Senegal: the Urban Development and Decentralization Program

After twenty-five years of experience in the urban development sector in Africa and nearly 400 projects involving a combined investment of US$25 billion, an in-depth study distill lessons from this experience and identifies strategic thrusts for future operations. *The Future of African Cities: Urban Development Issues and Priorities* presents policy guidelines already built into a number of new projects. This article deals initially with the African situation and then looks at the Senegal experience.

**The Future of African Cities: New Problem Issues**

**Urban management growing in complexity**

*The urban population is fast becoming the majority:* In western Africa, it will represent 65 percent of the total population (270 out of 430 million) by 2020.

*Imbalance between urban capacities and community resources:* Today, urban areas, which account for only one-third of the total population, are credited with 60 percent of the countries' GDP, while the municipalities collect 1 percent of the urban GDP, or US$6 to 8 per capita. There is a similar disparity between the dynamic found in cities and the technical staffing of municipalities.

*Urban poverty is growing more acute* and squatter settlements are spreading: The unfortunate consequence of the haphazard spread of housing, due to the government's inability to organize it and manage land issues in an orderly fashion, is that the provision of basic services is impeded.

*Unsuitability of urban planning tools.*

**An intractable crisis**

*Resource constraints* due to the combined impact of demand from a larger group of countries and greater accountability demanded by the international donor community.

*Lack of local taxation:* Taxation is thwarted by the people's reluctance to pay. What is more, the financial weakness of the municipalities stems as much from their management as from their reliance on oversight.

*A low-value-added economy* that basically relies on the informal sector.
Rebuilding the institutional landscape

Disappearance of the welfare state, which was the unique feature of the Francophone countries in Africa since they gained their independence.

Decentralization, which is found in most African countries and has strengthened the role of local governments without providing them with the technical and financial resources needed to fulfill their new mission.

Weakening of central government and emergence of the associative sector: The weakening of government was not accompanied by a strengthening of the public or para-public sector (except in the commercial services sector); rather, it spawned an associative sector built on local solidarity movements.

The arrival of new actors: The institutional landscape was enriched by the creation of delegated contract management agencies during the 1990s (Agences d'Exécution des Travaux d'Intérêt Public – AGETIP).

After outlining the new problem issues, the book attempts to tackle three basic questions:

- What to do in the new urban projects?
- With which partners?
- How to finance new urban development projects.

The book closes with a description of implementation tools, i.e.:

- Planning tools: aerial photography and urban sketches, simplified urban plan, inventory for planning infrastructure and facilities.
- Implementation and control tools: catalogue of community facilities and works, matrix for evaluation of AGETIP projects, matrix for assessing the environmental impact of municipal projects.
- Arrangements for executing municipal projects: urban audit and organizational and financial audit leading to a municipal contract signed between the municipality and the government.

The Urban Development and Decentralization Program (UDDP) in Senegal

There is one project in particular that illustrates the approach advocated: the "Senegal Urban Development and Decentralization Program" (UDDP).

A far-reaching program

An IDA Credit of US$75 million plus US$19.3 million in cofinancing from Senegal government and municipalities, plus parallel financing of FF 50 million (US$8,333,333) from AFD (the French development agency) was signed in December 1997.

Pros and cons of Senegalese context

Pros

Senegal has benefited from three urban projects financed by the World Bank and two AGETIP projects. While the first three urban projects focused primarily on Dakar, a major achievement of the Third Project – the Urban Management and Development Project - which closed in January 1997, was to launch a Municipal Development Fund, a first step toward financing credit for municipalities for buying commercial equipment, from which the UDDP drew lessons. The two AGETIP projects met their initial objectives,
which were to deliver urban services in a large number of Senegalese municipalities, while creating jobs, stimulating small and medium-sized companies, and improving contracting procedures. These two AGETIP projects yielded important lessons on the following topics: (a) investment choice and programming; and (b) making local authorities accountable in this choice but also in sharing the cost of these investments and the recurrent charges involved in their maintenance.

A favorable regulatory and institutional framework. Since independence in 1960, Senegal has been pursuing a policy of gradual but prudent decentralization. In July 1977, the Fonds d'Equipement des Collectivités Locales (FECL) was set up. Despite sometimes problematic and often cumbersome procedures for allocating resources to each municipality, this fund has made it possible to channel some 2.5 billion CFA francs (US$4.2 million) a year to communities and rural municipalities in the form of subsidies. Adoption of the legislative reforms of February 1996 and the amendments to the Local Authorities Code mark the latest phase in the decentralization process. If the creation of regions covering the territory as a whole and of district communities for the city of Dakar represents something of a departure, Senegal has not made the mistake of several of its neighbors in creating too many new local authorities. Today there are 60 urban and 320 rural communities, a manageable number. Finally, it is worth noting the strong presence of the Mayors' Association of Senegal (AMS).

Cons

Weakness of the Department of Local Governments (DCL). Its management has never exercised strong oversight over municipalities that were created many years ago and have found ways to assert their authority, notably through the AMS.

Financial situation of the local authorities: Current revenues of the local authorities exceeded 18 billion CFA francs (US$300.6 million) in 1996, 8 percent more than in 1995. Savings capacity (total ordinary revenues minus operating expenses) increased substantially in the space of three years: negative in 1994, it rose to 2.3 billion CFA francs (US$3.8 million) in 1996, equivalent to 15 percent of current revenues. There have thus been steady improvements regarding the current resources of Senegalese local authorities over the last three years, thanks in particular to the implementation by the Treasury of financial reorganization plans for municipalities within the Dakar conurbation. This self-financing capacity remains fragile, however, as local authorities are still not paying their water and electricity bills.

Ingrained laxity in municipal financing. The mayors' tendency to expect the government to provide everything was reinforced by the earlier practices under the "AGETIP projects." Efforts to have the municipalities share in the costs had been first made with the early urban projects, but the AGETIP projects, with their emphasis on alleviating under-employment, offered extremely flexible financing terms that took the edge off these early efforts at local cost sharing. A kind of competition sprang up among "windows" financing projects of this kind. It is not hard to see here why the mayors were seduced by non-constraining access to funding.

Novel features of the UDDP

Improved distribution of programming, execution and decision-making tasks. Preparation of the UDDP lent itself to a participatory process. The different actors called upon to take part in project execution included the Government of Senegal, the Municipal Development Agency (MDA), the municipalities, the AMS and the Association of Rural Communities, the delegated contract management agency (AGETIP), the financial institutions, and the private sector (contractors, consultants, and the population/beneficiaries.

- The MDA has been created as the government-delegated executing agency for the UDDP. A manual of procedures defines the MDA’s role and operational procedures. The MDA: (a) assists municipalities in preparing municipal contracts and implementing their Municipal Adjustment Programs; (b) implements and supervises support activities; and (c) works closely with the contract management agency. The MDA hires consultants to complete the audits necessary for
the preparation of the municipal contract. Although it does not oversee the implementation of the physical components of the project, a task which is assigned to a contract management agency (AGETIP), it, however, supervises the implementation of all municipal contracts and makes sure that any problems in the implementation of the Municipal Adjustment Program (MAP) are anticipated so as not to jeopardize the implementation of the Priority Investment Program (PIP). The relationship between the MDA and government, based on cooperation and independence, enables the Agency to derive maximum advantage from its neutrality in decision-making, while ensuring close liaison with the government authorities.

- The government is responsible for: (a) allocating FECL (grant system for local governments) funds; (b) providing administrative assistance to guarantee the creation and operation of the MDA; and (c) promoting the legislative measures and local tax reforms needed to accomplish the UDDP’s objectives.
- Municipalities draft, negotiate and sign a municipal contract, prepare an investment plan, work with the MDA on studies, financing, and project implementation. The process is based on wide consultations with local populations.
- The Contract Management Agency (CMA) is in charge of the physical execution of the sub-projects identified in the PIP defined in the municipal contract. Once a municipal contract has been negotiated and signed, the CMA proceeds with project implementation, including bidding procedures and execution of works. AGETIP is the primary CMA for UDDP1 and UDDP2 and the executing agency for UDDP3.
- All studies and projects are implemented by private sector firms. A great deal of training and quality control is entailed to ensure the skills strengthening of local consultants and this effort is built in the project.

**Contractual arrangements based on the principle of municipal contracts:** These are agreements concluded and signed between the MDA and municipalities. Contracts include a MAP, a PIP, and a PMP. The aim is to give the municipality responsibility in the selection and financing of activities carried out under a project.

**New instruments for programming priority investments:** Municipal contracts are prepared, in close cooperation with the municipality, on the basis of two complementary approaches known as “urban audit and a financial and organizational audit of the municipality” in accordance with the MDA's Manual of Procedures.

- The *urban audit* identifies the city's main gaps in terms of infrastructure and services and takes stock of the needs expressed by the municipality and the population, with special emphasis on underserved districts. The product is a PIP.

- The *financial and organizational audit* is essentially a review of the municipality's financial situation; it assesses its financial capacity and establishes a MAP to improve its financial management. In particular, it helps in determining how to size the PIP in the municipal contract.

**A mix of financing arrangements:** UDDP benefits from the following sources of financing:

- **External sources:** the IDA credit finances US$75 million. Other donors, attracted by the framework provided by UDDP, participate through parallel financing. For example, the AFD is contributing US$10 million.

- **Local sources:** There are three main sources: (a) allocation from the FECL (1 billion CFA francs—US$1.7 million—per year during the 5-year Program); (b) the undisbursed balance of the FECL initially allocated to the CCC, which will be reallocated to UDDP (about 3 billion CFA francs – US$5 million); and (c) counterpart funding by municipalities or rural communities.

- The *financing plan* is based on the following principles: (a) financing through UDDP is open to all municipalities in Senegal; (b) all municipalities must have signed a Municipal Contract; and (c) the guichets must have been harmonized according to three modes of financing:
- **Mode 1 or UDDP1**: the conditions are extremely favorable: 90 percent subsidies (IDA credit) and 10 percent local counterpart funding.
- **Mode 2 or UDDP2**: the conditions are still very favorable but more demanding on the municipalities: 70 percent subsidies (IDA credit), 20 percent credit, and 10 percent local counterpart funding. The credit to municipalities carries 4.25 percent interest and is repayable over 12 years in monthly installments.
- **Mode 3 or UDDP3**: for financing rural community infrastructure needs on the basis of 90 percent subsidies (IDA credit) and 10 percent local counterpart funding.

- **Allocations for UDDP1 and 2 are made as follows:**

  - **UDDP1**: This represents 50 percent of the amount of the physical investment component (15 billion CFA francs – US$25 million) and benefits all municipalities. The UDDP1 allocation to each municipality is based on its population (on average 3,550 CFA francs – US$5.9 per inhabitant). It may not be less than 75 million CFA francs (US$125,250) to ensure that at least a minimal investment program can be carried out.

  - **UDDP2**: This represents the other half of the physical investment component (15 billion CFA francs – US$25 million). The amount allocated to each municipality depends on its financial capacity and may not exceed 6 percent of its average monthly revenues. The ceiling is modest enough to allow municipalities to pay their mandatory contributions to the PMP.

  - **UDDP3**: This represents about 9 billion CFA francs (US$15 million) and focuses exclusively on rural communities.

**Targeted support for the various parties involved**: The purpose of this support is to involve the central departments concerned with the implementation of the UDDP.

- The DCL in the areas of financial databases and training.
- The departments of Urban Planning (DUA) and Cartography (DGTC) are engaged in compiling a body of municipal maps prepared during the audits. Moreover, DUA, is also supporting the municipalities in street numbering activities (adressage) when these are included in the MAPs.
- Support to the private sector involves not only the execution of works but also the conduct of studies. Systematic efforts are made to use local consultants. In order to improve the capacity of local consultants, UDDP has, in view of the novelty of the subject, organized a variety of training sessions on urban and financial audits.

**Challenges for the future and adjustments needed**

*Introduction of competitive and less demanding sources of funding*: To ensure the success of a program of this kind, it is absolutely vital to harmonize the different aid windows that the municipalities can use and to avoid unfair competition between UDDP, with the restrictive adjustment it entails, and any alternative form of free financing, which might perpetuate easy-money in newly-formed municipalities.

*Improving CMA procedures*: Law on delegated contract management that would make it possible to open up competition to other CMAs that met the efficiency and transparency criteria required by donors.

*Improvements in local taxation*: The government has embarked on a process to reform local taxation and has specifically committed itself to a reform of the land tax on built and unbuilt properties, the housing tax, and, finally, the business tax, bearing in mind the tax-paying capacity of the modern and the informal sector.

*Revision of subsidy rates and strengthening of lending mechanisms*: The resources currently devoted to
the municipalities are no match for what is needed. There is therefore a need to modernize the present methods of financing the municipalities and start thinking in terms of developing both local savings and specialized financial institutions. Accordingly, subsidies should be gradually lowered, with a parallel increase in loans.

*The Future of African Cities: Challenges and priorities for Future Development* is co-authored by C. Farvacque-Vitkovic and L. Godin. For more information, please e-mail Cfarvacque@worldbank.org