I. Project Context

Country Context

Senegal has undergone a successful democratic transition following national elections in March 25, 2012. The new Government attaches high priority to resolving the long-standing conflict in Casamance. It has renewed efforts to reach a negotiated peace agreement with rebel groups, but even in the absence of a formal agreement the Government believes that the key to sustained peace in Casamance lies in broad-based development in the region and greater linkages, especially economic, with the rest of the country. Casamance’s sustainable development will require improved public infrastructure, a greater role for the private sector, and above all enhanced livelihood opportunities and higher productivity for the region’s mainly rural population. The Government’s strategy to secure peace in Casamance is also in line with its broad approach to meeting the country’s development challenge from a spatial perspective based on the comparative advantage and development potential of regional growth poles. In the case of Casamance, the goals of developing regional growth poles and achieving sustainable peace reinforce each other.
The economy, however, faces considerable challenges due to domestic and external shocks. In the decade since 1995, Senegal enjoyed robust per capita GDP growth, but, starting in 2006, the economy was buffeted by a series of domestic and external shocks. Unfavorable rains prompted a sharp decline in agricultural output during 2006-07. The international food and oil price shocks over 2007-08 slowed the economy, increased inflation, and resulted in a significant deterioration of Senegal’s external and fiscal positions. Weaknesses in fiscal policy and public financial management were compounded by the fiscal costs of ineffective and untargeted subsidies for electricity and food. The onset of the global financial crisis in 2008 and its deepening in 2009, together with continued electricity shortages, further contributed to the general slowdown of the country’s economic activity. A modest recovery occurred in 2010, with economic growth accelerating to 4.1 percent. However, real annual GDP growth averaged only 3.4 percent in 2006-10, down from an average of 4.4 percent in 2000-05.

In 2011, real GDP growth slowed again to 2.6 percent, due to continued energy shortages and a large contraction in agricultural output. Agriculture declined drastically in the fourth quarter when more than half of annual production is harvested, leading to a fall in output of 21 percent. The rains were insufficient and erratic, but there also were problems in input supply. Production of groundnuts declined by 59 percent and cereals by 36 percent. In contrast, nonagricultural activities continued their momentum and grew by 5.0 percent. Electricity supply improved in the last semester, due in large measure to implementation of the Government’s emergency plan, which helped a recovery in manufacturing. Dynamism in the telecommunication, transport, and financial sectors contributed to the good performance of the tertiary sector. On the demand side, public spending, private consumption, and exports were the main drivers of economic growth in 2011. Inflation rose in early 2011 reflecting increasing international food and petroleum prices, but this trend reversed in the second half, yielding an annual average inflation rate of 3.4 percent.

Poverty and extreme poverty have a spatial and geographic dimension in Senegal. According to the 2011 household survey, the incidence of poverty in the country is at 46.7 percent of the population. Two thirds of the poor live in rural areas. The three regions that constitute Casamance (Ziguinchor, Kolda, and Sédhiou) are among the poorest in the country (Figure 1), with poverty levels considerably higher than the national average. While the poverty level in Dakar is 22.5 percent, in Ziguinchor, Sédhiou, and Kolda it is respectively 64.9 percent, 69.1 and 75.2 percent. In Kolda, poverty increased from 60.9 percent in 2005 to 75.2 percent in 2011. In addition, extreme poverty remains widespread in the rural areas of Casamance, especially in the departments of Medina, Yoro Foulah, Kolda, Vélingara, Ziguinchor, and Bounkiling with respective rates of 56.5 percent, 51.7 percent, 48.7 percent, 42.6 percent and 40 percent. In the departments of Sédhiou, Goudomp and Bignona, one third of the population is extremely poor.

Economic activity in Senegal is largely concentrated in the capital Dakar. Dakar metropolitan area is home to a quarter of Senegal’s population and contains the bulk of the country’s industries. The concentration of economic activity in the capital area leads to severe rural-urban imbalances in economic opportunities. Rural areas and peripheral regions need to contribute to broader-based growth but also benefit from growth in urban areas through better access to markets and connections to emerging growth poles (the Northern river delta, the groundnut basin, the eastern mineral zone, the coastal area, and the Casamance region). To ensure more balanced and inclusive growth, the Government is emphasizing a growth pole strategy which includes an integrated approach (across sectors and space) focused on the delivery of basic services in areas with demonstrated growth potential through spatially targeted interventions and private-public
investments in strategic locations.

The Government of Senegal plans to pilot the third phase of the country’s decentralization framework in the Casamance region, based on a growth pole strategy. The framework will build an investment prioritization process to support the selection of individual projects or investment packages with the highest economic returns among a set of pre-identified options. The resulting ranked projects will inform public investment decisions so that government can better use limited public resources to leverage transformational investments via direct investments, partnerships with the private sector, or allocation of donor resources. This strategy, to be generalized once tested in Casamance, will set in place a new framework to support growth pole areas, emphasizing the importance of basic infrastructure investments to stimulate economic diversification in the country and a competitive structure for the regions.

**Sectoral and institutional Context**

Agriculture occupies 70 percent of Senegal’s population, but the sector faces many constraints including, but not limited to, its strong dependency on rain-fed agriculture (irrigation is less than 5 percent of potential), access to land, limited access of producers to credit and agricultural inputs, limited post-harvest infrastructure and equipment, and wide variations in agricultural product prices. As a result, Senegal’s agricultural output is growing slowly and the country faced a serious food crisis in 2011.

Casamance comprises three administrative regions, Ziguinchor, Sédhiou, and Kolda, with a combined area of approximately 28,400 square kilometers and a population of 1.5 million. Casamance presents some particularities compared to the rest of Senegal: it has higher rainfall, its landscapes, including rain forests, and beaches are a major tourist attraction, and it is culturally more linked to Guinea-Bissau and The Gambia than the north of Senegal. Although, like in the rest of the country, Islam is the dominant religion in Casamance, significant parts of the population practice Christianity and/or traditional beliefs.

For the past 30 years the Casamance region has experienced Africa’s longest lived low-intensity conflict, which has caused hundreds of deaths and injuries. It is estimated that between 30,000 to 60,000 people have been displaced into major cities (Dakar, Ziguinchor, Bignona, Sédhiou, Kolda) or are refugees in neighboring countries (Guinea-Bissau and The Gambia) making them vulnerable to pressures from competing rebel factions, host communities, and cross-border arms and drugs trafficking networks. Fighting between Army and rebels of the Movement of Democratic Forces for Casamance has adversely affected the potential of the region to contribute fully to the economy of Senegal. It is estimated that the conflict has cut agricultural production by 50 percent. The tourism industry has been devastated by the conflict with many of its 16,000 employees being dismissed as a result of continuing insecurity. More generally, livelihoods have suffered as insecurity has stifled traditional and commercial agriculture, trade and tourism.

The crisis has prevented the region from fulfilling its considerable economic potential, especially in terms of agriculture and tourism. Although the development of the agricultural sector has suffered due to the conflict, the Casamance region is still number one in the production of mangoes, citrus fruits, and cashewnuts. It is number two in rice production. Security has been identified as the main issue holding back the economic development of the region because of mine infestations on agricultural lands, and attacks and robberies on civilians, particularly travelers and small business
owners. Peace and development will not be possible in Casamance unless the economic and social sources of the conflict are addressed. In addition, the Casamance conflict has the potential to undermine stability across the region (The Gambia, Guinea-Bissau and Guinea-Conakry).

Casamance’s primary products face many constraints including poor marketing and logistics systems. Although the region generates an agricultural surplus and the demand for its products is strong outside the region, trade is limited by the poor quality of logistics systems and limited access by local producers. These constraints on trade limit the ability of local producers to increase and diversify agricultural production. The region is, however, ideally located to benefit from trade with neighboring countries and has some of the largest traditional markets in Senegal (Diaobé), though it is geographically isolated from the rest of the country.

Casamance has an excellent opportunity to develop its agriculture sector by focusing on processing activities, diversifying into new cash crops and horticulture, and improving the quality of agriculture activities through modernization. The project aims to increase output, but also to enhance consumption at the local level and ultimately to establish a sustainable and more diversified market-driven production system. The promotion of marketing and processing of agricultural products in Casamance via multi-sector market platforms will complement the horticulture production activities by adding value. These value-chain approaches aim at improving the distribution system at the local, regional, national, and sub-regional levels of “origine Casamance” products by promoting innovative physical (boutiques) and virtual (e-trade) distribution channels and optimizing the revenues of Casamance women’s groups operators.

Agriculture has untapped potential in Casamance with fertile soils, abundant water resources and favorable climate. The main crops include rice, millets, sorghum, corn, and fonio. Casamance is the second rice production zone of the country and provides 27 percent of the national rice output with 62 percent of the cropped area. Comparatively, the Senegal River Valley, in particular the region of Saint-Louis provides 70 percent of the national output with 35 percent of the cropped area. Thus, there is however, considerable potential to improve the productivity of rice in Casamance. 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 percent of mangoes. Casamance accounts for 47 percent of national mango production and 90 percent of cashew nuts.

The region of Ziguinchor in particular has great potential in fisheries and aquaculture. It has a coastline of 85 kilometers and an important hydrographic network composed of a 300 kilometer axial river connected to numerous watercourses. Ziguinchor is number four in terms of production of fish products with 6.5 percent of national output. The artisanal processing of fish products is an important activity, including salting, drying, smoking, cooking or fermentation. It employs a female labor force skilled in artisanal processing techniques. The range of products found include baked sardinella, dried and smoked fish and shrimps, fermented fish and dried oysters. The production is about 5,000 tons destined to the national market (33 percent) 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), but production has been falling due to lower catches, particularly shrimp.

Casamance’s Social and economic infrastructure lag is particularly acute in rural areas where it is a key determinant of poverty:

• Limited access to infrastructure increases the vulnerability of the rural poor in Casamance.
In the poorest areas of rural Casamance most communities lack access to an all-season road, 82 percent of households still lack access to electricity, and only 43 percent have access to a public health center.

- Poor rural infrastructure limits access to markets. Due to the poor network of rural/feeder roads, large parts of rural areas in Casamance are not adequately linked to markets, which prevent producers from fully exploiting new opportunities offered by increased urban demand and export possibilities.

In Casamance, like in most rural SSA, a major part of transport for social and economic activities is undertaken by women. The time and effort women devote to transport has a high opportunity cost relative to other productive activities forgone. Women in rural communities transport a substantial portion of household products to markets and collection points; purchase and transport household goods, food, and production inputs; gather and transport firewood; collect and transport water; and transport their children to schools and health facilities (World Bank, 1989).

II. Proposed Development Objectives

The Project Development Objective (PDO) is to: (i) enhance the agricultural productivity of youth and female farmers for selected crops; and (ii) improve transport linkages in isolated rural communities in targeted areas of the Casamance region.

III. Project Description

Component Name
Support to agricultural production, post-harvest, and marketing for selected value-chains
Comments (optional)

Component Name
Rural accessibility
Comments (optional)

Component Name
Project implementation and capacity building.
Comments (optional)

IV. Financing (in USD Million)

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Implementation
At the national level, the project will be under the overall responsibility of a Project Steering Committee (PSC) with a Coordinator who will prepare annual work plans and budgets, and ensure coordination with technical ministries and other donors. The Coordinator will work under the PSC, chaired by a Representative of the President of the Republic to provide overall coordination. The composition of the PSC will be outlined in the Project Implementation Manual (PIM). A provision will be allocated in the budget as part of the project coordination to support the operating costs of the PSC (meetings travel).

The PIM will be prepared before project effectiveness. It will detail organizational and technical procedures that will govern the implementation and the roles and responsibilities of the Coordinator and the ARDs. A separate administrative and financial management manual will be prepared for fiduciary purposes (financial management and procurement). The PIM will detail the implementation mechanisms, and the fiduciary and technical procedures regarding co-financing of sub-projects (types and categories of sub-projects, eligibility and prioritization criteria, eligible activities, expenditure items and categories; composition, roles and responsibilities of governing bodies, control mechanisms and remedies for non-compliance, mismanagement and abuse of funds, complaint handling, standard templates and sample documents, business plans, etc.).

The investment components of the project (1 and 2) will be implemented by the ARDs of Ziguinchor, Kolda, and Sédhiou. ARDs have the official status of public local agencies with administrative and financial autonomy. Law No. 96-06 of March 22, 1996, creating the Local Government Code, provides (Article 37) that the Regional Council, with the Municipalities and the Rural Communities, supports the constitution of regional development agencies. Their mandate is the overall coordination and harmonization of local development interventions and initiatives by local governments. They operate under the technical oversight of the Ministry of Local Government and Regional Development and under the financial supervision of the Ministry of Economy and Finance. Their staff is competitively recruited based on the 2008 reform of ARDs implemented in the context of the Bank-supported PLDP. Typically, an ARD comprises five departments (Training and Planning, Local Economic Development, Infrastructure, Monitoring and Evaluation, and Administrative and Financial), each of which is led by a full-time staff with an open-ended contract. Each ARD is led by a Director, also recruited on a competitive basis. ARDs are increasingly serving as implementation units for many donors, including the World Bank. Component 3 will be implemented by the Coordinator’s Office and the ARDs.

**Safeguard Policies (including public consultation)**

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Comments (optional)

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