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Report No: PAD4365

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF EUR 106.6 MILLION
(US$125.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SENEGAL

FOR A

SENEGAL JOBS, ECONOMIC TRANSFORMATION AND RECOVERY PROGRAM

April 30, 2021

Finance, Competitiveness and Innovation Global Practice
Western and Central Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2021)

Currency Unit =	West African CFA franc (F CFA)
US$1 =	CFA 575 F
US$1 =	Euro 0.852

FISCAL YEAR
January 1 – December 31

Regional Vice President:	Ousmane Diagana
Regional Director:	Abebe Adugna
Country Director:	Nathan M. Belete
Practice Manager:	Consolate Rusagara
Task Team Leaders:	Meriem Ait Ali Slimane, Laurent Gonnet

ABBREVIATIONS AND ACRONYMS

AA	Adjusted and Accelerated
AC	Advisory Committee
ACP	African Caribbean and Pacific
ADEPME	Small and Medium Enterprise Development and Support Agency (*Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises*)
AFD	French Development Agency (*Agence Française du Développement*)
AfDB	African Development Bank
AIFM	Alternative Investment Fund Manager
ANSD	National Agency for Statistics and Demography (*Agence Nationale de la Statistique et de la Démographie*)
ARMP	Public Procurement Regulatory Authority (*Autorité Régulatrice de Marchés Publics*)
BCEAO	Central Bank of Western African States (*Banque Centrale des États de l'Afrique de l'Ouest*)
BP	World Bank Policy
BPS	Business Pulse Survey
CDP	Savings and Loans Bank (*Cassa Depositi e Prestiti*)
CFA	West African CFA franc
COVID-19	Coronavirus Disease
CPF	Country Partnership Framework
CRD	Dispute Resolution Committee (*Comité de Résolution des Disputes*)
DAGE	Directorate of General Administration and Equipment (*Direction de l'Administration Générale et de l'Équipement*)
DCMP	Central Directorate of Procurement (*Direction Centrale des Marchés Publics*)
DGCFEDSPP	Directorate General for Cooperation, External Financing and Private Sector Development and Partnerships
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
DPF	Development Policy Financing
DPO	Development Policy Operation
DSSI	Debt Service Suspension Initiative
E&S	Environmental and Social
ECOWAS	Economic Community of West African States
ESSA	Environmental and Social System Assessment
EU	European Union
FAPPP	PPP Support Fund (*Fonds d'appui aux PPP*)
FAT	Firm Adoption of Technology
FDI	Foreign Direct Investment
FM	Financial Management
FOGADEV	Development Guarantee Fund (*Fonds de Garantie pour le Développement*)
FOGAREX	Exporting Companies Guarantee Fund (*Fonds de Garantie aux Entreprises Exportatrices*)
FONGIP	Priority Investment Guarantee Fund (*Fonds de Garantie des Investissements Prioritaires*)

FONSIS	Strategic Investment Sovereign Fund (*Fonds Souverain d'Investissements Stratégiques*)
GDP	Gross Domestic Product
GIZ	German Cooperation Agency (*Deutsche Gesellschaft für Internationale Zusammenarbeit*)
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
IC	Investment Committee
IDA	International Development Association
IFMIS	Integrated Financial Management and Information System
IGE	Inspectorate General of the State (*Inspection Générale de l'État*)
IMF	International Monetary Fund
IPF	Investment Project Financing
IVA	Independent Verification Agency
JET	Jobs and Economic Transformation
KfW	Credit Institute for Reconstruction (*Kreditanstalt für Wiederaufbau*)
LP	Limited Partner
LPA	Limited Partnership Agreement
M&E	Monitoring and Evaluation
MAER	Ministry of Agriculture and Rural Equipment (*Ministère de l'Agriculture et de l'Équipement Rural*)
MAPS	Methodology for Assessing Procurement Systems
MCPME	Ministry of Trade and Small and Medium Enterprises (*Ministère du Commerce et des Petites et Moyennes Entreprises*)
MEPC	Ministry of Economy, Planning and Cooperation (*Ministère de l'Économie, du Plan, et de la Coopération*)
MFB	Ministry of Finance and the Budget (*Ministère des Finances et du Budget*)
MFI	Microfinance Institution
MSAS	Ministry of Health and Social Action (*Ministère de ls Santé et de l'Action Sociale*)
MSME	Micro, Small, and Medium Enterprise
NPL	Non-performing Loan
OECD	Organization for Economic Cooperation and Development
OFNAC	National Office for Combating Fraud and Corruption (*Office National de la Lutte Contre la Fraude et la Corruption*)
OP	World Bank Operational Policy
PAP	Priority Action Plan (*Plan d'Action Prioritaire*)
PDO	Program Development Objective
PFM	Public Financial Management
PforR	Program-for-Results
PME	Medium Enterprise Performance (*Performance des Moyennes Entreprises*)
PPM	Procurement Performance Management
PPP	Public-Private Partnership
PRES	Economic and Social Resilience Program (*Programme de Résilience Économique et Sociale*)
PSE	Emerging Senegal Plan (*Plan Sénégal Émergent*)
RCCM	Commerce and Property Credit Register (*Registre du Commerce et du Crédit*

	Mobilier)
RFP	Request for Proposals
RGE	General Business Census (*Recensement Général des Entreprises*)
SAI	Supreme Audit Institution
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle
SSA	Sub-Saharan Africa
SYSCOHADA	Accounting System of the Harmonization of Business Law in Africa Organization (*Système de Comptabilité de l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires*)
TA	Technical Assistance
ToR	Terms of Reference
UK	United Kingdom
US$/USD	United States Dollar
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group
WHO	World Health Organization

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Senegal	Senegal Jobs, Economic Transformation & Recovery Program	
Project ID	**Financing Instrument**	**Does this operation have an IPF component?**
P174757	Program-for-Results Financing	No

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Fragile State(s)
[ ] Contingent Emergency Response Component (CERC)	[ ] Fragile within a non-fragile Country
[ ] Small State(s)	[ ] Conflict
[ ] Alternate Procurement Arrangements (APA)	[ ] Responding to Natural or Man-made Disaster
[ ] Hands-on Enhanced Implementation Support (HEIS)	

Expected Project Approval Date	Expected Closing Date
21-May-2021	30-Jun-2025
Bank/IFC Collaboration	**Joint Level**
Yes	Complementary or Interdependent project requiring active coordination

Proposed Program Development Objective(s)

Improve the competitiveness of selected value chains, MSMEs capabilities, and private sector investment in Senegal

Organizations

Borrower :	Republic of Senegal
Implementing Agency :	Ministry of Economy, Planning and Cooperation
Contact:	Ibrahima Mane
Title:	Director General of Cooperation, Financing and Partnerships

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Implementing Agency :	FONSIS
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Title:	Director General
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Implementing Agency :	The Ministry of Finance and Budget
Contact:	Bassirou Sarr
Title:	Technical Adviser
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Email:	basarr@minfinances.sn

COST & FINANCING

SUMMARY

Government program Cost	362.00
Total Operation Cost	125.00
Total Program Cost	125.00

Total Financing	125.00
Financing Gap	0.00

Financing (USD Millions)

International Development Association (IDA)	**125.00**
IDA Credit	125.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Total Amount
Senegal	125.00	0.00	125.00
Scale-up Facility (SUF)	125.00	0.00	125.00
Total	**125.00**	**0.00**	**125.00**

Expected Disbursements (USD Millions)

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Gender, Jobs, Macroeconomics, Trade and Investment, Infrastructure, PPP's & Guarantees

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial

7. Environment and Social	Substantial
8. Stakeholders	Low
9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

[ ] Yes [✔] No

Does the program require any waivers of Bank policies?

[ ] Yes [✔] No

Legal Operational Policies

	Triggered
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

Legal Covenants

Sections and Description
FONGIP appoints 2 independent board members by December 31, 2021.

Sections and Description
FONGIP appoints 2 further independent board members by December 31, 2022.

Sections and Description
Schedule 2, Section I, C, 1 (c)
(c) the Program in accordance with the Program Operations Manual (“POM”), which shall have been adopted by the Recipient not later than three (3) months after the Effective Date, or at any later date agreed upon in writing with the Association, in consultation and in a manner and substance satisfactory to the Association.

Sections and Description
Schedule 2, Section III (2)
The Recipient shall: (a) not later than six (6) months after the Effective Date, appoint and thereafter maintain at all

times during the implementation of the Program, an independent Verification Agent under terms of reference acceptable to the Association; and (b) ensure that the Verification Agent prepares and provides verification reports certifying the achievement of the DLRs set out in Schedule 4 of this Agreement, in accordance with verification protocols further detailed in the Program Operations Manual.

Conditions

Type	Financing source	Description
Disbursement	IBRD/IDA	Schedule 2, Section IV, B, 1 (a)(b) Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) for any DLR under Categories (1) through (7), until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved; or (b) under Categories (2) and (3), until and unless the Recipient has provided to the Association the executed ADEPME Subsidiary Agreement, satisfactory to the Association in accordance with Section I.B. of this Schedule 2, and corresponding legal opinion(s) stating that the ADEPME Subsidiary Agreement is binding on both the Recipient and ADEPME in accordance with its terms; or
Disbursement	IBRD/IDA	Schedule 2, Section IV, B, 1 (c)(d) (c) under Categories (4) and (5), until and unless the Recipient has provided to the Association the executed FONGIP Subsidiary Agreement, satisfactory to the Association in accordance with Section I.B. of this Schedule 2, and corresponding legal opinion(s) stating that the FONGIP Subsidiary Agreement is binding on both the Recipient and FONGIP in accordance with its terms; or (d) under Category (6), until and unless the Recipient has provided to the Association the executed FONSIS Subsidiary Agreement, satisfactory to the Association in accordance with Section I.B. of this Schedule 2, and corresponding legal opinion(s) stating that the FONSIS Subsidiary Agreement is binding on both the Recipient and FONSIS in accordance with its terms.

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I. STRATEGIC CONTEXT

A. Country Context[1]

1. **Despite high growth, poverty reduction in Senegal has been disappointing over the last decade, and inequality has stagnated.** Since 2001, Senegal has experienced several periods of high economic growth including recently, averaging 6.5 percent from 2014 through 2019. Nevertheless, poverty reduction has remained modest. Between 2001 and 2011, performance in terms of poverty reduction has been mixed, with high growth and falling poverty rates from 2001 to 2005 and low growth and stagnating poverty rates between 2005 and 2011. Moreover, the share of consumption of the bottom 40 percent of the population contracted during this period, stagnating during the high growth spell (between 2001 and 2005) and declining thereafter (with the Gini coefficient remaining unchanged at approximately 0.4, close to the Sub-Saharan Africa (SSA) average). New comparable estimates indicate that poverty declined from 41.5 percent in 2011 to 37.8 percent in 2018-2019 despite an average annual growth rate of approximately 6 percent since 2014. With an average 0.4 percentage point (ppt) reduction per year, Senegal's track record falls well short of the top-performing 15 SSA countries, which recently reduced poverty rates between 1 and 3.4 ppts per year.

2. **The coronavirus disease (COVID-19) crisis has significant economic, fiscal and social repercussions for Senegal, threatening to reverse half of the last decade's poverty reduction.** Real gross domestic product (GDP) growth is estimated to have slowed from 4.4 percent in 2019 to 0.9 percent in 2020[2], reflecting very strong agriculture and better than expected services sector performance in the last quarter of 2020. This slowdown has been accompanied by rising external current account (11.2 percent of GDP) and fiscal deficits (6.4 percent of GDP). As a result, public debt has increased from 64.8 percent of GDP in 2019 to 68.9 percent in 2020. The poverty headcount was expected to increase to approximately 40 percent in 2020, up from 38 percent in 2019, undoing more than half the reduction since 41.5 percent in 2011.

3. **In addition to stringent containment measures, the Government is implementing a comprehensive support and recovery plan, the Economic and Social Resilience Program (*Programme de Résilience Économique et Sociale,* PRES).** The main vehicle is FORCE-COVID-19, a dedicated solidarity fund at the Central Bank of Western African States (*Banque Centrale des États de l'Afrique de l'Ouest,* BCEAO). The objectives of the PRES are to strengthen the health system to cover health costs related to the pandemic and contain the economic fallout while providing targeted support to vulnerable households and firms and by guaranteeing the country's regular supply of hydrocarbons, medical products and essential foodstuffs. The International Monetary Fund (IMF) has provided significant financing (around 1.9 percent of GDP) to avoid liquidity pressures and many bilateral donors have provided support to the response to the COVID-19 crisis (around 1.8 percent of GDP in 2020). Going forward, continued support will be needed to help economic recovery and more inclusive growth. The World Bank has provided supplemental financing in June 2020 (0.2 percent of GDP) and provides continued support through several

[1] The macroeconomic and fiscal framework presented here reflects the World Bank MFMOD baseline as of April 25, 2021
[2] World Bank Macro Fiscal Model April 2021

ongoing initiatives (see Annex 2).

4. **The economic recovery could be stronger than envisaged.** Economic activity is expected to rebound in 2021 and to continue towards a new growth path. Growth momentum will depend on a more favorable domestic investment and business environment as well as on accelerated execution of investments under phase two of the adjusted and accelerated (AA) Priority Action Plan (PAP/AA) of the Emergent Senegal Plan (*Plan Sénégal Émergent,* PSE). Accordingly, under the current baseline, growth is expected to recover to 3.3 percent in 2021, driven by the return of private consumption and investment.

5. **However, these projections are subject to significant risks.** Domestically, a delay in implementing the flagship reforms under PAP/AA, weaker than anticipated involvement by private firms in growth sectors, and poor rainfall levels could negatively impact the macroeconomic outlook. Externally, the uncertainties surrounding the evolution of the pandemic with a second wave of lockdowns in partner countries, particularly in the Euro area, could have a negative impact on activity in Senegal through a decline in external demand. Volatility in commodity prices, particularly those related to primary products and crude oil, could also affect the macroeconomic forecasts. Finally, the security situation could deteriorate in some areas of the subregion with negative repercussions for the economy.

Box 1: The Impact of COVID-19 on Businesses in Senegal (Business Pulse Survey)

The impact of COVID-19 on businesses in Senegal has been severe, as evidenced by the two rounds of Business Pulse Survey (COV-BPS) conducted by the World Bank. Most businesses have been affected through multiple channels such as reduction in demand, liquidity constraints, and disruptions in supply chains. About 18 percent of the firms surveyed were either temporarily or permanently closed in the first wave and have since recovered (95 percent of the firms in the second wave reported being either open or partially open). However, the recovery is mostly limited to small and medium firms.

Sales have fallen drastically, and the recovery is sluggish; however, firms expect stronger recovery in future. Ninety percent of the firms reported that their sales decreased compared to the same period in 2019 in the first wave (on average total sales fell by 53 percent year on year). There is no significant improvement in sales yet.

Decline in sales is affecting workers in various ways including through reduced hours of work and reduced wages but also lay-offs. Initially, about 76 percent of the firms reduced work hours or labor wages. However, in the latter part of the pandemic, the percentage of wages or hours reduction fell to 26 percent. Other firms took extensive measures such as leave or lay-offs, and the rate of lay-offs and leave has been constant throughout the entire period despite steady recovery in sales in the second wave. There has been no visible change in the proportion of women employees.

Decrease in demand and lack of supplies are hampering businesses severely and there is little effort on the part of firms to change the situation. Thirty percent of the firms have had orders cancelled, among which the service sector is the most-affected, and the agriculture sector is the least-affected. Exporting and large firms had more orders canceled compared to their counterparts. The value of orders canceled due to lack of inputs accounted for 29 to 48 percent of total sales, yet 72 percent of the firms have taken no initiative to change the condition and are waiting for the situation to improve.

Liquidity constraints have decreased in the latter part of COVID-19. Firms on average had enough cash to cover operating costs for 10 weeks during the first wave, which has more than doubled to 32 weeks in the second wave. With external financing, they now believe they will be able to cover costs for approximately 39 to 45 weeks, which evidences the decreasing trend in liquidity constraints.

Risk of credit default is the highest for small firms. In the first wave, 69 percent of firms reported that they have fallen (or expect to fall) into arrears. This ratio has dropped to 60 percent in the second wave. The risk of falling into arrears decreases as the size of the firm increases. Manufacturing firms expect to fall into arrears more than other firms.

Access to public support is limited. In the first wave, only 1.6 percent of firms reported having access to public support, which increased to 11.8 percent in the second wave, whereas 2 percent of firms reporting losing access to public support but still 86 percent reported not to have access. Among those receiving public support, grants and support for health protocols adoption are the dominant forms of public support. Among those who have not received any support, 46 percent were not aware of any support while 25 percent applied but did not receive any support and 13 percent reported that they did not have the right connections, which raises a concern that there may be discrepancies in distribution of public support.

Figure 1 a) Firms are facing large drops in sales during the COVID-19 crisis

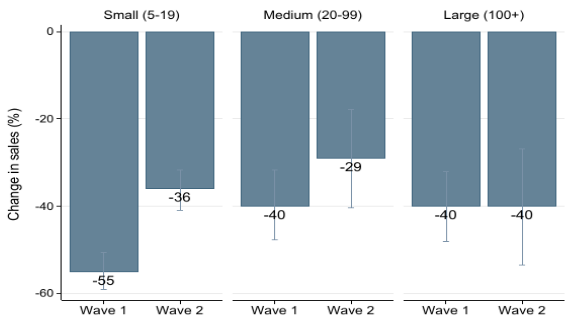
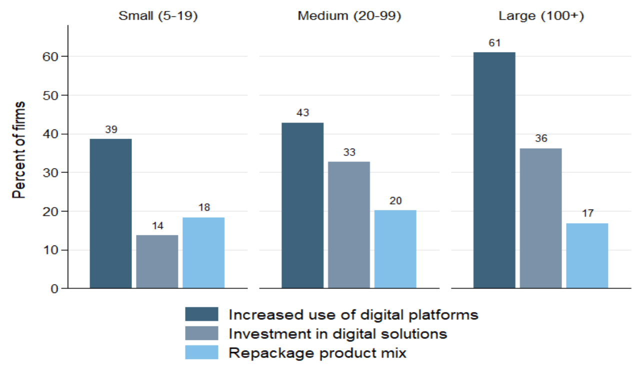


Figure 1 b) Adoption of digital technologies in response to the crisis differs by firm size



In response to the COVID-19 outbreak, firms are adopting digital technologies. According to the latest survey, about 40 percent of firms started or increased their use of digital technology for business purposes during the pandemic while 17 percent of businesses invested in digital solutions. However, the share of medium and large firms adopting or increasing the use of digital technologies or investing in digital solutions in response to COVID-19 is significantly larger than among small firms, raising the possibility of growing digital divides. Moreover, when comparing across sectors, businesses in the agriculture sector have limited access to digital technologies in response to the crisis compared to manufacturing or services.

Changes in price levels are affecting the agriculture sector and small firms adversely. About 27 percent of the firms think there has been an increase in competition, and 93 percent of them believe there are more competitors in the market than in the past. Prices of main products or services have decreased in all sectors other than the retail sector, with the agriculture sector reporting the sharpest fall (5.40 percent), whereas the retail sector reports a 3.67-percent increase. Small firms report a 0.96-percent increase in production costs whereas large firms report a 1.89-percent decrease.

Source: *World Bank COVID-BPS (2020) and Small and Medium Enterprise Development and Support Agency (Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises, ADEPME, 2020). The Senegal COVID-BPS was conducted in two phases. The first phase was conducted from April 28 to May8, 2020 and the second phase from December 9, 2020 to January 8, 2021.*
Note: *Results refer to changes in sales during the 30 days before the survey relative to the same period in 2019.*

B. Sectoral (or Multi-Sectoral) and Institutional Context

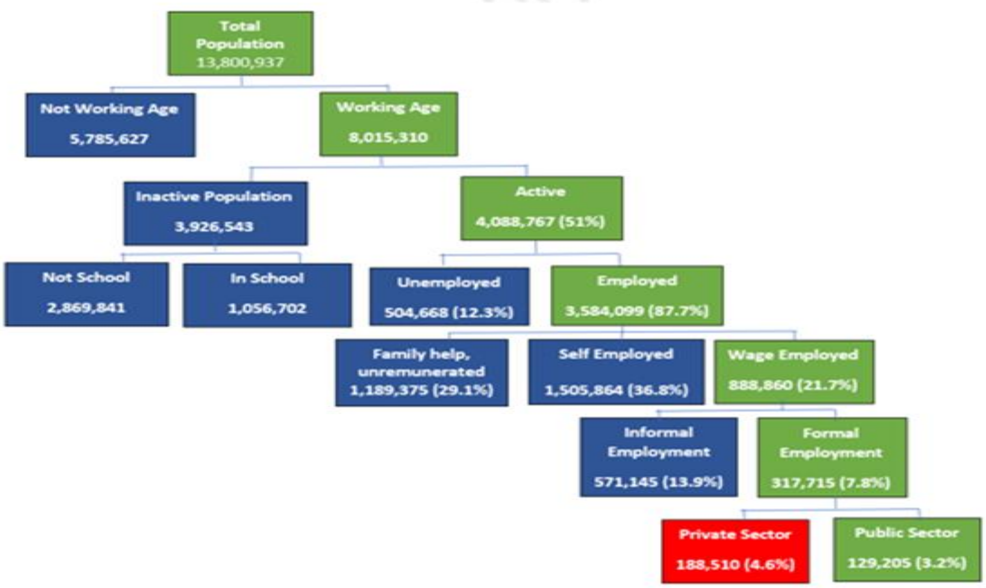
6. **Senegal needs to create more and better jobs to meet its growing labor supply and reduce poverty**. Senegal needs to strengthen its existing policies with greater focus on inclusive productivity growth centered on technology adoption and start-up entrepreneurship, including supporting the unemployed and under-employed to find better jobs. Senegal's main job challenge is to sustainably reduce poverty through the creation of more than 300,000 jobs each year, a number that could rise to

427,000 in 2030 and to 500,000 by 2050.[3] The key issues facing private sector development and the job creation effort is (i) high informality and low firm dynamism; (ii) low export competitiveness and market failures in key value chains; (iii) low SME productivity and lack of technology adoption; (iv) limited access to finance; and (v) inadequate PPP framework and support.

(i) High informality and low firm dynamism

7. **The formal private sector is small (Figure 2).** A small share (6 percent) of firms in Senegal have five or more employees and are responsible for 48 percent of workers and 81 percent of sales. The share of formal firms[4] with 5+ employees is even smaller, at 1.3 percent of the total number of firms. These formal firms with 5+ employees account for 28 percent of workers and 77 percent of all sales and are about seven times more productive (based on sales per worker) than the average business in the General Business Census (*Recensement Général des Entreprises,* RGE) database. Large and small enterprises, whether formal or informal, face a range of obstacles in adopting technologies and boosting productivity and jobs growth—the most important being lack of finance, lack of capabilities, and lack of market demand.[5]

Figure 1: The Employment Cascade – As less than 5 percent of the active population is employed in the formal private sector, there is a need to boost the productivity of informal firms



Source: National Statistical Office

8. **Moreover, Senegal lags comparators in new entry dynamism of formal firms.**[6] International

[3] See Cruz, Dutz and Rodríguez-Castelán, 2021, *Inclusive Digital Senegal: Technological Transformation for Better and More Jobs*, World Bank.

[4] In Senegal, a formal firm possesses all registrations and licenses and the standardized West African Accounting Standard Accounting System of the Harmonization of Business Law in Africa Organization (*Système de Comptabilité de l'Organisation pour l'Harmonisation en Afrique du Droit des Affaires,* SYSCOHADA).

[5] For a complementary analysis of the adoption of digital technologies by micro-sized informal firms and links to jobs, see Atiyas and Dutz (2021). "Digital technology uses among informal micro-sized firms: Productivity and jobs outcomes in Senegal", mimeo, World Bank.

[6] Cruz, Torres and Trang Tran. 2020. "Entrepreneurship ecosystems in Senegal: Challenges and opportunities of digital technologies." Working Paper.

evidence suggests that increasing the number and quality of new firms has significant effects on job creation. Those firms also face significant challenges to entering the market and growing. The average formal firm after 20 years in operation has less than 70 employees, implying a low jobs growth rate. [7] New registered businesses were 0.47 per thousand working-age population in Senegal compared to 1.1 in Vietnam and Zimbabwe, 1.5 in Kenya, and 10.2 in South Africa. While 35 percent of business owners employ others in South Africa, and 5 percent in Vietnam, only 2 percent of Senegalese business owners do so.

9. **Senegal ranks 123rd among 199 countries in Doing Business, with a score of 59.3.** Regulatory restrictiveness marked by complex regulatory procedures, uneven regulatory enforcement, and barriers throughout the business lifecycle create a distorted economy. The formal private sector often complains of unfair competition from the informal sector[8]. The burdensome business regulatory environment creates high barriers to entry into key sectors, further increasing costs for all market players. Regulatory requirements do not adopt a risk-based approach that would seek to adapt the Government's degree of regulatory control to the actual hazards and level of severity posed by industry sectors, economic activities and businesses.[9]

(ii) Low export competitiveness and market failures in key value chains

10. **Recent economic growth is in part due to an increase in exports, but international trade remains a challenge.** Considering Senegal's potential as a transport and commerce hub in West Africa, its low performance on the Logistics Performance Index[10] is a reflection of the inefficiency of the country's clearance and logistics processes, pertaining to the speed, complexity, and predictability of its formalities. Similar to its peer countries, Senegal's poor logistics structure is also reflected in its performance in the Global Competitiveness Index (GCI), in which Senegal's score reveals how burdensome it is for businesses to comply with governmental administrative requirements such as permits, regulations, and reporting. While the Government has implemented various reforms in recent years to reduce this inefficiency, it continues to directly impact the growth of Senegal's mainstay industries.

11. **Given the potential of the horticultural sector in terms of exports, job creation and poverty reduction, it is considered a priority value chain by the GoS but a number of constraints need to be addressed.** The main obstacles to agricultural development identified by the Country Private Sector Diagnostics[11] are: (i) limited access to arable land and irrigation facilities; (ii) difficult access to finance, aggravated by lack of appropriate insurance mechanisms; (iii) weak links between farmers and commercial buyers with insufficient infrastructure (transport, storage, etc.); (iv) low quality of export support services (phytosanitary inspections, testing and certification); and (v) rigidity of labor regulations, which poses a problem for the development of processing. Senegal also has lower connectivity than countries positioned to export horticultural products.

[8] Senegal Entreprise Survey 2014.
[9] Source: Senegal Investment Climate Action Plan 2020. African Caribbean and Pacific (ACP) project. World Bank.
10 World Bank Logistics Performance Index (2018)
[11] Creating Markets in Senegal: Country Private Sector Diagnostic. IFC- World Bank. April 2020.

(iii) Low SME productivity and lack of technology adoption

12. **Senegalese firms lag in the adoption of relevant technologies, in part due to lack of financing, lack of capabilities, and lack of demand and related uncertainties.** New measures for technology adoption at the firm level recently obtained by the World Bank in Senegal, Vietnam, and Brazil show a correlation between technology adoption, productivity and inclusive job growth. Senegalese firms have an average technological gap of 36 percent vs 30 percent in the State of Ceará in Brazil for extensive (whether firms use it at all) and intensive (the most frequently applied) uses, respectively, of better business technologies such as for accounting and marketing.[12] This technological gap is also observed across Senegalese regions and is robust when comparing firms by size, sector, age, foreign ownership and export status. Importantly, firms with more sophisticated levels of technology on average generate more jobs and increase the share of unskilled workers in their payroll.

13. **Most firms in Senegal still rely on pre-digital technologies to perform general business functions such as business administration, production planning, supply chain management, marketing, sales and payments.[13]** The technological gap is also observed in sector-specific business functions such as land preparation, irrigation, weeding, harvesting, storage and packaging in the agriculture sector. Micro-sized informal enterprises in Senegal lag even further in terms of technology adoption. While 30 percent of larger firms (including informal ones) use smartphones, only 18 percent of micro-sized informal enterprises do so.[14] Informal firms that use more specialized digital technologies to facilitate general business functions (internal management as well as marketing, e-commerce and receiving payments) have higher levels of labor productivity and total sales and are more likely to export. They are also more likely to generate jobs, pay higher wages and earn higher per-owner incomes. This suggests that the adoption of relatively simple technologies to improve basic management functions as well as communications, learning and payments up and down specific value chains are important components of a more inclusive jobs growth agenda.[15]

Box 2: COVID-19 brings an unprecedented opportunity to support technology upgrades

The pandemic has been a catalyst for faster adoption and diffusion of digital technologies across businesses. Most of the negative impact on economic activities and the aggregate economy are driven by mobility constraints. As a result, businesses are forced to adapt to this new reality by looking for new ways to reach customers and suppliers. Digital solutions have been one of the main channels for businesses to adapt around the world.

In Senegal, firms are adopting digital technologies at an unprecedented rate, notably in manufacturing. The opportunities to enhance the productivity of businesses through technology adoption is spread across all sectors, from agribusinesses that can significantly benefit from improving administration, sales and production to digital entrepreneurs, who can benefit from increasing demand for innovative solutions.

[12] Cirera, Comin, Cruz and Lee (2020).
[13] Senegal Digital Sources of Growth: Opportunities for jobs and economic transformation in the aftermath of Covid-19 – Overview Report. World Bank 2020.
[14] Based on a nationally representative survey of over 500 informal firms, over 95 percent of which employ five or fewer full-time employees. See Atiyas and Dutz (2021).
[15] Sabel and Ghezzi ("Rethinking Informality", 2020) argue that high-potential informal enterprises are more prevalent than current theories of development lead us to expect. These enterprises face problems overcoming quality hurdles. They could benefit from public support for capacity-building extension services together with complementary support for associations to help socialize the costs of learning. This case study of

(iv) Limited access to finance

14. **Access to finance is restricted in Senegal, especially for Micro, Small, and Medium Enterprise (MSMEs).** Only 22.6 percent of all firms have a bank loan or line of credit, and when they obtain credit, the collateral required is very high (271.7 percent of the loan value). Micro-enterprises (99.8 percent of the total number of economic entities) obtain only 8 percent of total financing. Obstacles to improving access to finance include:

a. *Limited competition in the financial sector.* The banking system is concentrated with the three largest bank controlling 54.2 percent of assets in 2017 (last available data on Finstats). A few innovative financial services were recently launched (electronic banking services), but most small businesses are excluded, and there is no interoperability between e-payment providers. The quality of the services offered is problematic, and there is a lack of clarity and comparability of fees; and

b. *Financial infrastructure.* Credit information coverage is limited (with information available on only 27,834 companies, or 6.7 percent of all companies in February 2020), the insolvency regime is restrictive (long recovery, limited recovery of assets), secured transactions are limited to very few pledgeable assets and the capital market is incipient.

15. **Small and medium enterprises (SME) exporters have limited access to finance for their transactions abroad**. Credit facilities available to SMEs (if any) are largely limited to general banking facilities (overdraft or short-term loan) secured by a mortgage on a marketable real estate asset. To successfully participate in value chains and compete in international markets, SMEs also need to access products more specifically adapted to trade, such as trade credit and both pre- and post-shipment finance. Trade credit insurance can provide the necessary credit assessment and risk mitigation. More needs to be done to develop this market in Senegal. State support (notably in the form of risk mitigation) can facilitate the provision of credit insurance at early stages of market development or in a crisis context.

16. **Government-led initiatives to support SME finances and reduce credit market failures are not sufficient.** Among them is the Priority Investment Guarantee Fund (*Fonds de Garantie des Investissements Prioritaires,* FONGIP), a partial credit guarantee (PCG) fund, which has been used recently to mitigate the impact of the COVID-19 crisis on businesses. However, guarantee volumes have been below expectations (before and during the COVID-19 crisis) mainly because of a weak institutional setting, limited resources and insufficient governance structures. Other public institutions include Strategic Investment Sovereign Fund (*Fonds Souverain d'Investissements Stratégiques,* FONSIS), a sovereign fund with a strategic mandate to invest in the private sector. However, this institution lacks resources and despite their complementarity (FONSIS can provide long-term financing while FONGIP can incentivize banks and microfinance institutions (MFI) to grant short-to –medium-term loans to MSMEs), they lack synergy and often do not work together.

17. **To help revive the economy, the Government is planning to launch several initiatives.** First, the Government has decided to strengthen the positioning of FONGIP as the main credit risk-sharing

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upgrading by informal farms in Peru in the production of fresh fruits and vegetables such as asparagus or mangos showed that in the near absence of public support, these farms rely on assistance from their buyers (domestic supermarket chains) and local cooperatives. The authors also summarize evidence from Tanzania (Ellis et al. 2018), the vegetable export sector in Madagascar and the fruit and vegetable sectors in Zimbabwe (Henson et al. 2005) as well as a study of small suppliers to Nairobi supermarkets (Andersson et al. 2015). Sabel and Ghezzi argue that the policy lessons learned in agriculture should be applicable to capacity building in other value chains. Rodrik and Sabel (“Building a Good Jobs Economy”, 2020) present a related case study of how environmentally sustainable dairy farming became an engine of growth in Ireland over the last 15-20 years.

mechanism to support the economic recovery. In this context, FONGIP will improve its governance through the amendment of its internal rules in order to establish two board-level committees (Audit and Risks), both chaired by independent members of the board. Second, the Government will strengthen the resources and the governance of FONSIS through the creation of an SME Acceleration Fund to be co-invested by private sector funds and by adopting a fund management structure aligned with the new Regional Public Savings and Financial Markets Authority (*Conseil Régional de l'Épargne Publique et des Marchés Financiers,* CREMPF) regulation on venture capital and private equity to be issued in 2021. FONSIS aims at raising about US$60 million to be invested in SMEs through a suite of equity and quasi-equity instruments. Finally, to overcome information asymmetries, ADEPME plans to extend its SME rating system for SMEs possessing an accounting system. This system could build on the database of informal firms being supported by the Delegation for Rapid Entrepreneurship (DER) so as to build a more comprehensive scoring system.

<u>(v) Inadequate PPP framework and support</u>

18. **Senegal has a relatively long history of private participation in infrastructure under various forms of public-private partnership (PPP)**. Independent Power Producers (IPP) have been present since the late 1990s and collectively provide over 50 percent of the country's generation capacity. The national water utility has been privately operated under a lease contract since 1996, an arrangement recently re-tendered and renewed through 2035. Rural water services in several geographic clusters are also provided under *affermage* contracts. In transport, PPPs have been used, albeit to a limited extent, in the ports, road, rail, and airports sub-sectors, while a PPP is now in advanced stages of operation of a new rapid transit bus system, with ongoing World Bank Group (WBG) support. Many of these investments have benefitted from WBG technical and financial support. More recently, PPP-like structures have been used in education for vocational training centers with WBG support and to deliver new healthcare investments (although in the latter case, the investor being the sovereign investment fund, FONSIS, the partnership is more public-public in nature).

19. **However, inconsistencies and gaps in the PPP framework remain a challenge, and the record of governance of PPP projects has been mixed**. The PPP Law of 2014 has not been applied in practice, with key institutions set out in the law not yet established or not operational. Moreover, this law applies only to a subset of PPPs, while others are governed by cross-sector laws and regulations applying to concessions, leases and other types of delegation of public services or sector-specific legislation, creating a proliferation of institutional responsibilities and processes. In practice, this has both limited the potential use of PPPs, and for those projects that have gone forward, left room for variability in the quality of project processes. Particularly in the context of a lack of capacity on the public side, there has been an over-reliance on private developers to propose and prepare projects procured through direct negotiation rather than competitive procedures, undermining desired results from these projects. There is also a need to align with best practices and to take into consideration regional harmonization efforts on PPPs to benefit from the scale of West African Economic and Monetary Union (WAEMU) and broader Economic Community of West African States (ECOWAS) markets and to increase Senegal's attractiveness to investment.

(vi) Women's participation in the labor force

20. **The share of female participation in the total labor force has been increasing over the past two decades at a faster pace in Senegal than in the rest of SSA.**[16] **Yet despite this progress, the female labor force participation rate in Senegal remains low in 2020 (35.1 percent), below SSA's average (61.4 percent)**[17] **and unemployment is high** (24.1 percent of women are unemployed versus 6 percent of men).[18] Women represent 33.3 percent of employees and make up 25.6 percent of permanent workers and 27.7 percent of seasonal workers.[19] Women are mainly active in the informal sector and in agriculture. From 2007 to 2013, the total share of female-owned firms grew from 23.8 percent to 32.1 percent.[20] Senegalese women represent 31.3 percent of entrepreneurs (the simplified status for microenterprises known as "*entreprenant*" in French). About 45 percent of women are freelancers,[21] and about 50 percent of women owners of economic units are under 40 years old.[22] They are the majority in the catering sectors (72.8 percent) and highly visible in hairdressing and trade activities (38.9 percent).[23] Women entrepreneurs in the formal wholesale sector tend to have a secondary or higher level of education, be over 50 years old and have between one and three children. In comparison, the women who operate informal services tend to be illiterate (46.0 percent), have more than three children and be younger (between 25 and 50 years old).

21. **Women in Senegal still have limited access to land because of mores and tradition. This in turn has an impact on their access to credit through lack of collateral for borrowing.**[24] While women's access to finance remains greater than in the rest of the African continent (38.4 percent of women have a bank account versus 36.9 percent in SSA),[25] it remains quite low. Women use the internet and mobile money less than men (only 30 percent of women in Senegal are connected to the mobile internet – 10 ppts lower than men), but young women show a certain dynamism. Over 27 percent of young women-owned micro-sized firms use a smartphone, 24 percent use the internet to better understand their customers for marketing and sales, and over 12 percent use inventory control or point-of-sales (POS) software. About 99 percent of women working in the agriculture sector are in the informal sector. Senegal stands out in having more female owners of micro-sized agricultural firms (56 percent) but fewer in other sectors (manufacturing and services) relative to other SSA countries.[26] In rural areas, the distribution of employment in different economic sectors reveals women's involvement in agriculture, livestock farming and the environment, where they represent 70 percent of the workforce. They are highly active in the processing and marketing of agricultural, livestock and fishery products[27] (see annexed technical assessment for a more comprehensive assessment).

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[16] Vivian Malta, Angélica Martínez Leyva, and Marina M. Tavares, A *quantitative analysis of female employment in Senegal*, IMF working paper, November 2019.
[17] International Labour Organization, ILOSTAT database. Data retrieved on June 21, 2020.
[18] According to National Agency for Statistics and Demography (*Agence Nationale de la Statistique et de la Démographie,* ANSD), the level of unemployment in Senegal for persons aged 15 and over was estimated at 14.3 percent in the fourth quarter of 2018.
[19] ibid.
[20] Female Entrepreneurship, Access to Credit and Firms' Productivity in Senegal, Cheick Anta Diop University, Dakar.
[21] ILO 2019.
[22] *General Census of Enterprises* (RGE) ANSD, 2017.
[23] *General Census of Enterprises* (RGE), ANSD, 2017.
[24] Ahmadou Aly Mbaye, *Supporting small informal businesses to improve the quality of jobs in Africa*, Brookings, October 2019.
[25] Findex Senegal.
[26] Cruz, Marcio, Mark Dutz and Carlos Rodríguez-Castelán, 2021, *Inclusive digital Senegal: Technological transformation for better and more jobs*, World Bank.
[27] UN Women-Sénégal.

B. Relationship to the Country Partnership Framework (CPF) and Rationale for Use of Instrument

22. **The proposed PforR supports the World Bank's Senegal CPF for 2020-24[28], as well as the WBG twin goals of eradicating extreme poverty and supporting shared prosperity**. The CPF reflects Senegal's strategic objective of becoming an equitable middle-income economy by 2035. The project is aligned with the three pillars of the CPF, which focus on making growth more inclusive, competitive and sustainable. Pillar 1 of the CPF supports the development of a healthy, skilled and productive population that is well prepared to contribute to the growth process, while Pillar 2 focuses on job creation and increasing competitiveness to support a private sector-led, diversified and inclusive economy. The PforR will focus on women entrepreneurs and climate change (in its value chains development result area), thereby furthering coherence with the cross-cutting CPF themes of gender equality and climate change risk management. The CPF recognizes the use of private investment and PPPs as being among the Government's priority objectives under its PAP2 and integrated support to PPPs into the CPF approach. Objective 3.3 (Improving the Government's overall effectiveness, efficiency, and transparency) reflects the need to strengthen the PPP framework, while the potential for the use of PPPs to deliver on CPF objectives was recognized across the focus areas, including in education (contributing to building human capital) and infrastructure (contributing to boosting competitiveness and job growth). [29]

23. **At the request of the Government, the World Bank will support a subset of the PAP/AA program adopted on September 29, 2020 to accelerate growth and recovery post-COVID-19.** The Government requested support from the WBG on July 14, 2020, to: (a) complement the short-term response of the Government; (b) operationalize reforms to foster inclusive growth driven by job creation and the private sector; and (c) seize opportunities brought by the crisis. The Government has identified the following channels: (i) increasing exports and reducing imports by increasing domestic production; (ii) fostering competitiveness and cost reduction; and (iii) identifying and boosting high-potential value chains to integrate into global value chains. The World Bank will build on its comparative advantage in the areas of value chains and exports development, technological adoption, access to finance and PPPs. All of these are informed by recent World Bank analytics and experience accumulated in other countries.

24. **The chosen PforR instrument is considered adequate to support a clearly defined and appropriately owned government program**. Prior operations have demonstrated that the country is gaining significant experience in dealing with the PforR instrument, which uses and contributes to improving country systems. The use of the PforR instrument will provide the needed flexibility in fund allocation to the results areas of the Program and put more emphasis on results, which is the Government's focus, given the need to ensure a fast and sustainable recovery from the COVID-19-induced economic slowdown. The PforR instrument is also suitable to support activities and reforms that take time to materialize and require several milestones to reach the ultimate target. The PforR instrument is also well suited to building institutional capacity and sustain it beyond the life cycle of the operation. This is particularly the case for Result Areas 1 and 4, which introduce new approaches to competitiveness and PPPs but also for Result Area 3, which introduces corporate governance reforms in the partial guarantee

[28] The Country Partnership Framework FY20--FY24 for Senegal was presented to the Board of Executive Directors on March 5, 2020 (Report No-143333-SN).

[29] This operation is aligned with the findings and recommendations of several World Bank analytical documents, including the Country Private Sector Diagnostic (2019) and a series of analytical reports produced by the World Bank such as the Senegal Digital Sources of Growth (2020) and the Investment Climate Action Plan (2020, P173322).

fund and a new hybrid SME fund able to attract private investors.

25. **The PforR is more suitable than other World Bank financing instruments such as Development Policy Financing (DPF) or Investment Project Financing (IPF).** It allows for a flexible, expandable disbursement schedule provided results are achieved and verified and is well suited to introducing delivery systems for implementation of policy and institutional reforms. The PforR is also better suited than IPF for achieving the development objectives because it is more focused on results and supports the implementation of existing government programs and facilitates coordination.

26. **This Jobs and Economic Transformation (JET) PforR is a part of the Senegal portfolio response to COVID-19 and a concerted drive for Senegal's economic transformation**. In parallel, technical assistance (TA) on investment climate will be implemented. This TA will focus on competition policy, investment promotion and retention, and investment climate (licensing, construction permits, national quality infrastructure) and will focus on the purely horizontal investment climate reforms. It also builds on the soon-to-close Senegal Tourism and Enterprise Development IPF Project (P146469), which has similar private sector development instruments to ADEPME, as well as the Affordable Housing Program in Senegal (P174759) under preparation, which is also expected to support access to (housing) finance through FONGIP. This operation will also synergize with the Senegal Land Registry and Land Tenure Improvement Project (P172422), as well as the Senegal Digital Economy Acceleration Project (P172524), both in preparation (see other operations in Annex 2).

II. PROGRAM DESCRIPTION

A. Government Program

27. **In response to the COVID-19 crisis, the Government issued on September 29, 2020 a new version of the PAP2/AA.[30]** This ambitious development program aims to improve infrastructure, achieve economic reforms to improve investment climate, increase investment in strategic sectors, and strengthen the competitiveness of the private sector. This action plan, which spans 2021-2023, prioritizes sectors related to sovereignty (food, health, pharmaceuticals) as well as construction, digital technology, tourism and education. The main pillars of the PSE plan, which guides the PAP/AA, are the following:

a. **Pillar 1**: Growth and structural economic transformation
b. **Pillar 2**: Human capital, social protection and sustainable development
c. **Pillar 3**: Governance, institutions, peace and security.

28. **Pillar 1 of PAP/AA focuses on growth and structural economic transformation.** It includes both horizontal and vertical elements. The vertical elements relate to priority sectors: agricultural crops, livestock and fishery and aquaculture, industry (mainly agribusiness and pharmaceuticals), tourism, and the digital economy by digitizing government services and fostering e-commerce. The horizontal elements of the program include reforms related to competition policy, the local investment climate, access to land, commercial law, the commercial code and the labor code. It also includes reforms of the PPP legal and institutional frameworks with a view to using PPPs to mobilize private sector financing and resources to deliver efficiently on PAP2 investment needs in a way that enables more private sector participation in

[30] The PAP2-AA will be validated by the President during the week of September 28, 2020.

the economy. Pillar 1 includes six strategic objectives:

a. OS1: Promoting sectors with high growth, export and social inclusion potential
b. OS2: Increasing the efficiency of investment
c. OS3: Developing high quality infrastructure
d. OS4: Improving access to energy and land
e. OS5: Increasing productivity
f. OS6: Promoting sustainable and inclusive industry.

Program supported by PforR

29. **The government program this PforR supports is a subset of the wider PAP/AA and its Pillar 1 (Growth and Economic Transformation) and is titled "Accelerating Competitiveness and Job Creation Program**". The Accelerating Competitiveness and Job Creation program financed by this PforR has been designed by the MEPC and presented to the Council of Ministers in February 2021**.** It is a four-year program that is a subset of the PAP-AA in terms of scope but with a longer horizon. It is a tighter platform for a rapid economic rebound and a focus on priority sectors through competitiveness and productivity enhancement, access to finance and PPPs. The Accelerating Competitiveness and Job Creation Program has three strategic objectives, as described below, and a duration of four years.

Table 1: Government Program "Accelerating Competitiveness and Job Creation Program"

<table>
<tr><th>Vision</th><th>PAP/AA – Pillar 1: Growth and Economic Transformation</th><th>Accelerating Competitiveness and Job Creation Program</th></tr>
<tr><td rowspan="3">Strategic objectives</td><td rowspan="2">OS1: Promoting sectors with high growth, export and social inclusion potential
OS5: Increasing productivity
OS6: Promoting sustainable and inclusive industry</td><td>OS1: Accelerating the development of the private sector</td></tr>
<tr><td>OS2: Reinforcing the competitiveness of value chains with growth and job creation potentials</td></tr>
<tr><td>OS2: Increasing the efficiency of investment</td><td>OS3: Promoting private investment</td></tr>
<tr><td>Priority areas of intervention</td><td>(i) Energy infrastructure and services; (ii) Road infrastructure; and (iii) Agriculture and industry development. This pillar includes both horizontal and vertical elements. The vertical elements relate to priority sectors: agriculture, livestock and fishery and aquaculture, industry (mainly agribusiness and pharmaceuticals), tourism, and the digital economy by digitizing government services and standardizing the addressing system to ease good delivery and boost e-commerce. The horizontal elements of the government program include reforms related to competition policy, the local investment climate, access to land, commercial law, the commercial code and the labor code. It also includes reforms of the PPP legal and institutional frameworks with a view to using PPPs to mobilize private sector financing and resources to deliver efficiently on the PAP2 investment needs in a way that enables more private sector participation in the economy.</td><td>● Development of the private sector – formal and informal – through access to technology and skills, markets and finance and transition to the formal economy
● Competitiveness of value chains: diagnostics, public-private dialogues, policy reforms and investments
● Promotion of private investment: strategic framework for PPPs, regulatory framework for PPPS and preparation and structuring of investment opportunities</td></tr>
</table>

Program Financing

Table 2: Program Financing[31]

Source	Amount (US$ millions)	% of Total
Government	**238**	**66%**
IDA	**125**	**35%**
Total Program Financing	**362**	**100%**

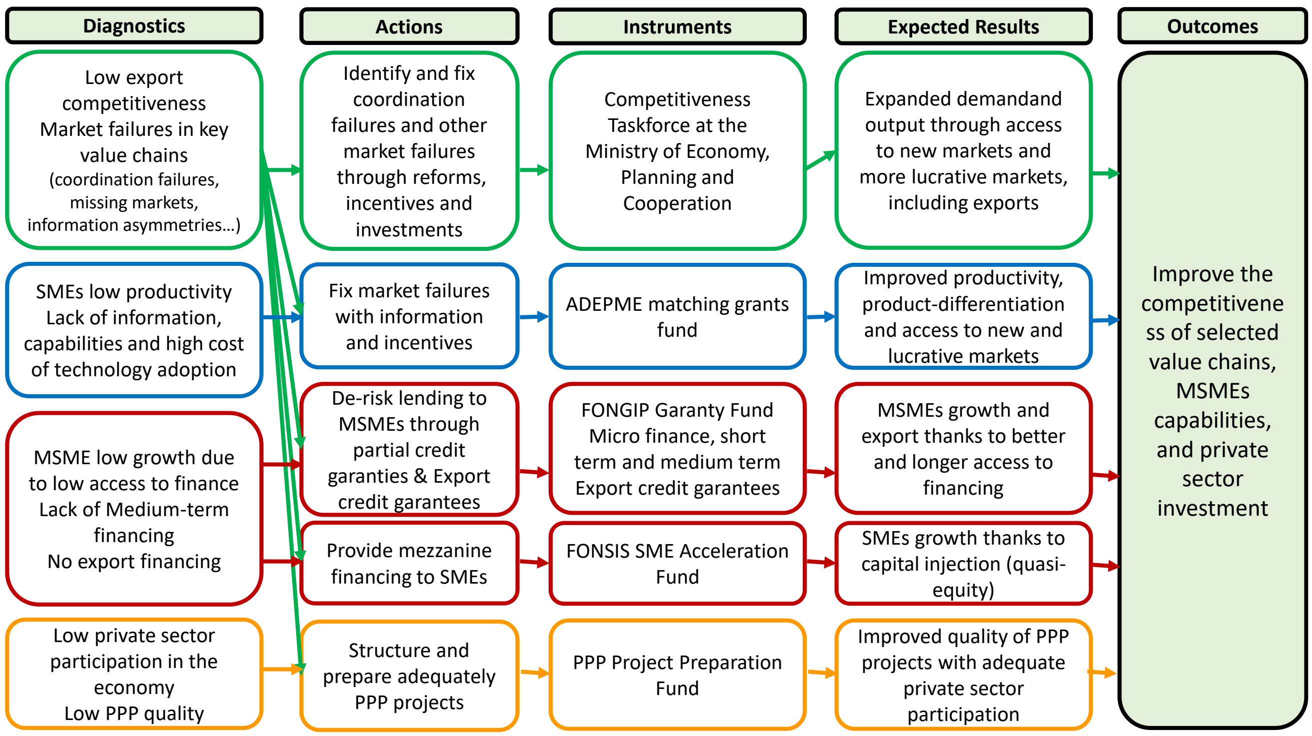
Table 3: Government Entities Financed under the PforR

Result Area	Government Entity	Acronym	Role
Competitiveness Reinforcement	Ministry of the Economy, Planning and Cooperation	MEPC	Establish and strengthen the competitiveness analysis and public private dialogues functions to produce and coordinate multi-sectoral competitiveness action plans in priority sectors and geographical areas. These action plans will use the other instruments of the government program (below).
Technology Adoption	SME Promotion Agency	ADEPME	Provide matching grants to MSMEs to facilitate technology adoption and improve general business functions.
Access to Finance	PCG Fund	FONGIP	Provide credit guarantees to MFIs and banks to spur MSMEs' access to finance.
	Sovereign Fund	FONSIS	Establish the SPV for SME financing, endow it with public funds and use it as leverage to attract private investors in the fund.
PPPs	Ministry of the Economy, Planning and Cooperation	MEPC	Establish the PPP unit and PPP support fund and prepare and structure PPP transactions.

[31] The program amount stated in the table is a subset of the government program, which includes only agencies eligible for World Bank financing. The program's total financing is US$412 million.

B. Theory of Change

Figure 2: Theory of Change and Results Framework of the PforR



C. PforR Program Scope

30. **This PforR aims at supporting Senegal's resilient economic recovery from COVID-19 by operationalizing the JET agenda in line with the WBG guidance on the COVID-19 response[32] and the JET Framework.[33]** More specifically, it contributes to the WBG's economic response for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience. The program will support both small informal firms and more formal MSMEs through dedicated channels such as PCGs to MFIs and special windows for technology adoption and productivity upgrading as well as competitiveness reinforcement with a value chain and local approach inclusive of all types and sizes of firms participating in the value chains.

Description of the PforR

31. **To maximize the impact on economic transformation for recovery and job creation, the Program**

[32] COVID-19 Crisis Response Approach Paper "Saving Lives, Scaling-up Impact and Getting Back on Track" (June 2020) and the Finance, Competitiveness and Innovation note on private sector policy response under COVID 19.
[33] JET: Update to the Board, JET in the time of COVID-19, July 2020.

will combine several types of interventions: macro-level, sector and market level as well as firm level. More specifically, the Program will finance the following three types of interventions:

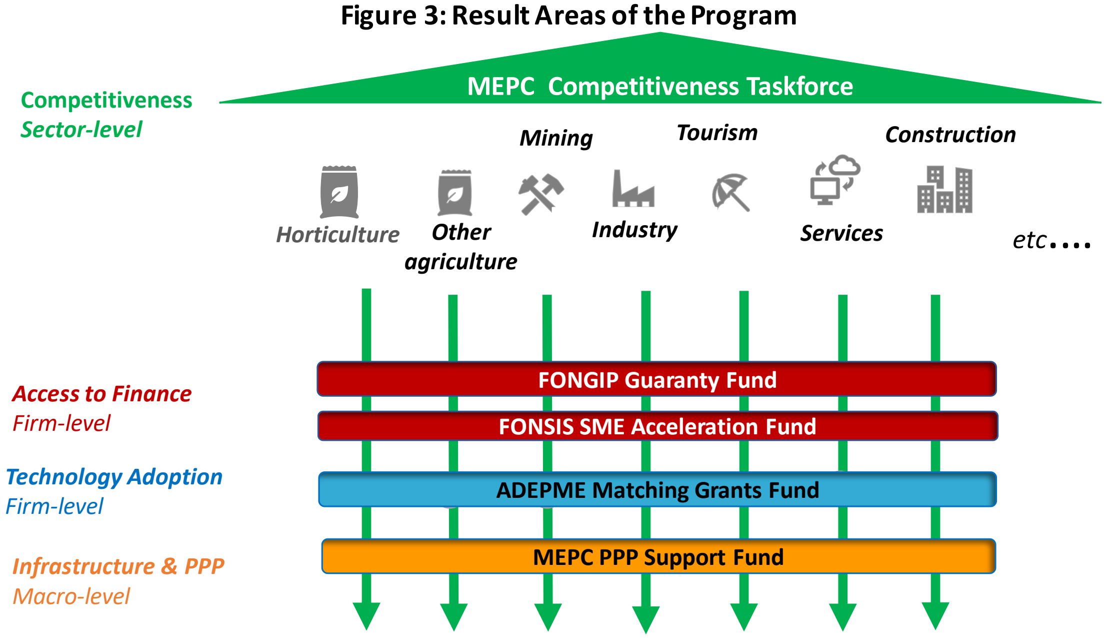
i) **Firm-level interventions to address bottlenecks to access to technology and finance** identified by the Country Private Sector Diagnostic and other analytical work such as the Digital Sources of Growth:

a. **Access to technology—through matching grants** to address constraints to firms' increased productivity and technology adoption, i.e., lack of financing, capabilities and access to markets.
b. **Access to finance—through PCGs** covering three windows: microfinance for small firms, regular window for working capital, and medium-term financing for capital investments (a type of financing that is particularly lacking). During Program implementation, the Government will design and execute an export credit guarantee scheme.
c. **Access to finance—through an SME acceleration fund** providing financing to SMEs in the form of equity and quasi-equity.

ii) **Sector-level interventions to address market failures at the sectoral or value-chain level, a goal that cannot be achieved at the firm level alone.** Information asymmetries, coordination failures, missing markets and other failures will be identified and addressed through sector or value chain-level policy reforms or investments (or incentives to investments by the private sector) under the Competitiveness Reinforcement component. This component will synergize with the firm-level and macro-level interventions of the program.

iii) **Macro-level interventions to ensure that quality PPP projects are prepared and brought to market effectively,** leading to more affordable and sustainable infrastructure and public services and higher participation of the private sector in associated investments. These PPP projects will complement as much as possible sectoral and firm-level interventions.

Figure 3: Result Areas of the Program



Result Area 1: Competitiveness Reinforcement

32. **This competitiveness results area[34] aims at strengthening the competitiveness of key sectors considered as priorities of the government program through value chains and sector-level interventions.** It will support the adoption of a new approach to private sector development based on more granular interventions to fix market failures. This will be achieved through analytical work and public-private dialogues to identify market failures and develop related action plans for key value chains in specific geographic areas. The market failures to address could include: private sector's coordination failure and lack of economies of scale; asymmetries of information about market opportunities; or missing markets because of the lack of the required quality certifications or marketing efforts.

33. **Value chains will be selected in the priority sectors of the government program, the first of which will probably be agriculture because of its high potential in terms of growth, export, job creation—for women in particular—and poverty reduction.** Given the size of the Senegalese market, there will be a focus on value chains with export potential. In agriculture, horticultural value chains with the potential to access the high-value markets of the European Union (EU) and the United Kingdom (UK) such as fresh fruits and vegetables will be the first candidates. Other priority sectors of the PAP/AA will include tourism, pharmaceuticals, medical services, and housing and construction as well as other agricultural sub-sectors such as livestock, fishery and aquaculture. The criteria to select the sectors to be supported will be established in the operations manual and should focus on job creation, poverty reduction and export orientation

34. **The Competitiveness Taskforce in the Ministry of Economy, Planning and Cooperation (*Ministère de l'Économie, du Plan, et de la Coopération,* MEPC) will act as a platform to coordinate the Government's sectoral competitiveness efforts in line with the government program.** This taskforce will consist of current civil servants or consultants to reinforce the team. The taskforce will conduct structured public-private dialogues, conduct or commission analytical work and produce action plans, and coordinate and oversee their implementation. This team will be trained and coached to be able to coordinate program implementation and identify market failures, bottlenecks and required investments to increase export value and inclusive job creation in horticulture. The task force working jointly with market participants will determine the public goods requiring public investment as well as the club and private goods to be potentially subsidized. It will also determine the most adequate PPP mechanisms to provide missing services and infrastructure.[35]

35. **The action plans to be implemented under this results area will identify and use instruments available in the PforR**. These could be matching grants to support technology adoption, PCGs to support working capital along the value chains, medium-term guarantees to facilitate access to longer term finance and acquire equipment, or export credit guarantees to access export markets. Another instrument

[34] The activity will benefit from experience accumulated through several World Bank project supporting competitiveness taskforces: the recent work done with the Jordan competitiveness taskforce at the Ministry of Planning and International Cooperation supported by the PforR Economic Opportunities for Jordanians and Syrian Refugees (P159522) and its additional financing (P171172) as well as similar work started earlier in Haiti through IPF P123974 and in Tunisia through several World Bank projects, including Third Export Development Project (EDP III) (P132381) and supporting a single government taskforce working in the Prime Minister's office as well as work being initiated in Côte d'Ivoire through the IPF Côte d'Ivoire Competitive Value Chains for Jobs and Economic Transformation (P172425). In terms of analytics, this effort will benefit from recent work conducted by the World Bank on identifying potential ecosystems based on the latest establishment census from ANSD and the International Finance Corporation (IFC) advisory services in the mango value chain (Commango).

[35] For instance, third party services logistics and irrigation to agricultural clusters or common industrial services for industrial clusters such as leather.

is quasi-equity financing for investments in clusters of common services and productive assets to fill key gaps in the value chains resulting from coordination and information failures as well as reduce risk and cost of entry. The action plan could also put in place PPPs (with the support of Result Area 4) to provide common and specialized infrastructure (public or club goods) needed for the value chains to perform effectively, increase the quantity and value of exports and ultimately create jobs.

Result Area 2: Technology Adoption

36. **The technology adoption area will aim to address key obstacles to technology adoption, namely lack of financing, lack of capabilities and lack of demand and related uncertainties.** The rationale for this support is to help MSMEs overcome the fixed cost of accessing better technologies and management skills in the absence of an immediate market driver. The matching grants will be administered by ADEPME and subsidize TA to improve general business functions and adopt new technologies aiming at improving firms' productivity. They may be complemented with financing from implementing entities of the program in the form of (guaranteed) loans or equity investments to acquire hardware and software technologies either digital or other types of technology (agricultural, industrial, and logistical).

37. **The matching grants will be available to MSMEs and groups or associations of MSMEs and will be provided through four windows**. They will function in synergy with the competitiveness and with the access to finance (and potentially the PPP) results areas to provide a comprehensive and compounded impact on MSMEs. The four windows are as follows:

a. **The General Business Functions window** (also currently called the Standard Window): This window will subsidize acquisition of TA and training to strengthen MSMEs key general business functions (listed in the Technical Annex). These could be (i) managerial digital tools and training; (ii) adoption of better accounting practices, including the adoption of the West African SYSCOA accounting standards, which enable a firm to be labeled formal in Senegal; (iii) marketing training to adopt e-commerce and digital marketing; and (iv) adoption of digital payments. One already identified activity in this pipeline is the support to MFI in acquiring better risk-management practices with the ultimate goal of reducing their costs and interest rates.[36] This window includes TA for financing and investment readiness whereby MSMEs are supported through TA to build their business plan and business case for bank financing and obtaining PCGs or equity investments from investments funds. This support will be provided in synergy with access to finance interventions of the PforR.

b. **The Technology and Innovation window**: This window will subsidize TA – i.e., technological extension services – for the adoption of technologies to upgrade MSMEs' productivity, product quality, differentiate their products, and access new and more lucrative markets including export markets. TA under this window will support (among others) (i) access to digital technologies to optimize production processes, adopt e-payment, e-commerce and e-marketing; (ii) testing capabilities to improve product quality; (iii) management of modern irrigation systems; and (iv) post-harvest handling practices in agriculture.

c. **The Export window:** This window will use the existing window at ADEPME and build on the support provided by the ongoing World Bank Senegal Tourism and Enterprise Development Project

[36] There are 100 MFIs in Senegal.

(P146469). It will subsidize TA to enable access to export markets such as market prospection, marketing and advertising, and access to certification.

d. **The Micro-enterprises window:** The creation of this window stems from the realization that micro enterprises had been hardest hit by the COVID-19 crisis and did not benefit from much government support (see Box 1). In Senegal, micro enterprises are defined as having a yearly revenue under CFAF 6 million. The Government has requested that special attention be paid to this type of businesses and support be earmarked to them. Beneficiaries will access the types of support offered by the other windows as well as additional support in terms of regulatory compliance, business registration and the acquisition of business licenses as these firms are mostly informal.

38. **The matching grants will be open to formal and informal firms and will have no condition of firm size- except for the Micro-enterprises window.** However, the Micro-enterprise window, which is firm-size-based, should not distort support to smaller firms and limit their growth since there are three other well-endowed windows that provide similar and larger-scale support. In Senegal, firms without the standardized SYSCOA[37] accounting system are considered informal even if they have all their registrations and they pay their taxes. For instance, there is a reservoir of firms above five employees that are considered informal according to this definition but employ 20 percent of workers and represent 4 percent of sales. This group of firms is on average seven times less productive than fully formal ones and deserves support to increase their productivity and product quality. They could also be supported in digitizing their processes and payments and adopting better accounting systems, including the SYSCOA standard. For instance, for the adoption of digital management tools, e-payment, e-commerce and more specialized digital applications for different stages in the selected value chains to improve productivity will be supported.[38] One of the uses of the matching grants could be the digitization of the back-office functions of micro-finance institutions to make them more efficient. Eligibility criteria and matching grants modalities will be defined in the operations manual. In agriculture, most enterprises are considered informal in the official definition but can be supported by the matching grants.

39. **To measure the impact of this intervention, the Firm Adoption of Technology (FAT) Index will be used before and after improving MSME business functions and access to technologies**. The indicator will use the intensive margin side of the indicator (see Technical Assessment for details) as it represents the intensity of technology use and not just its availability at the firm level. The improvement in the intensive margin of the FAT will constitute a disbursement-linked indicator (DLI). The extensive margin of the FAT, which measures the spectrum of technologies available to the firm, will also be measured for monitoring purposes as an intermediate results indicator.

40. **The implementation of the matching grant intervention will follow a staged approach**. It will start with a detailed diagnostic and benchmark based on cutting-edge instruments that will allow the firm to understand where it stands in terms of managerial practices and technology adoption. This process will benefit from an existing firm-level database collected for Senegal and across countries that would allow

[37] Part of OHADA (Harmonisation of Business Law in Africa).

[38] Specific internal-to-the-firm general business functions (such as production planning and quality control for larger firms and inventory control and point-of-sales software for micro-sized informal firms) are associated with higher levels of jobs and higher jobs growth than external-to-the-firm general business functions (such upstream sourcing and downstream marketing, among others) since the latter require more widespread ecosystem adoption of these digital tools. However, Senegal firms are lagging on both technologies to perform these general business functions as well as sector-specific business functions in agriculture and other value chains, thus requiring a support mix of both. On larger firms, see Cirera, Comin, Cruz and Lee (2020); on micro-sized informal firms, see Atiyas and Dutz (2020).

for a detailed benchmarking of firms. This activity will offer a digital platform to allow entrepreneurs and managers to have a clear perspective on where the firm stands in terms of technology adoption and managerial practices. The detailed diagnostic process will be combined with business training tools aiming to improve managerial practices and provide TA on technology availability, implementation, and cost-benefit analysis. To reduce the cost of implementation, this activity will experiment with the use of digital tools and consulting based on groups of firms with similar characteristics and operating in similar environments.[39] The detailed implementation modalities including the size of subsidies per type of window and type of support will be stated in the operational manual. These modalities will be guided by the priorities set by the Competitiveness taskforce and will be updated as necessary while learning from Program implementation (this is a lesson learned from implementation of several matching grants projects).[40] This will provide flexibility in terms of implementation over the course of the Program lifecycle.

Result Area 3: Access to finance

41. **The access to finance results area will aim to remove the most severe constraints for MSMEs.** The PforR will address two issues:

a. Access to credit for MSMEs through better corporate governance rules to be implemented by the national risk-sharing mechanism (FONGIP) and incentivizing broader MSME credit penetration, through the enhancement of FOGADEV's microfinance, standard and medium-term windows, and the creation and capitalization of exporting companies guarantee fund (*Fonds de Garantie aux Entreprises Exportatrices,* FOGAREX).

b. Access to medium- and long-term finance for SMEs. The program will support the Government's efforts to mobilize private investors geared toward the financing of SMEs (through the Hybrid SME Acceleration Fund hosted by FONSIS, the sovereign wealth fund), the establishment and the capitalization of an SME technical assistance fund; and the establishment and the capitalization of a Fund Sponsoring Company dedicated to the promotion of the Hybrid SME Acceleration Fund and other hybrid funds.

Risk-sharing mechanism: Partial credit guarantees

42. **Designed to be a natural partner of financial institutions and a driver to boost credit to the economy (mainly MSME and housing finance), FONGIP has had very limited activities so far**. The thin capitalization and the cash collateral-based guarantee technique have been the main impediments limiting the interest of the banking sector in FONGIP's guarantee schemes. Concretely, this lack of appetite translates into: (i) banks demanding that the guarantees be made of cash booked in their balance sheet (while the practice, observed globally, implies that PCGs keep their resources within their books and commit to pay out partner financial institutions in case of borrower default); and (ii) limited leverage ratios, that is, the size of loan portfolios guaranteed by a given amount of cash collateralized. These leverage ratios span from 1 to 3 depending on the level of trust witnessed by the partner financial institutions (where well-run PCGs can obtain leverage ratios exceeding 7 or 8). To remedy these issues, FONGIP will benefit from the TA of Credit Institute for Reconstruction (*Kreditanstalt für Wiederaufbau,*

[39] Evidence on business training focusing on improving business practices for SMEs across countries suggests an average impact of 10 percent on profits but significant heterogeneity. McKenzie, D. (2020) *Small Business Training to Improve Management Practices in Developing Countries*. Policy Research Working Paper, 9408. World Bank.
[40] World Bank. 2016. How to Make Grants a Better Match for Private Sector Development. World Bank.

KfW) and the Savings and Loans Bank (*Cassa Depositi e Prestiti,* CDP). TA activities will include support to upgrade FONGIP's governance, risk management, audit and technical skills. In the medium to long run, as a result of these transformations, FONGIP will seek a more favorable regulatory treatment from the BCEAO (and be assimilated, if possible, to a sovereign counterpart) in order to decrease the risk weighted asset calculation for banks and increase the leverage ratios.

43. **To make access to finance easier for MSMEs, the Program will aim at: (i) supporting FONGIP's corporate governance improvements; and (ii) incentivizing broader MSMEs credit penetration (including toward women-led business and export sector).**

a. **Governance reforms.** FONGIP has a board of directors consisting of 13 members who are representatives of different ministries (finance, agriculture, handicraft, vocational training, industry), the Union of Chambers of Commerce, the Union of Trade Associations, and banking and microfinance associations. It has no independent board members or board-level committees usually established in trustworthy financial institutions and chaired by independent directors. Moreover, FONGIP is not regulated by the Central Bank and does not allow partner financial institutions to oversee the functioning and management of the guarantee funds it operates. To address these issues, FONGIP will appoint four independent members and give the possibility to create different board-level committees. The first committees to be created will be the Audit Committee and the Risk Committee (both to be chaired by one of the independent directors). FONGIP will also be supervised by a Steering Sub-Committee (as part of the Steering Committee) in addition to its own board (under discussion). This Steering Committee will be composed of representatives of the Ministry of Finance and Budget (*Ministère des Finances et du Budget,* MFB), the MEPC and, most importantly, banks and MFIs. FONGIP will report to this Committee on a range of qualitative and quantitative financial data including on solvency, liquidity and credit risk concentration. These corporate governance improvements will be supported by DLIs and disbursement-linked results (DLRs). KfW and CDP will support FONGIP's transformation thanks to a TA program (as captured in the PAP).

b. **Increase of MSME credit penetration.** The Program will incentivize FONGIP in its effort to increase the size of the existing MSME credit development guarantee fund (*Fonds de Garantie pour le Développement,* FOGADEV) and create a new exporting companies guarantee fund (FOGAREX) to support the expansion of credit to exporters. The first fund was launched in 2014 and is currently fully committed. Its initial capitalization was US$25 million and currently guarantees US$48 million in loans to 1,102 MSMEs. A total of 13 banks and four MFIs are benefiting from FOGADEV. The non-performing loan (NPL) ratio of the credit portfolio guaranteed by FOGADEV reached 5.7 percent in 2020. To achieve higher credit-penetration objectives within the framework of PAP/AA, the Government will increase the size of three distinct windows: (1) the microfinance window, which will provide portfolio guarantees to eligible MFIs; (2) the standard window, to guarantee classical loans for working capital; and (3) the medium-term window to guarantee medium-term loans, a type of offer currently lacking in the market Specific DLIs will incentive FONGIP in its effort to reach out to more MSMEs (including women-led MSMEs and export firms).

Supporting access to long-term finance through the Hybrid SME Acceleration Fund

44. **This program will support the Government in its effort to establish and execute a US$100-million Hybrid SME Acceleration Fund**. The program will support the innovative Government approach to mobilize private funds for the financing of SMEs through the establishment of an SME fund that attracts private investors in a 51/49 percent partnership (the public part being funded by FONSIS). The innovation resides in the fact that the Hybrid SME Acceleration fund will be managed by a private fund manager hired internationally. The establishment of this fund will also be financially and technically supported by KfW (see Box 2 on the contemplated design of the Fund). To ensure success, the Fund will establish a US$5-million TA window to support SMEs targeted by the Fund. The DLI designed for this sub-result area will incentivize the Government in its efforts to maximize the participation of private investors in the hybrid fund.

45. **The overall development objective of the Fund is to improve access by SMEs to long-term finance.** The intermediary development objective is to support the development of the venture capital fund industry in Senegal. The Fund will invest as minority equity or quasi-equity in SMEs. The SME fund will aim at developing a pipeline composed of at least 25 percent of women-led SMEs.

Box 2: Contemplated design for the Hybrid SME Acceleration Fund

During Program preparation, the Government, KfW and the World Bank agreed that:

1. Fund general partners (GP) will include the Fund sponsoring company (a 100-percent FONSIS subsidiary) and a competitively selected private fund management company. The selected fund management company will be licensed as an alternative investment fund manager (AIFM) domiciled in an EU Member State (or any suitable alternative) and will hold an EU Alternative Investment Fund (AIF) marketing passport. It will establish a subsidiary in Dakar, where the bulk of the fund management team will reside.
2. Fund limited partners (LPs) will include FONSIS as minority LP (before the end of the program) and domestic and international institutional and private investors, including the private arms of international and bilateral financial institutions as majority LPs. A Feeder Fund registered in the EU domicile will pool funding from international investors. A Domestic Fund registered in Dakar will pool funding from domestic and international institutional and private investors and receive transfers from the Feeder Fund.
3. The Governance structure of the Fund will consist of an Advisory Committee (AC), an Investment Committee (IC), the Fund manager, and the Fund sponsor:
    a. The AC will be composed of representatives from the LPs. It will be responsible for the Fund investment strategy, Fund monitoring, audit and reporting. In particular, it will be responsible for establishing and implementing a conflict-of-interest policy that will ensure: (i) strict independence between members of the IC and staff of the Fund management company from the Government and its agencies, FONSIS, and Fund AC members; and (ii) strict independence between investee companies' beneficial owners and key staff (Chief Executive Officer (CEO) and Directors) from the Government and its agencies, FONSIS, Fund AC and IC members, and staff of the Fund management company. The AC will have no responsibility for individual Fund investments and exit decisions. In accordance with the Santiago principles, FONSIS will be granted veto for IC decisions that may be contrary to Government's investment policies or the applicable five-year economic program
    b. The IC will be composed exclusively of independent experts from the private sector selected through open international competition based on transparent criteria. The IC will be solely responsible for all Fund investment and exit decisions.
    c. The private Fund management company will be competitively selected through open international competition based on transparent criteria. It will be responsible for launching the Fund, executing investment and exit decisions approved by the IC, and monitoring investee companies' performance.

Result Area 4: Public-Private Partnerships (PPP)

46. **The PPP results area will focus on building the institutional capacity to enable the Government to operationalize its PPP program and bring to market well-structured projects that meet priority investment needs.** This component will build on a new legal framework for PPPs in the shape of a new PPP Law and a set of implementing decrees. The PPP Law was adopted unanimously by the National Assembly on February 22, 2021 and promulgated on March 3, 2021, while the decrees are currently being finalized. These legal reforms are being supported by the World Bank through TA and a DPO under preparation.

47. **This results area will support two core elements of the institutional structure for PPP that have been introduced in the PPP Law and Decrees—namely, operationalization of a National PPP Support Unit (*Unité Nationale d'Appui aux PPP,* UNAPPP) and PPP Support Fund (*Fonds d'appui aux PPP,* FAPPP)**. It will also capture the initial steps in rolling out the PPP program in practice through the development of an initial pipeline of PPPs and preparation of first-mover projects. The PPP Unit will play a key role in implementing PPPs as a source of technical expertise to support contracting authorities, quality control at key points in the PPP process, and as a central repository of information on the PPP program and pipeline. The PPP Unit is expected to consist of a group of PPP experts attached to MEPC as the responsible Ministry for the PPP program. A plan for operationalizing the PPP unit is being prepared under ongoing WBG TA.[41] This will include appointing a coordinator and hiring key staff members according to the PPP unit's staffing plan, issuing appropriate guidance material needed to support its operations by clarifying the requirements and providing guidance on the preparation of PPP projects, and establishing an online portal to facilitate the publication by the PPP Unit of key program and pipeline information.

48. **The PPP FAPPP will provide dedicated resources to enable line ministries and other contracting authorities to access high-quality advisory services or other support needed to develop successful PPPs**. Proposed institutional arrangements are being developed under on-going WBG TA support. A dedicated account under the control of MEPC will be established with its own auditing and reporting arrangements. The governance structure of this fund will be embedded in the governance structure of the PPP program as a whole. An initial capitalization of US$1 million is proposed and a total capitalization of US$10 million that will support the preparation of an initial set of approximately at least three PPP projects. The Fund will aim to attract support from other development finance partners.

49. **Ultimately, this Results Area is expected to lead to the implementation of well-structured PPP projects that deliver on the priority infrastructure and services needed to support competitiveness and recovery.** An important step to this end is to identify a robust pipeline of PPP projects to ensure that resources are allocated to PPP preparation on a strategic basis for priority projects that are well-adapted to delivery as PPPs and help generate investor interest. The starting point for this pipeline will be taken from the PAP2, complemented by sector-level investment priorities and plans which may take into account recent shifts in priorities due to the ongoing COVID-19 crisis. These projects will be screened for their suitability for PPPs and the resultant proposed PPP list approved following the criteria and process set out in the PPP Law and Implementing Decree before being published on a suitable portal. This will include reviewing PAP2 investment priorities in the priority areas for competitiveness identified under Results Area 1 above. At least three of these projects are then expected to be prepared during the lifetime

[41] The component will be complemented by a broader process of capacity-building for both public and private stakeholders in the PPP program under the ongoing PPIAF-funded TA program.

of the program using the resources of the PPP Support Fund.

50. **The Program is designed in a way that ensures synergies between its results areas.** Typically, firms supported by the competitiveness initiative will also benefit from the financing instruments provided by the Program. Some firms outside the scope of the competitiveness initiative will also benefit from these instruments, typically firms applying for technical support to adopt technologies to digitize and improve their general business functions in response to COVID-19. Firms supported by the competitiveness initiative will benefit from the following levels of support:

a. The Competitiveness Reinforcement results area will remedy market failures along priority value chains, by identifying and coordinating the implementation of policy reforms, TA, financing, investments and investment incentives. This results area will be key for the coordination of the other result areas of the program.

b. The Technology Adoption results area will finance TA for financing readiness and investment readiness to have bankable MSMEs and investable projects and SMEs, adoption of good managerial practices, and the adoption of technologies for MSMEs.

c. The Access to Finance results area will guarantee loans for MSMEs to expand and acquire physical assets for technology adoption, typically medium-term loans as well as classical short-term loans for working capital. It will also do so through quasi-equity financing of SMEs with high growth potential (which could be key to the development of prioritized value chains). Those activities (equity or quasi-equity and loan guarantees) are also complementary to each other in that accessing a loan is often made easier for SMEs when their capital (through equity or quasi-equity) is strengthened.

d. The PPP results area will support the preparation of sound and sustainable PPP projects in support of the competitiveness component and other priorities of the wider government program.

Complementarities and synergies within the program

Table 4: Summary of Complementarities between PforR's Interventions

Firm	Firm	Stand-alone Firm	Firm part of a supported value chain	Whole economy
Competitiveness reinforcement			√	
Technology adoption	**Matching grant – General Business Function window**	√ (Response to COVID-19: e-commerce, e-payments, management, and financing readiness)	√	
	Matching grant – Technology and Innovation window (sector-specific)		√ (Grouped technical extension services)	
	Matching grant – Export		√	

	window			
Access to finance	**PCG**	√ (To pump financing into economy)	√	
	SME Fund		√	
PPPs			√ (Public or club goods for the value chain)	√ (Other public goods, priorities of the PAP/AA)

A. Program Development Objective(s) (PDO) and PDO-Level Results Indicators

51. The Program Development Objective (PDO) of this Program for Results (PforR) is to improve the competitiveness of selected value chains, MSMEs capabilities, and private sector investment in Senegal.

52. The PDO will be monitored through the following set of PDO-level indicators:

- Increasing in the total annual export value of one value chain in a geographical area-supported by the Competitiveness taskforce (percentage).
- Increasing the aggregate Firm-level Technology Adoption Index (intensive margin) for firms benefiting from matching grants (percentage):
  - Women-led businesses (percentage)
  - Youth-led business (percentage)
- Amount of banks' and MFIs' loans to MSMEs guaranteed by the FONGIP, FOGADEV and FOGAREX guarantee funds (amount, US$):
  - Women-led businesses (amount, US$)
  - Exports (amount, US$)
- Amount of private co-investments in investee-SMEs generated by the FONSIS SME Acceleration Fund (amount, US$)
  - Women-led business (amount, US$)
- Number of PPP transactions initiated (Requests for Proposals issued) for projects environmental and social (E&S) risks in Category 2 under the national risk categorization system with support from the PPP Support Fund.

D. DLI and Verification Protocols

53. **The DLIs are stated in Table 4. Their definition and verification protocols are detailed in Annex 1**. An independent verification agency (IVA) will be contracted by MEPC to verify the achievement of the Program's results. Some DLIs are quantitative and scalable and will disburse progressively while others are binary.

Table 5: Disbursement-linked Indicators

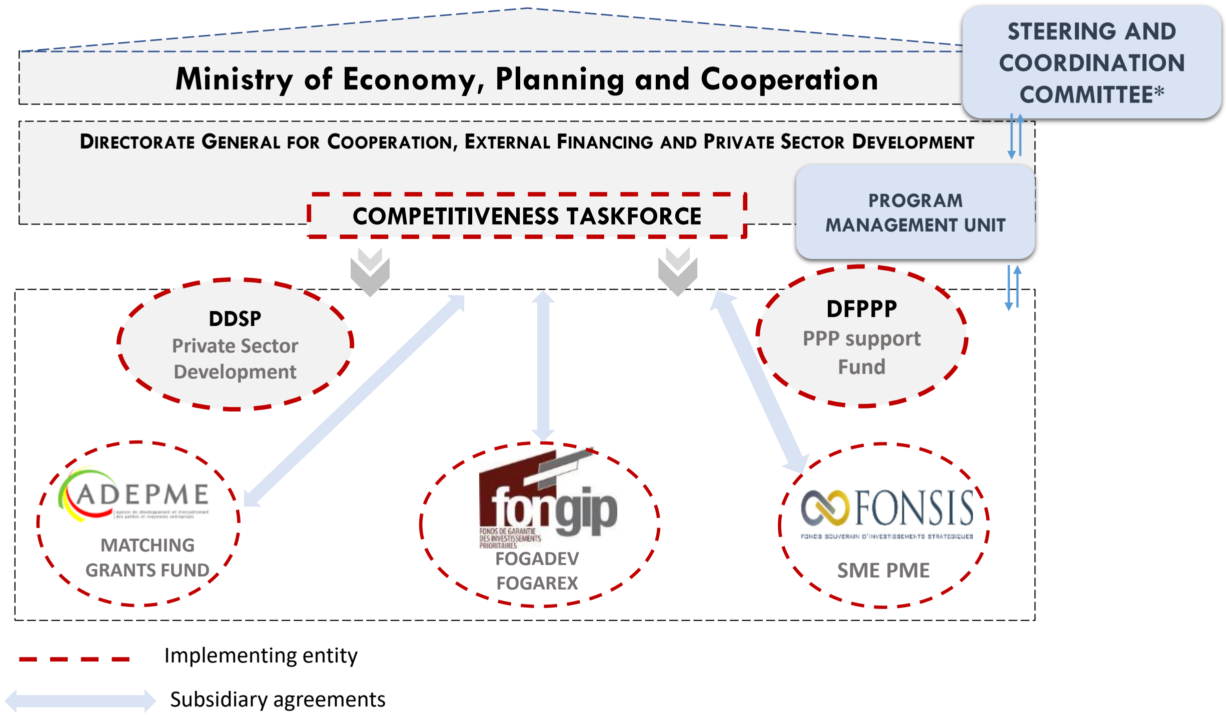
	Disbursement Linked Results (DLR)	Baseline	Target	Allocated amount (US$ million)
	Result Area 1: Competitiveness Reinforcement			
1	Six action plans relating to selected value chains in selected areas produced and communicated to the World Bank	0	6	4
1.1	The Competitiveness taskforce has established selection criteria of positive environmental impact for the screening of value chains and uses them to select all Actions Plans under DLR 1	No	Yes	2
1.2	Number of public-private dialogues conducted by the MEPC's Directorate for Private Sector Development including to improve value chains competitiveness, from a baseline of zero	0	20	2
1.3	Private sector development strategy produced to support the competitiveness of value chains with high potential for growth and job creation	No	Yes	1
	Result Area 2: Technology Adoption			
2	Increase in the aggregate TECH Adoption Index for beneficiaries	0	15%	5
3	Amount of support provided to MSMEs through matching grants and registered in ADEPME's database	9	US$29 million	15
3.1	Of which for women-led MSMEs.	2.4	US$9.4 million	4
	Result Area 3: Access to Finance			
4	Amount of banks' and MFIs' loans to MSMEs guaranteed by FOGADEV and FOGAREX and registered in FONGIP's database	US$50 million	US$150 million	25
4.1	Of which for women-led MSMEs.	US$2.5 million	US$32.5 million	8

4.2	Of which for exports	0	US$10 million	4
5	FOGADEV's average leverage ratio (i.e., the size of loans portfolios guaranteed by FOGADEV's capitalization) is greater than 3 at end of calendar year 2024	1.9	3	4
5.1	FONGIP has established by December 31, 2022, (i) an audit committee; (ii) an audit department; (iii) a risk management committee; and (vi) a risk management department, with (a) each committee being chaired by one different independent board member; and (b) both departments reporting to their respective committee, with adequate human, operational and financial resources, as further defined in the program operational manuals	No	Yes	8
5.2	FONGIP has transferred its lending activities by December 31, 2024 and focus on issuing guarantees.	No	Yes	1
6	Amount of private investments levied by the hybrid SME Acceleration Fund in a 51 percent-49 percent private-public split, respectively for each closing.	No	US$30 million	25
6.1	The share of women-led SMEs in the pipeline among those identified under DLR 6 is greater than 25 percent from the date of establishment of the Hybrid SME Acceleration Fund of July 1, 2024	No	Yes	4
	Result Area 4: PPP			
7	Number of PPP Requests for Proposals issued by the PPP Unit, -with an E&S risks of Category 2 under the national risk categorization system-and prepared with financial support from the PPP Fund	0	3	6
7.1	Establishment of PPP Support Fund, with minimum capitalization of US$1 million equivalent and PPP Support Fund operational manual prepared	No	Yes	3
7.2	An initial list of pipeline PPP projects has been approved and published, on the basis of the Recipient's identified investment priorities, and in accordance with criteria and requirements for PPP project identification under the Recipient's PPP law	No	Yes	4
	Total			**125**

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

Figure 5: the PforR Institutional Arrangements



* The steering and coordination committee includes: Ministry of Economy, Planning and Cooperation, Ministry of Finance and Budget, FONGIP, FONSIS, and ADEPME.

54. **The PforR will be implemented over a period of four years to June 30, 2025. Its implementation will be led by the MEPC.** The following entities will implement the four result areas of the Program:

a. The MEPC's Directorate General of Cooperation, External Financing, Private Sector Development and Partnerships, under which there are three entities:

  i. The Competitiveness Taskforce to be established by December 31, 2021 and its operations funded by the PforR;

  ii. The Directorate of Private Sector Development in charge of the private sector development strategy; and

  iii. The Directorate of PPPs, which comprises a PPP unit to be established by decree by September 30, 2021 to be financed by the PforR and a PPP Support Fund aiming at supporting pre-feasibility and feasibility studies of PPP projects.

  iv. A Program Implementation Unit, to be established by June 30, 2021.

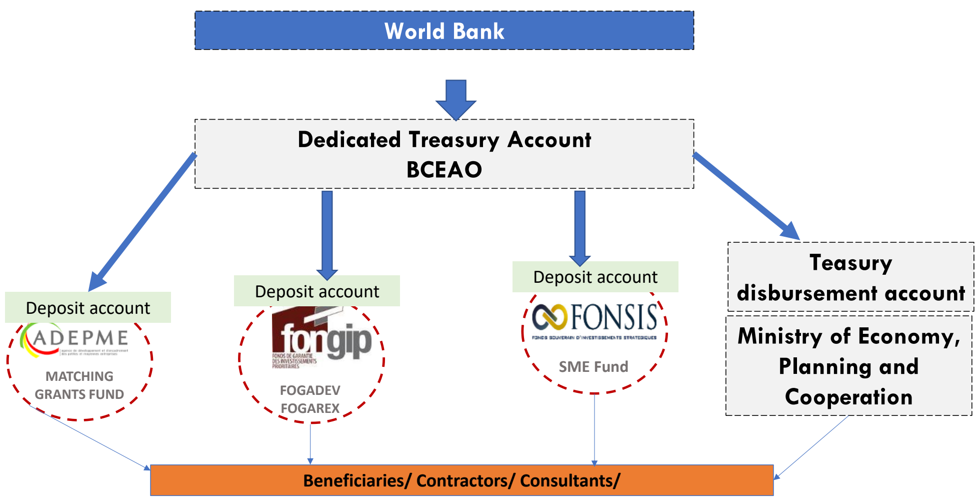
b. The SME Development agency ADEPME, which will administer a matching grants fund for MSMEs.

c. The SME Guarantee fund FOGADEV under FONGIP, which will operate its institutional transformation toward more accountable governance and more efficient operations. FOGADEV will guarantee MSMEs loans through three windows: microfinance, working capital, and medium-term financing.

d. The SME Acceleration Fund to be launched by the FONSIS Sovereign Fund.

55. **A Steering Committee involving MEPC, ADEPME, FONGIP and FONSIS as well as the MFB is being established to coordinate the program's implementation.** A Program Management Unit is also being established at MEPC to manage fiduciary and E&S issues. In addition to the financing agreement between IDA and MFB, subsidiary agreements will be signed between MEPC and ADEPME, FONGIP and FONSIS**.** These subsidiary agreements will transfer the obligation of meeting the Program's results as well as all the fiduciary and anti-corruption obligations to the three implementing agencies: ADEPME, FONGIP and FONSIS.

Figure 6: PforR Flow of Funds



56. **The amounts allocated to components and subcomponents of this PforR are flexible.** They can be modified during implementation depending on the recommendation of the MEPC Competitiveness Taskforce and the priorities it recommends for strengthening the competitiveness of key value chains.

57. **The Competitiveness Taskforce will be staffed and funded**. It will comprise current staff to be transferred to the Taskforce as well as additional consultants to reinforce the team. Its missions will be detailed in the operations manual, and its budget earmarked to finance its operational costs and the required expertise to analyze key value chains, conduct structured and inclusive public-private dialogues, and produce action plans. These action plans will aim at lifting bottlenecks and market failures and will include policy reforms and investment plans and incentive mechanisms for private investments.

58. **The PPP Unit and PPP Support Fund are expected to be created by September 30, 2021 under MEPC as part of its mandate to lead the PPP program**. Under the PPP law, the organization and functioning of both entities will be established by decree to complement the high-level description of the missions of both entities under the PPP law. In both cases. the specific institutional structure is yet to be defined with support from

ongoing WBG-financed TA. As regards the PPP Fund, governance structures will be developed that will closely reflect the governance of the overall PPP program to avoid institutional overlap or duplication; hence it is probable that the PPP Unit will have a role in operational management of the PPP Fund. As regards the PPP Fund, a detailed operations manual will be prepared, within three months after program effectiveness, to govern the use of resources, including criteria for the types of projects to be supported and minimum requirements for project preparation work for any PPP to be supported by the Fund, in particular with respect to adequate assessment of E&S risks.

59. **ADEPME has an adequate institutional capacity to administer the matching grants.** It is accustomed to managing matching grants for World Bank projects, for instance the current Senegal Tourism and Enterprise Development Project (P146469), and other donor projects (currently Developing Employment in Senegal with the EU and Succeeding in Senegal with German Cooperation Agency (*Deutsche Gesellschaft für Internationale Zusammenarbeit,* GIZ) and private sector support from African Development Bank (AfDB). Its current matching grant fund, which will be financed by this program, includes several windows: standard, regional, international, sectoral and innovation and technology that correspond to the support envisaged under the PforR.

60. **FONGIP**. Despite being recently established, FONGIP has already some technical capacity to implement guarantee funds in partnership with private sector financial institutions. During program implementation, it will benefit from institutional reforms supported by this PforR, thereby improving its governance and technical skills. The modernization process will be supported by several other donors (KfW, CDP, EU) through a comprehensive TA package. The PAP includes actions aiming at: (i) improving FONGIP's risk management; (ii) improving Monitoring and Evaluation (M&E) reporting; and (iii) implementing a Social and Environment Risk Management System. The action plans also provide for the development of an export credit guarantee product.

61. **FONSIS.** The implementation arrangements under this component will benefit from a specific form of partnership between FONSIS, as sovereign fund, and various private sector counterparts. Public proceeds (US$35 million) will be invested upfront by FONSIS in a special purpose vehicle (SPV) along with private sector investors whose proceeds will be levied in the following closings (following a 49-51 ownership agreement). The SPV will be managed by an internationally recruited fund manager while investment decisions will be made by an IE composed of private sector experts (and jointly appointed by FONSIS and the other institutional and private sector investors in the SPV.

Gender: Economic Opportunities for Women

62. **The PforR will benefit women through several channels**: sectoral, through the evident focus of the government program on agriculture, through aspects of (digital) technologies adoption and guarantees of a level playing field for women, and through an investment framework that favors women-led businesses. Support to women-led businesses tends to have a ripple effect on women employment as they tend to disproportionately hire more women than men (see detailed Theory of Change in the Technical Assessment Annex).

a. **The competitiveness component will focus on agricultural value chains**. This is a priority sector of the government program. Agricultural value chains, in particular horticulture, will be eligible among those to be reinforced. This will in turn disproportionately benefit women given their important involvement in agriculture through: (i) increased income for women currently working in agriculture; and (ii) the creation of new jobs in post-harvest handling of fruits and vegetables (washing, sorting, grading and packing). These jobs are overwhelmingly filled by women.

b. **The technology adoption component will support the adoption of technologies benefiting women.** In particular, support to switch to e-commerce[42] will disproportionately favor women and allow them to overcome the obstacles they face in terms of firm size and ability to be mobile and access to markets and business networks. Access to e-payments (another key business function) also favors women given that e-payment generates data on transactions, which can improve their access to credit. Besides, the matching window focusing on microenterprises is likely to serve a majority of women given their predominance in this segment of micro and informal firms.

c. **PCGs.** Women lack access to finance because they lack collateral, which is due to their limited ownership of physical assets. Therefore, providing PCGs should favor women and level the playing field for their access to financing.

d. **The SME Fund will have to have at least 25 percent of its pipeline comprising women-led businesses.** This ratio favors women-led businesses as they currently represent less than 17 percent of the SME segment of firms. This intermediate objective gives flexibility to the Fund to invest in the most promising SMEs while providing women-led SMEs with a chance to be considered in the investment pipeline.

63. **Definition of women-led businesses**: Women-led MSMEs will be defined as MSMEs that are either managed by women or have women as majority shareholders.

Citizen Engagement

64. **The competitiveness initiative will be systematically conducted through structured and inclusive public-private dialogues (see Competitiveness section and DLIs).** Through this process, private sector players, from microenterprises to large firms involved in the value chains, will be involved in the design of the competitiveness initiative. Their feedback on the issues they face will be collected, and they will be involved in designing action plans to transform their clusters towards better productivity and competitiveness. Besides, the instruments supported by this PforR (technology adoption and access to finance) will follow up on this inclusive dialogue by covering a large spectrum of firms from microenterprises to SMEs.

Climate Co-benefits

65. **The Program will have positive environmental impacts given that the value chains to be supported by the program will be screened and selected according to their positive environmental impact (DLI 1.1).** This means that not only will environmentally harmful products be excluded but the competitiveness support will aim for sustainable products and production methods addressed to markets requiring high environmental and social standards such as high-end European markets, for instance:

a. **In agriculture,** a key sector of the government program with a high growth, export, and poverty reduction potential, the program will provide support toward more sustainable value chains by shifting to sustainable crops (with less CO_2 impact, chemical pollution and water use) and reducing food waste. In this sector, support will focus on key missing links in the horticultural value chains for them to address high-value European markets such as putting in place incentives to improve post-harvest handling of fruits and vegetables and cold chain logistics as well as modernize irrigation systems. This in turn will lead to less food waste, more efficient refrigeration, less use of Chlorofluorocarbon (CFC), and rationalization of water use. The initiative could support the enforcement of climate and environment good practices

[42] in China's TaoBao, an e-commerce platform for SME, in which half of SMEs are women-led whereas their share is lower offline.

already required for agro products exported to European markets under GlobalGap and Board Resource Center (BRC) certifications. The initiative could also support the promotion of sustainable soil and water management in the horticulture sector (agroforestry, crop rotation). This would be key to improving climate change resilience.

b. **In tourism,** reducing the environmental footprint of tourism activities, while increasing revenue per tourist. Environmental practices will be favored given the high value added and differentiation versus competition of this market segment.

c. **As regards packaging, a new law prohibits plastic packaging that is used only once,** which will require local industry to transform itself toward more environmentally sustainable packaging, with the potential to export to other West African countries requiring the same environmental standards.

B. Results Monitoring and Evaluation (M&E)

66. **M&E will be performed by a Program Management Unit in the MEPC Directorate of Private Sector Development.** Quarterly reports will be produced with data collected from the several implementing entities including itself, the PPP unit, Competitiveness Taskforce, ADEPME, FONGIP and FONSIS. These quarterly reports will provide updates on the achievements of the PforR results framework, DLIs and PAP with the corresponding narratives. The results framework of the program is annexed in the Technical Assessment Summary.

C. Disbursement Arrangements

67. **The MEPC will administer the funds and allocate them to the several directorates and agencies based on their cash flow needs**. An advance of 25 percent of the credit amount will be made at Program effectiveness. This advance will allow the Program to initiate its activities and achieve its first results. All components of the PforR will require an advance. This advance will also mitigate the lack of funding due to the fiscal constraints brought by the COVID-19 crisis. No prior results are envisaged in this PforR. Details on DLIs and the details including scalability are provided in Annex 1.

D. Capacity Building

68. **The Competitiveness Taskforce will be trained and coached to perform its missions through Recipient-executed activities during the four years of the program with the goal of building in-house capacity** in terms of value chains analysis, public-private dialogues to strengthen value chains competitiveness, and coordination of reforms with other agencies and line ministries.

69. **The PAP includes actions aiming at improving ADEPME's institutional performance**: Better staffing ADEPME's Project-appraisal and M&E functions and to ensure better reporting as well as grievance redress mechanisms (GRM) for MSMEs. Besides, the current World Bank Tourism and Enterprise Development Project (P146469) is providing support to some of these mechanisms. Donor projects are also providing TA (EU and GIZ).

70. **The PAP includes actions aiming at improving FONGIP's institutional performance and technical skills**. This will be supported through TA from KfW, CDP (Italian Cooperation) and the EU. The TA activities will include support to upgrade FONGIP's governance and technical skills, including risk management, export credit guarantee products, financial and prudential reporting, M&E reporting, and social and environment risk management system. The full list of TA activities is currently under discussion between FONGIP and the donors.

In the medium to long run, as a result of these transformations, FONGIP will apply to be assimilated, if possible, to a sovereign counterpart (State of Senegal) in order to decrease the risk-weighted asset calculation for banks and increase leverage ratios.

71. **FONSIS. The PforR includes milestone reforms in the PAP and DLIs which support a modern and efficient institutional setting for the SME Acceleration Fund**. TA from the German cooperation KfW will be out in place.

72. **The PPP Unit and PPP Support Fund will be supported through a World Bank-executed Public-Private Infrastructure Advisory Facility (PPIAF)-funded TA.** The success of the program will depend on effective coordination with other central ministries and entities, particularly various parts of the MFB on managing the fiscal implications of PPPs, and on strong leadership of line ministries and other public entities as contracting authorities tasked with identifying and managing the preparation of PPP projects, which will require investment in building capacity across the board. It is also expected that capacity building will be needed in all entities managing E&S risks and impacts related to their domain of intervention.

IV. ASSESSMENT SUMMARY

A. Technical Assessment (including program economic evaluation)

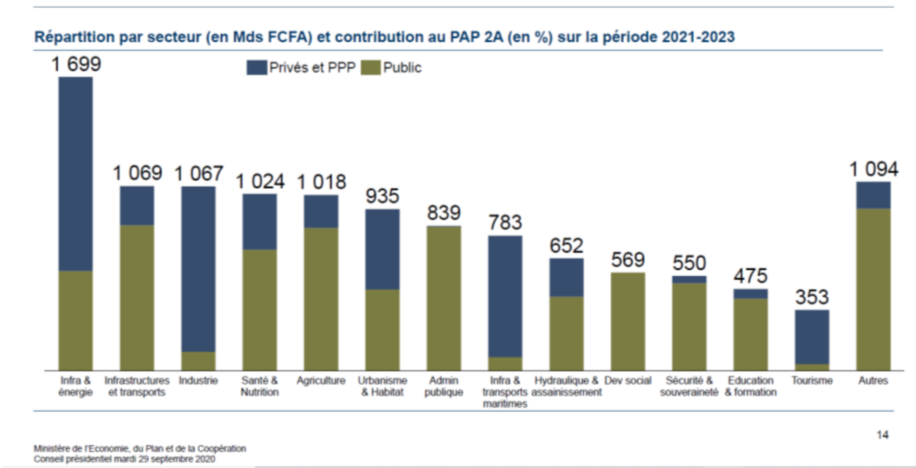
73. The technical assessment focuses on confirming the sound analytical underpinning of the Program, technical soundness of MEPC, ADEPME, FONSIS and FONGIP against a set of key criteria, as well as other implementation arrangements in place under the operation. The assessment is summarized in Annex 3 and detailed in the Technical Assessment Addendum.

Borrower's Commitment to the Program.

74. **The government program supported by this PforR (Accelerating Competitiveness and Job Creation Program) is a subset of Pillar 1 of the PAP-AA, which implements the PSE) initiated in 2012**. The PAP/AA was issued on September 5, 2020 and approved in the Presidential Council of September 29, 2020. This ambitious development program aims to improve infrastructure, achieve economic reforms, increase investment in strategic sectors, and strengthen the competitiveness of the private sector. The PAP-AA has been designed as a two-year program but it will be updated and extended beyond 2023 as its goal is to implement the country development strategy.

75. **The expected outcomes of this new program include a rapid economic rebound in 2021 due to reforms and massive investments in the key sectors: agriculture, fishery and aquaculture, livestock, housing, pharmaceuticals, the digital economy and industry.** The expected growth rate from 2021 to 2023 is 8.7 percent and the poverty rate is expected to fall to 36.4 percent in 2023 down from 38 percent in 2018. The PAP/AA document states that the COVID-19 crisis has brought new challenges related to the need for abundant, resilient and quality agriculture, inclusive health, a performing education system, a strong local private sector, stronger social protection and digital transformation.

Figure 7: Sectoral Split of the Government Program (PAP-AA)



Source: Extract from the presentation of the MEPC to the Presidential Council of September 29, 2020.

76. **The Accelerating Competitiveness and Job Creation program financed by this PforR has been designed by the MEPC and presented to the Council of Ministers in February 2021.** It is a four-year program that is a subset of the PAP-AA in terms of scope but with a longer horizon. It is a tighter platform for a rapid economic rebound and a focus on priority sectors through competitiveness and productivity enhancement, access to finance and PPPs. The Accelerating Competitiveness and Job Creation Program was presented by the MEPC to the Council of Ministers on February 10, 2021, and subsequently to development partners to mobilize parallel financing for this PforR.

Expenditure Framework

77. **The World Bank is the first development partner to commit to finance the program**. Discussions are ongoing between the Government and KfW, the European Investment Bank, World Bank and the AfDB to mobilize funding for the rest of the program in addition to internal resources. Given the strategic importance of this Program and PAP/AA overall for the economic recovery of the country and its social stability, the Government is committed to ensure its adequate funding.

78. **The government program has been approved recently and will be reflected in the updated budget law and the multi-year budget programming documents**. The inclusion of the government program in the multi-annual budgetary document of the MEPC is stated as an action of the PforR Program Action Plan, along with other corrective actions stemming from the Fiduciary Systems Assessment (MEPC updates the Multi-Annual Spending Plan Document to include the government Program "Accelerating Growth and Job Creation" by December 31, 2021). All entities financed by the PforR are under the purview of the MEPC except for the SME agency, which reports to the Ministry of Trade and SMEs.

79. **Nature of expenditures: These will finance mainly operational costs and no capital expenditures or risky activities from an E&S angle**. Result Area 1 will finance staff and their operational costs and consulting services; Results Area 2 will finance matching grants for TA to SMEs; Result Area 3 will finance guarantees and quasi-equity for SMEs, which will be screened for E&S risks; Result Area 4 will finance consulting services for feasibility studies for PPPs for non-socially and environmentally risky projects (details can be found in Table 5 in Annex 3). Given that these expenditures were not yet included in the budgetary process and documents, the

budget lines corresponding to operational costs were estimated. Once the detailed budget lines are stated in the budgetary document (see corresponding PAP action), these lines will be monitored and subject to regular audits.

80. **Four government entities will be eligible for financing under this PforR**. These were selected according to their respective mandates, their contribution to the PDO, and their eligibility as financial intermediaries. The expenditures under these entities contribute directly to economic transformation and job creation by financing activities geared toward improved competitiveness, technology adoption and productivity, business expansion through better financing and better structured PPP. Their roles are stated below:

Table 6: Expenditure Framework by Result Area

Result Area	Expenditure (in CFAF billions)	Expenditure (in US$ millions)
Competitiveness	4.00	9.0
Technology adoption	12.00	24.0
Access to finance	129.00	259.0
PPP	35.55	70.1
Total	181.05	362.1

81. **Fiscal sustainability. The macroeconomic framework provides an adequate basis for this operation.** The COVID-19 crisis has hit Senegal hard, but the Government has acted swiftly to mitigate the health and economic impact of the crisis. The rapid approval and implementation of the Economic and Social Resilience Program (PRES) and timely containment measures have helped to reduce the risk of a larger domestic outbreak. In parallel, the Government has introduced a set of fiscal, private sector, and social measures to mitigate the economic impact of the crisis. To bridge the financing gap created by the crisis, the Government has requested emergency support from the IMF, the World Bank and other partners. Growth is expected to gradually recover once the crisis recedes, driven by a gradual return of private consumption and hydrocarbon-related FDI. The Government is committed to meeting the 3 percent fiscal deficit WAEMU convergence criterion, including through the implementation of a Medium-Term Revenue Strategy and expenditure rationalization. Public debt is sustainable. Monetary policy remains prudent and anchored in a credible monetary union framework, while the fiscal and debt policies are anchored by the IMF Policy Coordination Instrument (PCI) Program (as discussed below).[43]

Economic Evaluation

82. **The cost-benefit analysis is based on Computable General Equilibrium (CGE) simulations estimating the net economic impact of the proposed interventions in terms of GDP growth with respect to the Business-as-usual Case Scenario without PforR.** The Global Trade Analysis Project (GTAP)-CGE model for Senegal uses the 2020 data as a baseline. By design, the baseline refers to the IMF projections for the Senegalese economy in 2020-2027 without this Program.

83. **As a results of the Program and its contribution to improving the competitiveness of selected value**

[43] Assessment of the macroeconomic framework provided by the country economist. Text based on the DPO Equitable and Resilient Recovery in Senegal (P172723).

chains, MSMEs capabilities, and private sector investment in Senegal, real GDP is estimated to increase by an additional 1.52 percent in 2020-2025 over the baseline, a 5.35 percent average annual increase in real GDP and 0.54 percent in 2026-2027 over the baseline, a 6.87 percent average annual increase in real GDP. In addition, the GDP shares of the transport, tourism, horticulture, and information and communication technology (ICT) sectors are likely to increase by around 6 and 8 percent, respectively, with positive spillovers across other sectors. Therefore, the cost-benefit ratio for this program is estimated at 3.23.

84. **Sensitivity analysis**. Risks pertain to: (i) delays in implementing the flagship reforms under PAP/AA; (ii) weaker than anticipated involvement by private firms in growth sectors; (iii) poor rainfall levels; (iv) a second wave of lockdowns in partner countries, particularly in the Eurozone, which could have a significant impact on activity in Senegal through a decline in external demand; (v) volatility in commodity prices, particularly those related to primary products and crude oil; and (vi) the security situation, which could deteriorate in some areas of the subregion. These would lead to slower growth for the Business-as-Usual scenario. As shown in the above list, model outputs regarding the PforR interventions related to the structural parameters of the economy would create similar benefits compared to the current or an alternative (weaker) Business-as-Usual growth path. Thus, the results of the economic analysis would still be a cost-benefit ratio around 3.

B. Fiduciary

85. **The fiduciary assessment was undertaken to evaluate the capacity of key implementing entities such as MEPC, FONGIP, FONSIS and ADEPME** to: (i) plan, record, control, and manage all program resources and produce timely and reliable information for stakeholders to monitor progress and make decisions; (ii) follow and monitor procurement rules and procedures, capacity, and procurement risks associated with the program; and (iii) ensure that implementation arrangements are adequate and fiduciary risks are reasonably mitigated.

86. **The review concludes that procurement and financial management (FM) systems capacities and performances are adequate to providing 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 for the achievement of the program development objectives. The fiduciary arrangements comply with the World Bank Policy and Directives on PforR.

87. **The implementing entities' public financial management (PFM) system has been strengthened through a series of reforms aiming at enhancing the regulatory and institutional framework and the integrated FM information system.** Following the adoption of WAEMU Directive No. 06/2009/CM/UEMOA dated June 26, 2009, Senegal passed multiples laws to strengthen the institutional framework of PFM by shifting toward a performance-based allocation of public expenditures with a program and results-based budgeting approach and the decentralization of commitment authority to line ministries. The existing body of laws and regulations was profoundly adapted in 2020 to reflect the reforms. Program budgeting is being gradually implemented with ten ministries including MEPC selected for the 2021 pilot phase before it becomes mandatory across all ministries. The new legal framework enables a more results-oriented approach to budget planning and execution. This comprehensive reform is expected to lead to: (i) the preparation of more realistic and sustainable multi-year budget forecast by programs; (ii) an adequate allocation of expenditures based on performance objectives; (iii) increased accountability of the principal commitment authorizers (line ministers and heads of other institution); (iv) effective supervision by the National Assembly of the execution of budget laws fostered by budget performance projects and reports by programs and ministries; and (v) ex-post controls to assess the effectiveness of management and performance. An Integrated Financial Management and Information System

(IFMIS) has been designed expressly to enable the implementation of the program-based budget approach within line ministries.

88. **The fiduciary risk for this operation is rated as Substantial**. The policy alignment and lack of realism of budget are still areas of persistent shortcomings that result in low budget execution or inadequate budget allocation to achieve the public policy objectives. In addition, unreliable procurement planning and weak contract management, inadequate cash flow forecasting for expenditure commitment, ineffective internal control systems and internal audit function characterized by lack of adequate financial and human resources are the main areas of concerns and risks to be addressed through a strong but selective PAP and the mitigation measures detailed below.

89. **The main mitigating measures and program action plan actions to address the fiduciary risks** include: (i) agreement on the multi-year program expenditures framework with the Government and reflect it in the Multi-year Budget Planning Document (MBPD); (ii) limiting the program expenditures framework annual budget deviance to +-3 percent; (iii) develop contract agreement framework and reinforcement of capacities and sensitizing of Planning and Contract Management, including classification and archiving procurement documents; (iv) recruitment of dedicated Procurement Specialists in each Contract Authority; (v) opening a separate and dedicated account in the National Treasury to receive funds that will flow from the World Bank; (vi) the National Treasury to appoint dedicated accountants to handle and report on payments made on the special account at the request of MEPC and other implementing agencies; (vii) appointing the financial controller and technical inspectors within the MEPC Internal Inspection and recruit a dedicated FM specialist; and (viii) elaborating a detailed fiduciary management procedures manual for the program.

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

C. Environmental and Social

91. **The proposed rating for social risks is Moderate and Substantial for environmental risks.** The PforR will support the Government's PAP/AA in agriculture, aquaculture, the digital economy, and industrial and logistical platforms. The environment risk rating is Substantial at this stage because of potential risks and impacts that can be induced by these sectors on the environment, forests, and soil. These potential risks and impacts need to be managed adequately. An Environmental and Social System Assessment (ESSA) prepared by the World Bank assessed the national framework (institutional, political) and proposed measures to enhance the capacity of managing risks that will be induced during program implementation by the country.

92. **The Program will support competitiveness reinforcement, access to technology and finance, and an enabling framework for PPPs through a combination of reforms and investments**. The Program is expecting to have considerable positive E&S impacts. However, negative risks and impacts are expected especially thanks to support to improving value chains' competitiveness, with agriculture and horticulture as priority sectors. The Program will incorporate measures to mitigate the possible negative environmental impact of these sectors. Negative environmental risks and impacts are also expected from PPP projects prepared under the program that will need to be managed.

93. **An ESSA has been prepared to assess Senegal's regulatory authority and organizational capacity to achieve E&S objectives and manage risks** against the range of E&S impacts that may be associated with the

proposed program. This assessment has been undertaken against a set of core principles set out in the Operational Policy on PforR (OP/BP 9.00).

94. **This draft ESSA includes the national consultations held with the key ministries and stakeholders**. Taking into consideration the COVID-19 context and related restrictive measures, consultations were held via email or online. The ESSA will be published at the national level and on the WBG external website.

95. **Grievance Redress Mechanism (GRM)**. Communities and individuals who believe that they are adversely affected as a result of a World Bank-supported PforR operation as defined by the applicable policy and procedures may submit grievances to the existing program GRM or the Bank's Grievance Redress Service (GRS). The GRS ensures that grievances received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their grievance to the Bank's independent Inspection Panel, which will determine whether harm occurred (or could occur) as a result of non-compliance with its WBG policies and procedures. Grievances 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 grievances to the World Bank Inspection Panel, please visit http://www.inspectionpanel.org

V. RISK

96. **The program risk is rated Substantial due to four risks being thus rated**: (**i) macroeconomic risk, (ii) institutional capacity for implementation and sustainability; (iii) technical design risk; (iv) fiduciary risk; and (v) environmental risk**. The institutional capacity for implementation and technical design involves several line ministries and agencies, requiring a strong coordination capacity and robust institutional arrangements. MEPC will coordinate the implementation of PAP2/AA and therefore of this program.

Macroeconomic risk

97. **Macroeconomic risks are substantial**. A key factor is the depth and duration of the COVID19 pandemic, the speed at which the vaccine is rolled-out (globally and locally), and the Government policies to mitigate and contain any further outbreaks and the spillover of these policies to the real economy. In an adverse scenario, tax revenues could remain low and social transfers to protect vulnerable households continue to increase. Consequently, the fiscal deficit would widen, larger financing needs will increase debt pressures, and additional and prolonged pressures on the external position would stem from lower tourism inflows, reduced external demand, and further reduction or delays in hydrocarbon related FDI inflows. Tighter than expected financial conditions in international markets and tensions in international trade may put pressure on financing the current account deficit. Senegal is also exposed to coastal erosion and climate shocks (floods, droughts, and associated health hazards) which could affect key sectors such as tourism and reduce agricultural productivity. Security concerns could have repercussions on investment and tourism.

98. **Mitigation measures**. Senegal continues to participate to the G20 debt service suspension initiative providing liquidity to the end of 2021. Strengthening of the debt management function and continued structural reforms to engage the private sector are ongoing. Senegal has also request a disbursing facility related to the ongoing IMF policy coordination instrument.

Technical design and institutional capacity

99. **MEPC-Competitiveness risk is Substantial**. MEPC's mandate as a coordinating ministry is new. The Directorate of Private Sector Development with the support of the Competitiveness Taskforce will have to embrace this new role, which will consist of instilling new competitiveness initiatives in cooperation with other line ministries and demonstrate its leadership and quality of the technical input.

100. **Mitigation measures.** The Competitiveness Taskforce will be trained and coached to perform its missions through Recipient-executed activities during the four years of the program with the goal of building in-house capacity in terms of value-chains analysis. The Directorate for Private Sector Development will be supported in holding public-private dialogues to strengthen value-chains competitiveness and coordination of reforms with other agencies and line ministries.

101. **MEPC-PPPs risk is Substantial**. There are significant risks associated with support to the PPP program, including: (i) Continued political commitment to use PPPs to meet priority investment needs as to date there has been a strong message of high-level political commitment to using PPPs; and (ii) Political commitment to pursuing PPPs in line with international good practices, including a commitment to competition and transparency. The track record in Senegal for governance of PPP-type projects is mixed. There have been positive experiences of competitive and transparent processes, but these sit alongside a history of direct negotiation with private project

proponents. The draft PPP Law establishes transparency and competition among its key principles. However, the extent to which these principles are followed through in the implementation of the program presents a risk to the achievement of this component's objectives and potentially a future reputational risk to the World Bank. The provision of adequate funding for project preparation through the PPP Fund itself will help reduce this risk by increasing capacity to prepare and run competitive transaction processes. As discussed above, sensitization and broad capacity-building will be a necessary complement.

102. **Mitigation measures.** TA by the World Bank will support and complement the establishment and operations of the PPP Unit and the PPP support fund and include broader sensitization and capacity building.

103. **ADEPME risk is Moderate**. The PforR allocates an amount of grants to be administered by ADEPME that is larger than previous World Bank or donor projects. ADEPMEs ability to manage the matching grants and respond to MSMEs demands in a timely and efficient manner could be at risk if appropriate flexibility and accountability mechanisms are not in place. However, ADEPME's experience in administering matching grants with several donors should be a good basis on which to build for this component.

104. **Mitigation measures.** The PAP includes actions aiming at better staffing ADEPME's Project appraisal and M&E functions and to ensure better reporting as well as GRMs for MSMEs. The current World Bank "Tourism and Enterprise Development" Project is providing support to some of these mechanisms. Donor projects are also providing TA (EU and GIZ).

105. **FONGIP risk is Substantial**. FONGIP will have to conduct a comprehensive modernization plan to improve its governance, the efficiency of its operations, and the impact of its guarantees. This should lead to a better leverage ratio, thus enabling it to guarantee more loans from banks and MFIs to the private sector. The PforR includes milestone reforms in the PAP and DLIs, which support such modernization plans. TA from development partners will be in place (German Cooperation – KfW and Italian Cooperation – CDP).

106. **FONSIS SME Fund risk is Moderate**. FONSIS has a strong track record regarding the creation and management of investment funds on behalf of the State. However, under PforR, the hybrid form of the contemplated investment vehicle FONSIS will invest in (to be transformed into a pure LP/GP contract as soon as the new regional Venture Capital and Private Equity regulation becomes effective) will be a novelty for FONSIS, which may translate into some operational difficulty during the implementation phase.

107. **Mitigation measures.** The governance characteristics of the fund should mitigate the risks related to its efficacy and accountability. TA by KfW will also be provided.

Fiduciary

108. **Fiduciary risk is Substantial**. The performance of the Senegalese PFM still does not ensure efficient service delivery. The policy alignment and lack of realism of budget remain areas of persistent shortcomings that result in unpredictable budget cuts, low budget execution, or inadequate budget allocation to achieve the policy objectives. In addition, PFM suffers from unreliable procurement planning and weak contract management, inadequate cash flow forecasting for expenditure commitment leading to delayed cash release and payment, and ineffective internal control systems and internal audit function characterized by lack of adequate financial and human resources.

109. **Mitigation measures.** The IFSA identified FM and procurement mitigation measures in order to meet World Bank minimum requirements. These are stated in the Program Action Plan. The Program will assist the Contract authorities to prepare development plans, including a framework agreement, and develop skills in the planning and monitoring of the plans. This will make it possible to prepare more realistic procurement performance management (PPM) adapted to the developmental needs of the PforR.

Social and Environmental Risk

110. **Environmental risk is Substantial and Social risk is Moderate.** The program is expected to have considerable positive E&S impacts. However, negative risks and impacts are expected especially given the support to improving value chain competitiveness, with agriculture and horticulture as priority sectors. Negative environmental risks and impacts are also expected from PPP projects prepared under the Program that will need to be managed. The Program prohibits land acquisition or resettlement on a scale or of a nature such that will have significant adverse impacts on affected populations or the use of forced evictions. However, given the strong advance of the urban front encroaching on agricultural land and given the strong potential for private investors to covet agricultural land, an acceleration of land transactions on a more or less large scale is to be feared, which could involve substantial risks for the program.

111. **Mitigation measures**. The Program incorporates measures in the PAP to mitigate the possible negative environmental impact of these sectors such as the recruitment of an E&S specialist, capacity building program for institutions and projects implementing agencies, and preparation of requested E&S risks and impacts management instruments. DLI 1.1 guarantees the selection of environmentally friendly value chains. PPP projects tracked under the Program will be limited to those presenting low to moderate E&S risks (Category 2 under the national risk classification system). The design of the PPP Support Fund will incorporate requirements around sound analysis and management of E&S risks to complement existing national regulatory requirements. As per the ESSA recommendation, a Technical Manual for Environmental and Social Risks and Impacts Management, including the obligation for implementing agencies to have in place an internal environmental and social risks and impacts management system, will be prepared and integrated in the operational manual, complying with both national environmental and social assessment procedures and the provisions of the World Bank policy on PforR.

ANNEX 1: RESULTS FRAMEWORK MATRIX

Results Framework
COUNTRY: Senegal
Senegal Jobs, Economic Transformation & Recovery Program

Program Development Objective(s)

Improve the competitiveness of selected value chains, MSMEs capabilities, and private sector investment in Senegal

Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	End Target
Improving Competitiveness			
Increase in the total annual export value of one value chain -in a geographical area-supported by the Competitiveness taskforce (Percentage)		0.00	10.00
Improving productivity and technology Adoption			
Increase in the aggregate Firm-level Technology Adoption Index (intensive margin) for firms benefitting from the matching grants (Percentage)	DLI 2	0.00	15.00
of which for women-led businesses (Percentage)		0.00	15.00
Of which for youth-led businesses (Percentage)		0.00	15.00
Improving access to finance			
Amount of banks' and MFIs' loans to MSMEs guaranteed by the		50,000,000.00	150,000,000.00

Indicator Name	DLI	Baseline	End Target
FONGIP's FOGADEV and FOGAEX guarantee funds (Amount(USD))			
Of which for women-led businesses (Amount(USD))		2,500,000.00	32,500,000.00
Of which for exports (Amount(USD))		0.00	10,000,000.00
Amount of private co-investments in investee-SMEs generated by the FONSIS SME acceleration fund (Amount(USD))	DLI 6	0.00	30,000,000.00
Of which in women-led businesses (Amount(USD))		0.00	7,500,000.00
Improving Public-Private Partnerships			
Number of PPP transactions initiated (Requests for Proposals issued) for projects with low E&S risks (category 2 under the national risk categorization system) with support from the PPP Support Fund (Number)	DLI 7	0.00	3.00

Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Improving Competitiveness						
The Competitiveness Taskforce is established at the Ministry of Economy, Planning and Cooperation, with at least 8 members. (Yes/No)		No				Yes
Number of value chains action plans produced by the Competitiveness Taskforce that use the PforR financing tools ADEPME matching grants or FONGIP guaranties and/or FONSIS investments (Number)		0.00				6.00
Number of public-private dialogues conducted by the Directorate for Private Sector Development including to improve value chains competitiveness (Number)	DLI 1.1	0.00				20.00
Improving Productivity and Technology Adoption						
Amount of additional private investments in technology adoption generated by the matching grant fund (Amount(USD))		0.00				2,000,000.00
of which by women-led businesses (Amount(USD))		0.00				600,000.00

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Number of MSMEs completing a technology project with the adoption of a specific technology (Number)		0.00				2,500.00
Of which women-led businesses (Number)		0.00				750.00
of which are digital technologies (Number)		0.00				1,000.00
Improving Access to Finance						
FONGIP's FOGADEV's NPL ratio every year (Percentage)		7.00	6.00	6.00	6.00	6.00
Share of First-time MSMEs borrowers covered by the FOGADEV guarantee scheme (Percentage)		13.00				30.00
The FONSIS SME Acceleration Fund adopts a governance structure based on a general partner/ limited partner framework (Yes/No)		No				Yes
Improving Public-Private Partnerships						
The PPP Unit is established and equipped with at least 3 qualified full-time staff (Yes/No)		No				Yes
The PPP Support Fund is established and capitalized with a minimum of $ 1 million and its operational manual prepared (Yes/No)		No				Yes

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Increase in the total annual export value of one value chain -in a geographical area-supported by the Competitiveness taskforce	Increase in the total annual export value of one value chain -in a geographical area-supported by the Competitiveness taskforce	At program end.	MEPC	The annual exports value in FCFA and USD of one value chain in a delimited geographical area will be measured before and after the competitiveness reinforcement process. For attribution purposes this increase will be compared to the increase in exports of similar value chains.	MEPC
Increase in the aggregate Firm-level Technology Adoption Index (intensive margin) for firms benefitting from the matching grants	The TECH Index measures the MSMEs adoption of technology i.e. either better general business functions of sectoral technologies. Details can be found in this academic publication https://cepr.org/active/publications/discussion_papers/dp.php?dpno=15427	At program's end with measurement occurring for each beneficiary of the matching grant, before and after the matching grant	ADEPME	The methodology for computing the TECH Index is detailed in this academic publication https://cepr.org/active/publications/discussion_papers/dp.php?dpno=15427	ADEPME

		interventio n.			
of which for women-led businesses					
Of which for youth-led businesses	Youth = under 35 years				
Amount of banks' and MFIs' loans to MSMEs guaranteed by the FONGIP's FOGADEV and FOGAEX guarantee funds	Amount of banks' and MFIs' loans to MSMEs guaranteed by the FONGIP's FOGADEV and FOGAEX guarantee funds in FCFA and UDS equivalent.	Quarterly	FONGIP's databases and reports of FONGIP	Access FONGIP's databases and reports of FONGIP to calculate the sum of loans guaranteed by the FOGADEV and FOGAREX guarantee funds, in USD equivalent.	FONGIP
Of which for women-led businesses					
Of which for exports					
Amount of private co-investments in investee-SMEs generated by the FONSIS SME acceleration fund	Total amount of paid-up capital (in the form of equity and quasi-equity) invested by the Hybrid SME Acceleration Fund (the part provided by the private Limited Partners only) and any other private investors complementing the Hybrid SME Acceleration Fund's investments in the targeted SMEs.	Each semester (calendar year)	Fonsis and investee-firms	No later than 1 month after the end of each semester, FONSIS will aggregate the amount of investment (see definition) made during that semester and add this amount to the amount computerized at the end of the prior semesters.	Fonsis
Of which in women-led businesses	Total amount of paid-up capital (in the form of equity and quasi-equity)	Each semester (calendar	Fonsis / investee-firms	No later than 1 month after the end of each semester, FONSIS will	Fonsis

	invested by the Hybrid SME Acceleration Fund (the part provided by the private Limited Partners only) and any other private investors complementing the Hybrid SME Acceleration Fund's investments in the women-led SMEs.	year)		aggregate the amount of investments (see definition) made during that semester and add this amount to the amount computerized at the end of the prior semesters.	
Number of PPP transactions initiated (Requests for Proposals issued) for projects with low E&S risks (category 2 under the national risk categorization system) with support from the PPP Support Fund	RFP documents submitted along with evaluation documents to demonstrate consistency of the project preparation with FAPPP requirements, including with respect to E&S assessment	At each issuance of the Request for Proposals.	MEPC	Collect TOR, the final evaluation prealable and a notification that the RFP has been issued.	MEPC

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Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
The Competitiveness Taskforce is established at the Ministry of Economy, Planning and Cooperation, with at least 8 members.					
Number of value chains action plans produced by the Competitiveness Taskforce that use the PforR financing tools ADEPME matching grants or FONGIP guaranties and/or FONSIS investments					
Number of public-private dialogues conducted by the Directorate for Private Sector Development including to improve value chains competitiveness	Public-private dialogues are meetings between MEPC and private sector stakeholders in particular sectors/value chains. They aim at collecting information and feedback from the private sector.	Quarterly	Meeting minutes, pictures of the meting and list of attendees.	Meeting minutes, pictures of the meting and list of attendees.	MEPC
Amount of additional private investments in technology adoption generated by the matching grant fund	MSMEs monetary contribution to acquiring new technologies with the support of the Matching Grants, starting at Program effectiveness.	Semestrial	ADEPME database	ADEPME database	ADEPME
of which by women-led businesses					
Number of MSMEs completing a technology project with the adoption of a specific technology	Number of MSMEs completing a technology project with the adoption	Semestrial	ADEPME database	ADEPME database	ADEPME

	of a specific technology with the support of the Matching Grants, since program effectiveness.				
Of which women-led businesses					
of which are digital technologies					
FONGIP's FOGADEV's NPL ratio every year	NPL: ration of non performing loans in the FOGADEV guarantee fund of FONGIP.	Every end of calendar year	FONGIP	FONGIP annual report	FONGIP
Share of First-time MSMEs borrowers covered by the FOGADEV guarantee scheme					
The FONSIS SME Acceleration Fund adopts a governance structure based on a general partner/ limited partner framework					
The PPP Unit is established and equipped with at least 3 qualified full-time staff					
The PPP Support Fund is established and capitalized with a minimum of $ 1 million and its operational manual prepared					

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DISBURSEMENT-LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

Disbursement Linked Indicators Matrix

DLI 1	Six (6) Action Plans relating to Selected Value Chains in Selected Areas, produced and communicated to the Association, from a baseline of zero			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Number	4,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	6.00		4,000,000.00	$666,667 disbursed for every value chain action plan produced from the baseline

DLI 1.1	The Competitiveness Taskforce has established selection criteria of positive environmental impact for the screening of value chains and has used them to select all Action Plans under DLR 1			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Process	No	Yes/No	2,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		2,000,000.00	$2m disbursed upon completion of the selection criteria and their use

				in each of the 6 action plans
DLI 1.2	Number of public-private dialogues conducted by MEPC's directorate for private sector development including to improve value chains competitiveness, from a baseline of zero			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Number	2,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	20.00		2,000,000.00	$100k disbursed for every public-private dialogue
DLI 1.3	Private sector development strategy produced to support the competitiveness of value chains with high potential for growth and job creation			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	1,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		1,000,000.00	$1m disbursed upon issuance of the strategy

DLI 2	15% increase in aggregate TECH Adoption Index for beneficiaries, between July 1, 2021 and December 31, 2024, from a baseline of zero			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Percentage	5,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	15.00		5,000,000.00	$333,334 disbursed for every 1% increase in the TECH adoption index from the baseline

DLI 3	EUR 24,708,000 of support provided to MSMEs through Matching Grants, and registered in ADEPME's database, from a baseline of EUR 7,668,000			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Amount(USD)	15,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	9,000,000.00			
July 1, 2021 to June 30, 2025	29,000,000.00		15,000,000.00	$1,500 disbursed for For each additional USD 2,000 support made from the baseline

DLI 3.1	EUR 8,008,800 of Matching Grants to Women-Led MSMEs among those identified under DLR 3 and registered in ADEPME's database, from a baseline of EUR 2,044,800			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	4,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	2,400,000.00			
July 1, 2021 to June 30, 2025	9,400,000.00		4,000,000.00	$4,000 disbursed for each additional $7,000 support made from the baseline

DLI 4	EUR 127,800,000 bank and microfinance loans guaranteed by and registered in FONGIP's database, from a baseline of EUR 42,600,000			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	25,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	50,000,000.00			
July 1, 2021 to June 30, 2025	150,000,000.00		25,000,000.00	$250 disbursed for each additional $1,000 guaranteed loan from the baseline

DLI 4.1	EUR 27,690,000 loans guaranteed for Women-Led MSMEs among those identified under DLR 4 and registered in FONGIP's database, from a baseline of EUR 2,130,000			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	8,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	2,500,000.00			
July 1, 2021 to June 30, 2025	32,500,000.00		8,000,000.00	$800 disbursed for each additional $3,000 guaranteed loan from the baseline

DLI 4.2	EUR 8,520,000 loans guaranteed for exports among those identified under DLR 4 and registered in FONGIP's database, from a baseline of zero			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	4,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	10,000,000.00		4,000,000.00	$2,500 disbursed for each additional $1000 guaranteed loan from the baseline

DLI 5	Greater than 3 Average Leverage Ratio by December 31, 2024, from a baseline of 1.9			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Number	4,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	1.90			
July 1, 2021 to June 30, 2025	3.00		4,000,000.00	$4m disbursed upon verification of the Average Leverage Ratio as measured on December 31, 2024

DLI 5.1	By 12/31/2022, FONGIP shall establish (i) an audit committee (ii) an audit department; and (iii) a risk management committee (vi) a risk management department, reporting to independent Board members			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Yes/No	8,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		8,000,000.00	$8m disbursed upon satisfaction of the full condition

DLI 5.2	FONGIP has transferred its lending activities by December 31, 2024, and focuses on issuing guarantees			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	1,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**

Baseline	No		
July 1, 2021 to June 30, 2025	Yes	1,000,000.00	$1m disbursed upon verification of the transfer of FONGIP's lending activities and focus on guarantee issuance by December 31, 2024

DLI 6	EUR 25,560,000 of private investments levied by Hybrid SME Acceleration Fund in a 51-49% private-public split respectively for each closing, from a baseline of zero EUR of private investment			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	25,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	30,000,000.00		25,000,000.00	$2,500 disbursed for each additional $13,000 such investment from the baseline

DLI 6.1	Share of Women-Led SMEs in the pipeline among those identified under DLR 6 is greater than 25% from the date of establishment of the Hybrid SME Acceleration Fund to July 1, 2024			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Yes/No	4,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		4,000,000.00	$4m disbursed upon the verification

			of this condition

DLI 7	Number of PPP transactions initiated (Requests for Proposals issued) for projects -with an E&S risks of category 2 under the national risk categorization system- with support from the PPP Fund			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Number	6,000,000.00	0.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 1, 2021 to June 30, 2025	3.00		6,000,000.00	$2m disbursed for each PPP transaction with low E&S risks initiated with support from the PPP support fund (see financing agreement)

DLI 7.1	Establishment of PPP Support Fund, with minimum capitalization of EUR 852,000 and PPP Support Fund operational manual prepared			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Process	No	Yes/No	3,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		3,000,000.00	$3m disbursed upon provision of (i) evidence of effective capitalization in dedicated account, and (ii) the final operational manual

DLI 7.2	An initial list of pipeline PPP projects is approved and published, selected from among identified investment priorities following the criteria and requirements of the PPP law and implementing decrees			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Yes/No	4,000,000.00	
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
July 1, 2021 to June 30, 2025	Yes		4,000,000.00	$4m disbursed upon upon provision of (i) the published pipeline, (ii) associated project documentation for each selected project

Verification Protocol Table: Disbursement Linked Indicators	
DLI 1	Six (6) Action Plans relating to Selected Value Chains in Selected Areas, produced and communicated to the Association, from a baseline of zero
Description	The action plans will have to follow these steps: i) preparation of the strategic segmentation study; ii) meetings with at least 20 cluster stakeholders; iii) the registration of beneficiaries in a database; iv) holding 3 public-private dialogues; v) a (virtual) reference trip to meet with advanced buyers and learn about advanced markets' requirements; and vi) organizing strategic and thematic working groups formed with cluster stakeholders to work on key action lines. The following deliverables be annexed to the action plans: i) Cluster description document, ii) Cluster stakeholders database, Strategic segmentation document, iii) PowerPoint presentations of the 3 public-private dialogues, iv) Documents describing the (virtual) reference trip to interview advanced buyers, v) Table of action lines. The action plans will refer to the instruments of the Program (matching grants, partial credit guarantees, SME mezzanine financing and PPPs) so maximize their use to improve value chains' competitiveness.
Data source/ Agency	MEPC
Verification Entity	The independent Verification Agency (IVA)
Procedure	The IVA will access the plans and check that they include the steps and elements described in the definition.
DLI 1.1	The Competitiveness Taskforce has established selection criteria of positive environmental impact for the screening of value chains and has used them to select all Action Plans under DLR 1
Description	The selection criteria of positive environmental impact for the selection of the value chains to be supported should focus on the identification of the strategic market segments to be addressed by the products or services under consideration. They will include environmental sustainability, including (but not limited to) the use of water, the use of soils, the use of more sustainable energy and inputs sources, food waste, deforestation, all types of pollution, and their long term consequences. These criteria will be stated in one document to which each value chain selection process will refer to, entirely.
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will verify the selection criteria for positive environmental impact to select supported value chains. The IVA will also verify the justifications provided to select the value chains to be supported and map them to the criteria.

DLI 1.2	Number of public-private dialogues conducted by MEPC's directorate for private sector development including to improve value chains competitiveness, from a baseline of zero
Description	Public-private dialogues are meetings between MEPC and private sector stakeholders in particular sectors/value chains. They aim at collecting information and feedback from the private sector
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will verify the public-private dialogues through the meeting minutes, pictures of the meeting, and list of attendees.

DLI 1.3	Private sector development strategy produced to support the competitiveness of value chains with high potential for growth and job creation
Description	The private sector strategy is a guidance document to be produced by MEPC's Directorate for Private Sector development. It will include operational guidance on support to value chains with high growth and job creation potential.
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will verify the issuance by MEPC and content of the private sector development strategy.

DLI 2	15% increase in aggregate TECH Adoption Index for beneficiaries, between July 1, 2021 and December 31, 2024, from a baseline of zero
Description	Percentage aggregate increase in the TECH adoption index between before and after the matching grant(s) intervention, for beneficiary-MSMEs. The indicator will be calculated on the intensive margin (intensity of use of technologies). Detailed calculations will be stated in the Program operations manual. An MSME can benefit from several matching grants interventions. The calculation will cover the period from July 1, 2021 to December 31, 2024.
Data source/ Agency	ADEPME
Verification Entity	IVA
Procedure	The IVA will access ADEPME beneficiaries' database and calculate the TECH index for each beneficiary of the PforR's matching grant administered by ADEPME. The definition of the TECH Index will be stated in the Project Operational Manual.

DLI 3	EUR 24,708,000 of support provided to MSMEs through Matching Grants, and registered in ADEPME's database, from a baseline of EUR 7,668,000
Description	Amount in USD that the beneficiaries of the PforR matching grants - administered by ADEPME- have spent on the technical assistance co-financed by the Matching grants.
Data source/ Agency	ADEPME
Verification Entity	IVA
Procedure	The IVA will access the Matching grants database of ADEPME and calculate the sum in USD equivalent that the matching grants' beneficiaries have spent on the technical assistance co-financed by the matching grant.
DLI 3.1	EUR 8,008,800 of Matching Grants to Women-Led MSMEs among those identified under DLR 3 and registered in ADEPME's database, from a baseline of EUR 2,044,800
Description	Amount in USD that the women-led beneficiaries of the PforR matching grants - administered by ADEPME- have spent on the technical assistance co-financed by the Matching grants.
Data source/ Agency	ADEPME
Verification Entity	IVA
Procedure	The IVA will access the Matching grants database of ADEPME and calculate the sum in USD equivalent that the women-led matching grants' beneficiaries have spent on the technical assistance co-financed by the matching grant.
DLI 4	EUR 127,800,000 bank and microfinance loans guaranteed by and registered in FONGIP's database, from a baseline of EUR 42,600,000
Description	The amount of banks' and MFIs' loans to MSMEs guaranteed by the FONGIP's FOGADEV and FOGAREX guarantee funds.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will access FONGIP's databases and reports of FONGIP to calculate the sum of loans guaranteed by the FOGADEV and FOGAREX guarantee funds, in USD equivalent.

DLI 4.1	EUR 27,690,000 loans guaranteed for Women-Led MSMEs among those identified under DLR 4 and registered in FONGIP's database, from a baseline of EUR 2,130,000
Description	Amount of banks' and MFIs' loans to women-led businesses guaranteed by the FONGIP's FOGADEV and FOGAREX guarantee funds, in USD equivalent.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will access FONGIP's databases and reports of FONGIP to calculate the sum of loans to women-led businesses guaranteed by the FOGADEV and FOGAREX guarantee funds, in USD equivalent.
DLI 4.2	EUR 8,520,000 loans guaranteed for exports among those identified under DLR 4 and registered in FONGIP's database, from a baseline of zero
Description	Amount of loans to MSMEs guaranteed by the FONGIP's FOGAREX guarantee funds for export activities.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will access FONGIP's databases and reports of FONGIP to calculate the sum of loans to women-led businesses guaranteed by the FOGAREX guarantee funds, in USD equivalent. FOGAREX is the export credit guarantee fund to be created by FONGIP.
DLI 5	Greater than 3 Average Leverage Ratio by December 31, 2024, from a baseline of 1.9
Description	The leverage ratio is the size of loans portfolios guaranteed by FOGADEV's guarantees divided by FOGADEV's guarantees granted as measured at the end of calendar year 2024, i.e during calendar year 2024. This leverage ration has to be greater than 3.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will access the database and annual report of the FONGIP for the year 2024 and calculate the FOGADEV's leverage ratio for that year.

DLI 5.1	By 12/31/2022, FONGIP shall establish (i) an audit committee (ii) an audit department; and (iii) a risk management committee (vi) a risk management department, reporting to independent Board members
Description	By December 31, 2022, FONGIP's Audit Committee, chaired by an independent board member, has been established and an Audit Department enjoying sufficient independence as well as adequate human (both in terms of number and qualification) operational and financial resources has been established. By December 31, 2022, FONGIP's risk Management Committee, chaired by another independent board member, has been established and a Risk Management Department enjoying sufficient independence as well as adequate human (both in terms of number and qualification) operational and financial resources has been established.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will verify the organigram and CVs of the Audit Committee and the Audit Department as well as their budgets. The IVA will verify the organigram and CVs of the Risk Management Committee and the Risk Management Department as well as their budgets.

DLI 5.2	FONGIP has transferred its lending activities by December 31, 2024, and focuses on issuing guarantees
Description	The balance sheet of FONGIP does not include lending activities.
Data source/ Agency	FONGIP
Verification Entity	IVA
Procedure	The IVA will access the balance sheet of FONSIS and verify that credit activities have exited the balance sheet (which de facto means that credit activities have stopped and/or have been transferred to another entity).

DLI 6	EUR 25,560,000 of private investments levied by Hybrid SME Acceleration Fund in a 51-49% private-public split respectively for each closing, from a baseline of zero EUR of private investment
Description	Amount of private funds levied with a share of private investors in the hybrid SME Accelerated Fund that is greater than 51% at any closing after the first one to be made between FONSIS with KfW.
Data source/ Agency	FONSIS

Verification Entity	IVA
Procedure	The IVA will verify the amount of private fund levied and verify that the share of private investors in the hybrid SME Accelerated Fund that is greater than 51% at any closing.
DLI 6.1	Share of Women-Led SMEs in the pipeline among those identified under DLR 6 is greater than 25% from the date of establishment of the Hybrid SME Acceleration Fund to July 1, 2024
Description	The share of women-led SMEs in the pipeline of the FONSIS SME Acceleration Fund from its establishment to July 1, 2024 is greater than 25%
Data source/ Agency	FONSIS
Verification Entity	IVA
Procedure	The IVA will verify the share of women-led SMEs in the pipeline of the FONSIS SME Acceleration Fund from its establishment to July 1, 2024.
DLI 7	Number of PPP transactions initiated (Requests for Proposals issued) for projects -with an E&S risks of category 2 under the national risk categorization system- with support from the PPP Fund
Description	E&S = Environmental and Social Notification received that RFP has been issued, and TOR and evaluation documents received to demonstrate consistency of the project preparation with FAPPP requirements, including with respect to E&S assessment.
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will verify the issuance by the MEPC's PPP Unit of Request for Proposals for PPP transaction. the IVA will also verify that these PPP projects has an environmental and social (E&S) risks of category 2 according to the national E&S risk framework. Evidenced includes (i) the terms of reference for project preparation work financed by the PPP Support Fund (ii) the relevant project evaluation documents including the environmental and social assessment, and (iii) the request for proposal package.

DLI 7.1	Establishment of PPP Support Fund, with minimum capitalization of EUR 852,000 and PPP Support Fund operational manual prepared
Description	The PPP support fund will benefit from an endowed with at least USD1million and its operational manual prepared
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will also verify the dedicated account of MEPC's budgetary documents to verify the endowment of the account with USD1million (proof of fund balance in dedicated account). The IVA will also verify and communicate the operation manual of the PPP support fund.

DLI 7.2	An initial list of pipeline PPP projects is approved and published, selected from among identified investment priorities following the criteria and requirements of the PPP law and implementing decrees
Description	List of PPP project under consideration in the pipeline.
Data source/ Agency	MEPC
Verification Entity	IVA
Procedure	The IVA will verify the PPP list provided along with project briefs, and documentation showing approval by inter-ministerial committee.

ANNEX 2: WORLD BANK GROUP PROGRAM ADJUSTMENT IN RESPONSE TO COVID-19 IN SENEGAL

April 2021

I. IMPACT OF THE COVID-19 PANDEMIC ON SENEGAL AND GOVERNMENT RESPONSE

1. **The COVID-19 pandemic has resulted in significant economic, fiscal and social repercussions for Senegal, which are threatening to reverse half of the last decade's poverty reduction.** The COVID-19 outbreak halted years of strong economic performance, with growth slowing from 4.4 percent in 2019 to an estimated 0.9 percent in 2020. Private consumption and investment were severely cut in the wake of the pandemic. Fiscal pressures have been aggravated, while services and export growth have slowed. The estimated fiscal deficit of 6.4 percent of GDP in 2020 reflects the attempt to accommodate the shock. International supply chain disruptions and weak global demand have weakened exports. Lower remittances and labor income losses have subdued private consumption. The current account deficit is estimated to have widened to around 11 percent of GDP in 2020. Public debt is estimated to have increased from 64.8 percent of GDP in 2019 to 68.9 percent in 2020.[44] However, Senegal's participation in the Debt Service Suspension Initiative (DSSI) provided short-term liquidity of 0.2 percent of GDP in 2020. Extension of DSSI through June 2021 could provide an additional 0.4 percent of GDP in debt service savings and up to 0.8 percent of GDP if extended to end 2021.

2. **COVID-19 impacts household welfare significantly.** A second stronger wave of COVID-19 cases is underway since late November 2020. As of April 25, 2021, there is a continued surge with the cumulative number of confirmed cases at 40,135 with 38,861 recoveries, 171 patients under treatment, 11 severe cases and 1,102 deaths. Senegal is ranked second in the highest number of cases and first in highest number of deaths due to COVID-19 in West Africa. All health districts have registered at least one case of COVID-19. COVID-19 vaccinations began on February 23, 2021 in Senegal and as of April 25, 2021, 398,941 doses have been administered. 2020 GDP per capita is expected to have contracted by 3.3 percent. Instead of falling by an additional 1.4 percentage points (pre-COVID-19 estimate), poverty incidence is likely to have increased to circa 39 percent in 2020, *reversing half of the progress in poverty reduction since 2011.* Similarly, extreme poverty is expected to have increased to 7.3 percent, up from 6.8 percent, equal to an additional 75,000 extreme poor. Food insecurity is also an issue. According to the September/October 2020 phone survey, seven out of ten households worry about not having enough to eat due to lack of resources or money. In addition, 19,525 children aged 4-11 and 9,293 youth aged 12-17 are likely to drop out of school in Senegal as a result of COVID-19.

3. **The GoS has taken decisive measures to mitigate the socio-economic impact of the pandemic.** On top of temporary, stringent containment measures, the Government is implementing a comprehensive support and recovery plan, the Economic and Social Resilience Programme (PRES). The main vehicle is a dedicated solidarity fund at Central Bank of Western African States (BCEAO), FORCE-COVID19. The objectives are to upgrade the health system and contain the economic fallout while providing targeted support to vulnerable households and firms.

4. **In addition, in response to the COVID crisis, the GoS issued a new version of the Priority Action Plan 2 - Adjusted and Accelerated (PAP2-AA) in September 2020.** This 2021-23 action plan aims to

[44] According to the January 2020 IMF Debt Sustainability Analysis, Senegal's risk of debt distress has shifted from low to moderate. In July 2020, the Fund noted that this risk remained moderate "albeit with little space to absorb further short-term shocks.

implement the Senegal Emergent Plan ("*Plan Senegal Emergent* – PSE") initiated in 2012. This program aims to improve infrastructure, achieve economic reforms, increase investment in strategic sectors, and strengthen the competitiveness of the private sector.

II. WBG SUPPORT FOR RESPONDING TO THE CRISIS

5. **The WBG responded swiftly to support Senegal's response to COVID-19, reflecting continued relevance of the program agreed in 2020 with the Government under the Country Partnership Framework (CPF)**.[45] The Government's strategy remains intact, but with keen interest to accelerate progress and address weaknesses highlighted by COVID-19, particularly inclusion, resilience and support for sectors with high economic potential. Operationally, WBG support has aligned well with the pillars of the COVID-19 Approach Paper:

- Saving Lives: An immediate health response combining a US$20 million operation (Senegal COVID-19 Response Project) as well as the on-going regional project (*Renforcement des Systèmes de Surveillance des Maladies en Afrique de l'Ouest* « REDISSE » P167817). A request for Additional Financing for the Senegal COVID-19 Response Project (US$134 million) to ensure safe and equitable access to COVID-19 vaccines and to strengthen vaccine deployment is in preparation and expected to be approved by the Board in May 2021;
- Protecting Livelihoods: The pipeline under discussion includes a possible additional financing to the social protection program. The existing portfolio has also been used to provide cash transfers and support to the education sector. The restructuring of several operations has helped provide: (i) emergency support to 7,000 workshops, (ii) exceptional food support to *daaras* (Quranic schools), (iii) water and sanitation services in peri-urban areas (restructuring under way), and (iv) support to start-ups;
- Ensuring private sector growth and job creation: The pipeline under discussion includes operations that aim to stimulate private sector-led growth through (i) Jobs, Economic Transformation & Recovery Project, and (ii) an affordable housing program; and
- Building back better: An emergency supplemental financing to the US$100 million Third Multi-Sectoral Structural Reforms Development Policy Operation, approved by the Board in June 2020, supports the Economic and Social Resilience Program (PRES) and helps finance the immediate financing gap. In addition, the pipeline envisions an expansion of the successful Stormwater Management and Climate Change Adaptation program to boost resilience to the increased frequency of intense rain events.

III. SELECTIVITY, COMPLEMENTARITY, PARTNERSHIPS

6. **The WBG has worked closely with development partners to support Senegal's response to COVID-19.** Financing needs have largely been met by external (concessional) financing including 1.9 percent of GDP through the IMF Rapid Credit Facility, 0.3 percent through the WB Supplemental Financing DPF (*P173918*) approved by the Board in June 2020, 1.8 percent of GDP through other donor support, 0.2 percent of GDP via the DSSI, and 1.4 percent from WAEMU bonds. Senegal is benefiting from a three-year IMF Policy Coordination Instrument (2020-2022), for which performance has been solid. The Bank and IMF teams are coordinating closely.

[45] The Country Partnership Framework FY20--FY24 for Senegal was presented to the Board of Executive Directors on March 5, 2020 (Report No-143333-SN).

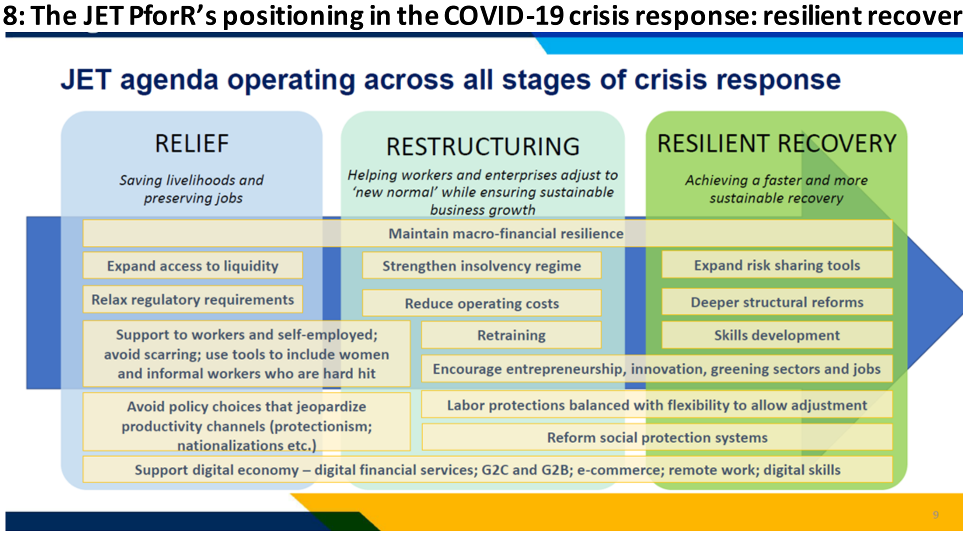
ANNEX 3: SUMMARYTECHNICAL ASSESSMENT

Contribution of the Program to the Jobs and Economic Transformation agenda

1. **This PforR aims at supporting Senegal's resilient recovery from COVID-19 by operationalizing the JET agenda in line with the WBG guidance on the COVID-19 response[46] and the JET Framework[47].** More specifically it contributes to the WBG economic response for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience in recovery. The program will support both small informal firms and more formal MSMEs through dedicated channels such as PCGs to MFIs and special windows for technology adoption and productivity upgrading as well as competitiveness reinforcement with a value chain and territorial approach i.e., inclusive of all types of firms participating in the value chains: micro, small, medium and large.

2. **This operation contributes to a better rebuilding of the economy through its emphasis on building in-house capacity, technology adoption, a better governance of key financial institutions and a better process to design PPPs.** In addition to injecting financing for MSMEs, this operation builds sustainable in-house capacity at the MEPC for competitiveness reinforcement; it puts an emphasis to the adoption technologies, some of which will be key not only to improve productivity and access new markets but to be resilient to future crises similar to COVID-19.

Figure 8: The JET PforR's positioning in the COVID-19 crisis response: resilient recovery phase



Source: Jobs and Economic Transformation – Update to the Board, JET in the time of COVID-19 of July 2020.

3. **This PforR will aim to contribute to Senegal's economic transformation by addressing select inclusive productivity growth drivers: integration, reallocation and upgrading, with a particular support to connect to export markets.** Through its results areas, the PforR will activate the following drivers

[46] COVID-19 Crisis Response Approach Paper "Saving Lives, Scaling-up Impact and Getting Back on Track" of June 2020 and the Finance, Competitiveness and Innovation note on private sector policy response under COVID 19.
[47] Jobs & Economic Transformation - Update to the Board, JET in the time of COVID-19 of July 2020.

(Figure 18):

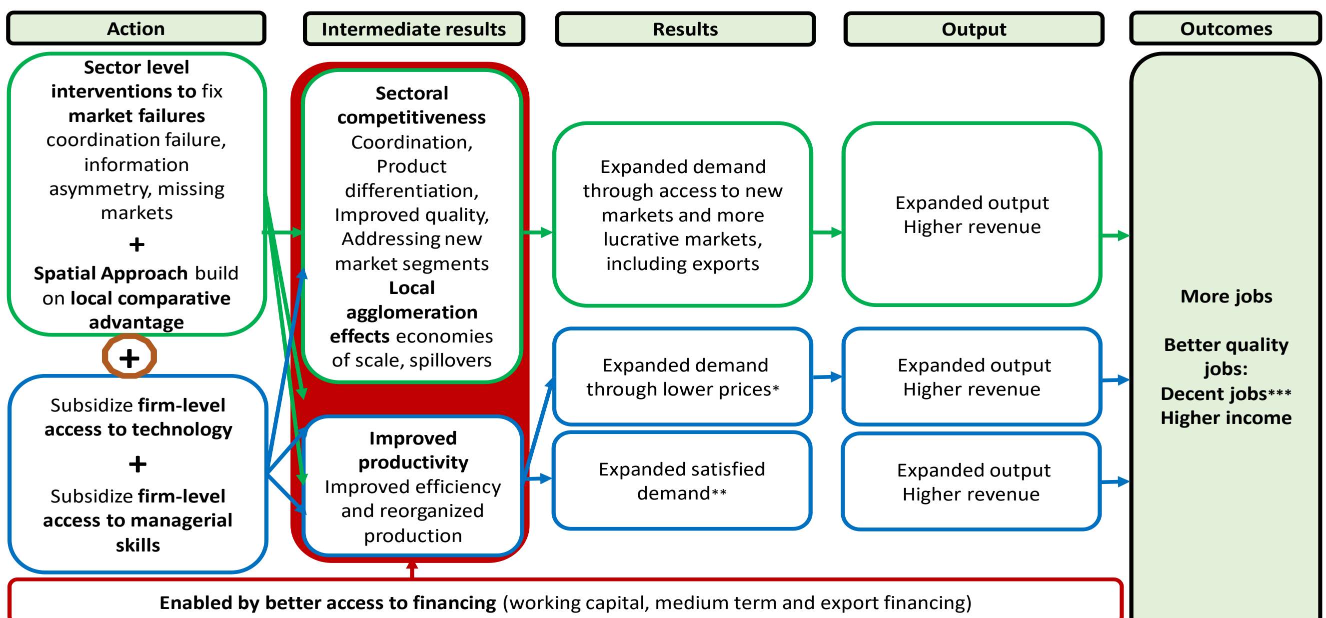
a. **Integration and Reallocation (or Spatial and Sectoral Transformations)**: The PforR's Results Area 1 will support improving the competitiveness of key value chains with the aim of increasing their exports to new and higher value markets. The key to access better export markets will be product differentiation to avoid the race to the bottom of the low-cost segments of the market. This will also favor the reallocation of resources – labor and financing – from low-productivity to higher-productivity activities.

b. **Upgrading (or Technological Transformation)**: Results Area 2 of the PforR aims at fostering technology adoption will support technological upgrading and the strengthening of general business functions of MSMEs with the goal of supporting their growth and job creation. The Results Area 3 aiming at improving access to finance will further contribute to productivity increase and capital deepening i.e., the increase of capital to labor ratio through SMEs' access to medium-term finance.

4. Detailed context and description of the program can be found in the Technical Assessment Addendum.

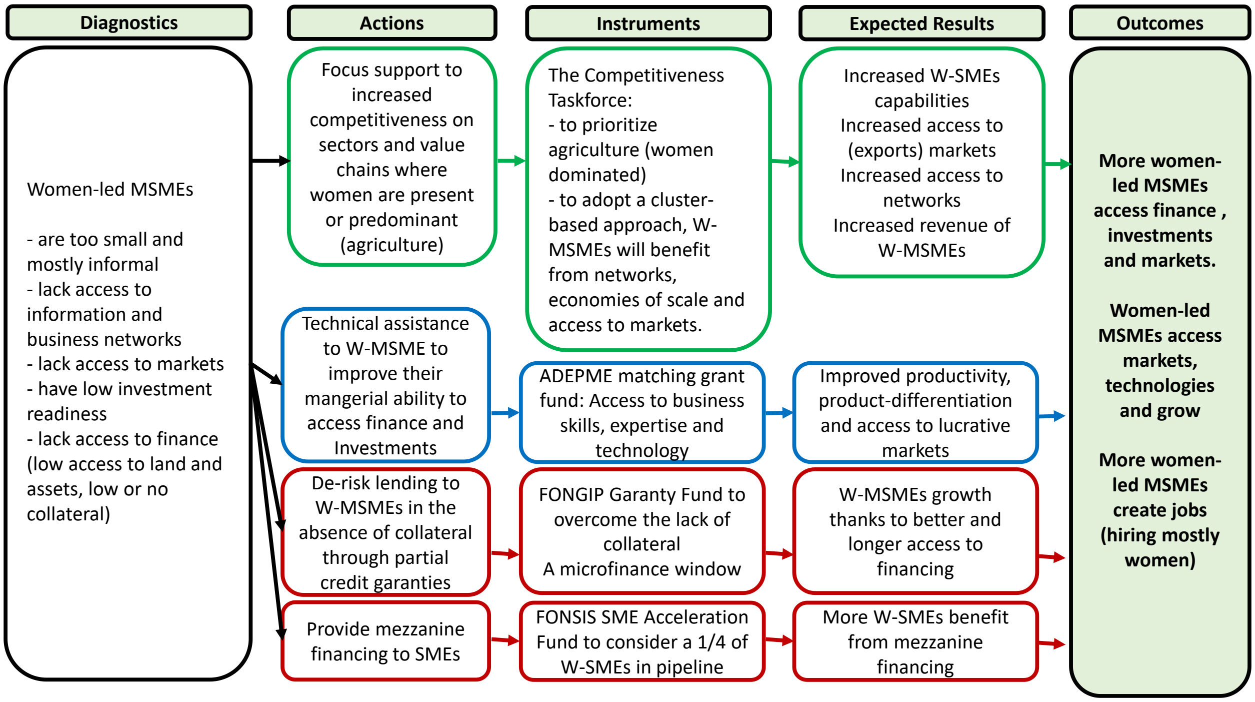
5. **The program will be implemented with a strong focus on job creation and women's economic opportunities,** as detailed in the following dedicated results frameworks.

Figure 9: Theory of change and results framework of the PforR: Job creation



* This assumes perfect competition in that market i.e. cost reductions leads to price reduction instead of capture of the margin by the producer
** This assumes unsatiated demand due to inefficient production and the prevalence of waste along the production processes.
*** addressing export markets requires to comply with decent work regulations and standards

Figure 10: Theory of change and results framework of the PforR: Gender



Government Program and Expenditure Framework

6. **Adequacy and efficiency of expenditures.** This program will finance:

a. SMEs, either through guarantees enabling credit, equity or quasi-equity financing and matching grants. These expenditures respond to a need for SME financing, which is considered as an impediment for growth and productivity increase. As such, these expenditures are considered adequate and efficient.

b. MEPCs interventions in the areas of competitiveness and PPPs. These are two domains for the Ministry. The program will therefore focus on putting in place the necessary capacity and processes to deliver good competitiveness intervention (diagnosing value chains' constraints and lifting coordination and other market failures) and structuring sound PPP projects, which in turn will have a positive impact on the fiscal space and the quality and sustainability of infrastructure. As such, these expenditures are considered adequate and efficient.

Figure 11: The Program supported by the PforR versus the government program

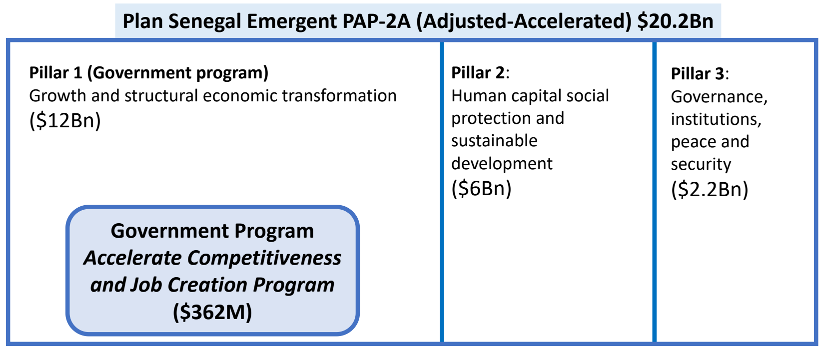


Table 7: Expenditure Framework – details

Strategic Objective	Result Area	Activities	Govenrment Entit	Directorate/window	Program (FCFA)	Program (USD)	Program USD 2021	Program USD 2022	Program USD 2023	Program USD 2024	Program USD 2025
OS2: Reinforce value chains competitiveness for job creation	Competitiveness	Competitiveness Taskforce (staff and operations)	MEPC/DG Cooperation External financing and Private Sector Development	MEPC/DG Cooperation External financing and Private Sector Development	2,000,000,000	4,000,000	500,000	1,000,000	1,000,000	1,000,000	500,000
		Private sector development strategy (implementation)			500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
		Public private dialogues			500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
		Value chains competitiveness action plans			500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
		Standards operating procedures/charter of good practices for MSMEs			500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
OS1: Accelerate Private sector Development	Technology adoption	Technology Adoption	ADEPME	Technology & Innovation window	3,500,000,000	7,000,000	875,000	1,750,000	1,750,000	1,750,000	875,000
		Genral business functions		Genral Business Functions window	3,500,000,000	7,000,000	875,000	1,750,000	1,750,000	1,750,000	875,000
		Export		Export window	3,000,000,000	6,000,000	750,000	1,500,000	1,500,000	1,500,000	750,000
		Microentreprises		Microentreprises window	1,500,000,000	3,000,000	375,000	750,000	750,000	750,000	375,000
		Operations		Operational costs	500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
	Acess to finance	Partial credit guarantees	FONGIP	FOGADEV/micro finance	25,000,000,000	50,000,000	6,250,000	12,500,000	12,500,000	12,500,000	6,250,000
				FOGADEV/ short term window	40,000,000,000	80,000,000	10,000,000	20,000,000	20,000,000	20,000,000	10,000,000
				FOGADEV/long term window	46,750,000,000	93,500,000	11,687,500	23,375,000	23,375,000	23,375,000	11,687,500
		Export credit guarantees		FOGAREX	2,500,000,000	5,000,000	0	1,250,000	1,250,000	1,250,000	1,250,000
		Long term finance for SMEs		Operational costs	750,000,000	1,500,000	187,500	375,000	375,000	375,000	187,500
		financing to the informl sector	FONSIS	SME Fund	14,000,000,000	28,000,000	3,500,000	7,000,000	7,000,000	7,000,000	3,500,000
		Operations		Operational costs	500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
OS3 : Promote private investments	PPP	PPP law and implementation decress	MEPC/DG Cooperation External financing and Private Sector Development	PPP Unit	50,000,000	100,000	12,500	25,000	25,000	25,000	12,500
		Operationalize PPP Unit			5,000,000,000	10,000,000	1,250,000	2,500,000	2,500,000	2,500,000	1,250,000
		PPP Support Fund			30,000,000,000	60,000,000	7,500,000	15,000,000	15,000,000	15,000,000	7,500,000
Program management, M&E		Program Implementation Unit	MEPC/DG Cooperation External financing and Private Sector Development		500,000,000	1,000,000	125,000	250,000	250,000	250,000	125,000
TOTAL					181,050,000,000	362,100,000	44,637,500	90,525,000	90,525,000	90,525,000	45,887,500

ANNEX 4: SUMMARY FIDUCIARY SYSTEMS ASSESSMENT

A. Program fiduciary assessment methodology, scope, and institutional arrangements

A1.1. Methodology and scope

1. The fiduciary assessment of the PforR follows: (i) the Word Bank policy (November 2017) and directive for PforR (June 2019); (ii) the "four pillars" approach used by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) in defining inherent procurement risks; and (iii) the PforR fiduciary assessment Guidance Note (June 2017). The fiduciary assessment focuses on identifying the key PFM strengths and shortcomings, including procurement of the implementing entities and measures to prevent and address fraud and corruption in achieving the overall development objectives of the program.

2. The assessment covers the following critical elements of an open and orderly program PFM system:

(a) *Planning and budget preparation.* The program budget is realistic, policy based, and implemented in an orderly and predictable manner.
(b) *Procurement.* Procurement system performance was assessed based on the government's procurement legal framework and the degree to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide reasonable assurance that the program will achieve the intended results through its procurement processes and procedures.
(c) *Accounting and financial reporting.* Adequate program records are maintained, and financial reports produced and disseminated for decision-making, management, and program reporting.
(d) *Treasury management and funds flow.* Adequate and timely funds are available to finance program implementation.
(e) *Internal controls (including internal audit).* There are satisfactory arrangements to exercise control and stewardship of program funds.
(f) *Program audit.* Adequate independent audit and verification arrangements are in place following the international standards on auditing.
(g) *Fraud and corruption*. Adequacy of regulatory and institutional arrangement to prevent, detect, investigate, and sanction cases of fraud and corruption.

3. A conclusion is drawn on the residual risk after combining the inherent and control risks in the country's PFM system as mitigated by the combination of the government's PFM reforms measures, the proposed mitigation measures, and the World Bank supervision efforts.

A.1.1 Institutional Arrangements

4. The Program is implemented by the MEPC, ADEPME, FONGIP and FONSIS. The MEPC is the program coordinator and will take the lead for budgeting and reporting purposes.

B. Review of Public Financial Management Cycle

5. This section reviews critical aspects of PFM and assesses the capacity of the implementing entities to plan, record, control, and manage all program resources and produce timely, understandable, relevant, and reliable financial information to stakeholders for monitoring and audit.

Planning and budget

6. **The budget planning framework is robust, and program-based budgeting has been introduced.** In compliance with the 2009 WAEMU Directive on PFM and the PFM organic Law n° 2020-07 of 26 February 2020 and as part of elaborating the budget into programs, the MEPC prepared their MBPD for the next three years (DPPD 2021-2023). This major change aims at increasing the links between public policy objectives and resource allocation and institutionalizing the results-based approach in public resource management. The Medium-Term Expenditure Frameworks are globally aligned with sectoral strategies such as the Economic and Social Resilience Program (PRES) and the PAP AA. However, the document is not comprehensive and does not include the "Accelerate Competitiveness and Job Creation Program" which this PforR is supporting. All result indicators supported by the program and the corresponding resource allocations are not yet included in the 2021 budget approved by Parliament in December 2020. As result, adjustments to the DPPD will be made during the budget revision process, since the planning process is evolving by providing the three-year allocations to ensure their existence and their suitability for achieving results and ensure that the key actions supported by the PforR appear in the Government's program budget. ADPME which line ministry is the Ministry of Commerce and SMEs being one of the implementing entities, the "Accelerate Competitiveness and Job Creation Program" will be registered as a sub-program of the Budgetary program 2022: Cooperation, Development of PPP and Private Sector Support.

7. In future years of program implementation, to further enhance the policy alignment of the budget, TA should be provided to MEPC and other implementing agencies. In addition, the year n+1 draft program budget for all implementing entities, PAP, and DPPD shall be shared with the World Bank for discussion and technical advice to ensure with the Government that the planning and budgeting document includes results indicators and adequate budget allocation for the World Bank–financed portion of the Program.

8. A comparison of the initially approved budget for, ADPME, FONSIS and FONGIP versus the actual appropriations was carried out for 2019 and 2020. The analysis revealed significant deviations for ADPME (-53 percent in 2020) and FONSIS (-40 percent in 2019) Table 9 For FONGIP, the deviation was positive in 2020 (31 percent) and marginal in 2019 (-6 percent). The budget execution performance has declined in 2020 for all agencies expect for FONSIS, less than half of the amount budgeted was actually disbursed due to constraints imposed by the COVID-19 crisis.

9. This information highlights the need to further improve the credibility of the budget. The analysis suggests that multiple factors require attention, such as inadequate costing, shortcomings in procurement planning and implementation, changes in priorities, and lack of capacity to plan for complex projects. The program has embedded actions to enhance the realism of the multiyear expenditure plans, such as: (i) update of the DPPD to reflect the government program expenditure framework; (ii) government commitment to allocate resources at a level consistent with the delivery of program results over the five years of the program as reflected in the program expenditure framework; and (iii) the PAP stipulating that

the initially approved annual program budget should not to deviate by more or less than +/-3 percent.

Table 8: Budget Deviation, ADPME, FONGIP, FONSIS (FCFA)

Institution/Agency	2019	2020
ADPME		
Initially approved budget	1,925,016,833	2,530,011,498
Final budget appropriation	1,162,041,769	1,182,107,981
Variation	***-40%***	***-53%***
FONGIP		
Initially approved budget	8,444,979,127	16,088,227,986
Final budget appropriation	7,910,600,667	21,155,727,986
Variation	**-6%**	**31%**
FONSIS		
Initially approved budget	1,500,000,000	1,500,000,000
Final budget appropriation	900,000,000	1,300,000,000
Variation	**-40%**	**-13%**

Source: ADPME, FONSIS, FONGIP.

Table 9: Budget Execution Performance, ADPME, FONSIS, FONGIP (FCFA)

	2019	2020
ADPME		
Budget	1,075,000,000	1,200,000,000
Execution	1,233,832,891	516,871,004
Budget performance rate	***115%***	***43%***
FONGIP		
Budget	7,910,600,667	21,155,727,986
Execution	3,209,040,174	6,515,921,965
Budget performance rate	***40%***	***31%***
FONSIS		
Budget	2 milliards CFA	2,298 milliards
Execution	1,996 milliard CFA	2,074 milliards CFA
Budget performance rate	***99,5%***	***90,3%***

Source: ADPME, FONSIS, FONGIP.

Box 3: Procedures for Budgeting
In the planning and budgeting process, procedures for including funds received after achieving DLIs or funds advanced prior to achieving DLIs will comply with the budgetary regulations being updated by MFB after the move to program-based budgeting in 2020. The MEPC has used the Budget Program Support System SYSBUDGEP for the planning and budgeting process for 2021 and will also use it for its budget execution. The MEPC, ADPME, FONGIP and FONSIS shall include in their respective budget the overall resources needed to deliver the PforR results. Funds flow from World Bank forecast will be based on the annual work plan for the PforR, the DLI disbursement timeline, and the need or not to request an advance. Upon adequate justification and agreement with the Word Bank, the Government can request an advance of up to 25 percent of the total financing. The World Bank based on the rationale provided by the Government could decide to advance less than the amount requested. In case the budget allocation to the program is not adequate, the MFB in consultation with MEPC or other involved agencies will use the appropriate regulatory effective means to open corresponding budget appropriations to allow the implementing entities to commit funds and make payments order to the treasury.

10. **Line ministries have limited authority over externally financed portions of the budget which could impede the newly introduced performance-based budgeting**. While the transition to program-based budgeting has devolved commitment authority (*Ordonnateur de crédit*) to the MEPC with respect to internally financed budget expenditures, the budget for externally financed investment projects and civil servant wages is still centralized at Ministry of Finance and Budget. The official reason is the need to control the sustainability of external borrowing, but it entails an additional layer of authority that could prevent the MEPC and other implementing agencies from achieving the overall objectives of the program. The PforR is providing financial incentives aligned to selected government budget lines to implement the government's own program during the budget preparation process, the MEPC and other implementing agencies should budget the overall budget allocation needed to achieve the programme objectives and in line with the programme expenditures framework. Box 3 describes the budgeting procedures to be used for implementing PforR activities and for disbursements following the achievement of DLIs.

Procurement planning and management

11. The Contracting Authorities have the responsibility to prepare, annually, the consolidated procurement plan (PPM) as well as a general procurement notice. These two documents are submitted to the Central Directorate of Procurement (*Direction Centrale des Marchés Publics,* DCMP) for approval; Article 6 from the national Procurement Code (Decree No 2014-1212 of 22 September 2014 provides): "When establishing their budget, the Contracting Authorities assess the total amount of supply contracts, by product category, service contracts by service category and works contracts, which they plan to spend during the contract. year concerned and draw up a procurement plan comprising all these markets, following a standard model fixed by Public Procurement Regulatory Authority (*Autorité Régulatrice de Marchés Publics,* ARMP). Procurement plans are revisable".

12. The three (3) contract Authorities (Ministries of Economy; ADPME and FONGIP) established their respective Procurement Commission Board (*Commission des Marches*) and Procurement Unit (*Cellule de Passation des marchés*); **FONSIS** is under a private procedure, it is noted that they lack technical resources for effective Contract Management Support, the program will assist the two Contract authorities to

prepare development plans such as framework agreement (ii) develop skills in the planning and monitoring said plans. This will make it possible to prepare more realistic Procurement Plans (PPMs) adapted to the developmental needs of the PforR.

***Procurement procedures*:**

13. The Program's resource-based procurement will follow the national procedures of Senegal. The World Bank and the AfDB conducted the last assessment of the procurement system in 2003. This assessment revealed several weaknesses relating to lack of transparency, lack of efficiency and low capacities. Based on recommendations made and within the framework of the transposition of WAEMU Directives, the Government of Senegal developed a new procurement code in 2007. In connection with the pilot project for the use of country systems in projects financed by the World Bank, the World Bank fielded a team in 2009 to assess the procurement system. The assessment noted the enormous progress made by the Government of Senegal about procurement. The system was considered effective and in line with international practices. Only nine of the 54 sub-criteria used for the assessment did not earn the minimal score required.

14. After successfully completing the assessment of the first stage for the pilot project, regarding the use of country procurement systems in projects with World Bank funding, the Senegalese system was assessed for the second phase in 2010. This second phase consisted in assessing the consistency and equivalence of procedures as well as Senegal's procurement documents with those of the World Bank. The assessment reports 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 reflected in the Public Procurement Code developed by the Government of Senegal - Decree No 2014-1212 of 22 September 2014.

15. The open tender procedure is the procurement method used as a matter of principle. This method is mandatory for contracts above a certain threshold; these thresholds are fixed at FCFA 70,000,000 for works and FCFA50,000,000 for services, routine supplies, and intellectual services. The use of national standard tendering documents is mandatory for open tender calls. The evaluation criteria must be clearly defined in the tender documents and be used for the evaluation of tenders. The information and price request procedure and the direct contract option are other methods accepted by the code, under certain conditions. The 2015 ARMP report reveals that since the beginning of the reform, an average of 17 percent of contracts were concluded through direct contracting. Although this rate is below the threshold fixed by IMF, this continues to decline around 9 percent according the recent ARMP report dated 2017. The evaluation of the revised Methodology for Assessing Procurement Systems (MAPS, 2017) identified the explanatory factors that could influence the performance of the procurement system in Senegal.

Key Findings

16. The analysis identified six (6) main areas that need to be improved in priority due to their influence on the performance of the system:(i) The country has not yet developed a strategy or plan to implement sustainable public procurement (in support of the policy defined by (***Programme Senegal Emergent***), 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, by considering factors such as employment, social equity, the promotion of vulnerable groups. (ii) The withdrawal of the Dispute Resolution Committee (*Comité de Résolution des Disputes,* CRD) from disputes arising between administrative entities. These interventions can help place the Committee in a conflict of

interest. In fact, a dispute between administrative entities, which has already been the subject of a decision by the CRD, for example, between a contracting authority and the DCMP in the context of a proposal for award, may revert to the CRD by through a complaint from one of the candidates concerned. In addition, the authorizations for derogatory procedures granted to the contracting authorities by the CRD help to replace the CRD with the Central Directorate of Public Procurement (DCMP), and practically involve it in the procurement procedure. (iii) The granting to procurement cells and their members of a professional status allowing them to exercise their internal control functions adequately, i.e., with all the required independence, as well as stability in function. The increase in the DCMP control thresholds and the reform of public finances which will give more power to the contracting authorities, in particular with the devolution of the scheduling, have the consequence of giving more powers to the contracting authorities, hence the need to strengthen internal control over the public procurement procedure. (iv) The data provided by the information system are very general and do not allow performance to be measured either at the procurement stage or at the execution stage (duration of the various stages of the procurement cycle, levels of participation, economic efficiency of acquisitions, unit prices for common categories of goods and services, execution, and payment times). This is why, due to the importance of performance data in the context of reforms, we consider that a deployment of the Integrated Public Procurement Management System (*Système Électronique de Gestion des Marchés Publics,* SYGMAP) to all contracting authorities and its interconnection with the Public Finance Management System (*Système de Gestion des Finances Publiques,* SIGFIP), is essential, in that it could facilitate the collection of this data: Hopefully this issue is addressed by the IPF project financed by the World Bank (Digital Economy under Government Technology component. (v) Conducting market research to define optimal procurement strategies is not a practice of the contracting authorities. The Government would benefit from favoring, in the sectors identified as priorities, procurement strategies which, while respecting the fundamental principles of public procurement, will be able to ensure both efficiency in procurement and a better economic impact and social use of public funds for the needs of acquisitions. (vi) The ARMP Investigations and Investigations Unit (*Cellule d'Enquetes et Investigations*) should systematize in-depth investigations following audit findings on serious breaches of the regulations and submit the results to the competent administrative authorities with regard to agents public. We even recommend that the text governing the Court of Auditors can be modified in order to allow the CRD a direct referral to the Chamber of Financial Discipline of the Court.

17. These shortcomings were considered the most important, because they are structural but do not however require red flags, because they can be improved directly by the authorities without the need to reform the current legal and institutional framework.

Control and integrity

18. Ex post control: Ex post control is the responsibility of the ARMP. According to article 145 of the Public Procurement Code, in addition to its advisory role, the ARMP is also mandated to conduct the annual audits of contracts awarded by all contracting authorities. In practice, the ARMP recruits private firms to audit contracts on an annual basis. The ARMP sampling is based on the amount of the annual budget of contracting authorities. For example, `only 25 percent of the contracting authorities with an annual budget of less than 5 billion CFA Francs is audited per annum. Indeed, the 2017, 2016, 2015, 2014 and 2013 audit reports published in the ARMP web site disclosed that out of a total of some 200 audit reports has been published, we note that the two Contract Authorities of MEPC; ADPME and FONGIP were included into the sample. For 2018 and 2019 management, the compliance review of procurement procedures gives very satisfactory results. The audits relate to 3,326 contracts covered by 126 Contracting

Authorities and the total amount of contracts audited is 1,798.8 billion CFA francs. In general, the Contracting Authorities have shown a real attachment to compliance with procurement rules, transparency and mastery of procedures, efficiency in Procurement and the fight against corruption. Indeed, in the choices of the Contracting Authorities, the open invitation to tender represents in relative value 92 percent of the contracts.

Significant indicators of public procurement in 2018 and 2019

19. The draft contracts, prepared by the contracting authorities, are informed in their public procurement plans sent to the ARMP and DCMP and published on the public procurement website, for the sake of transparency. A total of 1,407 procurement plans (PPM) were received for the two years and published in the official public procurement portal www.marchespublics.sn, for a forecast total of 52,984 markets and an estimated budget of 5,891.261 billion CFA francs. Supply markets, current services and intellectual services represent nearly 87 percent of the total number of contracts planned and 22 percent in value while the planned works contracts for only 13 percent of the number of contracts would use nearly 78 percent of the estimated amounts. Over the periods considered, 90 percent of the number of markets scheduled by the contracting authorities are provided for in the DRP procedure (all forms combined: simple, restricted and open) for a value of approximately 7 percent of the total projected markets. On the other hand, 9 percent of the number of contracts to be launched provide for the Appeal procedure bids which represent 92 percent of the total amount of estimated contracts. In 2018 and 2019, the number of registered markets amounted to 6,543 markets for a cumulative amount of 2,860,204,828,104 FCFA.

***Authority to approve contracts**:*

20. The Public Procurement Code, in its article 29 and in compliance with the Local Government Code, provides that the Minister of Finance when the amount is equal to or greater than FCFA 300,000,000; - the spending Minister when the amount of the contract is equal to or greater than FCFA 100,000,000 but does not reach 300,000,000 FCFA empowered to approve contracts whose amounts are above certain thresholds defined in the article.

21. 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 Senegal's report of the study on "Stimulating the implementation of capital budgets in UEMOA countries highlighted a certain number of shortcomings consisting of: (i) the non-existence of an integrated system to ensure traceability of project implementation and related financial transactions; and (ii) the absence of statistics and lack of clarity in the definition of responsibilities. Indeed, the technical services in charge of implementation monitoring do not always have information on the effectiveness of payments. Regarding payments, strictly speaking, the same study revealed that, due to the weight of the budget regulation system in the implementation process, the actual overall capital expenditure payment period is still long and does not comply with the contractual obligations. The questionnaire shows that the payment period for providers is 30 days, on average, but can go up to 60 to 180 days. The direct consequences of this finding are that:

- The tenderers are reticent to participate in tender calls financed through State funds, and no longer trust the reliability of State commitments;

- The tenders are higher because tenderers justifiably estimate the cost of payment delays and include it in their proposals (rolling stock securement, storage costs, resources on hold and possible bank charges in case of loans and various guarantees);
- The successful tenderers with limited financial capacities may have to interrupt the works or confiscate the supplies to be delivered pending payment, which can lead to serious delays; and
- The Contract authorities do not apply penalties on ongoing contracts because the State's commitments are not fulfilled and the interests for delayed payments stipulated on the contracts are never paid.

22. Most of the Contract authorities do not have an implementation manual. It is strongly recommended to prepare implementing manuals defining the circuits, timelines, supporting documents related to payment operations from a standpoint of prevention and risk management.

Complaints management

23. In Senegal, the provider may complain both during the procurement phase and during the contract performance period. During the procurement process, three levels of complaints 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 Public Procurement Code describe the stages of the different levels of redress and the prescribed timelines for each actor. The "Tenderer's Guide", a document prepared by the ARMP 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 (Pan-African Chamber of Commerce (PACC)- Medium Enterprise Performance (*Performance des Moyennes Enterprises,* PME)/Micro Enterprise Performance (*Performance des Micro Enterprises,* PMF)), explains that redress during the procurement phase may involve all stages of the process. The code provides for two levels of complains that can be used during the contract performance, namely: 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. ARMP 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 2017, the Dispute Settlement Committee issued 105 provisional suspension decisions and 191 final decisions, including 180 relating to appeals relating to procurement procedures. 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.

Treasury management and funds flow

24. **The Treasury Single Account (TSA) framework is operational, nevertheless the payment timeline should be improved**. Payments are made by the Treasury for all implementing entities except FONSIS which is a private company, though FONSIS is permitted to open a deposit account at the Treasury. MEPC and the other entities have reported some delayed payments. According to these entities some invoices for services or goods delivered have not been paid for almost a year. These shortcomings at the National Treasury could affect overall program implementation performance, especially in this particular situation due to the COVID-19 crisis where the fiscal deficit stood at 7.2 percent of GDP in December 2020, compared to 3.8 percent in 2019. To enhance cash management, the treasury Paymaster General, who is the assigned public accountant of the MEPC, will designate a focal point for payments requested by the MEPC. For FONGIP, ADPME and FONSIS the treasurer general who is their assigned accountant will

appoint a focal point. A project ID number will be created in order to track all expenditures payments made under the program. These focal points will ensure that payment requests are dealt with swiftly and adequate tracking of expenditures made under the program. The National Treasury has embarked on reforms to support ministries in developing quarterly commitment plans. MEPC, FONGIP, FONSIS and ADPME will prepare quarterly commitments plans to be shared with the National Treasury to allow for better forecasting of disbursement requests.

25. Funds will flow from the World Bank to the program dedicated account to be opened at the BCEAO by the Ministry of Finance. From the Dedicated account at BCEAO, funds will be transferred timely to operating account opened at National Treasury to serve the purpose of honoring implementing entities payment obligations under the program. All entities will comply with national procedures to issue payment orders to the National Treasury in charge of making payment. The treasury will use treasury deposit accounts to make payment for ADPME, FONGIP and FONSIS. On a quarterly basis, the National Treasury will inform entities involved on the PforR implementation of the designated account balance and transactions on the account. The roll out of the new IFMIS should ease the gathering and reporting on the status of payment orders as it embed features that allow MEPC Directorate of General Administration and Equipment (*Direction de l'Administration Générale et de l'Équipement,* DAGE) and other entities' public accountants to have real-time information on payment status.

Accounting and financial reporting

26. **The accounting and financial reporting standards are adequate for all implementing entities**. The PFM Law adheres to internationally accepted accounting standards. The budget classification system is comprehensive and consistent with international standards. The budget is prepared in compliance with the IMF Government Finance Statistics Manual. The Chart of Accounts allows the preparation of a full set of financial statements in accordance with the International Public Sector Accounting Standards, cash basis. However, thus far the MEPC did not produce individual financial statement as the Commitment and payment authority was centralized at the Ministry of Finance. As result, the assessment could not conclude on the reliability of such line ministry financial statements. With the implementation of the decentralized commitment in 2021 within the MEPC will enable them to prepare their individual administrative account (*compte administratif*) which will be audited by the external audit firm working under the supervision of the Supreme Audit Institution (SAI). The MEPC has adequate staffing to prepare the program consolidated financial statements. The DAGE has been designated for the consolidation.

27. The other implementing agencies such as FONSIS and ADPME produce yearly financial statements in accordance with the SYSCOHADA standards which is used for private accounting and is acceptable to the World Bank. FONGIP produces financial statements in accordance with the Banking chart of accounts (*plan comptable bancaire*). These entities will prepare segregated financial statements using a simplified cash basis and submit it for consolidation to the MEPC no later than three months after the end of the fiscal year.

28. Since the line ministries are not required to prepare full set of financial statements, including statements of revenue and expenditures, financial position, statement of cash flow, and notes to the financial statement, for the purposes of the proposed program, a fit-for-purpose annual financial statement format that will be subject to external audit will be agreed upon during the Program preparation and the financing agreement negotiation. The MEPC will prepare its fit-for-purpose financial statement under the responsibility of the DAGE. The other implementing entities will prepare cash-basis

financial statements from their current FM software and submit them to MEPC DAGE for consolidation not later than three months after the end of the fiscal year. Semester basis financial reports will be prepared and used for the program progress report. The annual fit-for-purpose financial statement will be subject to the external audit of a private audit firm with the supervision of the SAI. The information to prepare the fit-for-purpose financial statement will be extracted pull out from the new IFMIS. The report will be submitted to the World Bank no later than nine months after the end of the fiscal year.

Internal control and internal audit

Internal control

29. **The overall internal control framework is acceptable even though some shortcomings exist**. The PFM regulations establish the clear segregation of duties between the chief budget manager, accountant, and internal auditor, and they clearly describe the procedures applied to the budgeting, accounting, and financial reporting chain. The regulations also stipulate the processes and procedures to be followed by the implementing entities to ensure adequate monitoring and safeguarding of assets. Internal control is reinforced by using a digital information system to manage public resources. The transition to program-based budgeting has entailed the creation of new key positions to improve the performance of PFM, including the positions of Program Manager and Financial Controller. The "Accelerate Competitiveness and Job Creation Program" will be a sub-program of the Cooperation, Development of PPP, and Private Sector Support. Nonetheless, the internal control systems of the line ministries main weaknesses are: (i) the absence of a detailed fiduciary management procedures manual; (ii) lack of officially appointed financial controller (*Controleur de Gestion*); and (iii) lack of adequate staffing and resources in the Internal Inspection. Filling these critical vacant positions, developing a detailed fiduciary manual of procedures will enhance the internal control of the implementing line ministries. All other implementing entities are adequately staffed and have a manual of financial and administrative procedures. FONGIP and ADPME have both a Financial Director and Public accountant.

Internal Audit

30. **The internal audit function exists at the level of all implementing entities except ADPME, but capacity gaps persist**. The internal audit function is critical to ascertain the efficacy of internal control and is crucial in ensuring the effective and efficient use of public funds. The internal audit function is performed for the MEPC by ministerial in-house inspectorates (an inspector of Administrative and Financial affairs, seconded by a technical inspectorate) which have developed a risk-based audit approach with the support of the Inspectorate General of the State (*Inspection Générale de l'État* IGE). The Infrastructure Advisory Facility (IAF) is composed of six technical staffs. High turnover occurs in the internal audit function due namely to the absence of a career path and pay incentives. For instance, the Inspector of Administrative and Financial affairs is seconded by three controllers instead of technical inspectors. There is no internal audit performed on the other program managed by MEPC to highlight key findings and recommendations. In addition, countrywide, the internal audit is focused more on compliance audit, which limits its effectiveness in the context of program-based budgeting. Further reforms are needed to further professionalize the internal audit function and offer a clear career path, establish recruitment criteria based on adequate qualifications and experience, create a continuous professional development plan, revise the performance audit manual, and provide substantive technical and financial support to the Inspectorates, produce a multi-year risk-based audit plan, and undertake performance audits of implementing entities. Professionalization is a broader reform that has been initiated with the IGE and is beyond the scope of the proposed program. Nonetheless, the program will

support the capacity-building activities to enhance the capacity of the Internal Audit Inspectorate of the MEPC. This can be done through (i) carrying out a comprehensive assessment of the MEPC internal audit function and elaborating medium-term action plan; (ii) providing TA to the MEPC Internal Audit Inspectorate to develop internal audit methodology and tools; and (iii) provide TA to support the Inspectorate to develop competitive recruitment procedures. ADPME will need to recruit an internal auditor who will include the program in its scope of intervention.

Program external audit

31. **The SAI is mandated to audit all public revenues and expenditures but encounters human resources capacity constraints that could prevent a timely financial audit of the program.** The SAI has a threefold mission: (i) a jurisdictional mission to verify the public accounts; (ii) responsibility for the external technical audit of all structures benefiting from public funding; and (iii) a mission to support and advise Parliament. The SAI has developed an acceptable audit methodology compliant with the International Standards of SAIs but staffing constraints and limited financial resources could prevent the SAI from auditing the program adequately and providing timely audit reports. For this reason, an independent private audit firm will be recruited under the supervision of the SAI to perform the financial audit of the proposed program. The SAI will conduct a quality assurance review of that audit and validate the final report.

32. **ADPME, FONSIS and FONGIP have adequate external audit arrangements**. The entities are audited on a yearly basis by independent external auditors. The external auditors have expressed unqualified opinions on the 2017, 2018 and 2019 financial statements of all three entities. The recommendations made by the external auditors in the last 3 years are mostly implemented or under implementation. For FONGIP, the auditors noted the lack of job description and unjustified travel advances. These recommendations from 2016 were not yet implemented. For ADPME, the auditors noted the absence of tax withholding for the payment of suppliers, consultants, and members of board of directors. However, the audit of the program consolidated financial statements will be conducted in accordance with specifications in ToRs agreed with the World Bank. The audit reports shall be submitted to the World Bank not later than nine (9) months after the end of the fiscal year. In compliance with the World Bank policy on access to information dated July 2010, the audited program financial statement will be publicly disclosed.

Governance and Anti-corruption (GAC)

33. **Senegal is a strong regional performer with respect to combating corruption.** Senegal ranked 67th of 180 countries included in the Transparency International *Corruption Perceptions Index 2019*. The Government of Senegal confirmed its commitment to fight against fraud and corruption by ratifying the United Nations Convention against Corruption (UNCC) on 3 August 2005 and that of the African Union on Preventing and Combating Corruption in February 2007. The institutional and regulatory frameworks to investigate, prosecute, and prevent fraud and corruption are comprehensive but suffer from ineffective enforcement. Line ministry inspectorates, the IGE, the National Office for Combating Fraud and Corruption (*Office National de la Lutte Contre la Fraude et la Corruption,* OFNAC), ARMP, National Financial Intelligence Processing Unit (*Cellule Nationale de Traitement des Informations Financières,* CENTIF), and National Committee to Eliminate Non-transparency, Corruption, and Embezzlement (*Commission Nationale de Lutte contre la non-Transparence, la Corruption et la Concussion,* CNLCC) are empowered to prevent and act on cases of fraud and corruption. In accordance with the requirements of the UNCC, OFNAC is an independent structure entrusted with two main missions, namely preventing, and

fighting against fraud, corruption, similar practices and related offenses. Grievances and denunciations are the main sources of information for OFNAC. To that end, a toll-free number was set up. The 2014-2015- activity report shows that there is growing use of the toll-free number compared to other methods of denunciation. The report further observes that 70 to 80 percent of grievances concern Dakar. Article 148 of the Public 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. The program embeds a mechanism to report suspected cases of corruption and fraud, report on the status of investigations, and report on actions taken by the relevant stakeholders. The reporting is to be done by MEPC, ARMP, DCMP on ad hoc basis and at least once per year.

Table 10: Key risks identified and corresponding mitigating measures

Risk sources	Actions to address weaknesses that will support attainment of program objectives	Mitigating measures, PAP	**Risk level**	Responsible entity	Deadline
1.Planning and Budgeting -Overall FM element objective - the program budget is realistic, prepared with due regard to government policy, and implemented in an orderly and predictable manner.			High		
Program not included in DPPD, inadequate Budget allocation for the program, Unrealistic budget and budget cut	Budget deviation limited to +/-3 percent Update the DPPD to include the program GoS to commit to comply with the program expenditures framework, consider and share with the World Bank n+1 budget document (Budget program, DPPD) during the year n third quarter for technical advice	PAP PAP Mitigating measure		MFB, MEPC, MEPC, MCPME MFB, MEPC	Annually 12/31/2021 12/31/2021
2.Accounting and financial reporting - Overall FM objective: adequate program records are maintained, and financial reports produced and disseminated for decision-making, management, and program reporting.			Substantial		
Absence of full set of comprehensive financial statement at implementing entities Difficulties in tracing program expenditures payments	Preparation of cash basis financial statements Agree on a fit-for-purpose program financial statement Appoint dedicated accountants at the treasury level and create ID number for the program Appoint dedicated FM specialist	Mitigating measure Mitigation measure Mitigation measure Mitigation measures		FONSIS, FONGIP, ADPME MFB, MEPC National Treasury FONGIP, FONSIS, ADPME, MEPC	03/31/2023 06/30/2021 06/30/2021
3.Treasury Management and funds flow Overall FM objective: adequate and timely funds are available to finance program implementation.			High		
Delayed funds flow to implementing entities and payment of suppliers	(i) Open a dedicated account at National Treasury for the program (ii) Quarterly dedicated bank account statement (iii) Implementing entities to develop Quarterly commitment plan	PAP Mitigation measures Mitigation measures		National Treasury, MFB MEPC, FONSIS, FONGIP, ADPME	06/30/2021 Quarterly Quarterly

4.Internal control (including internal audit) - Overall FM element objective: there are satisfactory arrangements to (a) monitor, evaluate, and validate program results; and (b) exercise control and stewardship of program funds.			Substantial		
Vacant critical positions to manage effectively the program Lack of detailed fiduciary management system Weak capacity for performance audit by the line Ministry Internal audit function	Fill the Program Manager and "*Contrôleur de gestion*" position, and vacant Internal Audit positions at Ministry of Agriculture and Rural Equipment (*Ministère de l'Agriculture et de l'Équipement Rural,* MAER) with qualified staff. Develop for the program detailed fiduciary management procedures Effective use of the new IFMIS Support for the implementation of the ongoing assessment recommendation, support to adequately fulfill the internal audit function and develop adequate tools and methodologies Recruitment of an internal auditor	Mitigation measures Mitigation measures Mitigating measure		MEPC MEPC MEPC ADPME ADPME	June 2021 September 2021 January 2022 Annually 12/30/2021 December 2021
5.External audit - Overall FM element objective: adequate independent audit and verification arrangements are in place, considering the country context and the nature and overall risk assessment of the program.			Substantial		
SAI financial audit capacity is limited due to resources constraint	The Public Expenditure Authorization Directorate (*Direction de l'Ordonnance des Dépenses Publiques,* DODP) to outsource the audit and recruit an independent external audit firm to work under the supervision of the SAI. The quality assurance and the validation of the report remain the responsibility of the SAI.	Mitigating measure		DODP	Six months after effectiveness
Procurement ***Procurement Planning*** **And procedures**	Arrange for appropriate support (staff, training, tools) to prepare the project procurement plan such that there is a clear relation between program objectives and the procurement plan Establish a clear relation between the program needs and the procurement plan with a credible substantiation of estimated quantities and timetable and estimates consistent with market	Mitigating measure	Substantial	MEPC, ADPME, FONSIS, FONGIP	Annually

	rates Follow up the issue to involve FONSIS under the scope of the National Procurement Code, Following ARMP interpretation guidelines			FONSIS	June 2021
Fraud and Corruption Risk of fraud and corruption affecting the program not identified	Report cases of fraud and corruption related to the program financed by DPs and GoS	Mitigating measure	Substantial	ARMP, MEPC, FONGIP, FONSIS, ADPME	Annually
Integrated Fiduciary Risk			**Substantial**		

C. Implementation support

34. **The fiduciary team will work with the Borrower to monitor implementation progress and address underperforming areas identified in the PAP**. Fiduciary support includes progress and working with the task teams to examine the achievement of DLIs and elements of the PAP that are of a fiduciary nature: (i) helping the Borrower resolve implementation issues and carry out institutional capacity building; (ii) monitoring the performance of fiduciary systems and audit reports, including the implementation of the PAP and mitigating measures; (iii) monitoring changes in fiduciary risks to the program and, as relevant, compliance with the fiduciary provisions of legal covenants; and (iv) participate in field missions twice every year.

ANNEX 5: SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

Positive environmental and social benefits

1. **Program activities will have beneficial environmental, social and economic spillovers**:

• Overall, the Program will help fight poverty and stimulate shared prosperity, as well as encourage investment in knowledge and skills.
• More specifically, the Program will promote the awareness of all national stakeholders about the E&S issues of program activities and help resolve the chronic problems facing the private sector in Senegal.

2. **In the long term, the main positive E&S effects of the program, which should be sustained over time**, are as follows:

Positive social effects

• Producers' access to financial services through partially guaranteed credit.
• The increase in business productivity.
• Contribution to the creation of income and consequently the reduction of monetary poverty and the improvement of food security and the general well-being and quality of life of populations, in particular poor and vulnerable rural households.
• The creation and development of new jobs, with reduction of unemployment and the exodus of young people by creating local employment opportunities.
• Increased agricultural productivity and agricultural marketing.
• The generation of foreign exchange through exports.
• The improvement of techniques and production systems, particularly agricultural (horticulture).
• The establishment of possible storage and packaging units aimed at reducing post-harvest losses and positively improving the quality and management of production and seeds.
• Better valorization of production through processing, allowing the promotion, security, enhancement of local agricultural production (plants, animals), sales and marketing respecting sanitary standards and conditions.
• Improving the quality and accessibility of agricultural services.
• The implementation of investments that have been strategically identified and that meet the needs of all social categories, including in the poorest areas.
• Strengthening the skills of the various players involved in priority sectors, and in particular the horticultural sector (producers, traders, transporters, economic operators).
• Training initiatives aimed at incorporating specific tools (new, more efficient technologies) which will stimulate entrepreneurship and female employment.
• The implementation of an improved and inclusive grievance management system and the implementation of measures aimed at establishing the right to petition and monitor user satisfaction.

Positive environmental effects

3. Improved technologies in agriculture and horticulture should lead to a reduction in negative impacts on soil quality and the quality of ground and surface water.

Risks and negative impacts

4. **In general, with respect to works, infrastructure and services, or activities in the agricultural sector (horticultural value chains) the negative risks are assessed to be substantial on environment and moderate on social impacts. They will however be limited, of low to medium magnitude, reversible and easily controlled and manageable.** It will be easy to identify in advance, prevent and minimize these risks through good practices and simple and effective mitigation measures.

5. **The level of negative E&S risks and impacts is due to the following aspects**:

- The exclusion, by virtue of the very nature of the PPR, of any investment involving major environmental risks (i.e., projects classified as High risk by the World Bank). Having major, irreversible and unprecedented negative E&S impacts.
- The type and foreseeable nature of the developments and infrastructures, which will be limited and small in size, generally well located and a relatively limited spatial extent.
- The exclusion of any type of construction or rehabilitation of works that would require a significant displacement of people or the acquisition of land, or the demolition of individual houses or significant restrictions on access to economic resources or works that could exacerbate existing social conflicts of a land nature or which could have an irreversible impact on physical cultural resources of an archaeological or historical nature or work in sites of biological or ecological interest.
- The feasibility, efficiency and realism of the planned activities, on the basis of the results of preliminary diagnostic studies, according to specific social, economic and environmental parameters.
- The existence of various controllable and effective measures, making it possible to mitigate any risks and ensure impact monitoring, both during the work phase and during the operation of works.

6. **The negative social impacts of the PforR - in particular those that would be associated with the acquisition of private land - will be limited in time and limited in space**. Indeed, PforRs restrict land acquisition and/or resettlement of a scale or nature that will have significant adverse impacts on affected people, or the use of forced eviction. However, given the strong advance of the urban front encroaching on agricultural land, and given the strong potential for private investors to covet agricultural land, there is a fear of an acceleration of land transactions on a more or less large scale. This could potentially involve substantial risks for the program.

7. **The potential social and economic negative risks or impacts that the implementation of the investment sub-projects could entail could be**: reduction in the availability of land currently used for non-cash subsistence crops in favor of cash crops to meet the competitiveness, a probable extension of traditional rainfed crops in marginal areas, the effects of agricultural production resolutely oriented towards markets on household food security and greater dependence of producers on unpredictable fluctuations in national and international markets, cases of accidents on the site, pollution of water and soil by the use of pesticides.

8. Potential environmental risks could be linked to: Occupational, health and safety; increase in various kinds of incidents/accidents; water pollution, and soil contamination from the use of pesticides; risks of contamination of people in the event of improper handling of plant protection products and/or

contamination to COVID-19.

9. **Finally, it should be noted that given the context of the COVID-19 pandemic, the Program will be implemented in accordance with the COVID-19 emergency plan of the Ministry of Health and Social Action (*Ministère de la Santé et de l'Action Sociale,* MSAS) of April 2, 2020**, as well as the guidelines of a coordinated national strategy, which takes into account the directives of the World Health Organization (WHO) to limit the national impact of this health crisis. The program is also aligned with the WBG guidelines on the response to COVID-19. The goal is to stop the spread of the COVID-19 epidemic throughout the country, by strengthening multisectoral response capacities.

Risk mitigation measures

10. **For all these risks, mitigation measures will be identified and implemented**. This will mainly involve the systematic sorting of all sub-projects according to agreed parameters, the search for alternatives, the consultation of stakeholders. Mitigation of E&S risks and impacts also involves the preparation of E&S risk management instruments in accordance with national legislation and international good practices; capacity building of institutions involved in the implementation of activities as well as appropriate staffing with well skilled experts.

Conclusion and overview

11. **In view of all of the above, this Environmental Sustainability and Energy Sector (ESES) concludes the following**:

- The positive E&S benefits of the Program are numerous and should be maintained over time.
- The negative E&S effects of the Program will generally be substantial, but small in magnitude, controllable and manageable through a set of appropriate mitigation measures.
- Even if taken individually, all the possible effects of the program should be carefully assessed during the E&S assessment of specific projects.
- A rigorous E&S control and monitoring system will minimize any risk and negative impact.

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ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
The Competitiveness Taskforce Is established within the Directorate General for Cooperation, External Financing and Private Sector Development (DGCFEDSPP), and includes at least 8 full time staff.	Technical	DLI 1	MEPC	Due Date	31-Dec-2021	CV and work contract of the staff of the competitiveness taskforce.
The DGCFEDSPP establishes a Program implementation unit, which includes adequate staff.	Technical	DLI 1	MEPC	Due Date	30-Jun-2021	Internal circular establishing the Program implementation unit
The PPP Unit is established under MEPC and equipped with a coordinator and at least 2 qualified full-time staff	Technical	DLI 7	MEPC	Due Date	30-Sep-2021	MEPC organizational chart and CV of the coordinator and at least two key staff members shared with the World Bank team.
Terms of reference prepared for project preparation work for 3 PPP projects from among the published pipeline, including for environmental and social impact analysis following national requirements	Technical	DLI 9	MEPC	Other	Ad hoc	TOR shared with the World Bank team.
Feasibility studies prepared for 3 PPP projects, including final environmental and social impact	Technical	DLI 9	MEPC	Other	Ad hoc	Summary of feasibility study results shared with the World Bank team, including the conclusions of the ESIA as required consistent with the

analysis						categorization of the projects (as category 2 according to the national system)
Adoption of statutes of SOPROFI and registration of SOPROFI with Registre du Commerce et du Crédit Mobilier (RCCM) Dakar	Technical	DLI 6	FONSIS	Due Date	30-Jun-2021	FONSIS sends an official letter to the Bank with (i) copy of the statutes of SOPROFI; and (ii) copy of registration of SOPROFI with RCCM Dakar
Completion of international competitive selection of private Fund manager and signature of Fund management contract	Technical	DLI 6	FONSIS	Due Date	30-Jul-2021	(i) proof of international competitive selection of private Fund manager (ii) Fund manager AIFM license & AIFM marketing passport with regulatory authority in EU (iii) proof of independence of the Fund management iv) signed Fund management contract.
Completion of Fund Prospectus in accordance with EU AIFM Directive	Technical	DLI 6	FONSIS	Due Date	31-Aug-2021	SOPROFI sends an official letter to the Bank with copy of Fund Prospectus registered with regulatory authority in EU Member State 1/
Signature of Limited Partnership Agreement (LPA) of Feeder Fund and registration of Feeder Fund with regulatory authority in EU Member State and Signature of statutes of Domestic Fund company and its registration company with RCCM Dakar	Technical	DLI 6	FONSIS	Due Date	30-Nov-2021	SOPROFI shares with the Bank a copy of (i)signed LPA of Feeder Fund (ii)registration of Feeder Fund with regulatory authority in EU Member State, (iii)signed statutes of Domestic Fund company;(iv)registration of Domestic Fund company in RCCM Dakar.
Completion of competitive international selection of members of Fund Investment Committee (IC)	Technical	DLI 6	FONSIS	Due Date	31-Jan-2022	(i) full documentation of competitive international selection of IC members (long list, short list, final selection); and (ii) proof of strict independence of selected IC members from GoS and its agencies, Fund investors, and the Fund manager.
ADEPME strengthens its	Technical	DLI 2	ADEPME	Due Date	31-Mar-	Work contract and CVs of

monitoring and evaluation department by recruiting 4 additional qualified staff.					2022	recruited staff.
ADEPME strengthens its project appraisal unit by recruiting 4 additional and qualified staff.	Technical	DLI 2	ADEPME	Due Date	31-Dec-2021	Work contract and CVs of recruited staff.
ADEPME puts in place an online grievance and redress mechanisms (GRM) for the matching grant fund.	Technical	DLI 2	ADEPME	Due Date	30-Jun-2022	The logs of the GRM.
ADEPME produces an annual monitoring and evaluation report of the matching grant fund and publishes it.	Technical	DLI 2	ADEPME	Recurrent	Yearly	EDPME monitoring and evaluation reports available on its website by June 30 of the following year.
FOGADEV and FOGAREX sub steering-committee (including banks and MFIs) is created	Technical	DLI 4	FONGIP	Due Date	31-Dec-2021	The signed order of the subcommittee is shared with the World Bank team.
FONGIP creates a new export credit guaranty product	Technical	DLI 4.2	FONGIP	Due Date	30-Dec-2022	The brochure of the new export guaranty published on FONGIP website and the financial information related to the fuds allocated to this product line.
FONGIP establishes and operationalizes a Monitoring and Evaluation Department	Technical	DLI 4	FONGIP	Due Date	30-Jun-2023	FONGIP new organigramme and CVs of the staff of the monitoring and evaluation (M&E) department and the M&E dashboard.
FONGIP establishes a periodic prudential and financial reporting to the board and the main stakeholders (banks, micro-finance institutions, ministry of finance,	Technical	DLI 4	FONGIP	Due Date	30-Jun-2023	FONGIP communicates the periodic prudential and financial reporting and the list of recipients to the World Bank.

ministry of economy)						
Update the Multi year expenditure planning document « Document Pluri-annuel de Programmation des Dépenses » to include the government Program « Acceleration Growth and Job Creation »	Fiduciary Systems		MEPC	Due Date	31-Dec-2021	The updated Multi year expenditure planning document "Document Pluri-annuel de Programmation des Dépenses" will be communicated to the World Bank.
Open a special account at National Treasury for the program	Fiduciary Systems		National Treasury	Due Date	30-Jun-2021	Proof of the opening of the dedicated account will be communicated to the World Bank.
Appoint dedicated accountants at treasury and create ID number for the program	Fiduciary Systems		National Treasury	Due Date	30-Jun-2021	Proof of the appointment of dedicated accountants at treasury and the creation of the ID number for the program will be communicated to the Bank.
Focal points appointed to support environmental and social risks and impact management	Environmental and Social Systems		FONGIP, FONSIS	Due Date	30-Sep-2021	TORs and CVs shared with the World Bank team.
A Technical Manual for Environmental and Social Management is prepared and integrated in the Program operational manual, complies with both national environmental and social assessment procedures and the provisions of the WB policy on PforR	Environmental and Social Systems		MEPC	Due Date	30-Sep-2021	Technical Manual included in the Operations Manual, to be shared with the World Bank team, and including the obligation for implementing agencies to have in place an internal environmental and social risks and impacts management system.

ANNEX 1: IMPLEMENTATION SUPPORT PLAN

Main focus of Implementation Support

Time	Focus	Skills Needed	Resources Estimate	Partner Role
First twelve months	Competitiveness Technology adoption Partial Credit Guarantees SME Fund PPPs	Private Sector Specialists Financial Sector Specialist PPP Specialists	TBD	TBD
12-48 months	Partial Credit Guarantees SME Fund	Private Sector Specialists Financial Sector Specialist PPP Specialists	TBD	TBD
Other				

Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Competitiveness, SME development, Investment funds, guaranties, and PPPs.	80	TBD	Additional TA will be determined, and fundraising performed.

Role of Partners in Program Implementation

Name	Institution/Country	Role
Senegal Tourism and Enterprise Development Project (P146469)	World Bank	Support to ADEPME
Développer l'emploi au Senegal	EU	Support to ADEPME
SME Business Loop	GIZ	Support to ADEPME
Technical Assistance to FONGIP	KfW Germany	Support to FONGIP
Technical Assistance to FONGIP	CDP Italy	
Technical assistance to FONSIS	KfW Germany	Support to FONSIS
Senegal PPP Program Support (P173897)	World Bank	Support to the PPP unit
Prioritizing Investment Climate Reforms in Select ACP Countries (P173322)	World Bank	Support to investment climate, competition, and investment promotion- potential link to the competitiveness reinforcement

		workstream
West Africa MSME Export Promotion through e-commerce platforms (P174253)	World Bank	Support to SMEs exporting through e-commerce
We-Fi Connecting national procurement needs with women-owned SMEs in Senegal (P168394)	World Bank	Support to women-led SMEs (public procurement)