ICR Review
Operations Evaluation Department

Report Number : ICRR11338

1. Project Data:		Date Posted :	09/23/2002	
PROJ ID:	P002376		Appraisal	Actual
Project Name :	Private Sector Capacity Building	Project Costs (US$M)	20.3	14.1
Country:	Senegal	Loan/Credit (US$M)	12.5	10.6
Sector(s):	Board: PSD - Other industry (70%), Central government administration (20%), Law and justice (10%)	Cofinancing (US$M)	7.8	3.5
L/C Number:	C2759; CP853			
		Board Approval (FY)		95
Partners involved :	Government of Senegal	Closing Date	04/30/2001	10/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:	
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2. Project Objectives and Components

a. Objectives

Specific development objectives were to: (i) increase the competitiveness and efficiency of private enterprises and business institutions; (ii) deepen the policy reform process by analyzing constraints to private sector activities and devising appropriate measures to eliminate them; (iii) improve the legal framework for private sector activities; (iv) accelerate implementation of the government divestiture program; and (v) carry out a program of communications and information to ensure that the main actors in the economy understand and support the reform process .

b. Components

1. **Private Sector Capacity Building** : Matching Grant Fund (MGF) to help private enterprises increase competitiveness through better access to business advisory services and support to the Private Sector Foundation (PSF), which managed this component as well as procurement and accounting for the overall project; **2. Policy and Legal Reform :** 2a. Policy reform: Support to government in its effort to identify, in collaboration with the private sector, policy and regulatory constraints to private sector activity, and formulate and implement remedial measures . Implemented by Competitiveness Review Group (CRG); 2b. Legal reform: Strengthening private enterprise rights in dealing with the state; modernizing and strengthening enforcement of commercial law; improving debt collection mechanisms; disseminating information on business law; **3. Strengthening Government Capacity** : 3a. Privatization: The project was intended to support the government in the privatization of 18 enterprises; 3b. Communication: Support to the government in enhancing its dialogue with the private sector by publicizing its economic program .

At mid-term review, the project was expanded to provide matching grant funds to enterprises for strategic business plans and for preparation of an action plan to strengthen consulting service availability . An effort was also to be made to assess the areas of the country's comparative advantage (cluster analysis).

c. Comments on Project Cost, Financing and Dates

The original cost of the project was US$20.3 million, of which US$12.5 million was to have been provided by the Bank, and US$7.8 million by the GOS. Final project cost was US$14.1 million, with the Bank disbursing US$12.5 million and the GOS US$3.5 million. Denominated in US$, credit disbursement was US$10.6 million or 89% of planned, but in SDR (the currency of the credit), disbursement was 97.8%. The project was extended 6 months and closed on 10/31/2001.

3. Achievement of Relevant Objectives:

1. **Private Sector Capacity Building** : The Private Sector Foundation provided advisory services and training programs to 380 beneficiaries: 79% were enterprises, 16% professional associations, and 5% consulting firms. Sales of firms that received advisory services were reported to have risen around 15% over a 2-3 year period, with 1500 jobs created (compared to a generally flat performance by the non-agricultural economy). Investments resulting from the program were reported to be US$15 million. The most prevalent type of assistance provided was business development services (42%), followed by management (19%), marketing (16%), and operational studies and technical know-how (9% each). Beneficiaries considered that the assistance they received was relevant and of

good quality. **2. Policy and Legal Reform** : 2a. Policy reform: The CRG recommended reforms in infrastructure, tariffs, and vocational training, and also identified areas of likely growth (cluster analysis). CRG recommendations included those that would assure compliance with the country's agreements with the West African Economic and Monetary Union and the WTO. Some recommendations were taken up by other Bank projects in preparation. CRG recommendations facilitated public-private consultation in the telecom sector, and led to a new Telecommunications Code (2001) which enabled the liberalization of the sector and established a regulatory agency. CRG assistance also supported establishment of: Trade Point Senegal, to facilitate trade; Industrial Subcontracting Network, which promotes subcontracting partnerships among SMEs; and the Standardization and Quality Association, which promotes application of international standards. 2b. Legal reform: The project trained lawyers and judges in business law, and also supported establishment of a Legal Training Center and Arbitration Center. The project supported the Legal Reform Committee, which--motivated mainly by a desire to cooperate with other West African nations under the Organization for the Harmonization of African Business Laws (OHADA)--increased support for compliance with business laws. The project also supported strengthening of the National Printing Office, which assisted in the timely promulgation of business law and regulations. **3. Strengthening Government Capacity** : The implementing agency for privatization--Cellule de Gestation et de Controle du Portfolio de l'Etat (CGCPE)--provided technical (but not policy) support for privatization as well as a regulatory framework for telecoms.

4. Significant Outcomes/Impacts:

- Approximately 2,700 people were trained as a result of the matching grant program
- The availability of PSF grants strengthened and enhanced the quality of the country's business advisory services (by screening and registering providers) and increased competition in this sector
- Senegal simplified its tariff structure from 8 rate categories to 4
- The MOF initiated regional training programs in the regulation of infrastructure

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Privatization assistance was largely unsuccessful. The implementing agency, CGCPE, was expected to mobilize specialized privatization skills, communicate the benefits of privatization, and set a policy agenda for private participation in infrastructure, which it largely failed to do.
- The envisioned initiative to improve debt collection mechanisms was not implemented
- Efforts to modernize commercial legislation and strengthen the rights of private enterprises (vis-a-vis the state) were not successful
- Project efforts to accelerate privatization were unsuccessful, in part because the conditions under which privatized firms would operate (e.g., trade and tax regime, subsidies) were not established
- A key element of the communication subcomponent, a stand-alone communications campaign, was not carried out as planned, and activity in this area was substantially delayed.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	While the project achieved most major relevant objectives, there were signififcant shortcomings (summarized in section 5).
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Unsatisfactory	

NOTE: ICR rating values flagged with ' * ' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- **The dispersal of responsibility hindered implementation** : Each component or subcomponent had its own implementing agency, which hindered effective collaboration and implementation. The PSF, the project coordinating agency, was responsible only for administrative, not technical supervision, which weakened its authority.
- **Where borrower capacity in procurement is weak, the Bank team must include specialists in that area** :

8. Assessment Recommended? ● Yes ○ No

Why? It would be useful to review a cluster of TA and training projects across the region to draw generally-applicable lessons. An assessment of project implementation structure could also be instructive.

9. Comments on Quality of ICR:

The ICR is unsatisfactory. It does not present sufficient information on which to base evaluative judgments, and it also makes numerous assertions which are not backed by evidence. For example, the information presented on the number of grants awarded by the MGF, their distribution by sector, etc., does not address the issue of the extent to which this activity made enterprises more competitive. No basis is provided for the estimate that US$ 15 million was invested as a result of the project. The statement is made that beneficiary enterprise sales increased by 15% without any context, e.g., interval over which this occurred, real vs. nominal, performance of the overall economy during that period. The ICR asserts that the goal of better enforcement of business law has been largely achieved, but does not present evidence of this.

The assertion is also made that the communications subcomponent was satisfactory, despite the cancellation of an important element--the stand-alone campaign--and the reallocation of funds to new activities. The ICR states that funds originally allocated to the communications sub-component were reallocated to "emerging priority activities," without explaining how these activities were identified, or how they contributed to achievement of project objectives: assistance to investment promotion agency; pension system study; enhancement of MOF MIS.

The ICR rates sustainability as likely, but presents little evidence to support this position (additional information on sustainability was provided subsequently).