Board Meeting of Thursday, January 29, 1998
Statement by Godfrey Gaoseb

Senegal - Country Assistance Strategy

We welcome the opportunity to discuss this Country Assistance Strategy for Senegal which is built on a realistic assessment of the implementation of the previous CAS. The staff deserve to be commended for this well-written and candid document which has been prepared in consultation with different groups of stakeholders. The proposed CAS is consistent with the government's development objectives and policies articulated in its Ninth Economic and Social Development Plan. We find the envisaged role of the Bank in helping the government to achieve growth and economic development to be appropriate and, therefore, lend our support to the proposed CAS.

2. We are pleased to note that the comprehensive economic reform program embarked upon by the government, following the 1994 devaluation, has started to bear fruit, with fiscal and balance of payments deficits brought down to manageable levels, inflation reduced from about 32 percent in 1994 to less than 3 percent in 1997, and real GDP growth averaging 5 percent, as opposed to 1 percent before 1994. However, notwithstanding the impressive economic performance recorded in the last four years, the challenges remain enormous, particularly with respect to the unprecedented high level of unemployment, and worsening social indicators which are far below the average of Sub-Saharan African countries.

3. We note with satisfaction the government's commitment to strengthen and accelerate the restructuring and privatization of state-owned enterprises. Its efforts to provide a more conducive environment for private investment, by putting in place an improved legal and regulatory framework and investing in priority infrastructure projects that would support private sector development, are commendable. In this connection, we believe that the proposed IDA lending and non-lending support for private sector development fits well in this strategy. Given the strategic location of Senegal, its political stability and the range of economic reforms undertaken, we hope to see a surge in foreign direct investment flows. We would expect IFC and MIGA to be more proactive in helping the country to gain the confidence of private investors, both local and foreign.

4. With respect to project implementation, we note with satisfaction the considerable improvement in portfolio performance and endorse the ongoing efforts to further improve portfolio management. However, in the spirit of the "new Bank" and in the era of decentralization, we would expect to see more authority being delegated to the Resident Mission in Dakar in order to strengthen project supervision, and thereby improve project
implementation. In addition, it would facilitate dialogue with the Senegal authorities as well as with civil society.

5. With respect to poverty reduction, we agree that for any meaningful results in this area, there needs be more focus on rural development, particularly agriculture, as this sector contributes 20 percent to GDP and 60 percent to employment. In addition, a greater proportion of the population lives in the rural areas. In this connection, we applaud the Bank’s cooperation with FAO on small scale irrigation in order to address the negative impact of drought in the country. The focus on increasing productivity in agriculture and improving rural transportation will also go a long way to raise the standard of living in the rural areas. We would, however, appreciate some clarification from staff on the Bank’s apparent reluctance to assist in large scale irrigation projects in the country. In our view, if Senegal is to confront its food security problems, it should not rely solely on rain-fed agriculture but expand its irrigation system as well.

6. While regional integration is mentioned in the document, we observe that little has been said about its importance to Senegal’s economic development. The Bank Group’s impact on the region will be more visible when cross border issues are addressed in a regional context. We therefore hope that the Bank will develop appropriate instruments for fostering regional development in various parts of the continent.

7. The Bank’s collaboration with the Fund, especially in the areas of macro-economic and structural reforms, and with the other development partners of Senegal, is welcomed. We also endorse the Bank’s strategy of taking the lead where it has a comparative advantage.

8. With respect to the size and composition of Bank lending, we welcome the increase in the range of the base lending program as it will permit greater flexibility in responding to developments in the economy. We also consider the triggers for the lending and non-lending programs reasonable.

9. With regard to the external environment, we are pleased to note that the country is expected to experience favorable external conditions over the next few years. We would, however, appreciate staff comment on the likely effect of the forthcoming European Union single currency on the CFA Zone in general and on the Senegal economy in particular. It may also be useful to know the Bank’s plans for assisting the CFA Zone countries when the EU currency is launched next year.

10. Finally, we would like to wish the Government of Senegal every success as it embarks on the second generation of its structural reform program.