

Senegal: Poverty Reduction Strategy Paper Progress Report

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MINISTRY OF ECONOMY AND FINANCE

POVERTY REDUCTION PROGRAM MONITORING UNIT

*PROGRESS REPORT
ON IMPLEMENTATION OF THE PRSP
2003*

SUMMARY

MARCH 2004

INTRODUCTION

The poverty reduction strategy paper (PRSP) of Senegal was approved by the partners, including the Bretton Woods institutions in December 2002, following a national drafting process involving all the different stakeholders. Upon its adoption by the government in December 2001, the national authorities committed to implementing the interim measures, especially, preparation of the Sector Operations Programs (POS) and the Regional Operations Programs (POR), establishment of the steering committees, prior institutional reforms contained in the matrix of measures, and incorporation of PRSP guidelines into all state activities, through the budget.

It should be noted that, in 2003, the commitments made by the government of Senegal were focused on the implementation of prior measures on a transitional basis. Because investments are scheduled to be implemented in 2004, the progress report for PRSP implementation is restricted to those actions.

On the basis of the scope defined above and within the limitations of such a novel exercise, this report reviews the institutional arrangements, reexamines the macroeconomic and macrofinancial framework, indicates the execution status of the PRSP priority actions and other measures eligible for 2003, takes stock of mobilization and budgetary tracking of resources, and finally, gives the latest information on indicators.

REVIEW OF THE INSTITUTIONAL IMPLEMENTATION FRAMEWORK

The Poverty Reduction Strategy (PRS) is steered by an **interministerial committee**, which coordinates execution of the Poverty Reduction Strategy and handles proposals for actions (strategic steering).

A **PRS national steering committee** manages the matrix of measures and the PRSP Priority Action Plan and, in particular, monitors PRSP indicators. It has not yet had a meeting. This is because, in keeping with the bottom-up approach adopted for PRSP implementation, the committee is established at the end of the process and not the beginning so as to ensure that decisions are not handed down from the top.

PRS regional steering committees have the same functions as the national steering committee, at the regional level. All of the regions now have a steering committee, as well as Regional Operations Programs (POR) drafted at the meetings with the various local stakeholders. Each regional steering committee is supported by a monitoring committee.

Concerning the establishment of the monitoring-evaluation system, the PRSP secretariat in the MEF is in charge of technical coordination and monitoring - evaluation of the Poverty Reduction Strategy at national level. The unit is being set up on an ongoing basis, with increases in its human resources and capacity for technical intervention.

The ministry focal points have been pivotal in formulating the Sector Operations Programs by collecting information and mobilizing the human resources of the ministries involved. Some play

a very important role by influencing the formulation of sector projects and strategies under the PRSP (social development, health, tourism, judiciary, job market, etc.).

Twenty four ministries in charge of the sectors that are directly or indirectly involved in PRS implementation drafted POSs in late June 2003. These documents incorporate the objectives and lines of action in the matrix of measures for activities and projects, with budgets and timetables. They were also harmonized at a national coordinating workshop held in August 2003. To make funding for the POSs possible, all project ideas will have to be described in sufficient detail in project documents.

It has been decided, however, that Civil Society Organizations and local authorities may also be tasked with executing PRS programs and projects, although there are as yet no operational documents available, and the Sector Operations Programs do not specify which actions Civil Society Organizations and local authorities could execute. Only the ministries and the regions have prepared POSs and PORs respectively.

With regard to the guiding principles of the PRSP, it should be pointed out that the measures proposed, in particular, for budget reforms, help increase transparency in government finance. Moreover, actions taken in 2003 as part of the effort to deconcentrate payment orders and decentralize the budget with a view to simplifying procedures and accelerating expenditure execution will help to quicken budget execution.

REVIEW OF THE MACROECONOMIC FRAMEWORK

Substantial reduction of poverty depends on faster creation and more equitable distribution of wealth. However, the GDP growth estimate for 2003 is 6.3 percent. This falls short of the 7-8 percent average growth rate needed to achieve the objective of halving the number of poor people by 2015. On the other hand, this rate is close to the projected rate of the PRSP high case scenario (6.5 percent), whereas the level of resource mobilization is less than 60 percent for 2003 as opposed to 100 percent in the high case scenario.

Macroeconomic performance for 2003 is encouraging. Nonetheless, problems anticipated in the mobilization of savings and the low rate of utilization of available resources had the effect of fixing capital expenditures at a lower rate than foreseen in the PRSP intermediate case scenario (CFAF 350.9 billion, as opposed to CFAF 357.2 billion).

The tax burden for 2003 is 18.3 percent. Tax collection was therefore found to be effective as it attained the level foreseen in the high case scenario despite less favorable mobilization of PRSP resources than expected. However, more public investment expenditures have been financed with internal resources than the intermediate case scenario predicted (24.4 percent compared with 22.6 percent). The wage bill held steady at 30.1 percent of revenue, which is 1 percent more than the PRSP scenario figures. The growth in the share of social sectors (education and health) in public expenditure clearly shows that these sectors are a priority for the Senegalese authorities.

In the 2003 Supplementary Budget (*Loi de Finance Rectificative*), an envelope of CFAF 42.4 billion from the Heavily Indebted Poor Countries (HIPC) resources has been earmarked to finance priority investments. Education and health received 3.65 percent and 7.73 percent of the total respectively. The rural community receives an amount estimated at over CFAF 32.6 billion, about 77 percent of the envelope.

The investment financing policy implemented in 2003 has been characterized by considerable internal discipline and cautious indebtedness, since external loans cover about one third of public investments realized. Indeed, 46 percent (CFAF 211.8 billion) of the CFAF 461 billion Consolidated Investment Budget (BCI) of the 2003 Supplementary Budget is financed with internal resources.

Furthermore, the Priority Action Plan (PAP), which is also the Priority Investment Program of the Poverty Reduction Strategy Paper (PRSP), is valued at **CFAF 688 billion**.¹ Because it is now aligned to the 2003-05 PTIP, it is possible to assess financing that is additional to available resources. Analysis of resource availability shows that financing already obtained (contributions from development partners and government resources together) amounts to **CFAF 314.7 billion**, or about 45.7 percent of the total. Thus, the outstanding borrowing requirement for the PAP is **CFAF 373.3 billion**, CFAF 107.7 billion of which (about 29 percent) was programmed for 2003, while CFAF 122.8 billion (33 percent) and CFAF 142.8 billion (38 percent) are programmed for 2004 and 2005 respectively.

2004-06 OUTLOOK FOR INCORPORATION OF THE PAP IN THE PTIP

With the Priority Action Plan drafted last June, the 2004-06 triennial capital expenditures program (PTIP) covered a large number of the actions budgeted for the amount of CFAF 214.7 billion, or 78.11 percent of the total amount earmarked for 2004 in the PAP.

- At sector level, the 2004 PTIP is part of an interesting development that focuses on the PRSP priority sectors.
- As stressed in the PRSP, the agriculture sector should receive 17 percent of the financing earmarked for 2004, in addition to support structures that are an important component of rural development. Programming for agriculture still fell short in spite of a marked improvement. The 41 billion budgeted for agriculture in the 2004 program cover 95.3 percent of activities planned in that area in the PRSP, the total amount of which is 43 billion for the same year.
- Support structures have also been given due consideration. The PTIP generally provides for actions that more than cover the PRSP needs.

¹ The GAP in the PRSP relates to the Three-year Public Investment Program (PTIP) for 2003-05.

- With respect to access to basic social services, drinking water was budgeted in the 2004 BCI. This sector takes up a significant share of the public investments budget for the year. This option has been retained for 2005 and 2006.
- Rural waterworks have also been included in the 2004 capital expenditures budget (BCI). Over the next three years, budgeting for this sector covers 32.4 percent of three-year forecasts, with 36.6 percent for 2004. The PRSP priority actions planned for 2004 for rural waterworks are covered at 60.5 percent in the PTIP.
- Still in the social sectors, education and health had relatively good coverage in the 2004 BCI.
- As for vulnerable groups, there are still improvements to be made in areas affecting children, where the program falls far short of PRSP recommendations.

REVIEW OF RESOURCE MOBILIZATION AND FISCAL MONITORING

Public expenditure is not optimized because of the excessive public debt burden. This is one of the main impediments to strong growth and poverty reduction. The HIPC Initiative aims to correct the perverse effects of the debt and to allocate debt relief savings to programs that promote growth and reduce poverty.

Realization of the PRSP investment program is one of the main prerequisites for substantial poverty reduction with strong growth that is redistributive and more balanced. The Priority Action Plan for 2003 has been valued at CFAF 197.1 billion. However, Senegal has not yet reached completion point, which triggers the mobilization of considerable resources among the debt reduction program partners. Pending agreement with the partners on the various benchmarks (measures to be implemented in the education and health sectors, privatization program, especially SONACOS), the completion point is expected to be reached at the end of the first quarter of 2004. Financing received by Senegal since implementation of the HIPC initiative thus constitutes interim assistance. The sum of interim assistance mobilized as of December 31, 2003 is CFAF 65.6 billion.

Looking at 2003, the gap between realized and expected savings varies from donor to donor. The recovery rate for expected savings overall is 67 percent. It is higher for the Bretton Woods institutions (78.8 percent for the IMF and 64.2 percent for IDA).

REVIEW OF HIPC RESOURCE MOBILIZATION AND USE

In terms of resource mobilization, Senegal should receive US\$488 million in debt relief in net present value, i.e., US\$800 million current over a ten-year period. Use of these resources is covered by a Supplementary Budget of CFAF 23.4 billion for 2001 and CFAF 42.4 billion for 2003.

With an expected amount of CFAF 30.3 billion, this will mean a shortfall of CFAF 10 billion. The difference can be attributed mainly to the suspension of IDA and AfDB interim assistance.

Utilization of resources deriving from partial cancellation of the foreign public debt service under interim assistance is authorized by the supplementary budgets. For the 2003 Supplementary Budget, of a total of CFAF 42.4 billion allocated to finance projects specifically to reduce poverty, CFAF 24.5 billion were effectively spent as of December 31, 2003, which is a relatively satisfactory realization rate of 57.7 percent.

Sector performance shows that: (i) projects in the secondary and tertiary sectors were fully executed, for the sum of CFAF 7.9 billion; (ii) social development projects have a high degree of resource absorption, with CFAF 6 billion out of a total allocation of CFAF 10 billion, or a realization rate of 60 percent; (iii) agriculture projects also have a high rate of resource absorption (of the CFAF 8.5 billion in budgeted credits, CFAF 8 billion had already been used as of December 31, 2003, or a realization rate of over 94 percent); (iv) health projects, with a total endowment of CFAF 3.3 billion, were only executed into CFAF 0.8 billion, or 24 percent, six months after adoption of the 2003 Supplementary Budget.

As of December 31, 2003, the recognized account balance is CFAF 17.2 billion. The sum of resources effectively mobilized is CFAF 65.6 billion, and expenditures amount to CFAF 48.4 billion. The real balance, though, should be CFAF 18.5 billion if the expected disbursements from the treasury, under the IMF approved cancellations in late December 2003, were taken into account.

Non-HIPC budgetary resources spent on PRSP implementation are executed on the same basis as all the other expenditures, which complicate expenditure tracking. In order to track spending of HIPC resources, their appropriation is covered by a Supplementary Budget that is distinct from the initially approved budget. But this reduces the execution time period for those expenditures within a financial year and leads to credit carryover, hampering operating expenditures in a number of ways. It is the case that, for the purposes of PRSP implementation, measures have been taken to give special attention to these expenditures so that they can be duly processed.

ASSESSMENT OF THE PRSP MATRIX OF MEASURES

Macroeconomic performance has been good. To consolidate the achievements and attain the objective of halving the poverty rate by 2015, the government has decided to place special emphasis on an accelerated growth strategy together with agricultural diversification to create export opportunities. In this respect, studies have been conducted and an expert workshop has validated the conclusions and recommendations.

In addition, to promote private investment and boost economic competitiveness, much has been done to illicit input from the various economic stakeholders on the subject of tax reform. In-depth discussions in the Presidential Council on Investment produced 35 measures, most of which are in the early stages of implementation. As a result, the General Tax Code was amended, and a new Investment Code adopted. The marginal corporate tax rate has been reduced, and

small company taxation has been simplified to boost the resources of local authorities and adapt to further decentralization. In the same spirit, the government, in cooperation with donors, will publish a guide for the strategy to be implemented in the microcredit sector. This document will define the respective duties of the Technical Assistance Unit for Savings and Loan Cooperatives (AT-CPEC) of the Ministry of Economy and Finance, the Ministry for SMEs and microcredit, and the BCEAO. It will also specify the main tasks to be devolved to those institutions, on the basis of strict separation between supervisory and regulatory functions on one hand, and developmental and promotional functions on the other.

Improved financial management was achieved thanks to a restructuring of tax and customs administrations, and to the implementation of broad programs to computerize and modernize public administration, in order to provide public services that meet international standards. With good budget flows, the government was able to draft an Economic and Financial Program, one of the most important measures of which was implementation of a special recruitment program for the social sectors (health, education), the financial authorities (treasury, tax, and customs), and the security forces (police and gendarmerie) to provide the human resources needed in the fight against poverty. This program, backed by an in-depth diagnostic study showing the continual decline in the quality of public services and specific proposals, was welcomed by our partners.

Likewise, against the backdrop of full membership in WAEMU and implementation of the Convergence, Stability, Growth, and Solidarity Pact, Senegal performed well enough to meet most of the convergence criteria. For 2003, expenditure control kept the basic budget balance in equilibrium.

As concerns good governance, computerization of services and broad public access to economic information were stressed.

With donor support, the government carried out a comprehensive diagnostic study of budget (CFAA) and procurement (CPAR) procedures, and devised action plans that are being implemented. In addition, the government has set up a research fund to prepare and program projects. The aim is to gather project ideas from ministerial departments and ensure that there is a permanent stock of bankable projects, which should help improve external resource absorption capacity.

ASSESSMENT OF IMPACT INDICATORS

• Poverty Trends

Given the survey intervals, it is virtually impossible to track yearly poverty trends. To comprehend this indicator, the technical committee tasked with drafting the PRSP examined the econometric findings of studies carried out by the Directorate of Forecasting and Statistics (DPS) and the UNDP using 1994 ESAM I (Senegalese Household Survey) data.

However, recent DPS studies calculating the poverty rate using ESAM I and II data and the same methodology show that the percentage of the population living in poverty was 67.9 percent in

1994. Full processing and use of ESAM II data from 2001 provided a basis for comparison, and showed that the rate dropped to **57.1 percent, which is a 10.8 percent reduction, or a relative rate reduction of 16 percent. Likewise, the percentage of poor households dropped from 61.4 percent to 48.5 percent in that time period.**

Moreover, according to the Center of Applied Economic Research (CREA) studies, the elasticity of the poverty rate for per capita income would be -1 if the inequalities are assumed to remain constant. In fact, the Gini index that measures the degree of inequality was virtually the same for both the ESAM I and II surveys. However, in 2003, the economy should fare better and see real per capita growth of 3.7 percent. We can therefore expect to see a significant drop in the percentage of poor people. By the same estimates, therefore, the overall poverty rate should have dropped by 1 percent for 2001-03, as a result of the economic performance observed. On this basis, the household poverty rate in 2003 would be 47.52 percent.

- **Education**

The primary school attendance rate has improved by 8.29 percent overall. There is an even more marked improvement in the rate for girls (11.57 percent). The increase in the rate of primary school attendance from 2001 to 2003 corresponds to the annual average growth rate of 4.06 percent, which means that the medium-term objective can be attained and surpassed (if the trend holds). The required annual average growth rate is 3.39 percent. Therefore, by keeping up the pace of the annual increase, Senegal will more than meet the absorption capacity target for school-age children set down in the PRSP.

The primary school enrolment rate rose from 81.72 percent to 85.10 percent for 2001-03, which is an annual average growth rate of 1.35 percent. Therefore, primary school enrolment improved, but the annual rate of improvement needs to be higher to reach the target of 90 percent by 2005. The literacy rate also increased 2.81 percent in the first two years.

- **Health**

Because there was no data for 2002 and 2003, immunization coverage was measured using the rates of immunization coverage for measles, yellow fever, tetanus, diphtheria, and whooping cough. In 2002, there was an 18.18 percent annual increase in tetanus vaccinations, which puts the immunization rate at over 70 percent. Consequently, if this positive trend, or at least the level of immunizations, is maintained, the expected rate of immunization against BCG will be achieved in 2005.

The yellow fever immunization rate, which was low in 2001 (32.9 percent), increased dramatically by 61.4 percent. The rates of immunization against all other diseases also improved by over 20 percent. Therefore, if efforts undertaken in 2002 are sustained, the medium-term objective will be met.

ASSESSMENT OF INTERMEDIATE INDICATORS

The BCI ratios show the internal and external resource efforts to finance investments in water, sanitation, and agriculture, which are PRSP priorities. In the water sector, the percentage of resources is below the PRSP target indicators (21.6 percent). Considerable efforts pushed the ratio from 6.76 percent to 14.6 percent. The agriculture sector, which is at the heart of the wealth creation strategy, is well funded in relation to the PRSP target figures. In 2003, further efforts helped increase the investment ratio in this sector from 16.05 percent to 17 percent. The sanitation sector was also well funded, with the ratio remaining at 2.6 percent in 2003.

As for the social sectors, the ratios attained for basic education and primary healthcare expenditures, in the sector operating budget, more than met the PRSP levels. In 2002, the amount allocated to basic education for operating costs was 46.32 percent of the education budget. That rate rose to 47.85 percent in 2003, for a PRSP target of 44 percent. For the health sector, the ratio is 17.52 percent and 18.66 percent for 2002 and 2003 respectively, for a PRSP target of 10 percent.

CONCLUSION

The review of actions taken in 2003 shows that most interim measures set out in the PRSP and the various commitments by the government to development partners were executed, and that the technical and institutional instruments have been put in place to ensure proper execution of the Poverty Reduction Strategy in Senegal.

Moreover, the State has made great efforts, through the national budget, to maintain the PRSP public expenditure distribution ratios, and a mechanism is being introduced to address the major constraints identified in the monitoring and execution of projects and programs in Senegal.

Senegal is also doing what is necessary to accelerate growth and reduce poverty by promoting transparency and increased resource absorption.

Follow-up of outcomes shows a favorable trend in social indicators, especially in terms of human development and access to basic social services. This trend will be reinforced if the measures planned in the 2004 budget and the expected investments are realized.

The Ministry of Economy and Finance will ensure that the priority actions in the Sector and Regional Operations Plans and the PRSP are incorporated into the PTIP, and in particular in the 2005 budget, so as to guarantee effective and efficient implementation of the PRSP.

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MINISTRY OF ECONOMY AND FINANCE

POVERTY REDUCTION PROGRAM MONITORING UNIT

**PROGRESS REPORT
ON IMPLEMENTATION OF THE PRSP**

2003

FINAL VERSION

MARCH 2004

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ACRONYMS AND ABBREVIATIONS

AEP	Approvisionnement en Eau potable (drinking water supply)
AFDS	Agence du Fond de Développement social (Social Development Fund Agency)
APIX	Agence nationale de Promotion de l'Investissement et des Grands Travaux (National Agency for Investment Promotion and Major Projects)
AT/CPEC	Cellule d'Assistance Technique aux Coopératives d'Épargne et de Crédit (Technical Assistance Unit for Savings and Loan Cooperatives)
BADIS	Banque de Données des Indicateurs sociaux (Social Indicator Data Bank)
BCEAO	Central Bank of West African States
BCI	Consolidated investment budget
CAEG/CCHD	Current account, excluding grants
CDMT	Medium-Term Expenditure Framework
CFAA	Country Financial Accountability Assessment
CGCPE	Cellule de Gestion et de Contrôle du Portefeuille de l'État (Government Portfolio Management and Oversight Unit)
CNP	Comité National de pilotage de la SRP (National PRS Steering Committee)
CNPE	National Committee on Economic Policy
CPAR	Country Procurement Assessment Report
CRD	Comité régional de Développement (Regional Development Committee)
CREA	Centre de Recherches Economiques Appliquées (Center for Applied Economic Research)
CRP	Comité Régional de Pilotage (Regional Steering Committee)
CSDMT	Sectoral Medium-Term Expenditure Framework
CSO	Civil society organization
CSPLP	Cellule de Suivi du Programme de Lutte contre la Pauvreté (Poverty Reduction Program Monitoring Unit)
CSPLP - PRP	Cellule de Suivi du Programme de Lutte contre la Pauvreté (see above) – Poverty Reduction Program
CSS	Social Security Fund
CWIQ (QUID)	Questionnaire Unifié des Indicateurs de Développement (Core Welfare Indicators Questionnaire)
DAGE	Directorate of General Capital Stock Administration
DB	Budget Directorate
DCEF	Direction de la Coopération Économique et Financière (Directorate of Economic and Financial Cooperation)
DDI	Direction de la Dette et de l'Investissement (Directorate of Debt and Investment)
DFS	Decentralized Financial Systems (Structure de Financement Décentralisé-SFD)
DGCPT	Direction Générale de la Comptabilité Publique et du Trésor (General Directorate of Government Accounts and the Treasury)
DGF	Direction Générale des Finance (General Directorate of Finance)
DGID	Direction Générale des Impôts et Domaines (General Directorate of Taxes and State-owned Property)
DMC	Direction de la Monnaie et du Crédit (Directorate of Money and Credit)
DPM	Direction de Passation des Marchés (Procurement Directorate)
DPRE	Direction de la Planification et de la Réforme de l'Éducation (Directorate of Educational Planning and Reform)
DPS	Direction de la Prévision et de la Statistique (Directorate of Forecasting and Statistics)
DTAI	Direction du Traitement Automatisé et informatique (Directorate of Automated Processing and Information Technology)
ESAM	Enquête Sénégalaise Auprès des Ménages (Senegalese Household Budget/Consumption Survey)
ESP	Enquête Sénégalaise sur les Priorités (Senegalese Survey on Priorities)
FECL	Fonds d'Équipement des Collectivités Locales (Local Government Capital Fund)
GDSS	General Data Dissemination System
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IMF	International Monetary Fund
IPRES	Institut de Prévoyance de Retraite au Sénégal (Old-Age Pension Insurance Institution)
LFR	Loi de Finances Rectificative (Supplementary budget)
LG	Local governments
MDB	Ministre Délégué au Budget (Minister responsible for the budget)
MDG	Millennium Development Goals
MEF	Ministry of Economy and Finance
MEN	Ministry of National Education

METF	Marginal effective tax rate
MoM	Matrix of Measures
MT	Technical ministry
MTEF/ <i>CDMT</i>	Medium-Term Expenditure Framework
NICT	New Information and Communication Technologies
OECD	Organization for Economic Cooperation and Development
PAP	Priority Action Plan
PDEF	Programme Décennal d'Éducation et Formation (Ten-year Education and Training Program)
PDIS	Programme de Développement Intégré de la Santé (Integrated Health Development Program)
POR	Programme d'Opérations Régional (Regional Operations Program)
POS	Programme d'Opérations Sectoriel (Sector Operations Program)
PRP	Poverty Reduction Program
PRS/ <i>SRP</i>	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PTIP	Programme Triennal d'Investissements Publics (Three-year Public Investment Program)
RGPH	Recensement Général de la Population et de l'Habitat (General Population and Housing Census)
SMEs	Small and medium-sized enterprises
SPA	Strategic Partnership with Africa
TOFE	Tableau des Opérations Financières de l'État (Fiscal table)
TORs	Terms of Reference
UNESCO/BREDA	UNESCO Regional Office for Education in Africa
UNFPA	United Nations Population Fund
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union
ZAC	Zone d'aménagement concerté (Concerted development area)

TABLES

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I. INTRODUCTION

Senegal's Poverty Reduction Strategy Paper was approved by the International Monetary Fund and the World Bank in December 2002, following a one-year national process of preparation, drafting, and validation. Since its adoption by the government in December 2001, the Senegalese authorities have committed to implement transitional measures, especially, the preparation of Sector Operations Programs (POS), the establishment of steering mechanisms, the prior institutional reforms listed in the matrix of measures, and the introduction of PRSP approaches in all spheres of government activity via the budget. The government has also undertaken to write into the national calendar an evaluation exercise aimed at reporting on annual progress in implementing the PRSP action plan.

The government of Senegal's commitments for 2003 mainly concerned implementation of the preliminary transitional measures. Thus, since actual investments are scheduled to get underway in 2004, this progress report on implementation of the PRSP covers the steps taken to put implementation and monitoring tools in place, as well as priority actions carried out using the HIPC resources made available in 2002 and 2003 for certain sectors, such as education and health.

Before proceeding to implement the actions contemplated in the PRSP, the government is also keen to complete its analysis and use of the ESAM II data, in order to confirm the appropriateness of those actions.

Based on this definition of its scope and bearing in mind the novel nature of the exercise, this report:

- Reviews the institutional mechanisms in place for the steering, execution, monitoring, and evaluation of the actions (at the national, sectoral, and regional levels) contemplated in the PRSP and the implementation instruments already developed for this purpose (*Chapter 2*);
- Examines the macroeconomic (real sector) and macrofinancial (TOFE scenario) framework with regard to changes in the development environment for the PRSP (*Chapter 3*);
- Draws up a PRSP execution progress report in respect of priority actions and other eligible measures for 2003 (*Chapter 4*);
- Takes stock of resource mobilization and fiscal tracking of those resources (*Chapter 5*);
- Evaluates the PRSP matrix of measures (*Chapter 6*);
- Presents the latest information available on the different indicators for execution of actions and measures and for assessing their social and economic impacts (*Chapter 7*); and

- Describes the latest outlook for 2004 (*Chapter 8*), particularly with respect to plans to implement the recommendations made.

The report ends with annexes containing diagrams of the steering mechanism and working group coordination arrangements.

The Poverty Reduction Strategy adopted by Senegal after analyzing the profile, causes, and manifestations of poverty is structured around four fundamental pillars: (i) wealth creation within a sound macroeconomic framework; (ii) promotion and capacity building of basic social services; (iii) raising the living standards of vulnerable groups; and (iv) a participatory approach to implementation, monitoring, and evaluation, based on decentralization of leadership and execution.

II. REVIEW OF THE INSTITUTIONAL FRAMEWORK

II.1. PROGRESS IN ESTABLISHING THE INSTITUTIONAL FRAMEWORK

The system in place comprises, on the one hand, the institutional and organizational steering framework itself and, on the other, the monitoring and evaluation system and the information and communication system, which involves the various stakeholders in the public sector, local governments, international and national technical cooperation agencies, donors and creditors, NGOs, the private sector, grassroots community organizations, etc.

a) Establishment of the strategy steering mechanism

The **Interministerial Policy- and Decision-Making Council**, which is responsible for steering the Poverty Reduction Strategy (PRS), met once, on September 17, 2002, to adopt the document on implementation of the Strategy.

The **National PRS Steering Committee** (CNP), chaired by the Minister of Economy and Finance, has not yet met. The “bottom up” approach adopted for implementation of the PRSP means that the National Steering Committee and meetings of the Interministerial Council are supposed to emerge from the process and not at its start, so as to avoid matters being determined from the top down. The first stage therefore consisted of establishing regional structures and focal points and supporting the organization of civil society structures. Since this process was also supposed to facilitate identification of the structures to be included in the CP in line with the Interministerial Council’s recommendations on implementation of September 17, 2002, in order to ensure that steering functions were taken care of, it was decided to continue to emphasize seminars in which all the stakeholders would take part in discussions of strategic issues (the seminar on ensuring consistency in POS, the seminar on choice of indicators). The progress report covering all that was to serve as the initial input for convening the CNP and the Interministerial Council. So far steering functions have been carried out via seminars involving both the bodies approached about taking part in the steering committee and the other stakeholders.

The **Regional PRS Steering Committees**, on the other hand, which perform the same functions as the National Steering Committee, only at the regional level, are already up and running. In fact, the 11 regions in the country installed their Regional Steering Committees between June and July 2003, following workshops and regional development committees (CRD) chaired by the governor of the region concerned. By December 31, the regional governors had issued decrees establishing steering committees. Moreover, these 11 regions have Regional Operations Programs (POR) drafted during these meetings with the different stakeholders in the region. Since July 2003, the regions have put the finishing touches to their papers and forwarded them to the Poverty Reduction Program Monitoring Unit (CSPLP). The regions are still waiting to receive the revised final printed version of the reports, which they wish to use as guidelines for their activities. Thus most of the stakeholders are in the process of fine-tuning their POR execution plans, above all their coordination with the Sector Operations Plans (POS) and access to HIPC funding.

The idea is to incorporate the POR projects in the Three-year Public Investment Program (PTIP) in the same way as the POS projects.

b) *Execution of the PRS*

The **technical ministries** supervise the sectors directly or indirectly involved with implementation of the PRS and execute the actions within their purview, using the technical facilities and staff at their disposal, sector programs, the agencies they supervise, etc. By end-June 2003, 24 ministries had drawn up POS. These documents take the objectives and policies of the matrix of measures and turn them into activities and projects, complete with budgets and timetables. They were also harmonized during a workshop held in August 2003. This meeting served to set convergence timeframes and plot the division of responsibilities for steering the programs adopted. Analysis of the POS reveals that certain ministries have actually enacted projects, while others have limited themselves to formulating activities. To free up funds for the POS, the idea is therefore to turn all the project ideas into project papers that are developed in sufficient detail to qualify for inclusion in the budget (BCI, PTIP, etc.) or to serve as a basis for financial partners' assistance programs and projects. For 2003, only certain already formulated POS projects in priority sectors were taken into account in the Supplementary Budget (LFR) (see Chapter V.2.2); other were included in the PTIP 2004-05 (see Chapter IV).

It is worth noting that only the ministries and the regions and ministries have drawn up POS and POR, respectively, while civil society organizations (CSOs) have not yet written operating plans, even though they were involved in drawing up the POS. Furthermore, study of the POS shows more detailed specification is needed regarding which actions will be entrusted to the CSOs and which to local governments (CL), as the project managers during execution.

c) *Establishment of the Monitoring and Evaluation System*

The **National Poverty Reduction Strategy Monitoring Unit** (CSPLP/MEF), which is responsible for the technical coordination, monitoring, and evaluation of the Poverty Reduction Strategy at the national level is gradually being put together, by training human resources and strengthening technical tools for the job. To enable it to acquire equipment and carry out its activities, this unit is being financed in 2002-04 by the World Bank via the Social Development

Fund Agency (AFDS), which has signed an agreement to that effect with the Ministry of Economy and Finance to assist the CSPLP/MEF in setting up a system to monitor the poverty reduction strategy.

The national seminar on implementation had recommended simplifying the names of the bodies involved. This recommendation is in the process of being put into effect. The CSPLP has drawn up an Operations Plan detailing the strategy pursued and the activities to be carried out. This participatory monitoring strategy comprises working groups for the principal PRS monitoring objectives (Diagram 2, attached to this report).² These working groups are a key tool and will be the subject of particular attention and close monitoring. They will define practical modalities and will do so above all through ad hoc subgroups and others devoted to specific topics.

The focal points in the ministries have played a key role in drawing up the Sector Operations Programs, by gathering information and mobilizing the human resources in the ministries concerned. Some have a particularly large say in formulating projects and sectoral strategies in line with the PRSP (Social Development, Health, Tourism, Justice, Employment, etc.).

Regional PRS Monitoring Units, chaired by the President of the Regional Council, have been installed in Senegal's 11 regions and perform functions similar and/or comparable to those of the national monitoring unit. Reading the various regional reports, the term "regional committee" appears to be used more frequently than "unit" (*cellule*), which is, however, in line with the recommendations of the national seminar on implementation of the PRSP.

In addition to this monitoring and evaluation system, in which all the stakeholders participate, especially CSOs, development partners, the private sector, trade unions, and local governments, there are also independent initiatives, such as the establishment by CSOs of a **National Observatory to Monitor Policies and Programs**, to conduct independent assessments of activities undertaken. The initiative has not yet got off the ground.

d) Establishment of the quantitative monitoring system

As regards **capacity building**, several training and equipment procurement activities are envisaged as ways to improve the monitoring system. Worth noting, in this connection, is the organization of a UNDP-supported workshop devoted to "Monitoring and Evaluation of the PRSP and the Millennium Development Goals (MDG)." This workshop enabled staff of the Directorate of Forecasting and Statistics (DPS) and of the CSPLP to receive training in the effective database management system. The main problems were pinpointed and an evaluation mission monitored that workshop with a view to drafting an ambitious cooperation program with a specialized institute in Québec (Canada).

² Four groups are used for: (i) quantitative monitoring; (ii) qualitative monitoring; (iii) monitoring of coordination between sector policies and the PRS; and (iv) monitoring of resource mobilization and absorption capacity.

As for software procurement and training, the monitoring unit acquired an SAS software module and received training in Paris in the use of this tool, which should constitute the technical platform for the data management system. A license was purchased from SAS France for the Enterprise Guide module, which is considered sufficiently comprehensive to get monitoring and evaluation started. At the present time, the “Enterprise Guide” module is installed and being used with ESAM II survey data. Experts at the Ministry of Economy and Finance (MEF) have recommended eventually using other modules allowing effective remote access to the information. Another software and applications platform has been developed for automated monitoring of projects and programs. This application is at the testing and validation phase and is expected to be fully operational by the end of June 2004.

A program for drawing up regional social accounting matrices is being developed at CSPLP/MEF jointly with the DPS and regional stakeholders. The terms of reference have been finalized and work is scheduled to begin toward the end of April 2004. These tools are of paramount importance for monitoring, evaluating, and targeting. Developing and keeping them up to date will make it possible to establish key annual indicators for local economies.

Box 1: The implementation, monitoring, and evaluation system

Steering the poverty reduction strategy (PRS)

- The **Interministerial Policy- and Decision-Making Council** sets guidelines to ensure proper execution of the strategy, reviews progress in implementing the PRS, and establishes appropriate amendments needed to keep the PRSP up to date.
- The functions of the **National PRS Steering Committee** are: (i) to promote and guide efforts to develop and update strategy at the national level; (ii) to ensure that sectoral programs are relevant and coherent; (iii) to see to it that the outcomes and recommendations of evaluations are taken into account when the PRSP is updated; and (iv) to ensure that PRSP indicators are monitored for use in talks with donors and creditors and national, regional, and local stakeholders.
- The **Regional PRS Steering Committee** performs at the regional level the same functions as the National Steering Committee, namely: (i) to promote and guide efforts to develop and update strategy at the regional level; (ii) to ensure that regional programs are relevant and coherent; (iii) to see to it that the outcomes and recommendations of evaluations are taken into account when the PRSP is updated; (iv) to help construct a PRS database at the regional level; (v) ensure ample communication among the different stakeholders involved in planning, implementing, and monitoring the strategy at the regional level; and (vi) to prepare an annual report on the status of poverty reduction policy at the regional level to be presented to the National PRS Steering Committee.

Execution of the PRS

The technical ministries supervise the sectors directly or indirectly involved with implementation of the PRS and execute the actions within their purview, using the technical facilities and staff at their disposal, sector programs, the agencies they supervise, etc. Their main function is to execute sector programs with a view to achieving pre-established outcomes, particularly, on the one hand, the preparation and implementation of sector policies, programs, and projects and, on the other hand, monitoring of their execution. However, civil society organizations and local governments may also be put in charge of executing PRS programs and projects.

Monitoring and evaluation of the PRS

- The **National PRS Monitoring Unit** is responsible for the technical coordination, monitoring, and evaluation of the PRS at the national level, prepares reports for higher bodies (the National Steering Committee, in particular), coordinates with partners, and manages the information network. To perform these functions, it works closely with the directorates and technical staff of the Ministry of Economy and Finance directly involved with the PRS and with the technical bodies involved at the operational level (line ministries, regions, local governments, and so on) and civil society organizations.
- The **focal points in the technical ministries** are there to carry out operational monitoring of actions and activities included in the Sector Operations Programs. In that capacity, each focal point is responsible for (i) ensuring that the “Poverty Reduction” dimension is taken into account in the preparation, implementation, monitoring, and evaluation of sector programs; (ii) monitoring specific PRS indicators in the areas concerned; (iii) organizing and coordinating activities relating to implementation of the PRS in the sector; and (iv) liaison with the CSPLP.
- **Regional Units for Monitoring the PRS**, chaired by the Presidents of the Regional Councils, perform functions similar and/or comparable to those of the national monitoring unit. They form an integral part of the Regional Steering Committee (CRP) and, on its behalf, coordinate with partners, manage the information and communication network, and draw up monitoring reports. Secretarial support services are provided by the Regional Forecasting and Statistics office.

As regards hardware, the system has been equipped, using World Bank funds, with computers for the focal points at the regional and sector level and for the CSPLP in the Ministry of Economy and Finance. This material has already been purchased by the AFDS and is currently up and running. The DPS, for its part, this year received from the U.S. Census Bureau a grant of 100 computers for processing data from the population and housing census (RGPH III).

The main DPS-related actions for the monitoring system are:

- The establishment of a living standards observatory, supported by the UNDP, to strengthen the evaluation system. This initiative, which is now under way, aims primarily at looking into the consistency of the existing data;
- The institutional transformation of the DPS into a **National Statistics Agency**. This project was delayed by organizational changes at the government level in August 2003. A briefing on it was circulated among all ministerial departments, examined by the Council of State, and adopted by the Cabinet (*Conseil des Ministres*).

II.2. PRACTICAL APPLICATION OF THE GUIDING PRINCIPLES OF THE PRSP

Along with resource absorption and monitoring and evaluation of the actions envisaged in the program, effective participation by the stakeholders involved or interested in implementation of the PRSP constitutes a major, and certainly the most significant, concern in relation to the seven (7) guiding principles established for the PRS. Indeed, such participation generates not only real involvement on the part of all categories of stakeholders in the economic and social development of Senegal (central government, regional authorities, local governments, the private sector, civil society, development partners, and so on) at every stage of the process (formulation, implementation, evaluation, and adjustment), but also a high degree of ownership of the National Poverty Reduction Strategy.

Participation by representatives of different segments of the population is a regular feature throughout the PRSP preparation phase, as illustrated by the following tables. Analysis of the participation data show, in particular, that the regions considered to be the poorest (Diourbel, Kolda, Fatick) were well represented at the various preparatory meetings of the PRSP.

NUMBER OF PARTICIPANTS AT NATIONAL AND REGIONAL MEETINGS ORGANIZED BY THE MEF (in percent)					
Table 1		Table 2			
Place	Percentage of participants	Sector	Thematic Groups	Regional Committees	Perception surveys
Dakar	8.64	Government agencies	46.62	24.47	30.86
Diourbel	19.01	National Assembly	0.68	0.75	0.00
Fatick	9.38	Local Governments	0.68	26.58	16.30
Kaolack	11.36	International organizations	11.49	0.75	1.23
Kolda	14.81	Development projects	6.76	3.15	4.94
Louga	0.99	Private Sector	14.86	6.76	6.42
Saint-Louis	10.37	Civil Society	16.22	37.54	39.26
Tambacounda	9.63	Universities/Research agencies	2.70	0.00	0.99
Thiès	5.93	TOTAL	100.00	100.00	100.00
Ziguinchor	8.40				
National	1.48				
TOTAL	100.00	Source: CSPLP/MEF, 2003			

The same appears to apply to nonstate stakeholders (civil society and the private sector, especially), who accounted for more than one-third of the participants at the meetings (between 34 and 48 percent, depending on the type of meeting). By comparison, the distinctly lower rate of participation of government agencies (with the exception of the national thematic groups) may point to an institutional shift, as the government opts to grant a large say to the other stakeholders in the formulation of public policies for economic and social development.

The following Table describes perceptions of the extent to which PRSP guiding principles were taken into account over the past year, which was largely devoted to the preparation of implementation mechanisms, especially the drafting of operating plans and programs (Priority Action Plans, Sector Operations Programs, Regional Operations Programs, etc.). The perceptions reflect the insights culled from the answers by PRS stakeholders who were specifically approached about this.

Table 3: SUMMARY OF STAKEHOLDERS' PERCEPTIONS REGARDING IMPLEMENTATION OF THE PRSP'S GUIDING PRINCIPLES

GUIDING PRINCIPLES	OUTCOMES SOUGHT	CRITERIA	
		QUANTITATIVE INDICATORS	QUALITATIVE INDICATORS
Proximity	The loci of decision-making on PRSP interventions are close to the beneficiaries.	Relative share of the PRSP budget that has to be raised exclusively by the final beneficiaries.	Do the stakeholders think that programs are drawn up and executed locally?
Faire-faire	The government recognizes that other actors are also involved in the implementation of the PRSP.	Relative share of operations carried out by nonstate actors in total PRSP activities.	Do the stakeholders have the impression that the government entrusts other actors with responsibilities for implementing programs?
Transparency	Mechanisms guaranteeing visibility and oversight of actions taken.		Do the stakeholders have access to information on the management of public funds?
Participation	Beneficiaries of poverty-related actions are involved in decisions affecting them.	Diversity of stakeholders present at institutional meetings organized by the MEF	Do different categories of stakeholders say that they took part in the preparation and implementation of programs? Do they have the impression that their concerns are taken into account?
Equity	Equal rights and responsibilities of the parties are guaranteed, and their differences respected.	Weighting in favor of programs and projects promoting the welfare of socially disadvantaged groups	Do the stakeholders have the impression that the government takes geographical and gender-related inequalities into account in preparing and implementing programs?
Promptness	Effective procedures ensure rapidity in procurement and contracts related to interventions	Percentage gap between expected and actual duration of procurement arrangements	Do the stakeholders think that procedures are prompt?
Complementarity and synergy	Efficient combination of means and resources optimizes results with respect to programmed actions.		According to the stakeholders, are complementarity and synergy features of the interventions?

To assess the extent to which the PRSP guiding principles are taken into account in projects and programs, a methodology has to be formulated, along with a well-documented benchmark situation. The qualitative nature of these guiding principles requires a holistic and comprehensive approach, as well as consultations among stakeholders to assess the degree to which they are implemented. As regards the preparatory phase of the PRSP, in which reasoned perceptions can be put forward, the government would appear to have broadly satisfied the faire-faire, participation, transparency, equity, promptness, and complementarity and synergy principles, particularly compared to regularly observed practices in these areas.

In the area of fiscal reforms, in particular, the measures recommended essentially contribute to enhancing transparency in public finance. Moreover, it is worth noting that, as envisaged in the

promptness principle, actions carried out in 2003, in the context of efforts to achieve deconcentration of spending authorizations and decentralization of fiscal management, were designed to streamline procedures and expedite spending execution. Implementation of the Medium-Term Expenditure Framework (MTEF), scheduled to begin in 2004 with the ministries of Education, Health, Justice, and the Environment, will signal the definitive and effective implementation of, essentially, the guiding principles for the government budget and, more specifically, the principles of complementarity and synergy, transparency, and promptness.

As for application of the principles of proximity and faire-faire, progress is expected once consultation framework agreements that either already exist or are contemplated during 2004 become operational.

III. MACROECONOMIC FRAMEWORK

The Government of Senegal's economic and financial program for the period 2003-05, which is essentially based on the PRSP, was approved by the IMF on April 28, 2003. Its implementation, which led to a conclusive first review, will consolidate the macroeconomic framework and achievements in the fiscal area.

In 2000, Senegal received a Standard & Poor's rating of B+/B, the same classification as Brazil or Turkey. This should prove to be an important factor in attracting investors and possibly facilitate placement of Treasury bills. The same rating was obtained in 2002 and 2003, mainly reflecting the healthy macroeconomic framework in that period.

III.1 MACROECONOMIC PERFORMANCE IN 2003

To achieve a substantial reduction of poverty, there has to be a faster pace of wealth creation and equitable wealth distribution. In this respect, the rural sector is particularly important since it accounts for most of the poor. The PRSP contemplates different scenarios, depending on resource mobilization, namely a high case scenario, an intermediate case scenario, and a trend-based scenario [*scénario tendanciel*]. The high case scenario assumes absorption of all the resources contemplated in the PRSP. In the intermediate case scenario, resource absorption is 50 percent. The trend-based scenario envisages a pessimistic situation in which the program is implemented without absorbing any additional resources.

GDP is expected to grow by 6.3 percent in 2003. That is below the 7-8 percent annual average growth rate needed to halve the number of the poor by 2015. However, the projected growth rate is close to that contemplated in the high case scenario. At the same time, resource mobilization is below 60 percent in 2003, against a collection rate of 100 percent in the high case scenario.

Agricultural GDP, which grew by 36.3 percent—rebounding from a sharp decline in 2002 (32.1 percent), is the main determinant of overall growth in GDP in 2003. The primary sector is thus expected to register the highest rate of sectoral growth (20.5 percent). Secondary and tertiary sector growth rates are expected to reach 4.4 percent and 3.9 percent, respectively, that is lower than projected initially because of spin-off effects of the poor harvest in 2002. Nonagricultural GDP turned out to rise at a slower rate (4.2 percent) than overall GDP. While the

primary sector's growth performance is expected to be remarkably strong, its positive impact in terms of poverty reduction will materialize only if it proves to be sustainable.

On the demand side, the investment rate is expected to reach 19.9 percent, or 0.2 percent above the rate projected in the high case scenario (19.7 percent). The private sector accounts for more of the investment effort than the public sector (11.1 percent, compared with 8.8 percent). Since the domestic savings rate is estimated at 8.5 percent, a level below that contemplated in the most pessimistic PRSP scenario (10.3 percent), the resource gap – which stands at 11.6 percent – is somewhat high. It reflects the current account deficit, excluding grants (8.5 percent of GDP), which is higher than the deficit foreseen in any of the three scenarios in the PRSP framework.

The poor performances in terms of domestic savings and the current account balance of the balance of payments have to do, on the one hand, with the perverse effects of the 2002 harvest, which led to a decline in rural incomes and agricultural exports combined with an increase in imports of grains, and, on the other, with the decline in the price of phosphoric acid, which had a negative impact on this export item.

Overall, macroeconomic performance in 2003 was encouraging in a number of ways.³ However, certain structural constraints in the Senegalese economy persist (a low level of savings, balance of payments deficit). Difficulties encountered in generating expected savings and the low rate of utilization of available resources resulted in a lower level of capital expenditure than projected in the intermediate case scenario (CFAF 350.9 billion, as opposed to 357.2 billion).

Table 4: REAL SECTOR FRAMEWORK 2003

Description (in CFAF billions)	High case scenario (1)	Intermediate case scenario (2)	Trend-based Scenario (3)	Actual performance (4)
Capital expenditure	393.8	357.2	319.6	339.0
- Domestic financing	167.4	160.6	153.8	163.5
- From HIPC resources	25.8	25.8	25.8	27.0
- External financing	200.6	170.8	140	148.5
Investment rate	19.7	19.3	18.7	19.9
National savings rate	13.3	13.3	12.9	13.6
Domestic savings rate	10.3	10.4	10.4	8.5
GDP growth rate	6.5	5.8	5.2	6.3
Overall balance of payments	82.8	62.4	49.4	-32.8
Current account, excluding grants (CAEG)	-319.2	-297.3	-282.1	-317
CAEG / GDP (percentage)	-8.20%	-7.60%	-7.20%	-8.5

(1) 100 percent absorption of additional resources anticipated in the PRSP.

(2) 50 percent absorption of additional resources anticipated in the PRSP.

(3) No absorption of additional resources anticipated in the PRSP.

(4) Estimates at October 2003.

³ Namely: significant growth of GDP, reversing the downturn in 2002 and a surge in investment, particularly that of the private sector, which reflects confidence on the part of economic agents and expectations of increased profitability in projects, etc.

III.2 BUDGET OUTTURN

Tax pressure in 2003 is estimated at 18.3 percent of GDP. Tax collection thus proved to be effective given that it achieved the level contemplated in the high case scenario despite a lower-than-projected PRSP resource absorption capacity. However, domestic financing of public investment outlays, as a proportion of tax revenue, is higher than expected in the intermediate case scenario (24.4 percent, as opposed to 22.6 percent). This ratio does not take expenditures in connection with the HIPC Initiative into account. The wage bill was kept at 30.1 percent of tax revenue, one percentage point above the PRSP scenarios.

The basic surplus/deficit ratio to GDP is positive (0.1 percent), albeit below target (1.4 percent in the intermediate case scenario). This basic surplus, which measures capacity to finance government expenditures using domestic resources points to a healthy fiscal situation as expenditures were managed and contained in view of the domestic revenue collected.

Table 5: FISCAL TABLE FRAMEWORK 2003

Indicators (in percent)	High case scenario	Intermediate case scenario	Trend-based Scenario	Actual performance
Tax ratio	18.2	18.2	18.2	18.3
Wage bill / tax revenue	29.2	29.1	29.0	30.12
Domestic financing of capital expenditures as a percentage of tax revenue	23.6	22.6	21.7	24.42
Capital expenditures / GDP	9.4	8.5	7.5	9.3
Basic balance / GDP	1.2	1.4	1.8	0.10
Overall balance on a cash basis / GDP	-1.0	-0.5	0.0	-1.79

The overall fiscal balance thus shows a higher deficit in government financial transactions than that envisaged in the intermediate case scenario (-1.79 percent and 0.5 percent of GDP, respectively). This higher level reflects stronger spending on priority social sectors (Supplementary budget 2003) and to assist the rural sector affected by the poor 2002 harvest. The negative overall balance of government financial transactions is due to the increase in current expenditure, support for the countryside following the disappointing harvest in 2002, and the higher-than-anticipated level of expenditure on priority sectors financed by the HIPC Initiative, together with a slight increase in capital expenditure in 2003. Furthermore, salaries and wages increased by 4 percent and the rates of growth of interest on the debt and of other current expenditures were 15.57 percent and 16.65 percent, respectively.

Setting aside financial orthodoxy issues, it is the sectoral focus of public expenditure, and especially the relative shares of the social sectors (education, health) and of infrastructure, that indicate their relevance to growth and poverty reduction targets.

The trend in the relative share of the social sectors (education and health) in government current expenditure clearly indicates that these sectors are regarded as a priority by the Senegalese authorities. The share of expenditure in current outlays increased by more than three percentage points between 2002 and 2004, from 32 percent to 37 percent. That of health also increased over that period, but at a less robust rate, from 9.2 percent in 2002 to 9.5 percent and 9.8 percent, respectively, in 2003 and 2004.

Table 6: SHARE OF SOCIAL EXPENDITURES IN THE CURRENT BUDGET (in percent)

Sectors	2002	2003	2004
Education	32.0	35.0	37.0
Health	9.2	9.5	9.8
Total (Health + Education)	41.2	44.5	46.8

Sources: DPS, DB

The Supplementary Budget Law (LFR 2003) provides for a CFAF 42.4 billion allocation to finance priority investments. Education and health received 3.65 percent and 7.73 percent of the total, respectively. Rural areas receive an amount estimated to exceed CFAF 32.6 billion, or approximately 77 percent of the appropriation. Although substantial, this share of the appropriation is below the 80 percent contemplated in the PRSP framework.

Table 7: ALLOCATION OF SUPPLEMENTARY RESOURCES OF THE REVISED 2003 INVESTMENT BUDGET

Sectors	CFAF billions	Percent
Agriculture	8.53	20.11
Rural and agricultural water projects	8.15	19.21
Energy	2.49	5.87
Crafts	1.00	2.36
Transportation	5.42	12.77
Education	1.55	3.65
Health	3.28	7.73
Social development	10.00	23.58
Other (FECL)	2.00	4.72
Total	42.40	100.00

The Consolidated Investment Budget of the Supplementary Budget Law for 2003 totals CFAF 461 billion. This program is financed with domestic resources amounting to CFAF 211.8 billion (46 percent). External financing reaches CFAF 249.2 billion (54 percent): CFAF 158.1 billion or 63.3 percent of this in the form of loans, the remainder (CFAF 91.1 billion or 36.7 percent) in the form of grants. The investment financing policy implemented in 2003 therefore combines a resolute domestic effort with prudent indebtedness, given that the external loans cover approximately one third of the public investment carried out.

IV. BUDGET PLANNING AND IMPLEMENTATION OF THE PRSP

IV.1 PLANNING/BUDGETING OF THE PAP IN THE 2003-05 PTIP

IV.1.1 General features of the 2003-05 Three-year Public Investment Program (PTIP) in connection with the 2003-05 Priority Action Plan (PAP)

The Priority Action Plan (PAP) is also the Priority Investments Program of the Poverty Reduction Strategy paper (PRSP), translated into projects and programs. It covers the 2003-05 period and contributes to the achievement of the PRSP's objectives, namely poverty reduction and economic growth based on four major pillars: (i) wealth creation; (ii) capacity building and promotion of basic social services; (iii) raising the living standards of vulnerable groups; and (iv) a participatory approach to implementation and monitoring and evaluation based on decentralization of steering functions and execution. Each project in the Program corresponds to a goal and specific priority action in the PAP.

The PAP involves spending of CFAF 688.0 billion.⁴ Reconciliation of that amount with the PTIP for 2003-2005 provides an estimate of the supplementary funding needed to complete already available resources. Analysis of resource availability shows that financing already obtained (combining contributions from development partners and government resources) totals CFAF 314.7 billion, or 45.7 percent of the total. Thus, the financing gap of the PAP amounts to CFAF 373.3 billion, of which CFAF 107.7 billion (approximately 29 percent) were planned for 2003, while CFAF 122.8 billion (33 percent) and CFAF 142.8 billion (38 percent) are programmed for 2004 and 2005, respectively.

⁴ The GAP mentioned in the PRSP refers to the PTIP of 2002-2004.

Table 8: DISTRIBUTION OF THE FINANCING REQUIREMENTS OF THE PRIORITY ACTION PLAN (PAP), BY SECTOR

Sectors, areas, groups	Amounts in CFAF millions	Percent
Agriculture	48,972	13.12
Support infrastructure	44,961	12.04
Livestock	9,509	2.55
Fisheries	8,531	2.29
Crafts	11,805	3.16
Industry	4,000	1.07
Energy	16,974	4.55
Mining	2,655	0.71
Tertiary sector	3,360	0.80
Private sector	-	0.00
Support to SMEs	4,900	1.31
Employment	4,270	1.14
Education – Training	75,502	20.23
Health	26,058	6.98
Drinking water	28,245	7.57
Natural resources and environment	23,459	6.28
Sanitation	7,490	2.01
Good governance	4,010	1.07
Decentralization	500	0.13
Children	25,050	6.71
Women	9,033	2.42
Handicapped	2,022	0.54
Elderly	5,500	1.47
Housing for vulnerable groups	6,504	1.74
GRAND TOTAL	373,310	100.00

Rural areas will benefit from over CFAF 559.1 billion, or 81.3 percent of anticipated resources in agriculture, livestock, support infrastructure, natural resources, fisheries, education, health, drinking water, energy, handicrafts, and facilities for women.

The share contributed by government will therefore average 11.6 percent over the three-year period.

Table 9: DISTRIBUTION OF EXPECTED FINANCING, BY SOURCE

Resources	2003		2004		2005		Total	
	CFAF	Percent	CFAF	Percent	CFAF	Percent	CFAF	Percent
Government	9,395	8.73	15,159	12.35	18,656	13.06	43,210	11.57
External	98,265	91.27	107,617	87.65	124,218	86.94	330,100	88.43
TOTAL	107,660	100.00	122,776	100.00	142,874	100.00	373,310	100.00

The Priority Investment Program, which covers financing requirements totaling **CFAF 373.3 billion**, has two parts:

- One part corresponding to already indentified projects, for a total of **CFAF 219.7 billion**, or 58.9 percent of financing needs; these projects are listed in the Table in Annex 1, by PRSP sector. Each project has its own index card with a brief description (see Annex 3 of the PRSP);

- A second part corresponds to projects still being formulated, for a total of **CFAF 153.6 billion**, or 41.1 percent of financing requirements, The Table in Annex 2 of the PRSP lists the PAP interventions that should be addressed by projects in the process of being formulated.

IV.1.2 Sector Operations Program interventions included in the 2003-05 PTIP

For the purposes of implementation of the Poverty Reduction Strategy (PRS), the objectives and policies drawn up in the participatory process have been turned into Sector Operations Programs (POS). These papers, which are the principal tools for implementation of the PRS, drawn up by the ministries, outline the sectoral strategies for implementing the PRSP, the specific activities involved, the execution schedule, indicators, and cost evaluations.

Comparative analysis of the POS and the PTIP (by reconciling their respective operating systems) reveals that the activities contemplated in the POS are, for the most part, not to be found in the PTIP. Given that, on the one hand, the POS were not available when the 2003-2005 PTIP was being drafted in July-October 2002, and, on the other, that the drafting of project documents to be scheduled in the PTIP on the basis of the POS had not been carried out, only some of the activities contemplated in a few sectors could be entered into the PTIP, as follows:

Subject area / Sector	PRSP Objectives / Strategies	POS projects included in the PTIP	Overall costs (CFAF millions)	Notes
Transportation - Mobility	Improve urban and rural transportation Improvement of intercity linkages	<ul style="list-style-type: none"> • Construction of the Ngouye bridge 	3,500	-300 before 2004 -1,500 for 2004 -1,700 for 2005 -Technical studies and bidding processes under way
	Improve urban and rural transportation Improvement of intercity linkages	<ul style="list-style-type: none"> • Halwar and Gouloumbo bridges 	2,250	-1,125 before 2004 -1,125 contemplated for 2004 -Roadways ready, civil engineering studies to begin end-March 2004
	Improve urban and rural transportation Maintenance and rehabilitation of transportation infrastructure	<ul style="list-style-type: none"> • Road, rail, and waterways network Touba and Tivavouane 	2,700	- 315 (study) 2004 - underway
	Improve urban and rural transportation Maintenance and rehabilitation of transportation infrastructure	<ul style="list-style-type: none"> • Rehabilitation of the Kaolack / Ziguinchor ports 	1,932	-323 (study) 2004
	Improve urban and rural transportation Improvement of intercity linkages	<ul style="list-style-type: none"> • Construction of the Fatick – Bambey Méckhé – Diogo highway 	200 (study)	Study scheduled for 2006

		(Study phase)		
Young people	Improve living conditions for young people Strengthen resources of the National Employment Fund and the National Youth Promotion Fund	<ul style="list-style-type: none"> Youth Promotion Fund 	9,000	- 8,000 before 2004 - 1,000 for 2004
Culture	Promotion of cultural entrepreneurs, actors, and agents Support for cultural development institutions	<ul style="list-style-type: none"> Inventory of sites and historical monuments 	250	- 75 before 2004 - 175 for 2004
Housing for vulnerable groups	Ensure greater access to equipped plots and adequate dwellings Program to improve housing in poor neighborhoods in peri-urban and urban areas	Program to promote ZACs (concerted development areas)	1,700	- 1,700 for 2004
Agriculture	Intensify and modernize farming	Program to modernize and intensify agriculture	8,960	-8,710 before 2004 - 250 for 2004
Livestock	Achieve food security Combat epizootic diseases	Control of epizootic diseases / PACE	1,042	
Fisheries	Promote the development of fisheries resources Support training of fisheries sector professionals	Capacity-strengthening program	459	- 459 for 2004
Children	Ensure adequate social, health care, and nutritional services coverage for children of vulnerable families Combat diarrheic diseases, malnutrition, etc.	Fight against malnutrition and undernourishment	15,630	- 2,791 before 2004 - 3,676 for 2004
Health	Improve quality and supply of health care services Improve efforts to combat HIV/AIDS and malaria	<ul style="list-style-type: none"> PDIS (Integrated Health Development Program) The components are not indicated in the PTIP, so that it is not possible to make comparisons with activities envisaged in the POS.⁵ Strategic Plan to Combat AIDS 	252,230 34,270	- 155,388 before 2004 - 38,409 for 2004 - 6,505 before 2004 -5,392 for 2004
Education	Generalize access to elementary education Increase the rate of access to middle and secondary school education			- 97,988 before 2004 - 36,698 for 2004 The components are

⁵ In fact, this is generally the case as the PTIP and the POS are seldom shown with a comparable structure and format (whole program versus components, projects versus activities, and so on).

	Improve access and duration of schooling for girls at all educational levels	<ul style="list-style-type: none"> • PDEF (10-year education program) 	22,0290	not indicated in the PTIP, so that it is not possible to make comparisons with activities envisaged in the POS.
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IV.2 OUTLOOK FOR PAP INCORPORATION IN THE PTIP IN 2004-2006

Based on the Priority Action Program drawn up last June, the 2004-2006 PTIP was able to cover a substantial portion of the interventions contemplated in the PAP (for CFAF 214.7 billion, or 78.11 percent, of the total amount planned for 2004). CFAF 90 billion out of the estimated funding gap for 2004 of CFAF 123 billion was covered (PTIP 2003).

- At the sector level, the PTIP for 2004 is in line with an interesting overall thrust to push the PRSP's priority sectors.
- As stressed in the PRSP, the agricultural sector is supposed to benefit from 17 percent of the financing anticipated for 2004, in addition to support infrastructure, which is a major factor in rural development. Although it has clearly improved, the appropriation for agriculture is still not enough. The CFAF 41 billion allocated to agriculture in the 2004 program cover 95.3 percent of the activities contemplated for this sector in the PRSP, which envisages CFAF 43 billion for that year.
- Support infrastructure also receives ample attention in the program. Overall the PTIP provides for interventions that largely cover PRSP needs.
 - As regards access to basic social services, the consolidated investment budget (BCI) for 2004 includes ample support for drinking water projects. This sector, which already receives substantial support from creditors and donors as part of efforts to combat poverty, accounts for a significant portion of the public investment budget for the year under review. This option has been kept for 2005 and 2006.
 - Rural waterworks, being a key sector for boosting agricultural productivity, has likewise been well looked after in the BCI for 2004. Over the next three years, this sector's appropriations cover 32.4 percent of the three-year program projections (36.6 percent for 2004). 60.5 percent of the PRSP's priority actions for waterworks projects in 2004 have been covered in the program.
 - As for urban hydraulic engineering projects, SONES is currently building low-cost water hook-ups for disadvantaged families on the outskirts of towns. 20,000 households have been targeted for 2004.
 - Also in the social sectors, education and health have both been relatively well addressed in the 2004 program.
 - As regards vulnerable groups, much still needs to be done for children: an area in which the program falls far short of the PRSP.

V. RESOURCE MOBILIZATION AND FISCAL TRACKING

V.1. FINANCING THE POVERTY REDUCTION PROGRAM

The failure to optimize public expenditures, combined with the excessive public debt burden, is one of the principal obstacles to achieving strong growth and poverty reduction. The Heavily Indebted Poor Countries Initiative (HIPC) aims to correct the perverse effects of indebtedness and to earmark savings from debt relief to programs promoting growth and poverty reduction.

Carrying out the investment program contemplated in the PRSP framework is one of the chief prerequisites for a significant reduction in poverty through strong, redistributive, and better distributed growth. The estimated cost of the Priority Action Program for 2003 is CFAF 197.1 billion. However, Senegal has not yet reached the completion point, which allows it to raise significant resources from partners involved in the debt forgiveness program. Given that the partners have reached agreements on the main stumbling blocks (measures to be implemented in the education and health sectors, the privatization program, especially the privatization of SONACOS), completion point should be reached toward the end of first quarter 2004. Thus, the support received by Senegal since the start of the HIPC Initiative constitutes interim assistance. By December 31, 2003, overall interim assistance had totaled CFAF 65.6 billion.

In the case of 2003, the gap between the savings achieved and those anticipated varies according to the creditors and donors involved. The percentage of anticipated savings that were actually realized was 67 percent. The percentage is higher in the case of the Bretton Woods institutions (78.8 percent for the IMF and 64.2 percent for the International Development Association (IDA)). For other donors and creditors the rate is almost 65 percent. The theoretical balance on the special HIPC account opened in the BCEAO as of December 31, 2003 was CFAF 17.2 billion. However, the actual balance is CFAF 18.5 billion, bearing in mind the CFAF 1.3 billion that the Treasury is due to pay into the special account on account of the savings granted by the IMF in December 2003.

The rate at which resources were actually used improved considerably in 2003. Of the CFAF 42.4 billion in the program, CFAF 24.5 billion were used: an absorption rate of more than 57.7 percent since the supplementary budget (LFR 2003) was adopted in the third quarter of 2003. Despite the relatively satisfactory rate of resource absorption derived from HIPC savings, the fiscal management and procurement reforms should, eventually, ensure a much more sustained pace of utilization of the financing granted to Senegal.

V.2 MOBILIZATION AND USE OF HIPC RESOURCES

V.2.1 Mobilization of the resources drawn from the HIPC Initiative

Having been declared eligible for the HIPC Initiative on June 22, 2000, Senegal stands to benefit from debt relief in the amount of US\$488 million at net present value, that is to say, US\$800 million current dollars over a period of 10 years. The use of these resources was addressed in a Supplementary Budget Law in respect of CFAF 23.4 billion for 2001 and CFAF 42.4 billion for 2003.

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These resources are earmarked, as a matter of priority, for capital expenditures in the social sectors. In LFR 2003, the resources from the HIPC Initiative, supplemented by additional cash resources and budgetary aid from the Netherlands helped to finance, inter alia, poverty reduction-related projects and activities. Eighty percent of the appropriation of HIPC resources went to the rural sector.

For 2003, debt forgiveness reached CFAF 20.3 billion, distributed as follows:

- CFAF 6.1 billion of IDA debt;
- CFAF 4.9 billion from the AfDB Group;
- CFAF 3.9 billion from the IMF (of that CFAF 1.3 billion has still to be paid into the special account); and
- CFAF 5.4 billion from other creditors, including the European Union, Germany, and Italy.

Compared to expectations of CFAF 30.3 billion, this situation points to a shortfall of CFAF 10 billion. It is explained above all by the suspension of interim IDA and AfDB assistance.

V.2.2 Use of HIPC resources and status of PAP execution

The utilization of resources generated in the form of interim assistance by partial external debt service forgiveness is carried out in the framework of the Supplementary Budget Law (LFR). In the case of LFR 2003, out of a total of CFAF 42.4 billion earmarked for financing projects directly related to poverty reduction, CFAF 24.5 billion had been effectively executed on December 31, 2003: a relatively satisfactory rate of execution of 57.7 percent.

By sector, performance was as follows:

- Financing for secondary and tertiary sector projects was fully disbursed, in the amount of CFAF 7.9 billion;
- Social development-related projects show a satisfactory level of absorption capacity: CFAF 6 billion out of a total appropriation of CFAF 10 billion, an execution rate of 60 percent;
- Agricultural projects also show a satisfactory level of absorption capacity: CFAF 8.0 billion in appropriated credits, out of a total of CFAF 8.5 billion, had been used by December 31, 2003: an execution rate of over 94 percent;
- Health sector projects, which received a total appropriation of CFAF 3.3 billion, show execution of only CFAF 0.8 billion, or 24 percent, six months after LFR 2003 was adopted.

The projects financed in the various sectors are shown in the following Table:

Table 10: STATUS OF PAP IMPLEMENTATION (SUPPLEMENTARY BUDGET 2003, HIPC RESOURCES)

PRSP Strategy: Wealth Creation within a Sound Macroeconomic Framework		
Area / sector: Crafts		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
Carry out permanent and ongoing interventions for artisans and those who organize their activities Rehabilitation and modernization of training centers	Rehabilitation of Rural Artisans Training Centers	1,000,000
Area / sector: Energy		
Enhance rural electrification Expansion of rural electrification	Rural and urban electrification	20,600,000
Area / sector: Transportation and mobility		
	Improvement of urban mobility Rural roads	87,000,000 4,000,000
PRSP Strategy Capacity-Building and Promotion of Basic Social Services		
Area / sector: Health		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
Develop community-based health care services Create and strengthening of basic community health services in rural and peri-urban areas	Training for community health services personnel	800,000
Improve efforts to prevent and combat HIV / AIDS and malaria	Strategic Plan to Combat AIDS	33,270,000
Improve the quality and supply of health care services	PDIS / Health – Social Action	251,146,000
Improve the quality and supply of health care services Equipping of health care infrastructures	Additional equipment for TOUBA hospital	1,500,000
Area / sector: Education		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	PDEF – 10-year education and training program	113,856,000
	Free school supplies/equipment	1,000,000
Area / sector: Drinking water		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
Increase the rate of access to drinking water	60 watering places program in 6 regions	8,000,000
	400-watering places study	200
Rehabilitation and sinking of modern wells in rural areas	Construction of permanent watering places in large villages (<i>Gros Villages</i>) (700)	97,400
	Construction of 60 watering places – BCI 2003 component	1,000
	Construction of 60 watering places – LFR 2003 component	1,000
	Deepening and rehabilitation of wells	1,500
	Construction of 200 shallow wells	2,000
	Construction of 100 modern wells	1,900

Increase access to drinking water Rehabilitation of boreholes and construction of storage facilities	Recovery of former boreholes	500,000
	Rural drinking water supply (AEP) networks expansion program	11,000,000
	AEP system constr. and rehab. project	1,000,000
	AEP GOROM/LAMPSAR	7,400
	Village and pasture land hydraulic engineering projects in the Northern and Central Regions – Phase I	5,500
	Regional solar energy project Phase 2 (PRS 2)	5,065
	PARPEBA	10,000
	CEAO II Supplementary – 168 wells	3,700
	Borehole recovery BCI 2002	500
	Borehole recovery BCI 2003	500
	Borehole recovery LFR 2003	1,100
	100KM NETWORKS EXPANSION PROJECT	1,500
	Construction (MFT) of boreholes in Saint-Louis and Tambacounda	2,500
	Construction of 60 watering places – Donors and Creditors Phase	14,500
	Construction of 40 watering places (WAEMU)	5,800
	AEP NOTTO/NDIOSMONE/PALMARIN	19,000
	CONSTRUCTION OF 10 MOTOR-OPERATED BOREHOLES (LUX 3)	3,400
Water supply in rural areas – Rural boreholes equipment	5,000	
<u>Area / sector:</u>		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	Social infrastructure project	5,000,000
<u>Area / sector: Children</u>		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	Early Childhood Development Project	2,000,000
<u>Area / sector: Women</u>		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	Support for women entrepreneurs	1,000,000
	Construction of departmental centers for women	1,500,000
	Allocation to National Solidarity Fund	1,000,000
<u>Area / sector: All groups</u>		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	Support for disadvantaged groups	300,000
<u>Area / sector: Handicapped</u>		
Objectives / strategies / policies	Title of project	Cost in CFAF Thousands
	Centers for handicapped and mentally ill persons	250,000

V.2.3 Status of the special HIPC account opened in the BCEAO

On December 31, 2003, the balance on this account was CFAF 17.2 billion. The accumulated total of funds raised was CFAF 65.6 billion and expenditures totaled CFAF 48.4 billion. However, the actual balance should read CFAF 18.5 billion, in light of disbursements that the Public Treasury is expected to make under end-December 2003 debt forgiveness arrangements with the IMF.

Also worth underscoring, in this regard, is the fact that the administrative and financial system for keeping track of HIPC resources has been installed, as recommended in the Country Financial Accountability Assessment (CFAA) Action Plan. A ministerial decree has been in effect since December 2002, detailing the powers and modus operandi of the HIPC Resources Monitoring Committee. Today there are separate slips for payments chargeable to HIPC resources.

Internal resource management, other than for funds available under the HIPC Initiative, is governed by the rule that budgetary resources may not be earmarked, which means that expenditures implementing the PRSP are executed in the same way as all other outlays, which in turn means that it is difficult to keep track of expenditures. To get round this difficulty, HIPC resources are governed by a Supplementary Budget Law (Loi de Finances Rectificative), which is different from the initial budget law. However, this law restricts execution times for these expenditures to a single fiscal year, forcing loans to be carried forward and making current expenditure arrangements cumbersome. In practice, for PRSP implementation purposes, steps have been taken to pay special heed to, and expedite, these outlays.

V.2.4 Obstacles to resource absorption

With respect to external resources, which constitute over 70 percent of the resources for public investment, the underlying causes of the low absorption capacity were identified during the Country Financial Accountability Assessment exercise. They stem, essentially, from:

- Lack of coordination among interventions, which leads to a certain amount of inconsistency or even duplication in the selection of actions to be carried out;
- Weak technical capacity of ministries to prepare and implement projects, given that they no longer have planning units. This manifests itself in the form of incomplete project files and biased evaluations, which undermine the chances of achieving poverty reduction strategy objectives; and
- The plethora of cumbersome and complex procedures of donors and creditors using nongovernmental channels.

This state of affairs will make it difficult to gauge the financial impact of the donors' and creditors' interventions.

In the context of the CFAA and Country Procurement Assessment Report (CPAR) action plans, recommendations have been put forward with regard to enhancing coordination among donors and creditors, with a view to harmonizing and increasing the level of convergence of their assistance. The idea is, on the one hand, to facilitate integration of investment projects in the normal public expenditure circuit and, on the other, to increase development partner support for the national budget and sector programs.

Moreover, efforts are also being made in the framework of the OECD's Strategic Partnership with Africa (SPA), to which Senegal is a state party, to streamline procedures and boost budgetary support.

During 2003 there were numerous communications between the government and the various partners (the German, Canadian, and Dutch cooperation agencies, the United Nations, the European Union, the African Development Bank, and so on) aimed at bringing assistance into line with the PRSP. Ministry of Economy and Finance staff, in particular, have taken care to ensure that new projects and evaluations take into account not just the steering mechanism but also the core strategies of the PRSP, and the targeting of geographical areas and priority sectors.

V.3. FISCAL TRACKING MECHANISMS

V.3.1 In the ministries

The focal point is broadly responsible for implementation and monitoring within the Ministry. The Directorate of General Capital Stock Administration (DAGE) acts as financial manager for the government's domestic resources and those stemming from budgetary support from development partners. The focal point monitors the utilization of these resources at the same time as project implementation. The DAGE follows traditional budget execution procedures with an administrative mindset that does not always include the performance targets assigned to the department concerned. Data that are indispensable for monitoring the PRSP are often not available, provided too late, or incomplete.

The PRSP objectives described in the sector programs or action plans are pursued both by the Ministry, through the national budget, and by donors and creditors, through the projects. In this respect, it would be worth improving the way the DAGE is organized, so that accounting data can be culled for projects, too, and used to construct a permanent database.

V.3.2 At the Ministry of Economy and Finance

With respect to the budget, capital expenditures and current expenditures using HIPC resources are committed and authorized, respectively, by the Directorate of Debt and Investment (DDI) and the Budget Directorate (DB). The accounts officer responsible for assigning these expenditures is the Treasury's Paymaster General.

At the cash flow level, the mechanism in place is such that HIPC resources are held in the account opened in the BCEAO in the name of the *Trésorier Général* (head of the Public

Treasury). Payments for these expenditures are discharged by the Paymaster General applying to the Trésorier Général for funds.

To facilitate monitoring of PRSP budgetary outlays, the nature, distribution, and amount of expenditure can be easily traced on the execution statements produced by the expenditure management software. However, a specific mechanism is to be devised to guarantee that track can be kept of PRSP budgetary expenditures.

Similarly, for Supplementary Budget execution, there is a system run by a monitoring group that takes stock each month not just of the HIPC resources mobilized, but also of the level of absorption. Here, too, the DDI has a software that currently keeps closer tabs on HIPC expenditures.

To expedite processing of these data, the idea for 2003 is to assign the letter P to tag all budget items related to poverty reduction. These items were identified on the basis of criteria previously defined by the PRSP Monitoring Unit:

- In the case of the BCI, no major difficulties were encountered in tagging poverty reduction-related projects: the letter P was added to the budget items classification code;
- For the operating budget, a committee was formed to come up with a proposal.

The reforms under way or contemplated for the medium term in the framework of the CFAA and CPAR action plans will undoubtedly provide a lasting and definitive solution to this thorny issue, particularly when the following four measures are enforced:

- The introduction, as of the 2005 Budget Law, of a Medium-Term Expenditure Framework (*CDMT/MTEF*) and the Sectoral MTEFs (*CSDMT*) of the principal ministerial departments, especially those involved with poverty reduction (Education, Health, Environment, and Justice);
- Deconcentration of payment order issuance, which will make spendthrift ministries and local authorities more accountable, by allowing them to define sector policies, decide on activities programs, and handle projects with far much more transparency surrounding the resources available in the medium term;
- Installation of an integrate information system shared by all MEF and technical ministry directorates; and
- Decentralized execution of the domestic resources in the consolidated investment budget (BCI), which will make the decentralized authorities and deconcentrated civil servants much more accountable.

Indeed, the effective introduction of a medium-term expenditure framework, as a performance-oriented budgetization tool, will facilitate a close link between PRSP objectives and the planning of public expenditures. Under these conditions, fiscal data will be accurate, exhaustive, and available on time, which is a prerequisite for the PRSP process and fiscal tracking. It is, moreover, one of the necessary conditions for optimal use of resources stemming from the HIPC Initiative and applied to PRS implementation.

V.3.3 At the regional and local levels

Generally speaking, at the local government level, the PRS does not translate into budgetary allocation. Nonetheless, most local government budgets concern actions within poverty reduction programs under way in their region.

For most of local government authorities, everything in the budget in fact relates, directly or indirectly, to poverty reduction. Paying a wage to a community worker, or a scholarship to a student, or installing a drinking fountain in a poorer district, are all part of poverty reduction, along with any outlay for security in disadvantaged urban areas.

Nevertheless, there is perhaps a case to be made for distinguishing between expenditures formally written into the poverty reduction strategy and those that have traditionally been directed to ease the lot of the poor. Under this latter category come, obviously, all budget appropriations to assist the destitute and the needy or to combat pests, floods, and other disasters.

VI. EVALUATION OF THE PRSP MATRIX OF MEASURES

Macroeconomic performance was good. In order to consolidate the achievements and to be in a position to reach the goal of halving poverty by 2015, the government decided to place emphasis on an **accelerated growth strategy**, while diversifying agricultural production to boost export potential. Studies were conducted to this end and a workshop of experts validated the findings and recommendations.

VI.1. EVALUATION OF THE MACROECONOMIC FRAMEWORK

Furthermore, to promote private investment and make the economy more competitive, a major project was launched to review tax reform with the various economic stakeholders. An in-depth examination by the Presidential Investment Council led to 35 measures which, for the most part, have begun to be implemented. Thus, the General Tax Code was reformed and a new Investment Code put in place. The marginal corporate tax rate was reduced and taxes on small businesses were simplified with a view to increasing the resources of local governments and furthering decentralization.

Similarly, the government, in cooperation with donors and lenders, will publish a policy paper on the strategy to be implemented in the microfinance sector. The paper will establish the respective responsibilities of the AT-CPEC Unit of the Ministry of Economy and Finance, the Ministry of SMEs and Microfinance, as well as the BCEAO. It will also specify the tasks to be delegated on

a priority basis to these institutions, separating supervision and regulation functions from development and promotion.

Improvements in financial management were sparked by a reorganization of the tax and customs administrations and the implementation of major programs to computerize and modernize the departments, with a view to providing a public service up to international standards. Thus, based on the upward trend of fiscal resources, the government prepared an economic and financial program with one of the most important measures being the implementation of a special hiring program in the social sectors (health, education), in the tax agencies (Treasury and Customs) and in the security services (Police, *Gendarmerie*) to meet human resource needs for poverty reduction. This program was well received by our partners, based on an in-depth diagnostic study showing the continuous deterioration in the quality of public service and on some concrete proposals.

Also, with regard to consolidating the spatial integration of the WAEMU and implementing the Convergence, Stability, Growth and Solidarity Pact, Senegal's performance met most of the convergence criteria. The basic fiscal balance was contained by means of expenditure control during 2003.

VI.2. GOOD GOVERNANCE AND FISCAL MANAGEMENT

Special emphasis was placed on computerizing the units and giving the general public access to economic information, which was one of the primary concerns. Another response to this concern was the use of the website of the Ministry of Economy and Finance, through which all economic and financial information is regularly shared with the public. It should be noted that Senegal has been a subscriber to the IMF General Data Dissemination System (GDDS0 since 2001.

With the support of donors and lenders (World Bank, African Development Bank, European Union, French Cooperation, United Nations Development Programme, etc.), the government conducted a complete diagnostic study from May 2002 to May 2003 of budget procedures and government procurement (CFAA and CPAR) and laid out an action plan. By implementing the measures of this action plan and improving the preparation and programming of projects through the establishment of a project research fund to take stock of project ideas originating in the ministerial departments and to ensure that bankable projects are always available, it should be possible to improve the capacity for absorption of external resources.

In terms of the statistical apparatus, there is a project to create a National Statistics and Demographics Agency that would be independent of the administration, thereby ensuring a supply of data that is even more reliable than the already good available statistical data, whose quality was recognized by a joint IMF/World Bank mission.

VI.3. PROMOTING TRANSPARENCY AND IMPROVING THE QUALITY OF GOVERNMENT INTERVENTION

To comply with the principles of the WAEMU transparency code on fiscal sustainability, an action plan was drawn up after the diagnostic study of the fiscal management system. The draft action plan was validated by an Interministerial Council and is being put into operation in the departments.

According to the DGF, the selection and computerization of an identifier for tagging and tracking poverty-reducing expenditures from the planning stage, which would notify participants in the expenditure circuit of their priority status, is still under review. With a view to fostering fiscal transparency, steps are being taken to activate the information sharing system in the GB and the DDI, by issuing monthly statements on payment origination and payment orders broken down by main items. The system of tracking expenditure is already functional but additional work is planned through end-August.

The main actions and measures of the matrix that were completed in 2003 are listed in the table below.

Progress in Implementing the PRSP Matrix of Measures			
Sector/Area: Fiscal Sector			
PRSP Policy Areas and Objectives	Performance	Dates	Comments
Simplify taxes	Study to assess the potential for lowering the marginal rate of direct taxes.	June 2003	The report is available. A law reforming the general tax code was passed. The TMI was reduced to 28 percent.
Simplification of the tax base of the income tax.	Creation of a single tax for small enterprises that would cover income tax, VAT, and the business license tax with a simple application mechanism. The initial exemption should be adjusted to ensure the fiscal neutrality of this reform.		The law was passed. The DGID and the DB came together to propose the earmarking of this tax. A note on impact analysis and statistics was prepared.
Progress in Implementing the PRSP Matrix of Measures			
Sector/Area: Private Sector Promotion			
PRSP Policy Areas and Objectives	Performance	Dates	Comments
Investment and export promotion	Private sector promotion		
Preparation of a strategy document for Senegal's integration into the world market	Drafting of a policy paper on the integrated framework		Document available
Strengthen the long-term basis for development and improve the effectiveness of state intervention	Public Enterprises		
Strengthen the public enterprise monitoring system	To avoid any major financial imbalances stemming from the parapublic sector, the government will take the necessary steps to closely monitor problem enterprises: SENELEC and SONACOS based on financial and accounting information.	Monthly	A system for monitoring public enterprises in difficulties on a monthly basis has been developed by CGCPE. Financial information provided by SENELEC and SONACOS is entered into the system. The CGCPE should strengthen this system with rigorous and periodic monitoring. A report will be produced.
	SENELEC		
Continuation and completion of the Privatization Program.	Expand production capacity using private investment (Independent Power Producers).	End-June 2003	The ITB was submitted to pre-qualified investors on November 5, 2003 and the process will be completed in 2004.
	Specify options and modalities for privatizing SENELEC.	March 2003	Done.
	Publish an audit of SENELEC's accounts at end-June 2003.	September 2003	The audit report on the accounts at end-June 2003 was published on January 8, 2004
	Structural Reforms		
	SONACOS		

Privatization of SONACOS by mid-2003.	Announce the modalities of the privatization strategy.	End-July 2003	Timetable already available. The process is underway.
	Public outreach to all holders of residual claims on SONACOS.	June 2003	SONACOS has already sent out an ITB.
	Publication, along with the privatization process, of a policy paper covering in particular the tax and customs regulations for the sector, producer financing, institutional aspects of management of the industry, special funds, procedures for setting the indicative producer price and collection through the factory-gate delivery system	End-July 2003	The document is available. The protective tax on vegetable oil should be abolished by end-March 2004.
	Integration of corporate account monitoring in the pre-privatization period, under the TORs of the financial advisory office on privatization.	End-July 2003	BNP Paribas was selected as consultant. It is responsible for account and financial monitoring up through the end of the privatization process. A list of monitoring indicators has been drawn up. The indicators are measured monthly by the privatization committee.
	Launch of the ITB for privatizing SONACOS.	End-July 2003	The ITB file was submitted to pre-qualified investors on January 13, 2004.
Streamline and reinforce the <u>private sector support system</u>	<u>Private Sector Development</u>		
	Adopt the policy letter on private sector development.	April 2003	Letter adopted. There is an action plan.
	Action plan for implementing the Policy Letter on Private Investment Promotion.	2003-2004	Action plan available. The law on the Investment Code was voted at end-January 2004 and enacted. An implementing decree is being drafted to set specific minimum requirements for the eligibility of certain activities for producing goods and services and to determine the modalities for granting tax and customs benefits and approval procedures. This decree will be complemented by another regulatory act that will, in particular, set the practical modalities for implementing the VAT ring system.
Improved coordination and streamlining of private sector development initiatives.	Implementation of measures to simplify administrative procedures for private investment (FIAS Report)	Recurrent 2003	The table of measures is attached to the private sector development letter. The private sector development monitoring committee is steered by the DCEF.
			To make Senegal more attractive to investors, the

	Setup of a Presidential Council for Investment.		government has created a system that includes, <i>inter alia</i> , a strategy for private sector development, accompanying measures identified by the Presidential Council for Investment, of which 80 percent have been implemented and 20 percent are to be implemented.
Progress in Implementing the PRSP Matrix of Measures			
Sector/Area: Decentralization			
PRSP Policy Areas and Objectives	Performance	Dates	Comments
Further decentralization Implementation of local tax provisions to enable local governments to finance local public investment.	Take steps to introduce local taxes to strengthen the financial base of local governments.	December 2003	The law has been voted.
Progress in Implementing the PRSP Matrix of Measures			
Sector/Area: Macroeconomic Framework			
PRSP Policy Areas and Objectives	Performance	Dates	Comments
Keep the balance of the budget and of the balance of payments at a level compatible with anticipated domestic and external financing	Continued use of the single identifier and gradual expansion of its scope to all the administrations, starting with IPRES and the Social Security Fund	June 2003	As the IPRES checking exercise is almost complete (96 percent), the DTAI should now become more involved in the committee to propose solutions for checking the CSS database. A transition period through end-December 2003 is proposed for testing the feasibility of the system.
Gradual expansion of the tax base	To improve calculation of the tax base and share the information available on taxpayers, the computer systems for of the Tax and Customs administrations and the Treasury will be integrated.	End 2003	The system is functional and has started operations with the training of staff for the DGID and the DGD. The connection with the Treasury is problematic because of the instability of the installed electrical current.
Improve fiscal management	Public Expenditure		
	Implementation of an action plan after the diagnostic study of the fiscal management system.	April 2003	The proposed action plan was validated by an interministerial council. It is now being implemented in the departments.
Adhere to the principles set out in the WAEMU transparency code concerning fiscal sustainability	Introduction of a system for tagging and tracking anti-poverty expenditures from the time they are included in the program, in order to notify the	2003	According to the DGF, much time and thought was given to the choice of an identifier and its use in data processing. The expenditures have now been

	various participants in the expenditure circuit of their priority status.		identified.
	Adoption of the final three WAEMU fiscal management directives.	March 2003	All the decrees have been signed. The DGCPT, DGF, DMC, and DGID are preparing the implementing acts. A technical consultant is coordinating the related tasks.
<u>Promote transparency in fiscal Management</u>	<u>Public Expenditure</u>		
Improve the information system in public administration and between the public and private sectors.	Activate the system of information sharing in the DB and DDI, by issuing monthly statements on payment origination and payment orders, broken down by main items.	Starting at the beginning of 2003	Done: the DDI is connected and has already issued these statements by main items, as has the DGCPT.
	Connect the expenditure tracking system developed by the DGCPT to the counterpart system developed by the DB and the DDI, using as a test the monthly statements issued on payment origination, payment orders, and actual payments, broken down by main items.	End-June 2003	The system is functional but additional work is planned up to end-August. The DGF has transferred an appropriation to pay the consultant. The DGCPT is connected.
	Extension of the coverage of the expenditure management software to personnel expenditure.	End 2003	The updates were performed and some data processing disparities are being dealt with. Testing is completed and the files have been transferred.
<u>Promote accelerated growth</u>			
Capacity building for macroeconomic policy making and management	Implementation of an accelerated growth strategy that will be financed for three out of the five following sectors:	2003	A meeting with the private sector was held in December 2003 and an interministerial council is to specify the three sectors to be selected.
	<ul style="list-style-type: none"> • Agriculture and Agroindustry • Textiles, Garments • Tourism • Fishing • NICT 		
	Measures to improve public debt management	2003	The MDB Office will point out the recommendations coming out of the report of the last assessment mission. Filing will be an area that is closely monitored.
	Update on the debt sustainability analysis.	June 2003, IMF/WB mission	Actual update for bilateral donors and lenders with the IMF. Another update was done with a joint WB-IMF mission for multilateral donors and lenders. The basis appears to be sound.
<u>Improve fiscal management</u>	<u>Statistical framework</u>		
	Publish the revised provisional national accounts on	April 2003	Done.

	the basis of the SNA93. Passage of acts related to the new statistical code.	June 2003	Finalized acts are currently with the Government General Secretariat.
	Implementation of the ROSC Report recommendations validated by the government.	End 2003	Ongoing. The DPS has already implemented the bulk of the recommendations. The Treasury and BCEAO have received the report.
	Implementation of a Macroeconomic Framework Committee to strengthen the circulation of information between the agency responsible for debt management and the units involved in preparing the macroeconomic framework.	End-March 2003	Expansion of the scope of the CNPE.
	Implementation of a fiscal management and government procurement system (CFAA/CPAR)		Validation of the CFAA/CPAR action plans and holding of an interministerial council meeting to transform the reforms recommended by these diagnostic studies into directives.
	<u>Judicial system</u>		
	Recruitment of 186 magistrates, 105 court clerks and 701 administrative staff.	2003-2005	Ongoing as part of the recruitment policy.
	Continuing training of magistrates and court clerks	Continuing	The Minister of Justice has communicated these needs as part of the FY 2004 envelope earmarked for structural reforms.
	Publication of the ten-year plan to reform the judicial system.	December 2003	Report available.
	<u>Good governance</u>		
	Diagnostic study on fiscal procedures and procurement for the CFAA and CPAR action plan.		Action plan drafted.
	Define a medium-term recruitment policy in response to personnel needs in the civil service as well as the key elements of a compensation strategy that would provide efficiency incentives and be competitive with the private sector with respect to key positions.	September 2003	The recruitment policy paper has been completed and shared with the IMF and hiring has begun. Concerning the compensation strategy, offers are being reviewed. The consultant has been selected and the study started. The report should be out in June 2004. The key elements of the strategy are available in the consultant's TORs.
	<u>Combating corruption and upgrading administration</u>		
	Strengthen the effectiveness of the	2003-2005	Passage of a law on November 12, 2003 establishing

government procurement audit system.	program.		the National Council for Good Governance and against Corruption and Misappropriation of Funds. A budget on program implementation was submitted at the last meeting of the consultative group. A timetable and a report on implementation are to be submitted by the DPM.
	Strict application of the Procurement Code.	2003	The action plan was validated by the government. Focus more on implementation.
<u>Improve fiscal management</u>			
Continue transformation of the tax system.	Proposal to reform corporate taxation and review the investment code.	September 2003	The incentives recommended by APIX were submitted to the DGID. A memorandum taking stock of the reforms and their impact was drafted. A new investment code has been voted and implemented.
<u>Support and follow-up SME development</u>	<u>Support for SMEs</u>		
Development of financing programs by the development finance companies (DFCs) for the growth sectors.	Produce a policy paper for the microfinance sector.	2003	TORs prepared and completed on July 4, a draft of the document is already available.
<u>Monitor implementation</u>	<u>Implementation and monitoring/assessment</u>		
Equipping and operating steering and monitoring agencies	Setup of a functional PRSP monitoring unit.	2003	The PRP monitoring unit in the MEF has had the support of the World Bank through an agreement signed with the AFDS. Setup of focal points in the Ministries, local monitoring committees, and start up of the working groups.
	Setup of a living conditions and poverty monitoring station.	2003	Feasibility study completed. Currently in the performance phase.
Establishment of a National Statistics Institute by end-2002.	Creation of the National Statistics Agency.	2003-2004	The paperwork for setting up this agency was delayed owing to the government reorganization in August 2003. It was the subject of a circular to all the ministerial departments and was reviewed by the Council of State.
Preparation of a document on monitoring/assessment of the implementation of the PRSP by end-July 2002.	Drafting of a document on PRSP implementation.	2002-2003	Document published.

VII. INDICATOR INFORMATION

VII.1 CHOICE OF PRSP INDICATORS

VII.1.1. Problems with Tracking Indicators and Approach to their Composition

A monitoring and assessment system is essential for evaluating the progress made in achieving the objectives set out in the PRS and the outcomes sought. Indicators are established to track key components of the performance requirements for this monitoring and assessment mechanism. To that end, the indicators designed to track and assess performance in implementing the poverty reduction strategy cover the key sectors targeted by the strategy areas and come out of the objectives and actions defined in the PRSP. To monitor these indicators, they must be calculated and updated on the basis of a database of variables that affect a cross-section of economic and social sectors.

The definition of a PRSP implementation strategy was given specific consideration during the process and throughout the sharing and validation of the document. From the outset, the aim was to arrive at a set of indicators based on the various consultations on poverty, in response to certain questions.

- Which indicators, other than those already in use, are necessary and pertinent for tracking regional specificities?
- Which indicators are available?
- What is the periodicity?
- What does monitoring cost?

These questions were the subject of meetings during the process and the answers resulted in the first list of indicators given in the final version of the PRSP.

The day after validation of the PRSP by national stakeholders, the process of defining the implementation strategy continued with a very specific approach, which enabled the different groups of stakeholders (government, civil society, and regional stakeholders) to hold discussions in parallel with a view to better identifying the concerns and reaching the most effective consensual shortlist. This approach, while remaining faithful to the principles and content of the PRSP, made it possible to expand the base of indicators for a better appreciation of the changes resulting from more objective analyses.

Based on the monitoring system decided upon by the stakeholders, the capacity for data collection and organization in that system made it possible to conduct an in-depth study of the accompanying measures to provide the necessary data for tracking the indicators. This resulted in the selection of the base indicators along with a technical memorandum of understanding among the stakeholders involved in the implementation of this system of monitoring/assessment, which ensures that data collection will be more effective.

VII.1.2. Basic principles for the selection and typology of indicators

The purpose of this paper is to supplement and possibly review the indicators in the PRSP.

- 1) The selection was guided by the following principles:
 - Importance and relevance of the indicator (matching an action or set of actions stated in the PRSP matrix);
 - Measurability using existing data or data to be collected;
 - International comparability;
 - Possible construction (or composition) of country- and PRSP-specific indicators (with no international relevance).
- 2) Two types of indicators were selected:
 - Specific indicators measuring progress in the performance of an action/activity;
 - Synthetic (or composite) indicators measuring the effect or impact of a set of indicators.
- 3) The characteristics of these indicators emerged from the exchanges, namely:
 - relevance;
 - availability;
 - quality of sources;
 - collection methods (sectoral, surveys, etc.);
 - reference years;
 - breakdown level of the indicator;
 - comparability.
- 4) To ensure effectiveness, a two-stage approach was adopted:
 - Proposal of a shortlist of indicators derived from a technical study of indicators, which reviews all the characteristics of the indicators proposed by the sectors and the DPS;
 - Organization of a workshop with all the stakeholders. This workshop was held in December 2003; a consensus emerged on the shortlist, which was communicated to the partners and to all the stakeholders for comment.

Stakeholders, especially the development partners, were heavily involved in these two activities. In a process of iteration, the selection of indicators from the shortlist is being finalized with a concerted effort on the part of donors and lenders.

VII.2. STATUS OF THE PRSP INDICATORS

The poverty tracking indicators comprise indicators of trends in poverty (incidence of poverty, depth of poverty, etc.), indicators of capacity building in the sectors deemed priority (basic social services), and macroeconomic indicators. The indicators will be assessed taking into account their relative trends, on the one hand, and, on the other hand, comparing their average annual growth rates with the rates necessary to attain the quantitative medium-term objective in 2005.

Impact indicators should be distinguished from intermediate indicators, which are more easily observable and give a preview of the impact indicators.

The indicators and objectives targeted in the PRSP were based on provisional data from the ESAM II provided by the CWIQ and sectoral statistics. The government was committed to publishing the final results in 2003. This was a priority activity because it was important to validate the information that was used to define the objectives and the strategy before actually making a commitment to carry out the priority actions. This timetable was followed with the publication of the provisional report by the Directorate of Forecasting the Statistics in December 2003. With the final results of the recently published ESAM II, it was possible, *inter alia*, to update the profile of poverty and confirm the relevance of the targets and planned actions in the PRSP.

VII.2.1. Incidence of Poverty

The recent work on calculating the incidence of poverty based on data from ESAM I and II using the same methodology, set the percentage of the population living in poverty at 67.9 percent in 1994. After full processing and application of the data from the ESAM II data, the survey conducted in 2001, it was found, on a comparable basis, that this rate changed to 57.1 percent, which represents a reduction of 10.8 points or a relative decline of 16 percent in the incidence of poverty. Similarly, and according to the same studies, the percentage of poor households changed from 61.4 to 48.5 percent during this period.

Furthermore, according to the work of AERC, the elasticity of the incidence of poverty relative to per capita income is about -0.9, if the inequalities remain constant. The Gini index measuring the degree of inequality remained virtually unchanged between the two surveys ESAM I and II. Also, with an annual population growth rate estimated at 2.6 percent, there should have been a decline in per capita income in 2002, given the low GDP growth for that year, which was 1.1 percent in real terms, which could be indicative of a decline in the standard of living. In light of the parameter of the growth elasticity of poverty, a 1.35 percent increase in the incidence of poverty is to be expected. However, in 2003, the economy performed better and had a real per capita growth rate of 3.7 percent, so there should be a decline in the percentage of poor people. Using the same methods of estimation, the incidence of poverty should have decreased overall by 1 percent over the period 2001-03, as a result of the economic performance recorded. The incidence would then be 47.52 percent of households in 2003.

Trend in the incidence of poverty

Table 12: Estimates of the Incidence of Poverty (in percent)

	2002	2003
Real growth rate	1.10	6.30
Population growth rate	2.60	2.60
GDP growth per capita	-1.50	3.70
*Decline in the incidence of poverty	-1.35	3.33
*Incidence of poverty	49.15	47.52

Source: DPS, *mission

However, the following caveat should be noted: starting next year, the country must have annual GDP per capita growth rates of at least 3 percent for the incidence of poverty to be 45 percent in 2005, as targeted in the PRSP.

VII.2.2. Characteristics of Poverty

A) SPATIAL DISTRIBUTION OF POVERTY

The results of the survey reveal that the residential environment has a strong impact on the incidence of poverty and the spatial distribution of the poor. In 2001-2002, of the 1,063,325 households in Senegal, 515,238 lived below the poverty line, or 48.5 percent. This overall statistic however conceals the differences from one geographic area to another. Poverty is in fact more widespread in the rural areas; 57.5 percent of rural households are poor as opposed to one in three households in Dakar and 43.3 percent in the other cities of the country. These disparities are reflected in the spatial distribution of poor households. Also, the rural areas account for the greatest share of poverty: close to two poor households out of three (65 percent) are located there whereas only 54.7 percent of the country's households are rural. By contrast, Dakar, which has more than one quarter of the country's households (25.9 percent), has 17.8 percent of its poor families. Cities other than Dakar contribute less to poverty: they account for 19.4 percent of all households and 17.3 percent of the poor ones.

Poverty is:

- very high (over 60 percent) in Ziguinchor, Kolda, Kaolack, and Diourbel
- high (between 40 and 60 percent) in Tambacounda, Thiès, Saint Louis, and Fatick; and
- moderately high (33-40 percent) in Dakar and Louga

B) CHARACTERISTICS OF THE HEAD OF HOUSEHOLD

Generally speaking, numerous studies have shown that per capita consumption is negatively correlated with household size. On the contrary, the risk of poverty increases with household size. The survey of household expenditure in the capital (EDMC, 1996), conducted in Dakar, showed that the average size of a household varied from 4 to 12 members between the richest and poorest quintiles.

From a gender-specific perspective, the results show that, despite their relatively substantial weight, female-headed households accounted for only 14.8 percent of total poverty. Also, poverty is less widespread in female-headed households than in male-headed households; whereas only 37 percent of households headed by women are poor, one in two headed by men lives below the poverty line, irrespective of their location.

Similarly, it is very clear that the situation of the elderly can arise from the fact that the decrease in their income is also accompanied by responsibility for jobless youths or students. Heads of household aged 35-54 head half of the poor households, while heads of household who are under 35 represent only 14 percent of poor households.

C) POVERTY AND LEVEL OF EDUCATION

Education here means regular attendance at a modern public or private educational institution where teaching is in French, Arabic, or any language other than the national languages. The results of the ESAM II confirmed that poverty clearly declines with the level of education. Indeed, of the households where the head has had no education, 54.2 percent live below the poverty line. This rate falls to 45.9 percent when the head of household has attended primary school and is further cut in half when the head has had a secondary education. It continues to trend down to 12.5 percent for households where the head has completed general higher education.

In terms of the share of poverty, the survey confirms that households where the head has no education or a very low level (primary school) account for the overwhelming majority. Thus, it is estimated that households where the head has no education amount to 415,484 or over 80 percent of the poor households and households where the head has a primary education make up only 12 percent of the total. The poverty-reducing effect of education demonstrated by these data is a strong argument for an education promotion policy that provides education for all, in particular through across-the-board primary education and by eliminating the tendency for students to drop out before completing this level.

VII.2.3. Education

Except for the primary school enrolment rate, for which the reference year is 2000, all other indicators have 2001 as the reference year. The data on education come from the DPRE (MEN) or from UNESCO.

The elementary school attendance rate has improved overall by 8.29 percent. This rate has increased more for girls (up 11.57 percent). The rise in the elementary school attendance rate from 2001 to 2003 is equivalent to an annual average increase of 4.06 percent, which would meet and exceed the medium-term objective if the trend continues. The annual average growth rate needed is 3.39 percent. Therefore, by maintaining this annual rate of expansion, Senegal will easily attain the admission capacity for school age children set in the PRSP.

The primary school enrolment rate moved from 81.72 percent in 2001 to 85.10 percent in 2003, an average annual growth of 1.35 percent. Primary school enrolment improved but the annual rate of this improvement must be increased to reach the goal of 90 percent in 2005. An annual average rate of 1.95 percent would be needed to achieve this goal. Lastly, the efforts made to correct gender disparities should be noted. The boy/girl parity index rose slightly above 80 percent in 2000 and to 88 percent in 2003.

Rate of enrolment in the first year of primary school

Regions	2000	2002	2003
Dakar	81.47	72.68	97.00
Ziguinchor	109.36	97.55	110.40
Diourbel	34.06	39.92	43.50
St Louis	103.63	84.74	103.10
Tamba	101.20	85.90	98.10
Kaolack	63.70	58.14	69.10
Thiès	76.78	75.01	82.60
Louga	70.33	60.25	76.40
Fatick	97.49	84.82	87.30
Kolda	85.40	91.19	109.00
Senegal	80.09	72.45	85.10

Source: DPRE (ME)

Although access rates have considerably improved over the last 10 years, there are still noticeable inequalities in terms of access between regions, between urban and rural areas, and between socioeconomic groups.

There are regional differences in the enrolment rates for the first year of primary school and in overall attendance rates. As shown in the table below, at the national level, there was a net improvement in first-year enrolment rates in 2003. The most significant improvement was recorded in Ziguinchor with 110.40 percent compared with 97.55 percent in 2002. The Kolda region is in second place with an enrolment rate of 109 percent in 2003 compared with 91.19 percent in 2002. Enrolment rates higher than 100 percent are explained by the re-enrolment of some students who fail the secondary school entrance examination. The Kaolack (69.1 percent) and Diourbel (43.5 percent) regions still have low attendance rates for their school age children, even though they saw an improvement in their enrolment rates for the first year of primary school. Overall, the impact of the actions taken within this

framework for 2003 can be considered positive in terms of attaining the poverty-reduction goals.

Significant advances were made in girls' schooling in recent years. In 2003, the enrolment rate in the first year of primary school was 81 percent for girls and 89.5 percent for boys, with a gap of 8.5 points, reflecting a narrowing of the gap in enrolment rates compared with the 1990s, which can be explained by the major campaigns conducted to promote the schooling of girls.

The literacy rate improved by 2.81 percent over the two years. This increase corresponds to an annual average rate of 1.4 percent, which is insufficient to attain the objective of 45 percent by 2005.

To reach that rate, literacy must increase at an annual average rate of 3.58 percent. Also, efforts must be made to fill this gap, especially with respect to male literacy. In fact, this rate regressed by 2.35 over the two years. However, even the annual average rate of increase in the female literacy (3.23 percent) will not make it possible to reach the target rate of 35 percent by 2005.

Table 13: EDUCATION INDICATORS (in percent)

Education	2001	2003	Annual Rate of Increase	Goals for 2005	Required Rate
Literacy rate	39.10	40.20	1.40	45.00	3.58
Male literacy rate	51.10	49.90	-1.18	55.00	1.86
Female literacy rate	28.90	30.80	3.23	35.00	4.90
Primary school attendance rate*	70.00	75.80	4.06	80.00	3.39
Attendance rate for girls (primary school)*	64.80	72.30	5.63	76.00	4.07
Attendance rate for boys (primary school)	73.90	79.30	3.59	84.00	3.25
Primary school enrolment rate	81.72	85.10	1.35	90.00	1.95

Source: UNESCO/BREDA and ME/DPRE

VII.2.4. Health, Hygiene and Nutrition

In the absence of data for 2002 and 2003, the immunization coverage effort was measured using the rates of immunization coverage against measles, yellow fever, tetanus, diphtheria, and whooping cough. In 2002, there was an annual increase of 18.18 percent in the rate of immunization against tetanus, which raised this rate above 70 percent. Consequently, if this

rate of progress, or at least the level of immunization, is maintained, the expected level of BCG immunization will be reached in 2005.

The rate of immunization against yellow fever, which was low in 2001 (32.9 percent) shot up to 61.4 percent. The rates of immunization against all other diseases also improved by more than 20 percent. If the efforts made in 2002 are kept up, the medium-term objective will be attained.

Furthermore, the absence of updated data on morbidity due to malaria, maternal mortality, the AIDS prevalence rate, the rate of access to medical institutions and to health care, makes it impossible to accurately assess the progress made in these areas in terms of reducing poverty, as defined in the PRSP.

Commendable efforts were made in the health sector, but many actions are still to be taken. Thus, the increase in the level of absorption of resources allocated to health should lead to an improvement in performance.

Table 14: IMMUNIZATION COVERAGE INDICATORS

Immunization Coverage	2001	2002	Change (in percent)
BCG	59.4	70.2	18.18
DPT1 ⁶	58.2	69.9	20.10
DPT3	44.7	59.9	34.00
Measles	42.2	53.5	26.78
Yellow Fever	32.9	53.1	61.40

Source: DPS

Access to drinking water and nutrition are the other two priority sectors emerging from the PRSP. However, the data on performance in these two sectors are unavailable. The DPS departments responsible for updating the BADIS database guarantee that these data will be available by end-December at the latest.

However, SONES statistics paint a good picture of performance in the area of urban water works. In 2002, under the program of hookups for low-income families in periurban districts, 14,569 households were connected to the water supply network. Considerable efforts were also made in 2003, raising this number to 15,276.

⁶ DPT = Diphtheria, Pertussis and Tetanus

VII.3. ASSESSMENT OF INTERMEDIATE INDICATORS

The table below reviews the level of compliance of BCI allocations with the PRSP indicators. The BCI ratios reflect the efforts made using domestic and external resources to finance investment in the Water, Sanitation and Agriculture sectors, which are priorities in the PRSP. The Water sector includes access to drinking water as well as rural water works, to develop agriculture by drilling wells and developing water points. In this sector, the resources remain below the PRSP target indicators (21.6 percent) although major efforts made it possible to increase the ratio from 6.76 to 14.6 percent. The agricultural sector, which is at the heart of the wealth creation strategy, is well financed relative to the numerical objectives set in the PRSP. Already in 2002, when the PRSP was adopted, the BCI had attained the required level. In 2003, with additional efforts, the ratio of investment in the sector was increased from 16.05 to 17 percent. The Sanitation sector was also relatively well funded. The ratio had already reached the level of the 2002 targets and was maintained in 2003 at 2.6 percent.

Capital expenditure ratios (in percent)

Sectors	PRSP 2003	BCI 2002	BCI 2003
Water	21.60	6.76	14.60
Sanitation	2.40	2.68	2.60
Agriculture	13.60	16.05	17.00

In the social sectors, the ratios of current expenditure on basic education and primary health care in the operating budget for the sector were largely compliant with the levels set in the PRSP. In 2002, the current expenditure allocated to basic education represented 46.32 percent of the operating budget for education. This rate rose to 47.85 percent in 2003, compared with an objective of 44 percent in the PRSP. For health as well, this ratio was 17.52 percent in 2002 and 18.66 percent in 2003, whereas the objective is 10 percent in the PRSP.

Current expenditure ratios (in percent)

Sectors	PRSP 2003	BCI 2002	BCI 2003
Basic Education	44.00	46.32	47.85
Primary Health Care	10.00	17.52	18.66

VII.4. EVALUATION OF TRACKING TOOLS

The spacing and organization of national surveys is the major constraint for efficiently using resources to improve the statistical system. The DPS plans to conduct periodic mini-surveys to assess poverty as perceived by the households themselves (perception) and as reflected in the main impact indicators in the PRSP.

In terms of perspective, the following are also available, finances permitting:

- Survey on “Poverty and Family Structure in Senegal,” in collaboration with the National Agronomy Research Institute (INRA). Its aim is to measure the impact of exogenous shocks on the family structure in terms of poverty. One measure, for example, would be the impact of the death of the head of household on the family’s level of poverty.
- Third Demographic and Health Survey (DHS), which will definitely be carried out in 2004. This DHS survey is characterized by the introduction of new variables to be monitored, namely, maternal mortality and the HIV/AIDS prevalence rate.
- Child labor survey to be conducted with assistance from the ILO.

VII.4.1. Senegalese Household Survey II (ESAM II)

The ESAM II is the most recent and broadest survey within the framework of the poverty monitoring system. The CWIQ, the first round of this survey, provided the initial data needed to better estimate the incidence of poverty.

The processing and application of the results of this survey are now complete. The poverty profile and data for 2001-2002 should become available in January 2004, thereby providing a fairly comprehensive framework of reference for the base indicators. The report containing this information will be published in the first quarter of 2004.

VII.4.2. Population Census

This is the most exhaustive and comprehensive operation in terms of data collection. The data were collected between December 2002 and February 2003. Data on the general population, households and urban spread were culled from the census visit notebooks. Data entry was put off until late 2004 to accommodate government disbursement procedures. Also, financial support from UNFPA and the appeals for the mobilization of additional funds from donors and lenders should enable the DPS to publish the final data in 2005.

VII.4.3. Social Indicator Data Bank (BADIS)

BADIS is compiled along with the management indicators on the social situation in Senegal. These are tools for measuring economic performance and evaluating social needs. The social conditions of households have been a required component of development policies since the introduction of structural adjustment programs. These tools were developed as a result and have gone through two series, the most recent one dating back to the period of PRSP preparation. The recommendations made at that time indicated that they should be updated annually for tracking the indicators. In 2003, the DPS effectively undertook this major task. The work on BADIS has been completed.

CONCLUSION

The review of actions taken in 2003 shows that most interim measures set out in the PRSP and the various commitments made by the government to development partners were executed, and that the technical and institutional instruments have been put in place to ensure proper execution of the poverty reduction strategy in Senegal.

Moreover, the State has made great efforts, through the national budget, to maintain the PRSP public expenditure distribution ratios established in the PRSP, in order to promote sustainable development that benefits the poor.

With respect to monitoring the mobilization and absorption of funds, a mechanism is being introduced to address the major constraints identified in the monitoring and execution of projects and programs in Senegal, notably, the problems of dialogue between the different strategic and operational levels involved in design and implementation, the lack of surveillance procedures, and the lack of information to properly coordinate intervention. More specifically, this system will make it possible, inter alia, to regularly monitor the execution of projects and programs, from concept to implementation stages.

With this system in place, Senegal has the means to accelerate growth and reduce poverty by promoting transparency and increased resource absorption. The mechanism will be regularly updated and depends on the commitment of the various stakeholders, especially the line ministries.

Concerning the monitoring indicators, outcomes show a favorable trend in social indicators, especially in terms of human development and access to basic social services. This trend will be reinforced if the measures planned in the 2004 budget and the expected investments materialize and if the government's intended fiscal reforms are implemented.

Therefore, the main course of action to ensure that the PRS is properly implemented in the coming years would be to strengthen the mechanisms and instruments for monitoring and institutionalizing participation, so that the different stakeholders are committed to the process.

The Ministry of Economy and Finance will ensure that the priority actions set forth in the sector and regional operations plans (POS and POR) and the PRSP are incorporated in the PTIP, and in particular in the 2005 budget, so as to guarantee effective and efficient implementation of the PRSP.

Finally, the activities geared toward capacity building in the line ministries, local governments, and decentralized agencies with respect to project formulation and monitoring, will complement these measures and allow the various actors to participate fully in the implementation and monitoring of the poverty reduction strategy in Senegal.

VIII. RECOMMENDATION COMPLIANCE CHART

AREAS	RECOMMENDATIONS	MEASURES	PERFORMANCE INDICATORS	MANAGING BODY	TIME PERIOD FOR COMPLETION	ESTIMATED COSTS	
ORGANIZATION/ METHODS/ OPERATIONS/ RELATIONS/ RESOURCES	Set up steering committee under the regulatory acts	1. Draft and sign regulatory act	Ad hoc ministerial regulatory acts signed	MEF	2 nd quarter 2004	N/A	
		2. Quickly call first meeting of Interministerial Committee and Steering Committee					
	Appoint a PRSP technical correspondent to each major department of the MEF	1. Determine which MEF departments will be involved	Ad hoc ministerial regulatory act signed	MEF	MEF	2 nd quarter 2004	N/A
		2. Draft and sign ad hoc regulatory act					
SECTOR INSTITUTIONS	Align the POSs and PORs to PTIP and BCI methods	1. Comparative review of POS/ POR and PTIP/BCI methodologies	Common methodological support structures designed, and in validated, and in place at all levels	MEF, technical ministries, regions	2 nd quarter 2004	N/A	
		2. Design and implement common support structures to make the POS, POR, PTIP, and BCI operational					
	Build technical capacity in the sector focal points for development program and project management	Organize training courses for focal point capacity building	Percentage of focal points actually trained (of the total number)	MEF, technical ministries	MEF, technical ministries	2 nd quarter 2004	CFAF 50 million
		Activate actions in the Sector Operations Programs by submitting them as detailed development cases eligible for funding under the PTIP	Percentage of POS actions duly submitted as eligible project cases (of the total number)				
Monitor progress in implementing PRSP matrix of measures	Monitor and assess matrix of measures	Assessment chart issued every quarter	MEF	MEF	Ongoing		
	Improve working conditions and financial	Devise and implement a motivational system for focal					MEF,

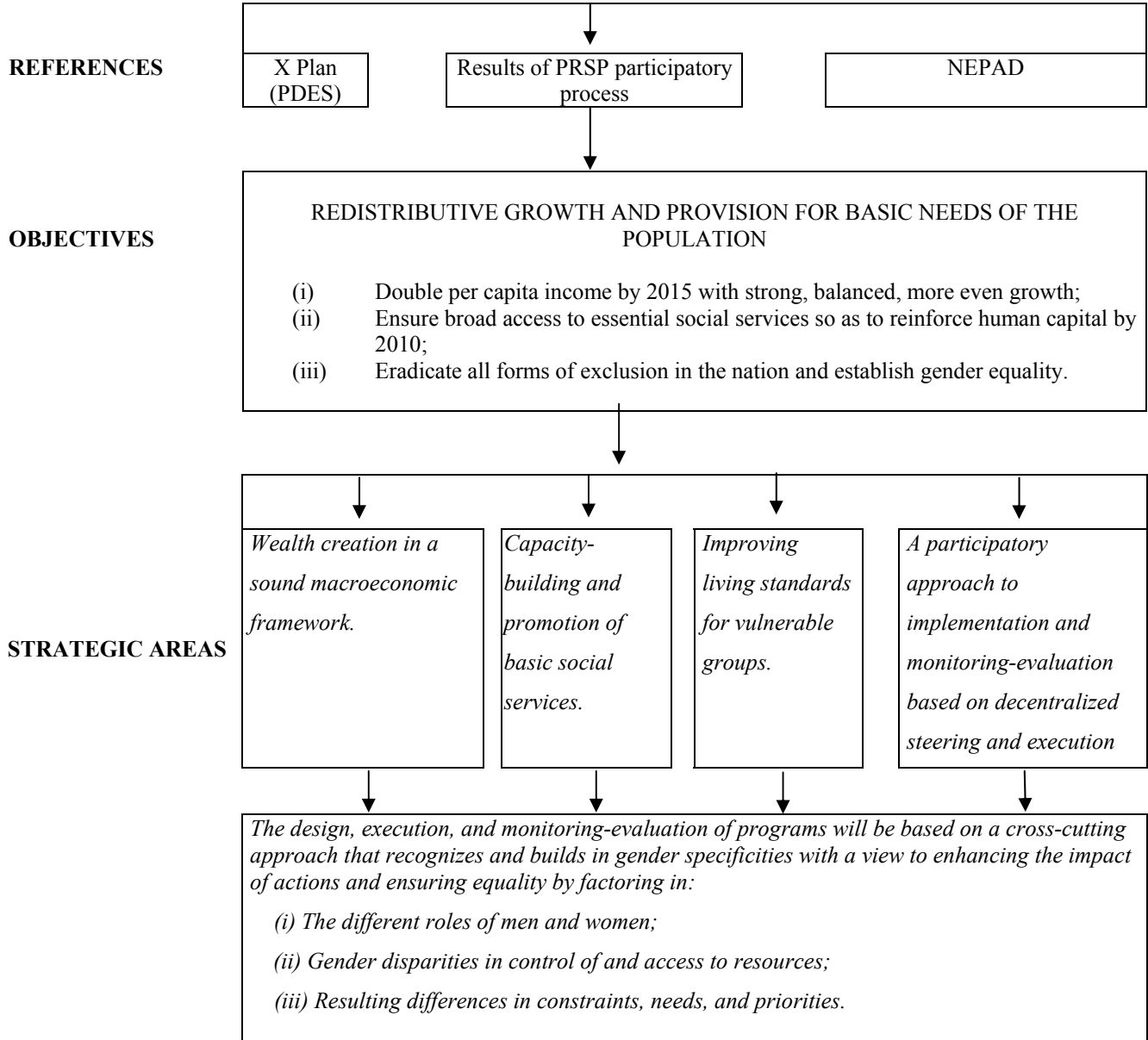
	incentives in sector focal points	points, provide adequate funding	material resources -% of FPs actually covered by the motivational system	technical ministries	quarter 2004
	Strengthen technical and methodological support of the PRP Monitoring Unit in sector PRSP steering and monitoring bodies	<ol style="list-style-type: none"> 1. Design a PRP Monitoring Unit methodological and technical support and assistance system for the FPs and the newly created sector committees 2. Implementation of the initial support and assistance actions by the PRP Monitoring Unit 	% of FPs benefiting from PRP Monitoring Unit support and assistance actions	MEF, technical ministries	2 nd and 3 rd quarter 2004
REGIONAL INSTITUTIONS	Activate actions in the Regional Operations Programs by submitting them as detailed development project cases eligible for funding under the PTIP	<ol style="list-style-type: none"> 1. At regional level, design and implement a detailed format for standard project cases for PTIP/BCI funding 2. Produce draft project cases for PORs (based on framework) 3. Technical evaluation, validation, and incorporation of eligible cases in PTIP/BCI 4. Incorporate POSs and PORs into PTIP 	% of POR actions duly submitted as eligible project cases (of total number)	MEF, regions	2 nd and 3 rd quarter 2004
	Provide sufficient material and financial resources for the PRSP regional bodies to function properly	Devise and implement a motivational system for PRP Monitoring Unit regional correspondents, provide adequate funding	Priority actions duly programmed in the PTIP -% of PRP Monitoring Unit regional correspondents with adequate material resources -% of PRP Monitoring Unit regional correspondents	MEF	2 nd and 3 rd quarter 2004
				MEF, regions	3 rd quarter 2004
					CFAF 1.2 billion

MONITORING – ASSESSMENT INFORMATION SYSTEM	Implement the living standards observatory project	1. Recruit experts 2. Draft research TOR	covered by motivational system Expert contracts signed TOR validated	DPS	January 2004	
				Observatory, DPS, PRP Monitoring Unit	April-June 2004	
				Observatory	May 2004	
	Establish a system of quarterly reports on activities for the technical ministries and the regions	3. Mobilize and utilize resources 1. On a participatory basis, design and validate a standard report format to be submitted for each quarter 2. Implement the validated reporting system	Quarterly activity reports duly published by each technical ministry and region	MEF, technical ministries, regions	2 nd quarter 2004	N/A
	Build a consensus on a priority list of indicators for each line of action in the PRSP matrix of measures	1. Organize a meeting of the working groups	- Validated short list of indicators	MEF	April 2004	
	Support the updating of indicators at national and regional level	1. Draft TOR for national and regional research 2. Carry out studies and design monitoring/evaluation tools (MCS of microfinance institutions, etc.) at national and regional level 3. Design national and regional unified data bases	- Validated TOR - Study findings	MEF		CFAF 150 million
				MEF		
MEF					CFAF 100 million	
PLANNING - PROGRAMMING ACTIONS	Establish a direct support mechanism for civil society and private sector organizations involved in PRSP implementation	1. Evaluate CSO support and assistance needs 2. Design a PRP Monitoring Unit technical and methodological support and assistance system for CSOs 3. Implement initial PRP	Number of CSOs actually benefiting from PRP Monitoring Unit support and assistance actions	MEF, technical ministries, CSOs	3 rd quarter 2004	N/A

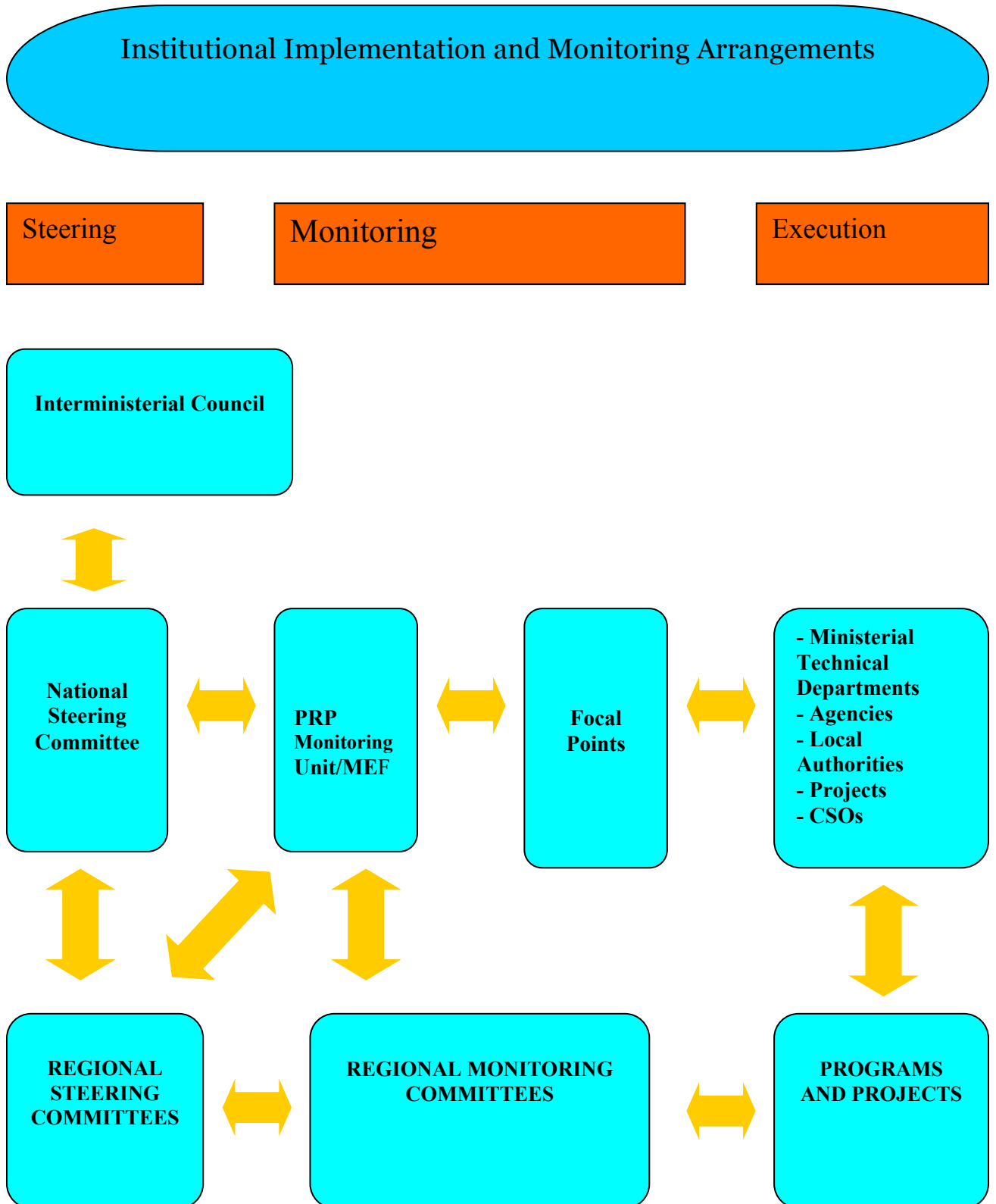
	Monitoring Unit support and assistance actions	1. Determine ad hoc budgetary arbitration mechanisms 2. Implement ad hoc budgetary arbitration and preparation mechanisms	Consultation mechanism in place	MEF	2 nd quarter 2004	N/A
MOBILIZATION OF POVERTY REDUCTION RESOURCES	Establish mechanisms for budgetary arbitration and consultation, using resources earmarked in the Supplementary Budget for PAP/PRSP actions	1. Evaluate experiences with grassroots initiatives for poverty reduction 2. Finalize study on budgetary decentralization	Study findings and action plan available	MEF, Ministry of Decentralization, regions	4 th quarter 2004	
	Promote grassroots initiatives for poverty reduction	1. Activate MTEFs and draft public budgets for each objective 2. Monitor implementation of MTEFs at all levels of the public budgetary arrangement	MTEF and budgets for each objective at each level of the public budgetary arrangement	MEF	1 st quarter 2004	N/A
FINANCIAL MANAGEMENT OF THE POVERTY REDUCTION STRATEGY	Harmonize federal and municipal budgetary nomenclature to better identify budget headings coming under the PRS	1. Conduct basic studies on federal and municipal budgetary nomenclatures 2. Implement the validated findings of the basic study	Final study report duly implemented	MEF, regions	2 nd quarter 2004	CFAF 50 million
	Design and launch a communication strategy to link the PRP Monitoring Unit and all other PRSP structures	Conduct a technical and financial study to design a communication strategy	Communication strategy implemented	MEF	3 rd quarter 2004	CFAF 10 million
COMMUNICATION	Support establishment of the civil society poverty observatory	1. Evaluate support needs for establishment of the observatory 2. Define the specific support modalities for establishment of the CS observatory	Support actions for establishment of the CS poverty observatory	MEF, technical ministries, CS	3 rd quarter 2004	N/A

ANNEXES

Annex 1: PRSP of Senegal



Annex 2: Institutional Implementation Arrangement



Annex 3. Working Group Arrangements

