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Additional Financing for Municipal and agglomerations support
(P181537)

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INTEGRATED FIDUCIARY ASSESSMENT FOR THE MUNICIPAL AND AGGLOMERATIONS SUPPORT
PROGRAM (P181537) (ADDITIONAL FINANCING)

April 2024



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AF	Additional Financing
ARCOP	Public procurement regulatory authority (Autorité de régulation de la commande publique)
ARD	Regional Development Agency, (Agence Régionale de Développement)
CNDCL	National Council for the development of local Governments (Conseil National de développement des collectivités locales)
DCMP	General Directorate of Procurement (Direction Centrale des Marchés Publics)
DLI	Disbursement Linked Indicator
GFILOC	Interconnected Local Government PFM system (logiciel de tenue de la comptabilité des collectivités locales)
FDD	Décentralization allocation fund (Fonds de développement de la Décentralisation)
FECL	Local Government Equipment Funds (Fonds d'Équipement de Collectivités locales)
GoS	Government of Senegal
LGs	Local Governments
PEFA	Public Expenditure and Financial Accountability (Rating)
OFFILOG	Local Citizen Offensive pilot Project to fight Corruption and Money Laundering
PFM	Public Financial Management
PROACTSEN	Government' program for the Second phase of implementation of Act III (Programme d'opérationnalisation de l'acte III de la décentralisation du Sénégal)
TOR	Terms of Reference
US\$	United States Dollar
WB	World Bank



A. Introduction

1. A Fiduciary System Assessment (FSA) for the Additional Financing of Municipal and Agglomeration Support Program was carried out of the Project coordination unit ADM and the implementing agencies involved in the program which were extended to the Ministry of the Environment and its auxiliary entity, the CCETGFD, consistent with WB Policy, Directive and Fiduciary Systems Assessment Guidance Note for Program-for-Results Financing. The objective of the FSA is to conclude whether the Program fiduciary systems provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The scope of the FSA is based on the existing boundary of the program and expenditure framework as disclosed under expenditure framework. The PDO remains unchanged: (i) improve LG financing; and (ii) enhance the performance of participating urban LGs in managing public investments.
2. **Reasonable assurance:** The FSA concludes that the Financial Management, Procurement and Governance systems capacity and performance continue to be adequate to provide reasonable assurance that the funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.
3. **Risk assessment: The overall fiduciary risk of the program is Substantial for the AF.** For financial management, the key risks identified include (i) staffing constraints both in numbers and capacity (Court of auditors, Internal Inspectorate of the line Ministry) (ii) no articulation between the three-year investment plan; the annual investment plan and the budget which does not allow for proper investment planning in the municipalities, and (iii) delay in auditing the administrative accounts of the LGs which can be explained by the lack of an interface between the LGs' financial management system GFILOC and the Court of Auditors' audit system AAR KOM. The audit process could be speeded up and facilitated if this interface were created. The evaluation also identified that the supporting documents for all transactions carried out in GFILOC should be dematerialized to benefit all users and make their tasks more efficient. The program of the internal audit of the internal inspectorate of the line ministry is not based on identified risks. The risk matrix of the LGs is not yet developed.
4. **For procurement, the Decree n° 2022-2295 of December 28, 2022, establishing the National Procurement Code is applicable to all LGs.** All LGs have an approved annual procurement plan published in the public procurement portal. However, the updated assessment shows that the Procurement system at the LGs level can be improved. Indeed, there is a lot of delay in planning activities even though information on the FECT performance is available in July of year n-1. The LGs must be guided on the need for better planning to enable them to start procurement activities from the start of the year. Also, capacity issues and mobility of procurement unit agents remain a challenge. Capacity building, training, and Territorial Coaching should be continued with ARCOP (Public procurement regulatory authority), DCMP (Central Directorate of Public Procurement) and ARD to make sure that the relevant topics to be improve will be cover. In term of audit the number of LGs to be covered should be improved as ARCOP will contract with private firms to make the audit.
5. **Fraud and Corruption.** For the parent it was recommended to Strengthen the capacities of LGs to manage grievances and set up a regional grievance management system closer to municipalities. This recommendation is not yet implemented and only a complaints management mechanism has been established. So, the AF will continue to support this under the program. Enda ECOPOP has set up the Local



Citizen Offensive pilot Project to fight Corruption and Money Laundering (OFFLOCC) to strengthen the prevention and fight against corruption at the LGs level. As part of the project, an interesting application called YECITE was set up for the management of complaints and citizen feedback in the city. In addition, a digital system called YTAX has also been set up for the collection of municipal taxes and the prevention and fight against corruption and tax evasion.

6. To address these risks, mitigation measures are proposed which are included in updated Program Action Plans and restructured DLI(i) Customize the GFILOC to include the annual investment plan, three-year investment plan and ensure the articulation of these documents and the budget; (ii) Enhance the capacity of the internal inspectorate of the line ministries and the Court of auditors by doing more training and allocate sufficient funds for their activities; (iii) Develop the risks matrix of the LGs; (iv) Create an interface between GFILOC and AARCOM; (v) Dematerialization of supporting document in GFILOC system; (vi) Sensibilize the LGs and strengthen their capacities to enable them to anticipate procedures (preparation of the procurement plan, launch of activities in advance, etc;) and to be able to sign contracts from the availability of funds in March; (vii) Recruit technical skills staff adapted to the LGs activities: for example, a civil engineer: it means to respect the decree 2020 of 08 January 2020 on the standard organization chart for LG which establishes the key staff who should be recruited; (viii) involve the DCMP not only as a participant but also as a trainer is essential during training session organize training center. Indeed, being responsible for controlling LGs procurement files, it is better placed to assess the aspects to be strengthened and how to implement them; (ix) Update the protocol with DCMP to facilitate its implementation, (x) Do a Capacity building of DCMP staff in term of decentralization to help them fully play their role of control; (xi) Update the protocol signed with ARCOP to increase the number of LGs to audit and training sessions; (xii) Help LGs to put in place an archiving system for the stage of procurement process and contract execution; (xiii) Each municipality should define own strategy depending on the main area of intervention. For municipalities using AGETIP services to ensure that the terms of the agreement provide for transfers of skills and capacity building for municipal agents; and (xiv) Continue to Strengthen the capacities of LGs to manage grievances and set up a regional grievance management system closer to municipalities.

B. Changes in the Fiduciary environment

7. Since the preparation of the Parent Program, the Public Expenditure and Financial Accountability assessment PEFA 2020 has been completed for Senegal and Country Policy and Institutional Assessment (CPIA) are regularly undertaken such as in 2023. The PEFA assessment indicates some improvements in the PFM towards the PEFA assessment in 2011. The improvements are related to a good performance in the revenue mobilization. The budget preparation process is adequate, the budget is presented to the national assembly on time and is adopted before the beginning of the fiscal year which the budget is Referred. Recently in 2020, budgeting has evolved from cost budgeting to program budgeting, improving the link between policies and the state budget. The CPIA reported that out of the last three years it is only in 2021 that the actual expenditure deviated from budgeted expenditure, by an amount equivalent to 10 % of budgeted expenditure. The PEFA assessment also highlights the improvement in taxpayers' access to information about their obligations and rights. In term of external control, significative improvement was noticed in the scope of external review. The interface of the treasury accounting system with the Central Bank payment system, providing online access to government bank accounts to enhance Treasury management and daily consolidation of cash balances (as a step towards a centralized Treasury Single Account (TSA) operation for improving cash management).

8. However, according to PEFA assessment, the system is insufficient to ensure budgetary discipline,



strategic allocation of resources and the efficient and effective provision of public services. The transparency and the exhaustive budget are still weakened. In fact, the income and expenditure of donor-funded projects contained in the financial reports are very brief. The Public access to very little budgetary information; internal audits focus more on financial compliance than on systems. The 2023 CPIA reported also acts to change budget allocations during the year are regularly taken such as supplemental appropriation orders (*décrets d'avance*), cancellation of budget appropriations (*arrêtés d'annulation de crédit budgétaires*), and orders or decisions creating supplementary budget appropriations (*décrets ou arrêtés d'ouverture de crédit budgétaire supplémentaire*). Local and regional authorities are not informed on time of the transfers that will be allocated to them for the financial year.

9. At LG level, improvements have been noted in the use of the budget preparation and execution software by local authorities. GFILOC is now used by all local authorities and is interconnected with the Treasury's information system. The flow of information between the Treasury and LGs has improved and become regular. Four types of transfer of fund are done each year by the state, including the FECT and the FDD. The amount allocated to the FECT increases every year since 2018 when PACASEN started. The criteria of the repartition of the FECT have improved and became more transparent. Regarding the FDD the reform to improve the criteria of transfer and the allocated amount is still ongoing and is yet to be finalized. According to the result of the PEFA of 2020 the amount allocated and the criteria for the others type of transfer are not known. The information provided to LGs on these transfers is not provided in a timely manner.

10. Program description, Institutional arrangements, and Expenditure framework

Program description

11. PACASEN project is supporting the Government's program PROACTSEN (2017 to 2028). The PDO of the program is to; (i) improve LG financing; and (ii) enhance the performance of participating urban LGs in managing public investments. The additional financing is a scale up of the program envelope and time horizon. Specifically, the AF adds a total envelope US\$ 110m to the program, including US\$ 50m from IDA and US\$ 33m from AFD, as well as US\$27 million from GoS. The AF also extends the program for 2 years until December 31, 2026. The proposed additional loan would help finance the expenditures associated with (i) the continued support to fiscal reforms, started under the parent project, regarding LG investment and operating budgets; (ii) a new support to Senegal's climate resilience reform; and (iii) a new focus on climate resilience in the program's annual LG performance evaluation and its LG capacity building. The PDO is unchanged for the Additional Financing.

Institutional arrangements

12. The existing implementation arrangements of the parent Program are maintained but expanded to also include the MoE formally with its auxiliary entity of the CCETGFD, which has the required amount and quality of in-house skills and human resources to accomplish the mission assigned to them under the program.

Expenditure framework

13. **There are no changes in the program boundaries.** The AF continues to support PROACTSEN's three subprograms. The AF maintains the original two Results Areas (RAs) and geographical focus within existing program boundaries.

Table 1: Program Boundaries and proposed changes



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Government program PROACTSEN	Original PforR	With AF (& restructuring)
Objective: empower LGs to drive economic growth and improve service access by transferring select responsibilities from the State to LGs, modernizing public management processes, reforming LG financing, and developing qualified and capable LG administrations	PDO: i) improve LG financing; and (ii) enhance the performance of participating urban LGs in managing public investments	PDO: No change from original PDO
Duration: 2017-2028	Duration: 2018- 2024	Duration: 2024-2026
Geographic coverage: Nationwide	Geographic coverage: 124 select LGs	Geographic Coverage: 124 select LGs
Subprograms: SPs (1) "Strengthening legal and national coordination framework" SPs (2) "Reinforcing the cohesiveness of territorial governance and spatial planning" SP (3) "Enhancing organization and technical and human capacity of LGs" SP (4) "Reinforcing the financial capability of LGs"	Results Areas: RA 1: "Enhancing financial viability of LGs" RA 2: "Enhancing performance of select LGs in managing public investments"	Results Areas: There are no changes to results areas
Overall financing: US\$ 1.4 Billion	Overall IDA financing: US\$110 million Overall AFD financing: US\$90 million Government contribution: US\$ 60 million	Overall IDA financing: US\$50 million Overall AFD financing: US\$33 million Government contribution:US\$27 million

14. The Parent Program’s expenditure framework following the program boundary is displayed below.



Table 2: Program Expenditures under Parent Program (US\$ million)

Program (PforR) Expenditure Framework: Source of Funding

Use of resources	State (million US\$)	World Bank (million US\$)	AFD (million US\$)	Total (million US\$)
LG Equipment	50 (FECL)	97	77	224
	FECL Global TGs	FECL MMC and PI	FECL MMC and PI	
DCL	-	0.3	0.3	0.6
CTC ARDs Services	-	-	-	-
CTC ADM Services	1.5	-	-	1.5
Training Unit MGT	-	0.82	0.82	1.64
DGID	-	1.3	1.3	2.6
DSPL	-	0.55	0.55	1.1
Court of Auditors	-	0.44	0.44	0.88
ADM Program	5.5	0.5	0.5	6.5
coordination and management				
AMS	-	0.19	0.19	0.38
DGAT	-	0.25	0.25	0.5
DEEC (DREEC)	-	0.2	0.2	0.4
IAL	-	0.1	0.1	0.2
ARMP	-	0.1	0.1	0.2
DCMP	-	0.1	0.1	0.2
DCFE	-	0.12	0.12	0.24
Other or Unallocated*	3	1	1	3.36
TOTAL	60	103	83	246

15. For the AF, the overall expenditures estimated to be about US\$214 million as can be shown below.



Table 3: Program Expenditures under AF (US\$ million) (and DLIs)

<u>DLI Description</u>	<u>Implementing Agency</u>	<u>Nature of Expenditures</u>	<u>Government program</u>	<u>AF PROGRAM-IDA</u>	<u>AF PROGRAM-AFD</u>
<u>DLI 1 -Modalities for repartition of State transfers FECT/FDD to LGs for investment/recurrent spending & repartition of LVATF reformed and applied in timely resource transfer to LGs to IDA/AFD satisfaction –(PDO)</u>	MCTADT			7.5	4.95
<u>DLI 2 - Increase in State-financed intergovernmental capital and recurrent grants (FECT and FDD) to LGs -in billion FCFA (PDO)</u>	MFB			5	3.3
<u>DLI 9 :Increase in local property tax assessments in the Principle Urban Center LGs (Intermediate Outcome)</u>	BCL			2.5	1.65
<u>DLI 4: Proportion of Urban LGs which satisfied the annual Minimum Mandatory Conditions (MMC) - % (PDO)</u>		STATE TRANSFERT TO LOCAL GOVERNMENT-	2087-LOCAL DEVELOPMENT FINANCING- 6-	7.5	4.95
<u>DLI 5: Proportion of Principle Urban Center LGs who satisfied the annual Performance Indicators (PIs) - % (Intermediate Outcome)</u>	BCT, CNFPLF,CT,DSPL, ARD, DCT, CdC, ADM, AMS,	FECT PERFORMANCE	\$214M	7.5	4.95
<u>DLI 6: Proportion of Principle Urban Center LGs that have executed their Annual Investment Plans (AIPs) schedule in terms of expenditures - % (PDO)</u>	DGAT, ARCOP, DCMP, DODP, DPB, Directorate of Environement and control,			2.5	1.65
<u>DLI 10 : Proportion of Urban LGs that received a minimum of Territorial Coaching support including capacity building actions linked to climate change - % (Intermediate Outcome)</u>	Directorate of climate change			9	6.1
<u>DLI 8: Deployment of the National Determined Contribution (NDC) at the LG level</u>				7.5	4.95
			\$214M	49	32.5

16. For the additional financing, the total budget is US\$110 million (including US\$50 million equivalent from IDA, US\$33 million equivalent proposed from AFD, and US\$27 million equivalent from the Government of Senegal) - as per the table below.



Table 4: Program Financing (US\$ millions)

Financing Source	Parent Program (M US\$)	AF Program (M US\$)	Total (M US\$)
Gov	60	27	87
AFD	83	33	116
IDA	103	50	153
TOTAL	246	110	356

17. The Technical assessment included an assessment on Program expenditure framework for (a) Expenditure on budget/COA and system; (b) Performance Funding predictability; (c) Performance on adherence to budgeted Program expenditure and execution of NEP priorities; and (d) Performance on Efficiency of Program expenditures. Please refer to the annex to the Technical Assessment on these areas.

18. Program Fiduciary Performance

Planning and Budgeting Budget

19. Existing government institutions at both national and local levels will use the existing budgetary system. The preparation of the budget is based on the existing duties of Senegal State and is ruled by decree including a realistic budget preparation timetable, with a budget ceiling circular sent to the spending ministries at an early stage of sectoral ministries' budget programming. There is systematic consultation with the spending ministries, and a session is organized in the budget preparation process (June) with Parliament to present the broad orientations of the budget. Though the process continues to be driven by the Ministry of Finance, priority ministries are engaged prior to the setting of budget ceilings. At the sectorial level, each ministry prepares its multi-year expenditure programming document (*Document de Programmation Pluriannuelle des Dépenses- DPPD*) based on the allocations defined in the DPBEP (*Document de programmation Budgétaire et Economique pluriannuelle*) which are properly integrated into the budget process and include strategic objectives, the performance framework, and resources allocations. The parent program budget was identified in the government program PROACTSEN 2017-2022 document. The budget for the parent program was identified in the government program PROACTSEN 2017-2022. Since the start of the program in 2019, all the budget lines relating to expenditure on the program have been included in the government budget. These lines are linked to the LG Equipment Fund (*FECL Fonds d'équipement des collectivités locales*) in the government budget. This FECL appears in the budget on a single line. It concerns all LGs and includes the global FECL, the FECT performance and the FECT intercommunal as well as the resources allocated to the structures involved in the program. However, the budget is not detailed enough to provide a meaningful tool for monitoring program implementation.

20. The additional financing of PACASEN, will support the second phase of the PROACTSEN from 2023-2028 integrated in the sectoral development policy letter of the line ministry. The budget of this program is clearly defined and adequately reflect the resources required to achieve the expected results. However, actions described above which enhance the preparation budget process and allow sufficient detail of the budget should be taken.

21. At the municipal level, most LGs manage to prepare -- within the prescribed timeframe before



December 31 of each year -- a participatory budget adopted by the municipal council and approved by the Representative of the State (Prefect or Sub-Prefect). From July N-1, the municipalities benefiting from the program are informed by ministerial decree of the grants FECT performance amounts from the state that will be allocated to them. This decree is drawn up based on the results of the assessment of the performance of these municipalities. The LG consider these allocations on their budget. However, these initial budgets are prepared without considering transfers from the State in relation to FECL global, FDD since information on allocated amounts and precise criteria for allocating resources between these local authorities are not yet received during this period. In fact, the CNDCT which is charged to do this allocation meets every 15h December, each year. However, this date is too late to allow municipalities integrated in their budget the results coming from these meetings. The LGs also prepare documents relating to investment forecasts, such as the three-year investment plan and the annual investment plan. However, there is no link between these two documents and the budget. This situation does not allow for proper investment planning in the municipalities.

22. In terms of performance for budget planning, the program has made it possible to increase the resources transferred to local authorities. In fact, the total resources transferred increased from 48.9 billion in 2019 to 83.1 billion in 2023 and for the allocation based on performance the resources increased from CFAF 5.6 billion in 2019 to CFAF 21.2 billion in 2023. The program has also led to transparency in the criteria for distributing funds allocated to local authorities. Most communes prepare their budgets before 31 December each year, and they are adopted by March 31.

Procurement Planning

23. To meet their needs in terms of works, goods or services, the Procurement Code clearly sets out the rules governing the preparation, award, execution, and control of contracts concluded by contracting authorities, referenced in article 2 of the decree. In its article 6, the Code provides that the contracting authorities develop their procurement plans (PP) which must be consistent with the other infra-annual planning instruments for budget execution. The PPs are drawn up following a standard model set by ARCOP and include relevant information concerning most contracts by category that the ACs plan to award during the year concerned. The initial Procurement Plan can be updated as needed, to reflect the status of implementation. The PP must be communicated to the DCMP no later than December 1 of the year preceding the budget year in question. The DCMP verifies the conformity of the document and ensures its publication within three (03) clear days following receipt. Except for contracts classified as "secret" and those awarded based on compelling urgency, all contracts to be awarded must be entered in the PP, the deadline for transmission to the Central Directorate of Public Procurement (DCMP) is set for December 1 of the year preceding the budget year in question. However, for local authorities with an initial budget of less than 300 million CFA francs, the deadline for transmitting PPs is April 30. At the regional level, the review is carried out by the DCMP regional centers.

24. Analysis of the 2021 annual report (2022 and 2023 not yet published) of the ARCOP shows that seven hundred and seventy-five (775) Procurement Plans (PP) have been published on the official public procurement portal www.marchespublics.sn for a total of 29,223 forecast markets. Analysis of data taken from the Public Procurement Management System (SYGMAP) shows that less than forty percent (40%) of contracting authorities other than local authorities had transmitted their PPs within the required deadlines (before December 1 of the previous year). For local authorities, 525 PPs were published but the report shows that local authorities had more delays in transmitting the PPs. Ultimately, it was noted, in general, a significant delay in the transmission of PPs despite circular n°035/PM/CAB/CS.Gouv of December 20, 2017, taken to encourage contracting authorities to respect the deadline as well. as awareness sessions for audited contracting authorities on compliance with PP transmission deadlines to preserve the principle of



efficiency in procurement.

25. Through discussion with the regional DCMP representative, all municipalities have an approved annual procurement plan. But they face many difficulties to insert the in the SYGMAP for DCMP review. Most of the time, the procurement plans are put in the system with the help of DCMP staff. In addition, all communities have information on the upcoming budget from July of the previous year and funds are generally available in March of the current year.

26. To this end, it is necessary to strengthen the capacities of communities to enable them to anticipate procedures (preparation of the PP, launch of selection process in advance, etc.) and to be able to sign contracts for the availability of funds in March.

27. Also, a General Procurement Notice (GPN) is established and published according to the model adopted by decision of ARCOP no later than January 15 of the year planned for their submission.

28. The program will continue to primarily finance the eligible LGs and, to a lesser extent, other agencies involved in the implementation of the program.

29. A per parent project about 90% of the amount of the results-based program will be disbursed through the FECT and distributed among some 123 LGs, based on a distribution mechanism defined by the fund and the results that these LGs are expected to achieve. The FECT is used to finance investments in equipment and infrastructure required to improve the local populations' living environment. Each LG formulates its municipal development plan and determines investment requirements for municipal equipment and infrastructure.

30. Although a well-defined and exhaustive list has not been established, it was decided that the following investments would be excluded from the program: (I) classified highways; (II) solid waste management, and (III) regional slaughterhouses.

31. The rest will be used to finance capacity building activities for LGs through: (I) continuing training of LGs, (II) continuous territorial coaching and (III) Contract Management Support, if necessary. All these activities consisting in capacity building, technical Contract Management Support will be under the responsibility of ADM and ARDs depending on the needs expressed by LGs.

32. No high-value contract with a value exceeding the Operational Procurement Review Committee (OPRC) threshold is identified under the Program procurement plan.

Budget execution

33. The program disbursement rates are for IDA 84,9% and for AFD 86%. The credit information of the program is summarized on the table below.

Table 5: Bank and AFD Disbursement

	Loan: IDA 61790	Loan: AFD COFN
Loan Information	Amount in USD	Amount in USD
Signed Amount	103,000,000	86,300,000



Disbursed	78,711,671.8	67,006,202
Disbursement rate (%)	84.9	86%

34. During program design, the financing source consisted of funding from the Government’s contribution described below e US\$60 million, AFD and the World Bank contribution of US\$189 million. The total financing on April 17, 2024, is shown in table below.

Table 6: Total program financing

Source	Planned million US\$	Disbursed million US\$	Difference million US\$
AFD/IDA	189	146	43
Government	60.0	53	7
Total Program Financing	246	199	50

35. The comparison of actual and plans (Program expenditure performance) as of April17, 2024, over the past five years are shown in table 7 below.

Table 7: Program expenditure performance (in million US)

	Plan	Actual	Performance
AFD/IDA	186	146	78%
Government	60	53	88%
Total	246	199	81%

36. As indicated above, the Bank disbursement as of April 17, 2024, US\$146 million did not exceed the net program expenditure US\$ 199 million.

Accounting and financial reporting:

37. At the national level, public spending is affected through the integrated public finance management system SIGFIP (budgetary module) and the accounting system ASTER (accounting module). Data on revenue is published monthly at the aggregate level, and quarterly at a level of detail comparable to that of the Finance law. Data on foreign and domestic debts are published quarterly. Data extracted from the SIGFIP on expenditure other than wages, debt and funded projects are published monthly. The monthly and quarterly reports mentioned above are posted on the MEFP sites within a very short time.

38. At the local level, thanks to the program, municipalities are using GFILOC which have been developed under the program. GFILOC is an integrated system of the Public Treasury for the municipalities. It consists of two modules, one for accounting and the other one for commitments. When the mayors commit their expenses; the information is received directly by the public accountant who validate the request when the credit exists, the information of the validation of the commitment is received by the mayor who settles and commits the mandate. One the accountant receives the mandate signed he transfers the information to the general payer for payment. The payment is done through the treasury payment account. The accounting of transaction is automatically kept by the system. However, the supporting document of the transaction are not attached in the system. To allow effectiveness and efficiency the system should allow the dematerialization of supporting documents.



39. At the project coordination level ADM will continue to consolidate data of the program and prepare the financial statements of the program.

40. Public accountants are required to close and transmit their management accounts, no later than 30 June. Most of the LG can prepare their administrative accounts on time. ADM is responsible for the consolidation of financial data of the program. The program has made it possible to systematize the use of the Treasury's administrative and accounting system for local authorities, GFILOC, to improve the transparency of transactions.

Procurement processing and procedures

41. Since May 9, 2005, the West African Economic and Monetary Union (UEMOA) has adopted Directives No. 04 and No. 05 which have made it possible to move resolutely towards the harmonization of procedures for preparation, award, execution and control of public contracts and public service delegations, in the community area made up of eight (08) countries.

42. The Government of the Republic of Senegal, aware of the significant volume of expenditure represented by public procurement, the considerable flow of transactions it generates and wishing to promote the transparency, efficiency, and accountability essential to good governance in a State of law, has initiated an in-depth reform of its public procurement system. This reform started in 2007 and resulted in Decree 2014-1212 of September 22, 2014, establishing the Public Procurement Code. Ministerial decrees have been issued to supplement this text.

43. The application of these texts has contributed to a large extent to the establishment of a harmonized and modern legal framework which promotes economy, efficiency and competition while ensuring integrity, trust, fairness, and transparency in the procurement process. Much more, since the beginning of the reforms, the regulations have been progressively improved.

44. The new Public Procurement law included provisions to promote social and local economy development following the adaptation of the social orientation law n° 2010-15 of July 2010 on the promotion and protection of the rights of disabled people, the law n° 2020-01 of January 2020 relating to the creation and promotion of startups in Senegal and the orientation law n° 2020-02 of January 7, 2020 relating to Small and Medium Enterprises (SMEs). The new Public Procurement Code (Decree n° 2022-2295 of December 28, 2022) is also deeply marked by the reform relating to the program budget initiated by the adoption of organic law No. 2020-07 of February 26, 2020, relating to finance laws as well as its implementing texts introduced the following major innovations: (i) better supervision of the scope of the Public Procurement Code; (ii) strengthening the legal regime of the framework agreement; (iii) a clarification of the frank nature of the appeal deadlines; (iv) a possibility of allocating public contracts with a view to encouraging the participation of Small and Medium Enterprises (SMEs); (v) promotion of inclusive public procurement, transparency, and sustainable and responsible procurement.

45. In 2009, a first stage the assessment regarding the use of country procurement systems in projects with Bank funding and a second one has been conducted to the Senegalese system was assessed in 2010 to evaluate the consistency and equivalence of procedures as well as Senegal's procurement documents with those of the Bank. The assessment report concluded that the methods used for works, goods, services, and intellectual services as well as the biddings documents are generally consistent and acceptable. Nevertheless, most of the recommendations made were already reflected in the Public Procurement Code developed by the government of Senegal - Decree No 2014-1212 of 22 September 2014.



46. The last assessment of the Senegal procurement system had been conducted in 2017 through the MAPS (Methodology for Assessing Procurement Systems) by the African Development Bank in relation with Expertise France (French Technical Cooperation Agency international) and ARCOP, and with the collaboration of Technical Partners and Financiers (PTF) who have expressed an interest in participating like World Bank, USAID, European Union, French Development Agency (AFD) and Cooperation Canadian. The evaluation identified the explanatory factors that could influence the performance of the procurement system in Senegal.

47. The assessment overall showed six (6) main areas that require priority improvement, due to their influence on system performance. In summary the analysis identified six (6) main areas that require priority improvement, due to their influence on system performance:

- (i) The country has not yet developed a strategy or plan to implement Sustainable Public Purchasing (APD) in support of the policy defined by the PSE, and in general for economic and social development. The application of sustainable purchasing criteria can constitute an important lever for the Government to boost economic and social development, through the consideration of factors such as employment, social equity, promotion of vulnerable groups, etc.
- (ii) The withdrawal of the Dispute Resolution Committee (CRD) from disputes arising between administration entities. These interventions may contribute to placing the Committee in a situation of conflict of interest. Indeed, a dispute between administration entities, having already been the subject of a decision by the CRD, for example, between a contracting authority and the DCMP, as part of an award proposal, may return to the CRD via a complaint from one of the candidates concerned. Furthermore, the authorizations for exceptional procedures granted to contracting authorities by the CRD contribute to replacing the CRD with the Central Directorate of Public Procurement (DCMP), and practically to involve him in the award procedure.
- (iii) Granting to procurement units and their members a professional status allowing them to exercise their internal control functions adequately, i.e. with all the required independence, as well as stability in the function. The raising of the DCMP control thresholds and the public finance reform which will confer more power to contracting authorities, with the decentralization of ordering, have the consequence of conferring more powers to contracting authorities, hence the need to strengthen internal control of the public procurement procedure.
- (iv) The data provided by the information system are very general and do not make it possible to measure performance both at the procurement stage and at the execution stage (duration of the different stages of the award cycle, levels of participation, economic efficiency of acquisitions, unit prices for common categories of goods and services, execution, and payment times, etc.). This is why, due to the importance of performance data in the context of reforms, the deployment of the Integrated Management System Public Procurement (SYGMAP) with all contracting authorities and its interconnection with the Public Finance Management System (SIGFIP), is essential, in that it could facilitate the collection of this data.
- (v) Carrying out market studies with a view to defining optimal procurement strategies is not a practice of contracting authorities. The Government would benefit, at the level of sectors identified as priority, from procurement strategies which, while respecting the fundamental principles of public procurement, can ensure both efficiency in procurement and a better economic impact and social aspect of the use of public funds for procurement purposes.



- (vi) The ARCOP Investigations Unit (CEI) should systematize in-depth investigations following audit findings on serious violations of regulations and submit the results to the competent administrative authorities about public officials. We even recommend that the text governing the Court of Auditors could be modified to allow the CRD a direct referral to the Financial Disciplinary Chamber of the Court.

48. However, the gaps are not critical, since they can be improved directly by the authorities without the need to reform the current legal and institutional framework. Overall, most of the recommendations have started to be implemented; for example, Sustainable Public Procurement (SPP) considered in the new Public Procurement Code. Indeed, after the recent reform of the ARMP transformed into ARCOP, new skills in sustainable public procurement were added to those of ARCOP.. With the support of the ADB and the UN Environment, a report was produced with the aim of proposing adjustments to Senegalese public procurement law to facilitate the use of Sustainable Public Purchasing (APD) in their three dimensions: social, economic, and environmental, which contribute, together or separately, to local, inclusive, and responsible development.

49. The implementation arrangement for procurement will continue to be the same as the parent program. Open tender procedure is the standard procurement method. This method is mandatory for contracts above certain thresholds. For LGs, the thresholds are about 70 000 000 CFAF for works and 50 000 000 CFAF for services, routine supplies, and intellectual services. The use of national standard tendering documents is mandatory for open procurement processes. The evaluation criteria must be clearly defined in the tender documents and be used for the evaluation of tenders.

50. All the cities and municipalities are subject to the National Procurement Code. Indeed, Title 1 Article 2 of Decree n° 2022-2295 of December 28, 2022, establishing the National Procurement Code includes LGs among the contracting authorities under its scope of application. Order n° 007117 of March 23, 2023, of the Ministry of Finance and Budget, specifies the composition of the regional and departmental commissions for public contracts in the regions and Order n° 007119 of March 23, 2023, provides a certain number of reliefs in favor of municipalities with annual budgets of less than 300 million francs.

51. The 2021 ARCOP report indicates that out of a volume of 3,998 registered contracts, 157 were awarded by direct agreement, which represents a rate of around 4%. It should be noted that the rate of contracts awarded by direct agreement is now calculated, in accordance with Order No. 5367 of March 30, 2022, of the Minister of Finance and Budget, based on the ratio between the number of contracts awarded by direct selection and the total number of registered markets. It is important to also assess these direct agreements in terms of amount. These 157 steps were passed for an amount of 553,858,799,873 out of a total of 1,712,268,798,749 FCFA or 32%. The COVID context could explain this situation, but it is important to continue working to reduce direct agreements.

Budget execution

52. The PACASEN annual report indicates that in 2022, a study was carried out to assess the situation of investments financed by PACASEN. It made it possible to: (i) have a list of investment projects in each pilot municipality; (ii) to assess the financial and physical implementation of all pilot CT investment projects; (iii) to carry out the geolocation and mapping of the said projects through GEMS. This study thus yielded the following results: (i) 525 projects have been financed by PACASEN since its start; (ii) 301 projects are fully received, or 57.33% of all projects; (iii) 158 projects are in progress, or 30.10%; (iv) 19 projects are blocked and (v) 02 abandoned projects.



53. In terms of the execution of contracts, out of a total amount of contracts of about 17.7 billion CFA francs, 10.4 billion representing 58.70%, were disbursed.

54. In 2023, the total number of projects carried out by the pilot municipalities increased to nine hundred and nine (909). At the level of contracts, the execution amounts to 38.2 billion FCFA 24.2 billion FCFA were disbursed, 63.40%. This rate could be improved with better planning of activities and continuous capacity building.

55. In term of procedure, the use of the 2021 audit reports (those of 2022 have not yet been published) which concerned 16 CLs made it possible to identify the following breaches: (i) the archiving of files at the level of the procurement unit is not exhaustive and the classification of documents presents inadequacies; (ii) failure to produce quarterly reports; (iii) failure to review contract files by the procurement unit; (iv) late transmission of the PP for publication on the Sygmap; (v) non-compliance with certain award deadlines; (vi) the members of the Procurement Unit do not have all the required skills in public procurement; (vii) the delay in the execution of certain contracts and the failure to apply late payment penalties; (viii) abnormally long completion times; (ix) other irregularities especially for requests for quotations, etc.). The LGS are encouraged to exploit these breaches and made appropriate correction. Capacities building themes can be also choose based on these findings.

56. ADM launched a satisfaction survey to assess the level of satisfaction of the beneficiaries of the program and to propose recommendations to consolidate the achievements and contribute to the formulation of additional financing. Eleven major recommendations were made, including (i) strengthening the territorial coaching system for tailor-made support for municipalities; (ii) improving the planning and budgetary management of LGs.

Furthermore, the consultations held with various project stakeholders made it possible to note certain constraints at the level of certain municipalities. These include: (i) internal organizational problems linked for example to the lack of technical personnel, for example in large municipalities with works contracts and without qualified civil technicians/engineers or procurement specialist (PS); (ii) a weakness in budget consumption; (iii) a delay in planning activities; (ix) mobility of agents; etc.

Contract administration

57. Title IV of the Procurement Code describes the contract performance conditions while Title V refers to contract cancellation procedures and penalties applied to the different parties. The approach described seems simplified and equitable.

58. However, as highlighted by the MAPS report, the Code is not very explicit on the authorities responsible for managing contracts. At most, articles 27 and 28 of the CMP define the Person Responsible for Contracts (PRM) and their Responsibilities, but this description ends with the signing of the contract on behalf of the contracting authority. However, the texts on public finances clearly govern the rules applicable to staff responsible for budget execution (program managers, authorizing officers, and public accountants).

59. In 2021, the results of the audits showed that particular attention must be paid to the operations undertaken in the execution phase. The ARCOP annual report highlights several shortcomings in the execution of the contracts audited in 2021. Indeed, we note (i) non-compliance with the contractual payment deadline; (ii) the absence of archiving of documents concerning the physical execution of the contract (receipt report) and the absence of archiving of documents concerning the financial execution;



etc. In addition, in the case of some communities, it should be noted the lack of technical personnel for certain activities related to contract administration. For example, some communities have a lot of work in progress but do not have an engineer to monitor execution. It is recommended to recruit a technical skill adapted to the LGs activities.

Complaints management

60. In Senegal, the provider may complain both during the procurement phase and during the contract performance period. During the procurement process, three levels of complains are possible: (i) appeal to the contracting authority for reconsideration, (ii) contentious appeal to the Dispute Settlement Committee and (iii) seeking legal remedy before the competent courts. Articles 89 to 92 of the National Procurement Code describe the stages of the different levels of redress, the prescribed timelines for each actor. The “Tenderer's Guide”, a document prepared by the ARCOP with the support of the Senegalo-German Program in Support of the Competitiveness and Growth of SMEs and the Performance of the Micro Finance Sector (PACC-PME/PMF), explains that redress during the procurement phase may involve all stages of the process.

61. The code provides for two levels of complains that can be used during the contract performance, namely: (I) amicable settlement before the Dispute Settlement Commission (CRD) and contentious appeal before the competent courts, or tribunals or an arbitration court, in accordance with the conditions set by the OHADA uniform Act.

62. ARCOP publishes on its web site, all decisions taken by the Dispute Settlement Commission (CRD) on dispute settlement. It also publishes statistics on applications for redress, every year. In 2021, the 167 final decisions rendered by the CRD relate to 44 referrals from contracting authorities and 123 referrals from candidates for public contracts. Of these 167 only 18 are from LGs. This main reason of the low number is because LGs conclude very few contracts and the ARCOP is distant from providers living far from Dakar, considering that this structure has still not been decentralized. Besides, during the procurement phase, providers must pay a deposit before the application for redress is receivable. This deposit meant to discourage groundless grievances could also represent an obstacle for tenderers. A local mechanism should be put in place to facilitate complaint submission.

Internal control and internal audit

Internal controls:

63. The financial management at ADM have enough controls to ensure authorization, recording and custody control. In addition, control procedures relevant to the program are documented in the Program Operational Manual (POM). For the performance of the internal audit between 2021 and 2023 respectively; 16,20, and 15 internal audit missions have been undertaken. Many efforts have been done to improve the intervention in the municipalities however the performance is not yet fully satisfactory. In 2024 the in-house inspectorate planned to undertake the remaining required missions in 2023. The inspectorate intends to undertake more missions to LGs during the implementation of the additional program, but faces certain constraints: insufficient budget, lack of capacity and sufficient staff. These constraints should be resolved to strengthen the capacity of the inspectorate.

Governance and Anticorruption



64. The government of Senegal confirmed its commitment to fight against fraud and corruption by ratifying the United Nations Convention against Corruption on 3 August 2005 and the African Union on Preventing and Combating Corruption in February 2007. It established new institutions including: (i) the Public procurement regulatory authority (ARCOP); (ii) National Financial Intelligence Processing Unit (CENTIF), specialized in the fight against money laundering; (iii) National Committee to Eliminate Non transparency, Corruption and Embezzlement (CNLCC) and (iv) National Office for Combating Fraud and Corruption (OFNAC) by law n° 2012 - 30 of 28 December 2012. Recently for OFNAC, the powers and skills of the office were reinforced by law no. 2024-06 of February 9, 2024, amending the law of 2012 which recognizes it, in addition to the powers it already had, the power of placement in police custody, that of carrying out criminal mediation, of charging territorial investigation units with investigative missions or even of using special investigation techniques.

65. For some time, there has been a lack of publication of reports from the control bodies but with the advent of the new regime, the new president is increasing measures to verify public accounts. This is how he ordered the Court of Auditors, OFNAC, as well as the State Inspector General to publish their reports over the last five years. To date, most of the reports have been published.

66. The 2023 report recently published had recalled the main points of OFNAC's 2017 – 2021 Strategic Plan. The two strategic objectives were as follows: (i) contribute to the promotion of good governance in the public and private sectors through actions likely to improve the legal framework to better adapt it to the fight against fraud and corruption; (ii) establish an organization capable of carrying out the missions of OFNAC and carrying out its vision through the institutional strengthening of the Office at the human, material, and financial levels. Thus, numerous achievements have been recorded and within the framework of axis 2, we can note: i) the strengthening of OFNAC's capacities on investigation techniques and information systems on the detection of fraud and corruption; (ii) the development of risk mapping and the internal control framework; (iii) strengthening the technical capacities of agents in asset analysis and audit and in the detection of fraud and corruption in public procurement; (iv) the development of annual work plans and activity reports in accordance with the principles of Results-Based Management (RBM).

67. For the next 4 years, the new plan will focus on four objectives: (i) Improve its results in the essential activities of the Institution (ii) Strengthen good governance, by adopting sound management practices; (iii) Implement proactive and dynamic fraud and corruption prevention communication; (iv) Strengthen cooperation in the fight against fraud and corruption.

68. In terms of statistics, the 2023 report shows that the Office of Complaints and Denunciations (BPD) recorded fifty-three (53) complaints and denunciations during 2023, which brings the total number of complaints recorded since the creation of the OFNAC at one thousand eight hundred and ninety-eight (1,898).

Contrary to the trend generally observed in previous years, referrals to OFNAC by electronic mail present a certain predominance compared to other methods of referral. They represented 53% of the complaints received from 9 of the 14 regions of Senegal. Many of the complainants targeted acts of fraud and mismanagement (08), fraud and land disputes (04). Furthermore, the main entities involved are private establishments and companies (07), LGs (06) and public establishments (06).

69. In 2022, Senegal has a score of 43, with a change of 0 since last year, meaning it ranks 70 out of 180 countries, according to classification by "Transparency International".



Regarding procurement, article 148 of the National Procurement Code lists the penalties applicable in the event of fraud and corruption related to contracts. The standard procurement documents prepared based on those of the World Bank also contain clauses on fraud and corruption.

70. For the parent it was recommended to Strengthen the capacities of LGs to manage grievances and set up a regional grievance management system closer to municipalities. This recommendation is not yet implemented and only a complaints management mechanism has been established. The lessons learned from the implementation of the parent program are that the mechanisms put in place to combat corruption are not yet fully operational. So, the AF will continue to support this under the program.

71. Nevertheless, Enda ECOPOP has set up the Local Citizen Offensive pilot Project to fight Corruption and Money Laundering (OFFLOCC) to strengthen the prevention and fight against corruption at the LGs level. As part of the project, an interesting application called YECITE was set up for the management of complaints and citizen feedback in the city. This could enable: (i) increased citizen participation; (ii) to better establish dialogue between citizens and local authorities; (iii) local technical services and municipal authorities are informed of citizens' complaints; (ix) basic services are improved for citizens. In addition, a digital system called YTAX has also been set up for the collection of municipal taxes and the prevention and fight against corruption and tax evasion. In terms of results, the implementation of these tools has made it possible to observe: (i) an increase in local revenues in all the municipalities of intervention; (ii) certain practices formerly tolerated are now considered corrupt practices (commune of Sedhiou); (iii) dismantling of the chain of corruption in the Civil Status sector in Diourbel.

Auditing

Program audit:

72. The program audit reports for the year ended December 31, 2021, disclosed unqualified audit opinion. However, the external auditor expressed a qualified opinion for the year 2022. The basis of the qualification were not related to the program but the IPF component. The assessment also noted that in 2022, the auditor did not issue the opinion on the program in the initial reports. This was not in compliance with the TORs of the external audit which required this opinion. The opinion has been issued afterward and the auditor did not issue any observation on the program. For the additional financing ,the Supreme Audit Court will be involved in the external audit, and will review the TORs for the external audit to ensure that all the aspects to allow a deep review of the program are considered.

73. **LG audit:** The Court of Auditors is entrusted with reviewing the accounts prepared by the public accountants of the LGs. The Program provides the Court of Auditors with the opportunity to increase the coverage of LGs undergoing technical audit, with a focus on the 123 LGs. Between 2019 to 2023 the following number of LGs were audited: 8 (2019), 19 (2020) , 31 (2022), and 46 (2023). The target has not yet been reached. However, during the implementation of the Additional Financing the Court of Auditors intends to audit 30 LGS in to reach the target of the verification of 123 LGS before the end of the program. Furthermore, the court has developed a tool AAKOM to improve the effectiveness and the efficiency of its intervention. The program should provide the opportunity to create an interface between AAKOM and GFILOC. The accounting data will be available to auditors remotely and more audits can be done with this option.



74. **Performance verification of LG and beneficiaries' structures.** The verification of performance have been over the responsibility of the Court of Auditors since the third year of the implementation of the program (2021). The verification has been undertaken every year in a timely manner. The verification of DLIs have undertaken by an independent verification agent with timely manner; However, for the FY 2024 delays are noted due the political situation in Senegal. It is reported that the verification will be held soon.

Financial and Procurement Management Capacity

Financial management-Staffing:

75. The project coordination unit is adequate, and the staff of the project's implementing agencies is also adequate, except for the Ministry's internal inspectorate and the Court of Auditors. These agencies need to be strengthened to carry out internal and external audit activities.

76. At municipal level, the decree of 8 January 2020 on the standard organization chart for LG establishes the key staff who should be recruited. However, the general observation is that the municipalities do not have the required staff, that are competent to implement their budget.

Procurement capacity

Authority to approve contracts:

77. The National Procurement Code, in its article 29 and in compliance with the Local Government Code, provides that the Representative of the State: Governor, Prefect, Sub-Prefect are the authorities empowered to approve contracts whose amounts are above certain thresholds defined in the article. Contracts below these thresholds are approved by the mayor or his representative. For LGs, whose budgets exceed 300 million CFAF, the threshold required for State Representative approval is 50 million CFAF while for other LGs it is set at 15 million CFAF.

78. In the context of implementation, the main constraint is the question of the capacities and mobility of agents. Despite the training organized by ARCOP and the advisory support activities carried out by the DCMP to optimize the performance of LGs, many aspects still need to be improved.

- The procurement unit: In accordance with article 35 of the National Procurement Code, municipalities and cities must have procurement units and contract award commissions. Every year, the LGs submits to the General Directorate of Public Procurement (DCMP) or the Regional Public Procurement Pole, which has jurisdiction over it, the decrees appointing members of these two bodies. In practice, according to the findings and following the results of the audits, certain malfunctions are noted in the handover cells. These include: (i) staff shortages since certain units are generally made up of a single person appointed by the mayor and do not generally have the profile as required by the Code; (ii) the procurement files for which it is competent are not submitted to the procurement unit for review; (iii) half-yearly and annual reports are not systematically produced and transmitted to the ARCOP; (iv) mobility of agents; etc.

It is important to continue building the capacity of procurement unit agents to enable them to fully carry out their control mission and carry out the tasks dedicated to the cell.

- Market commission: Articles 36 and 37 indicated that for contracts awarded by the State, In



addition to representatives of the contracting authority, the following should also participate in market commissions: (i) for State contracts awarded outside the Dakar region: a representative of the Governor of region ; (ii) when it comes to local authority markets, two members of the deliberative body not belonging not at the municipal or departmental office. Furthermore, the community accountant or his delegate attends the meetings of the markets commission with deliberative voice. However, the Mayor or the President of the council departmental cannot be members of the commission steps.

79. The 2021 audit showed that in many cases the composition is not respected. LGs should be guide on this.

It is important to note that in the code it is cleared indicated now that «the members of the markets commission and procurement unit must be procurement specialist ». This is not yet effective especially at the local level.

Capacity building

80. As part of the Parent project, it was recommended to continue (i) to strength the Procurement Regional Poles to provide support advice and improve the supervision of procurement units in LGs and (ii) reproduced and popularized procurement guidance document within LGs with training tailored to their needs.

81. As part of the implementation of the project, a Protocol was signed between ADM and DCMP for, among other things: (i) taking part in the activities of the Technical Operational Committee (PACASEN CTO); (ii) contribute to capacity building of target CTs in the area of procurement procedures; (iii) carry out a priori control over procurement activities; (iv) assist local authorities in the use of the Public Procurement Management System (SYGMAP); (v) reproduce and disseminate/popularize the standard procurement files for the targeted local authorities; (vi) strengthen the capacity of the DCMP teams (regional hubs) to improve the supervision of the CT units benefiting from the Program; (vii) contribute to the establishment of a monitoring-evaluation measurement system for the performance of CTs in the award of public contracts.

82. DCMP activity report for 2022 shown that DCMP was unable to carry out a training program for the target contracting authorities due to budgetary constraints linked to the absence of a line dedicated to training. However, as in previous years and in accordance with its missions, it participated in the quality control of the procurement files submitted to it by the target CTs.

83. DCMP also underlined the need to strengthen the capacities of its agents on decentralization, the innovations of Act III and the responsibilities of local authorities and not only on those relating to public procurement.

84. The implementation shows that DCMP regularly provided training and support for the LGs but faced many constraints for example on (i) travel to certain LGs that are far from the Procurement Regional Poles site; (ii) mobility of the staff who regularly changed; (iii) lack of capacities of the DCMP staff on some aspects related to decentralization to allow them better to understand the intervenient and their role in procurement process; etc. In view of these findings, it is necessary to redefine the terms of the Protocol to ensure ease of implementation.

85. Also, in the protocol signed with ARCOP, a training program in public procurement is planned for LGs. At the end, the eleven (11) workshops planned were carried out. These workshops were distributed at four levels: (i) level 1: The basic rules for public procurement; (ii) level 2: The progress of public



procurement; (iii) level 3: Bids in Public Procurement; (iv) level 4: Management of public procurement contracts. Of a total of 334 CT agents planned, 274 have been trained and certified; or 82.035%.

86. Furthermore, the involvement of the DCMP should be increased. Indeed, being responsible for controlling LGs procurement files, it is better placed to assess the aspects to be strengthened and how to implement them.

Delegated Contract Manager and Contract Management Support:

87. AGETIP, in its role of Delegated Contract Manager (MOD), implements infrastructure construction activities on behalf of the local governments, through MOD agreements.

88. AGETIP, has been engaged by some municipalities through an agreement to implement infrastructure construction activities on their behalf. Instead of AGETIP, some municipalities used other arrangements. For example, the municipality of Pikine has hired a highly qualified civil engineer and procurement expert to provide technical assistance in the implementation of their activities. For this purpose, it is important to note that AGETIP does not have exclusivity in terms of project management and each municipality is free to define its own strategy. Furthermore, it should be noted that with the support of AGETIP, the municipalities risk not benefiting from the activities in terms of capacity building. In this regard, it is recommended for municipalities using AGETIP services to ensure knowledge transfer and capacity building for municipal agents.

89. The Regional Development Agencies (ARDs) oversee executing the CTC in addition of those directly executed by ADM. According to the results of the satisfaction survey, the ARDs particularly appreciated PACASEN's efforts in strengthening good governance and establishing effective collaborations. However, they emphasize the importance of increasing the funds allocated to them and strengthening communication and coordination between the different actors to optimize the impact of the program.

90. The results of the survey highlight the importance and effectiveness of ongoing territorial coaching as a key element of the strategy to support and build capacity of local elected officials within the framework of PACASEN. The high endorsement of coaching by the ARD and ADM means the interventions are important in helping local authorities achieve their indicators, through the provision of ongoing advice and support. To further optimize these results, it would be useful to continue to adapt coaching sessions to the specific needs of elected officials and to explore areas where additional improvements could be made, by considering feedback from the less satisfied minority. One of the recommendations of this survey concerns the strengthening of the territorial coaching system for tailor-made support for municipalities.

Mitigation Measures and Monitoring of Fiduciary Performance (update) financial risk mitigation measures:

91. In relation to the status of the Program Action Plan incorporated in the parent program to mitigate the governance risk, we find that most of the actions are implemented. However, similar risks that were identified in the initial assessment were also identified in the current assessment regarding procurement performance and the financial management system. At the municipal level there is no connection between the following documents: three annual investment plans, the annual investment, and the budget. This situation does not allow for proper investment planning in the municipalities. The municipalities did not take in account during their budget preparation the amount which will be allocated to them for FECT



because at this moment the information on the allocation amount was not known. Regarding internal audit even if many efforts were done to build and enhance capacities of the internal inspectorate which oversees the internal audit of the program there still have constraints in the staffing. There is insufficient staff to undertake all the required missions and the planning of the missions are not based on the risks; mapping risks of the municipalities has not developed. The lack of qualified staff for internal audit activities in the municipalities remains a challenge. For external audit the target to undertake the audit of administrative accounts of all 125 LGs involved in program has not been reached. Efforts to increase capacities of the Audit Court, internal inspectorate of the line ministry and actors in the municipalities should be continued. Regarding anticorruption it was recommended to strengthen the capacities of LGs to manage grievances and set up a regional grievance management system closer to municipalities. This recommendation is not yet implemented and should be done during the implementation of the additional financing of the program.

92. The assessment showed also that the delay in auditing the administrative accounts of the LGs can be explained on the one hand by the lack of an interface between the LGs' financial management system GFILOC and the Court of Auditors' audit system. The audit process could be speeded up and facilitated if this interface were created. The evaluation also identified that the supporting documents for all transactions carried out in GFILOC should be dematerialized to benefit all users and make their tasks more efficient.

93. Procurement Mitigation measure: The contract award and execution system at the CL level can be improved. Indeed, there is a lot of delay in planning activities even though information on the budget is available in July of year n-1. The CLS must be guided on the need for better planning to enable them to start procurement activities from the start of the year. Also, capacity issues and mobility of procurement unit agents remain a challenge. Capacity building, training, and Territorial Coaching should be continued with ARCOP, DCMP and ARD to make sure that the relevant topics to be improve will be cover. In term of audit the number of CLs to be cover should be improved as ARCOP will contract with private firms to make the audit.

94. **The main mitigating measures and program action plan to address the fiduciary risks** include, (i) Sensibilize the LGs and strengthen their capacities to enable them to anticipate procedures (preparation of the procurement plan, launch of activities in advance, etc.); (ii) Ensure a continue Capacity building, training and Territorial Coaching with ARCOP, DCMP and ARD; (iii) increase the number of LGs to be audit through the protocol with ARCOP; (iv) update protocols signed with the ARCOP and DCMP to better align with needs; (v) findings on audit should be explore to allow improving the procurement system.

Procurement Control and integrity

In Senegal, the contract files go through two types of control: Ex ante control and ex post control.

95. **Ex ante control:** The Public Procurement Directorate (DCMP) and the Procurement Units are responsible for ex ante control. The ex-ante control thresholds of contracts are fixed by Order n° 007122 of March 23, 2023, of the Ministry of Finance and Budget. a Contracts above these thresholds are subjected to the internal control of the Procurement Units of contracting authorities.

96. However, the last MAPS report underlines the increase in thresholds did not consider the associated risks. Indeed, some procurement units are not efficient and face some issue like, the lack independence from contracting authority and limit capacity. In addition, staff in procurement unit are very mobile. These findings are even more recurrent at the level of local communities.



97. In addition to ex ante control, the DCMP provides support-advice to cities and municipalities. It has 5 decentralized services referred to as Regional Public Procurement Poles. These regional poles do not have sufficient human resources to assist all the municipalities. This is the case, for example, of the Regional Pole of Saint Louis, which has only three agents for 153 municipalities. But in practical, DCMP should better organized to try to group by area to organize join session as they generally face the same difficulties.

98. As part of the Parent project, it was recommended to continue (i) to strength the Procurement Regional Poles to provide support advice and improve the supervision of procurement units in LGs and (ii) reproduced and popularized procurement guidance document within LGs with training tailored to their needs.

Ex post control: Ex post control is the responsibility of the Public Procurement Regulatory Authority (ARCOP ex ARMP).

99. ARMP was changed to ARCOP to add the mission of regulating PPP contracts in application of article 10 of law no. 2021-23 of March 2, 2021 relating to public-private partnership contracts. Decree No. 2023-832 of April 5, 2023 sets the rules for the organization and operation of the Public Order Regulatory Authority (ARCOP).

100. According to article 2 of this decree, the ARCOP in addition to its advisory role, is mandated among others, to conduct the annual audits of contracts awarded by all contracting authorities, manage complaint and training of procurement stakeholders.

101. For 2021, the audit covered 117 contracting authorities (CAs), including a total of 41 LGs representing 35% of the total. The 117 CAs audited awarded 7,629 contracts for an estimated value of 1.9 billion FCFA. The controls and verifications carried out covered a representative sample of 3,361 contracts with a total value estimated at 1.8F CFA, i.e. an overall coverage rate of 44% in number and 94% in value.

102. Also, as part of the implementation of the project and in accordance with the Performance Agreement governing ADM and ARCOP, a protocol was signed between ARCOP and ADM to consider these three areas of intervention: (i) the management of grievances and complaints; (ii) the audit of public contracts of the target Territorial Communities; (iii) training in public procurement.

103. In terms of result 37 LGs including 12 main urban LGs, representing more than 30% of the Municipalities were audited. On of lessons learned, it is noted the low coverage of communities audited over the duration of the program. Indeed, as ARCOP does not carry out the audits itself, but recruits private firms to do so, the number of communities could be increased to cover as many communities as possible. Furthermore, the audit reports are transmitted to ADM and published on the ARCOP website, but the conclusions and recommendations are not followed up to support LGs in taking appropriate measures.

104. In 2021 audit reports published for (16 CLs the following breaches were identified: (i) filing system at the level of the CPM is not exhaustive with lot inadequacies; (ii) no produce quarterly reports; (iii) failure to prior review contract by the procurement unit; (iv) delays in the transmission of the PP for publication on the Sygmap; (v) no respect of award deadlines; (vi) limited capacity of Procurement Unit in public procurement; (vii) delay in contracts execution and failure to apply late payment penalties; (viii) abnormally long completion times; (ix) irregularities especially for requests for quotations, etc.



105. **Citizen control:** A Complaints Management Mechanism (GMM) has been established to receive and encourage the amicable resolution of concerns and complaints. Its aim is to allow individuals and communities affected by investment projects in local authorities, under PACASEN financing, to formulate questions or express their concerns or complaints so that they are dealt with as quickly as possible and coherently. The results of the satisfaction survey carried out show that 70% of elected officials say they are satisfied with the citizen participation tools and complaint management mechanisms. Through its interventions, the program encouraged better citizen participation, greater transparency in decision-making and improved responsiveness of municipal services to the needs of the population. However, it remains necessary to further strengthen the commitment and participation of beneficiaries, stakeholder structures and citizens as recommended in the results of the satisfaction survey.

106. Some of the Parent Program PAP and DLRs will continue to be applicable as noted in the table below. In addition, new PAP and DLIs are identified in table 8 and 9 respectively below:

Table 8 : Status of Program Action Plan

Risk description	Mitigation measures	Program Support / Entity in charge	Status
1. Human Resources for program implementation			
Low human resource capacity of LGs for financial management, procurement, and management of technical aspects.	Finalize the standard organizational charts and encourage LGs to have the personnel required for both resource and technical management.	Already scheduled and incorporated into the program/DCL	Ongoing At municipal level, the decree 2020 of 08 January 2020 on the standard organization chart for LG establishes the key staff who should be recruited. However, the general observation is that the municipalities do not have the required staff, competent to implement their budget
Low procurement and technical capacities of LGs to implement investment projects. Risk of non-compliant and low-quality contracts	(i) The procurement units and commissions will undergo training in contracting to strengthen their capacities; (ii) for projects whose complexity is beyond the competence of LGs, they may turn to ARDs to provide Contract Management Support or AGETIP as Contract Manager	Already scheduled and incorporated into the program/ADM and ARDs	Ongoing



Great mobility of LG staff which does not leave room for continuity in the occupation of functions and the recognition of gained experience.	Territorial coaching, which will be provided by the ADM and ARDs will help bridge certain capacity gaps in the Local Government. Each LG will develop a capacity building plan according to its needs, which the ADM will help implement.	Already scheduled and incorporated into the program/ADM	Ongoing
2. Planning and budgeting			
2.1. Procurement Planning			
Nonexistence of a municipal development plan, which makes it difficult to have sound procurement planning and limited capacity in multi-annual planning	Encourage and assist target LGs to develop municipal planning and programming covering the program's lifespan	ADM/ARD	ongoing
	Assist LGs to develop planning and monitoring-evaluation skills	ADM/ARD	Done but LGs need to be strength to better plan their activities
2.2. Budgeting			
Delay in the preparation of the budget and poor budget quality,	Strengthening the capacities of stakeholders (municipalities and State) including Citizens, Predictability of resources with reviewed FECL	Already scheduled and incorporated into the program/ADM	done
2.3. Financial flows and management of funds.			
Non-availability of funds at the local level for the implementation of the program's activities.	WB/AFD program funds in a separate account managed by the Treasury Increase in resources allocated to municipalities by the State	Already scheduled and incorporated into the program	Done
	SICA STAR fully operational to optimize treasury management	Already scheduled and incorporated into the Program	Done
Delays in payments due to lack of payment tracking by LGs.	Preparation of the manual of procedures and deadline monitoring	Already scheduled and incorporated into the program	Done
	Establishment of an integrated information system Treasury/Municipalities: GFILOC	Already scheduled and incorporated into the program	Done
2.4. Control, and internal audit			



Risk of poor management, fraud and embezzlement, inappropriate decision-making, non-completion of results within the set timeline	.	Already scheduled and incorporated into the program/ADM	
	Capacity building: Technical support to LGs and the different stakeholders involved in the internal audit	Already scheduled and incorporated into the program/ADM	Ongoing
Limited capacity of the control entities	Establishment of an integrated information system Municipalities/Treasury:	Already scheduled and integrated into the program	Done
	Improving the internal audit of the line ministry including support with external skills	ADM/Line Ministry	Partially done.
	Follow-up of audit recommendations	Court of Auditors/ADM/internal audit	Done
	Donor supervision	Donors	Done
2.5. Control, Integrity and External audit			
Low capacity of procurement units to carry out ex ante reviews. Overburdened Regional Public Procurement Poles, which also conducts the ex-ante review of contracts based on a threshold as well as assist the Unit to implement this ex ante review.	The DCMP has agreed to strengthen its teams and improve the supervision of units in LGs benefiting from the program's resources. The DCMP developed a guide for contracting authorities. This guide will be reproduced and	DCMP/ADM	done



Delay and inadequate coverage of LG audits.	popularized within LGs with training tailored to their needs Strengthening the capacities of the Court of Auditors, and increase in State allocation to the Court of Auditors		
Delay in the verification of the DLI which would delay the disbursements	Timely preparation of report Independent Verification agent to verify the achievement of DLIs	ADM	Done. Done
Delay in auditing the performance of municipalities under the program.	Timely preparation of performance reports Strengthening the Court of Auditors with competent independent auditors Recruitment of an independent multi-disciplinary firm under the responsibility of the Court.	ADM and Court of Auditors	done
<ul style="list-style-type: none"> Very few LGs are subject to ex post control of public contracts 	Conduct an audit of LG contracts annually on the basis of a representative sampling	ARMP/ADM	Done
2.6. Procurement System and Procedures			
2.7. Management of contracts			
Long payment periods that can discourage private sector participation	Prepare manuals of procedures defining the circuits, timelines, supporting documents related to payment operations	Already scheduled and incorporated into the program/ADM	Done
2.8. Grievance management system.			
Centralized grievance management system and absence of mechanism at the local level. This could discourage tenderers from lodging grievances but also cause delays in the procurement process	Strengthen the capacities of LGs to manage grievances and set up a regional grievance management system closer to municipalities.	ARMP/ADM	Ongoing
2.9. Fraud and Corruption Risks and Mitigation			
Lack of citizen control	Assist LGs to develop citizen control	ARMP/ADM	Not effective



Table9 : Status of the Fiduciary DLRs

DLI No	DLI Name & Scope	Actual result	Current Disbursement (%)	Status of DLI
DLI 1	Modalities for repartition of State transfers FECT/FDD to LGs for investment/recurrent spending & repartition of LVATF reformed and applied in timely resource transfer to LGs to IDA/AFD satisfaction –(PDO)	a.Promulgated decree on allocation criteria for FDD pending. b. Promulgated decrees of FECT and LVATF c.Timely transfer before March 31 of said year of FECT resources to LGs in conformity with FECT decree	79 %	Not fully achieved
DLI 2	Increase in State-financed intergovernmental capital and recurrent grants (FECT and FDD) to LGs -in billion FCFA (PDO)	83.06 B FCFA (againts Y5 target of 65 B FCFA)	100 %	Achieved
DLI 3	Urban LGs with a functioning Local Fiscal Commission – Number (Intermediate Outcome)	119 (number) (againts Y4 target of 80)	80 %	Not fully achieved
DLI 4	Proportion of Urban LGs which satisfied annual Minimum Mandatory Conditions (MMC) - % (PDO)	82.26 % (againts Y5 target of 80%)	100 %	achieved
DLI 5	Proportion of Principle Urban Center LGs which satisfied the annual Performance Indicators (PIs) - % (Intermediate Outcome)	57.89 % (againts Y5 target of 70%)	97 %	Not fully achieved
DLI 6	Proportion of Principle Urban Center LGs that have executed their Annual Investment Plans (AIPs) schedule in terms of expenditures - % (PDO)	10.52 % (againts Y4 target of 60%)	48 %	Not fully achieved
DLI7	Proportion of Urban LGs that received a minimum of Territorial Coaching incl on CC - % (Intermediate Outcome)	86.29 % (againts Y4 target of 95%)	77 %	Not fully achieved



Proposed New PAP and DLRs

Table : Proposed new Program Action Plan

Action	When
Financial Management	
Customize the GFILOC to include the annual investment plan, three-year investment plan and ensure the articulation of these documents and the budget	Before the beginning of FY2025
Create an interface between GFILOC and AARCOM	FY 2025
Enhance the capacity of the internal inspectorate of the line ministries and by doing more training and allocate sufficient funds for these activities	Continuous
Develop the risks matrix of the LGs	Before the beginning of FY2025
Dematerialization of supporting document in GFILOC system	Continuous
Customize the GFILOC to include the annual investment plan, three-year investment plan and ensure the articulation of these documents and the budget	Before the beginning of FY2025
Procurement	
On delays related to planning: Sensibilize the LGs and strengthen their capacities to enable them to anticipate procedures (preparation of the procurement plan, launch of activities in advance, etc.) and to be able to sign contracts from the availability of funds in March.	Now
Recruit a technical skill adapted to the LGs activities. For example, a civil engineer/technician in case of contracts works;	Now
Continue to adapt coaching sessions to the specific needs of elected officials and to explore areas where additional improvements could be made.	Now
Ensure a fixed recruitment through the program to mobility of staff	Now
For training organized by ARCOP, better involvement of the DCMP not only as a participant but also as a trainer is essential. Indeed, being responsible for controlling LGs procurement files, it is better placed to assess the aspects to be strengthened and how to implement them.	Now
Update the protocol with DCMP to make him easy to implement. Capacity building of DCMP staff in term of decentralization to help them fully play their role of control.	Now
Update the protocol signed with ARCOP to increase the number of LGs to audit and training sessions	Now
Improve the contract management system and depending on the area of intervention, recruit staff with adequate skills	Now
Help LGs to put in place an archiving system for the stage of procurement process and contract execution	Now
Each municipality should define his own strategy depending on his main area of intervention. For municipalities using AGETIP services to ensure that the terms of the agreement provide for transfers of skills and capacity building	Now



for municipal agents.	
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107. **Implementation Support.** The Bank fiduciary team will continue to follow up implementation progress of the program by reviewing quarterly financial reports, quarterly continuous audit reports, annual program audit reports and relevant progress reports on the implementation of PAP and DLIs. In addition, fiduciary specialists will participate in supervision mission and regular Implementation Support Mission. The objective of the implementation support is to assess the achievement of agreed actions and DLIs, the continuing adequacy of systems, to monitor risks and mitigation measures and covenants and agreements.