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| 1. Project Data: | | Date Posted : 09/22/2003 | |
| PROJ ID: P055471 | | Appraisal | Actual |
| Project Name: Trade Reform And Competitiveness | Project Costs (US\$M) | 100.0 | 100.0 |
| Country: Senegal | Loan/Credit (US\$M) | 100.0 | 100.0 |
| Sector(s): Board: EP - Central government administration (93%), Other social services (7%) | Cofinancing (US\$M) | 26.0 | 26.0 |
| L/C Number: C3419 | | | |
| | Board Approval (FY) | | 1 |
| Partners involved : African Development Bank | Closing Date | 06/30/2002 | 09/30/2002 |
| Prepared by : | Reviewed by : | Group Manager : | Group: |
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| 2. Project Objectives and Components | | | |
| a. Objectives | | | |
| <p>The main objective was to improve the competitiveness of the Senegalese economy by liberalizing trade, facilitating trade and tax procedures, and supporting regulatory programs that promote competitive pricing of public utility inputs . A secondary objective was to ensure that the revenue shortfall from the sequenced introduction of tariff and tax reforms would not lead to disruptions in social sector programs, and to support institutional reforms that would reduce administrative burdens on the private sector .</p> | | | |
| b. Components | | | |
| (1) Trade liberalization : Upfront actions related to the introduction of a common external tariff with other members of the regional customs union WAEMU . | | | |
| (2) Trade facilitation | | | |
| <ul style="list-style-type: none"> (i) Reduce the number and length of procedures required for customs clearance . (ii) Implement an electronic information sharing plan connecting databases among (a) customs offices and (b) among the customs, tax, and treasury departments as well as with the Trade Point . (iii) Establish specific performance criteria regarding length of time for goods to pass through the port . (iv) Monitor and publicize performance on these criteria . (v) Reduce customs processing time by end of 2001 . | | | |
| (3) Tax facilitation : | | | |
| <ul style="list-style-type: none"> (i) Increase the tax base . (ii) Reduce the number of tax exemptions and related procedures . (iii) Introduce a single tax payer dossier . (iv) Improve transparency & improve taxpayer services . (v) Develop performance criteria . | | | |
| (4) Regulatory reform : | | | |
| <ul style="list-style-type: none"> (i) Develop the legislative framework defining the architecture of the regulatory system for the public utilities . (ii) Establish an effective regulatory regime characterized by coherence, independence, accountability and transparency . | | | |
| c. Comments on Project Cost, Financing and Dates | | | |

The credit provided Senegal with US\$ 100 million in IDA financing and US\$26 million in African Development Bank financing. The project was appraised in July 2000, approved by the Board in September 2000, and became effective on November 16, 2000 when the first tranche was released. The second tranche was released on March 31, 2002. The project closed in September 2002 (three months after the original closing date of June 2002).

3. Achievement of Relevant Objectives:

(1) Trade liberalization : Fully achieved

Assessment against benchmark performance is difficult precisely because no benchmarks were clearly stated in either the President's Report or the ICR and much of the Bank's lending was intended to support ongoing reforms. However, the evidence as reported in the ICR and as analyzed in a trade ESW report (Integrated Framework Diagnostic Trade Integration Study for Senegal) confirm significant progress. Specifically, the latter found that: (a) Senegal had applied the common external tariff of the West African Economic and Monetary Union (WAEMU) thereby reducing the maximum tariff rate from 65% to 20%; (b) reduced the number of tariff rates (not lines as stated in the ICR) from 7 to 4; (c) combined customs with fiscal duties; (d) reduce the statistical tax from 5% to 1%; and (e) adopted WAEMU approved safeguard protection to reduce tariff recidivism and renounced other measures that could have encouraged recidivism. In addition, the IMF Staff Report from the 2003 Article 4 mission reports that all significant intra-WAEMU non-tariff barriers had been eliminated. The trade study found that as a result of these actions, Senegal's trade tariffs were comparable to those for other developing countries and significantly lower than the average for sub-Saharan African countries.

(2) Trade facilitation : Partially achieved

In general, the ICR contained little systematic quantitative support for its assessment of progress.

(a) Reduce the number and length of procedures required for customs clearance : the ICR notes that procedures have been simplified but no quantification is given of the number or length of procedures either at the beginning or at the end of the project.

(b) Implement an electronic information sharing plan connecting databases among (i) customs offices and (ii) among the customs, tax, and treasury departments as well as with the Trade Point : objective (ii) i.e. a computerized management information system for sharing of data between customs and tax departments was achieved with some delays. Objective (i) was not achieved (in part due to the delays in getting the network established). Instead a decision is noted "to extend the new management system for customs clearance operations to all its bureaus" (p. 6 of the ICR).

(c) Establish specific performance criteria regarding length of time for goods to pass through the port : the ICR indicates that they were established but contains no details of what they are.

(d) Monitor and publicize performance on these criteria : the ICR provides no information on this.

(e) Reduce customs processing time by end of 2001: this was the single most important objective and outcome on this component. However, information on progress in this regard is missing in the main report. The performance indicators in Annex 1 of the ICR suggest that "compared to previous delays of several days, goods can now be obtained in 24 hours...and in 2 hours if ...submitted electronically". This is a remarkable improvement and a bottom-line determinant of competitiveness.

(3) Tax facilitation : Partially achieved

Achievement on this component was mixed with key actions marred by delays. The qualitative assertions made on this component would have benefited from a more rigorous foundation (e.g. systematic beneficiary interviews/surveys).

(a) Increase the tax base, (b) reduce the number of tax exemptions and related procedures & (e) develop performance criteria: no information on this provided in the ICR.

(c) Introduce a single tax payer dossier : while a single taxpayer identification number system was introduced by decree no. 7329 in late 2000, actual implementation was not fully effective until 2002 as a parallel system was in place until 2002.

(d) Improve transparency & improve taxpayer services : see point above on qualitative assessment.

(4) Regulatory reform : Partially achieved

(a) Develop the legislative framework defining the architecture of the regulatory system for the public utilities : after significant debate and delay, the national Assembly passed a law in August 2002 governing the regulation of public utilities.

(b) Establish an effective regulatory regime characterized by coherence, independence, accountability and transparency: unclear. As the ICR notes, "implementation is another matter and much depends on political will".

Secondary objectives : Unclear

A secondary objective was to ensure that the revenue shortfall from the sequenced introduction of tariff and tax reforms would not lead to disruptions in social sector programs, and to support institutional reforms that would reduce administrative burdens on the private sector. While the latter is addressed by the improvements in trade facilitation outlined in the ICR, the ICR is silent on the evolution of tariff revenues and social sector expenditures; there is no

discussion of the magnitude of shortfalls and the extent to which the credit was successful in offsetting any such shortfalls.

4. Significant Outcomes/Impacts:

- Significant reduction in customs clearance/processing time (from several days to between 24-48 hours), thereby enhancing competitiveness of firms.
- Simpler, more transparent and more open trade regime that is compatible with neighboring countries, further enhancing external competitiveness.
- Improved coordination within key government institutions involved in tariffs and taxes through computerization of information systems, reducing opportunities for tax evasion and "informal" fees.

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

- The credit was not often explicit ex-ante about the concrete performance indicators that would be used to assess progress (e.g. customs processing time, customs documentation). The ICR itself did not rectify this weakness. This makes it difficult to assess the Bank's expectation of what could realistically be achieved and the extent to which the Government met expectations. It also makes it difficult to have an objective basis to assess progress. For example, the ICR states that customs procedures were substantially simplified while a trade study completed in July 2002 (2 months before credit closing date) indicated that import procedures were "still excessively complicated and lengthy". On performance criteria, the study notes that "the customs department needs to establish clear performance criteria for the different services it provides in order to evaluate the performance of the staff and verify progress made. Such criteria need to be communicated systematically to the private sector". This seems to be at odds with the ICR's observation that performance criteria had been established and publicized.
- The extent to which the credit will succeed in creating an independent, accountable and transparent regulatory regime is unclear. The ICR notes the potential gap between enactment of legislation and implementation, raising doubts about the political commitment of the authorities on this issue. In this respect, the Borrower's comments which are completely silent on this component, appear to confirm the relative difficulties in moving ahead with the utilities agenda. A follow-up operation that focuses on actual implementation and concrete actions appears to be necessary to consolidate the progress that far and to advance the agenda on utilities.
- There is no discussion of whether an important secondary objective (maintaining social sector expenditures in the context of ongoing trade liberalization) was met.

| 6. Ratings : | ICR | OED Review | Reason for Disagreement /Comments |
|-----------------------------|--------------|--------------|---|
| Outcome : | Satisfactory | Satisfactory | Despite the shortcomings noted in sections 3 and 5, significant progress was made towards the overall objective of improving the competitiveness of the Senegalese economy, in particular through the actions on reforming the trade regime and in improving trade facilitation. |
| Institutional Dev .: | Substantial | Substantial | The credit clearly contributed to one aspect of institutional development -- changing the enabling environment and "rules of the game" within which the customs and tax officials work. However, the credit does not appear to have tackled a complementary agenda in strengthening these organizations directly or their staff through for e.g. training and skills upgrading. Moreover, it remains unclear the extent to which the reforms in utilities regulation have actually changed the rules of the game. |
| Sustainability : | Likely | Likely | |
| Bank Performance : | Satisfactory | Satisfactory | |
| Borrower Perf .: | Satisfactory | Satisfactory | |
| Quality of ICR : | | Satisfactory | |

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

7. Lessons of Broad Applicability:

- Explicit and clear quantitative performance indicators (benchmark and outcome) are justified (and standard) in the case of trade and tax facilitation reforms and should be standardized in ex -post assessment. A monitoring system to achieve this needs to be established early on in the project . This should be complemented by systematic qualitative feedback from beneficiaries (e.g. private firms, tax payers and so on).
- To facilitate systematic assessment of project achievement, ICRs should take as a starting point the performance indicators matrix included in the PAF /President's Report.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

While the ICR was generally of satisfactory quality, it would have been substantially improved by addressing the following main shortcomings:

- (i) inadequate set of indicators to fully assess implementation of the credit . This is linked to the point in section 7. above on weak performance benchmark and impact indicators . In some cases, there was no information in the ICR to evaluate whether project objectives were met (e.g. maintaining social sector expenditures as stated in the I -PRSP) or to back up assertions (e.g. electricity and telecoms pricing favorably affected by establishment of regulatory framework);
- (ii) the ICR was missing basic pieces of information (e.g. credit amount on cover and in text, comments from the Borrower). In addition, the ICR would have benefitted from additional spell checking and editing .