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USAID/Senegal

FY 1989 ACTION PLAN

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BEST AVAILABLE

Embassy of the United States of America

USAID/Senegal

May 6, 1987

Miss Lois Richards
Deputy Assistant Administrator
for Central and West Africa
Africa Bureau
Washington, D.C. 20523

Dear Lois:

I am pleased to forward the USAID/Senegal's Action Plan for May 1987 - May 1989. I think you will find it provides a good indication of the substantial progress we have made in implementing our approved assistance strategy and that the GOS has made in carrying out its reform program over the past two years.

I conclude that our strategy remains valid and that we should concentrate in the coming 2 years on the policy reforms and the new portfolio that are now in place.

Our Action Plan sets out very clearly the major priorities we see shaping our policy and program agendas and the management steps needed to achieve our objectives here over the next two years.

We have taken to heart the guidance on Action Plans and tried to make this plan a useful basis for agreement between Senior Bureau and Senior Mission Management on the program directions in Senegal, within the increased delegations of authorities to the field.

I am confident that you will review it in this spirit, though we will not be reviewing it together during Program Week.

You will note that the Action Plan exceeds the suggested 15 pages mainly due to the detailed progress reporting on the more micro benchmarks included in our first Action Plan.

We will be providing information on biological diversity and tropical forests in a separate Annex by June 1, 1987.

I look forward to your reactions to and support for this Action Plan.

Sincerely yours,

S. J. Littlefield
Mission Director

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USAID/SENEGAL FY89 ACTION PLAN

I. STRATEGY RECAP AND POLICY AGENDA

The objective of U.S assistance to Senegal is to promote economic growth and food security through an orderly process of long-term structural adjustment, and carefully selected project activities which respond to the basic needs of the GOS economy in the key areas of agriculture, natural resources, health, family planning and transfer of technology.

The U.S assistance strategy gives priority to assisting the Government of Senegal to : (a) develop and implement policy reforms at the macroeconomic level and in the agricultural sector; (b) reduce institutional, infrastructural, and environmental constraints to the growth of agricultural production; and (c) increase human productivity and the quality of life through health, nutrition, and family planning activities.

Our policy reform agenda focuses on the following areas: (a) improved fiscal performance and allocation of resources to productive sectors; (b) restoration of liquidity and more appropriate practices in the banking sector; (c) the implementation of a coherent strategy for reasonable food self reliance; (d) the privatization of agricultural input distribution; (e) a reduction in the role of agricultural parastatals to the provision of extension advice to farmers; and (f) the liberalization of cereals marketing.

Our assistance to agriculture emphasizes (a) increasing the availability of improved seed and fertilizer; (b) expanding irrigation and increasing its efficiency; (c) expanding tree plantings and soil conservation; and (d) improving agronomic practices, especially in support of cereals-based farming systems in rainfed and irrigated areas.

Our assistance to family health is aimed at developing a replicable model of self-supporting community-based primary health care system and support of voluntary family planning services integrated into the health care system and through private channels.

II. OVERALL PROGRESS AND IMPLICATIONS

Senegal's economic situation has significantly improved since 1984 when it embarked upon its Medium and Long Term Structural Adjustment Program. In 1986 the economy achieved a real growth rate of 4.6% per the World Bank compared to minus 4.5% in 1984. The Government cut its budget deficit in half, from 4.6% in 1984 to 2.3% of GDP in 1986. Cereals production has been at near record highs for the past two years, due to good rainfall as well as an improved policy climate. To be sure, Senegal's road to recovery remains long and difficult, but the progress of the past two years provides encouraging indications of the correctness of the GOS's course of economic reform, which has been clearly mapped in its Medium and Long Term Adjustment Program, New Agricultural Policy, Cereals Plan, and New Industrial Policy. Senegal's progress and commitment to reform were amply documented at the second Consultative Group meeting on Senegal April 1, 1987.

USAID, along with other key donors, has played a significant role in helping the GOS formulate and implement these economic reforms and stimulate renewed growth. As part of our assistance strategy, we have pursued a lively policy dialogue and supported key reforms through our ESF and PL 480 Title I programs.

Our ESF-II, III and IV with their focussed conditionality supported key reforms such as the restructuring of the peanut industry, the privatization of fertilizer distribution, the phase down of parastatals, and the liberalization of cereals marketing. The local currency directly supported increased liquidity in the banking sector by reducing arrears in the agricultural sector and to the private sector.

USAID is satisfied with the pace of reforms and the progress the GOS has made in the most essential areas covered by ESF-IV conditionality (domestic rice privatization and CPSP dismantling with respect to the peanut sector) but remains concerned with the agro-industry deficits. We propose to use ESF-V to consolidate the gains achieved and to target assistance on a more selected group of remaining reforms directly related to the New Agricultural Policy and the Cereals Plan. The first objective of ESF-V is to improve the management of the reform process to enable the GOS to reconcile the emerging contradictions, adjust policy actions to actual responses by producers and consumers, to synchronize the application of the complex set of reforms under way, and to wield the various policy instruments at their disposal more sensitively and purposefully. To support this process, USAID's dialogue with the GOS on the key agriculture reforms will be structured in a more formal setting than hitherto and on the basis of timely policy studies. ESF-V conditionality will support two other specific objectives related to rice policy and agro-industry: (1) damping rice consumption through high prices for imported rice as a way of encouraging production and consumption of local cereals, and (2) reducing financial deficits caused by subsidized agricultural production of cash crops (peanuts) which divert resources away from productive investments and delay stabilization efforts.

Our first PL 480 Title I program (FY86) $9.5m was instrumental in establishing a cereals floor price and sustaining the gradual phase out of fertilizer subsidies. The local currency proceeds have supported the cereals floor price mechanism, helped liquidate agricultural sector debts, and contributed to the Common Fund of Donors which is becoming an increasingly effective forum for cereals policy dialogue.

In support of the New Industrial Policy in 1986, we initiated the AEPRP ($15m) which is helping the GOS rationalize the tariff and tax system and mobilize domestic resources. The GOS is progressively lowering and harmonizing import duties and removing quantitative restrictions. It has already issued a revision of the General Tax Code. We are providing technical assistance to further revise and simplify the direct tax system to stimulate private sector expansion and broaden the tax base.

We have realigned the project portfolio to better advance our strategy objectives, reducing the number of active projects from 24 in 1984 to 11 in 1987, phasing out lower priority activities, and developing new projects designed to increase the capacity of farmers and businessmen to take fuller

advantage of the more liberal, market-oriented policy environment. We now have in place pivotal projects that support agricultural reform and productivity, notably the Agricultural Production Support Project approved earlier this year which aims to facilitate private distribution of improved seed and fertilizer and the Reforestation Project, which was approved in the summer of 1986 and will have a technical team in the field shortly to help mobilize popular participation in tree planting supported by private nurseries.

In agricultural research, as a result of the Agricultural Research and Planning Project, we have advanced some important agronomic work and economic research related to farming systems and cereals policy and are poised to help the national agricultural research agency (ISRA) restructure itself into an institute of excellence capable of providing the agronomic and socio-economic research results to enable Senegal to become more self-reliant in cereals production.

An unexpected threat to Senegal's crops occurred in August of 1986 when grasshoppers threatened approximately 1.2 million hectares. A.I.D., the donor community and the GOS launched a major aerial and ground spraying program in response. U.S. expenditures of approximately $2.5 million for aerial spraying operations, and for entomologists to assist the GOS to fight the infestation were instrumental in averting major crop losses in the traditionally vulnerable regions of Louga and Mbacke. The effectiveness of the U.S. response gained U.S. enhanced respect.

U.S.-supported GOS family health activities have improved the health of the Senegalese people, while developing systems and models that can be applied country wide. A recent evaluation documented significant progress in establishing a partially self-sustaining village-level primary health care system under the Rural Health Services II Project (685-0242). As part of this system, support is being provided for child survival interventions in the form of oral rehydration therapy, immunizations, growth monitoring, nutrition education and malaria chemoprophylaxis. The challenge now is to integrate the project into the national health system and replicate the lessons and model developed in Kaolack and Fatick regions.

A recent study of the Family Health and Population Project (685-0248) documented significant progress in providing access to family planning services and a corresponding increase in contraceptive use. With only three exceptions, the family planning service centers (21) are working at capacity and a few are having to refer or defer clients because of the demand. Survey measures of progress toward providing family planning services show that services will be available in all of Senegal's urban-based health centers and in 25 percent of its rural dispensaries by the end of this Project in 1992. Complementing GOS structural reforms, Project resources have been used to increase the role of the private sector in the delivery of family planning services.

A common thread running through our entire program is support for an expanded role for the private sector in an increasingly market-oriented economy.

We have used our ESF conditionality, Title I self-help measures and local currencies directly to accelerate GOS implementation of market liberalization and parastatal withdrawal from production and marketing activities and repayment of GOS arrears to the banks and the private sector firms, many with less than 50 employees. Tangible results have been achieved:

- Fertilizer distribution is now largely in the hands of the private sector.

- The GOS subsidy to peanut oil crushing firms was eliminated during the 1985-86 crop year.

- Internal distribution of rice was opened to all traders as of July 1, 1986. The importation of rice is being progressively privatized starting in 1987.

- GOS management of peanut seed stock was eliminated entirely in the 1986-87 crop year. Peanut seeds are now in private hands, such as farmers, traders and the oil crushing firms.

- Farmers are free to sell their production to any buyer (no longer just to GOS entities) anywhere within the country without restriction, at any price at or above the official (floor) price.

- All restrictions have been lifted regarding storage and internal movement of local product, allowing private merchants and producers freer access to markets.

Our programs are helping businessmen move into to these freed up areas in a variety of ways.

- The Agricultural Production Support Project (APS) will expand private sector involvement in agricultural production input and output distribution and marketing. The project has two programs which deal directly with private sector development: (A) A seed multiplication program will facilitate the restructuring of the cereal seed sector toward major private sector production processing, distribution and marketing. Under this program, Senegal's agricultural research institute (ISRA) will select and multiply highly productive cereal varieties for release directly to the private sector certified seed multiplication. (B) A credit program will channel credit through participating commercial banks to agricultural input wholesale and retail suppliers, distributors and marketing enterprises, as well as production output distributors, processors and marketing organizations. The project has already attracted the interest of several commercial banks and the project management is completing the organization of a credit implementation mechanism, as well as clarifying the technical assistance program to support the project's privatization efforts.

- The Community and Enterprise Development Project will assist 675 small-scale nonfarm enterprises with credit and related small business development technical assistance. 50% of the small-scale enterprises in the project area will be moved into the formal credit and banking system having achieved substantial average increases per year in output. The project includes funding for a Small Business Advisory Unit (SBAU) and revolving credit fund for small nonfarm enterprises.

- The recently approved $2.0 million Housing Guarantee Program will support an innovative private initiative to construct more than 1,000 low income houses in the secondary town of Ziguinchor. Implemented by the largely private Banque de l'Habitat du Sénégal (BHS), the project simultaneously addresses two Mission policy objectives: the privatization of delivery systems for basic social services; and the decentralization of responsibility and initiative to appropriate regional and local institutions, when possible.

- Under the Family Health and Population Project we are supporting the establishment of family planning clinics in private firms.

- Our training plan has targeted businessmen and the skills needed to support private sector expansion.

The major implications to be drawn from progress to date in implementing USAID strategy in Senegal are:

-- The assistance strategy as set forth in the CDSS dated February 1985 remains valid.

-- The IMF/WB Policy Framework Paper, the New Agricultural Policy and the Cereals Plan provide a sound basis for policy dialogue, focused programming and improved donor coordination.

-- Now that the GOS has a good reform program in place, we should concentrate on helping them manage and implement the reform process, at the macro and sectoral levels.

-- This will require on our part consistency and selectivity in setting conditionality, better understanding of farmer and business behaviour in key policy areas, coherence between non-project and project assistance, sustained resource flows, and close donor coordination.

-- The early gains of the reform will remain shaky until the government's finances are assured by steady revenues from a broad tax and tariff base, until the private sector has access to steady bank credit and predictable rules in the market place, until cereals production is less vulnerable to erratic rainfall through improved water efficiencies and natural resource management, and until local cereals are marketed and transformed at competitive prices. Sustainable gains in the longer run will depend on bringing population growth under control and restoring ecological balance.

III. KEY PROGRAM TARGETS

A. MACROECONOMIC REFORMS

USAID's macroeconomic reform agenda is designed to improve GOS fiscal performance, to encourage the reallocation of resources to more productive activities in both the private and public sectors, and to reduce the role of the government in the economy. Improved fiscal performance is seen as a prerequisite both to improved solvability in the banking system and to renewed business confidence. Continued reductions in government deficits will be

required to free up resources for private sector investment, while reduced government controls will be necessary to improve its investment climate.

1. MACROECONOMIC REFORMS: Progress and Implications for the Future

a. Macroeconomic Reforms: Progress

Target 1: Reduce the budget deficit as a percent of GDP.

Benchmark (for FY86): Budget deficit below the 1984/85 baseline of 3.5 percent. Status: ACHIEVED. Progress: Budget deficit 2.3 percent of GDP in GOS FY 1985/86; Budget deficit 0.9 percent of GDP in GOS FY 1986/87 (est.).

Benchmark (for FY86): Growth rate of fiscal revenues in nominal terms of 12.0 percent above the baseline achieved in GOS FY 1984/85. Status: PARTIALLY ACHIEVED. Progress: Fiscal revenue growth of 9.6 percent in FY 1985/86.

Benchmark (for FY86): Zero percent growth in the number of civil servants above the baseline of June 1985. Status: NOT ACHIEVED. Progress: 1.6 percent growth in number of civil servants between June 1985 and June 1986.

Target 2: Restore liquidity of the banking system.

Benchmark (for FY86): GOS repayments of a minimum of CFAF 10.0 billion in outstanding crop credit between July 1, 1985 and June 30, 1986. Status: PARTIALLY ACHIEVED. Progress: GOS repaid CFAF 3.0 billion between July 1, 1985 and June 30, 1986. However, GOS repaid a total of CFAF 15.0 billion by December 30, 1986, contributing substantially more to bank liquidity than originally targeted.

Benchmark (for FY86): GOS repayment by December 1985 of all outstanding short-term credit for export crops from crop year 1984/85. Status: ACHIEVED. Progress: SONACOS repaid its crop credit for the 1984/85 campaign.

b. Macroeconomic Reforms: Implications for the Future

Assisted by close donor coordination, oversight, and support, the GOS is now regularly meeting its budget deficit targets, with positive implications for the liquidity and stability of the banking system. Revenues are growing in part as the result of improvements in the overall economy. However, additional donor support will be required to implement the institutional changes necessary to create tax and tariff systems that raise more revenue, while eliminating distortions and improving incentives. The GOS will need more donor encouragement to reduce public expenditures on agricultural subsidies, on personnel, and on transfers to parapublic firms and private monopolies. GOS budget deficits have been reduced largely as a result of painful and broadbrush budget cuts with limited consideration given so far to possible efficiencies and necessary tradeoffs. Additional donor coordination will be required to rank order projects in the GOS capital budget, to reduce project proliferation, and to improve project implementation. The latter will require increased attention to recurrent costs, increased ratios of operating to capital expenditures, and increased ratios of non-personnel to personnel expenditures. As deficits are reduced additional resources should begin to

flow to the private sector, improving its ability to invest. In addition, however, the willingness of the private sector to invest must also be increased through improvement in the investment climate. These issues can be addressed at both the macroeconomic and sectoral levels (see below), with a leadership role among the donors for the IBRD, the IFC, and the U.S. in the process of improving the investment climate and private sector growth prospects.

2. MACROECONOMIC REFORMS: Policy and Program Agenda for May 87 to May 89 Period

a. Agenda

- Reduce budget deficit as a percent of GDP, by increasing government receipts and by continuing to reduce the range of economic functions assumed by the GOS since independence.

- Increase the availability of credit by improving liquidity and stability of the banking system.

b. Management Steps to Implement Macroeconomic Agenda

The Mission uses budget support through program assistance (ESF, AEPRP and PL 480 Title I) to reinforce structural reforms undertaken by the GOS 1/. We rely on conditionality, technical assistance and studies, and a degree of local currency programming attached to program assistance to sustain and implement our macroeconomic policy dialogue with the GOS. Specific steps planned for FY88 and FY89 to advance our macroeconomic agenda include:

- As part of ESF-V, continue a series of quarterly working-level meetings with the GOS economic ministries to provide a formal setting for discussion of issues arising within the scope of the programs under way and to any other issues of interest.

- Design ESF-VI, the third year of our current ESF structural adjustment grant.

- Design Senegal AEPRP-II.

- Carry out several studies related to possible future interventions to improve the banking system and to facilitate credit to private sector small and medium scale enterprises, particularly in the smaller urban centers, as part of the design of AEPRP-II and implementation of the Agricultural Production Support Project.

- Carry out a study related to resource mobilization of local government entities, and further studies and technical assistance related to reform of the central government's General Tax Code and of tax administration under Senegal AEPRP-I.

1/ For additional information regarding the interrelationship and coordination of ESF, PL 480, and the AEPRP, refer to the FY 1988 ABS Local Currency Use Plan, and to the PL 480 Narrative.

- Carry out studies related to cereals policy under ESF-V.

c. Benchmarks for Macroeconomic Agenda

- Budget deficit on commitment basis reduced from 2.3 percent of GDP in GOS FY 1985/86, to 0.9 percent of GDP both in FY 1986/87 and FY 1987/88.

- Reduce payment arrears of the Government and public agencies by CFAF 29 billion in GOS FY 1986/87, and by CFAF 21 billion in FY 1987/88.

- Repayment of former ONCAD debt to banks totaling CFAF 12.0 billion in GOS FY 1986/87, and CFAF 12.0 billion in FY 1987/88.

- World Bank banking sector studies completed and implications assessed by USAID.

B. AGRICULTURE

USAID's agriculture strategy is designed to help develop a diversified, market-oriented agricultural economy, especially in local cereals. The major elements of the strategy include: a) support for structural reforms designed to discourage imported rice consumption and encourage local cereals production, private marketing, and transformation; b) promotion of private sector multiplication and marketing of improved seed and distribution of fertilizer and other inputs; and c) support for increased agricultural productivity through irrigation and improved water management, expanded tree planting and soil conservation practices, and agricultural research.

1. AGRICULTURE: Progress and Implications for the Future

a. Agriculture: Progress

Target 1: Improved agricultural productivity.

Benchmark (for FY86): The Farming Systems Research project tracking the farm production data of a selected sample in the three major cereals' production zones. Status: ACHIEVED. Progress: Agroeconomic work was conducted in the Casamance on cereals, crops diversification, and the economics of small and medium-scale salt water intrusion dams. Research on soil preparation techniques, fertilizer trials and a survey of livestock and horticultural crops were conducted in the Senegal River Valley.

Benchmark (for FY86): On-farm production will increase in Casamance and Bakel areas as compared with 84-85 levels. Status: ACHIEVED. Progress: Production of irrigated grain increased 3.4% between 1984/85 and 1985/86 in Bakel areas due largely to increases in total area under irrigation. Production of rainfed grains in the Lower Casamance increased dramatically (37%) apparently due to improved rainfall and better agronomic techniques. USAID contribution to this progress was limited to Bakel Irrigation and Casamance Regional Development project technologies.

Benchmark (for FY86): The Bakel Irrigation Project will extend to about 1000 hectares total. Status: ACHIEVED. Progress: Extended to more than 1,200 hectares.

Benchmark (for FY86): The Community and Enterprise Development Project will review financial systems of five PVOs and train extension advisers to small scale entrepreneurs (SSE's) in preparation for assistance to village groups and SSE's. Status: ACHIEVED.

Benchmark (for FY86): Comprehensive agricultural research program for the Senegal River Basin for three research centers drafted and approved at the national and regional levels. Status: IN PROCESS. Progress: Little progress has been made. A survey of farming systems practiced during the rainy season has been carried out as the first step in establishing regional research priorities.

Benchmark (for FY86): Piezometers in the delta region of the Senegal River Basin constructed and data collection begun, under the Groundwater Monitoring Project. Status: IN PROCESS. Progress: Work begun in January 1987 and is ahead of schedule.

Benchmark (for FY86): Project conditionalities for the Planning and Policy Development Project (i.e. evidence that the Evaluation and Planning Unit is a permanent structure of OMVS with a continuing permanent staff and evidence that the Director of the said Unit has been appointed Project Manager with the authority to assure coordination and direction of divisional level staff) have been met. Status: IN PROCESS. Progress: Still under negotiation between OMVS and USAID. Negotiations and establishment of Unit with project manager appointed expected by July 1987.

Benchmark (for FY86): The U.S. technical experts arrive at post to implement the Planning and Policy Development Project. Status: MISSED. Team will arrive at post after an agreement has been reached on the reorganization of OMVS, hopefully by June 1987.

Benchmark (for FY86): Under the Planning and Policy Development Project, Request for proposals (RFP) for the three studies (i.e. Master Plan for the Upper Valley; Master Plan for public health for the entire basin; and a water use and debt management study) prepared. Status: IN PROCESS. Progress: Drafts are complete. RFP relates directly to OMVS reorganization.

Target 2: Continued agricultural policy reform.

Benchmark (for FY86): The GOS will institute a program for supply of fertilizer, cereals seeds and agricultural credit for the crop year 1986-87. Status: ACHIEVED. Progress: An action plan has been established to promote private sector involvement in fertilizer distribution. The GOS has formally established a policy to privatize cereals seeds production and marketing; the task of implementation remains. The Agricultural Production Support Project will provide assistance designed to foster the evolution of a private agricultural input supply industry for fertilizer, seeds, agricultural equipment and crop protection inputs. An agricultural development bank (mixed public-private venture) has been established to meet rural credit needs. Four branches have been opened to date. By May 1986, some $800,000 had been loaned to farmers, traders and artisans for production, trade and capital requirements. To date the commercial banks have not planned an appreciable role in meeting rural credit needs but with assistance from the Agricultural Production Support Project, they will start lending to fertilizer dealers and traders in 1987.

Benchmark (for FY86): Policy dialogue will address in more detail the goals for soil conservation and reforestation. Status: ACHIEVED. Progress: A revised forestry code is before the National Assembly.

Target 3: Expanded and improved irrigation and water management.

Benchmark (for FY86): Project data from Bakel on water use efficiency and costs will have been developed. Status: IN PROCESS. Progress: First draft for both reports completed and being finalized.

Benchmark (for FY86): Improved water management practices for irrigation with anti-salt dams and shallow wells will be developed for the Casamance region. Status: IN PROCESS. Progress: PID for Southern Zone Water Management Project just completed.

Target 4: Study of agricultural marketing constraints.

Benchmark (for FY86): Macroeconomic reports from ISRA will continue to provide additional data on cereal marketing in the Casamance, central dryland farming zone and irrigated farming along the Senegal River. Status: IN PROCESS. Progress: Findings analyze the role of cooperatives in cereal marketing, assess farmers' and traders' perceptions of the NAP.

Benchmark (for FY86): Agricultural policy dialogue will include indepth consideration of marketing questions, including preliminary statements on the role and scope of the private sector. Status: ACHIEVED. Progress: Findings explore the role of private and public sectors in pursuing cereals policy.

Benchmark (for FY86): Potential bottlenecks will be identified and constraints to marketing positively addressed. Status: IN PROCESS. Progress: Cereals marketing studies have identified marketing constraints and inefficiencies, recommended reforms and begun to assess the impact of liberalization on cereals prices and availability. Reforms in coarse grain marketing (millet, sorghum and corn) were initiated in 1985 which lifted restrictions on trade and allowed free entry into the market. Producer floor prices have been established, which are defended by market interventions conducted by the Food Security Commissary. Domestic trade of imported rice was liberalized in Dec. 1986, which eased entry into the market. Preliminary evidence suggests more competition, improved availability and prices consistent with the official reference retail price.

Benchmark (for FY86): Market analysis will provide estimates of grain handled by private traders in the primary cereal production zones of the country. Status: IN PROCESS. Progress: Surveys underway. Results expected by end of year.

Target 5: Reduced soil and environmental degradation by agroforestry and other practices.

Benchmark (for FY86): The SODEVA Agroforestry program will include about fifteen villages in tree plantings of village woodlots, windbreaks, Acacia Albida and other soil conserving practices. Status: ACHIEVED. Progress: The program is working in 57 villages. Soil generation trials using Acacia Albida as well as melching, fertilizer, manure and green manures have been carried out.

Benchmark (for FY86): The GOS will define a major campaign strategy for tree planting. Status: IN PROCESS. Progress: A revised forestry code is before the National Assembly. The Reforestation project will assist in developing a campaign strategy.

Benchmark (for FY86): The policy dialogue will place increased priority on soil conservation in the agricultural strategy of the country. Status: MISSED. We didn't have the expertise on the ground to achieve that; the U.S.-supported Reforestation Project will. However, the NAP identifies conservation as a major priority. National research priorities include soil and water conservation.

Benchmark (for FY86): The Mission and GOS will be in the final stages of negotiating the reforestation program. Status: ACHIEVED. Progress: The $10m Reforestation Project was authorized in August 1986. Contracting for TA is underway.

b. Agriculture: Implications for the Future

NAP implementation is well underway in terms of liberalizing commodity and input markets, encouraging farmers to stand on their own, and paring back direct involvement by the parastatals in marketing and processing activities. Of necessity farmers have been the quickest to adjust to changes such as the progressive but rapid reduction in subsidies and the abrupt phase-out of free public services. Remunerative floor prices and good rains over the past two years have improved profitability and facilitated their adjustment. However, farmers' productivity remains basically unchanged. Increased food production and sustainable profits will require significant investments in improved technologies, irrigation and soil conservation, and wider use of agriculture inputs. There are many policy, budgetary and institutional issues involved in effectively addressing these needs.

The private sector is beginning to respond to the new demands and opportunities created by the withdrawal of the parastatals, but defining the new rules of the game that inspire confidence and encourage risk-taking among Senegal's cautious business and farming communities requires care and time. Domestic cereals marketing with the exception of rice is fully privatized now. Fertilizer is in its most critical year with the government, the private sector, and donors like the U.S. and France collaborating in the transition to a sound system of private, competitive and unsubsidized fertilizer marketing. Cereals seed production and marketing remains to be privatized. This will require not only restructuring the current public sector dominated system but also building a modern private seed industry. The Agricultural Production Support Project is directly aimed at helping the GOS implement its privatization policy in this sub-sector.

The parastatals are undergoing major reform. Two (SONAR and STN) have already been liquidated. A number are scheduled to be phased down or dismantled over the next five years (notably SODEVA, SOMIVAC, and SODAGRI). SAED, which is responsible for the Senegal River Valley, is being restructured to serve the planning, coordinating, and technical support needs for agricultural development in the Valley once the Manantali and Diama Dams are operational. This reform process is slow and uneven, requiring new attitudes and capacities to carry out the new roles assigned to the remaining parastatals.

The Government's Cereals Plan is now in place and provides a reasonable policy and program framework to achieve a target of 80% cereals self-sufficiency by the year 2000. The plan aims to increase domestic production and consumption of millet, sorghum, maize, rice and cowpeas while limiting imported rice. Successful implementation of this Cereals Plan depends critically on: (a) skillful management of agricultural price policies so that domestic cereals prices are remunerative relative to other crops (especially peanuts) and regional price differentials, and protected from import competition; (b) expanded cereals surpluses through expansion of rainfed areas in the south and southeast and new irrigation development and intensification; (c) the unrestricted, efficient marketing of cereals throughout Senegal; (d) shifting consumption patterns in favor of local cereals and some substitution of millet, maize and cowpeas for rice; and (e) efficient cereals processing and transformation. These implications shape USAID policy and program agendas for agriculture over the next two years.

2. AGRICULTURE: Policy Agenda for May 87 to May 89 Period

a. Agenda

- Reduce the consumption of imported rice.

- Sustain cereals market liberalization and promote marketing efficiency.

- Reinforce cereals floor price mechanism and assure its efficient and economically based operation.

- Fully privatize fertilizer distribution.

- Eliminate subsidies and initiate process of transferring seed multiplication and marketing to private sector.

- Support parastatal disengagement from direct marketing and transformation activities.

- Press for a sound agricultural credit system through the banks and discourage new government credit programs.

- Press for promulgation and implementation of a forestry code and other policies that encourage private initiative in planting, managing, and profiting from trees.

- Encourage GOS to develop and pursue an economically and financially responsible approach to irrigation development and water use, especially in the Senegal River Valley as part of post-dam planning.

b. Management Steps to Implement Agriculture Policy Agenda

- Enforce ESF conditionality through quarterly reviews with GOS.

- Apply PL 480 self-help measures in support of cereals policy through multidonor Common Fund 1/ and direct dialogue.

- Use ESF and PL 480 local currency generations to implement the various studies and evaluations needed to monitor the evolution and impact of these policies and to refine price, input, and banking policies.

- Draw on the Agricultural Production Support Project studies and policy advisor to implement sound policies in the areas of input privatization and commercial agricultural credit expansion.

- Make sure our projects help further the phase-down of RDAs and improve capacities of private or public institutions slated to take over.

- Use the Reforestation Project to study social, economic, legal and administrative issues relating to the development of policies designed to stimulate private initiative, such as the development of commercial nurseries, windbreaks, roadside plantings, etc.

- Work with other donors in sectoral reviews and through our OMVS Planning Project, Bakel Project and Southern Zone Water Management Project to support GOS efforts to develop an irrigation policy and strategy.

c. Benchmarks for Agriculture Policy Agenda

- Rice imports held to 340,000 MT a year or less.

- Cereals floor price maintained at incentive levels.

- Fertilizer subsidies eliminated and prices not administered or indirectly determined by the Government.

- At least two banks financing traders and input suppliers.

- Data available regarding potential impacts of various agricultural products and input price policies on: (a) supply of food and cash crops to urban areas; (b) food consumption of different rural income and social groups; and (c) rural income distribution.

- Issuance of a cereals seed plan and development of model legislation for stimulating the emergence of a private seeds industry.

- Implementation of contract plans with RDA's respecting phase out and restructuring timetables.

- Promulgation of the revised forestry code.

- Continued development of a Post Dam Senegal River Development Plan that is based on a realistic approach to irrigation.

1/ The Common Fund for Food Aid counterpart resources is a joint GOS and donor organization established for the coordination of policies and programs in support of Senegal's Cereals Plan.

3. AGRICULTURE: Program Agenda for May 87 to May 89 Period

a. Agenda

- Strengthen and expand commercial agricultural credit for suppliers of inputs and private cereals traders and processors.

- Build up a private cereals seed industry to meet growing demand for higher yield, quality seed.

- Launch a nationwide tree planting program involving the support of citizens, communities, and businessmen.

- Strengthen ISRA capacity to do agronomic and socioeconomic research relevant to Cereals Plan implementation.

- Expand and improve efficiencies of village level irrigation, water management, farming systems, and natural resource management.

- Develop a focused irrigation assistance strategy.

- Support agricultural diversification and transformation in promising crops like cowpeas and maize.

- Help and encourage small and medium scale agro-related business to take advantage of new opportunities and participate in NAP and Cereals Plan implementation.

- Protect crops against damage from grasshoppers/locusts.

b. Management Steps to Implement Agricultural Program Agenda

- Move quickly and effectively to initiate implementation of APS by Fall 1987.

- Continue work on fertilizer policy implementation through fertilizer working groups.

- Assure timely arrival of Reforestation Project TA team by September 1987 and press implementation forward, starting with media campaign and issuing matching grants to rural families and communities for tree plantings.

- Design new Agricultural Research project for FY 1989 using collaborative assistance mode.

- Field TA team and accelerate implementation of Irrigation and Water Management I Project.

- Complete Southern Zone Water Management PP and initiate implementation.

- Millet, niebe, and possibly corn transformation technologies developed and in commercial use.

- Design PVO Co-Financing project.

- Sponsor private sector seminars and training and provide support in linking interested businessmen to new markets and financial and technical services.

- Assist GOS and donors carry out the 1987 grasshopper emergency control operations and plan for future programs, if necessary.

c. Benchmarks for Agriculture Program Agenda

- At least two banks financing traders and input suppliers.

- At least 5% of demand for improved cereals seeds being met through private sector.

- 50 kilometers of road-side tree plantings by rural families and communities and by private contractors.

- ISRA is implementing 5-year restructuring plan and research priorities effectively.

- Bakel farmers in the project area are increasingly operating and maintaining their small pumps on their own and private entrepreneurs are developing support services.

- Tested irrigation and water management approaches to small scale irrigation in Bakel and the early results of watershed management in the Casamance are shaping our irrigation strategy and policy dialogue.

- 1987 grasshopper control program and any subsequent programs are effective.

C. HEALTH

USAID's health strategy continues to strive toward improving the health of the Senegalese people, with emphasis on child survival, primary health care and balanced population growth consistent with agricultural and economic realities in Senegal.

1. HEALTH: Progress and Implications for the Future

a. Health: Progress

Target 1: Implementation of PHC Program.

Benchmarks (for FY86): Growth Monitoring, Immunization and Oral Rehydration activities underway in the eight test rural communities in the Rural Health Project. Status: ACHIEVED. Progress: Except for Growth Monitoring because of lack of clear policy definition at the national level.

Benchmarks (for FY86): Formal agreement reached with the GOS on the terms of reference for the mid-term evaluation of the Rural Health Project, including an assessment of the degree to which the GOS has respected project

covenants to assure that rural communities accept responsibility for the amortization and maintenance of the motorcycles used for supervision. Status: ACHIEVED. Progress: The evaluation noted that the GOS Ministry of Public Health (MPH) and Ministry of Decentralization should revise the text relative to the usage of community budgets for expenditures such as maintenance of equipment.

Benchmarks (for FY86): Implementation begun on applied research activities at the rate of one study per quarter for the next year: MISSED. Because of delays in GOS action for integration of PHC in the Ministry of Health. However, 12 topics have been selected. Hopefully, two studies will begin by June 1987.

Target 2: Implementation of Family Health and Population Program.

Benchmarks (for FY86): The Technical Assistance team in Senegal to begin work: ACHIEVED. TA team arrived in October 1985.

Benchmarks (for FY86): Westinghouse assisting the GOS conduct a contraceptive prevalence/health status survey nationwide. Status: ACHIEVED. Progress: The preliminary report is finished and the final report is due in September.

Target 3: Implementation of Oral Rehydration Program.

Benchmarks (for FY86): The training of all medical personnel in the Fatick, Kaolack, Kolda and Ziguinchor regions completed. Status: ACHIEVED for Fatick and Kaolack. IN PROCESS for Kolda and Ziguinchor (about 60% of training completed).

Target 4: Greater Integration of the Title II and Health Programs.

Benchmarks (for FY86): The HPNO coordination completed with the Committee charged with the follow-up of the Title II Evaluation. Status: ACHIEVED. Progress: An action plan was developed in May 1986. Work with CRS and World Vision is being done 1) on further identification of role for food aid in the MCH and Child Survival programs, and 2) to rationalize and/or expand operational linkages between food distribution and service delivery.

b. Health: Implications for the Future

The GOS Ministry of Public Health (MPH) endorses fully the policy of developing a primary health care system, but has not yet translated this into a clear action plan and defined system. A continued policy dialogue is needed to assist the MPH decide what they want, how to organize it and how to finance it. USAID feels it has proven a system in the field. The MPH has just begun to focus on this broad issue and has established a working group to compare the Kaolack model with other experiences with a view to defining a primary health care model applicable country wide.

The family planning efforts at the field level over the last year or so have gone well, but again, as the MPH is the Ministry ultimately responsible for service delivery, a clear policy of family planning as part of public health must be defined and then translated into an action plan. The GOS

pledged to develop such a plan at the recent Consultative Group meeting. The Senegalese medical community's traditionally curative and conservative views of health services and who can provide such services must come into alignment with a clear commitment of providing health services to all.

2. HEALTH: Policy Agenda for May 87 to May 89 Period

a. Agenda

- Adoption by the GOS Ministry of Health of a clear action plan for a nationwide community-based, health system.

- Formulate jointly with UNICEF and the GOS a plan for health interventions specifically related to child survival and generally related to primary health care.

- Adoption by the GOS Ministry of Health of a clear action plan for family planning services as part of public health, thereby providing family planning services, beyond the Health Centers, to include the entire health structure.

b. Management Steps to Implement Health Policy Agenda

- Conduct operational research studies that will indicate the replicability of the pilot system demonstrated under the U.S.-supported Rural Health Services II Project.

- Work with the MPH Commission to refine the Kaolack Project into a replicable model.

- Work to integrate Kaolack and Fatick PHC systems fully into the national system so the GOS assumes full responsibility once the project is completed in 1989.

- Fund two consultants to work for one person-month with UNICEF and the GOS to define a primary health care/child survival strategy and action plan.

- Explore possible follow on project to implement Child Survival Strategy.

- Present the Rapid Sector Models (presentation made April 27, 1987) and organize two study tours to countries with active family planning programs for six to ten Senegalese policy makers.

c. Benchmarks for Health Policy Agenda

- Agreement on a national PHC model for replication nation wide.

- Completed design of a joint USAID/UNICEF/GOS strategy and action plan for child survival based on a primary health care system that covers all ten regions of Senegal.

- GOS policy determination to actively involve every relevant Ministry in the family planning system (e.g. Ministry of Health change their policy re

kinds of personnel authorized to dispense family planning services, meaning more than just doctors and sages-femmes; Ministry of Education incorporating family planning objectives in their curricula; Ministry of Youth promoting youth campaigns/discussions on the objectives of family planning including STD; Ministry of Information, through radio/television/posters, raising conciousness of population to issues of family health).

3. HEALTH: Program Agenda for May 87 to May 89 Period

a. Agenda

- Full absorption by the MPH of Kaolack and Fatick regional health system.

- Expand family planning services to all 45 Health Centers and to five Health Posts. The major difference between centers and posts is the kind of personnel providing services (centers have doctors and midwives whereas posts have nurses and periodical visits by doctors and/or midwives).

- Implementation of National Population Census.

b. Management Steps to Implement Health Policy Agenda

- Work with UNICEF, WHO and other donors to design with GOS Ministry of Health a nationwide Primary Health Care system.

- Evaluate the Rural Health Services II Project by end of 3rd quarter of FY88.

- Confirm that increasing numbers of the Senegalese population are sensitized to family planning in relationship to public needs.

- Assure full funding, donor support and technical soundness of census.

c. Benchmarks for Health Program Agenda

- Document describing a PHC system and specific interventions impacting on child survival produced by the design team.

- Information Education Communication (IEC) efforts increased to reach not only the general population but target elements (i.e., medical community, policy makers).

- Completed National Census which collected reliable data upon which analysis will be performed producing usable planning information.

IV. WORKPLAN

A. WORKPLAN: New Starts Proposed or Anticipated in Next Two Years and Delegations Requested

1. Project Title and Number: Southern Zone Water Management (685-0295)
   Appropriation: Development Fund for Africa (DFA)
   Proposed Obligation ($000): FY88: 13,000; FY90: 7,000; LOP: 20,000

Project Description: The purpose of this project is to improve farmer use of water for agricultural purposes in Southern Senegal. The Project will develop, through continual evaluation, monitoring and research, a set of methodologies and approaches to assist farmers to improve their water management practices and on-farm water use through construction and maintenance of small water structures in mini-watersheds. Project outputs will include engineering structures, community organization and participation, improved water management and use, and changed farming practices.

Delegation Requested: PP approval by Mission.

2. Project Title and Number: PVO Co-Financing (685-0284)
   Appropriation: Development Fund for Africa (DFA)
   Proposed Obligation ($000): FY88: 2,500; LOP: 5,000

Project Description: In line with AID/W instructions, the purpose of this project is to assist local communities to participate, in association with indigenous and international PVOs, in projects which contribute to the local communities' own development. The major objectives of this project will be: (a) to generate local solutions to local problems with local resources; (b) to increase participation of all segments of society in the development process; (c) to create income earning and employment opportunities; and (d) to improve other aspects of poor living conditions including health and nutrition. Particular emphasis will go to activities related to natural resources management, irrigation, horticulture, small and medium scale enterprise, in support of our strategy elements.

Delegation Requested: PID and PP approval by Mission.

3. Project Title and Number: Strengthening Agricultural Research (685-0285)
   Appropriation: Development Fund for Africa (DFA)
   Proposed Obligation ($000): FY89: $5,000; LOP: $20,000

Project Description: The purpose of the project is to help ISRA implement its institutional reform plans in collaboration with other donors (particularly the World Bank and French bilateral assistance). The project will strengthen ISRA's capacity to do applied and adaptive research focusing on cereals, forestry and water management. Within this focus, it will strengthen technology generation and transfer linkages by building on the production systems research capacity developed under the Agricultural Research and Planning Project and by enhancing ISRA's capacity to sustain policy relevant research.

Delegation Requested: PP approval by Mission.

4. Project Title and Number: Child Survival Program (shelf) (685-0286)
   Appropriation: Development Fund for Africa (DFA)
   Proposed Obligation ($000): FY89: $2,000; LOP: $15,000

Project Description: The project will support GOS implementation of a national child survival strategy in the context of strengthening the primary health care system. The project will build and be linked to the performance and the commitment of the Government of Senegal to MCH and community based PHC.

Delegation Requested: To be determined during PID development.

5. Program Title and Number: ESF VI (685-0290)
Appropriation: Economic Support Fund (ESF)
Proposed Obligation ($000): FY88: 14,000

Program Description: This grant is proposed for budgetary assistance to implement agroindustrial reforms under the GOS structural adjustment program, as the third year of the current 3-year ESF program grant.

Delegation Requested: PAAD approval by Mission.

6. Program Title and Number: ESF VII (685-0293)
Appropriation: Economic Support Fund (ESF)
Proposed Obligation ($000): FY89: 15,000

Program Description: This proposed grant for budgetary assistance will continue to support GOS reforms under its structural adjustment program.

Delegation Requested: PAAD approval by Mission.

7. Program Title and Number: AEPRP II (685-0292)
Appropriation: Economic Support Fund (ESF)
Proposed Obligation ($000): FY89: 15,000; LOP: 15,000

Program Description: The Mission will be designing the Senegal AEPRP-II program grant in FY88. We assume that AID/W will set the amount of the grant. The Mission is exploring three options for an economic reform theme: (a) reform of the Senegalese banking sector; (b) expansion of the capacity of local governments to mobilize resources; and (c) further tax reform.

The Mission is carrying out preliminary studies on the banking sector in connection with ESF-V and with the credit component of the Agricultural Production Support Project (685-0269). We will also make use of a World Bank funded study on the Senegalese banking sector.

The Mission is also planning a study on ways to expand local government financial capacities.

Delegation Requested: PAAD approval by Mission.

B. WORKPLAN: Major Design Issues and Tentative Design Schedule

1. Major Design Issues

a. Transition Period for GOS Institutions

- Reform program is prompting widespread, profound reorganization and, in some cases, abolition of many of Senegal's public (traditional services in agriculture, i.e. the Agriculture Division of the Ministry of Rural Development) and parastatal institutions (SODEVA, SOMIVAC, PIDAC, SAED).

- Many of these institutions, with whom USAID has worked in the past, are no longer charged with implementing donor project activities.

- The services designated to take their place are just beginning to organize their limited staff and resources. This affects both design and implementation arrangements.

b. Donor Coordination

- Many donors who provide assistance to Senegal have not been closely associated with the policy reform process and do not always take full account of the implications of the reforms in their project design and implementation.

- There is a growing need for coordination to avoid donor duplication of effort in project selection and to ensure conformity to GOS policies.

c. Private Sector

- The USAID and the GOS are relying heavily on the private sector (including PVOs) to play a significant role in Senegal's development.

- A better understanding of the private sector is needed to enable USAID to more accurately target private sector beneficiaries and respond to their needs.

2. Tentative Design Schedule

a. Southern Zone Water Management Project (685-0295)

PID: Design underway; Submission to AID/W on/about June 1, 1987
PP: Design to begin July, 1987 following two months of PP feasibility studies.
Obligation: March, 1988

b. PVO Co-Financing (685-0284)

PID: Design first quarter FY 1988
PP: Design second quarter FY 1988
Obligation: Third quarter FY 1988

c. Strengthening Agricultural Research (685-0285)

PID: Design first quarter FY 1988
PP: Design third quarter FT 1988
Obligation: First quarter FY 1989

d. Child Survival Program (shelf) (685-0286)

PID: Design fourth quarter FY 1988
PP: Design second quarter FY 1989
Obligation: Third quarter FY 1989

e. ESF VI (685-0290)

PAIP: Design third quarter FY 1987
PAAP: Design fourth quarter FY 1987
Obligation: First quarter FY 1988

f. ESF VII (685-0293)

PAIP: Design third quarter FY 1988
PAAD: Design fourth quarter FY 1988
Obligation: First quarter FY 1989

g. AEPRP II (685-0292)

PAIP: Design first quarter FY 1988
PAAD: Design third quarter FY 1988
Obligation: First quarter FY 1989.

C. WORKPLAN: Evaluation Schedule for FY88

- 685-0242-Rural Health Services II: Impact + Threshold Evaluation-3rd Quarter-(PACD:04/01/89): This evaluation will use the internal management information system to assess the impact of the project on specific health indices. It should provide sufficient guidance to the GOS Ministry of Health and USAID to enable a decision to be made on both the financial viability and the health impact of the PHC system and, ultimately, its replicability and implications for any follow on project.

- 685-0288-289-290-Economic Support Fund IV, V and VI: Lessons Learned Evaluation - 2nd Quarter: This evaluation will assess the effectiveness of the ESF grant as an instrument for supporting economic policy reform in Senegal.

The following routine (implementation progress) evaluations will be conducted:

- 685-0235-Cereals Production II (Agroforestry Phase)-PACD: 12/31/87: Final Evaluation - 1st Quarter.

  685-0281-Transfer of Technology-PACD: 09/30/90: Mid-term Evaluation: 3rd Quarter.

D. WORKPLAN: Research Schedule for the Next Two Years

USAID/Senegal is sponsoring critical analytical work in the following areas:

- Economic Research: Over the next two years, the Mission will focus its research activities on the current and future sources of Senegalese growth, including both growth constraints and growth opportunities. At the macroeconomic level, the Mission will fund further studies of public sector revenue and expenditure mechanisms in order to help the GOS to achieve net positive public sector savings and to improve the quality of public sector investment decisions. Both the GOS and the Mission are agreed, however, that

significantly more attention must be paid to developing private sector sources of savings, investment, and growth. Mission research priorities include investigation of the incentives and institutional support mechanisms for private sector savings and investment (interest rates, banking system, financial markets). Given the current and foreseeable balance of payments constraint, the Mission is concerned with Senegal's export opportunities and constraints (including the exchange rate system, the export compensation system, and levels of effective trade protection). At the microeconomic level the Mission must develop additional sources of information about private sector attitudes, institutions, operations, constraints and opportunities. We also want to evaluate impacts. With regard to non-farm production and employment, the Mission will support a private sector survey (perhaps with the assistance of PRE Bureau) with a view to developing a private sector strategy that supports the Mission's macroeconomic, agricultural, health, and population objectives.

- Planning, Monitoring, and Evaluation of Development in the Upper Senegal River Basin: This research is intended to guide development strategies "Après-Barrage" for the upper valley. This research will seek to understand complex agricultural production systems (irrigated, rainfed and recessional) and the interrelationship of these systems with off-farm employment, remittance, and migration in affecting the developmental objectives of broad based, cost-effective regional development.

- Land Tenure Research: To assess the impact of irrigated agriculture on traditional tenure rights and assess ways to reduce conflict and identify tenure reform compatible with public and private interests. Traditional tenure systems in the groundnut basin will also be examined to understand their impact on farmer behavior, including production decisions, investments in land improvements, access to credit and land's role as an economic asset.

- Food Consumption and Supply Impacts of Agricultural Price Policy: To inform policy makers regarding agricultural price policy, and its impact on agricultural production, food consumption, income distribution and attendant implications for agricultural research priorities.

- Food Security: To study farmers's perceptions, attitudes and responses to the New Agricultural Policy. The organization, structure and performance of input and commodity markets will be analyzed and the policy implications for public and private sector roles suggested.

E. WORKPLAN: Management Improvements

1. Program Consolidation

Over the last three years, the Mission has realigned its program priorities, moving more and more toward supporting effectively Senegal's attainment of renewed growth and food security objectives by focusing USAID resources on critical policy and program needs, reducing the number of active projects, sharpening conditionality, linking new projects directly to our overall strategy implementation, and insisting on active GOS financial participation.

Over half of USAID/Senegal's FY87 and FY88 programs in Senegal will comprise non-project assistance in support of the medium and long-term Economic and Financial Adjustment Program (Action Plan) of the GOS. USAID-funded bilateral projects, which help implement the GOS New Agricultural Policy (NAP) and the Cereals Plan and support family health and primary health care, have been reduced from 24 active projects in FY84 to 11 in FY87, and will be reduced to nine in FY88. The project portfolio has seen even greater consolidation and reduction in keeping with the policy decision to conclude PL 480 Title III-supported activities as expeditiously as possible. The level of Title III project activities for FY87 is only six projects compared to 25 projects over the life of this $28.0 million program. These six ongoing activities will be completed in FY88.

2. Procedural Simplification

The following management improvements have been implemented by the USAID: a) Distribution of all program documents has been centralized in the Program Office; b) centralized routing of all PILs, Pro Ags, Amendments and other key program documents through the Ministry of Finance. Centralization of PILs in the Ministry of Finance has prompted better coordination between the Ministry of Finance and technical Ministries; c) standardized PIL format and clearance process. A model PIL #1 is being developed; d) policy working group established to integrate programs and policy reform; e) Project Implementation Order (PIO) processes have been improved by: (1) issuance of new guidance for preparation and clearance of PIO/Ts, (2) centralization of PIO/P preparation in the Training Office, and (3) development of project procurement plans for forward planning, preparation and tracking of PIO/Cs; f) submission to AID/W of a blanket waiver request for non-U.S. vehicle procurement under seven projects worth $524,000; g) management of the participant training program has been centralized within the Project Development Office, the PTMS computer tracking system installed and new training procedures adopted; h) use of host country contracts to the extent possible; i) withdrawal wherever feasible from our funding GOS operational costs in projects; and j) reduction of special accounts (i.e. cash given to GOS) from 29 in 1984 to 11 in 1987.

3. Staff Alignment and Improved Use of FSNs

- Over the past three years, we have cut our US staff (direct hire and contract) drastically. In July 1984, we had 110 Americans; we presently stand at 59 for a total reduction of 51 or 46 percent. The breakout of the 59 is as follows: 23 USDH, 18 Institutional Contractors, and 18 PSC's.

- For FY 1987 we count on a critical mass of 23 USDH positions which must be maintained per specific, applicable legal, policy and administrative consideration cited in DAKAR (86) 6888.

- Meanwhile we will continue our program to Senegalize positions (now mainly PSC's), to which we have been committed since 1983 with considerable success (See DAKAR (86) 7792). Our principal constraint to further Senegalization at this point is insufficient funding for training and salaries because of severe OE cuts. The dollar devaluation vis-a-vis the franc combined with AID/W OE budget cuts have left us with a million dollar OE shortfall which has forced us to freeze all offshore training as well as maintaining a survival posture only in all other OE areas.

- There will be a few new institutional contractors for two new projects beginning either late this year or in 1988. Nevertheless, unless there are significant program cuts, the total number of Americans should remain stable below 70 as several older projects phase out and the TA declines.

4. Peace Corps and PVOs Collaboration

a. PVOs

- USAID strategy relies on: (1) using U.S. and indigenous PVOs to assist directly in the organization and execution of village level projects; and (2) the organization and training of indigenous PVOs by U.S. PVOs to carry out village level development.

- The Community and Enterprise Development (PVO) project (685-0260) is the principal instrument for implementing this strategy. Under this project: (1) grants have been made to two U.S. PVOs to establish training relationships with counterpart indigenous PVOs to improve their capacity to deliver village level services; (2) accounting and management audits have been executed by accounting firms for two indigenous PVOs and detailed plans for improving their management developed; (3) PVO project staff has conducted in the past year two financial management seminars and a seminar on proposal writing for indigenous PVOs; and (4) PVO project staff work on a routine advisory basis with local PVOs to strengthen their performance.

PL 480 Title II MCH and FFW programs are implemented through CRS.

b. Peace Corps

USAID has a long experience of cooperation with Peace Corps in support of GOS development programs and projects.

Our major joint ongoing program is the Small Project Assistance (SPA) (685-0270) which was initiated in April 1983. The purpose of the SPA is to provide an A.I.D. funding base for small village level activities initiated by PCVs in Senegal. The program is designed to encourage and support self-help efforts by local communities by funding projects directly. Activities relate to the following categories: a) Food production, including vegetable gardens, fruit tree orchards, food drying and storage, and fisheries; b) energy, for example: cookstoves, forestry activities, and charcoal conversion; c) small enterprise development and/or income generating activities; d) well construction for potable water; and e) community health including construction of village pharmacies, health huts and latrines.

- USAID is also using PCVs under the ongoing Cereals Production II Project (Agroforestry Phase) (685-0235) which is a pilot program of agroforestry and soil conservation activities. The Special Self-Help (625-9901.85) Assistant Project Officer for the Mission is a PCV.

- PC Africa Food System Initiative (AFSI) design team, currently in Senegal, (a) may consider Title II resources; (b) will review current and proposed USAID programming in the target regions in Senegal; and (c) will examine other potential areas for AID-PC collaboration.

- Mission is encouraging PC on the one hand and Catholic Relief Services (CRS) and/or World Vision Regional Office (WVRO) on the other hand for potential cooperation in the context of Title II activities.

5. OE Savings

- We have achieved sizeable savings ($100,000) over the past two years by paring back on FAAS costs, charging for services, and through improved efficiency. Beginning in FY 1987, only USDH employees are eligible for FAAS-subsidized H&W (Health and Welfare), accommodation exchange and motorpool services; contractors are being directly charged for these services. In addition, USAID/Senegal has withdrawn from all Embassy exchange accommodation services for all USDH and contract employees, we are currently relying upon Citibank for these services.

- The USAID garage is performing all vehicle maintenance and repairs for the Embassy, USIS, DAO and FAA with USAID billing via SF 1081's on the basis of costed-out work orders. Estimated savings are $40,000 per year.

- USAID/Senegal has a monitoring and billing system for all long-distance telephone calls. Estimated savings are $10,000 per year.

- Implementation of a policy to refinish, repair and recover household furniture sets to extend their useful life. Estimated savings are $15,000 per year.

- Reorganization of the USAID motorpool facilities and operations, including an automated spare parts inventory system, preventive maintenance program and a gasoline pump and coupon consumption control program. Estimated savings are $15,000 per year.

6. Local Currency Management

The successful close-out in FY 1987 of Title III counterpart activities provides an example of integrated USAID-GOS management of such resources with high impact on village-level agricultural development, as detailed in the 1987 Title III Management Evaluation. Local currency generations under Title I will be governed in FY 1988 by a joint-signature mechanism, except for those channeled through the multi-donor Common Fund which has its own strict accountability. The FY 1986 Title I program set up a clear mechanism of LC deposits into a special account and priority allocations for their uses. Title II monetization proceeds will be governed by specific procedures for PVO financial management.

The local currency counterpart of the cash transfer for both tranches of ESF-IV and the first tranche of the Senegal AEPRP was used for payment of GOS arrears to the private sector. The local currency counterpart of the first tranche of ESF-V will be used in the same way; that of the second tranche of ESF-V will be used for partial retirement of the ONCAD debt, which should increase financial liquidity of the Senegalese banks and ease the supply of credit to the private sector.

In response to present AID/W concerns, the procedure for ESF-V will be to deposit the dollar transfers to a separate BCEAO dollar account in a U.S.

bank in New York. The BCEAO will then immediately create the equivalent in CFAF in the GOS special account as it does now, and will inform USAID/Senegal of the transaction. The BCEAO will subsequently inform USAID/Senegal of the use made of the dollars (e.g. to pay for part of Senegal's petroleum import bill).

The special provisions of the continuing resolution for FY 1987 concerning a special local currency account have already been met through the establishment of a special account at the BCEAO into which the total counterpart is deposited. A written letter from the Director of USAID/Senegal to the Treasurer and the Central Bank constitutes Mission concurrence in the use of the funds and permits their release from this special account.

For ESF-V, following release of first tranche funds from the special account, USAID will receive from the Ministry of Finance a detailed list of private sector firms receiving payments of arrears to the equivalent of that first tranche of the cash transfer, as was done for ESF-IV. Following release of the second tranche, USAID will receive confirmation (a) from the BCEAO that transfer has been made from the Ministry of Finance's account for repayment of ONCAD debt and (b) from the receiving banks that the transfer has been effected.

USAID/Senegal is satisfied with the current accounting procedures to follow up disbursements out of our ESF grants. We are also satisfied with our procedures for tracking the economic reforms and structural adjustment measures the ESF grants are designed to support. Our local currency uses are directly related to our policy and program goals.

7. Pipeline/Mortgage Issues

There has been concern raised about Senegal's pipeline. Senegal program has pipeline of $87,321,166 (DA + ESF) or 283% of OYB. This reflects AID/Washington guidelines, over the years, to forward fund projects, and thus to reduce the mortgage. The relatively large pipeline is not a problem per se but a function of these LOP obligation guidelines.

F. WORKPLAN: Comments on Achievements and Prospects for Gray Amendment Organization Contracting

- During FY 1985, USAID/Senegal contracted a total of $4.23 million with organizations and individuals covered under the Gray Amendment. This represents the largest amount obligated to these entities by a single AFR mission in FY 1985 and more than 19% of the Mission's FY 1985 Sahel budget. (Ref AA/AFR letter of February 21, 1986).

- During FY 1986, USAID/Senegal contracted a total of $5.95 million with organizations and individuals covered under the Gray Amendment. This represents 30% of the Mission's FY 1986 Sahel budget.

- USAID/Senegal anticipates continuing its exemplary performance in contracting with entities covered under the Gray Amendment where appropriate.

V. ISSUES REQUIRING BUREAU ACTION

A. O.E.

- One of the biggest problems the Mission is facing is the cutback in OE funds. The FY 87 Budget Allowance level set by AID/W is $3,900,000, which is $569,100 less than that requested by the Mission. This cut is further aggravated by the fall of the dollar. At the time the budget was prepared, the dollar was worth 359 francs CFA. Its value is now about 300 francs CFA.

- The Mission is vulnerable to dollar fluctuations because about 70% of the budget is paid in local currency. Most of these costs - such items as FSN salaries, rents, utilities and security guard payments - cannot be easily reduced.

- The Mission is doing its best to cope with the budget cuts. As of April, the mission has frozen all non-expendable property purchases and limited purchases of supplies to the bare minimum. No more training activities will be funded. Travel has been limited to essential project site visits. Overtime has been severely cut back. All long-distance telephone calls must now be approved by the Director. All personnel have been asked to do their best to conserve electricity and water. Finally, the Mission has stepped up measures to collect for all services performed for other agencies.

- Despite these already severe measures, the Mission's estimated budget needs are still about $300,000 more than the level set by AID/W. We are currently considering a second round of cuts that will be even more painful than the first.

- Cutting back OE costs may, in the long-run, be counterproductive and not save money if our program is not effectively managed. Since 1982, our program has increased 79% while the OE has increased only 5%, based on the current allowance level.

- In addition, the OE budget cuts may have the effect of hindering long-term cost-savings measures. For example, the Senegalization of American positions will be hindered if we have no funds to train FSN employees to take over the tasks currently held by Americans.

B. The Planning Process for "Planning, Management and Research"(PM&R)

- The PM&R process is too cumbersome given evolving Mission needs and funding uncertainties. Management time in AID/W and field is out of proportion to level of funding. There is a need to simplify the process. For example one way to simplify it would be to allot 50% of funds to field at outset of FY. Approve general categories and let Mission decide priorities within funding constraints. Provide balance based on refined estimates.