



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Jun-2019 | Report No: PIDC27086



BASIC INFORMATION

A. Basic Project Data

Country Senegal	Project ID P170366	Project Name Senegal - Third Multi-Sectoral Structural Reforms Development Policy Financing (P170366)	Parent Project ID (if any) P164525
Region AFRICA	Estimated Board Date Jan 31, 2020	Practice Area (Lead) Energy & Extractives	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Economy, Government of Senegal	Implementing Agency Ministry of Finance, Government of Senegal		

Proposed Development Objective(s)

Support Government's efforts in (i) strengthening the governance and management of the energy sector to reduce costs, improve reliability and facilitate equitable access; (ii) enhancing the legal and regulatory framework of the ICT sector to promote competition, investment and equitable access, and (iii) reinforcing policy, institutional, and financial foundations of the emerging digital economy.

Financing (in US\$, Millions)

SUMMARY

Total Financing	150.00
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DETAILS

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

1. The proposed Development Policy Financing (DPF), in the form of an International Development Association (IDA) credit of US\$150 million equivalent, is the third in a series of three programmatic DPFs. The series is intended to support Senegal's efforts to grow its economy at a sufficiently high rate and in a manner that is inclusive so as to reach targets set out in the Emerging Senegal Plan (Plan Senegal Emergent, PSE). The first operation under the series was approved by the Board in June 2017 for an amount of US\$60 million equivalent, and the second DPF was approved in December 2018 for an amount of US\$ 180 million equivalent.

2. Senegal is one of West Africa's main economic hubs, with several important assets including sociopolitical stability. Based on gross domestic product (GDP) per capita, estimated at USD \$1,311 in 2017, Senegal has recently joined the ranks of lower-middle income countries. The poverty rate is estimated to have decreased to 33.5 percent relative to 2011 when it stood at 47 percent (based on the international poverty line or 38 percent based on the national poverty line of US\$1.90/day). This is explained by the excellent performance of the primary sector, and agriculture in particular, and sectors employing large number of poor, such as construction. Progress in access to basic services and infrastructure has also contributed to this improvement in living conditions.

3. Notwithstanding this growth, emerging data suggest that poverty reduction may have been less than would be expected. To consolidate the new trend and deliver on the PSE, it will be critical to move beyond the first wave of reforms and address the remaining bottlenecks. Persistent structural constraints still affect the efficiency of investment, competitiveness, growth and ability to deliver services, especially to rural communities. Addressing these constraints includes improving the performance of the electricity and broadband Internet sectors and strengthening the foundations of a nascent digital economy, including by addressing broader taxation and informality constraints.

4. Therefore, the program keeps the focus on advancing structural reforms initiated in the energy, ICT sectors and development of the digital economy. The focus is on reducing costs, increasing competition and increasing service. When the private sector is capable of delivering these, the aim is to have the appropriate enabling environment, in line with the PSE and Government needs, to reduce fiscal strains. In the energy sector, very high costs of energy and problems with reliability of supply are widely seen as the most binding constraints to the competitiveness of the Senegalese economy, while ICT and the downstream digital economy are central to the competitiveness of Senegal's most important sector – services, and to the future prospect of the economy in the context of the accelerating path of technological change.

Relationship to CPF

5. The PDO of the proposed operation is directly linked to focus areas and objectives of the FY19-FY24 Country Partnership Framework (CPF). By implementing its pillar 2 on DI reforms and initiating the development of a digital economy through pillar 3, the DPF will directly contribute to the following CPF objective: to improve digital and physical connectivity at the national and regional levels. Meanwhile, the DPF targets for the energy sector (pillar 1) would support CPF's objective of lowering energy cost and optimizing the energy mix. In that way, all three DPF pillars reinforce WBG's overall efforts to boost competitiveness and job creation through private-sector led growth – the second pillar of the upcoming CPF. In addition, the technical assistance activities included in the DPF would help improving Government's effectiveness, efficiency and transparency – which contributes to the CPF's third pillar focused on increasing resilience and sustainability in the context of growing risks.



C. Proposed Development Objective(s)

6. Support Government's efforts in (i) strengthening the governance and management of the energy sector to reduce costs, improve reliability and facilitate equitable access; (ii) enhancing the legal and regulatory framework of the ICT sector to promote competition, investment and equitable access, and (iii) reinforcing policy, institutional, and financial foundations of the emerging digital economy.

Key Results

7. Key results include (i) for the energy sector : improved performance and financial viability of SENELEC (aligned with SENELEC performance indicators), an increase in the current least-cost power production and increased access to electricity in rural areas; (ii) for the ICT sector: reduced barriers to entry for new internet service providers and wholesale infrastructure operators and higher percentage of rural households reporting access to the Internet; (iii) with regard to the development of digital economy : roll out of e-Government solutions and strengthened start-up ecosystem.

D. Concept Description

8. **The focus of DPF 3 follows from DPF 2 and consists of critical government policy and reforms in the energy and ICT sectors as well as policy needed for development of the digital economy.** These reform areas are part of the PSE foundational elements for achieving strong and inclusive growth, what is termed “emergence”. The PDO for DPF 3 is unchanged from DPF 2: to support Government’s efforts in (i) strengthening the governance and management of the energy sector to reduce costs, improve reliability and facilitate equitable access; (ii) enhancing the legal and regulatory framework of the ICT sector to promote competition, investment and equitable access, and (iii) reinforcing the policy, institutional, and financial foundations of an emerging digital economy.

9. **DPF 3 will deepen the reforms contained in the Energy Pillar and follow the same structure as DPF 2, proposing to address key policy and institutional bottlenecks, through the following policy areas.**

- i. **Improving governance of the energy sector: enhancing the sector’s institutional and financial arrangements for improved performance and financial sustainability, with the objectives of:** (i) enabling SENELEC to function in a more transparent manner with clear separation of activities across the value chain to increase opportunities for competition and private sector investment; (ii) improving transparency and sustainability of sector financing arrangements, particularly between the Government and SENELEC; and (iii) improving sector regulation. The program seeks to enable SENELEC to reach the performance level of best-practice utilities in comparable countries over time. Having good governance will be important to the transformation being sought in the sector.
- ii. **Removing barriers to investment and competition in the energy sector: supporting institutional and policy reforms in electricity generation,** with the goal of ensuring that the sector policy and institutional instruments support credible sector planning, thereby facilitating the adoption of updated least cost production choices and private sector participation. This pillar will also enable the shift in the energy mix from the current dependency on HFO, towards a mix of low carbon technologies, consistent with Senegal’s commitment at COP 21 and, over time, significantly reducing both the cost and the carbon intensity of generation.
- iii. **Facilitating equitable access to electricity: expanding access to electricity services in underserved rural areas by enhancing affordability.** It will address key barriers to access in the six concessions already awarded to private



operators. Studies have shown that a series of key barriers needs to be tackled simultaneously to scale up access in rural areas.

10. DPF 3 will focus on the following priorities for the digital infrastructure sector:

- i. Improving digital infrastructure Sector Governance: Following adoption of the new Electronic Communications Code and given the extensive spectrum needs for providing high quality 3G and 4G services, DPF 3 supports the adoption of a decree that will support the reduction in prices.
- ii. Removing Barriers to Investment and Competition in the Internet Broadband Market: The measures taken under this policy area would allow to fully open the existing infrastructure to competitive use by imposing specific obligations on dominant players to provide open and non-discriminatory access to infrastructure.
- iii. Facilitating equitable access to digital services : DPF 3 supports the implementation of a private sector concession model to manage the extra capacity of the large public fiber optic network, to facilitate wider provision of Internet services; DPF 3 also supports the full implementation of the Universal service policy with a view to fully activate the Universal Service Fund and to use it especially for expanding access to broadband services in underserved areas.

11. In line with Government priorities, as elaborated in the Digital Senegal Strategy (SSN2025) and the PAP2, this third operation will maintain the support of critical policy actions under the two policy areas: (i) supporting the roll-out of online and mobile tax solutions; and (ii) strengthening start-up ecosystem to create an environment favorable for entrepreneurship and innovation.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

12. The policies outlined in this operation are expected to have positive welfare effects on the whole population, in the form of poverty reduction and positive social outcomes. Access to key services and infrastructure such as electricity and telecommunications can contribute significantly to improve the living conditions of the population by facilitating access to basic services and therefore favoring human capital accumulation and improving access to markets via connectivity enhancements. Increased competition and lower costs will facilitate these outcomes. Furthermore, the improvement of the business environment in the sense of more appropriate taxation and enabling legislation could lead to more job creation, hence better revenues for the population. Poverty and Social Impact Assessments (PSIAs) will be carried out to analyze the expected distributional social impacts of this program of policy reforms. This PSIA is structured to follow the main three pillars of the program, providing empirical evidence for those policies that are associated with specific investments and actions that may directly affect the poor.

Environmental Impacts

13. As per the World Bank Policy on DPF, the World Bank will assess whether specific country policies supported by the DPF are likely to cause significant effects on the country's environment, forests, and other natural resources. Prior actions and triggers concerning the energy sector are expected to be environmentally positive.



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APPROVAL

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Approved By

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