Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: November 22, 2017 | Draft/

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BASIC INFORMATION

Proposed Development

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Senegal	P157097	Municipal and Agglomeration Support Program for Results	
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
AFRICA			Social, Urban, Rural and Resilience Global Practice
Lending Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Local Governance and Territorial Development	Municipal Development Agency	

Objective(s)

Project Development Objectives (PDO) are to: (i) increase local government resources and enhance the transparency, predictability and equitable distribution of intergovernmental transfer allocations to LGs; and (ii) improve the performance of participating urban local governments in managing public investments.

Components

Capacity building and institutional strengthening

Financing (in USD Million)

Financing Source	Amount
BORROWER	60
IDA	**110**
AFD	**90**
Total Project Cost	260

Environmental Assessment Category

C

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

No

Decision

The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Since 2015, Senegal has achieved robust economic growth.** With growth rates of 6.6 percent and 6.5 percent in 2016 and 2015 respectively, Senegal is now the second fastest growing economy in West Africa behind Côte d'Ivoire, and the fourth fastest in Sub-Saharan Africa (SSA). Growth has largely been driven by solid performance in industry and agriculture, linked to generous rainfalls, but also to strong exports and a virtuous fiscal policy, combining aggregate consolidation with expanding public investment. The national economy is largely driven by urban centers, and especially by its capital, Dakar (accounting for 55 percent of Gross Domestic Product - GDP). The recent discovery of large offshore reserves of oil and gas, if managed effectively, provide an opportunity for the country to sustain and accelerate growth performance in the coming years.

2. **Notwithstanding this, sluggish growth in the preceding two decades has left Senegal with one of the highest monetary poverty rates in the world (24th rank from the bottom based on PPP USD 1.90 a day)**. GDP growth in Senegal has historically been consistently below the average of SSA and emerging and developing countries[1], with substantial annual variations associated chiefly with the country's significant vulnerability to climatic and exogenous shocks. The country is one of the few on the continent, whose real GDP per capita is lower today than at independence in 1960. Weak growth performance has translated into persistently high levels of poverty. According to the latest official national poverty survey, monetary poverty affected 46.7 percent of the population in 2011, while extreme poverty stood at 14 percent.[2] And though Senegal is a top performer in the region with respect to certain human development outcomes (such as access to water and electricity, or certain health sub-sectors), in other areas it is still lagging behind. Overall, the country ranked 163 out of 187 in the United Nations Human Development Index in 2014. In education, Senegal still displays some of the worst results in SSA with gross primary enrolment only increasing slightly to 83.9 in 2014 (compared to 98.4 and 104.9 percent respectively in SSA and LMIC)[3], and with the net primary enrolment rate stagnating at slightly above 60 percent.

3. **The rural areas of Senegal have particularly high poverty rates.** In 2011, nearly 70 percent of the poor and 84 percent of the extreme poor (or 57 percent of the population) lived in rural areas, reflecting that the depth and severity of poverty is worse in rural Senegal. Poverty rates in the southern parts of the country are particularly high, notably in the vicinity of the groundnut basin area (Diourbel, Kaolack and Kaffrine, in Casamance in the Kolda region, and in the Tambacounda region). Access to basic services such as water, electricity, and improved sanitation facilities, are also much lower in rural areas and in certain regions. For example, less than 5 percent of residents have access to basic services in the poorest communes in the South and Southeast (Kolda, Tambacounda, Kedougou). Adult literacy rates are above 30 percent in the western part of the county, but below 10 percent in the sparsely populated areas in the

[1] Real GDP per capita has only increased by 17 percent in Senegal since 1990, against 45 percent on average in SSA and 134 percent in emerging and developing countries, and was estimated at USD $ 1,067 in 2014, making Senegal a border-line lower middle income country.
[2] Based on a 1.90 US$ international poverty line (2011 PPP), more appropriate for international comparisons, at 38 percent Senegal's poverty rate is lower than in low income countries worldwide, while still well above the lower-middle income countries (LMIC) average of 21 percent.
[3] World Bank, World Development Indicators 2015.

south east and centre. Access to tap water is generally below 20 percent in most of the municipalities outside the Dakar-Thies-Diourbel region, compared to above 70 percent in most of Dakar's municipalities.

4. **Yet, as a result of the steady movement of rural populations to urban areas, the majority of the poor currently live in secondary cities and in the capital city, Dakar.** More than 45 percent of the Senegalese population currently live in urban areas, slightly above the Sub-Saharan African average rate of 40 percent. Projections estimate that by 2050, 60 percent of the population will live in cities[4]. The incidence of poverty in urban areas remains much lower, particularly in Dakar (26.1 and 41.3 percent in Dakar and other urban areas, respectively). However, with almost half of the population living in urban areas and one quarter living in Dakar, urban Senegal now hosts 30 percent of the total number of poor. The urban poor are concentrated in secondary cities. Although economic growth in Dakar has provided the basis for lifting urban inhabitants out of poverty, the same cannot be said for secondary cities. The sustained influx of rural populations fleeing drought and downturns in agricultural production has created particular challenges for Senegal's secondary cities, who are faced with a growing deficit of urban infrastructure and poor service delivery. The situation in secondary cities has meant that, overall, Senegal has not benefitted fully from the positive outcomes of urbanization[5].

5. **Acknowledging the dual challenges of stimulating economic growth in expanding urban centers and promoting the wellbeing of populations across the territory, the Government of Senegal committed to an ambitious Emerging Senegal Plan 2014 – 2035 (*Plan Senegal Emergent,* PSE).** The PSE establishes the framework for the country's economic and social policy over the medium to long term. The PSE aims to achieve productivity-enhancing structural transformation through the development of urban poles conducive to the development of economic, cultural and touristic activities across the territory. At the same time, the PSE strives to improve the living conditions of people across the nation by fostering the emergence of viable territories.

6. **The PSE is accompanied by the third Decentralization Act (*Acte III de la Décentralisation*, Act III), which underscores the Government's commitment to empowering local governments and cities to drive economic growth and improved access to services.** Building upon a prolonged process of decentralization in Senegal, Act III was launched in December 2013 with the passage of the General Code for Local Governments (*la loi portant Code général des Collectivités locales*). Act III aims to reinforce the capacity of Local Governments (LGs) to contribute to the economic and social development of the country and to become viable, competitive and sustainable by 2022. Act III extensively redefines the configuration of local governance institutions across the national territory, with the number of municipalities increasing from 172 to 557. It also sets out a vision for empowering local governments through the transfer of responsibilities, modernized public management processes, reform of local government financing and the development of qualified and capable local government administrations. However, four years after being launched, limited clarity regarding the fiscal, financial, and institutional modalities needed to achieve effective decentralization have presented significant challenges for the implementation of Act III.

Sectoral and Institutional Context

Sectoral context

7. **Senegal has pursued a gradual, yet cautious, decentralization policy since its independence in 1960**. Under colonial rule, local governments were created in the main centers and were conferred with limited responsibilities. After independence, local governance institutions were expanded to the hinterland with the creation of rural communities (*communautés rurales*) in 1972 to support local level community management. In 1996, the ten administrative regions were transformed into local government entities and additional responsibilities were transferred to existing urban local governments in areas such as urban planning, education, public health and social development.

[4] United Nations DESA 2014, World Urbanization Prospects.
[5] World Bank, Senegal Urbanization Review 2016

Under Act III, the territorial governance landscape in Senegal changed again in 2014 with the full "municipalization" of the territory which aimed to bring governance and service delivery closer to the citizens. Rural communities were converted into fully-fledged local governments, the competencies formerly attributed to regions were transferred to departments and urban agglomerations were reorganized into cities. In total, the number of LGs increased significantly from 172 to 557 (552 municipalities and five cities). The 2001 Constitution, which recognized the role of local governments, was amended in 2016 to reinforce the constitutional basis for LGs and to establish a Local Government Advisory Council (*Haut Conseil des Collectivités Territoriale,* HCCT).

8. **Local governments now represent permanent features of Senegal's institutional and governance fabric,[6] but the consolidation of local level contestation has created both opportunities and challenges for deeper decentralization reform.** As the influence of LGs has developed, bottom-up pressures have helped to maintain momentum for decentralization reform. Yet the inter-connected dynamics of local and central level political processes have also influenced the territorial repartition of local governments, thereby creating challenges for the effective devolution of fiscal, financial and administrative authority.[7] The territorial architecture derived from the full "municipalization" process (which led to an increase in the number of LGs from 173 to 557 – 552 municipalities and 5 cities) is characterized by strong spatial and demographic disparities within LGs. Most of the local governments that existed before Act III cover a small part of the national territory with relatively high population densities and concentrations of economic activity. Conversely, (and with the exception of former sub-urban communes - the *ex-communes d'arrondissement* - that were converted into LGs) the newly created LG's cover significantly broader expanses of territory that are sparsely populated. For example, 35 percent of the former *communautés rurales* cover 54 percent of the national territory but only 13 percent of the country's total population. The government's evaluation of the first phase of implementation of Act III in 2015 identifies the challenges associated with the new local governance landscape, including: (i) the limited tax base of many small LGs; (ii) the fragmentation of local governments in the greater Dakar area; and (iii) limited clarity over the division of responsibilities between cities and departments. The challenges associated with the politicized repartition of local government institutions across the territory are compounded by critical constraints to effective fiscal and administrative decentralization.

Three critical constraints continue to impede effective decentralization in Senegal:

9. **First, financial resources transferred from the central government to local governments are not sufficient to enable them to deliver on the mandates transferred to them.**[8] Although a comprehensive costing of the devolution of authority to local governments has yet to be conducted, both the national government and local governments have acknowledged that existing levels of local government financing are inadequate. Total financing for LGs between 2011-15 amounted to only 1.4 percent of Senegal's GDP and 5.1 percent of total government expenditure – a level that is similar to other countries in the region (Mali, Benin, Burkina Faso), but well below the average for unitary decentralized countries (8.3 and 25.1 percent respectively[9]). Apart from larger cities, most LGs depend on intergovernmental transfers for financing. The principal transfer modalities consist of the Decentralization Allocation Fund (*Fonds de dotation de la décentralisation*, FDD) and the Local Governments Capital Development Fund (*Fonds d'équipement des collectivités locales*, FECL) which are indexed to the Value-Added Tax (VAT). Although the

[6] Constitutional amendments approved in the 2016 national referendum include explicit reference to the decentralization process in the Constitution and the creation of a local government advisory council.

[7] Some commentators have suggested that the evolving policy agenda is, in part, driven by central government efforts to subvert political contestation of influential local governments: Resnick, Danielle, Strategies of Subversion in Vertically Divided Contexts: Decentralization and Urban Service Delivery in Senegal, D. Resnick (August 1, 2011). APSA 2011 Annual Meeting Paper.

[8] The 2015 assessment of the first phase of implementation of Act III places particular emphasis on the mismatch between the mandates transferred to LGs and chronic deficiencies in the financial and human resources available to them to effectively implement their mandates - Nine (9) "areas of competence" have been partially or totally transferred to LGs in the following sectors: environment and management of natural resources; health; population and social action: youth, sports and leisure; culture; education; investment planning; land-use planning; housing and urban development.

[9] OECD/UCLG (2016, Subnational Governments Around the World: Structure and Finance).

resources from these two funds increased by more than 30 percent between 2012 and 2016, outpacing the growth in national revenues, central government transfers to LGs remain very low, constituting less than 14 percent of total local government financing (CFA 22.4 million in 2016). Furthermore, the fragmentation of the intergovernmental fiscal transfer system (which, in addition to the FDD and FECL includes the Decentralized Consolidated Investment Budget *"Budget Consolide d'Investissement Decentralise (BCId)*, and the new Local Value Added Transfer Fund (LVATF)), together with the lack of clearly defined and objective allocation criteria result in a situation in which fiscal transfers (i) are not reflective of the financing needs of LGs; (ii) their allocation is characterized by opacity and significant disparities between the level of financing afforded per capita to LGs and (iii) the limited predictability of overall transfers limits the capacity of the LGs to plan and invest strategically for local development.

10. **This is compounded by limited local revenue mobilization.** While local revenue mobilization globally constitutes the largest share of LG financing, 60 percent of local taxation revenue is concentrated in the Greater Dakar area. Effective revenue mobilization remains low, representing only 0.6% of national tax revenue in 2013. Weak revenue mobilization is underscored by both an outdated and fragmented legal and regulatory framework for local taxes and coordination failures between the national and deconcentrated tax administration structures and LGs. The chronic deficit in local financing thus presents a foundational challenge for the effective implementation of Act III. The dramatic expansion in the number of municipalities under Act III, together with the creation of new LGs with narrow tax bases and negligible prospects for mobilizing their own revenues, highlights the importance of: (i) increasing and rationalizing central government transfers in the short to medium term; and (ii) broadening local fiscal space and building mobilization capacity over the medium to longer term.

11. **Second, weak technical and managerial capacity hamper the ability of LGs to manage local development and service delivery, creating disincentives for the central government to devolve financial resources.** Under Act III, the Government committed to creating a Territorial Public Administration to establish a cadre of motivated and qualified civil servants to manage local government administrations. While the legislative framework was enacted in 2015, it has yet to be effectively implemented. Vast disparities in the composition, profiles and capacity of local government administrative personnel limits the quality of planning, budgeting, and public investment management processes. The absence of effective career management systems, together with poorly targeted and limited in-service training present particular challenges for LGs in attracting and retaining qualified staff. Limited LG capacity creates a vicious cycle whereby the central government is reluctant to transfer additional resources and the lack of resources further compounds the ability of LGs to develop capacity.

12. **Finally, central level institutions charged with coordinating and advancing decentralization reform are weak.** The Ministry of Territorial Governance (*Ministère de la Gouvernance Territoriale*, MGT) is responsible for designing and coordinating the implementation of Senegal's policy on decentralization, territorial governance and spatial planning. Yet, critical coordination and capacity deficits exist in several core departments within the MGT and beyond, including the Local Government Directorate (*Direction des Collectivites Locales* – DCL), the principal Department charged with managing relations between LGs and the Central Government, the General Tax Directorate (DGID), responsible for supporting local revenue mobilization and the Local Public Sector Department in the Treasury (*Direction du Secteur Public Locale* – DSPL) Treasury, which support the LGs with budget execution.

13. **Meanwhile, the institutional arrangements originally intended to accompany local governments have done little to progressively enhance the autonomy of local governments.** Senegal's decentralization process is accompanied by a two-tiered system for supporting LGs. Drawing from the francophone model, certain central government functions have been deconcentrated to localized offices at the regional and departmental levels (*Gouverneur*, *Prefet* and *Sous-Prefet*) to facilitate a more proximate interface between LGs and the central government with regard to policy, budgetary control and revenue mobilization processes. Although deconcentrated structures are well-established across the territory, the limited capacity of these structures, shortages in personnel, together with weak incentives to support LGs have hampered the processing of *tutelle* approvals, and limited revenue mobilization and LG capacity-building efforts. In addition to the system of de-concentration and as a response to the weak capacity of LGs in

the 1990's, Senegal's decentralization policy was oriented towards the creation of national agencies that were conferred with delegated responsibility for realizing local investments and managing basic urban services on behalf of LGs. Over time, these agencies became the direct recipients of central government financing. For example, around 50 percent of investment transfers under the FECL between 2011 and 2015 were allocated directly to certain national agencies. Increasingly these agencies managed or executed local government investments in the place of LGs, providing limited opportunities or incentives for LGs to develop their own implementation and managerial capacity. With the advent of Act III and the renewed focus on building LG capacity and autonomy, these agencies have been slow to adapt their modes of intervention to support progressive capacity development rather than to act in substitution of LGs.

14. **The Government's program for implementing Act III seeks to address these critical challenges.** The MGT's Sectoral Policy Letter (*Lettre de Politique Sectorielle*, LPS) for 2020 underscores the Government's strategy for implementing Act III and incorporates amongst its objectives: (i) enhanced management and planning of LGsactivities at the central level; and (ii) the promotion of local governance through improving LGs financial, technical and human capacities. Three years after the launch of Act III, an inter-ministerial committee led by the MGT engaged in a review of the first phase of implementation, identifying the principal constraints reflected above. This assessment formed the basis for the elaboration of the Government's program for the second phase of implementation of Act III (*Programme d'Opérationnalisation de l'Acte 3 de la Décentralisation du Sénégal*, PROACTSEN). The PROACTSEN envisages horizontal structural reforms to increase resources available to LGs, reinforce administrative and managerial capabilities of LGs and improve central level coordination, support and monitoring. It also incorporates vertical measures to strengthen the capacity of LGs to manage public resources and deliver services to citizens in a transparent and accountable manner.

15. **The proposed Operation[10] seeks to build on the World Bank and the French Development Agency's (AFD) longstanding engagement in local and urban development processes in Senegal, by tackling institutional reforms that are considered critical to effectively empowering local governments to manage local development.** The World Bank remains a leading partner of the Government of Senegal and Senegalese municipalities in their efforts to improve urban governance and the decentralization framework. The Urban Development and Decentralization Project (UDDP, Cr. 3006-SE, closed December 2004) and the Local Authorities Development Project (LADP, Cr. 4224-SE, closed December 2013) put in place municipal loans, initiated contractual arrangements between the national and local governments to improve infrastructure in the country's main cities and helped to improve the flow of fiscal transfers from the central level to the LGs on the basis of three-year capital investment programs. However, few of the initiatives engaged proved sustainable and many were not institutionalized beyond the operations. With the advent of Act III, the World Bank has committed to supporting institutional reforms to establish robust foundations for the evolution of the decentralization agenda in Senegal. This includes addressing the critical challenges of : (i) improving local government financing; (ii) building the administrative capacity of LGs; and (iii) ensuring that the national level institutional arrangements support LGs to progressively develop manage local development processes autonomously.

16. **The proposed Operation will be financed through a hybrid of the Program for Results (PforR) and Investment Project Financing (IPF) instruments.** The hybrid operation as a whole will be referred to as the "Operation" unless specified otherwise. The IPF dimension will be referred to as the "Project" and the PforR dimension will be referred to as the "Program".

C. Proposed Development Objective(s)

[10] Operation is the combination of the Program (using P4R instrument) and the Project (using IPF instrument)

Development Objective(s) (From PAD)

17. 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 [11].

Key Results

Progress towards the PDO will be measured through a set of simple and measurable indicators.

18. The results areas are underpinned by Program Actions and activities that will support their attainment. They are also complemented by a narrow set of discrete technical assistance activities that will be financed through the IPF and that will help to build momentum for the achievement of results under the Program.

The proposed key Operation results are:

1. Increase in State- financed intergovernmental capital and recurrent grants (measured by the attainment of target aggregate amounts allocated annually to the FECL and FDD) and timely publication of annual allocations
2. Modalities for the repartition of State transfers to LGs for recurrent and investment spending (FECL and FDD) and for the repartition of the Local Value Added Tax Fund (CEL) reformed and applied in the timely allocation of resources to LGs, to the satisfaction of the Bank;
3. Increase in local taxation revenues in the Principle Urban LGs
4. Urban LGs that achieve minimum performance conditions related to planning, budgeting and executing public investments (measured by the proportion of Urban LGs that receive conditional grants based on their achievement of minimum performance conditions);
5. Increase in the execution rate of annual investment plans in the Principle Urban Centre LGs (measured in terms of expenditures disbursed)

D. Project Description

19. The **Government's commitment to advancing decentralization in Senegal is reflected in its Program for Operationalizing Act III (Programme d'Opérationnalisation de l'Acte 3 de la Décentralisation du Sénégal, PROACTSEN).** The proposed Operation will finance critical parts of the first stage of PROACTSEN that focus specifically on tackling the chronic deficits and limited predictability of local government financing on the one hand, and addressing the weak management capacity of LGs on the other.

20. ***Results Area 1: Enhancing the Financial Viability of LGs.*** Results Area 1 will support both national level activities and targeted initiatives in Urban LGs to improve local government financing and public financial management. It will focus on three specific domains:

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[11] For the purposes of the Operation, the participating 'urban local governments' referred to in the PDO are comprised of 123 LGs, incorporating over 50 percent of the national population. **'**Urban LGs' consist of five cities (Dakar, Thies, Rufisque, Guedewaye, and Pikine), all regional and departmental capitals, all LGs with more than 30,000 inhabitants with a density per ha above 10, and all LGs previously targeted by World Bank and AFD urban municipality projects. The 'Principle Urban Center LGs' refer to all five cities, all regional capitals, and the city of Touba, which is Senegal second largest and fastest growing city (4% annual growth). A comprehensive list of LGs targeted by the Operation is featured in Annex 1.

Results Area 1.1: Restructuring the intergovernmental grant transfer systems to improve the transparent, predictable and equitable allocation of state transfers to LGs: The Operation will support the gradual restructuring of three existing transfer modalities (the Local Government Capital Development Fund, FECL; the Decentralization Allocation Fund, FDD; and the new Local Value Added Transfer Fund, LVATF) and a strategy for the eventual harmonization and consolidation of the overarching intergovernmental transfer system (including the Decentralized Consolidated Investment Budget, BCId). The objective is to enhance the objectivity, transparency, and predictability of the main existing grant allocations to enable LGs to better plan and manage resources from the central government and to use them to leverage additional resources through loans and PPPs. The reforms will also serve as a precursor for the eventual consolidation of the overarching intergovernmental transfer architecture.

Results Area 1.2: Improving local revenue mobilization: At the national level, Results Area 1.2 seeks to promote strengthened institutional coordination with respect to local revenue mobilization, together with progressive improvements to the legal and regulatory framework on local taxes. The Operation will support the Local Tax Office (*Bureau de Fiscalité Locale*, BFL) to improve tax administration coordination between central, deconcentrated and local level actors, ensuring that the regional and departmental structures are adequately equipped with human resource capacity. It will also assist the BFL in advancing short to medium term measures to improve local revenue mobilization across the territory by carrying out studies on local fiscal potential, reviewing tariff and fee structures, consolidating the legal and regulatory framework on local tax and developing operational guides. At the local level, the Program provides incentives for the Government to further pilot the establishment of Local Fiscal Commissions in the selected Urban LGs to improve tax administration and increase revenue mobilization.

Results Area: 1.3: Strengthening local public financial management systems to facilitate effective and transparent budget planning and execution processe:. The Program will support the General Directorate of Territorial Management (*Direction Générale d'Aménagement du Territoire*, DGAT) in the Ministry of Interior to harmonize procedures and strengthen the capacity of local prefects and sub-prefects, to enhance the quality of budget controls and expedite budget approvals by the *tutelle.* The Program will support the National Treasury's DSPL to (i) establish an on-line platform (*Observatoire des Finances Locales* - OBFILOC*)* to consolidate and ensure public access to financial information on LGs and (ii) the roll-out of a modernized and interconnected local government public financial management (GFILOC). Finally, the Program will support strengthening the control functions of the Court of Auditors, the Procurement Regulatory Authority (*Autorié de Régulation des Marchés Publics*, ARMP) and the Internal Inspectorate of Local Affairs in the MGT.

21. ***Results Area 2: Enhancing the Performance of selected LGs in managing public investments.*** Financing support under Results Area 2 will allow the government to focus in the next five years on improving the performance of selected urban LGs communes in managing public investments through a combination of: (i) national support mechanisms for LGs; and (ii) a system for measuring, reporting and monitoring LG performance to enable the allocation of conditional grants the restructured FECL.

Results Area 2.1: Building the administrative capacity of Urban LGs. This area will focus on enabling the government to establish the necessary foundations for a well-trained and capable territorial public administration. At the national level, the Operation will support the DCL to encourage LGs to adhere to standardized local government organigrams through the development of human resource management tools (standardized job profiles and descriptions) and a local government personnel file management system. The Program will also finance the establishment and application of the following national level support mechanisms to accompany the selected 123 Urban LGs:

- (*LG Continuous Training Program (CTP)*: In accordance with the National Training Strategy for Territorial Actors, the Learning and Training Unit (LTU) will develop a robust national training curricula for local administrators and training will then be provided to local administrators in the 123 Urban LGs on the basis of the new training program and the specific training needs identified by each LG in their Annual Capacity Building Plans;

- *Continuous Territorial Coaching (CTC):* The national level Municipal Development Agency (*Agence de Developpement Municipale*, ADM) and the Regional Development Agencies (*Agence Régionale de Developpement,* ARD) will provide continuous technical assistance to support LGs with overarching local government management and risk mitigation (including strategic planning, programming and budgeting, coordination of local actors and information management and reporting). The CTC will play a critical role in helping Urban LGs to achieve and report on performance targets to enable them to access additional investment resources through the FECL conditional capital grant window. CTC support to LGs will be based upon capacity gaps identified by individual LGs in their Annual Capacity Building Plans
- *Municipal Contract Management Support (MCM).* With respect to the management of specific investment contracts, the Program will guide Urban LGs in selecting the most appropriate form of contract management based on their capacity and the complexity of the investment, using a simplified contract management risk typology. The objective is to empower LGs to assess and mitigate the fiduciary, social and environmental risks associated with investment project management. Support will also be provided to LGs that choose to delegate contract management to authorized third party agents, through the creation of model contracts and support for contract negotiations.

Results Area 2.2: Incentivizing good governance through the creation of a performance evaluation system for allocating conditional capital grants to selected LGs. Most of the Program's resources will be channeled through the two-tiered conditional capital grants window of the restructured FECL. Eligible LGs will receive additional resources for investment through the FECL if they achieve certain performance standards. In order to operationalize the conditional capital grants window, a performance system will be put in place to measure, monitor and independently evaluate LG performance. The Program will support the design of the performance evaluation system, which will be tied to the two-tiered conditional capital grants window as follows: A first-tier conditional grant will be available to all 123 Urban LGs based upon their satisfaction of a defined set of nine Mandatory Minimum Conditions (MMCs). A second-tier conditional grant will be available to the 19 Principle Urban Centre LGs based upon their achievement of a set of 13 Performance Indicators (PIs).

22. ***Citizen engagement as a cross-cutting theme:*** The Operation seeks to promote citizen engagement in local development at both the national and local levels. At the national level, the Operation will support: (i) a local governance platform; (ii) OBFILOC: an on-line database on local public finance to facilitate the consolidation of, and access to, up-to-date data on local government finance; (iii) a national Grievance Redress Mechanism. At the local level, the Operation offers a blend of incentives and direct support to Urban LGs to promote citizen engagement. The CTC modality will incorporate guidance to all 123 on basic participatory approaches to local governance and performance criteria on citizen engagement will be included in the second-tier conditional grant window of the FECL.

23. ***Project Component: Technical Assistance IPF Project Component in support of Results Areas 1 and 2:*** The Technical Assistance (TA) IPF Project Component will provide complementary support to the Program Results Areas to ensure that discrete project funding is available to enable the timely and effective delivery of specific studies and technical assistance needed to advance the reforms identified in the Results Areas. Technical assistance will also be provided under this Project Component to facilitate the

effective coordination of the Program and to enable the recruitment of an independent verification agency to verify the achievement of Program DLIs.

E. Implementation

Institutional and Implementation Arrangements

24. **The PACASEN will be implemented in two stages.** Acknowledging the complexities involved in both engaging structural reforms and implementing them across the territorial expanse, the PACASEN envisages a phased approach to implementation. During the first stage (2018-2022), a focus will be placed upon national level structural reforms and the piloting of initiatives to enhance support and introduce performance incentives to a sub-set of LGs. During the second phase of the PROACTSEN (2023-2027), these initiatives will be adjusted, where necessary, and scaled up to cover all LGs.
25. A strategic inter-ministerial steering committee co-chaired by MGT and MEFP and comprised of representatives of key ministries, LG associations and the civil society shall be established to oversee the Program implementation and ensure proactive engagement of the stakeholders; MGT shall be responsible for overall policy formulation, day to day management and implementation of the Program; Eligible urban LGs will be responsible for managing public investments financed through the FECL; ADM shall be responsible for the operational coordination of the Program; and an Operational Technical Committee ("CTO") chaired by MGT and supported by ADM shall be responsible for the technical implementation and oversight of the Program.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

26. The project will cover the whole territory of Senegal. The project will cover the 123 municipalities in Senegal which house about 7.5 million people (50% of the population).

27. There are no salient physical characteristics that are relevant to safeguard analysis as all landscapes and habitat types will be affected equally.

28. The proposed TA under the Operation has no physical footprint and there will be no adverse environmental and social risks and impacts. The TA component activities are considered as category C and do not trigger any of the Bank's safeguards policies.

G. Environmental and Social Safeguards Specialists on the Team

- Fatou Fall, Senior Social Safeguards Specialist
- Ahmed Fall, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	Safeguards policies do not apply to P4Rs. Rather, the Bank carries out an Environmental and Social Systems Assessment (ESSA) of Borrower systems, which includes a national action plan to fill any potential gaps. 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. The TA component will use the IPF instrument to support a set of technical assistance activities that are critical to the successful implementation of environmental and social safeguards given the unpredictability of national budgeting and cash flow management processes. Environmental and social impacts under the TA component are negligible and are considered as category C.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	The IPF will finance soft activities such as trainings and capacity building of counterparts involved in the monitoring of social related aspects of the P4R associated with this operation.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

29. This is a hybrid operation financed through **Program for Results (PforR) and Investment Project Financing (IPF) instruments**. PforR are not subject to safeguards policy but rather the Bank team prepare an Environmental and Social System Assessment (ESSA), which focuses on the Borrower's institutional capacity to measure risk. The ESSA assesses the capacity of national management systems to mitigate adverse impacts, provide transparency and accountability, and perform effectively in identifying and addressing environmental and social risks.

30. The IPF instrument will help to ensure the timely financing of discrete one-off technical assistance activities at the national level. Activities will include studies on specific inter-governmental transfer systems, and the recruitment of firms to support the Court of Auditors in managing municipal performance verifications and the MGT in developing a national local government portal, among others. The IPF instrument is categorized C and no safeguards instrument required.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

31. There are no indirect and/or long term impacts due to anticipated future activities in the project area.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

32. No project alternatives were considered

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

33. Under PforR operations the responsibility is for the Bank to prepare the ESSA.

34. The ESSA was elaborated by the World Bank team in a participatory manner including with the various national and subnational institutions which will be implementing the program activities. The ESSA analyses the human and institutional capacities as well as the legal procedures in place to ensure that the overall environmental and social framework in place. The main findings of the ESSA were that the existing management systems at local and municipal level were able to mitigate adverse impacts. However, the assessment also recommended that the information chain be reinforced, in particular at local level, capacity building and human resources in environment be reinforced for the various national and subnational agencies to be involved namely the ADM, ARDs, DEEC/DREEC, and municipal councils.

35. The borrower has the responsibility to assess the associated impact related to activities financed under this program.

36. On the other hand, and as mentioned above, the Project, financing only technical assistance activities, and the acquisition of selected equipment to support the overall achievement of Program Development Objectives, will not have any impacts, and will not require the preparation of any safeguards related instruments.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

37. **The program implementation builds on the existing institutional structures.** The MGT, in charge of preparing and implementing the Senegalese policy on decentralization, territorial governance and local development, will lead all the operations. The urban LGs targeted by the MASP will also have key responsibilities for the implementation of the Program at the local level.

38. The ADM will steer and coordinate the system at the national level on the technical aspects. It will ensure the coordination of the ARD and their training in the context of the PforR. ADM and ARDs will ensure effective linkage between LGs and the relevant Environmental and Social Authorities. The ADM has a staff member in charge of environmental and social issues, commonly known as an environmental focal point. The focal point must verify the quality of environmental and social aspects in the planning, construction and operation of communal or intercommunal infrastructures. LGs are subject to the prevailing rules on national environmental and social safeguards, in the spirit of the World Band and AFD procedures (following an environmental and social assessment of the Program).

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

39. **The ESSA will be disclosed publicly with relevant stakeholders**, consulted upon by a representative sample and published at national and World Bank level before Appraisal. Preliminary consultations were carried out in the context of preparing the ESSA, in April 2017. A second round of consultations took place in October 2017. The initial findings helped identify the main weaknesses of the system, and the possible mitigations as described below. During the initial consultation, it was found that there are insufficient personnel at the DEEC for the processing and validation of the studies, which explains the heavy workload and the delays.

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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