I. Introduction and Context

Country Context

1. Senegal’s successful elections have improved prospects for peace and development in Casamance. Senegal's young democracy was severely put to the test in the past twelve months. But the Senegalese citizenry proved their maturity by peacefully going to the polls both on February 26 and in even larger numbers during the second run-off on March 25. The peaceful democratic transition has renewed hope of breaking the political stalemate in Casamance’s 30-year long conflict. The newly-elected President, Mr. Macky Sall, has stressed that resolving the Casamance crisis is a top priority. Immediately, after being sworn-in, he made his first trip to The Gambia to demonstrate how important the resolution of the Casamance question is to the rest of Senegal. Senegal’s Cabinet Ministers met on Wednesday June 27, 2012, in Ziguinchor (Casamance) under the President’s chairmanship, where he reaffirmed that his government was open to talks aimed at finding durable peace in Casamance. The prospects for re-engaging in Casamance to find a peaceful solution has generated interest in the political leadership of the country, and among civil society organizations, local communities, donor agencies as well as the Movement of Democratic Forces for Casamance (Mouvement des Forces Démocratiques de Casamance – MFCDC), the separatist movement in Casamance.
2. The prospects for a negotiated solution have been complicated by a morphing of the conflict into crime and banditry and internal divisions. Casamance’s long running conflict morphed over the years into pockets of banditry and armed robbery. Civilians, mostly the population of the lower Casamance, bear the brunt of bandit attacks and insecurity. As a result, the movement has little legitimacy among the war-weary local population of Casamance. Internal divisions and power struggles not only have weakened and fragmented the movement, but have often complicated the negotiations process.

3. In addition, the country is grappling with domestic and external economic shocks. In the decade since 1995, Senegal had enjoyed robust per capita GDP growth, but, starting in 2006, it’s largely open economy was buffeted by a series of domestic and external shocks. Unfavorable rains prompted a decline in agriculture output during 2006-07 and 2010-11. Persistent power cuts coupled with an unfavorable external environment reduced economic activity. GDP growth averaged 4.4% during the period 2000-05 and 3.4% in 2006-10, but it will recover only slightly to 4-4.2% in 2010-11. Inflation was low in 2010 (1.2%) but prices are under pressure from imported fuel and food prices. On the external front, the impact of the global financial crisis continued to be felt, though less than initially expected. Tourist arrivals and remittances continued to decline as well.

4. Poverty has a spatial and geographic dimension in Senegal. According to the 2011 household survey, the incidence of poverty in the country is at 46.7% of the population. Two thirds of the poor live in rural areas. The three regions composing Casamance (Ziguinchor, Kolda, and Sédhiou) are among the poorest in Senegal, with poverty levels at least 20 percentage points higher than the national average. While in Dakar the incidence of poverty is estimated at 26.1%, in Ziguinchor, Sédhiou, and Kolda, they are respectively 66.8, 68.3, and 76.6%. Ziguinchor, Sédhiou and Kolda are among the five poorest regions in Senegal with Kolda ranked as the poorest.

5. Unemployment has predominantly a young face in Senegal and is a major contributor to frustrations and tensions in the country, especially in suburban areas and peripheral regions such as Casamance. Young people between 15 and 35 represent more than 50% of job seekers. Many young people have little or no skills and are therefore largely excluded from productive economic and social life. The size of the youth (15-24 years) cohort is increasing, which poses a great challenge in terms of their insertion in the labor market and social stability. High unemployment or under-employment among the youth can induce disruptive social behaviour and instability. According to the perception survey of 2011, the number one priority nationwide of the Senegalese population is youth employment.

6. High youth unemployment and underemployment can be a driver of conflict and instability. Throughout Africa, factional conflict has drawn on a pool of marginalized or socially excluded young men, as for example in Liberia, where the conflict was fought by socially marginalized young men (DFID, Guidance Note, 2002). To that effect, the project is carrying out a youth employment assessment and the conflict context of Casamance. The results of this study are expected before December 2012.

7. Economic activity in Senegal is largely concentrated in the capital, Dakar, making development inclusiveness a challenge. Dakar metropolitan area is home to a quarter of the Senegalese population (3.3 million over 13.6), while representing only 0.3% of the country’s total area. The bulk of the industrial base is found around Dakar, with a few localized exceptions (sugar, peanut oil
and mining firms). Economic activities are concentrated in the Dakar area because of advantages in terms of location, labor availability, information and financial support, and proximity to the government’s administrative services. This situation has generated serious impacts in the capital city, including, but not limited to environmental (pollution, diseases linked to poor sanitation services and crowded conditions); social (crimes, household violence, homeless in the streets; prostitution and drugs abuses); economic (unemployment, underemployment, poverty and slums development; traffic congestion); and urban development issues.

8. Yet, for Senegal to consolidate a strong market economy and maintain sustainable and inclusive development, the country will need to balance growth with equity in geographic and social terms. Senegal’s economic growth will increasingly occur in urban centers as the country is urbanizing rapidly, but this trend will be more beneficial if rural areas and peripheral regions in turn benefit directly from urban growth and are connected to emerging growth poles such as the Northern river delta, the groundnut basin, the eastern mineral zone, the coastal area, and Casamance with its agricultural and tourist potentials. These potentials need to be developed to create jobs, particularly for youth, improve income and food security and alleviate poverty. The growth pole concept is useful for such an analysis and context. It emphasizes an integrated approach (integration across sectors, space and time) focused on the delivery of basic services in areas with growth potential via spatially targeted interventions and focused investments in strategic locations within the country.

Sectoral and Institutional Context
B. Sectoral and Institutional Context

9. This section is articulated around the geographic context and major constraints facing the Casamance region and its opportunities. Casamance comprises three administrative regions, Ziguinchor, Sédhiou, and Kolda, with a combined area of approximately 28,400 square km and a population of 1.5 million. Geographically, Casamance differs in a number of respects from the rest of Senegal: it has higher rainfall, and its landscape, which includes forests, rainforests and beaches are a major tourist attraction. The Diola people are the majority group in the lower Casamance, but there is a varied ethnic mix.

10. The Casamance region of Senegal has for the last 30 years, been under-going Africa’s longest lived low-intensity conflict which has caused hundreds of deaths and injuries. It is estimated that between 30,000 and 60,000 people have been displaced into major cities (Dakar, Ziguinchor, Bignona, Sédhiou, and Kolda) or are refugees in neighboring countries (Guinea-Bissau and The Gambia) where they represent vulnerable social groups. Fighting between the Government of Senegal soldiers and MFCDC rebels has adversely affected the potential of Casamance to contribute fully to the economy of Senegal. It is estimated that the conflict has cut agricultural production by 50%. The tourism industry has been devastated by the conflict with many of its 16,000 employees being dismissed as a result of the continuing struggle. More generally, livelihoods have suffered as insecurity has stifled traditional and commercial agriculture, trade and tourism.

11. The crisis has prevented the region from fulfilling its considerable economic potential both as an agricultural productive area and a tourist destination. Economic development is a double challenge in Casamance. On the one hand, Casamance has lagged the rest of the country in terms of economic development, which in turn fuels local grievances. On the other hand, insecurity, including land mines, attacks and robberies on civilians, particularly travelers and small business owners, holds back development. If the economic and social drivers of the conflict are left unaddressed, peace will
be difficult to build and sustain in Casamance. In addition, the Casamance conflict could aggravate the dynamics of instability across the region (The Gambia, Guinea-Bissau and Guinea-Conakry). Historically, the Casamance conflict has been interlinked with security in The Gambia and Guinea-Bissau. The signing of the agreement on building of The Gambia Bridge with funds committed by the AfDB is an excellent signal for peace prospects in Casamance. The bridge would play an important role in ending the isolation of Casamance from the rest of Senegal.

12. Casamance’s primary sector products face many constraints including poor marketing and logistics systems. Casamance primary production exceeds local demand and the demand for products of origine Casamance is strong outside the region, but access to markets is constrained by poor marketing and transport logistics, which limits the scope for increasing and diversifying output.

13. Agriculture and agri-business have untapped potential in Casamance with fertile soils, abundant water resources and favorable climate. The main crops in Casamance include rice, millets, sorghum, corn, and fonio. Casamance is the second rice production zone of the country, providing 27% of the national output with 62% of the cropped area. Comparatively, the Senegal River valley, in particular the region of Saint-Louis provides 70% of the national output with 35% of the cultivated area. Thus, the potential for improving the productivity of rice is important in Casamance. In fact, in Casamance, excluding the Anambe Valley, rice production is mainly a female activity with low productivity and destined mostly to household consumption. The production of fruits is mainly mangoes, cashew nuts, citrus, bananas and wild fruits (madd, bouye ditakh). Senegal produces about 120,000 tons of fruits per year, including 61% of mangoes. For this product, Casamance is the first production zone with more than 47% of the local production. Casamance generates 90% of the national production of cashew nuts estimated at 12,000-15,000 tons a year. The commercialization, conservation, processing and transformation of Casamance fruit production is a development niche requiring particular attention. Domestic, sub regional, regional and international market opportunities can be seized through a value chain approach for increasing value added, which would make the sub-sector more productive and attractive particularly, for youth. In Casamance, agriculture and mostly fruit production can play a leading role in job creation and contribute to youth employment.

14. The region of Ziguinchor also presents great potential in fisheries and aquaculture. The region has a coastline of 85 km and an important hydrographic network composed of an axial river of 300 km connected to numerous watercourses. Ziguinchor is number four in terms of production with an estimated 28,000 tons per year (6.5%) over a total of 419,667 tons yearly estimate. The artisanal processing of fish products is an important activity, which includes salting, drying, smoking, cooking or fermentation, and employs a largely female labor force skilled in artisanal processing techniques. The range of products found include braised sardinella, dried and smoked fish and shrimps, fermented fish, dried and smoked oysters. The volume of this production is about 5,000 tons destined to the national market (33%) and the sub-regional market (The Gambia, Guinea-Conakry, Ghana, Burkina Faso, and Mali). The industrial processing is done by small scale processing units (IKAGEL, Complexe Frigorifique, and SOFRIKAF).

15. Ziguinchor is a region for tourism thanks to its scenic spots, rich historical and cultural heritage, and lush vegetation, the variety of landscapes along the Casamance River and the presence of a rich avian fauna. The beaches of Cap Skiring are ranked among the finest in Africa by some "travel writers". In 2007, on a total of 319 travel agencies operating in Senegal, 99 or 31 % were present in
Casamance. Despite thirty years of crisis, the tourism sector is still very important for economic development.

C. Relationship to CAS

16. The proposed project is aligned with the two pillars of the 2011 Africa Regional Strategy – competitiveness and employment, and vulnerability and resilience (conflict, political violence) and will be implemented on the basis of leveraging partnerships with other donors, civil society, and local government. The project supports the new CAS under preparation which is focusing on modernizing the agricultural sector by breaking low equilibrium trap between operators, investors (leverage agro potential and enhance value chains from production to transformation to commercialization), and by confronting structural impediments like land use and monopolies. In addition, the Bank strategy aims at strengthening territorial management and spatial integration. Moreover, the project addresses priority challenges of the new government (restoration of peace and economic development in Casamance) while trying to capture the opportunities and comparative advantages of the region.

17. The drivers of the conflict and its impacts are mostly economic. According to the 2011 World Development Report on Conflict, Security, and Development, poverty, unemployment, injustice and inequality are viewed as the main drivers of conflict in the world. The lack of job opportunities for youths, economic neglect and marginalization of the region, and the issue of land tenure are consistently identified as drivers of the Casamance conflict. Among many observers, there is a growing recognition that the main determinants of the Casamance crisis include: (a) a sense of territorial exclusion related to the geographical isolation and an inoperative transport system which affects connectivity; (b) a sense of social and economic exclusion related to the policy of territorial development of the country, perceived as unbalanced between the capital and the marginalized peripheral and border regions; (c) a sense of underinvestment in Casamance that contributed in weakening the region and to its acute fragility. Fostering local economic development is seen as key for promoting peace in Casamance.

18. Peace and development must reinforce each other in Casamance. The proposed operation will encourage donors to support projects that promote economic development and create jobs in Casamance. Casamance has the ability to contribute significantly both to national economic growth and food security in the country. Without peace though, it will be difficult to realize the region’s considerable economic potential.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

19. The higher level objective of this project is to address the drivers of the conflict by enhancing social and economic development in Casamance.

20. The proposed Project Development Objective (PDO) is to provide income generation opportunities particularly to youth and women in targeted areas of the Casamance region.

This would be achieved by:

(i) Promoting investments in agricultural supply chains and aquaculture particularly among
organized youth and women’s groups to create more value added.
(ii) Supporting labour-intensive works for youth in relation with the construction of infrastructure (multi-sector platforms, rural roads).
(iii) Promoting employment opportunities through hands-on training and vocational skills to members of participating youth associations and women’s groups.
(iv) Promoting private sector development in the region, particularly in connection with the agriculture supply chains.
(v) Promoting social dialogue for peace in the region.

21. These activities are structured around four components:

(i) Promotion of investments in agricultural supply chains and aquaculture to create more value added (US$17,000,000).
(ii) Promotion of employment opportunities for youth in relation with the construction of infrastructure (US$28,000,000).
(iii) Promotion of peace restoration in Casamance (US$6,000,000).
(iv) Project management, monitoring and evaluation (US$9,000,000).

22. Direct Beneficiaries: The project will focus on agricultural value chains and aquaculture as main sources of income. The project will target the most vulnerable populations, such as youth, women, ex-combatants and small-holder producers, as well as private operators of agribusiness value chain and support services (transport, financial services, technical assistance, and restoration). The project will benefit xxx youth, yyy women, zzz ex-combatants and xxx small holder producers (groups, cooperatives, individuals), particularly those involved in fruit production or picking, rice and vegetable production, animal production (poultry, aquaculture, sea products). Other direct beneficiaries will include xxx staff members working at the “Agence Régionale de Développement-ARD” in the three regions and yyy numbers of workers at the platform and all participants who will receive training using project funds. Finally, in terms of implementing components 1 and 3 activities, the entire population of the three regions, or 1.5 million people will benefit as actors in the conflict in the social dialogue, including locally elected officials from the regions of Ziguinchor, Kolda, and Sédhiou; local media experienced in advocacy; civil society organizations (APAC, CONGAD, women and youth associations, traditional and religious leaders, private sector organizations and peace building cells) and teachers and students from the University of Ziguinchor. Target groups: women’s groups, youth associations, private operators of value chain support services (transport, financial services, and technical assistance) will be identified more precisely during appraisal.

23. Indirect Beneficiaries. Indirect beneficiaries include all farmers in Casamance, national media, Community Based Organisations and Civil Society organisations. Casamance producers and operators in agri-business will benefit from improved techniques of production and marketing of agriculture products, while value chain stakeholders will profit from increased agricultural production and improved access to markets.

Key Results (From PCN)

24. PDO Level Results Indicators

The PDO is to provide income generation opportunities particularly to youth and women in targeted areas of the Casamance region.
25. Project results would be measured using the following key indicators:

- Number of jobs generated by the construction of infrastructure (platforms and rural roads) for youth (women and men),
- Number of self-employed jobs created via the production perimeters (women and men),
- Enhanced capacity of selected young men and women,
- Number of women’s groups using the platforms, and
- Number of hectares of land developed and irrigated in the project zone

### III. Preliminary Description

#### Concept Description

24. Project activities will be organized under four components:

**Component 1:** Promotion of investments in agri-business and fisheries (US$17 million)

25. The objective of this component is to improve productivity of identified production systems through the support of on-farm investments packages for eligible groups or cooperatives. Investment packages would include both capital cost as well as limited operational cost support. Recipients would be expected to contribute 10% of the investment costs in cash or kind (e.g., land, building materials).

**Component 2:** Promotion of employment opportunities for youth in relation with the construction of infrastructure (US$28,000,000).

26. The objective of this component is to stimulate the regional economy, and promote private sector development, and employment particularly in the agriculture, agro-industrial, fisheries and aquaculture areas. The component will support the development of economic activities platforms integrating multi-sector and specialized platforms based on the value chain approach.

**Component 3:** Promotion of peace restoration in Casamance (US$6 million).

27. To reduce conflict drivers in Casamance, it is necessary to develop a dynamic of reconciliation and support the peace process at the national, regional and local level by rebuilding social capital. This component will deal with the physical disarmament of ex-combatants as well as the disarmament of hearts in Casamance. It is expected that the Government will fund disarmament and the IDA assistance will be limited to creating employment opportunities for ex combatants. The roots of contention, frustrations, fears and defiance should be addressed in order to overcome a 30-year long crisis. All the actors in the conflict should be involved, including locally elected officials from the regions of Ziguinchor, Kolda, and Sédhiou; local and national media experienced in advocacy; civil society organizations (APAC, CONGAD, women and youth associations, traditional and religious leaders, private sector organizations and peace building cells). The activities of this component will be implemented in tandem with the recently approved SPF grant.

**Component 4:** Project management, monitoring and evaluation (US$9 million)

28. The objective of this component is to ensure efficient and timely delivery of project resources in
accordance with its objectives. It will support the establishment, operation, equipment and training of the three ARDs (Ziguinchor, Sédhiou, and Kolda). This component will also finance (i) implementation and administration of activities; (ii) M&E activities including regular impact evaluation studies and audits; management and oversight of safeguard issues.

IV. Safeguard Policies that might apply

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