

ACTION PLAN

FY 1990

SENEGAL

BEST AVAILABLE

APRIL 1988



Agency for International Development
Washington, D.C. 20523



Embassy of the United States of America

March 11, 1988

Mr. Charles Gladson
Assistant Administrator
Africa Bureau
Agency for International Development
Washington, D.C. 20523

Dear Chuck:

I am pleased to transmit the Mission's FY 1990 Action Plan which sets forth our program and management priorities for the next two years.

I hope your busy calendar will permit you to participate in the Program Week reviews.

There are several issues that need to be resolved so we can move forward together on implementing the priorities that you and the Administrator have set.

With the turn-over in staff and the new leadership in the Bureau, I appreciate the interest being shown in Senegal and understand the need to reconfirm the validity of our program directions in light of the progress we have made to date in implementing our approved strategy.

I would like to say, though, that now is not the time to have second thoughts about the course we are following. Senegal has had some notable success in implementing its growth-oriented reform program and we can take credit for tangible contribution to this process. In this troubled, post election period President Diouf needs our full support in staying the course of reform and translation of policies into effective growth and improved living standards. I believe we are and can make a difference here. We should be fine-tuning rather than overhauling our strategy.

I think you will find the Action Plan useful in helping the Bureau better understand the program and its impact and to focus on the key program and management issues for the next two years (e.g. Banking Reform, Agricultural Research, OE).

We have put considerable effort into developing a new Action Plan, despite having done one just last year. The new plan makes more explicit the links among strategy objectives and between our objectives and the programs we are implementing.

In support of the Action Plan, as additional background for Program Week, we have also prepared two separate papers:

- Senegal's Reform Program and the Impact of U.S. Assistance
- USAID Senegal's Private Sector Strategy

I look forward to a very productive Program Week resulting in clear decisions on our future priorities.

Sincerely,



Sarah Jane Littlefield
Director
USAID/Dakar

USAID/SENEGAL
FY 1990 ACTION PLAN

Program Office
USAID/Senegal
Dakar
March 11, 1988

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USAID/SENEGAL FY90 ACTION PLANI. PROGRESS REVIEWA. Strategy Recap

The goal of U.S. assistance to Senegal is to increase per capita growth and food security through an orderly process of financial stabilization, structural reform, and carefully selected project activities in the key areas of agriculture, natural resources, health, and family planning.

The U.S. assistance strategy gives priority to assisting the Government of Senegal to: (1) develop and implement reforms at the macroeconomic level, in agriculture, and in family health; (2) reduce institutional, infrastructural, and environmental constraints to the growth of agricultural production; and (3) expand delivery of health, nutrition, and family planning services that increase human productivity and the quality of life.

Our policy agenda focuses on the following areas: (1) improved fiscal performance and allocation of resources to productive sectors; (2) restoration of liquidity and reform of the banking sector; (3) implementation of a coherent strategy for reasonable food self-reliance; (4) reduction in the role of agricultural parastatals; (5) privatization of agricultural input distribution; (6) liberalization of cereals marketing; and (7) development of a replicable model of self-supporting, community-based primary health care that includes comprehensive programs of child survival and voluntary family planning.

Our project assistance to agriculture emphasizes: (1) extension of low-cost irrigation and water management techniques; (2) expansion of reforestation and conservation activities; (3) promotion of private production and marketing of agricultural inputs and outputs; and (4) strengthening of agricultural research and technology, especially in support of cereals-based farming systems in both rainfed and irrigated areas.

Our project assistance in family health emphasizes improved child survival through immunization, oral rehydration and improved nutrition, and expanded family planning primarily through increased child spacing.

B. Priority Objectives

For purposes of improved measurability and simplified tracking, the USAID strategy essentially seeks to achieve three priority objectives: (1) to promote a dynamic market economy; (2) to increase cereals production; and (3) to improve family health.

1. Promote a Dynamic Market Economy. Our efforts to promote a dynamic market economy emphasize restoration of stability in the budget and balance of payments accounts through rigorous short-term management of overall demand, and through medium to long-term structural reforms in government, agriculture and industry. Such structural reforms must be based to a large extent on a

reduction in the role of government in the overall economy, and on an expansion of the role of the private sector in production, marketing and pricing decisions. USAID's principal macroeconomic policy targets include: (1) reducing the budget deficit by limiting government expenditures and by mobilizing domestic resources; (2) reducing the balance of payments deficit through trade and industrial policy reform; and (3) increasing credit availability and improving credit allocation through a reduction of government arrears and through banking sector reform.

2. Increase Cereals Production. The objective of U.S. assistance to agriculture is to increase cereals production by (1) encouraging liberalized marketing and remunerative floor prices; (2) by promoting private production and marketing of agricultural inputs and outputs; (3) by extending low-cost water management technologies; (4) by expanding reforestation and conservation activities; and (5) by strengthening agricultural research and technology. Increased domestic cereals production is designed to promote reasonable food self-reliance, while contributing to improvements in the balance of payments on a long-term basis. With regard to agricultural research, the U.S. policy target is to accelerate the development of specific cereals production technologies, and to improve cereals marketing and pricing. Policy emphasis throughout our agricultural portfolio is placed on the introduction of low-cost technologies and private sector approaches to water management, reforestation, soil conservation, seed multiplication, and input supply. Such approaches are designed both to increase the efficiency of resource use in the agricultural sector itself, while contributing to sustainable reductions in both the balance of payments and budget deficits.

3. Improve Family Health. The third objective of U.S. assistance to Senegal is to improve family health, especially in rural areas, largely through efforts to increase child survival and to reduce the birth rate. Our child survival interventions emphasize immunization, oral rehydration, and improved nutrition, while our family planning interventions currently emphasize increased child spacing. Our central policy target is to develop a replicable model of self-supporting, community-based primary health care that includes comprehensive programs of child survival and voluntary family planning. Improvements in health and family planning coverage, in the context of Senegal's limited budget resources, rest on the possibilities for developing low-cost, preventive, community-supported, or private sector delivery mechanisms. Sustained control of the budget deficit, and sustained increases in the growth of per capita income must be based, in the long run, on success in bringing population growth under control and in achieving ecological balance.

See Figure I: USAID/Senegal: FY 1990 Action Plan; Goal, Objectives, Targets.

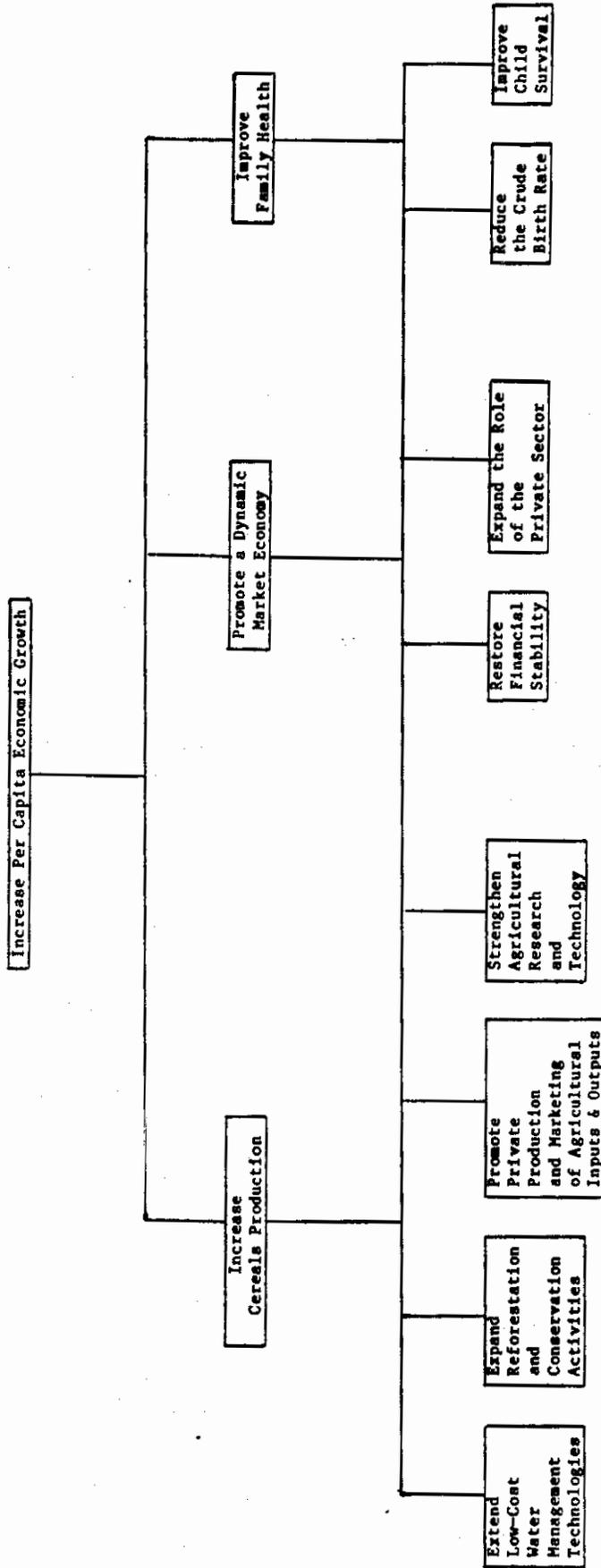
C. Program Impact Assessment

1. Per Capita Growth. Senegal has made significant economic progress since 1983/84 when it embarked upon its Medium and Long-Term Adjustment Program. Economic growth, which was negative in 1983/84 and 1984/85, has averaged 4.3

FIGURE I

USAID/SENEGAL: FY 1990 ACTION PLAN

GOAL, OBJECTIVES, TARGETS



percent during the subsequent two years, and a growth rate of 4.2 percent is now projected for 1987/88 as well. With a population growth rate still hovering near 3 percent, Senegal has nevertheless achieved a return to positive per capita increases in GDP, a goal which the FY 1987 CDSS originally set for achievement in 1992.

2. Budget. Budget stabilization results so far have been impressive. The role of the government in the overall economy has been reduced during the 1980s by more than one-third. Government expenditure which accounted for 32 percent of GDP in 1980/81 and for 25 percent of GDP in 1983/84, was reduced to 21 percent of GDP in 1986/87. The overall budget deficit has similarly been reduced from 4.6 percent of GDP in 1983/84 to 1.4 percent of GDP in 1986/87, well on the way to the planned elimination of the budget deficit in 1988/89. External budget arrears were eliminated in 1985/86, and internal arrears of the government and public agencies have been reduced by nearly 60 percent between 1983/84 and 1986/87. The GOS is planning to eliminate all remaining such arrears by the end of FY 1988/89.

3. Balance of Payments. Partially as a result of improved demand management, the balance of payments on current account has undergone a significant improvement. Over the past three years, the balance of payments deficit has fallen by nearly half from 10.2 percent of GDP in FY 1983/84 to 5.5 of GDP in 1986/87. The downward trend is expected to continue through the end of the decade, making it possible for Senegal to achieve the goal of eliminating all further debt rescheduling during the 1990s.

4. Cereals. Senegal's balance of payments has benefited from three successive years of improved cereals production. Production of millet, sorghum, maize, and rice in 1987/88 was more than double the level prevailing during the drought year 1983/84, and nearly a third higher than the last pre-drought year, 1982/83. The trend line rate of growth of cereals production in the 1980s has been raised to 5.8 percent, somewhat above the 5.0 percent rate of growth targeted in the FY 1987 CDSS. Average grain imports during the past four years were held to less than 480,000 metric tons of milled grain equivalent, compared with more than 730,000 metric tons in the drought year 1983/84. The CDSS target of stabilizing grain imports at or below the 1983/84 level by the end of the CDSS period in 1990 appears well within reach. Average rice imports during the past four years were held to an average of 371,000 metric tons, still somewhat over the GOS target of 340,000 metric tons, but well under the 1983/84 level of 417,000 metric tons. Rice imports in CY 1987 were held to 274,000 metric tons.

5. Conclusion. Senegal's economy and agriculture have benefited from better rainfall as well as from an improved policy climate. Senegal's road to recovery remains long and difficult, but the progress of the past four years provides encouraging indications of the correctness of the GOS's course of economic reform, which has been clearly defined in the Medium and Long-Term Adjustment Program, the New Agricultural Policy, the Cereals Plan, and the New Industrial Policy. Senegal's commitment to reform, and the progress it has made, were fully documented at the second Consultative Group meeting on Senegal held on April 1, 1987.

6. Role of U.S. Assistance

a. Policy Dialogue. USAID, along with other key donors, has played a significant role in helping the GOS to formulate, implement, and finance economic reforms required to stabilize the economy and to stimulate renewed growth. We have pursued a lively policy dialogue and supported key reforms through our ESF and PL 480 Title I programs as part of our assistance strategy.

(1) ESF. ESF Programs II-V (\$49.1 m.) with their focused conditionality supported key reforms such as restructuring the peanut industry, reducing peanut sector deficits, privatizing fertilizer distribution, phasing down parastatals, liberalizing internal cereals marketing, and dampening rice imports. The resulting local currency generations have directly supported increased liquidity by reducing government payments arrears to the private sector and to the banking system.

(2) Title I. The policy dialogue associated with the FY 1986 PL 480 Title I program (\$9.5m), and the FY 1987 program (\$10.0 m), were instrumental in liberalizing local cereals marketing, in establishing a cereals floor price, and in sustaining the gradual elimination of fertilizer subsidies. The local currency proceeds have supported the cereals floor price mechanism, helped liquidate arrears to the banking system, and helped finance the final phase down of the fertilizer subsidy.

(3) AEPRP. We initiated the AEPRP (\$15m) in support of the New Industrial Policy in 1986. This program is helping the GOS to rationalize the tax and tariff system and to improve the mobilization and allocation of domestic resources. The GOS is progressively lowering and simplifying import duties and has completed removal of most quantitative restrictions. The GOS has already issued an initial revision of the General Tax Code. We are currently providing technical assistance to further revise and simplify the direct tax system in order to stimulate private sector expansion and to broaden the tax base. We have now initiated a serious policy dialogue on the methods and approaches which will be necessary to implement banking sector reform.

b. Project Portfolio. We have realigned the project portfolio to better implement our strategy objectives, reducing the number of active projects from 47 in 1984 to 12 in 1988, 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 both agricultural policy reform and agricultural productivity. These include the Agricultural Production Support Project, obligated in February 1987, which aims to foster private distribution of agricultural inputs, and the Reforestation Project, obligated in the summer of 1986, which now has a technical team in the field helping to mobilize popular participation in tree planting supported by private nurseries.

(1) **Agricultural Research.** The Agricultural Research and Planning Project has helped to establish a program of applied economics which has supplied policy makers with more than two dozen relevant papers on cereals marketing, input marketing, production economics, and rural institutions. This work has influenced the policy debate on the liberalization of both cereals marketing and input marketing (especially fertilizers). It has also assisted policy makers to assess the progress and impact of liberalized marketing processes. We have helped to establish a program of farming systems research in the three principal production regions of the country.

Homogeneous zones have been defined with respect to ecology and farming practices, and research priorities have now been established for each zone. The staff of the national research institute (ISRA) has been considerably strengthened. Twenty-one Senegalese have now been trained to the Masters degree level under the project, and eighteen of these are now in place at ISRA in such fields as agricultural economics, animal science, and crop science.

(2) **Locust Control.** An unexpected threat to Senegal's crops occurred in August of 1986 when grasshoppers threatened approximately 1.2 million hectares of agricultural land. In response, A.I.D., the donor community, and the GOS launched a major aerial and ground spraying program. U.S. expenditures of approximately \$2.5 million for aerial spraying operations and for entomologists assisted the GOS to fight the infestation, and were instrumental in averting major crop losses in the traditionally vulnerable regions of Louga and Mbacke. The effectiveness of the U.S. response gained the U.S. enhanced respect. We contributed \$2 million in 1987 to further strengthen the government's capability to respond to similar threats in the future.

(3) **Family Health.** GOS family health activities supported by the U.S. have improved the health of the Senegalese people, while developing systems and village level models that can be applied country-wide. A recent evaluation documented progress in establishing an improved village-level primary health care system in the Sine Saloum region under the Rural Health Services II Project (685-0242). Results achieved include increased acceptance of decentralized planning, improved drug supply management, increased user financing, and increased private sector involvement. As part of this system, support is being provided for a broader application in rural areas of child survival interventions including immunization, malaria chemoprophylaxis, oral rehydration therapy, nutrition education, and growth monitoring. Similar nutrition programs supported under PL 480 II have involved 170,000 Senegalese women in growth monitoring efforts at some 450 centers. The challenge now is to assess lessons learned and to incorporate current best practice into the national health system.

(4) **Family Planning.** The Family Health and Population Project (685-0248) has demonstrated significant progress in providing access to family planning services, with a corresponding increase in contraceptive use. There are now 35 functioning family planning service centers, with most working at full capacity, and with some having to refer or defer clients because of the demand. Between December 1986 and December 1987, the number of family

planning clients has increased by 47 percent. At present we have some 17,000 women utilizing modern contraceptive methods under our project alone. Project resources have also been successful in increasing the role of the private sector in the delivery of family planning services. Private pharmacies are now distributing family planning supplies which would provide coverage for an estimated 15,000 additional women. Another indication of project success has been the removal of administrative constraints that have been limiting efficient service delivery (exclusion of nurses as service providers; excessive use of testing).

c. Private Sector Initiatives. 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. Local currencies have also been utilized to accelerate repayment of GOS arrears to the banks and to private sector firms, many with less than 50 employees. Tangible results have been achieved.

(1) Approximately three-quarters of fertilizer distribution is now in the hands of the private sector.

(2) GOS subsidies to peanut oil crushing firms for overhead and for price stabilization were eliminated during the 1985/86 crop year.

(3) The GOS subsidy on peanut seeds is being phased out in a three-year program ending in FY 1988/89.

(4) GOS management of peanut seed stock was eliminated entirely in the 1986/87 crop year. Peanut seeds are now in the hands of farmers, traders, and the oil crushing firms.

(5) All restrictions have been lifted regarding storage and internal movement of local cereals products, allowing private merchants and producers freer access to markets.

(6) Farmers are free to sell local cereals products to any buyer at any price, with the GOS helping to maintain minimum floor prices.

(7) Private nurseries are expanding their role in support of conservation and reforestation activities.

(8) The Community and Enterprise Development Project has provided credit to 180 small-scale, non-farm enterprises, at an interest rate of 24 percent, with a 97 percent repayment rate, demonstrating the feasibility of delivering credit on a self-sustaining basis to small and medium-scale firms.

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

(10) Private pharmacies are expanding their role in distributing family planning supplies.

(11) The Family Health and Population Project has assisted ten private and parastatal firms to provide family planning services in their clinics making such services available to approximately 10,000 additional women.

D. Implications for Future Program Action

1. General Implications. The major implications to be drawn from progress to date in implementing the USAID strategy in Senegal are summarized below.

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

b. The GOS/Donor Policy Framework Paper, the New Agricultural Policy, the Cereals Plan, and the New Industrial Policy provide a sound basis for policy dialogue, focused programming, and improved donor coordination.

c. Reforms are well underway in government, in industry, and in agriculture. The banking sector remains as a major constraint to further gains in other areas.

d. Urban development and consumer prices will require the government's attention in the aftermath of the Presidential elections which clearly raised the issue of the social costs of reform. This will place added pressure on implementing the NIP in ways that will create jobs.

e. Now that a good reform program is in place, we should concentrate on helping the GOS to manage and implement the reform process at the macroeconomic and sectoral levels.

f. 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.

g. The early gains of the reform process will remain shaky until the government's finances are assured by steady revenues from a broader tax and tariff base; until the private sector has reliable access to bank credit and predictable rules in the market place; until cereals production is less vulnerable to erratic rainfall as the result of more efficient use of water and better natural resource management; and until local cereals are marketed and processed at competitive prices. Sustainable gains in the longer run will depend on bringing population growth under control and restoring ecological balance.

2. Implications for Promoting a Dynamic Market Economy. Assisted by close donor coordination, oversight, and support, the GOS is now regularly meeting its budget deficit targets, reducing the negative impact of deficit financing

on 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 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. In addition, it will be necessary to increase the efficiency of parastatal operations (e.g. SONACOS restructuring) and of private monopolies (e.g. CSS) which can place heavy drains on government budget resources. As government expenditures are reduced, additional resources will remain in the hands of the private sector, improving its ability to invest. In addition, however, the willingness and ability of the private sector to invest must also be increased through improvement in the investment climate, and through increased access to bank credit. These issues can be addressed at both the macroeconomic and sectoral levels, with a leadership role among the donors for the World Bank and the U.S. in the process of improving the investment climate, reforming the banking sector, and improving private sector growth prospects.

3. Implications for Increasing Cereals Production. The implementation of Senegal's New Agricultural Policy 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 the progressive reduction in subsidies, and to the abrupt phase-out of free public services. Liberalized marketing, remunerative floor prices, and good rains over the past three years have improved profitability and facilitated such adjustments. However, farm technology remains basically unchanged. Increased food production and sustainable profits will require significant investments in cereals technologies, irrigation, and soil conservation, and wider use of agricultural inputs. There are collateral policy, budgetary and institutional issues involved in effectively addressing these needs.

The private sector is only now beginning to respond to the new demands and opportunities created by the withdrawal of the parastatals. Defining the new rules of the game in a way that inspires confidence and encourages risk-taking among Senegal's cautious business and farming communities will require care and time. Domestic cereals marketing, with the exception of rice, is now fully privatized. Fertilizer is in its most critical period 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 remain to be privatized. This will require not only restructuring the current system, which is dominated by the public sector, 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.

Many agricultural parastatals are currently being phased down or reformed. Two (SONAR and STM) have already been liquidated. SAED, which is responsible for the Senegal River Valley, is being restructured to limit its role to planning, coordinating, and supplying technical support for agricultural development in the Senegal River Valley once the Manantali and Diama Dams are operational. This reform process is slow and uneven, and will require both new attitudes and new capabilities.

The Government's Cereals Plan is now in place and provides a reasonable policy and program framework to move toward 80 percent cereals self-sufficiency by the year 2000. The plan aims at increasing domestic production and consumption of millet, sorghum, maize, rice and cowpeas while limiting imports of rice. Successful implementation of the Cereals Plan depends critically on: (a) skillful management of agricultural price policies so that domestic cereals prices are remunerative relative to imports and to other crops (especially peanuts); (b) expanded cereals surpluses through expansion of rainfed areas in the south and southeast and through new irrigation development and intensification; (c) unrestricted, efficient marketing of cereals throughout Senegal; (d) shifting consumption patterns away from rice in favor of local cereals such as millet, maize and cowpeas; (e) efficient cereals processing; and (f) continued improvements in agroforestry and conservation techniques. These implications shape USAID policy and program agendas for agriculture over the next two years.

4. Implications for Improving Family Health. The GOS Ministry of Public Health (MPH) is now refining its primary health care policy, but has not yet translated this into a clear action plan and a defined primary health care system. A continued policy dialogue is needed to assist the MPH to decide what they want, how to organize it, and how to finance it. USAID has defined a model in the field. The MPH has just begun to focus on this broad issue and has established a working group to compare our model in the Sine Saloum with experiences elsewhere in the country in order to define a nationwide primary health care model.

Family planning efforts at the field level over the last year or so have gone well. Now, however, the MPH, as the Ministry ultimately responsible for service delivery, must define a clear strategy integrating family planning into the overall public health care system. The GOS pledged to develop such a strategy at last year's Consultative Group meeting. The Senegalese medical community's traditionally curative and conservative views on health services, and on who can provide such services, must be reconciled with a clear commitment to provide primary health services to all. USAID is prepared to work with the government to help it to internalize the results of our successful primary health care programs in the Sine Saloum, and to design a national primary health care system that successfully incorporates comprehensive family planning and child survival programs.

II. STRATEGIC OBJECTIVES, TARGETS, AND BENCHMARKS FOR THE PERIOD MARCH 1988 - MARCH 1990

A. OBJECTIVE: PROMOTE A DYNAMIC MARKET ECONOMY

1. Target: Restore financial stability in the budget and balance of payments accounts

Policy Benchmarks	Program Benchmarks	Management Steps
<p>(1) Budget deficit on a commitment basis to be reduced from 4.6 percent of GDP (CFAP 44.7 billion) in FY 1983/84 to 0.5 percent of GDP (CFAP 6.7 billion) in FY 1987/88, and to zero by FY 1988/89.</p>		<p>(1) Continue quarterly policy dialogue meetings and periodic donor coordination meetings on budget and balance of payments issues.</p>
<p>(2) Government expenditures on a commitment basis to be reduced from 25.2 percent of GDP in FY 1983/84 to 19.8 percent of GDP in FY 1987/88 and in FY 1988/89.</p>		<p>(2) Provide budget support to reduce government arrears under ESP V, ESP VI, AERPR I, and PL 480 I of CFAP 7.8 billion in FY 1987/88, and CFAP 5.6 billion in FY 1988/89 (plus any availabilities under AERPR II).(*)</p>
<p>(3) Phaseout of fertilizer subsidies to be completed by January 1989.</p>		<p>(3) Monitor implementation of conditionality on the phaseout of fertilizer subsidies under PL 480 I.</p>
<p>(4) Phaseout of the peanut seed subsidy to be completed by June 1989.</p>		<p>(4) Negotiate conditionality under ESP VI and ESP VII on the phaseout of the peanut seed subsidy, on the reduction of the peanut marketing deficit, and on the wheat perequation.</p>
<p>(5) Draft reform proposal for a simplified direct tax system with reduced marginal rates to be completed by September 1989.</p>		<p>(5) Provide U.S. technical assistance under AERPR I to design revised direct tax legislation and to simulate resulting tax revenues.</p>
<p>(6) Balance of payments deficit on current account to be reduced from 10.2 percent of GDP (CFAP 231.6 billion) in FY 1983/84 to 4.1 percent of GDP (CFAP 154.4 billion) in FY 1987/88, and to 3.3 percent of GDP (CFAP 134.8 billion) in FY 1988/89.</p>		<p>(6) Provide balance of payments support under ESP V, ESP VI, AERPR I, and PL 480 I of CFAP 7.8 billion in FY 1987/88, and CFAP 5.6 billion in FY 1988/89 (plus any availabilities under AERPR II).(*)</p>

(*) Based on exchange rate of one U.S. dollar equivalent to 300 CFAP

2. Target: Expand the role of the private sector in production, marketing, and pricing decisions

Policy Benchmarks	Program Benchmarks	Management Steps
<p>(1) Final round of quantitative import controls to be eliminated, and third round of tariff reductions to be completed by July 1988.</p>	<p>(1) Feasibility of profitable lending to small scale enterprises to be demonstrated to Government by March 1990. Pilot project in Kaolack to lend \$700,000 to 250 borrowers at 24 percent interest with a 95 percent repayment rate and with interest charges covering all operating costs (excluding cost of AID funds).</p>	<p>(1) Monitor conditionality on reduction of quantitative import controls and tariffs under AERPP I.</p>
<p>(2) Role of the government in the banking system to be reduced through policy reform and privatization. First round of privatization of mixed public/private banks, and restructuring or liquidation of public sector banks to be completed by March 1990.</p>	<p>(2) Housing Investment Guarantee Agreement to be signed, and construction to be started by December 1989 on low income housing project. Project with 1000 units to be implemented by the largely private Banque de l'Habitat du Sénégal in the secondary town of Ziguinchor.</p>	<p>(2) Negotiate conditionality under ESF VI and ESF VII to obtain release of the audit of the sugar refinery (GSS) and to prepare an action plan.</p>
<p>(See also subsidy reduction measures, parastatal limitation measures, and private sector promotion measures listed separately for each sector elsewhere in Section II.)</p>	<p>(3) Housing Investment Guarantee Agreement to be signed, and construction to be started by December 1989 on low income housing project. Project with 1000 units to be implemented by the largely private Banque de l'Habitat du Sénégal in the secondary town of Ziguinchor.</p> <p>(See also parastatal limitation measures, and private sector promotion measures listed separately for each sector elsewhere in Section II.)</p>	<p>(3) Negotiate conditionality under ESF VI and ESF VII to complete the audit of the peanut marketing agency (SONAGOS), and to begin implementation of the resulting action plan.</p>
		<p>(4) Negotiate conditionality on banking sector policy reform and privatization under AERPP II, and finance required technical assistance to the GDS.</p>
		<p>(5) Provide technical assistance to selected banks on loan assessment, loan follow up, and loan collection under AERPP II.</p>
		<p>(6) Evaluate with government the results of the small scale enterprise pilot project in Kaolack, and design next steps for expansion and institutionalization.</p>
		<p>(7) Prepare private sector training needs assessment by September 1988.</p>

B. OBJECTIVE: INCREASE CEREALS PRODUCTION**1. Target: Extend Low-Cost Water Management Technologies****Policy Benchmarks**

- (1) "Après-Barrage" Development Plan for the Senegal River Basin to be completed by the COS by March 1990 emphasizing a realistic approach to costs, benefits, and available management skills.

Program Benchmarks

- (1) Feasibility of low-cost, small-scale irrigation perimeters with private sector participation to be demonstrated to government in the Fieuve Region by March 1990. Pilot project in Bakel to construct 400 ha. of new perimeters, rehabilitate 200 ha, and demonstrate an increase in average rice cropping intensity to 1.5 crops per year. Private sector to participate in perimeter construction, pump maintenance, credit delivery, and fertilizer delivery.
- (2) Construction of water management structures to be started on the first 750 hectares of rice lands in the Casamance by March 1990 under the Southern Zone Water Management Project. Overall project to increase rice productivity by 50 percent on 15,000 hectares in the Casamance region by 1999 through application of low-cost water management techniques. Productivity increases (1.5 MT per hectare) to be equivalent to 7 percent of the total national import requirement of 340,000 MT. Total production in the project area to be equivalent to 20 percent of the national import requirement.

Management Steps

- (1) Complete the design of the Southern Zone Water Management Project. Sign project agreement; get technical assistance team in place; complete pre-construction surveys, planning, and organization.
- (2) Participate in periodic COS-Donor reviews of SAED's progress in implementing the 3rd Lettre de Mission. Work to restructure SAED into an irrigation and agricultural services agency, with private entrepreneurs supplying credit, construction, maintenance, and agricultural inputs, and with private entrepreneurs marketing agricultural outputs.

2. Target: Expand Reforestation and Conservation Activities**Policy Benchmarks**

- (1) New forestry and conservation policies to be in place by March 1989 to encourage private initiatives in planting, managing, and proffing from trees.

Program Benchmarks

- (1) Six special radio and television programs to be produced and bi-weekly broadcasts undertaken by March 1990 in order to increase public awareness, understanding, and support for forest conservation and tree planting activities, and to improve awareness of available services and supplies.
- (2) Thirty nurseries to be in operation by March 1990. 100 matching grant contracts to plant trees to be signed with recipients to finance 50 percent of costs. 250,000 multi-purpose trees to be planted. 55,000 trees to be planted along 55 kilometers of roads as windbreaks.

Management Steps

- (1) Implement media campaign and private contracting aspects of Reforestation and Conservation project.
- (2) Monitor and evaluate project results on a continuing basis for social, economic, legal, and administrative lessons learned. Provide feedback to government policymakers and administrators, and to other donors.
- (3) Organize donor and COS meetings to coordinate efforts at forestry management, reforestation, and tree product utilization.
- (4) Complete a Natural Resource Management Action Plan by October 1989.

3. Target: Promote Private Production and Marketing of Agricultural Inputs and Outputs

Policy Benchmarks	Program Benchmarks	Management Steps
(1) Cereals seed plan to be drafted by March 1990 to encourage development of a private sector seed industry in Senegal.	(1) Banking sector to be involved in the provision of credit to suppliers and traders of agricultural inputs, and to processors and traders of agricultural outputs. One million dollars to be lent under the Agricultural Production Support Project, and repayments to be started by March 1990.	(1) Negotiate conditionality under ESP VI to study and submit recommendations on how and when the regional development authority for the Fleuve (SAED) will disengage from rice milling and marketing.
(2) A restructured food security agency (CSA) to be performing its role in cereals price stabilization in March 1990.	(2) Ten percent of the national demand for certified cereals seeds to be met through private suppliers by March 1990.	(2) Negotiate conditionality under ESP VI and VII to establish a timetable for the withdrawal of SAED from credit programs in the Fleuve, and for the start up of credit delivery by CNCAS or other banks.
	(3) Aggregate demand for certified seed to be up five percent between 1988 and 1990.	(3) Sign the fiduciary bank contract; sign the credit protocols with participating banks; execute technical assistance contracts; and get the technical assistance team in place under the Agricultural Production Support project by September 1988.
	(4) Ninety percent of national fertilizer distribution to be carried out by private suppliers by March 1990.	

4. Target: Strengthen Agricultural Research and Technology

Policy Benchmarks	Program Benchmarks	Management Steps
(1) Five-year research and reform plan to be adopted by the Senegalese Institute for Agricultural Research (ISRA) by June 1988 emphasizing cereals production technologies, policy research on cereals pricing and marketing, and efficient research operations.	(1) Testing to be carried out by March 1990 on 48 varieties of cold-tolerant rice, and suitable varieties to be identified for cold season cultivation in the Senegal River Basin in order to intensify double cropping.	(1) Implement activities under the Agricultural Research II Project, and the Transfer of Technology Project.
(2) Personnel policy to be adopted by ISRA by March 1990 which creates a career track for scientists with incentives for professional productivity; a long-term manpower development plan to be formulated; a cereals research program to be implemented based on the Five-Year Plan.	(2) Feasibility to be demonstrated of introducing, raising, breeding, and utilizing water buffalo for land preparation in Senegal. Herd size increased by 50 percent, and alternative land preparation practices demonstrated in five test villages by March 1990.	(2) Design a follow-on Agricultural Research Project in a collaborative mode based on ISRA's new five-year research plan, with emphasis on the development and dissemination of sustainable production technologies for cereals-based farming systems.
	(3) Commercial technologies to be developed and introduced for processing local cereals into products more acceptable to urban and rural consumers in terms of quality and price by March 1990.	(3) Organize a workshop by March 1989 under ISRA/NSU auspices for policy makers and researchers to explore implications of recent policy research on input marketing and use, cereals marketing, liberalization, cereals supply responses, household food security, and the role of farmer organizations under the New Agricultural Policy.

II. C. OBJECTIVE: IMPROVE FAMILY HEALTH

1. Target: Reduce the crude birth rate from 48 per 1000 to 42 per 1000 by 1992

	Policy Benchmarks	Program Benchmarks	Management Steps
(1)	The 1988 National Population Census to be completed, and twelve studies to be carried out analyzing census data for policy, planning, information, education, and communication purposes by March 1990.	(1) Awareness of modern contraceptive methods to be expanded to include 95 percent of women of child-bearing age in urban areas by March 1990.	(1) Coordinate with the government and with other donors in order to ensure that the 1988 National Population Census is carried out in a timely fashion, and required analyses are undertaken.
(2)	National policy paper on population and development to be issued, and all relevant ministries to have initiated population plans or programs by March 1990.	(2) Information, education, and communications efforts to be expanded to include key targets such as policy makers and members of the medical community by March 1990.	(2) Organize study tours for six to ten senior Senegalese policy makers to countries with active family planning programs.
(3)	Ministry of Health to have incorporated family planning into public health services at all levels including health centers (which are staffed by doctors and midwives) and health posts (which are staffed by nurses with periodic visits by doctors and midwives) by March 1990.	(3) Family planning services to be expanded to 150 centers by March 1990. Number of women using modern contraceptives to be increased to 100,000 by March 1990 (50 percent of the 200,000 women who would need to be covered by 1992 to reduce the crude birth rate from 48 to 42 per 1000).	(3) Work with the Ministry of Health to ensure that remaining administrative constraints which impede widespread access to family planning services are removed.
			(4) Coordinate with other donors to assist appropriate ministries to develop population plans and programs.

II. C.

2. Target: Improve Child Survival

	Policy Benchmarks	Program Benchmarks	Management Steps
(1)	Ministry of Health to have reviewed and defined a nationwide primary health system incorporating a child survival strategy by March 1990 so that key interventions can be effectively coordinated and delivered to rural areas.	(1) Infant mortality from major childhood diseases in the Sine Saloum region to have been reduced by 40 percent between 1985 and 1990.	(1) Arrange required technical assistance to the government and UNICEF to help design a comprehensive child survival strategy for integration into an overall program of primary health care.
(2)	Ministry of Health to have reviewed the drug distribution system by March 1990 and to have begun to address basic constraints that prevent efficient and effective management and supply.	(2) Ministry of Health to have completed absorption of the low cost, community-based rural health activities sponsored by USAID in the Sine Saloum region by 1990.	(2) Evaluate the Rural Health Services II project with an emphasis on demonstrating the impact achieved on reducing child mortality.
(3)	Ministry of Health to have reviewed with the appropriate governmental institutions, and to have changed where possible, the laws and policies in the areas of decentralization and finance that impede efficient and effective health planning and program execution.		(3) Complete operations research studies and formulate a regional primary health care model which can be replicated.

III. MISSION MANAGEMENT, MONITORING, AND COORDINATION ACTIVITIES**A. Resource Management: Plans and Issues****1. New Starts Proposed or Anticipated in Next Two Years and Delegations Requested****a. FY 88 Proposed New Starts****(1) Project Title and Number: Southern Zone Water Management (685-0295)**

Appropriation: Development Fund for Africa (DFA)
Proposed Obligation (\$000): FY88: \$7,000; FY90: \$11,000;
LOP: \$18,000

Project Description: The purpose of this project is to improve farmer use of water on rice lands 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 Approved: PP approval by Mission.

(2) Program Title and Number: ESF VI (685-0290)

Appropriation: Economic Support Fund (ESF)
Proposed Obligation (\$000): FY88: \$10,000

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.

(3) Program Title and Number: AEPRP II (685-0292)

Appropriation: Economic Support Fund (ESF)
Proposed Obligation (\$000): FY88: \$5,000; FY89: \$10,000;
LOP: \$15,000

Program Description: The Mission will be designing the Senegal AEPRP-II program grant in FY88 in support of banking sector reform. We assume that AID/W will set the amount of the grant. U.S. participation in this multi-donor effort is designed to push the reform process in the direction of increasing the share of the private sector in overall credit; reducing the role of the state in credit allocation; privatizing or liquidating public sector banks; improving bank supervision and inspection; improving bank management; expanding domestic savings mobilization; and reducing taxation of savings.

Delegation Requested: PAAD approval by Mission.

b. FY 89 Proposed New Starts

- (1) Project Title and Number: Strengthening Agricultural Research (685-0285)
Appropriation: Development Fund for Africa (DFA)
Proposed Obligation (\$000): FY89: \$6,000; FY90: \$5,000;
LOP: \$15,000

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, water management, and alternative crops to peanuts. 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.

Delegation Requested: PP approval by Mission.

- (2) Program Title and Number: ESF VII (685-0293)
Appropriation: Economic Support Fund (ESF)
Proposed Obligation (\$000): FY89: \$14,000

Program Description: This proposed grant for budgetary assistance will continue to support GOS reforms under its structural adjustment program. The Mission is now investigating conditionality to be included in next year's ESF submission.

Delegation Requested: PAAD approval by Mission.

- (3) Project Title and Number: PVO Co-Financing (685-0284)
Appropriation: Development Fund for Africa (DFA)
Proposed Obligation (\$000): FY90: \$2,500; FY91: \$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 living conditions including health and nutrition. Particular emphasis will be placed on 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.

c. FY 90 Proposed New Starts

- (1) Project Title and Number: Child Survival Program
(685-0286)
Appropriation: Development Fund for Africa (DFA)
Proposed Obligation (\$000): FY90: \$5,000; FY91: \$5,000;
LOP: \$10,000

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.

- (2) ESF VIII: To be determined.
(3) Enterprise Development: To be determined.

2. Major Design Issues

a. Agricultural Research

We understand that the Bureau is concerned about the rationale for continued support for agricultural research, and about expected returns. We want to vet this issue during program week so that subsequently the PID review can concern itself with design issues, not the legitimacy of agricultural research in our portfolio.

Bearing in mind that assisting the GOS to move towards its food security objectives is our principal sector goal, we believe that continued investments in agricultural research are important because:

- (1) Increasing agricultural productivity is the key to both sectoral and general economic growth in Senegal. As the dominant sector, it offers the only reasonable prospect for making a significant contribution to growth in GDP, employment and foreign exchanges in at least the medium term (5 to 10 years). Progress to date is encouraging.
- (2) Second only to rainfall, technology is the binding constraint on agricultural production. Over much of the last 25 years, growth in domestic cereals production has averaged only slightly over 1% per year; these modest increases have come largely from increases in cultivated area. Yields have remained relatively stagnant and well below their potentials in Senegal. With population growing at approximately 3% and with the availability of new lands to be brought into cultivation dwindling, significant long-term growth in cereals production can only come from increased productivity (i.e. yields).

(3) Agricultural research is integral to our development strategy. Through APS we are seeking to improve farmers' access to available improved technology - seeds, fertilizer, chemicals and small equipment - by fostering the evolution of a private sector input supply industry. With the Reforestation and Southern Zone Water Management projects, we are seeking to arrest the degradation of the natural resource base and to establish the necessary conditions for long-term, sustainable agricultural growth. Improved production technology is the key to providing farmers with incentives to husband their land and water resources, and to generating significant production increases from this enhanced resource base.

(4) Significant progress has been made over the last six years in laying the foundations for a viable national agricultural research institution. Assistance from the World Bank, the French, and AID has been instrumental in orienting ISRA's efforts toward farmer needs, and in focusing research priorities on Senegal's staple crops (sorghum, millet, corn). Expected returns over the next 5 to 10 years from investments in cereals research are at least 20%. This is a conservative estimate given: a) the institutional base that has been established with donor assistance to date; (b) recently defined research priorities which will focus efforts and resources on cereal production systems; and (c) the experience elsewhere in Africa where the rate of return to investments in coarse grain research has ranged between 30% and 40% (Evanson).

USAID/Senegal has already invested a good deal of time and energy in pressing for ISRA reform and in designing the PID for the Strengthening Agricultural Research Project. We must have a clear answer from the Bureau whether to proceed with or abandon this project. We have reached the decision crossroads.

b. Child Survival

An effective child survival strategy for Senegal requires a continuing reorientation in the Ministry of Health's attitude toward providing primary health care, and a continuing improvement in health care management skills. The Ministry of Health (MOH) needs to more clearly define its objectives and strategy in the area of child survival, and to develop the capacity to implement its strategy over the long run. Based on its current experience under the Rural Health Services II project, the Mission must decide whether the child survival strategy of the Ministry of Health is sufficiently developed to permit a follow-on activity, and whether the Ministry has demonstrated sufficient willingness and capability to plan and execute a child survival program countrywide. Because of this uncertainty and the vacancy in our health office, we decided to defer this new start until FY90.

c. Banking Sector Reform

The Government of Senegal has proposed a major reform and refinancing of the country's banking sector in order to accelerate implementation of the Medium and Long-Term Adjustment Program, the New Agricultural Policy, and the

New Industrial Policy. The Government has commissioned its own study of the banking sector with World Bank financing, and the donors have supplied their comments following two multi-donor meetings which also included representatives from the local banks. Government plans an additional meeting with the donors to give its reactions to their comments. The Mission must then decide whether the government's sectoral loan proposal contains the required critical mass of basic reforms which will be necessary not only to refinance the banking sector, but to prevent a recurrence of the present situation of illiquidity, and to improve savings mobilization and credit allocation in Senegal over the long run. The Bureau has to face the issue of whether it wants the U.S. to be a player. We cannot continue to pursue a high profile dialogue in this area with the continual relegation of Senegal to the bottom of the AEPRP list, after Lesotho.

d. ESF VII

The Mission has proposed a \$14 million ESF VII program for FY 1989 to accelerate implementation of Senegal's New Agricultural Policy (NAP). The Mission proposes to design a three-year activity to help implement both the New Agricultural Policy and the New Industrial Policy (NIP), including possible follow-up on tax and tariff reform under AEPRP I. The main issue is the relative emphasis on agriculture versus industry, and the content of our conditionality. Should we consolidate gains or strike out in new areas. Mission inclines toward the former.

3. Tentative Design Schedule

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

PP: Design second quarter FY 1988, approved third quarter, FY 1988
Obligation: May, 1988

b. PVO Co-Financing (685-0284)

PID: Design fourth quarter FY 1988
PP: Design first quarter FY 1989
Obligation: Second quarter FY 1989

c. Strengthening Agricultural Research (685-0285)

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

d. Child Survival Program (685-0286)

PID: Design third quarter FY 1989
PP: Design first quarter FY 1990
Obligation: Third quarter FY 1990

e. ESF VI (685-0290)

PAIP: Design first quarter FY 1988

PAAD: Design second quarter FY 1988

Obligation: Second quarter FY 1988

f. ESF VII (685-0293)

PAIP: Design fourth quarter FY 1988

PAAD: Design first quarter FY 1989

Obligation: second quarter FY 1989

g. AEPRP II (685-0292)

PAIP: Design third quarter FY 1988

PAAD: Design fourth quarter FY 1988

Obligation: Fourth Quarter FY 88, and
First quarter FY 1989.

4. Evaluation Schedule for the Next two Yearsa. FY89 Schedule:

- (1) 625-0958 - OMVS Groundwater Monitoring: Lessons Learned and Impact Evaluation - 2nd Quarter (PACD: 12/31/89): This evaluation will (a) identify significant lessons learned in establishing within OMVS a system to monitor and investigate potential problems of groundwater related to the development of irrigation and the operation of Diama and Manantali dams, and (b) assess the impact of the project on OMVS institutional capabilities, given personnel and funding constraints of the technical agencies of the Member States and of the OMVS.
- (2) 625-0288-0289-0290 - Economic Support Fund IV, V, and VI: Lessons Learned Evaluation - 3rd Quarter: This evaluation will assess the effectiveness of the ESF program as an instrument for supporting economic policy reform in Senegal.
- (3) The following routine (implementation progress) evaluations will be conducted:
 - 685-0280 - Irrigation and Water Management (PACD: 09/30/90): 1st Quarter.
 - 625-0621 - OMVS Planning and Policy Development (PACD: 06/30/90): 1st Quarter.
 - 685-0957 - Senegal Agricultural Research II (PACD: 06/30/90): 3rd Quarter.

685-0291 - AEPRP I (PACD: 09/30/90): 3rd Quarter.

625-0248 - Family Health and Population (PACD: 06/30/92): 4th Quarter.

685-0269 - Agricultural Production Support (PACD: 12/31/91): 4th Quarter.

b. FY90 Schedule

(1) 625-0260 - Community and Enterprise Development (PACD: 06/30/90): Impact and Lessons Learned Evaluation - 3rd Quarter: This evaluation will look at impact and lessons learned (a) targeted on specific areas highlighted in the Contractor's Report due January 1990, and (b) appropriate for the sustainability of the Small-Scale Enterprise (SSE) component and for the implementation of the PVO Co-Financing Project.

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

685-0283 - Reforestation (PACD: 07/31/93): 2nd Quarter.

685-0281 - Transfer of Technology (PACD: 09/30/90): 4th Quarter.

5. Research Schedule for the Next Two Years

USAID/Senegal is sponsoring critical analytical work in the areas indicated below.

a. 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. In addition, the Mission expects to complete an in-depth review of the policy reform and structural adjustment process in Senegal in the 1980's, including a review of the donor coordination process. At the microeconomic level the Mission must develop additional sources of information about private sector attitudes, institutions, operations, constraints and opportunities.

b. Research on the Private Sector. Both the GOS and the Mission are agreed 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). During the next year the Mission will be refining

its private sector strategy. It has scheduled a private sector training needs assessment for June and July, 1988 and is considering a private sector strategy review next fall. The two studies will provide information useful in adjusting our current portfolio and in planning initiatives in training, banking and enterprise development.

The Private Sector Training Needs Assessment will give a quick overview of the major human resource constraints on private sector growth and the opportunities for USAID to address them. It will look at local needs but also at the capacity of local institutions, both public and private, to supply training in areas such as accounting, management, finance, marketing, entrepreneur development.

The Private Sector Strategy Review will provide a broad overview of the major constraints on private sector development against which to measure our current strategy. It will survey major policy areas: tax, trade and industrial policies, licensing, restrictions on labor. It will look at services available to private business: legal, marketing, credit, accounting and technology transfer and describe ways in which those services can be improved. It will help us to make adjustments in our portfolio and to design the work anticipated in credit and banking sector reform and in assistance to small and medium-sized business. Finally, it should provide insights into areas for future consideration, perhaps as part of the next CDSS.

c. 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, remittances, and migration in affecting the developmental objectives of broad based, cost-effective regional development.

d. Land Tenure Research. To assess the impact in Bakel of irrigated agriculture on traditional tenure rights and assess ways to reduce conflict and identify tenure reform compatible with public and private interests.

e. 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.

f. 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. This study will be completed by July 1988.

6. PVO Collaboration

a. 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.

b. The Community and Enterprise Development (PVO) project (685-0260) is the principal instrument for implementing this strategy. Under this project: (1) a sub-grant has been made to one U.S. PVO to improve the institutional capacity of a counterpart indigenous PVO while jointly executing village-level activities; (2) eight PVOs, two U.S., two international and four indigenous, have received sub-grants to assist 55 village organizations carry out profitable and productive agricultural development activities; (3) PVO project staff have conducted four financial management training seminars for indigenous PVOs and these PVOs are now using project-produced accounting systems for other activities outside the project; (4) PVO project staff will carry out institutional development needs assessments with indigenous PVOs to develop strategic plans and build local capacity; and (5) USAID will gain valuable lessons learned on the best mechanisms and methodologies for U.S. PVOs to improve capacity of indigenous PVOs to carry out village-level activities.

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

7. Peace Corps Collaboration

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

b. Our current Small Project Assistance program (SPA) (685-0270) 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: (1) food production, including vegetable gardens, fruit tree orchards, food drying and storage, and fisheries; (2) energy, including cookstoves, forestry activities, and charcoal conversion; (3) small enterprise development and/or income generating activities; (4) construction of wells for potable water; and (5) community health, including construction of village pharmacies, health huts and latrines.

c. The Special Self-Help (625-9901.85) Assistant Project Officer for the Mission is a PCV, and Self-Help funds are used often to support Peace Corps Volunteers in implementing village projects.

d. USAID may also use PCVs under the Southern Zone Water Management Project (685-0295) in conjunction with the start-up of the Peace Corps/African Food Systems Initiative (AFSI).

8. Comments on Achievements and Prospects for Gray Amendment Organization Contracting

- a. 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.
- b. The contract with ISTI (under the Family Health and Population Project) alone will cover a total of \$2.0 million in FY88. The estimated amount for FY89 is \$2.0 million.
- c. USAID/Senegal anticipates continuing its exemplary performance in contracting with entities covered under the Gray Amendment where appropriate.

9. Natural Resource Management (NRM): Plans for Preparation of Country Action Plan

USAID/Senegal has established a sound foundation for assisting the GOS in its NRM activities. This foundation is based on working relations established over the past eight years with GOS ministries and departments via bilateral projects and via regional activities. At this stage some relevant data required to develop a NRM Country Action Plan have not been received (e.g. the AFR-sponsored Natural Resource Assessment) and some existing data have not yet been collaboratively reviewed by the Mission NRM working group. Although we anticipate generating a NRM plan by 30 September 1988, we do not anticipate major new activities before 1990, particularly since our portfolio already contains several projects which directly address NRM problems, e.g., the Reforestation project, and the Southern Zone Water Management project. Regional projects with NRM components include OMVS and OMVG (which only completed its major planning document in Feb. 1988, after a six-year AID assisted effort). OMVG is currently in a 21 month PACD extension which will inter alia address NRM issues. Furthermore, the Strengthening Agricultural Research project, proposed for initial obligation in FY89, will explicitly seek to generate technologies for sustainable agriculture through agroforestry, and through soil and water management techniques. The Mission is also exploring new initiatives in watershed protection and control. Regarding biological diversity, the Mission will seek opportunities to develop appropriate activities after the NRM assessment team has completed its work, and after dialogue with the Biological Diversity Working Group mentioned in State 032584.

10. Women in Development: USAID/Senegal's Approach

Throughout its programming, USAID Senegal has made a specific effort to increase the role of women in development. Much of our portfolio is concentrated on increasing incomes and employment in agriculture, where women play a major role in cultivation, harvesting and processing. Women are the prime targets and beneficiaries of our health and family planning programs. They are key participants in the private voluntary organizations with which we work. They are increasingly becoming entrepreneurs and potential participants in our efforts to build small businesses.

The life of a Senegalese woman is not easy. Senegalese women marry young -- the majority at about 16, average 7.1 live births, and die young. They spend most of their lives married (67 percent of women age 40-45 live in polygamous unions) living and working on farms. The traditional tasks of women such as child care, hauling water, pounding and preparing millet and gathering wood are demanding; most women have little time for education; at least three-quarters of all women are functionally illiterate.

USAID programs in agriculture, water resource development and health do not target women exclusively, and while it is clear that policy changes or project activities in these areas may have major impact on women or depend on their participation for success, it is often difficult to determine precisely the extent of impact on their well-being. We know, for example, that women play a key role in agriculture. That role, however, varies by crop, by stage of cultivation, or by aspect of marketing and processing. The role may be affected by ethnic group as well. For example, men control the larger fields for millet production, but women contribute labor and in some cases, women's groups may have their own fields. In the Casamance, Diola women provide most of the labor input for rice cultivation, but Mandingue women participate primarily in weeding. Cowpeas, vegetables and fruits are often considered women's crops, and artisanal processing is left largely to women, but some process and vending of certain street foods may be the exclusive purview of men.

Accurate measurement is further complicated by the lack of gender specific data. Some of our projects, the Community and Enterprise Development Project, for example, are developing gender specific data on credit and enterprise activities. Through participation in the Gender Resource Awareness in National Development (GRAND) project, we hope to strengthen the data that is available.

Despite data shortages, the role of women is considered in each new project designed by this Mission.

a. Under our forestry programs (Dune Stabilization, Cereals Production II, Reforestation) women have been able to substantially increase their incomes by combining the production and sale of tree seedlings and fruit trees with their vegetable gardening. Training programs are aimed at giving women practical experience in cultivating forest and fruit tree species.

b. Under the Family Health and Population Project, social centers in ten different regions encourage women's cooperatives to take up food processing, vegetable growing, sewing, and cereals marketing. The centers finance the activities as a means of reaching and educating women on health, nutrition and family planning. Children and women are the primary beneficiaries of our community health programs, and of our efforts to increase child spacing.

c. The Community and Enterprise Development Project supports PVOs in providing extension services and credit to village organizations for their own development activities. As part of the project, the Overseas Education Fund, through a local private voluntary agency, supports income generation projects

for women involved in animal husbandry and vegetable production. Ten percent of all credit is going to women and 35 percent of the beneficiaries in one PVO small enterprise program are women.

d. In designing the Southern Zone Water Management Project we analyzed the roles of women in rice cultivation and in the operation of water management groups in the Casamance. We learned that water management groups which include some participation by women worked more efficiently than those which are exclusively male. The presence of women at the work site was an incentive for men to work harder. As a result, we will try to ensure participation by women on village management committees, something which is not traditional for Mandinka committees.

e. Through its participant training programs, USAID is offering education opportunities to women in a range of programs including rural sociology, soil sciences, agricultural economics, public administration, computer sciences and financial management. More than 60 percent of short-term participants sent last year were women.

f. In addition to our normal programs, a few programs are aimed directly at women. The Title II program--food aid supplied from US surpluses--assists women through its Mother and Child Health Program. The American Catholic Relief Services (CRS) manages Title II food distribution to some 75,000 mothers and 84,000 children from 450 centers throughout rural Senegal. In 1987 we imported 12,000 metric tons of fortified foods from the U.S., worth \$4 million, for this program which includes an effort to monitor child growth, and which offers health and nutrition education. The PVO-Cofinancing project planned for FY89 will explore other direct interventions by PVO's to improve the status of Senegalese women.

B. Management Improvements

1. OE Savings

a. We have achieved sizeable savings (\$150,000) over the past three years by paring back on FAAS costs, by charging for services, and by improving efficiency. Since in FY 1987, only USDH employees have been eligible for FAAS- subsidized H&W (Health and Welfare) 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.

b. 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.

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

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

e. Institution of a motorpool-dispatched proprietary taxi service for airport delivery and pickup paid for by the passengers. Estimated OE savings are \$70,000 per year.

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

2. Program Consolidation

The Mission has realigned its program priorities to support its growth and food security objectives by focusing USAID resources on critical policy and program needs, by reducing the number of active projects, by sharpening conditionality, by linking new projects directly to our overall strategy implementation, and by insisting on active GOS financial participation.

Non-project assistance in support of the GOS Medium and Long-Term Adjustment Program constitutes more than half of USAID/Senegal's FY88 and FY89 programs. U.S.-supported GOS development projects, which help implement the New Agricultural Policy (NAP) and the Cereals Plan, and which support family health, have been reduced from 47 active projects in FY84 (excluding ESF, PL480 Title I, and Title II) to 12 in FY88. With one project closing out and two new starts in FY89, the project portfolio will then comprise 13 active projects. 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 was only six projects compared to 25 projects over the life of this \$28.0 million program. Five activities have been completed, and the remaining one will be completed by end of March 1988.

3. Procedural Simplification and Project Implementation Improvements

During the past year, the Mission has taken a number of steps to streamline portfolio management, to speed implementation, to improve tracking of projects, to coordinate work between offices, and to strengthen the links between projects and overall Mission strategy. The objective has been to use project implementation reviews, joint reviews by senior Mission and GOS officials, preparations for the Action Plan, and regular staff meetings to look at progress against our strategic objectives, to identify implementation problems cutting across offices, and to establish Mission approaches to common concerns.

a. Progress against strategic objectives. As is evident in this Action Plan and in the current set of PIRs, the Mission has made significant progress in linking its project and program objectives and in developing information to

demonstrate change. PIRs and the internal Mission review accompanying them are a major tool in tracking progress. This is supplemented by joint reviews of projects by senior GOS officials and the Mission Director or Deputy Director. These reviews offer a chance to focus on specific implementation difficulties, to make adjustments, and to outline responsibilities for follow-up by project officers, consultants or GOS counterparts. The Mission has also established a policy working group to formulate policy objectives and guide Mission project and program activities toward meeting them.

b. Documentation. To speed implementation the Mission has centralized distribution of all program documents in the Program Office and prompted coordination between the Ministry of Economy and Finance and other ministries by getting GOS agreement that all key program documents will go through the Ministry of Economy and Finance. The Mission Director has delegated responsibility for participant training, including preparation of PIO/Ps, to the PDO Office which has installed the PTMS tracking system and established new training procedures. The Mission has developed project procurement plans for forward planning, preparation, and tracking of PIO/Cs, and has prepared a blanket waiver for non-US vehicle procurement for seven projects.

To improve consistency of documentation, the Mission is developing a project officer's manual. As part of this effort it has already issued new guidance for preparation and clearance of PIO/Ts and developed a PIL format and model PIL #1. It has computerized a PIO/T format and is designing standard formats for waivers, action memorandum and other documentation required regularly for project implementation.

c. Accelerating Implementation. The Mission has identified a number of issues of general interest to all offices, which might be described as part of "doing business in Senegal". While we have instituted a policy of host country contracts wherever possible, we have also learned that the process can include some lengthy delays. The Reforestation Project contract, for example, has taken nearly 18 months since the funds were obligated. As a result, we recognize the need to budget for short-term assistance to ensure that momentum is not lost between design and implementation. In the Southern Zone Water Management project (685-0295) we are including funds for a PSC to help bridge the interim between obligation and arrival of a contract team. We are also streamlining the host country contracting process in several ways: (1) by encouraging participation of all parties involved including the GOS National Contract Commission and technical ministries early in the process; (2) by doing RFPs sooner, i.e. concurrently with the PP; and (3) by taking necessary steps to permit bidders' conferences to take place in a timely fashion.

A second source of delay in implementation has been the inability of the GOS to meet certain conditions precedent as early as anticipated. We have learned the advantages of not tying the initial conditions precedent to disbursement of funds required for arrival of a technical assistance team.

Recognizing the budget stringencies under which the GOS operates, we have taken steps to ensure that our projects do not distort salary levels of government workers assigned to them. We have drawn up and begun

implementation of a stringent policy on indemnities which has led other donors and the GOS itself to reconsider current policies on salary supplements and per diem. We have built into new projects the requirement that the GOS begin to assume operational costs after the third year of the project. We have also developed a policy on vehicles that transfers responsibilities for operations and maintenance to the GOS at the beginning of the project.

The Mission has increased its contacts with GOS counterparts early in the project cycle by building in collaboration through pre-bid conferences and pre-implementation workshops. The recent Agricultural Production Support (685-0269) pre-bid conference and the Reforestation (685-0283) team-building workshop are examples of this.

It has become evident that both GOS entities and local organizations (such as PVOs) often lack accounting capabilities required to meet USAID standards. The Sahel Financial Management Development Project has been important in providing resources to overcome this lack. Meanwhile we have reduced the number of project special accounts (in which cash is given to host organizations and managed by them) from 29 in 1984 to 11 in 1987, and to a current level of four in 1988.

We are also looking to local resources to help meet a rapidly expanding demand for third country participant services. Senegal has a comparative advantage in higher education in West Africa which has become increasingly evident to other USAID Missions. In the last 14 months the number of third country participants handled by the Mission has increased from 30 to 90 imposing a real burden on Mission staff. It is likely that interest in Senegal's higher educational institutions will continue to increase under HRDA. We think that it may be in Senegal's best interest to develop a private capacity to handle participant training and expect to investigate possibilities for privatization of participant services during the next six months.

As we continue to examine possibilities for small and medium-scale enterprise development, we may also be looking to local expertise to review prefeasibility proposals and to assist local entrepreneurs in refining proposals and in seeking funding. A local IQC could relieve some of the pressures the Mission is already experiencing from local businessmen looking for USAID assistance.

4. Staff Alignment and Improved Use of FSNs

a. Over the past three years, we have cut our U.S. staff (direct hire and contract) drastically. In July 1984, we had 110 Americans; we presently stand at 54 for a total reduction of 56 positions (a reduction of 50 percent). The breakout of the 54 is as follows: 23 USDH, 18 institutional contractors, and 13 PSCs.

b. For FY 1988 we count on a critical mass of 23 full time USDH positions which must be maintained per specific legal, policy, and administrative considerations cited in 86 DAKAR 6888.

c. Meanwhile we will continue to Senegalize positions (now mainly PSCs), a policy which we have implemented 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 OE cuts. OE constraints have forced us to freeze all offshore training and to remain in a survival mode in all other OE areas.

5. Local Currency Management

USAID programs local currency in support of its policy and program objectives, and has tightened up local currency controls and accounting in response to Congressional and Agency guidance over the past year. With the close out of Title III, all local currency goes directly to support the GOS budget and is not projectized. This increases the impact while reducing the administrative requirements of the Mission.

The FY 1986 Title I program set up a clear mechanism to deposit local currency into a special account with priority allocations for use based on prior Mission approval. Title I funds channeled through the multi-donor Common Fund(*) have their own strict accountability.

The local currency counterpart of the cash transfer for both tranches of ESF-V and for the first tranche of the Senegal AEPRP-I was used for payment of GOS arrears to the private sector. The local currency counterpart of the second tranche of AEPRP-I was used for repayment of former agricultural debt. The local currency counterpart of ESF-VI will be used to contribute either to the payment by the GOS of arrears to the private sector or repayment of former agricultural debt.

The accounting procedure for ESF-VI, in accordance with the Africa Bureau interim guidance cable (STATE 00431), 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 at the BCEAO as it does now, and will inform USAID/Senegal of the transaction. The dollars then belong to the BCEAO foreign currency pool and no longer to the GOS. The BCEAO will subsequently inform USAID/Senegal through the GOS of the use made of the dollars (e.g. to pay for part of Senegal's petroleum import bill).

A letter from the Director of USAID/Senegal to the GOS Treasurer General and the Central Bank constitutes Mission concurrence in the use of the funds and permits their release from this special account.

(*) 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.

A pre-condition for this letter is USAID's receiving from the Ministry of Finance either (a) a detailed list of private sector firms receiving payments of arrears equivalent to that tranche of the cash transfer, or (b) a copy of the payment order(s) concerning payment on agricultural debt to one or another of the banks holding that debt. We have set up a system for checking, ex post, that payments have been received.

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.

6. Pipeline/Mortgage Management

The Senegal program had a pipeline of \$87,321,166 (DA + ESF) or 283% of OYB as of 30 April 1987. The pipeline as of 31 January 1988 is \$70,783,504 or 221% of OYB. This reflects AID/W 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 is a function of those LOP obligation guidelines. With core projects now in full implementation, we expect the pipeline to be drawn down at an accelerated rate.

C. Mission Management Issues

1. O.E.

The FY88 operating expense level for USAID is currently set at \$4,150,000. The FY87 level was set at that same amount while the FY86 and FY85 levels were \$4,098,000 and \$4,181,000 respectively. Since USAID's assistance activities have remained roughly constant over this period, and since general costs, both in dollar and in CFA terms, have increased, it has been an enormous handicap to maintain operations without an increase in OE. In fact, there has been a decrease of some \$2.2 million in the effective value of the Mission's OE allotments because of the erosion in the value of the dollar since 1985. The Mission estimates that some 80 percent of its OE costs are fixed in CFA terms. Unfortunately, the exchange rate has dropped from 468 CFA per dollar in FY 1985, to 312 CFA per dollar in FY 1987, and to a current level in FY 1988 of 285 CFA per dollar. At the 1985 exchange rate, 80 percent of our FY85 OE bought us CFA 1.565 billion worth of goods and services. At the current exchange rate, 80 percent of our FY88 OE will be worth only CFA .946 billion. The loss to the Mission is some CFA .619 billion, a loss in operating expenses equivalent to some \$2.2 million compared to FY 1985.

This severe OE budget limitation for FY88 will have the following effects: Training for U.S. and FSN employees will not be funded at all; operational travel, including site visits for project monitoring, will be severely reduced; conference attendance will be severely restricted (Mission will not be represented at the RLA, EXO, and Health conferences, for example); post assignments for three U.S. direct hire employees due to replace departing employees will not be funded; and non-expendable property purchases will be

kept to well below actual needs. Even these measures will not be sufficient to keep OE expenditures within the projected limit.

These above effects will be compounded inasmuch as many of the same measures were taken during FY87. Without a minimum increase in the OE level of \$500,000, the Mission will reach a point this year when program responsibilities and operating expense levels may well be unreconciliable.

2. Staff Vacancies

The Mission has adequate staff ceilings (twenty-three USDH) to carry out the approved program and effectively manage the workload. Unfortunately we are operating with only twenty USDH. The problem stems from vacancies that go unfilled for a long time. The most critical and longstanding vacancy is in our Health and Population Office where the HPNO Division Chief has not been replaced since the incumbent was medically evacuated over 15 months ago. Our efforts to develop a Child Survival Program have been handicapped and our HPNO staff (1 USDH) has been stretched very thin as a result. Another vacancy that is complicating our Agricultural Research Program design and implementation is the 6 month vacancy of our agricultural development officer to head up the Agricultural Research Division. Similarly, the 6 month vacancy in our Irrigation and Water Management Office of a River Basin Planner/Project Officer is constraining our efforts to develop a Natural Resources Management action plan. This summer additional vacancies could occur in the Deputy Program Officer and Forestry Project Officer, unless recruitment is accelerated. Mission needs Bureau's help in finding solutions to these staffing problems and assuring that qualified staff are recruited for these positions.

3. Regional Responsibilities

At the Mission Directors' Conference the Bureau indicated that USAID Dakar would be given additional regional responsibilities based on program assessments in Mauritania and Guinea Bissau. Mission needs to know Bureau's plans in this area so that staffing and OE implications can be built into our workload planning and upcoming ABS projections. We note that Redso/W has been given management responsibility under DOA551 as revised. Does this mean that all regional services will be provided by REDSO, e.g. RLA, FFP, etc.

4. Priorities and Workload

Bureau is rightfully concerned about Mission establishing and sticking to focussed priorities and managing a realistic workload. This action plan documents Mission efforts in this respect. The Bureau also has the responsibility to protect the Mission from proliferating priorities, unrealistic demands, and visitors from Washington. Senegal turns up on everybody's list of focal countries for every new initiative or study. At the same time we are getting increasing requests for more detailed implementation and impact information. (Witness the cable traffic in the last three months.) The Bureau needs to examine the workload implications of its own demands and the demands of the agency. Far too often, demands are made for

extensive info with insufficient lead times, thus upsetting orderly planning of workload, e.g. the recent request for info on micro enterprises with 8 working days to respond.

5. OYB Levels and Buy-Ins

This has been a difficult year of changeover to the Africa Development Fund, which Sahelian Mission have felt even more with the closing of the Sahel Development Program Account. The budget ax combined with delays and confusion in establishing the OYB this year has complicated our policy dialogue and obligation scheduling. We hope that next year will be smoother and assure continuity and predictability in our levels, which are needed to manage effectively our high profile, policy based , growth-oriented program.

One issue, however, that the Bureau needs to focus on is the parceling out of regional funds with the expectation of Mission buy-ins to centrally funded projects. The pruning of regional and centrally funded projects is a welcome initiative. But if it simply translates to a net reduction in Mission OYB's in order to sustain on-going and many new central projects (such as have recently been announced), our bilateral programs will be undermined. Moreover, it is unrealistic to expect Mission "buy-ins" to cover core costs of regional offices like PRITECH. Mission "buy-ins" should be determined by Missions in terms of the usefulness of the project to Mission priorities.

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