



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal. **Please delete this note when finalizing the document.**

Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 23-Apr-2024 | Report No: PIDA293697



BASIC INFORMATION

A. Basic Program Data

Country Senegal	Project ID P181537	Program Name AF for MUNICIPAL AND AGGLOMERATIONS SUPPORT PROGRAM	Parent Project ID (if any) P157097
Region WESTERN AND CENTRAL AFRICA	Estimated Appraisal Date 06-May-2024	Estimated Board Date 26-Jun-2024	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Program-for-Results Financing	Borrower(s) GOVERNMENT OF SENEGAL	Implementing Agency Municipal Development Agency	

Program Development Objective(s)

The Program and Project Development Objectives (PDO) are to: (i) improve local government financing; and (ii) enhance the performance of participating urban local governments in managing public investments.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	571.00
Total Operation Cost	110.00
Total Program Cost	110.00
Total Financing	110.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	50.00
World Bank Lending	50.00
Total Non-World Bank Group and Non-Client Government Financing	60.00
Multilateral and Bilateral Financing (Concessional)	27.00



Private Capital and Commercial Financing	33.00
of which Private Capital	0.00

B. Introduction and Context

Country Context

Note to Task Teams: This section should provide an overview of the country’s socio-economic status and the importance of the sector in the country’s economic development. Not more than half page. **Please delete this note when finalizing the document.**

Senegal has emerged as one of the fastest growing economies in Sub-Saharan Africa over the past decade. Growth, however, was non-inclusive, characterized by a slow pace of poverty reduction and persistent inequalities. Benefiting from enhanced international competitiveness and favorable external conditions, Senegal emerged in the past decade as one of the fastest-growing economies in Sub-Saharan Africa, after experiencing decades of subpar growth. The country’s growth model was mostly investment-led, augmented by significant foreign domestic investment in natural resource extraction. As such, the benefits of growth did not trickle down to the population and did not make a sustained dent in poverty reduction, neither succeeded to reduce inequalities. In addition, vulnerability of the population to shocks remains high, as the majority of households (55 percent) remains one shock away from falling into poverty. Rising uncertainty, on the tails of overlapping crisis, and exposure to climate risks, accentuate existing vulnerabilities and threaten the achievement of sustainable social and economic development. External shocks and rising global uncertainties weigh heavily on growth prospects. The global economic shocks that followed the onset of the COVID-19 pandemic, Russia’s invasion of Ukraine in 2022, and the conflict in the Middle East have led to tightening financing conditions, rising uncertainties, heightened geopolitical tensions, and a slowdown of global economic recovery. The global situation, coupled with rising domestic political uncertainty and regional instability, led to a deceleration of growth in Senegal to 3.8 percent over 2020-2023 – from 6 percent over 2014-19 – exacerbating structural vulnerabilities, such as low productivity, limited human capital, high informality, and youth emigration. Increased fiscal deficits and unfavorable terms of trade for oil-importing economies such as Senegal have worsened external accounts, emphasizing macroeconomic imbalances that might jeopardize crucial productivity-enhancing investments and policies. Senegal’s coastal exposure and reliance on natural resources for economic activities, jobs, and livelihoods make it particularly vulnerable to climate change. Climate change is a reality for Senegal, which is already experiencing rising temperatures and erratic rainfall, weather-related hazards, and sea-level rise. The country is becoming warmer, and at a much faster pace than other regions in the world. It is also becoming drier.

Sectoral and Institutional Context

Note to Task Teams: This section should provide a brief overview of the sector (or multiple sectors) and relevant sectoral (or multi-sectoral) institutions in the country; if applicable, these should cover the program provinces/geographical areas. It should focus on the key challenges and the government’s strategies to address them. Not more than one page. **Please delete this note when finalizing the document.**

- Driving economic growth and improving access to services via Decentralization and the Government’s program**



PROACTSEN (2017 to 2028). The third Decentralization Act (*Acte III de la Décentralisation*) reflects the commitment of the Government of Senegal (GoS) to decentralization, which during 2017-2028 is undergoing the Second Phase of Implementation of Act III (*Programme d’Opérationnalisation de l’Acte 3 de la Décentralisation du Sénégal, PROACTSEN*)¹. The GoS Program, PROACTSEN, highlights GoS’ commitment to empowering local governments (LGs) to drive economic growth and improve access to services by transferring selected responsibilities from the state to LGs, modernizing public management processes, reforming LG financing, and developing a qualified and capable LG administration. PROACTSEN focuses on creating an effective enabling environment to empower LGs to fulfill their mandates, while simultaneously introducing a results-based focus to encourage LGs to improve their performance. Thus far, PROACTSEN has been successful on the revenue side of LG financing, where total revenues of Senegal's 601 LGs more than doubled between 2018 and 2022 (from CFA 140 billion -227 million to CFA 302 billion - \$460 million) due to the creation by law (2013) of 386 new municipalities in addition to the existing 167 municipalities (“*communalisation intégrale*”) and 43 departments replacing the formal 14 regions. Total revenue per capita of the municipalities increased from an average of CFA 6 200 (\$10) to CFA 12 400 (\$20) over the program’s five-year duration (2018-2022). PROACTSEN, however, was less successful on the LG expenditure side, e.g., in 2022, the 601 LGs spent 50% of their revenues. This is in part due to: (1) the challenges that face the LG in conducting directly services provision and infrastructure investment after a long period where most local civil works were delegated to Contract Management entities (*Maîtrise d’Ouvrage Déléguée*); (2) the small size of intergovernmental transfer amounts not incentivizing LGs to plan and execute larger investments, especially in the 14 larger LGs and 5 cities; (3) the need for improvement of budgeting and accounting rules applied to multi-year investment contracts operated by LGs; (4) limited human resource capacity at local level to effectively manage local development.

With almost half of its population living in urban areas, Senegal's level of urbanization (49%) is higher than the average for sub-Saharan Africa (42%). Since 2004, its annual urban population growth has been between 3.5% and 3.7%. In 2023, the country hosted a population of 18 million and is expected to reach 39 million inhabitants by 2050 of which 65% (more than 25 million) will live in urban areas.² Senegalese towns and cities³ are the driving force behind the Senegalese economy. Urban economy is largely based on the tertiary sector with a significant role of informal sector, in Dakar and more importantly in secondary towns.

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Currently, no specific standards for LGs have been developed that guide them on their roles and responsibilities in implementing Senegal’s NDC. Given LG mandates and their relevance in CC adaptation, the missing LG guidelines on NDC implementation are an important operational gap. Senegal is ranked 149th (out of 192) in the Climate Vulnerability index 2021, with a lack of adaptive capacities rated as high. Therefore, it is critical to put in place institutionalized systems that ensure that Senegal’s increasing urbanization is climate resilient, comprising climate risk-oriented planning and resilient urban investments that are aligned with national CC reforms, including a new law on CC that is in the early stages of being developed.



With a new President elected on March 24th, the new Government of Senegal has expressed commitment to continuing in decentralization reforms with PACASEN a particular program of interest in this regard. The meeting confirmed the importance of the PACASEN AF as a key bridge between the original PACASEN Program and a possible future local governance support program, enhancing the focus on climate change.

PforR Program Scope

Note to Task Teams: This section should define the slice of the government program (including indicative activities) that the proposed PforR operation (i.e., the Program) would support, and how they are contributing to various key result areas. This section should flag if there are any activities/contracts that should be excluded from the PforR Program in accordance with the Bank's Policy and Directive on Program-for-Results Financing and the rationale for such exclusion. The task teams should also flag, if known, any high-value contracts that have been included in the program i.e. those which are deemed to be important to the integrity of the Program and their monetary value in relation to the overall Program is modest. (Note that if the Program is identical to an on-going government program, it is not necessary to describe it again if that is already covered in earlier sections). It should highlight the Program beneficiaries (wherever possible, by gender).

The role of development partners, if any, in the Program should be explicitly discussed including if any funds provided by development partners will be part of the Program; whether development partners are providing parallel funding, and/or if they are supporting technical assistance and capacity building activities.

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The scope of the Program remains unchanged but is extended. The new support to Senegal's climate reform was identified as (i) developing Senegal's NDC standards at the LG level, which are currently missing; and (ii) adding climate resilience into the program's existing focus on enhancing LG performance in managing public investment. GoS sees the PACASEN AF as a catalyst to (a) support the operationalization of its NDC objectives at LG level; (b) strengthen LGs' CC capacities given that LGs are at the frontline of CC but tend to still be somewhat unfamiliar with this being a new agenda; and (c) inform its new "Climate Law", that is being prepared.

The Parent program will be restructured to introduce the following changes (i) new support to Senegal's climate resilience reform at LG level, as well as adding climate resilience into the program's focus on enhancing LG performance in managing public investments; (ii) an expected reform on the creation of a conditional transfer window to allow future project financing, including for LG climate resilient investments; (iii) extension of the closing date by 24 months to December 31, 2026; (iv) update of the institutional arrangements; and updates of (v) the program scope (vi) the results framework and (vii) the Program Action Plan. The expected outcomes to be achieved by the AF include (a) finalization of fiscal reforms (FDD, FECT) to further enhance LG finances and LGs' fiscal performance including a mechanism for providing project-specific financing of LG investments including climate resilient investments; (b) development and roll-out of LG level standards on implementing Senegal's NDC at local level. This will address the current unclear, uneven, and ad-hoc efforts by LGs to operationalize Senegal's NDC without guidelines and institutionalization into Senegal's country systems for systemic, nation-wide LG standards and sustainability; (c) enhanced climate resilience in the program's annual LG performance evaluation to incentive LGs to play their part in climate action; and (d) enhanced LG capacity on



climate resilience for future project-specific financing of climate resilient LG investments.

Role of the French Development Agency (AFD) and relations WB/AFD:

The extent of financing under Program was substantial and placed the World Bank and the AFD as leading development partners in the financing of decentralization reform in Senegal.

Since the beginning of the Program, the collaboration with the French Development Agency (AFD) remains close through the implementation with: (i) mutual participation to support missions, (ii) internal meetings as needed, (iii) shared documents conjointly prepared. For the AF, the AFD will finance € 33 million to support the GoS in enhancing decentralization. The current financial and governance arrangements between IDA and the AFD will remain unchanged, which means the envelope of € 33 million will be shared between PforR and IPF. The AFD's current loan agreements end: (a) for the PforR on June 30, 2024, and (b) the IPF loan is out of date. The AFD is waiting GoS request on the funds reallocation to be able to address at the same time (i) the extension of the parent program and (ii) reallocation of undisbursed funds, which will allow the AFD to extend the two loans agreements to December 31, 2024. The AFD board is scheduled for early 2024. Finally, the cofinancing agreement between WB and AFD currently ends in June 2024 and needs to be extended or renewed with a new agreement, on which both parties have started working on.

Coordination with the decentralization donors and UNCDF especially. Through support and the active engagement of the World Bank and the AFD in the decentralization donor coordination committee, both partners were well positioned to leverage and coordinate support from other development partners when the additional financing was feasible. The donors took the opportunity to meet with the donor committee twice during the two last AF preparations missions (Nov-Dec 2023) and (Jan-Feb 2024). UNCDF (UN Capital Development Fund) has long-term **experience on LGs performance assessment** and developed an Assessing Climate Change Adaptation Framework (ACCAF) that has been implemented in 32 countries. LoCAL is designed and hosted by UNCDF and serves as a mechanism for integrating climate change adaptation into local government planning and budgeting systems, increasing awareness and response to climate change at the local level, and increasing the amount of funding available for climate change adaptation. The discussions with UNCDF were helpful for the preparation of the PACASEN AF and helped in its reflection and design, viewing the action on climate change as a global approach and system in Senegal.

UNCDF is planning to start the implementation in Senegal in 2024 of its 'LoCal' mechanism (Local Climate Adaptive Living Facility) which aims to integrate adaptation in local development plans and budgets, with a Climate risk-informed investment menu, and an appraisal of LGs performance, and **technical assistance**. It aims to finance approximately a pilot of 3 LGs-climate-oriented investments in 2 years. With the two projects being complementary, parallel fundings, and different PIUs under the same Ministry, the WB, AFD and UNCDF agreed to (i) pursue the continued dialog on their respective projects sharing any progress and, (ii) invite the UNCDF to **attend** future PACASEN support missions if needed.

C. Program Development Objective(s)

Note to Task Teams: This section should indicate PDO level results indicators that are expected to be achieved under the Program to reflect and measure success in achieving the PDO, keeping in mind that the indicators should be specific, measurable, realistic, and relevant. The nature of the Program and its scope should determine the number of such indicators; task teams are encouraged to limit the key results indicators to 3 – 5. The completed table on the Results Framework and Monitoring should be provided in Annex 1. Not more than half page

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Program Development Objective(s)



The Program and Project Development Objectives (PDO) are to: (i) improve local government financing; and (ii) enhance the performance of participating urban local governments in managing public investments.

The AF adds a total envelope US\$ 110m to the program, including US\$ 50m from IDA (of which 1.5m US\$ as IPF and US\$ 48.5m as PfR) 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.

With the climate addition under the AF, one extra DLI is added on climate reform, thus increasing the number of DLIs from 7 to 8. Achieved DLIs are replaced by new DLIs and targets to pursue progress.

The Results Framework is revised and updated to reflect achievements and lessons under the parent, and to accommodate the AF's new climate angle.

The Program Action Plan is revised and updated to reflect achievements and lessons under the parent, and to accommodate the AF's new climate angle.

D. Environmental and Social Effects

There are no indirect and/or long-term environmental and social effects due to anticipated future activities in the program area. This Program is not expected to involve any major civil works that will have significant adverse environmental impacts as the civil works under the Program will likely focus on investment in local infrastructure to enhance local development and local service delivery as well as the development and roll-out of LG standards to implement NDC at LG level.

The GRM is in place in the existing program and will continue.

Note to Task Teams: This section should provide the highlights of the Summary Environmental and Social Systems Assessment contained in Annex 5. It should also indicate that Program designs and screening processes have excluded actions/activities that would have significant adverse impacts that are sensitive, diverse or unprecedented on the environment and/or affected people. Not more than one page]

Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

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E. Financing

Note to Task Teams: This section should then provide the Program financing parameters in the template shown below. The role of development partners, if any, in the Program should be explicitly discussed including if any funds provided by development partners will be part of the Program; whether development partners are providing parallel funding, and/or if they are supporting technical assistance and capacity building activities.

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Program Financing (Template)

Sources	Amount (USD Million)	% of Total
International Development Association (IDA)	50.00	45.45
IDA Credit	50.00	45.45
Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	60.00	54.55
Borrower/Recipient	27.00	24.55
FRANCE: Govt. of [MOFA and AFD (C2D)]	33.00	30.00
Total Program Financing	110.00	

With the two donors engaged with parallel fundings, the AFD will sign a new agreement with GoS for the AF, as per the PP. The disbursement process remains unchanged for the AF with: (i) confirmation request of the achieved results from GoS sent to WB, (ii) WB response by letter confirming the amounts disbursed for WB and AFD, (iii) GoS disbursement requests send to WB and AFD separately, (iii) disbursements proceed by each donor with their internal procedures.

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