitly privatized, as many as a dozen state enterprises lost their special privileges, including COSENAM with its 40 percent share of shipping. COSEC and BMOP lost their previous monopoly powers. The ability of the free zone administration to make deals was restricted. Customs was required to reform its temporary import regimes and, along with other organizations involved, to give up prior import and export authorizations. Prior authorization for lay-offs for economic reasons was abolished. Other regulators could no longer stand in the way of purchases of land or entry into professions, or tax heavily the establishment of new enterprises.

3.15 Whether even more ambitious reforms could and should have been attempted is an interesting question. The chief limiting factors may have been private business leaders' limited recognition of their longer-term requirements, and the World Bank's limited conception of what was most needed beyond partial deregulation.

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<sup>6</sup> Memorandum of December 21, 1995, from Jean Louis Sarbib, Director AF5, through Edwin V.K. Jaycox to Gautam Kaji, Managing Director, recommending release of the second tranche. The descriptions in both the ICR and the Government's accompanying documents are inaccurate on what was agreed in this area.

## Implementation and Outcome

3.16 The Government implemented all the conditions for Board presentation. Several were embodied in measures taken as early as June 1994. All but two were completed before 1995 and these two, the anti-dumping law and adoption of the decree satisfactory to IDA with competition law features, including a Competition Law and Competition Committee, were passed on January 20, 1995.

3.17 Most controlled prices that were not decontrolled in the initial list were soon decontrolled, in most cases under the ASAC. The Government also pursued vigorously its agreements with state-owned enterprises, and reached agreements with all of them by October 1995, giving temporary tariff surcharges, to be phased out over three years, only to tomato paste (20 percent), wheat flour (10 percent) and polypropylene bags (20 percent). The reduction of taxes on the establishment of new SMEs was adopted in May 1995.

3.18 Three second-tranche conditions presented problems, however, which delayed tranche release until late December. The improvement of the free-zone system was only achieved to IDA's satisfaction through an action plan agreed to in November 1995, leading to a law approved on December 21, 1995, which "simplified and made transparent the Free Zone Regime".<sup>7</sup> Another condition for second-tranche release, consolidating existing investment promotion schemes and simplifying investment procedures, with the help of FIAS reports and recommendations, was met in an action plan agreed to between the Government and IDA in November 1995. The plan called for a reduction of import duties for capital goods from 23 percent to 5 percent and of the corporate tax on profits from 35 percent to 15 percent, when Senegal could afford to take this step, while compensating the tax losses by extending the VAT to value added in commerce. A new law correspondingly widening the coverage of the VAT was passed in December 1995, and the further measures were to be introduced as soon as the level of Government tax revenues improved sufficiently.

3.19 The second-tranche condition that caused the most trouble was the reform of the temporary import regimes. An action plan was proposed by FIAS by early November 1995 and agreed to by the Government, the Bank, and the IMF in December 1995. The action plan included 23 recommendations, some of which did not require new legislation and two or three of which were optional and called for reflection and study. The memorandum within the World Bank calling for second tranche release speaks of the enactment on December 15 of revised legislation to simplify the procedures of the import regime for inputs. The ICR says that 15 of the measures were implemented in December 1995 by circulars issued by DGD. The Customs authorities did not in the end accept the recommendations in their entirety, but complete compliance was not called for in the action plan.

3.20 The cost analyses of the Port and Airport of Dakar got off to a slow start. They were finally turned over to a consulting firm, but World Bank funding for the port study ran out in 1996, so it was never completed, let alone implemented.<sup>8</sup> The final report on the service of the Dakar Airport only became available in September 1996, at which point the CRG was asked to discuss the results and recommendations of the study. However, the abolition of the BMOP monopoly was followed by a circular on terms and conditions for opening new offices for hiring longshoremen in the Port of Dakar; three sea carriers applied and were accepted, thereby making

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<sup>7</sup> Ibid.

<sup>8</sup> The Autonomous Port of Dakar declined to be interviewed by the audit mission. However, the Borrower notes that the studies were subsequently completed and the recommendations are being put into effect.

the market for labor in the port more competitive. In a non-binding measure related to transport, the audit of COSEC's finances in the last three years was deemed unnecessary by the exporters and importers now in power within COSEC, and they chose a new levy rate of 0.2 percent in place of 0.3 percent, announcing it in August 1995 to become effective on December 19, 1995. Meanwhile, COSEC lost its former monopoly on the assignment of cargoes to ships. Before the end of 1995 shipping was completely liberalized, according to the Director of the Merchant Marine. Thus the basic aims of the project were met except in regard to the management and costs of the Autonomous Port of Dakar.

3.21 In summary, almost all of the project was carried out as designed and led to positive results. The GDP expansion of 5.5 percent in 1995 and 5.2 percent in 1996, and an estimated 5 percent and 5.7 percent in 1997 and 1998, can be attributed to the PSAC and the devaluation itself even more than to the ERC. By 1998 the rate of inflation was below 3 percent and the fiscal deficit was under 1.5 percent of GDP, according to Internet reports. The rate of investment rose from 13.7 percent in 1993 (and 12.5 percent in 1991) to an estimated 21.9 percent in 1998.

3.22 Several other subsequent results deserve to be underscored. Cautious about the revenue implications, Senegal has made almost no changes in its value added taxes since December 1995 and has kept at 35 percent the tax on corporate profits. However, the Government has lowered this rate to 15 percent for any firm outside the free zone that makes at least 80 percent of its turnover from exports. Firms already in the free zone pay no tax on their profits in perpetuity, even though they are allowed to sell up to 40 percent of their output on the domestic market. In regard to another part of the action plan on improving investment incentives, by 1997 the DGD reduced the tariff on capital goods from 23 percent to 5 percent.

3.23 As a result of both PSAC improvements in free zone practices and lower costs in the zone as a result of the devaluation, the zone in April 1999 had 10 active firms with combined employment of 995, compared to 5 firms with 522 employees in mid-1994. Ten additional firms, almost all of them foreign, have applied to invest in the zone but their applications are on hold pending a Government review of the policies applying to new firms there. The "points francs" (individual firm free zones) which numbered 14 in 1994, 12 of them in fisheries and fish processing, have been abolished. Customs practices in regard to temporary admissions and other "regimes suspensifs" have in general been substantially improved with the help of the FIAS PSAC recommendations.

3.24 There are now 99 firms under the temporary admissions system, many of them exporting as little as 25-30 percent of their output. (They pay normal import duties if they have to sell on the local market goods produced under this regime, so they try to limit their imports under it according to what they think they will be able to export.) This is a rather small number of industrial and fishery firms exporting over 30 percent of their output, for an economy of Senegal's dimensions.

3.25 With the liberalization of maritime shipping now total, the Government has decided to sell what remains of COSENAM. Many other privatizations have taken place; for example, the telecoms company was privatized in 1998.

3.26 Meanwhile, in the labor law area, the 1994 law passed as a condition of the PSAC was followed by a 1997 law that was substantially changed from the original so that it now has both positive and negative features from the employer's point of view. He or she has more latitude to hire and fire, but employees have increased fringe benefits and it is easier for them to strike.

3.27 The institutional development rating of the project is strongly positive, as the Government learned to manage a large number of positive changes, especially in regulatory arrangements and in disbanding monopolies. The outcome of the PSAC is rated as satisfactory. It would have been rated even higher if the private sector had emerged with a clear sense of its weaknesses and remaining needs and priorities.

## 4. SUSTAINABILITY

4.1 None of the advances made in 1994 and 1995 have been rolled back, and the momentum from each project has led to further gains, already noted. Sustainability of these projects is therefore not in doubt. Institutional development was definitely positive and satisfactory in both projects. However, the policy regime, industrial development and the private business sector today still leave much room for improvement.

4.2 The Competitiveness Review Group has remained in existence under a follow-on IDA Credit for Strengthening the Private Sector, launched in mid-1996 with a closing date of 2001. The five commissions stayed in existence through 1998 and have been replaced by working groups on particular sectors (e.g., tourism, fisheries, tele-informatics).

4.3 Much remains to be done to improve the environment for private business and industries. Rent-seeking and corruption still exist; exports grow only slowly and are not yet diversified; private monopolies have emerged in some cases from privatizations; intermediate goods industries and subcontracting to small and medium industries are in their infancy; bureaucratic and regulatory obstacles still abound; and the economic environment discourages foreign investments. Aid donors try to help the private sector through public sector agencies, but hardly any lend directly to efficient private firms. The Government and the leaders of professional and employers' organizations have undertaken, with the support of the development partners, the elaboration of a strategy for the development of the private sector, in order to increase its contribution to economic growth.

4.4 Private business leaders, struggling now to develop a strategy, need to focus on a set of policy requirements of rapid private-sector industrial and manufactured export growth: zero duties on raw materials and most intermediate goods; lower protection of finished goods; virtually automatic low-cost working capital for exporters; a large reduction in overall foreign aid, which has always been disproportional to the scale of the economy and discourages tradable sector activities in industry, services and agriculture; greatly reduced corruption and rent-seeking, which may call for further deregulation; vigorous measures to break up private monopolies and duopolies; large tax breaks for training within firms; and the physical need for uninterrupted, low-cost electric power for every business.

4.5 Meanwhile, Senegal's need to develop its human resources remains intense with, in 1997, an illiteracy rate of 67 percent (75 percent for women), together with life expectancy of 52.<sup>9</sup> (Fortunately, progress is being made; life expectancy is rising and new classrooms are now being added rapidly.)

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<sup>9</sup> World Bank data.

## 5. SUMMARY OF RATINGS

5.1 The outcome of the ERC is rated as satisfactory, as are Bank and Borrower performance, despite the overly optimistic projections resulting from the time pressure under which the project was prepared. Institutional development impact, not a major objective of the project, is rated modest, and sustainability, likely.

5.2 The outcome of the PSAC is rated satisfactory, institutional development impact is substantial, and sustainability is likely. Bank and Borrower performance is rated highly satisfactory, because there were so many well chosen conditions and tasks carried out, with only minor shortcomings, and cooperation was excellent. Much remains to be done, but this project, together with the ERC, made a good start in the reform agenda.

## 6. KEY LESSONS LEARNED

6.1 Lessons from the ERC are:

- A single-tranche operation can be highly effective in improving the policy regime while holding down inflation after a large devaluation; and
- Goals and targets beyond the first tranche conditions should be very limited in number and chosen with caution, especially in view of the difficulties of projecting the revenue situation.<sup>10</sup>

6.2 Lessons from the PSAC are:

- Bringing together the private business sector, labor and Government in commissions to design the different aspects of this many-sided project contributed greatly to the quality of the project and to the country's sense of ownership of the many measures taken. The World Bank provided discreet guidance favoring the needs of the private business community.
- The two tranche design, with most of the conditionality up front, was very effective. The initial conditions were well chosen, and further effective results came from negotiations of second tranche conditions.
- Shared objectives and views of the Government and the World Bank helped to make this project (and the ERC) successful.

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<sup>10</sup> As suggested in the ICR, the so-called safety net funding of CFAF 15 billion could ideally have been better aimed at the poorest regions and classes, but the general effect was nonetheless healthy in helping to hold down inflation and ensure nation-wide supplies of rice, bread and medicines.



## COMMENTS RECEIVED FROM THE BORROWER

REPUBLIQUE DU SENEGAL  
Un Peuple – Un But – Une Foi

MINISTRE DE L'ECONOMIE  
DES FINANCES ET DU PLAN

LE MINISTRE

N° 00005 MEFP.

Dakar, le

04 FEV. 2000

A Monsieur Ruben LAMDANY  
Chef de Groupe Evaluation des  
Pays et Relations Régionales  
Département de l'Evaluation  
Rétrospective des Opérations.  
Banque Mondiale  
Washington, D.C. 20433 – USA

Fax : (202) 522 31 24

**OBJET** : Rapport d'évaluation rétrospective des projets  
Crédit de Redressement économique (Crédits 2582-SE  
et 2582-1-SE) et Crédit pour la Compétitivité et l'Ajustement  
du Secteur privé (Crédit 2681-SE).

Monsieur le Chef de Groupe,

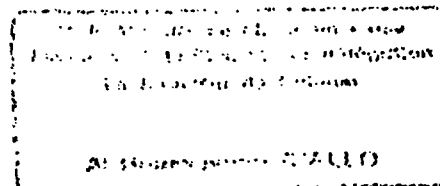
Vous avez bien voulu nous faire tenir pour observations le projet du rapport cité en objet.

Nous avons noté l'appréciation globalement positive qui résulte de l'évaluation rétrospective des deux projets concernés, nonobstant les précisions et reformulations qui nous paraissent nécessaires à certains endroits du document.

Nous vous remercions et vous communiquons par la note jointe ci-après les observations que nous a inspirées la lecture du projet de rapport.

Veuillez agréer, Monsieur le Chef de Groupe, l'assurance de notre considération distinguée.

P.J. : 1



REPUBLIQUE DU SENEGAL  
Un Peuple – Un But – Une Foi

**MINISTRE DE L'ECONOMIE,  
DES FINANCES ET DU PLAN**

**Observations sur le projet de rapport  
d'évaluation rétrospective des projets Crédit  
de redressement économique (crédits 2582-SE et 2582-I-  
SE) et Crédit pour la compétitivité et l'ajustement du  
secteur privé (Crédit 2681-SE)**

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De façon générale, l'évaluation rétrospective a conduit à juger satisfaisante les conditions de mise en oeuvre des projets concernés, que ce soit du côté de la Banque Mondiale ou de celui du Gouvernement sénégalais. Les analyses sur lesquelles repose l'évaluation sont aussi correctes dans l'ensemble, exception faite de quelques parties qui gagneraient à être reformulées. Partant de ce constat, on distingue dans la présente note les observations de forme, les propositions de formulation à des fins de précision, et les propositions de révision pour les idées qui ne sont pas partagées.

**I. Observations de forme**

Paragraphe 2-11 : la SONACOS est une société de transformation de l'arachide (et non de l'huile d'arachide). La CPSP était la caisse de péréquation et de stabilisation des prix (et non des prix agricoles).

2-12 – Ecrire « il n'a pas été suffisamment tenu compte..... » au lieu de « il n'a pas été suffisamment compte tenu. ».

2-13 Ecrire que « Le projet rapidement mis au point » au lieu de « le projet mis au point à la hâte ».

3.17 « Le Gouvernement s'est également activement occupé » devrait être remplacé par « Le Gouvernement s'est également occupé avec diligence..... ».

3-20 « Toutefois, l'abolition du BMOP » devrait être remplacé par « Toutefois, l'abolition du monopole du BMOP ».

4-1 « Aucun progrès » au lieu de « aucune progrès ».



6-2 Dans la phrase « le fait de réunir des représentants des entreprises privées, du salariat et du Gouvernement » remplacer « du salariat » par « des travailleurs ».

## **II. Propositions de formulations plus précises**

1-4 Au lieu de dire que le Plan (d'urgence) a échoué à cause de la surévaluation du franc CFA et de l'insuffisance de l'aide financière extérieure, il serait plus exact de dire que les mesures de ce Plan ne s'imposaient plus du fait de la dévaluation du franc CFA.

2-4 Il est écrit qu'il était prévu de porter le taux d'escompte de la Banque Centrale de 10,5 à 14,5 %. Cela ne paraît pas exact : on devrait plutôt dire « qu'il était prévu de relever le taux d'escompte de la Banque Centrale ».

2-12 Il conviendrait sans doute de parler de « projections économiques trop optimistes » plutôt que de « projections économiques erronées ». Cette remarque est également valable pour le 2-14.

2-24 Il conviendrait de parler « d'objectifs moins contraignants de 1994 » que « d'objectifs non contraignants ».

2-25 Au lieu de dire que « Le Ministère de l'Education a décidé d'utiliser l'enveloppe de 2 milliards en envoyant davantage de jeunes étudier l'étranger, moyen détourné de réduire le taux d'analphabétisme », il conviendrait d'écrire : « le Ministère de l'Education a décidé d'utiliser l'enveloppe de 2 milliards en envoyant davantage de jeunes étudier à l'étranger, au lieu de recourir à une affectation qui réduirait le taux d'analphabétisme ».

3-6 Il est écrit que les 11 produits restants représentaient 3 % du PIB : il y a lieu de s'interroger sur la manière de rapporter ces produits au PIB : est-ce la valeur ajoutée relative aux branches correspondantes, ou le chiffre d'affaires annuel ?

3-10 Au lieu d'écrire : « supprimer l'autorisation préalable donnée par un Inspecteur du Travail », écrire « supprimer l'autorisation préalable donnée par l'Inspection du Travail ».

3-14 Remplacer « Les inspecteurs du travail ont perdu leurs pouvoirs » par « L'autorisation préalable de licenciement pour motif économique a été supprimée ».

3-24 Remplacer la phrase « Elles paient des droits de douane élevés » par « elles sont soumises à la fiscalité de droit commun ».

3-26 Remplacer « Une loi qui a été en quelque sorte sabotée par des législateurs et des ministres socialistes » par « une loi dont le projet initial a été profondément modifié, de sorte qu'elle comporte des aspects positifs et négatifs ».

4-5 Remplacer « En 1997, le taux d'alphabétisation des femmes était de 25 % et le taux d'alphabétisme global de 35 % », par « En 1998, le taux d'analphabétisme était de 51,4 % (75 % pour les femmes) ».

### **III. Propositions de reformulation**

3-6 « Pour stimuler la concurrence intérieure, qui reste faible à l'heure actuelle » autant on pouvait admettre un tel jugement avant la dévaluation et les réformes qui ont suivi cette mesure, autant une telle appréciation est aujourd'hui réfutable, compte tenu des mesures d'ouverture et de libéralisation qui ont été prises.

3-11 « La COSENAM, compagnie de navigation maritime à capitaux publics », la COSENAM est en fait à capitaux publics minoritaires.

3-20 Les études qui avaient été entreprises sur les coûts du port de Dakar ont été finalisées par la suite, dans le cadre des activités du GRCC et les recommandations qui en ont résulté se mettent en oeuvre progressivement.

3-27 Il est écrit « bien qu'il se soit révélé difficile d'asseoir l'autorité sur certains organismes tels que les Douanes et le Port de Dakar compte tenu de la puissance de ces administrations ». Cette rédaction laisse croire que les Douanes et le Port échappent à leur autorité de tutelle, ce qui n'est pas le cas.

4-3 La rédaction de ce paragraphe pêche par excès. Autant il reste à faire pour améliorer l'environnement des entreprises commerciales et industrielles, autant est exagérée la description que l'on fait de la corruption, de la recherche de rente, du caractère de l'aide jugée excessive et mal coordonnée. Il est également réfutable de dire que des monopoles sont apparus un peu partout après les privatisations. Il est aussi restrictif et erroné de dire que « les responsables des organisations professionnelles commencent seulement à définir une stratégie encore floue pour promouvoir un développement tiré par le secteur privé » ou que « l'USAID et la Banque s'emploient actuellement à aider les pouvoirs publics et les opérateurs privés à élaborer une stratégie de développement du secteur privé ». En réalité, il conviendrait d'écrire : le Gouvernement et les responsables des organisations professionnelles et patronales, ont entrepris, avec l'appui des partenaires au développement, l'élaboration d'une stratégie de développement du secteur privé, pour en faire davantage le moteur de la croissance.

## Basic Data Sheet

### ECONOMIC RECOVERY CREDIT (CREDITS 2582 AND 2582-1-SE)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or Current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	28.2	28.2	100
Loan amount (Cr. 2582)	25.0	25.0	100
Loan amount (Cr. 2582-1)	3.2	3.2	100
Cancellation	0.0	0.0	0.0

#### Cumulative Estimated and Actual Disbursements

	<i>Credit 2582-SE</i>	<i>Cr. 2582-1-SE</i>
Appraisal estimate (US\$M)	25.0	3.2
Actual (US\$M)	25.0	3.2
Actual as % of appraisal	100%	100%
Date of final disbursement:	March 29, 1994	January 13, 1995

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Identification	n.a.	01/94
Preparation	n.a.	01/94
Appraisal	n.a.	01/94
Negotiations	n.a.	02/28/94
Development Policy Letter	n.a.	02/23/94
Board approval	n.a.	03/17/94
Signing	n.a.	03/18/94
Effectiveness	n.a.	03/24/94
First tranche release	n.a.	03/29/94
Closing date	06/30/95	12/27/95

#### Other Project Data

Borrower/Executing Agency: Republic of Senegal

##### *FOLLOW-ON OPERATIONS*

<i>Operation</i>	<i>Loan/ Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Private Sector Adjust. & Competitiveness Credit	Cr. 2681	40.0	02/16/95
Agricultural Sector Adjustment	Cr. 2738	45.0	06/06/95
Energy Sector Adjustment	Cr. 3069	100.0	05/19/98

## Basic Data Sheet

### PRIVATE SECTOR ADJUSTMENT AND COMPETITIVENESS CREDIT (CREDIT 2681-SE)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or Current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	40.0	40.0	100
Loan amount	40.0	40.0	100
Cancellation	0.0	0.0	--

#### Cumulative Estimated and Actual Disbursements

	<i>FY95</i>	<i>FY96</i>
Appraisal estimate (US\$M)	30.000	40.000
Actual (US\$M)	31.534	41.785
Actual as % of appraisal	105.1	104.5
Date of final disbursement:	December 12, 1996	

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Identification	n.a.	01/94
Negotiations	12/94 - 01/95	12/94 - 01/95
Board approval	02/95	02/16/95
Signing	02/95	02/23/95
Effectiveness	02/95	02/28/95
Closing date	06/96	10/30/96

#### Staff Inputs (staff weeks)

	<i>Total</i>
Through Appraisal	200.9
Negotiations	16.0
Supervision	33.9
Other	<u>8.4</u>
Total	259.2

**Mission Data**

	<i>Month/ Year</i>	<i>No. of People</i>	<i>Days in field</i>	<i>Specialized Staff Skills Represented</i>	<i>Types of Problems</i>
Through appraisal	01/94	3	19	Sr. Project Officer (TM), Consultant, Economist	Participation in Competitiveness Seminar and pre-appraisal
	03/94	1	14	Sr. Project Officer (TM)	
Appraisal through Board approval	-	-	-	-	-
Supervision	07/95	2	10	Sr. Project Officer (TM), Financial Analyst	Second tranche release conditions
Completion	02/96	1	5	Financial Analyst	

**Other Project Data**

Borrower/Executing Agency: Republic of Senegal

***FOLLOW-ON OPERATIONS***

<i>Operation</i>	<i>Loan/ Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
Agricultural Sector Adjustment	Cr. 2738	45.0	06/06/95
Energy Sector Adjustment	Cr. 3069	100.0	05/19/98

**Senegal: Key Statistical Indicators**

	1990	1991	1992	1993	1994	1995	1996	1997*	1998*
<b>Growth in Constant 1987 Prices (%)</b>									
GDP	3.9	-0.4	2.2	-2.2	2.9	5.5	5.2	5.0	5.7
Population	3.0	3.0	2.9	2.9	2.9	2.8	2.8	2.7	2.7
GNP per person	0.9	-3.4	-0.7	-5.1	0.0	2.7	2.4	2.3	3.0
Agricultural GDP	21.8	-11.4	1.7	-10.6	15.9	0.5	10.6	-10.6	-8.0
Secondary/Ind. GDP	5.7	-1.2	5.1	-2.5	-0.5	12.8	5.4	5.9	8.5
Private Consumption	1.4	0.0	3.1	-1.7	-3.0	7.8	7.7	4.0	5.5
Exports of Goods	3.5	2.1	-7.2	0.8	7.5	3.9	5.5	1.1	4.1
Imports of Goods	5.7	-5.1	5.3	-3.5	-9.0	19.1	9.1	3.4	10.9
GDP Deflator	1.2	0.4	0.6	-1.4	27.8	4.7	1.3	2.3	2.2
<b>Values</b>									
Exchange Rate (CFAF/\$)	272.3	282.1	264.7	280.8	555.2	498.2	511.5	583.5	609.3
Goods Exports (\$m)	893	857	783	726	719	877	962	933	926
Goods Imports (\$m)	1,164	1,041	1,107	991	808	1,201	1,290	1,196	1,198
G&S Exports (\$m)	1,448	1,408	1,351	1,215	1,174	1,442	1,424	1,488	1,480
G&S Imports (\$m)	1,728	1,593	1,708	1,542	1,230	1,802	1,863	1,730	1,747
GNP (current \$m)	5,459	5,154	5,805	5,200	3,409	4,411	4,704	4,284	4,439
GDP per head (\$)	748	687	753	657	419	529	549	487	491
<b>Percent of GDP</b>									
Investment	13.8	12.5	14.4	13.7	17.0	16.7	18.5	19.6	21.9
Public Investment	2.8	2.8	5.0	4.0	5.5	6.9	7.7	6.4	7.1
Current Account (exc. grants)	-9.1	-9.6	-9.6	-11.0	-7.9	-9.7	-8.3	-7.8	-8.0
Fiscal Revenue	14.1	15.2	14.9	13.5	13.2	14.8	15.5	15.7	15.9

\*Estimates.

Sources: DPS; population partly from the ICR for ERC. US dollar values computed with exchange rates shown, using DPS statistics.