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Document of
The World Bank

Report No: ICR2368

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-37620)

ON A

CREDIT

IN THE AMOUNT OF SDR 33.80 MILLION
(US$46 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SENEGAL

FOR A

PRIVATE INVESTMENT PROMOTION PROJECT

September 26, 2012

Finance and Private Sector Development Department
AFCF1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2011)

Currency Unit	=	CFA Franc (CFAF)
CFAF 1.00	=	US$0.002
US$1.00	=	SDR 1.59

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement
APIX	Agence Nationale Chargée de la Promotion de l'Investissement et des Grands Travaux
ARTP	Autorité de Régulation des Télécommunications et des Postes
CAS	Country Assistance Strategy
CFAF	CFA franc
CFR	Country Framework Report
ERR	Economic Rate of Return
EU	European Union
FIAS	Foreign Investment Advisory Service
FMS	Financial Management Systems
FNR	Fonds National de Retraite
FSAP	Financial Sector Assessment Report
GDP	Gross Domestic Product
GOS	Government of Senegal
ICT	Information and Communication Technologies
IDA	International Development Association
IFC	International Finance Corporation
IPRES	Institution de Prévoyance Retraite du Sénégal
IT	Information Technology
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NPV	Net Present Value
PIPP	Private Investment Promotion Project
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SME	Small and Medium Enterprise
SMEs	Small and Medium-size Enterprises
SONACOS	Société Nationale des Oléagineux du Sénégal
UEMOA	Union Economique et Monétaire des Etats de l 'Afrique de l 'Ouest (West Africa Economic and Monetary Union)

UPE	Unité de Politique Economique
USAID	United States Agency for International Development
UTNACOIS	Union Nationale des Commerçants et Industriels du Sénégal

Vice President:	Makhtar Diop
Country Director:	Vera Songwe
Sector Manager:	Paul Noumba Um
Project Team Leader:	Korotoumou Ouattara
ICR Team Leader:	Magueye Dia

REPUBLIC OF SENEGAL
Private Investment Promotion Project

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Data Sheet

A. Basic Information			
Country:	Senegal	Project Name:	SN-Priv Inv Promotion SIL (FY03)
Project ID:	P051609	L/C/TF Number(s):	IDA-37620
ICR Date:	04/17/2012	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVT. OF SENEGAL
Original Total Commitment:	XDR 33.80M	Disbursed Amount:	XDR 26.99M
Revised Amount:	XDR 29.52M		
Environmental Category: C			
Implementing Agencies: Agence National Chargée de la Promotion de l'Investissement et des Grands Travaux			
Cofinanciers and Other External Partners: Not applicable.			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	04/13/1999	Effectiveness:	02/26/2004	02/26/2004
Appraisal:	02/12/2003	Restructuring(s):		07/14/2010
Approval:	05/20/2003	Mid-term Review:	07/11/2006	07/11/2006
		Closing:	12/31/2008	12/31/2011

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Unsatisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Unsatisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Unsatisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Compulsory pension and unemployment insurance	7	7
General industry and trade sector	43	43
General public administration sector	25	25
Postal services	10	10
Telecommunications	15	15
Theme Code (as % of total Bank financing)		
Export development and competitiveness	29	29
Legal institutions for a market economy	14	14
Personal and property rights	14	14
Regulation and competition policy	29	29
Tax policy and administration	14	14

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Calisto E. Madavo
Country Director:	Vera Songwe	John MacIntire
Sector Manager:	Paul Noumba Um	Demba Ba
Project Team Leader:	Korotoumou Ouattara	Iraj A. Alikhani
ICR Team Leader:	Magueye Dia	
ICR Primary Author:	Magueye Dia	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

Create the conditions to stimulate a sustained increase in private investment through an improved investment climate, greater private participation in economic activities, and policy and sector reform. The project was expected to make important incremental contributions towards attaining the 8 percent GDP growth called for in the Government poverty alleviation program.

Revised Project Development Objectives (as approved by original approving authority)

Create the conditions to increase private investment. This will be accomplished through an improved investment climate, greater private participation in economic activities, and policy and sector reforms.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	100 new firms with investment incentives start operating.			
Value (quantitative or qualitative)	75	100		772
Date achieved	12/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator met and exceeded.
Indicator 2:	The level of private investment reaches US$3 billion.			
Value (quantitative or qualitative)	US$2.5 billion	US$3.0 billion		US$3.2 billion
Date achieved	11/01/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator met and exceeded.
Indicator 3 :	The number of direct new jobs created reaches 130,000 by end of Project (Direct project beneficiaries number, % of females).			
Value (quantitative or qualitative)	115,000	130,000		155,000
Date achieved	12/31/2007	12/31/2011		12/31/2011
Comments (incl. % achievement)				End of project target met.

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	APIX operating costs are covered at least by 70% by its revenues and the State budget by end of Project.			
Value (quantitative or qualitative)	50%	70%		72%
Date achieved	12/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator met and exceeded
Indicator 2:	The number of loans made using the Partial Credit Guarantee reaches 25 by end of project.			
Value (quantitative or qualitative)	0.0	25		0.0
Date achieved	12/31/2009	12/31/2010		12/31/2011
Comments (incl. % achievement)				Activity was dropped.
Indicator 3 :	Percentage of procurement complaints properly investigated and decided on.			
Value (quantitative or qualitative)	70	90		98
Date achieved	06/22/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator met and exceeded
Indicator 4:	Percentage of ARMP annual operating cost covered.			
Value (quantitative or qualitative)	60	80		29
Date achieved	12/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator not met.
Indicator 5:	ARMP is fully operational and covers all of its operational cost from its revenues to ensure sustainability by end of Project			
Value (quantitative or qualitative)	ARMP is partially operational	ARMP is financially self-sufficient		ARMP is operational but not financially self -sufficient
Date achieved	10/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator not met
Indicator 6:	A decree is adopted to establish the société de gestion collective to ensure payment of royalties to artists/musicians.			
Value (quantitative or qualitative)	A decree to establish a "Société de gestion collective" has been prepared	The decree is approved and published		The decree has not been adopted yet

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Date achieved	12/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				
Indicator 7:	A tourism strategy is adopted by end of project.			
Value (quantitative or qualitative)	There is no tourism sector strategy	Tourism strategy has been adopted		A tourism strategy has not been adopted
Date achieved	12/31/2003	12/31/2006		12/31/2011
Comments (incl. % achievement)				A tourism strategy was adopted in 2005 but needed to be updated. This was never done because of lack consensus among sector key stakeholders.
Indicator 8:	Time to clear goods for export/imports is reduced to 8 days.			
Value (quantitative or qualitative)	10	8		11 days for export 14 days for import
Date achieved	12/31/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Baseline was not clear. Target not met.
Indicator 9:	The number of new firms registered exceeds 10,000.			
Value (quantitative or qualitative)	8500	10000		19138
Date achieved	01/01/2009	12/31/2011		12/31/2011
Comments (incl. % achievement)				Indicator met and exceeded.
Indicator 10:	The corporate marginal tax rate is reduced to 28% by 2011.			
Value (quantitative or qualitative)	28	25		25
Date achieved	01/01/2005	12/31/2008		12/31/2011
Comments (incl. % achievement)				Baseline was inaccurate. End of project target met before project restructuring.
Indicator 11:	The time to register a firm is reduced to 8 days.			
Value (quantitative or qualitative)	67	30	8	5
Date achieved	04/30/2002	12/31/2008	12/31/2011	12/31/2011

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Comments (incl. % achievement)				End of project target met and exceeded.

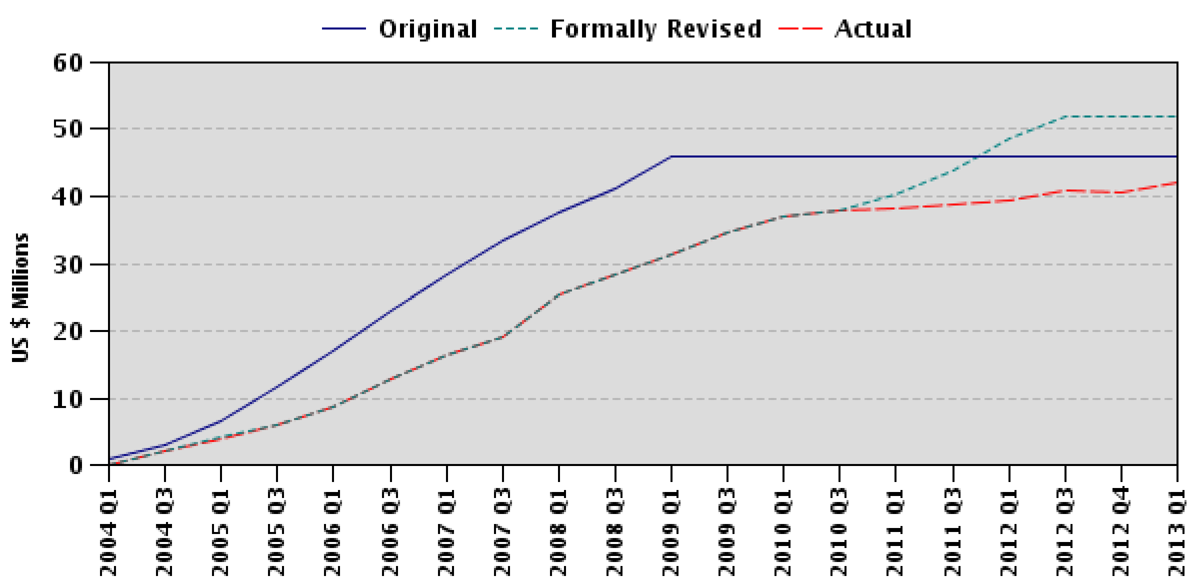
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/30/2003	Satisfactory	Satisfactory	0.00
2	12/03/2003	Satisfactory	Satisfactory	0.00
3	05/27/2004	Satisfactory	Satisfactory	3.28
4	12/15/2004	Satisfactory	Satisfactory	4.91
5	05/10/2005	Satisfactory	Satisfactory	6.39
6	12/28/2005	Satisfactory	Satisfactory	8.86
7	06/22/2006	Satisfactory	Satisfactory	15.13
8	12/20/2006	Satisfactory	Satisfactory	17.17
9	06/26/2007	Moderately Unsatisfactory	Moderately Unsatisfactory	23.15
10	12/28/2007	Unsatisfactory	Unsatisfactory	26.28
11	06/30/2008	Unsatisfactory	Unsatisfactory	30.26
12	12/23/2008	Unsatisfactory	Unsatisfactory	31.45
13	04/03/2009	Moderately Satisfactory	Moderately Satisfactory	34.69
14	12/21/2009	Moderately Unsatisfactory	Moderately Unsatisfactory	37.30
15	06/29/2010	Moderately Unsatisfactory	Moderately Unsatisfactory	38.06
16	03/26/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	38.81
17	12/10/2011	Moderately Unsatisfactory	Unsatisfactory	39.32

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
07/14/2010		MU	U	38.32	The reasons for restructuring were to address project implementation difficulties by focusing on activities with clear commitment by the Government, and to respond to the Government's need to maintain its investment climate reform momentum. The key changes were: revision of the PDO, increasing of the importance of Component 1, re-launching of matching grant sub-component, focusing of activities financed under Component 3, formalization of closing of PIU, extension of closing date, reallocation of funds, and restatement of legal covenant to finance a joint IDA/IFC risk-sharing facility.

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. Senegal achieved steady economic growth of 5 percent GDP per annum (p.a.) and made important progress towards achieving macroeconomic stabilization in the five years preceding project approval by the Board, in 2003. Despite this relatively strong performance, economic growth was insufficiently broad-based to realize the development and poverty reduction targets associated with the Millennium Development Goals (MDGs).

2. Economic growth had too narrow a base and was largely attributable to the performance of the construction sector. Moreover, growth had little impact in improving income distribution, and it failed to generate sufficient formal sector employment opportunities to absorb the annual influx of 200,000 new job seekers to the labor market.

3. It was in this context that the World Bank and other donors were requested to assist the Government of Senegal (GOS) in the preparation of a private sector development strategy. The overall objective of the strategy was to achieve and sustain an expansion of the private sector in support of job creating growth of approximately 8 percent per annum. A draft strategy was endorsed by all stakeholders in mid-1999. Concurrently, detailed diagnostic work was undertaken in support of the strategy's preparation, with technical assistance from the World Bank and other donors (USAID, etc.). Preparatory work included reports by the Foreign Investment Advisory Service (FIAS) analyzing administrative barriers to private sector growth (1999), a Project Preparation Advance (PPA) funded analysis of the tourism sector (2002), and an assessment of parametric reforms relating to pensions schemes (2003). Additional World Bank studies on infrastructure reform (Country Framework Report) and trade policy (Integrated Framework) also assisted in the process of project preparation. Taken together, the formulation of the private sector development strategy, and the body of diagnostic reports, formed the basis of project preparation.

4. A few months after the Private Investment Promotion Project (PIPP) effectiveness, a complementary project, the Private Sector Adjustment Credit (PSAC) was approved to support the implementation of key policy reforms relating to taxation, edible oil, pensions and the post office, and concurrently to provide budget support to alleviate the incremental fiscal impact of these reforms.

1.2 Original Project Development Objectives (PDO) and Key Indicators

The original objective of the project was to help create conditions to stimulate a sustained increase in private investment through an improved investment climate, greater private participation in economic activities, and policy and sector reform. The project was expected to make important incremental contributions towards attaining the 8 percent GDP growth called for in the GOS' poverty alleviation program.

5. The achievement of these objectives would be measured against the following indicators:[1]

i. 20,000 new formal jobs created;
ii. The achievement of financial sustainability of APIX and postal corporation ("La Poste");
iii. One million annual tourist trips to Senegal;
iv. Reduced dependence of rural households on the cultivation and sale of groundnuts as their main source of income;
v. Improved investment climate, comparing favorably with other middle-income countries;
vi. Universal access to a telephone connection within five kilometers of citizens' residences; and
vii. Governance of pension funds to be aligned with international best practice, including reserves meeting standard prudential norms, and improvement in administrative efficiency (specifically a 20% reduction of the ratio of operational costs to revenues).

1.3 Revised PDO (as approved by original approving authority), Key Indicators, and Reasons/Justification

6. In July 2010, World Bank management approved a Level I restructuring that was concluded with a restructured Financing Agreement, signed on August 5, 2010. Restructuring included revisions to the PDO, the results framework and key performance indicators.

7. The revised PDO dropped reference to an 8 percent growth target, in light of Senegal's anticipated inability to achieve this. The new PDO reads as follows: "To create the conditions to increase private investment. This will be accomplished through an improved investment climate, greater private participation in economic activities, and policy and sector reforms".

8. The results framework was revised and simplified. In so doing, the number of indicators was significantly reduced, from 81 to 12. Revised project outcomes were to be measured against the following PDO indicators: i) 100 new firms with investment incentives would start operating; ii) The level of private investment would reach US$3 billion; iii) The number of direct new jobs created would reach 130,000 by the end of the Project (direct project beneficiaries, number, % of which are female).

1.4 Main Beneficiaries

9. Beneficiaries targeted by the project were: (i) A minimum of 400 firms to benefit from access to non-financial business development services; (ii) private associations to benefit through support in the implementation of the matching grant scheme; and (iii) the private sector, as a whole, would benefit from an improved investment climate and the reduction of the effective marginal tax rate.

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[1] Achievement of these objectives is discussed under the section on project outcomes assessment.

1.5 Original Components (*as approved*)

10. The project was originally implemented through four main components: (a) improving the investment climate; (b) facilitating private participation and enhancing competitiveness; (c) stimulating sector investment and implementation of policy reform; and (d) Supporting implementation and capacity building.

Component 1: Improving the Investment Climate - US$7.00 million

11. The objective of this component was to improve the investment climate by improving the policy, legal and regulatory interface between the public and private sectors. It was envisioned that this objective would be achieved primarily through implementation of: (a) legal and judicial capacity-building and reform; (b) business climate reform; (c) improvements in trade facilitation; (d) the development of effective infrastructure regulation to address emerging post-privatization regulatory issues; and (e) the development of an effective private-public consultative process.

Component 2: Facilitating Private Participation and Enhancing Competitiveness - US$11.50 million

12. The objective of this component was to: (i) stimulate higher levels of foreign investment, specifically in infrastructure and export-oriented firms, and to broaden private sector participation in economic activities; and (ii) improve productivity in the local private sector. This objective was to be achieved through implementation of the following subcomponents: (a) investment promotion, and the funding of strategic studies on infrastructure and public-private partnerships projects; (b) the implementation of a matching-grant facility to improve private sector competitiveness; (c) building the capacity of key public institutions and private business associations to fulfill their mandates; and (d) support for divestiture of state owned enterprises (SOEs) and the strengthening of the capacity in oversight institutions.

Component 3: Stimulating Sector Investment and Reforms - US$21.80 million

13. The objective of this component was to promote dedicated subsector reforms to: (i) stimulate growth in identified areas with untapped potential (ii) improve linkages inhibiting the ability of the private sector to operate effectively and competitively; and (iii) free-up public and private resources, to fund pro-poor private initiatives, and indirectly finance private investment. The following sub-sectors and areas were covered: (a) pensions; (b) telecommunications and information technology; (c) postal; (d) tourism; (e) the music industry; and (f) edible oil.

Component 4: Supporting Implementation and Capacity Building - US$5.70 million

14. It was originally envisaged that the project would be implemented by beneficiaries with coordination and supporting functions performed by a Project Implementation Unit (PIU). A small team at the PIU would be responsible for oversight of financial management, procurement, reporting, monitoring and evaluation, audit, public information, and related functions, as well as the coordination of activities, some of which would be outsourced. For example, management of the matching-grant facility was to be outsourced to a team of local and international consultants. The PIU was expected to be accountable to a project Steering Committee.

1.6 Revised Components

15. In line with the level I restructuring approved by Bank management in July 2010, and in order to meet the revised development objectives, project components and activities were significantly refocused as reflected in the table below:

No.	PAD Activities	Restructuring
1.	Component 1: Improve the investment climate.	Activities supported by the project were streamlined by focusing the assistance on improving key Doing Business indicators related to the reduction of time and cost to: (i) import and export goods; (ii) obtain a construction license; (iii) time to start up a business; and (iv) tax payment.
2.	Component 2: Facilitate private participation and enhance competitiveness.	Re-launching of the matching grants subcomponent to complement investment promotion initiatives supported by the Project. Partial Credit Guarantee (PCG) to banks was to be added formally to support and expand access to financial services for small and medium enterprises (SMEs).
3.	Component 3: Stimulate investment and implement policy reform.	The following subcomponents were dropped: (a) telecommunications reform and the development of Information Technology sector; (b) postal reforms; and (c) edible oil sector reform. Assistance was to continue for the following sectors: (i) tourism, (ii) music industry and (iii) pension.
4.	Component 4: Project Implementation and capacity building.	Project Implementation Unit was to be closed and formally moved to APIX, and Project steering committee revamped. A dedicated team of high caliber professionals were to be hired by APIX to carry out the following functions: (i) project coordination, (ii) procurement and (iii) financial management.

1.7 Other significant changes

16. **Suspension of disbursement.** Following the task team's identification of numerous violations of the credit agreement (including US$200,000 of ineligible expenditure incurred by the PIU), the Bank suspended project disbursements effective July 3, 2008. The suspension of disbursement created a context for renewed dialogue with government, and the GOS moved quickly to adopt the measures necessary for the suspension to be lifted. Project disbursement was recommenced on December 15, 2008.

17. **Implementation timeline.** The Project closing date was extended twice:

i. In December 2008, World Bank management approved the extension of the closing date from December 2008 to August to 2010 in the wake of the lifting of the project's disbursement suspension, to provide the project with the opportunity to make up for lost time and improve the likelihood of achieving the PDO.

ii. As part of the 2010 level I restructuring, a new extension of the closing date from August 2011 to December 2011 was approved by the Board.

18. **Reallocation of funds.** As part of the level I restructuring, the Board approved the reallocation of funds between components and among disbursements categories. This reallocation aimed to: i) increase funds targeting the investment climate; and ii) reallocate unutilized funds from activities dropped through the restructuring initiative.

19. **Cancellation.** With less than six months remaining before project closing, US$12.56 million of project funds remained uncommitted. As a consequence the Government agreed to IDA's suggestion that non-committed credit be cancelled. The cancelation of approximately US$6.8 million of non-committed funds was approved on October 20th, 2011, allowing for the reallocation of these resources to other projects in the Senegal IDA portfolio.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

20. Project preparation commenced in April 1999, when the task team was authorized to proceed, and concluded in May, 2003, when the project was submitted to the Board. Through the course of this relatively long preparation period, the government changed, and consequently the project underwent a design change to reflect new government priorities.

21. Project design reflected both the original concept, as well as changes to the institutional environment and new policy priorities. A Project Preparation Advance (PPA) was approved and operationalized in 2001 to provide institutional support to APIX (targeted to become the PIU) and to complement preparatory work financed through an existing IDA funded project.

22. Project design benefited from evidence-based analysis. For example, the broader agenda for the investment climate reforms was set forth by the Country Assistance Strategy (CAS) and FIAS reports (completed in 1999 and 2000) on regulatory reform and taxation. The conceptual groundwork for pension reform commenced through economic and sector analysis initiated in 2000, and was complemented by a parametric study of reforms to pension schemes in 2003.

23. **Objective of Project was very relevant.** The overall objective of the project was to create the conditions necessary to increase private investment through an improved investment climate, greater private participation in economic activities, and policy and sector reforms. At the time of appraisal, the Government had prepared a private sector development strategy with the overall objective of achieving and sustaining private sector-based GDP growth of about 8 percent per annum. This in turn would lead to a substantial boost to formal employment, which had been relatively stagnant in the preceding five years. In this regard, the project (PIPP) was well aligned to government strategy, and with the policy recommendations of the CAS (FY03-05).

24. **Design was too ambitious and complex**. The initial project design included 19 beneficiaries and a large number of structural reforms to the overall investment climate, as well as in specific and disparate sectors such as the postal system, tourism, and the collection of

royalties in the music industry. Coordination of these complex activities overburdened an already under-capacitated PIU, with negative implications for implementation.

25. At appraisal it was presumed that beneficiaries would have the necessary technical capacity to fulfill the primary leadership roles required for effective implementation of reforms. Fiduciary capacity within the PIU was insufficient to enable effective support for implementation and associated activities. In light of the range of envisioned reforms, and the large number of sectors to be covered, the preparation team's proposal at appraisal to split the operation into two projects should have been considered more seriously.

26. At restructuring, activities were substantially modified. However, these revisions were insufficiently reflected in the new PDO which remained relatively unchanged, while activities supporting its achievement were dropped. For example, assistance for most of the policy and sector reforms supported under the project (telecom, edible oil, and pension) were dropped, but the PDO still aimed to create the conditions necessary for increased private investment through policy reforms.

27. **Too much focus on capacity building of key public entities as compared to direct support to private sector actors.** The project targeted the majority of capacity building interventions in key public institutions, while insufficient support was extended to strengthening the competitiveness of private firms and the capabilities of business associations. Following complaints on the part of the private sector, some adjustments were made to initiate capacity building for private sector organizations, and the introduction of a Partial Credit Guarantee scheme to facilitate banking sector lending to SMEs.

28. **Important risks were correctly identified by the Bank team, but these were underestimated**. Three critical risks were insufficiently assessed: (i) the complexity of project design—which hindered implementation, (ii) the PIU was insufficiently capacitated to manage project activities, and (iii) the fact that complementary funds from government were not made available in a timely manner. In light of the complexity of the project (acknowledged by the team), and from experience accruing from previous projects in Senegal, the rating of these risks as "Modest" was not realistic. The magnitude of the impact of these risk factors was compounded by the decision to set up a relatively small and under-capacitated PIU which resulted in delays to implementation, and the realization of the outcomes. The materialization of these risks significantly impacted project outcomes, and should have been rated "High", with greater attention given to associated mitigation measures. Moreover, the loss of policy "champions" in government also negatively affected project implementation. This risk too should have been anticipated, and more adequately mitigated in the project design.

29. **Lessons learned from previous operations were stressed in project design but were insufficiently incorporated into design.** Project preparation benefited from the inputs of various networks and central departments of the World Bank. Lessons learned from previous Bank interventions with regard to judicial reform, telecoms, pensions, and the business environment were considered through the course of project preparation. However insufficient attention was paid to incorporating this experience into the overall project design. Specifically, the project design did not sufficiently acknowledge that: (i) In an environment where the primary

stakeholders to reform have weak institutional and implementation capacity, it is important to tightly focus the reform agenda; (ii) Social sector reforms take time and require a realistic timetable (pension parametric reforms, introduction of pension funds).

30. **Consensus building for some project interventions was not completed.** Commitment to, and ownership of, project outcomes on the part of beneficiaries is critical to the successful implementation of reform. Project design was undermined by a consensus deficit, and a lack of ownership of the content of proposed reforms. For example, at appraisal, the technical services of the Ministry of Culture did not agree with the content of proposed project activities, and felt disenfranchised by the proposed implementation scheme, which they felt granted too much responsibility to industry private actors.

2.2 Implementation

31. Important progress was made in achieving project activities prior to restructuring, including: (i) improvements to Senegal's Doing Business indicators; (ii) the establishment of key institutions in support of private sector development (Investment promotion agency, procurement regulatory agency); (iii) the completion of important sectoral reforms (pensions, telecoms, edible oil); (iv) the initiation of judicial sector reform; and (v) the provision of substantial technical assistance for the concession of the Dakar-Diamniado toll road project.[2]

32. The interaction of capacity limitations and a complex project design was a recipe for failure. The project had 19 beneficiaries and incorporated a large number of activities including the building of institutions, policy and sector reforms (ranging from social security to intellectual property rights), provision of technical assistance or equipment, etc.

33. Commencement of the project was delayed, and initial implementation was slow. Following approval by the Board on May 20, 2003, the project became effective only on February 26, 2004 due to the government's failure to fulfill effectiveness and disbursement conditions in a timely manner.

34. In light of the complexity of the project and the number of beneficiaries, the task team chose at entry to empower beneficiaries for the implementation of their respective components. In an effort to enhance coordination and smooth the implementation of the overall project, it was decided to establish technical working groups, with beneficiary institutions assuming primary technical leadership.

35. The implementation arrangements were structured in three primary layers: i) a project steering committee whose role was to provide strategic guidance, ii) a PIU responsible for fiduciary management and for providing support to the steering committee, and iii) and technical working groups.

[2] Detailed description of achievements is presented on section 3.2

36. However, the proposed technical working groups were not set up during implementation, as a consequence, primarily, of a lack of capacity within beneficiary institutions. The absence of working groups contributed to a significant efficiency gap in the management and coordination of the project as a whole. A contingent consequence was over-reliance on the PIU, which similarly lacked adequate technical capacity.

37. Significant post effectiveness delays, resulted as a consequence of the lack of technical capacity within beneficiary institutions (capacity to prepare Terms of References (TOR), technical specifications for equipment, requests for proposals, etc.).

38. Poor capacity within beneficiary institutions could have been better predicted and addressed during project preparation, had the task team conducted a rigorous capacity assessment and taken more seriously warnings evident during project preparation. For example, beneficiaries demonstrated an inability to draft often straightforward TORs in fulfilling activities funded under the PPA, resulting in an over-reliance on APIX, the agency managing the PPA.

39. Project coordination was inadequate. The PIU went beyond its mandated responsibilities and functions, often bypassing the project steering committee in making important decisions. This contributed to the deterioration of collaboration between the PIU and project stakeholders, and in some instances to complete deadlock in the implementation of project activities.

40. Until the suspension of the project in 2008, the Steering Committee had proved to be relatively ineffective. The committee lacked the requisite initiative and authority to fulfill its mandate. This was in part a consequence of its composition, and also a lack of guidance and leadership from the Ministry of Finance (MOF). It is interesting to note that the committee was chaired by the director of Unité de Politique Economique (UPE, a think tank within the Ministry of Finance), a beneficiary of the project without effective administrative or political power.

41. Several opportunities to refocus project activities and revamp the implementation arrangements arose, but were not utilized. The midterm review (MTR) in July 2006 that highlighted challenges relating to slow implementation and M&E weaknesses hindering the achievement of PDO, represented one such instance. The MTR recommended reform of the implementation mechanisms and the cancellation of a number of project activities unrelated to the achievement of the PDO. Government did not, however act on these recommendations.

42. The suspension of the project disbursement was another missed opportunity to substantively address challenges relating to project design and implementation. Following the lifting of the suspension in December 2008, Bank management and Government agreed to substantially restructure the project by March 2009. Implementation responsibility was transferred to APIX, a new steering committee was established, and some activities were dropped, while others were refocused. However these changes were not captured by the Financing Agreement and as a consequence their status was informal.

43. For reasons that remain unclear, it took 12 months for the project team to propose a restructuring package to government. Disagreements relating to proposed reallocations of credit proceeds, created further delays, and restructuring was only completed in July, 2010. The year-

long delay impacted operations as the formal transfer of responsibility to APIX only occurred at the conclusion of the process, and critically some activities that required the reallocation of resources could not be implemented until after the finalization of the restructuring process.

44. It is important to note that the content of restructuring was not commensurate with the challenges faced by the project. Except for removal of the economic growth target, the PDO remained essentially unchanged, and very broad. Moreover, an opportunity was missed to more closely align the PDO to specific priorities outlined in government's Accelerated Growth Strategy adopted in 2006.

45. The M&E framework was simplified, but not all flaws were addressed. Very little attention was paid the problems relating to the implementation mechanisms for M&E (staffing, progress reports, and impact evaluation studies).

46. The need to restructure the project and address challenges to implementation was identified in 2006, but it took four years for the team to finalize a restructuring package and submit it to the board of directors. These delays to restructuring substantially undermined the project, and delivery of its objectives.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

Monitoring and Evaluation (M&E) Design

Rating: Unsatisfactory

47. Given the large number of activities captured in the original project design, the M&E framework included 13 outcome indicators and 78 output indicators. Many of these output indicators were process oriented and the M&E framework could have been simplified and strengthened through the inclusion of more outcome related indicators.

48. The set of outcome indicators moreover did not accurately capture various aspects of the PDO. Despite the large number of project activities geared toward enhancing private investment flows, the M&E framework did not include investment related measurements. The task team considered that the addition of new formal job opportunities in the economy could serve as a proxy. This choice was inadequate for two reasons:

i. Additional formal jobs could arguably be attributed to a variety of factors distinct from the project's investment climate reform and investment promotion activities (i.e. changes in job market rigidity etc.);

ii. Even though there may be a significant correlation between investment and job creation, all investments do not necessary lead to significant job creation.

49. This indicator was changed through the restructuring process to measure jobs created by firms supported by APIX. Moreover, while the project was expected to contribute to the GOS' 8 percent growth target, the M&E framework could not measure these contributions.

50. Adjustments were made to the M&E framework following as a consequence of restructuring to reflect activities dropped, to capture new activities and to incorporate modified targets for ongoing activities. The new outcome indicators were nevertheless insufficiently aligned to the PDO. For example none of the new indicators could capture the potential impact of the project on improvements in the investment climate.

51. The capacity building activities were enhanced in the restructured project, but were not effectively monitored for impact. Baseline indicators were either inaccurate or misleading, and dates for reported data were missing. In some cases, end-of-project targets were met before implementation of activities. For example, the corporate tax was reduced to 25 percent in 2006, while the M&E framework captured the baseline value at 28 percent and targeted 25 percent by end of 2011. Similarly, both baseline and target values for the number of enterprises operating with investment incentives were exceeded before project restructuring.

52. Finally in light of difficulties relating to an accurate measurement of indicators such as job creation, an effort should have been made to ensure that impact assessment studies were conducted by end of the project. As a consequence, project evaluation had to be conducted exclusively based on data and information provided by the implementation agency without any independent verification.

M&E Implementation

Rating: Unsatisfactory.

53. Weaknesses in the project design negatively impacted the M&E framework. Over the course of project implementation, the PIU had a dedicated M&E officer for only one year. A person was hired in 2004 but left in 2005 and was never replaced. As a consequence there was inadequate oversight of beneficiary activities, which hampered the fulfillment of objectives. Project management repeatedly failed to produce reports required for the effective monitoring of the project's performance and impact. As an illustration of poor monitoring of project activities, despite numerous requests the preparatory study for an investment strategy produced by the Institution de Prévoyance Retraite du Sénégal (IPRES, the pension scheme covering workers not in the civil service) was not timeously provided to the IDA team. As a consequence the support needed to translate the recommendations into a strategy was never provided to the institution and the target was not met. It is important to note that this indicator was a trigger for the disbursement of the third tranche of the PSAC budget support operation.

54. The task team correctly invested great deal of effort to ensuring the recruitment of fiduciary personnel to PIU, but insufficient attention was paid to the resolution of M&E issues.

2.4 Safeguard and Fiduciary Compliance

55. **Safeguards.** The project primarily aimed to provide technical support to the government's financial sector adjustment program. As such it was a Category C project that triggered no safeguard policies.

56. **Financial management.** Despite substantial improvements towards the end of the project (adequate accounting system, execution rate amounting to 86 percent), the overall performance of the project's financial management is rated Moderately Satisfactory. The shortcomings in project financial management relate to: (i) the failure to implement internal control recommendations arising from an internal audit mission of the PPIP, and to regularize a debt amounting to 85 million CFA francs contracted by beneficiaries (Postal system, the ARTP and Customs) before project closure; and (ii) inappropriate reimbursement of ineligible expenditures of FCFA 3.5 million arising from counterpart funds.

57. **Procurement.** Overall performance of procurement management is rated Moderately Unsatisfactory. The project required the procurement of numerous consultancy services, large information technology systems, (Customs, La Poste, and Network of Chambers of Commerce), but the PIU lacked the capacity to handle this workload. A conflict of interest in the procurement by a beneficiary of consultancy services contributed to the suspension of disbursement in 2008. Increased capacity of the procurement team toward the end of the project helped to reduce delays in provision of procurement services to beneficiaries, but was not sufficient to entirely eliminate delays.

2.5 Post-completion Operation/Next Phase

58. There is no transition arrangement to post-completion operation of investments financed by the PIPP. La Poste requires financing to maintain or upgrade its V-SAT system. In addition, the failure of government to recapitalize La Poste means that the institution has not achieved financial sustainability despite major improvements to its operations and commercial performance.

59. Implementation decrees for the new intellectual property rights law were promulgated and submitted for approval without sufficient consultation with beneficiaries. The decrees are substandard and will require significant revision, underpinned by further consultation with stakeholders.

60. Establishment of the "Société de gestion collective" as a public corporation to manage royalty fees in the music industry is yet to be operationalized. Further consultation with stakeholders (musicians, producers, etc.) will be needed before a general assembly can be convened for the adoption of the corporation charter and governance structure. So as not to jeopardize the important progress achieved in this component, it is critical to support the completion of these activities.

61. A follow-up private sector development operation has been requested by both government and the private sector to strengthen and deepen progress with regard to improving the investment climate, procurement regulation, investment promotion and facilitation, and to support other activities that could not be implemented in the PIPP.

62. Enhancement of private sector competitiveness remains very relevant in Senegal. A follow-up operation supporting this agenda could be considered and could among other activities include matching grants and PCG for SMEs.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

63. The project development objective was relevant to the country's development priorities, since it addressed challenges to increasing private sector investment. A number of studies identified increased flows of private investment as a key driver for economic diversification and job creation. The PDO was consistently aligned with priorities articulated in the GOS' Accelerated Growth Strategy (2006) and the World Bank's CAS.

64. The relevance of the project design is rated Modest due to numerous shortcomings that limited overall impact.

65. Despite features of project components closely mirroring development objectives, some of the proposed activities were too generic and difficult to link to the project development objective. This was the case for the proposed support to monitor the residual government participation in SOEs, and to a lesser extent the support to the music industry.

66. A causal link between the removal of import taxes for edible oil and an increase in private investments seemed dubious at best. Removal of this tax looks more like a pro-poor initiative than an activity aimed at increasing private investment.

67. Following restructuring similar shortcomings persisted, and some project activities continued to be misaligned with development objectives. As an illustration, none of the project activities included support to policy or sector reforms central to the achievement of the PDO. There were problems associated with the project's complexity, the low capacity of beneficiaries and inadequate implementation mechanisms, and overall project implementation was further undermined by the waning support for aspects of reform on the part of government. Unpredictable domestic shocks (recurrent flooding in the capital city suburbs and electricity crisis) through the course of 2009 and 2010 required the government's full attention, further diluting appetite for investment climate reform.

3.2 Achievement of Project Development Objectives

68. Given the broad character of the PDO, intended objectives will be inferred from associated outcome targets. At restructuring, change to the PDO consisted only of dropping the 8 percent growth target. Outcome indicators were substantially changed and reduced from 13 to 3. Evaluation of the project's achievements will be assessed before and after restructuring.

3.3 PDO and key indicators before restructuring

Rating: Moderately Unsatisfactory.

69. Prior to restructuring, the project was at risk of not achieving its development objective of creating conditions to increase private investment through improvements to the investment climate, greater private participation in economic activities, and policy and sector reforms. After 6 years of implementation, only 6 of the 13 original performance indicators had been met. An additional 5 key indicators were partially met and 2 were not met at all (see table below).

Indicator	Achievement
Sector expenditure program for justice prepared.	Met
Anti-money laundering legislation promulgated.	Met
Trade legislation, including intellectual property rights, adopted.	Met
Administrative barriers reduced for (a) starting up a business and (b) land access for commercial purpose.	Partially met Starting up a business was reduced to 2 days. Delay to reduce land access time was not.
Marginal effective tax rate for industry, based on FIAS report 2001 methodology, reduced to 35% by mid-term review and to 25% by end of the Project.	Met
Physical inspection of containers by Customs is limited to a maximum of 20% of all containers passing through Customs.	Not met No progress was recorded.
APIX investment promotion activities to result in 4000 permanent new jobs in the formal sector by mid-term and 10,000 by the end of the Project.	Met
For the matching grant scheme: (a) the increase in revenues for beneficiaries over the increase in manufacturing output is greater than 1.10, and (b) at least 3,000 permanent jobs have been created.	Not met Implementation discontinued because of inadequate governance.
The telecommunications sector strategy to be implemented, and the teledensity in the Borrower’s territory doubled.	Met
By end of the Project, (a) restructuring of the pension schemes has been completed, and adequate measures have been adopted to ensure their financial sustainability (as measured by parametric reforms) by mid-term review; and (b) systemic reforms and new corporate governance are in place.	Not met Systemic reform and new governance not in place.
By December 31, 2006: (a) the postal corporation has been restructured and financial services spun off into a separate subsidiary; and (b) both structures achieved financial equilibrium (inclusive of government remuneration for public service delivery).	Partially met Financial equilibrium was not achieved, government failed to provide the needed resources
By December 31, 2006: (a) a tourism sector strategy has been formulated and adopted with 4 master plans and 12 studies completed and their results disseminated; and (b) an investor conference convened.	Partially met Master plans and studies was not undertaken and investors conference not convened
Legislative framework established to strengthen the rights of musicians and artists; royalties are paid to musicians; and musical archives are in place.	Partially met New law adopted but implementing decrees was not issued
Divestiture of SONACOS completed, and policy distortions in the edible oil subsector have been reduced or eliminated, including consumption surcharge and government subsidies.	Not met

70. A number of valuable project achievements were not captured by project indicators. These included the following:

71. **Improving the business environment**. The project did substantially contribute to improving the investment climate. This was mainly achieved by: i) reducing the average time required to register an enterprise to 2 days from 58, ii) reducing the average time required to clear goods through customs to 14 days from 58, and iii) lowering the corporate tax rate to 25 percent (beyond the agreed 28 percent) from 35 percent, and reducing the number of tax exemptions. As a consequence, Senegal was ranked by the World Bank's 2009 Doing Business (DB) as one of the top 10 world reformers and the best in Africa, moving up the index from 168 in 2008 to 147 in 2009. The level of private investment has improved since 2005 averaging 19.5% of GDP per annum. Cumulative private investment flows between 2005 and 2009 amounted to US$2.5 billion.

72. **Facilitating private participation in economic activities and enhancing competitiveness.** Private sector participation in economic activities was significantly facilitated through project implementation. Project support was instrumental in turning APIX into one of the best investment promotion agencies in Africa (according to the 2009 Global Investment Promotion Benchmarking report commissioned by FIAS). In addition, the project also helped establish within APIX a One-stop-shop for business registration and licensing to facilitate the start-up of a business within 48 hours. The project also supported the Presidential Investment Council as a national platform for dialogue between the public and the private sectors. APIX served as the secretariat to this platform which played a crucial role in spearheading investment climate reform in Senegal.

73. Incentives provided to firms contributed to the creation of 155,000 jobs between 2004 and 2011 according to figures provided by the PIU. While this number should be treated with caution, it highlights the effectiveness of APIX as an investment promotion agency. Unfortunately the assistance provided under the Matching Grant was ineffective due to poor implementation of the mechanism. The Partial Credit Guarantee scheme was not implemented due to a lack of consensus among stakeholders.

74. **Support to policy and sector reforms.** Most of the policy reforms envisioned at appraisal were only partially implemented. However significant progress was recorded in the following sectors:

75. **Pension.** With project support, parametric reforms acceptable to IDA were implemented through the introduction of automatic indexation of benefit parameters and a ceiling for contributions to IPRES and FNR (the two social security agencies). Arrears were also resolved and the accounts of the affected workers credited. The project supported the formulation of a consolidation plan of existing pension programs. In addition, a new policy for private pension reform has been adopted, but it is yet to be implemented.

76. **Postal Services.** With project support, a new postal financial services subsidiary (*Poste Finance*) was created. Given failed postal reform experiences in many other African Countries this is a major achievement. The Project also contributed to clarifying the relationship between government and La Poste through the signing of a Performance contract acceptable to IDA.

77. **Telecom sector.** The project contributed to the establishment and operationalization of a regulatory agency for postal services and telecommunications (ARTP). The agency is fully operational and self-sustaining, and plays a critical role in overseeing and developing the sector.

78. **Procurement reforms.** The project was instrumental in operationalizing the Public Procurement agency (ARMP), which has since been instrumental in improving public procurement. Sole source contracts awarded through public procurement have declined from 80 percent of total public contracts in 2006 to 14 percent in 2009 after ARMP became operational; representing a savings of US$115,000,000 for the government. The project also contributed to the financing of audits of contracts not subject to prior review by the government's procurement control body. These audits revealed many deficiencies in procurement operations, and formulated several recommendations for improving contracting authorities. Enhanced transparency and equity in the facilitation of public contract procurement (which represents the bulk of economic activity in developing countries) institutionalized by ARMP has also contributed to improving access to public contracts for SMEs.

79. **Edible Oil Sector Reform**: The project contributed to government's exit from the groundnut sector through the privatization of SONACOS. However, there was disagreement between the GOS and the Bank on the means of privatizing SONACOS. Government eventually decided to privatize SONACOS as an integrated monopoly, against the advice of the Bank which had suggested the sale of dismantled units to different buyers. As a consequence, the groundnut sector is now controlled by a private monopoly. An additional benefit was that all government liabilities in the sector were settled.

80. **On the reduction of tax induced distortions affecting the groundnuts sector**, the government passed in 2004 the law No. 2004-34 eliminating import surcharges on processed and unprocessed edible oil. The law was complemented with transitory provisions conforming to WTO and UEMOA rules. Despite some reversals of similar interventions in the past, the policy remains effective and is expected to remain in place.

81. **Judicial reforms**: With project support, Senegal unveiled a reform program for the justice sector. An anti-money laundering law has been promulgated and is being implemented by CENTIF, an agency established with the support of this operation.

82. It is important to note the mobilization of transaction advisory services facilitated by PIPP for the preparation of the Dakar-Diamniadio Toll-road project which is considered critical to improving the country's competitiveness. A private company was selected and subsequently contracted for the construction and operation of the 40 km toll road.

83. In summary, prior to restructuring, project outcomes were mixed: Out of 13 key performance indicators, only six were met. On the plus side, analysis of progress recorded on the various aspects of the PDO indicates that the project substantially contributed to an improved business environment, supported the facilitation of private investment, and laid the groundwork for a more effective pensions system.

3.4 PDO and Outcome indicators after restructuring.

Rating: Unsatisfactory.

84. The PDO and outcome indicators were revised at restructuring to give the project a better chance of achieving its development objectives. Even though some key outcome indicators have been attained, the project did not achieve its development objective. Critical activities designed to contribute to the attainment of the objectives were not implemented.

85. Specifically, interventions to promote private participation in economic activities and policy and sector reform intended to increase private investment were never operationalized. No progress was made with regard to implementing activities relating to matching grants, and partial credit guarantees, both of which were given particular attention during the restructuring of the project. Both interventions were abandoned prior to the close of the project, and associated funds were cancelled. Consequently, the PDO is rated Unsatisfactory.

86. Attainment of the three project outcome indicators ("100 new firms with investment climate incentives start operating"; "number of direct new jobs created reaches 130,000 by the end of the project"; and "level of private investment reaches US$3 billion") is largely attributable to pre-restructuring activities carried over the first phase of the project and cannot be attributed to the restructured project. The transformation of APIX into a highly performing investment promotion agency was instrumental in attracting important new investments.

87. Many post-restructuring activities were not aligned with targeted objectives and were never implemented. Moreover, the poor quality of baseline data represented a significant obstacle to the effective measurement of the restructured project activities.

88. **Outcome Indicator No. 1: 100 new firms with investment climate incentives start operating**: Cumulative APIX data collected from 2004 to 2010 indicated that as of December 2011, 772 new firms were established and commenced operations utilizing investment climate incentives.

89. **Outcome Indicator No. 2: 130,000 directly attributable new jobs created by the end of the project.** This objective was met and exceeded 5 months after project restructuring. More than 145,000 jobs were created according to APIX statistics as of December 31, 2010.

90. **Outcome Indicator No. 3: The level of private investment reaches or exceeds US$3 billion:** Statistics provided by APIX indicate that the project met this indicator. When project restructuring took place in July 2010, it was expected that by assisting the government to create an enabling business environment the project would contribute towards attracting new private investment. Given the slow progress made in implementing investment climate reforms between July 2010 and December 2011, it is clear that post-restructuring improvements to the investment climate were not the main driver of new investments recorded during that period. Moreover, it is difficult to isolate the effect of incentives provided to firms from the real impact of overall improvements to the business environment supported by the project, giving rise to questions of attribution.

91. Analysis of the intermediate results indicators and the component outputs underscores the project's weak performance. Only 6 of 11 indicators were met by project closing. Of these, two were met prior to the restructuring of the project.

92. There is no evidence of significant improvement to the business environment through an assessment of the Doing Business indicators targeted by the project (see Annexure 2 for more detail). Moreover, no support was directed to enterprises to enhance their competitiveness through the matching grant scheme, the partial credit guarantee mechanism was not operationalized, the tourism sector strategy has not been updated, and regulations to implement the law on intellectual property rights have not been adopted.

Efficiency

93. Numerous delays were experienced through project implementation. Following project approval on May 20, 2003, it took 9 months for the operation to become effective. The closing date was extended twice for a cumulative period of 3 years (from the originally scheduled date of December 31, 2008 to December 31, 2011). The overall extension of the schedule corresponds to 50 percent of the original project timetable.

94. The project's Management, Monitoring and Evaluation budget remained within the original limits, but this is largely attributable to the closing of the PIU and the dropping of several activities (PCG, Matching Grant, etc.)

95. The project provided technical assistance for institutional capacity development, sector and policy reforms, and investment climate reforms. As a technical assistance project, quantifying and attributing project impact or economic benefits poses serious challenges that could have been addressed had independent impact assessments or studies been initiated through the course of project implementation. A difficulty associated with quantifying economic benefits arises due to the indirect relationship between the project's interventions and the stream of benefits, and as a result a traditional cost benefit analysis is not appropriate for evaluating the project.

96. Nevertheless, a cost-benefit analysis has been used to calculate the Net Present Value (NPV) and Economic Rate of Return (ERR) in "with" and "without" project scenarios (see Annexure 3). It was assumed among other things that each $1,000.00 spent by APIX would generate 1 job by mid-term review; and two jobs by the close of the project. This assumption is illustrative of the limitations of the economic analysis used at project appraisal. A more accurate assessment would acknowledge that jobs are generated by investments and costs incurred by entrepreneurs, and to a lesser extent by investment incentives provided by government. In this case the model only considered cost incurred by APIX and claims full credit for jobs generated, while overlooking the cost for investors.

97. Due to the limitations of the model and the dropping of activities included in the original economic analysis (economic diplomacy, matching grant pension reforms etc.), this section will assess the project achievements against a set of outcomes directly or indirectly associated with

the project. A traditional cost benefit analysis would result in an unrealistic high and positive ERR and NPV.

98. The project has contributed to the establishment of an efficient framework for investment promotion and public private dialogue. Numerous policy and sector reforms were also completed with the support of the project. Significant progress was also made in improving the overall investment climate.

99. The project was moderately efficient in the use of proceeds of the credit due to the underutilization of committed project resources (almost 20 percent of original allocation) and corresponding commitment charges. The cancelation of the matching grant undermined expected gains in private sector productivity, and the cancelation of the partial credit guarantee led to a loss of investment opportunities.

100. Important achievements include the establishment of over 770 new enterprises with investment climate incentives, creating more than 155,000 jobs. Moreover, support to investment promotion improvements to the investment climate contributed to attracting new investment of US$3.2 billion between 2004 and 2011.

101. Despite the failure to implement key activities, and the potential benefits subsequently foregone, the project generated economic and social benefits in terms of increased private sector investment, job creation and institutions building. Consequently the efficiency rating of this project can be considered Moderately Satisfactory.

3.5 Justification of Overall Outcome Rating

Rating: Moderately Unsatisfactory

102. The objectives of the project were achieved to a Moderately Unsatisfactory extent based on a weighted average of the moderately unsatisfactory rating at the time of the project restructuring in 2010 and the unsatisfactory rating at the end of project, as illustrated below:

Description	Original PDO	Restructured PDO	Overall
Objective*	MU	U	
Rating value*	3	2	
Weight (% disbursed before/ after restructuring)**	0.94	0.06	
Weighted value	2.8	0.12	2.92
Overall rating			MU

*MS=Moderately Satisfactory=4; MU=Moderately Unsatisfactory =3.
**Disbursements as of June 30, 2010: SDR 25.38 million; June 30, 2010 to December 10, 2011: SDR 1.61 million; Total SDR 26.99 million.

103. Although the development objectives of the project were (and are still) relevant to the priorities of the Government of Senegal, and were aligned with the Bank's assistance strategy, design flaws at entry and restructuring, weak implementation capacity on the part of

beneficiaries and the implementing agency, and inadequate supervision undermined project impact and associated achievements.

104. Weaknesses in M&E design and poor follow through by the implementing unit created significant difficulty for effective the measurement and attribution of project activities.

105. However, despite difficulties encountered, the project contributed to substantial improvement of the business environment, helped establish several critical institutions for private sector development, and supported the implementation of important policy and sector reforms. Consequently, design and implementation the project is rated Moderately Unsatisfactory.

3.6 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

106. The poverty impact of the project is difficult to assess. The project was meant to support private investment and jobs creation. No impact evaluation was conducted at entry or following the closure of the project complicating an accurate assessment of the poverty impact.

107. Jobs created by firms benefiting from project support inarguably contributed to poverty reduction. However, no gender specific data was captured by APIX, as envisioned following the restructuring process.

108. The restructuring of the pension system and reforms of the groundnut sector (on which about 30 percent of the population of Senegal depends directly or indirectly for their livelihood) may have had an indirect impact on poverty.

(b) Institutional Change/Strengthening

109. The project directly contributed to the establishment and strengthening of a range of institutions. ARTP was created following sector reform supported by the project, and is fully operational and self-sustaining. ARTP recently led the sale of a third mobile license and is providing effective sector regulation.

110. Capacity building at APIX contributed to the agency becoming one of the leading investment promotion agencies of the continent. The APIX investment promotion department is certified ISO 9001, and the business registration one-stop-shop is an example of best practice in the region.

111. The project supported the operationalization of a new procurement regulatory agency (ARMP) contributing to improved access to public contracts on the part of SMEs. The mainstreaming of transparency and efficiency measures premised on best practice in the public procurement of government contracts saved the tax base US$115,000,000 in 2009. The agency and its processes are considered a model to be replicated in the African continent.

4. Assessment of Risk to Development Outcome

Rating: Moderate.

112. Institutions established or supported under the auspices of the project have been effectively integrated into the economic environment and are either self-sufficient (ARTP) or on the verge of becoming so (ARMP). Project closing will not jeopardize their existence. However, reforms to the administration of intellectual property rights cannot be sustained without the implementation and approval of associated decrees. Additional technical and financial assistance will be required to ensure that decrees are designed and adopted.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Unsatisfactory.

113. The project's objective of creating the conditions to increase private investment was highly relevant at entry, and was consistent with the Government's priorities and the Bank's strategy. Primary issues to be addressed were properly identified, building on government's strategy for private sector development and in depth Economic and Sector work.

114. However, project design was too complex and its scope too broad. Important lessons learned through previous Bank operations were sufficiently integrated into the design of this project. Important risks were underestimated or not effectively mitigated when they arose. Of particular importance was a project design that favored implementation of activities by beneficiaries, but underestimated the technical capacity of beneficiaries for managing and implementing project activities. The realization of these risks significantly undermined the achievement of the PDO.

115. The initial composition of the steering committee was unbalanced and lacked the necessary authority required for overall guidance of project implementation. The design of the M&E framework was poor making it impossible to effectively monitor progress in implementation, measure achievements and attribute the outcomes. Problems associated with attribution and measurement was further complicated by the poor quality of baseline data.

116. As a consequence of these significant shortcomings, the Bank's performance in ensuring quality at entry is rated Unsatisfactory.

(b) Quality of Supervision

Rating: Moderately unsatisfactory.

117. Supervision was conducted regularly, consisting of approximately two missions per year. There were four Task Team Leaders (TTLs) over the course of the life of the project, with the

last two TTLs located in the field. However there was a significant delay in appointing a new TTL after the departure of the first TTL. Some missions were compromised by a failure to retain the right skills mix, and as a consequence discussions and implementation of the PCG, for instance, was led by IFC staff with a significantly different perspective and incentive structure.

118. Implementation Status Reports (ISRs) were regularly updated. Sector management regularly commented on the ISRs and provided guidance to the team. However, the project did not benefit from regular and substantive feedback from the CMU.

119. Prior to the finalization of the MTR, it is likely that ISR project ratings were unrealistic. For example, Implementation Progress and Development Objective ratings were consistently rated satisfactory between 2004 and 2006, despite delays in disbursement varying between 11 and 15 months.

120. The presence of a dedicated TTL in Senegal positively impacted the quality of the supervision, allowing for close oversight and monitoring of project activities. More intimate knowledge of project implementation resulted in a subsequent downgrading of the project to moderately unsatisfactory, prior to further downgrading to unsatisfactory as a consequence of violations of the credit agreement bring identified by the task team.

121. The task team identified in a timely manner operational bottlenecks, but was slow and ineffective in implementing remedial action. For example, the MTR identified implementation problems and recommended project restructuring as early as 2006, but the Bank was unable to convince the client to implement the recommended remedial measures.

122. Restructuring became imperative following the identification of serious credit agreement violations on the part of the PIU, and the subsequent suspension of project disbursement in 2008.

123. However, project restructuring was further delayed, with proposals only finalized in July 2010, 18 months after the lifting of the disbursement suspension. Failure to quickly restructure the project (strongly recommended by the management) directly and negatively influenced operations.

124. If implementation weaknesses and remedial actions were identified and clear to all stakeholders as early as 2006, the question that could be asked is why the Bank took four years to formalize and implement the necessary adjustments? Also, why Bank management (both CMU and Sector) failed to induce greater urgency for restructuring on the part of both the Government and the task team?

125. Based on the available documentation and discussions with stakeholders, delays appear to have been the consequence of a combination of factors:

i. Slow progress by the task team in finalizing the restructuring package, despite the fact that the main lines were discussed and agreed with the government immediately following the lifting of the disbursement suspension in December 2008;

ii. The deterioration of the relationship between the then TTL and APIX, after the lifting of the disbursement suspension. The breakdown in the relationship between the team and APIX was common knowledge in mid-2009 (it was reiterated by the borrower during the ICR workshop) with negative implications for project. A new TTL was appointed in early 2011 and efforts made to rekindle dialogue. However, with a short time horizon to project closing, there was little time to significantly impact implementation; and

iii. Bank management did not set a clear timeline for the team to complete the restructuring of the project.

126. Another shortcoming of supervision was the relative inflexibility of the Bank in considering the borrower's request to use local expertise for the management of the matching grant. This contributed to the dropping of the scheme, a flagship activity in support of private sector development. The team considered hiring an international expert to address problems arising through the first phase of the implementation of the scheme. Overhauling the manual of procedures in line with international standards could have been sufficient to ensure adequate management of the matching grant by local expertise, as was demonstrated in Burkina Faso and Cote d'Ivoire.

127. Disbursement, financial management and procurement issues were raised in an adequate and timely manner by the team. Recommendations for improvement were adequately reflected in Aide Memoires.

128. Overall, the quality of supervision was inadequate. The task team was competent but missed two opportunities to adjust project design and address implementation problems in a timely manner. As a consequence quality of supervision is rated Moderately Unsatisfactory.

(c) Justification of Rating for Overall Bank Performance

129. Shortcomings in project design negatively affected the attainment of project objectives; and inadequacies in the quality of supervision require an overall assessment of Bank performance to be rated Unsatisfactory.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Unsatisfactory.

130. Through the course of project preparation and the initial commencement of implementation, government demonstrated ownership of the project and was committed to the proposed reform agenda. The project, in turn, was built on, and incorporated government strategy. Following unforeseen domestic shocks, government was substantively distracted, and interventions supported by the project (Investment Climate, intellectual property rights) were shifted to the bottom of government's reform agenda.

131. Some early delays are attributable to government's lack of prompt follow-through with regard to effectiveness and disbursement conditions. Following the MTR, government opposition to the restructuring of the Steering Committee further delayed the reorganization of implementation arrangements.

132. Moreover, government's failure to provide counterpart funding for the restructuring of postal financial services restructuring, and a failure to implement actions to finalize the process of reforms to pension schemes, negatively impacted the achievement of project objectives, and will undermine the sustainability of reform.

133. Following the restructuring of the project, government failed to ensure that APIX hire a dedicated project team, contributing to further delays in project implementation and the attainment of PDO. Consequently, overall, the Government's performance was Moderately Unsatisfactory.

134. However it is noteworthy that government was instrumental in facilitating implementation of some key activities. It has successfully undertaken important reforms (among others, investment climate reforms has allowed Senegal to be ranked among the world best reformers in 2008) and establish key institutions for investment promotion and private sector development (APIX, Procurement Regulatory agency).

(b) Implementing Agency or Agencies Performance

Rating: Moderately Unsatisfactory.

135. Until 2008, the project was implemented by a stand-alone coordinating unit with a small staff. The M&E specialist who resigned after a few months was never replaced. The coordination between the PIU and the beneficiaries was not effective due to inefficient communication and a lack of capacity. Some beneficiaries complained they had no direct contact with the PIU over a two-year period. Limited interaction between these entities prevented the early identification of bottlenecks and the contingent implementation of adequate mitigation measures.

136. Poor oversight of the PIU by the Project Steering Committee resulted in the PIU submitting annual work programs and budget to IDA without prior discussion and approval by the steering committee as required by the Financing Agreement, and the government decree establishing the steering committee. Following the closure of the PIU and the transfer of activities to APIX, there was no formal handover between the two entities, and archives were not transferred to APIX. As a consequence, APIX had to rely on help from the task team and beneficiaries to retrieve information and no objections issued by the bank team.

137. Fiduciary management is rated moderately unsatisfactory. Ineligible expenditures incurred through ineligible procurement and payment for services that were not delivered were identified by the task team and led to a six month suspension of project disbursements. Project restructuring resulted in some improvement to fiduciary management. However, the financial management team failed to act on important recommendations to improve internal control and

enhance disbursement. Despite significant improvement following project restructuring provision of procurement support to beneficiaries continued to be hampered by delays.

138. The M&E function is rated unsatisfactory; as the M&E position was never filled following the departure of the specialist which resulted in a failure to produce progress reports on schedule.

139. Following the closure of the PIU and the transfer of implementation responsibility to APIX, the pace of implementation significantly increased, but slowed soon thereafter. This was a consequence of an increase in the workload of APIX unrelated to the implementation of the PIPP. Disagreement between the task team and APIX on the need to hire a dedicated fiduciary team contributed to a breakdown in dialogue. When the team was eventually hired there was insufficient time to complete key project activities, which were ultimately dropped.

140. The PMU was instrumental in ensuring implementation of some activities especially those of beneficiaries that had little capacity.

(c) Justification of Rating for Overall Borrower Performance

141. Based on the Moderately Unsatisfactory government performance and Moderately Unsatisfactory implementing agency performance, overall Borrower performance is rated Moderately Unsatisfactory.

6. Lessons Learned

142. **Consensus with regard to the content of project activities is critical to ensuring ownership and successful implementation.** The project included activities for which there was no consensus among stakeholders. As a result some activities lacked the requisite ownership for efficient implementation. The objective was not achieved.

143. **Restructuring should initiate as early as possible during project implementation to maximize its impact.** Following the lifting of the suspension of project disbursement, recommendations from the task team to restructure the project were accepted both by government and IDA management. However delays in the implementation of the proposed restructuring significantly hampered its efficiency and limited its impact. As a result project performance worsened following the restructuring, as the time envisioned for the implementation of restructured activities was truncated.

144. **Project supervision requires close oversight, and active decision-making from management in light of early warning signs.** Failures in project implementation were compounded by a lack of adequate supervisory oversight and management inaction when the situation warranted bold action. Despite a clear mandate to restructure the project as early as 2006, the Bank team was unable to complete the recommended restructuring for almost four years. This suggests deficiencies at the level of Bank management, who could have been more forceful in ensuring the timely completion of restructuring by the team.

145. **The capacity of implementing entities needs to be thoroughly assessed prior to project approval or effectiveness.** Project implementation was significantly affected by the lack of technical leadership on the part of beneficiaries, who were intended to implement their own activities. This was compounded by capacity limitations evident in the initial PIU and, subsequently, the APIX. To ensure effective implementation of projects implementing agencies' capacity should be fully assessed and technical support provided prior to project approval or effectiveness.

146. **Adequate M&E framework and impact evaluation mechanisms should be institutionalized at project inception.** Project implementation and the ability to monitor and measure achievements was negatively affected by the lack of an appropriate M&E framework, and the absence of impact evaluation mechanism. Furthermore, for the majority of its existence, the PIU did not have a dedicated M&E specialist. As a consequence, implementation progress could not be adequately monitored and project achievements properly measured.

147. **Steering committee composition should be balanced and inclusive, and benefit from high level representatives able to influence and/or accelerate decision-making.** In the early stage of project implementation the steering committee was insufficiently involved in project implementation and failed to ensure adherence to credit agreement requirements. This was a consequence of its unbalanced composition and the relative lack of authority of its members. The composition of project steering committees should be representative of all stakeholders and include representatives with the influence and authority to accelerate decision-making.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

None.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Component 1: Improving the Investment Climate	10.20	5.45	53%
Facilitating Private Participation	13.80	12.96	94%
Stimulating Sector Investment and implementing policy reform	17.00	16.97	100%
Supporting implementation and capacity building	10.30	9.06	88%
Total Baseline Cost	51.30	44.44	87%
Physical Contingencies	0.00	0.00	0.0
Price Contingencies	0.00	0.00	0.0
Total Project Costs	0.00	0.00	
Front-end fee PPA	0.00	0.00	0.0
Front-end fee IBRD	0.00	0.00	0.0
Total Financing Required	0.00	0.00	

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		2.00	1.6	77.00
International Development Association (IDA)		51.30	44.44	87.00
Local Sources of Borrowing Country		0.00	0.00	0.00

Annex 2. Outputs by Component

Component	Achievement Before restructuring	Achievement After restructuring
Component 1: Investment Climate has improved.	Justice sector expenditure development and expenditure plan has been prepared and is being implemented. RCCM delivery system in Dakar has been computerized Anti-money laundering legislation promulgated. The Center for arbitration is operation and effective in resolving conflict. Trademark legislation, including intellectual property rights has been adopted. Complementary decrees need to be adopted to complete the legislative and institutional framework. Neither the new procedures nor the new institutions for land distribution are in place. The time it takes to allocate land has not improved. The time to register a firm had been reduced to 58 days by mid term. It now takes 2 days to start a business. The new investment code, including the elimination of most exemptions was adopted. At least 3 codes were approved including the investment, the mining and telecommunication. While entry and operations in the artisanal sector is simple, entry in the leather and tourism industries need further simplification. The exemption regime was revised. Tax reform is in line with Government's action plan has been implemented. METR has been brought down to 28% Tourism taxes & levies, allocation of cultural royalties, vocational training taxes have not been eliminated or redirected towards the intended purposes by midterm review or as of May 2010. Airport does not meet safety and handicap standards as per category 1 requirements. A new airport is	Selected Doing Business Indicators were not improved. Public private Dialogue was strengthened through the establishment of Presidential Investment Councils. RCCM delivery system has been computerized nationwide.

Component	Achievement Before restructuring	Achievement After restructuring
	under construction Customs is not yet converging towards ISO 9000 certification. However, the time it takes to clear goods has been reduced substantially to 11 (export) and 14 days (import). The training carried out and the capacity building undertaken. The Presidential Investment Climate Council is in place and is organized once a year while technical discussions are ongoing. The PIC remains in place and there is continuous dialog between the authorities and the private sector.	
Component 2: Private participation is facilitated and competitiveness enhanced.	APIX annual business plans are updated and implemented. APIX is fully operational and –based on its data - its investment promotion activities have resulted in 116000 new jobs. The infrastructure studies have been carried out. Matching grant scheme has been ineffective at developing skills and is not sustainable. Moreover, it has not contributed to increasing manufacturing output or job creation. The development of the business plans has started but is not yet completed.	Matching Grant was not restarted Partial Credit Guarantee scheme for banks to lend to SMEs was not implemented APIX Business Plan is still being implemented with project support
Component 3: Sector development is stimulated and policy reform implemented.	Financial restructuring of pension schemes has not been done yet. A new corporate governance plan for IPRES is not yet in place. The second phase reform action plan of the pension scheme has not been adopted or implemented. Telecommunications strategy has been implemented and teledensity has more than doubled to reach 45 percent. Institutional responsibilities in the telecommunication sector have been clarified. Telecommunication monopolies have been terminated.	Tourism strategy was not updated Regulations related to the law on intellectual property have not been adopted yet.

Component	Achievement Before restructuring	Achievement After restructuring
	A second national operator has received a license and has been operating. The telecommunication legislation was reviewed. The legislation on development of electronic commerce and protection of industrial and intellectual property was prepared. All telecommunication providers have access to bandwidth on competitive terms. The legal and regulatory framework for the development of ICT has been established. A regulatory agency for telecom and postal services (ARTP) has been established and is operational and sustainable. Spectrum management equipment has been procured and installed. It is operational and the users have been trained to ensure an optimal use of spectrum resources. Technical regulation tools were prepared. A rural access strategy is being implementing contributing to the increasing access to ICT services. A pilot project was designed and implemented. The data base for the ARTP has been designed and is in place. Over 500 new rural localities are connected to the telecom network. Restructuring of postal corporation started but was not achieved. Financial sustainability of the postal corporation was not achieved. Business plan partially implemented. Postal Sector policy developed and partially implemented. Market study was completed. Corporate strategy on development of postal financial services was developed. A financial service has been spun off into a separate subsidiary of the postal entity and is operating. Tourism sector strategy has been formulated. Masters plans have been developed	

Component	Achievement Before restructuring	Achievement After restructuring
	Tourism office has been created and is operational. 6 studies have been completed. No advisory group of experts on tourism has been appointed. An investment conference for the tourism sector has not taken place. The law on intellectual property has been adopted and promulgated. This law needs to be completed by the adoption of related decrees. The capacity building has not taken place. The pre feasibility was not carried out. The archives are not yet in place but the process is underway. Divestiture of SONACOS has been completed. Sector reform removing barriers to entry not carried out to improve sector's performance and reduce price. Surcharge on edible oil have been removed. SONACOS has been privatized.	
Component 4: Project Implementation and capacity building	Due to credit agreement violations, the project was suspended, the PIU closed and the Steering Committee revamped.	

Annex 3. Economic and Financial Analysis

None.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility / Specialty
Lending			
Adama Toure	Rural Development Specialist	AFTR2	
Antonio Estache	Adviser, Economic Regulation	PSIVP	
Beat Heggli	Sr. Investment Promotion Officer	MIGA	
Bourma Diaite	Sr. Procurement Specialist	AFTPC	
Cherif Azi	Sr. Private Sector Specialist	AFTPS	Original TTL
Elizabeth Crompton	Consultant for Tourism	AFTPS	
Fily Sissoko	Financial Management Specialist	AFTFM	
Hermina Martinez	Consultant, Qualiy Assurance		
Iain Christie	Consultant for Tourism	AFTPS	
Iradj Alikhani	Sr. Economist	AFTPS	TTL
Isabella Ngoc Dung Andress	Sr. Information Specialist	CITPO	
Jacques Morisset	Peer Reviewer	PSAFI	
Jessica Schnable	SME Specialist	CSMDR	
Kishor Uprety	Sr. Counsel, Legal Reform	LEGAF	
Leopold Sarr	Rural Development Specialist	AFTR2	
Maimouna Savane	Private Sector Specialist	AFTPS	
Ousmane Badiane	Rural Development Specialist	AFTR2	
Paul Noumba Um	Lead Telecommunication Specialist	CITPO	
Peter Miovic Consultant	Peer Reviewer		
Robert Palacios	Sr. Economist, Pensions	HDNSP	
Shenhua Wang	Sr. Private Sector Specialist	AFTPS	
Sherri Archondo	Sr. Financial Sector Specialist	AFTPS	
Sidonie Jocktane	Program Assistant	AFTPS	
Solange Alliali	Sr. Counsel, Legal Reform	LEGAF	
Wolfgang Chadab	Sr. Disbursement Officer	LOAGI	
Supervision/ICR			
Aissatou Diack	Senior Health Specialist	AFTHE	
Aissatou Dicko	Program Assistant	MNSHD	
Amadou Dem	Senior Economist	AFTFW	
Babacar Sedikh Faye	Operations Officer	CAFJ6	
Bourama Diaite	Senior Procurement Specialist	AFTPC	
Boury Ndiaye	Program Assistant	AFCF1	
Cheick Traore	Senior Procurement Specialist	AFTPC	
David Bridgman	Manager	CICAF	
Eric Jean Yoboue	Senior Procurement Specialist	AFTPC	
Fatou Fall Samba	Consultant	AFCF1	
Fily Sissoko	Lead Financial Management Specialist	AFTFM	
Gilberto de Barros	Senior PSD Specialist	AFTFW	TTL
Gustavo C. Demarco	Lead Economist	MNSSP	

Names	Title	Unit	Responsibility / Specialty
Haroune Ould Sidatt	Consultant	AFMMR	
Iain Thornton Christie	Consultant	AFTFE	
Isabelle Huynh	Senior Operations Officer	TWICT	
Ismael S. Ouedraogo	Consultant	AFTAR	
Jacqueline Veloz Lockward	Program Assistant	AFTFW	
Jean-Christophe Ngo	Consultant	AFTFW	
Jessica A. Schnabel	Investment Officer	CFGME	
Korotoumou Ouattara	Sr Financial Economist	AFTFW	TTL
Luc De Wulf	Consultant	PRMTR	
Lucy M. Fye	Senior Private Sector Development	AFTFE	
Magueye Dia	Consultant	AFTFW	
Marie-Sophie Tar	Consultant	AFTPS-HIS	
Michaela J. Weber	Private Sector Development Specialist	AFTFE	
Osval Rocha Andrade Romao	Financial Management Specialist	AFTFM	
Peter Mousley	Lead PSD Specialist	AFTFE	TTL
Renee M. Desclaux	Senior Finance Officer	CTRLD	
Robert J. Palacios	Team Leader	HDNSP	
Ronnie W. Hammad	Senior Operations Officer	ECSSD	
Saidou Diop	Sr Financial Management Specia	AFTFM	
Shireen El-Wahab	Consultant	EASFP	
Sidi Mohamed Boubacar	Lead Operations Officer	MNC03	
Sidonie Jocktane	Executive Assistant	AFMGA	
Vincent Palmade	Lead Economist	AFTFW	
Yann Burtin	Senior ICT Policy Specialist	TWICT	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY98		18.09
FY99		108.43
FY00	21	67.61
FY01	15	62.34
FY02	48	205.24
FY03	80	268.44
FY04		0.00
FY05		0.00
FY06		0.00
FY07		0.00
FY08		0.00
Total:	164	730.15

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Supervision/ICR		
FY98		0.00
FY99		4.43
FY00	4	4.81
FY01	2	1.09
FY02	1	0.35
FY03		6.43
FY04	51	114.29
FY05	36	252.37
FY06	35	171.36
FY07	32	153.00
FY08	25	133.73
FY09	7	0.00
Total:	193	841.86

(c) Project Task Team Leaders

Names	Title	Period
Iradj Alikhani	Sr. Economist	From Approval to March 2005
Peter Mousley	Lead PSD Specialist	March 2005 to September 2007
Gilberto de Barros	Senior PSD Specialist	From September 2007 to January 2011
Korotoumou Ouattara	Senior Financial Sector Specialist	January 2011 to December 2011

Annex 5. Beneficiary Survey Results

None.

Annex 6. Stakeholder Workshop Report and Results

In parallel to the Bank ICR, the Government convened a stakeholder workshop in Dakar on May 7, 2012 to evaluate the PIPP. The main highlights of the workshop are presented below:

Despite significant delays to project implementation, workshop participants concluded that overall project implementation was satisfactory. Development outcome indicators were met and in some cases exceeded, with a disbursement rate close to 90 percent at project closing. Important achievements were also recorded with regard to the implementation of individual components.

The workshop emphasized that, notwithstanding outcome indicators, the project contributed to:

- i) Strengthening of public-private dialogue;
- ii) Improvement of the business environment;
- iii) Enhancement of enterprise competitiveness; and
- iv) Improved investment promotion and facilitation mechanism.

Participants pointed out that the satisfactory outcome of the project was the result of renewed commitment from beneficiaries, especially after TTL change.

The workshop noted that implementation challenges were attributable to the following factors:

1) A lack of knowledge of IDA procedures by beneficiaries;
2) Important differences in project management rules;
3) Long delays in issuance of “no objections”;
4) The lack of technical capacity within beneficiary institutions to implement activities;
5) Waning commitment on the part of some beneficiaries;
6) A difficult relationship with the one of the TTLs;
7) Inadequate restructuring (long delays, flaws in design, lack of consultation, no handover between previous and new implementing agency); and
8) Limited capacity at the PIU level

The workshop recommended the following measures as a result of the experience derived from the implementation of the PIPP:

- a) Ensure that work programs are approved prior to the end of each year and counterpart funds are released by government by March 30.
- b) Clarify the roles and responsibilities of all project stakeholders.
- c) Set standards for processes and ensure that they are met by all parties.
- d) Ensure that the steering committee plays its oversight role.
- e) Build broad consensus with regard to the content of activities and project design at inception, or at restructuring.
- f) Ensure satisfactory design and implementation of a M&E framework

Finally the workshop strongly requested the preparation of a follow-up operation to implement discontinued activities, deepen reforms supported by the project and address new challenges to private sector development in Senegal.

Annex 7. Executive Summary of Borrower's ICR

Introduction

With the technical and financial support of the World Bank and in partnership with the Private Sector, the Government of Senegal initiated a Project for the Promotion of Private Investment in Senegal (PPIP) globally estimated at 33 800 000 DTS (38 364 000 000 CFA). The project which was implemented between February 2004 and December 2011, was primary aimed at creating the conditions to stimulate the sustained increase in private investments by improving the investment climate, ensuring further participation of the Senegalese Private Sector in economic activities and implementing general and sectoral reforms.

I. Evaluation of PPIP activities

1.1 Key events in the life of the project

Three (03) major events marked the life of the project: suspension, resumption and restructuring. Effective in February 2004, PPIP disbursements were suspended by IDA (International Development Association) from July to December 2008. To facilitate the implementation of all project activities, the Senior Minister of Finance and the Economy, in a letter dated 2 December 2008, requested IDA to extend the project for 20 months. The Government having met all the conditions for the lifting of the suspension, IDA through a letter dated 24 December 2008, ordered the lifting of the suspension measure. In September 2011, the State of Senegal requested the cancellation of the IDA loan concerning the balance of cost-share funds and the partial portfolio guarantee, i.e. a global amount of 4 276 074 DTS corresponding to 3 245 540 166 CFAF.

1.2 Overall Project Evaluation

The overall objective of the PPIP, which consisted in creating conditions likely to stimulate a lasting increase in private investment in Senegal, was divided into three (03) global performance indicators, namely:

- the creation of 100 new companies that have received investment incentives and have started operating;
- the level of private investments reached US$ 3 billion ;
- the number of new direct jobs created at the end of the project reached 130 000.

As of 31 December 2011, the project's closing date, the evaluation of the project was considered globally satisfactory by the State of Senegal, since the global indicators had been attained thanks to the different activities undertaken by beneficiaries.

The implementation of activities in the different components led to the creation of 778 new companies, and helped attain an investment level of 3.2 billion dollars, i.e. 1100 billion CFAF against 700 billion CFAF at the beginning of the project and finally to generate 155 000 jobs.

In fact, the project through the beneficiaries' commitment, helped attain a satisfactory level of technical and financial implementation (more than 90% of financial implementation rate.

A summary of beneficiaries' assessment revealed the following positive points:

- Strengthening public-private dialogue through the Presidential Investors Council (PIC), which is a flagship model in Sub-Saharan Africa. Thanks to the PPIP, 10 PIC sessions were held and funding was provided to its Permanent Secretariat;
- Improving the business climate. Improving the regulation and regulating business practices translated into an increase in private investments during the first decade of the third millennium and the country's positioning as the leading African reformer in the 2009 Doing Business ranking. This also translated into the creation and development of successful and innovative companies in various sectors;
- Thanks to the efficiency of the established reforms management and monitoring system, the Senegalese administration was progressively transformed into a « service administration » more aware of the concerns of businesses through strengthened partnership between the public and private sectors. Thus in 2012, the investor, regardless of his/her nationality, can set up a business within the same timeframe as in Canada, i.e. in 48 hours, which is the best UEMOA performance. Foreign trade formalities are completed in 8 days, which is less than the average in OECD countries. Moreover, economic and trade disputes can be resolved faster with the establishment of specialized chambers.
- The conduct of strategic and preliminary studies helped guide leaders in some public policy choices for the development of the private sector notably in the following areas:
  - ***Tourism:*** National tourism development strategy
  - ***Justice:*** Study on commercial litigations
  - ***Private sector***: Evaluation private sector support facility
  - ***Financing:*** Study on interest rates in Senegal
  - ***Vocational Training:*** Mapping of business line profiles
- Strengthening the technical and logistical capacities of beneficiaries through the purchase of materials, the organization of training session and study tours, among others.

1.3 Evaluation by component

1.3.1 Component A: Improving the investment climate

The objective of this component is to improve and/or strengthen some key determinants of the investment climate, namely: (a) the legal and judicial framework; (b) the improvement of Doing Business indicators; (c) supporting the activities of the Presidential Investors' Council (PIC) to foster public-private dialogue.

a) Indicators

Indicator	Objective	Accomplishment	Major reform registered
Time required to set up a company	8 days	5 days -Compared to 58 days at the start of the project in 2004 -Less than the OECD average which is 12 days and sub-Saharan African	Setting up of a One-Stop-Shop within APIX in 2005

Indicator	Objective	Accomplishment	Major reform registered
		countries which is 37 days	
Number of new companies set up	10 000	22 001	Setting up of a One-Stop-Shop within APIX in 2005
Reduction of the marginal tax rate of companies	28%	25%	Adoption of a new General Income tax Code in 2004 and reduction on corporate tax rate from 35% to 25%
Reduction of trade deadlines - Import deadline - Export deadline	 8 days 8 days	14 days (DB 2012) 11 days (DB 2012) -Against 26 and 20 days at the start of the project in 2004 -Lower than the average of sub-Saharan African countries which is 31 days for imports and 37 days for exports)	Dematerialization of customs formalities with the establishment of the system Gaindé which is being replicated in some African countries

b) Impact for beneficiaries

- **Ministry of Justice:** the overall objective which consists in reducing the period set for the issuance of deeds of the Trade and Personal Property Credit Register which can now be done in two (02) hours (even though the DB report says it can be done in a day) was globally attained.
- **Presidential Investors' Council: the** objective consisting in improving the business climate by strengthening public-private dialogue. The outcome is highly encouraging and was acceptable to all actors.

Business Environment

A framework for public-private dialogue on effective reforms, the Presidential Investors' Council, was replicated in many African countries.

Other major reforms:

- **the one-stop-shop for the accreditation of businesses** within a period of 10 days for businesses accredited under the Investors' Code and 21 days for businesses eligible for the status of free export company
- **ISO 9001 certification in 2005** of the one-stop-shops for the creation of businesses and approval under the incentive provision and of the office for the facilitation of administrative procedures in charge of land issues, among others
- **The creation of chambers of commerce** in regional and departmental courts
- **Computerization of the Dakar Court Registry**
- **Improved legal and regulatory frameworks** (tax code, law on public-private partnerships)

1.3.2 Component B: Facilitating private participation in the economy and improving competitiveness

The objective of this component is to boost local private investments and attract foreign direct investments, particularly in the infrastructure and export sectors thanks to: (a) the support provided to APIX in its private investment promotion activities; (b) the creation of a fund in support of businesses and professional organizations; (c) the provision of shared-cost funds to SME for their capacity building activities; (d) a partial guarantee portfolio programme combined with technical assistance for loans to SME.

a) Indicators and objectives

Seventy-two percent of APIX's operating costs at the end of the project are covered by its revenues and State budget for a set objective of 70%.

The implementation of the 'shared-cost fund' sub-component was initiated by the first Project Implementation Unit and was interrupted following the project's suspension due to fact that the Steering Committee and the World Bank could not reach consensus on the new restructuring of the fund. Actually, the private sector was against the recruitment of foreign consultants while the required skills could be found at local level. When the project was resumed, the private sector continued to express the same concerns and this impeded the functioning of the fund. The State finally requested its cancellation. Consequently, the related indicator could not be reached.

The 'partial portfolio guarantee' sub-component could not be implemented because of the length of the negotiations between the banks, the State and the World Bank about the payment of the consultant's charges, and the long and difficult process of selecting the bank to be entrusted with managing the line. Thus, the project did not attain the objective loans worth US$ 10 million.

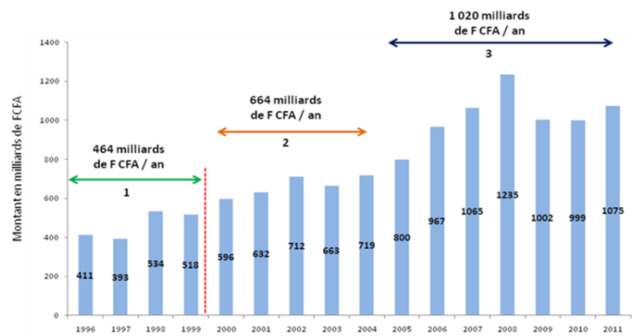
b) Impact for beneficiaries

For APIX, the set objectives consisting in boosting local private investment and attracting foreign direct investments, promoting and facilitating private investment have been largely achieved.

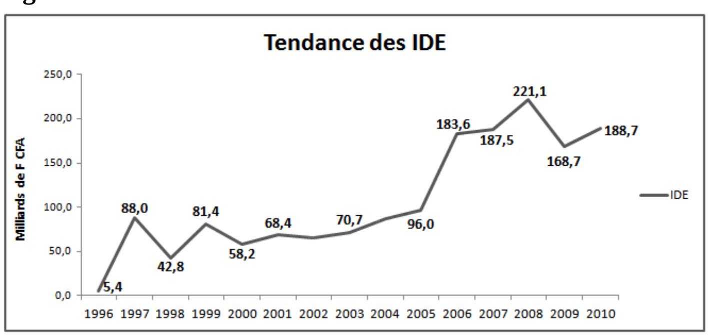
Investments in Senegal

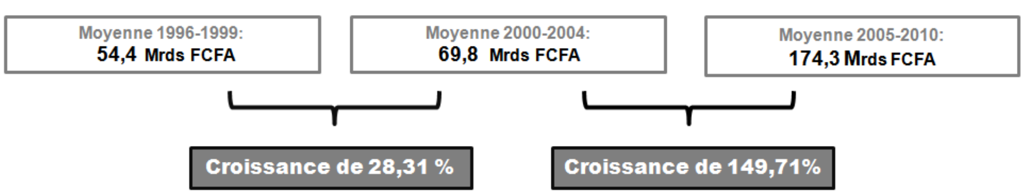
- **A destination best known to investors thanks to**
  - The creation and continuing improvement of the internet site, ranked by the SFI Global Investment Promotion benchmarking 2012 as one of the best in the sub-region
  - Communication campaigns world-wide
  - Investment Promotion Days in the regions
  - Quality foreign direct investments, in the case of cherry tomatoes, an investment that enables Senegal to be the second world exporter
- **Effective promotion tools on high value added sectors and sub-sectors as well as on the creation of businesses and approval under the incentive provision**
  - Guides for APIX marketing agents and technical ministries concerned, referred to as Market Manager Kit
  - Investors' guides referred to as Investors' Briefs

⇨ **Private investments of between 700 billion CFAF to 1100 billion CFAF**



⇨ **Foreign direct investments of between 70 billion CFAF to 174 billion CFAF**





For **CCIAD**, the overall implementation rate of projects funded in 2011 is 95%. The PPIP made it possible for CCIAD to carry out studies, have new equipment and materials, undertake study tours and business missions. However, it must be underscored that the time allocated to CCIAD to achieve its objectives was very short.

PPIP made it possible for **CNES** to prepare and validate the CNES Strategic Plan, renovate the Executive Management Offices; organize study tours for its members; strengthen the capacities of members of affiliated organizations; have computer and audio-visual equipment and office furniture for offices of the Executive Management and regional offices, purchase two liaison vehicles for regional branches.

The **CNP** benefited from the PPIP through the funding of its activities linked to the conduct of studies, the purchase of computer and public-address equipment, electronic documents management software, two (02) vehicles, specialized reviews and documents, the preparation of a data base on bilateral, regional and international trade agreements between Senegal and the rest of the world and a competition and intellectual property information system.

Private sector

- **Strategic or feasibility studies** to evaluate the relevance of projects concerning private sector development and facilitate decision-making.
- **Top-level technical capacity building** for Chambers of Commerce and Trade in the regions to handle local investors

The SME Directorate consider the project's implementation rate unsatisfactory even though 88% of SME say that the quality of proposed projects as generally good. Moreover, slowness linked to payment delays was observed.

1.3.3 Component C: Supporting the implementation of sectoral reforms

The aim of this component is: (a) to support economic reforms and promote private investments in sectors with high growth potential (telecommunications and information technologies; postal sector; tourist activities; music industry) ; and (b) finance the audit of social security institutions (CSS et IPRES) and the national pensions fund.

For the Ministry of Culture, the cultural industry project initiated with the aim of giving impetus to the world of culture should be implemented in two phases, legal environment reforms and investment. However, only the « legal environment reforms» was initiated. A decree was adopted to set up a new collective management company to guarantee the payment of copyrights. The aim of this indicator was not achieved. The decree is still in the process of being signed and the royalties have not yet been paid.

The resources allocated to the **Ministry of Tourism** should help ensure an enhanced promotion of the destination Senegal and a better promotion policy for the private sector. To that end, reforms meant to restructure the sector were implemented, actors were trained to better sell the destination Senegal and the National Agency for the Promotion of Tourism (ANPT) was set up. In accordance with the initial objective, a tourism strategy was put in place at the end of the project through the institution of reforms aimed at restructuring the sector.

The PPIP led to the creation of 'Post finances' in the **Post Office.** It is a branch of the post office intended to facilitate the poor populations' access to financial services. The results registered to that end are globally satisfactory. However, following the restructuring exercise, the post office no longer benefited from the PPIP since the objective was attained.

The project did not sufficiently impact on the activities within the ministry because of the non-adherence of the key actors and the problems of institutional instability at the **Labour Ministry**. Thus, the audit work scheduled for the Social Security Fund (CSS) and the Retirement and Pensions Institute of Senegal (IPRES) was not undertaken.

1.3.4 Component D: Implementing the project and capacity building

The aim of this component is to define (a) the institutional arrangement for the project's technical implementation by beneficiary institutions, the administrative and financial implementation by a small unit and overall supervision by the project's Steering Committee; (b) support to CEPOD for the creation of an observatory of competitiveness, and of a centre for economic documentation and prospective analysis; (c) an information communication programme through the media on issues related to the business climate, and the identification of mechanisms for enhanced private participation in this sector; and (d) the dissemination of the new government procurement code among the national private sector.

a) Indicators and objectives

All procurement complaints were properly investigated and concluded, i.e. a rate of 100% for a set objective of 90%.

b) Impact for beneficiaries

The project remuneration system helped **CEPOD** conduct feasibility studies concerning the establishment of a public administration remuneration system based on the performance and study on the evaluation of factoring business development conditions; participate in training seminars and workshops for its archivists and purchase new computer equipment. Thus, the PPIP enabled CEPOD to strengthen the capacity of its agents, improve their working conditions and be more familiar with archiving techniques and tools.

With PPIP support, **ARMP** was set up. The funding obtained facilitated the preparation of its manual of procedure, the acquisition of hardware equipment and staff training. ARMP is fully operational and should cover all its operational charges thanks to the improved recovery of its revenues to guarantee its sustainability.

II. Analysis of the project's Administrative and Financial Management

2.1 Evaluation of project management organs

The project's implementation phase was managed by an external and independent management unit from 2004 to 2008 and then by a management unit hosted within APIX from 2009 to 2011.

Order 007738/MEF/DCEF of 24/11/2003 on the creation, organization and functioning of the PPIP made provision for two organs:

- The steering committee headed by a Chairman placed under the supervision of the Minister of Finance and the Economy;
- The Project Implementation Unit (PIU), which is the project's implementing organ, headed by a coordinator under the supervision of the steering committee.

The Bank's project management team is a validation organ in the project's implementation process and, in that capacity, plays a crucial role.

With regard to the implementation of the components, the project's two management periods seriously disrupted the achievement of the project objectives. The six month interruption phase generated losses of corporate memory due to the change in the management unit and in the management team as well as the problems encountered in the design of the two sub-components: Shared-cost fund and Partial Individual Portfolio Guarantee. Actually, the implementation of the shared-cost fund activity, much called for by the private sector, was hampered by the non-adherence of the private sector to the consultants' selection method and the reservations it expressed during the steering committee meeting.

Moreover, the multiplicity of beneficiaries as well as the low internal capacity of some beneficiaries slowed down the pace of activity implementation because of the need for the PIU to assist them at every phase of the process (expression of needs/preparation of technical specificities for evaluating tenders and implementing the activity. This adds to the institutional instability, which characterized some administrations and significantly slowed down the implementation of some activities.

The change in shareholding and the merging with another banking institution, which occurred at the level of the bank that agreed on the management of the partial portfolio guarantee also contributed in the non-implementation of this activity.

Concerning World Bank procedures, the actors underscored their lack of flexibility and their difference in terms of application between the pre-restructuring and post-restructuring periods. Besides, the processing and timeframe for the issuance of non objection notifications were considered too long, and were sometimes done three to four months after the beginning of the year in which the activities are supposed to be implemented.
The beneficiaries' ignorance of the bank's procurement procedures was a constraint to the implementation of activities.

2.2 Evaluation of the overall financial management of the project

The disbursed amounts represent the support provided to the various project beneficiaries for the strengthening of their capacity, their training, their supply in equipment, the conduct of studies, the implementation of reforms, the increase in investments, support to competitiveness, etc. It is worth noting that the bulk of the disbursed funds were assigned to the consultant's expenses amounting to 10.2 billion CFAF, training and workshops for 5.6 billion CFAF as well as training and equipment for 3.3 billion CFAF, i.e. a total of about 19.1 billion CFAF, all financing taken together.

Table 1: Project Implementation

Type of funds	Amounts received	Amounts disbursed	Disbursement rate	Contribution to disbursements
IDA Funds	20 558 817 461	20 421 583 114	99.33%	92.64%
Counterparty funds from Government and beneficiaries with financial autonomy	1 136 314 548	1 080 500 151	95.09%	4.90%
Shared-Cost Fund	543 585 412	543 004 745	98.24%	2.46%
Total as of 31/12/2011	**22 250 857 421**	**22 044 492 379**	**99.07%**	

2.3 Analysis of expenditure per component

Table 2: Breakdown of expenditure per component

	Improving the business climate	Strengthening competitiveness	Sectoral Reform	PPIP Implementation	Total
Accumulated Disbursed Amounts as of 31/12/2011 (CFAF)	2 703 263 834	6 429 926 440	8 416 957 161	4 494 344 944	22 044 492 379
%	**12.26%**	**29.16%**	**38.18%**	**20.40%**	**100%**

At the financial level, the loss of corporate memory led to the non-repayment of two activities already launched and partially refunded by the World Bank because the non- objection notification issued to the former PIU could not be found.

2.4 Procurement analysis

PPIP procurement was impeded by the following constraints:

- slow progress due to the beneficiaries' lack of capacities in the preparation of terms or reference and technical specifications and in the evaluation of tenders.
- the often tardy issuance of IDA's non-objection notifications observed before the Task Team Leaders (TTL) were changed at the end of 2010

Thus, the 2010 and 2011 work programmes were implemented only for a period of eight months, since they were validated only in April 2011 following the change in TTL.

As of 31 December 2011 however, some 70 contracts were signed for close to two (2) Billion CFAF.

III. Recommendations relating to project implementation

The recommendations emanating from the project evaluation workshop, held with all the beneficiaries, can be summarized as follows:

- **For the Senegalese State:**
    - Greater collaboration with actors on the intermediary indicators of the project components
    - Provide the State counterparty funds not later than 31 March.
    - **Negotiate a new private sector support project with the World Bank to boost private investment in priority sectors and in regions, on the one hand, and sustain the gains, on the other.**

- **For the World Bank:**
    - Approve work programmes (by the World Bank) not later than 31 December
    - Harmonize World Bank procedures in all projects, notably with regard to the project team notion
    - Define the role and limits of the TTL in relation to the steering committee and beneficiaries

- **For the Steering Committee:**
    - Properly define the role of the steering committee
    - Attribute to the steering committee the full responsibility for judging the relevance of activities in place of the TTL

- **For the Project Implementation Unit:**
    - Need to preserve the corporate memory to ensure the monitoring and optimal management of the project objectives
    - Define the role of the PIU in relation to beneficiaries
    - Compliance with deadlines in the procurement procedures, by all stakeholders thanks to the reinforcement of the project team to better manage the implementation of beneficiaries' activities.

- **For beneficiaries:**
    - Knowledge and understanding of World Bank procedures
    - Improved needs assessment thanks to the consultants provided
    - Reduce the number of beneficiaries or increase in the size of the project management team

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

None.

Annex 9. List of Supporting Documents

Development Credit Agreement.

ISR Sequence Nos. 1 to 15.

Mission Aide Memoires and Management Letters.

Project documents (IRIS).

World Bank, *Country Assistance Strategy for Senegal* (2003).

World Bank, *Project Appraisal Document: Private Investment Promotion Project* (2003).

AUGUST 2010

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