Board Meeting of January 29, 1998
Statement by Matthias Meyer

Senegal: CAS

We endorse the basic elements of the proposed CAS and commend the task team for a good document. In particular we welcome the special process elements and analyses used in the CAS elaboration. In our view they added significant value to the CAS in terms operational quality, realism and coherence with broader institutional policies, and we encourage management to promote a wider use of:

- the analysis of cross-sectoral issues such as gender, capacity building and environment and their explicit incorporation in sectoral projects;
- the use of social analysis and the analysis of political economy issues. Their use helps to better assess the feasibility of reforms, points to the need for the Bank to catalyze consensus-building processes for key policy reforms and helps to focus on real reform implementation barriers which policymakers may face;
- the analysis of comparative strengths and programs of other development partners and the attempt to present the Bank's role and assistance program as part of overall development assistance. Along the same lines, the CAS matrix would have benefited from adding the information on instruments and roles pertaining to other development partners with regard to the different strategies and actions proposed.

2. We note that after years of stagnation, significant improvements in both the conduct and implementation of economic policies have taken place. They reflect the sizable efforts of the Senegalese government to reap the gains from the CFA Franc devaluation by implementing a far-reaching reform program. In particular, inflation is now under control, the external sector is successfully liberalized, and more restrictive budgetary policies have resulted in a lower budget deficit. We share the Bank's view, that the fiscal situation remains potentially vulnerable, especially in light of the high debt service and the coming adoption of a common external tariff in the CFA zone. Achieving fiscal balance must remain a key objective in the years to come, hence the need to focus on both the broadening and strengthening of the tax system.

3. On the structural side, significant efforts are essential to turn the economic framework into an investment-friendly one. The government should therefore act as a facilitator for the private...
sector, reduce regulatory barriers, improve the legal framework, remove cumbersome administrative procedures and enhance transparency. Likewise, and in light of the mixed experience with public enterprise restructuring and privatization, decisive action and rapid completion of the privatization program are key to give a clear market signal both to national and foreign investors. In our view, the base case scenario should include intermediate indicators to measure early progress in the privatization program, in addition to the base case trigger regarding completion of the privatization program by the year 2000, i.e. almost at the end of the CAS.

4. Poverty is still to a large extent a rural phenomenon. Rural poverty is the root cause for degradation of the fragile rural environment, as well as for the rapid migration to urban centers and the associated social and environmental problems in cities. Agriculture is a potentially powerful engine for economic growth and employs 60% of the Senegalese people. However, the sector is stagnating and the CFA devaluation did not result in a positive impact on supply. We thus very much welcome the Government’s economic and social development plan which calls for the development of a comprehensive rural development strategy as a center piece for its poverty alleviation strategy. Strategy development, and thereby addressing difficult policy and institutional issues, is precisely the area where the Bank should concentrate, and where it can complement bilateral donor programs which deal with more specific subsectoral reforms (filiere reforms).

We thus urge the Bank to strongly support the Senegalese process of developing a rural sector strategy through ESW. Such support has the potential to lead to a more coherent approach in the Bank’s rural sector lending and would certainly constitute a solid basis for the proposed sector investment program. Lending in the rural sector should be linked to a stepped-up policy dialogue and to further progress in strategic areas such as:

- moving from a food self-sufficiency to a food security policy, including policy measures related to internal trade liberalization;
- creating a more level playing field for all types of farms by focusing, for example, even more on rainfed agriculture and small irrigation works instead of the large Senegal valley irrigation schemes;
- promoting greater equity with regard to access to agricultural services (including for women), improving demand-orientation of institutions and promoting pluralistic systems by relying more on NGOs and private sector providers.

5. We fully support the importance given to social sustainability and in particular the health and education sector investment programs to be implemented as APLs. Improving the impact of public spending in the social sectors is essential, as social indicators remain disappointing compared to other countries with similar income levels. The attention given to primary education, and in particular girls’ education, is entirely appropriate. Reorienting public spending towards primary education involves politically difficult choices, as shown by recent policy reversals in the higher education sector. The progress benchmark in the CAS matrix regarding the rationalization of the higher education sector will be key for effectively reorienting public expenditure in the education sector, and the Bank should take a firm stance in this regard.
6. Lastly, we note the strong involvement of EDI in Senegal. Training in gender and social analysis and the grass roots management training program are programs in high demand and will certainly produce results on the ground. However, it seems that in the medium-term such training should be provided by local training institutions at much lower costs. What is the handing over and phasing out strategy of EDI with regard to such programs in Senegal?