

PD-ABA-755

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A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.  
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>USAID/Senegal</u> (ES# _____)		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>89</u> Q <u>2</u>	C. Evaluation Timing Interim <input type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input checked="" type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
685-0288/ (685-K-604)	Economic Support Fund IV	86		12,484	12,484
685-0289/ (685-K-606)	Economic Support Fund V	87		11,575	11,575
685-0290/ (685-K-607)	ESF-V Technical Assist. & Studies Economic Support Fund VI	89	3/31/90	10,000	10,000
685-0296/ (685-K-608)	ESF-VI Technical Assist. & Studies		3/31/90		

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required		Name of Officer Responsible for Action	Date Action to be Completed
Proceed with ESF programs as planned, bearing in mind the potential use of counterpart funds for employment related policy.		PRM Richard Greene	During the design of ESF-VIII

(Attach extra sheet if necessary)

APPROVALS

F. Date of Mission Or AID/W Office Review Of Evaluation: \_\_\_\_\_ (Month) \_\_\_\_\_ (Day) \_\_\_\_\_ (Year)

G. Approvals of Evaluation Summary And Action Decisions:

Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
	Richard Greene	N/A	Seydou Cissé	Julius E. Coles
Signature	<i>Richard Greene</i>		<i>Seydou Cissé</i>	<i>Julius E. Coles</i>
Date	<i>22 Feb 90</i>		<i>2/22/90</i>	<i>3/7/90</i>

**ABSTRACT**

**H. Evaluation Abstract (Do not exceed the space provided)**

An evaluation of the Economic Support Fund (ESF) program was conducted by TvT Associates based on field observations and assessments conducted in Senegal in July 1989. The evaluation assesses the effectiveness of ESF IV, V, and VI, to the extent that the latter has been implemented.

The ESF Program provides budget support to the Government of Senegal (GOS) in return for policy changes in agriculture, mutually agreed to by the GOS and USAID. The program is intended as a vehicle for the USAID-GOS policy dialogue.

Of a total of 59 policy measures specified in the ESF conditions, the GOS has satisfied 43, not satisfied 8, and 8 are pending. The program has been successful as a mechanism for high-level policy dialogue and as a sponsor of studies on policy issues. Program management has been smooth and efficient. Dollar deposits under ESF have helped the GOS alleviate its operations account deficit, and counterpart funds have helped it reach its fiscal targets with the International Monetary Fund by paying off a portion of its arrears with the private sector.

The program has been successful in increasing the efficiency of various GOS agro-industry entities, in clearing up arrears owed to the GOS, and in reducing the costs to the GOS of some private companies. The GOS has proceeded on reforms in areas in which it considered the political consequences to be tolerable, but ESF has not resulted in reforms where the strategic interests of the GOS were affected, as with elimination of the price compensation system or the GOS's monopoly on broken rice imports. Certain key objectives, such as privatization of rice imports and elimination of the price compensation system, have not been attained because of the CFA franc's overvaluation.

While the ESF program has operated successfully overall, budget support to the GOS has also hindered structural adjustments, such as reduction of the civil service payroll and privatization of loss-making parastatal enterprises. It is recommended that counterpart funds from ESF disbursements be redirected to employment-creating activities in the private sector. If this is not possible, consideration should be given to terminating the program in favor of project assistance, such as USAID's Community and Enterprise Development Project. The USAID-GOS working group on policy reform should be continued in any event.

**C O S T S**

**1. Evaluation Costs**

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
John H. Huber	TvT Associates	PDC-0085-I-00- 6108-00 Delivery Order No. 13	\$30,011	PD&S (685-0294)

**2. Mission/Office Professional Staff**

Person-Days (Estimate) 30

**3. Borrower/Grantee Professional**

Staff Person-Days (Estimate) N/A

## A.I.D. EVALUATION SUMMARY - PART II

### SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

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|--|--|
| <ul style="list-style-type: none"> <li>• Purpose of evaluation and methodology used</li> <li>• Purpose of activity(ies) evaluated</li> <li>• Findings and conclusions (relate to questions)</li> </ul> | <ul style="list-style-type: none"> <li>• Principal recommendations</li> <li>• Lessons learned</li> </ul> |
|--|--|

Mission or Office:

Date This Summary Prepared:

Title And Date Of Full Evaluation Report:

This final report covers work completed under Delivery Order Number 13 of indefinite quantity contract PDC-0085-I-00-6108-00. Field observation and assessment were conducted in Dakar, Senegal from July 4 to July 29, 1989 by John H. Huber, consultant, in cooperation with USAID/Senegal.

The Economic Support Fund (ESF) program provides budget support to the Government of Senegal (GOS) in return for policy changes mutually agreed to within the framework of the GOS's structural adjustment program. Dollar deposits accrue to Senegal's operations account with the regional national bank (BCEAO). Counterpart funds are used by the GOS, with USAID approval, to repay arrears to the private sector.

The purpose of this evaluation is to assess the effectiveness of this program (through its operation in ESF IV, V, and VI, to the extent the latter has been implemented as a means to bring about GOS policy reforms, as a vehicle for the USAID-GOS policy dialogue, and in terms of operational performance.

ESF IV, V and VI addressed the following major policy reform objectives in agriculture between 1985 and 1989:

1. rice import privatization/marketing liberalization;
2. phasing out price compensation;
3. raising the efficiency of agro-industry: reducing the fiscal burden;
4. increasing coarse grain cereal consumption: reducing rice imports; and
5. maximizing GOS receipts from wheat imports.

In addition, the conditionality aimed at eliminating arrears to the GOS; bringing about transparency in financial relations between the GOS and public agro-industries, as well as certain private ones; and carrying out a number of studies with a view to increasing agricultural efficiency.

The evaluation found that of a total of 59 policy measures, the GOS has satisfied 43, not satisfied 8, and 8 are still pending. (Appendix A contains an itemized list of each conditionality/objective and the extent to which implementation of policies or actions has satisfied each conditionality.)

The GOS has proceeded on reforms in areas where the political consequences for it were considered tolerable. The program has been successful in clearing up arrears owed to the GOS, in bringing about reforms in the operations of such GOS entities as CPSP and SONACOS, and in reducing the costs to the GOS of such private companies as the Grands Moulins de Dakar (GMD) and Compagnie Sucrière du Sénégal (CSS).

The program has not been successful in introducing reforms where the strategic interests of the GOS were affected, as with eliminating the price compensation system or CPSP's monopoly on broken rice imports. At the same time, USAID could not present a convincing case that its recommended reforms would bring about reliable economic advantages. Therefore, ESF IV and V have not been completely successful in bringing about the desired GOS policy reforms.

The program has been fully successful in providing a vehicle for a high-level policy dialogue and for carrying out studies on difficult policy issues for the GOS. Program management has been smooth and efficient. The dollar deposits helped the GOS alleviate its deficit in its operations (foreign exchange) account, and the counterpart funds have helped it reach its fiscal targets with the International Monetary Fund (IMF) by paying off a portion of its arrears with the private sector. Overall, the program has operated satisfactorily and achieved most of its policy reform objectives.

The reasons why certain key objectives, such as rice import privatization and the elimination of the price compensation system, were not attained can be traced to the CFA franc's overvaluation. It is unlikely that the GOS will change its policies while this overvaluation continues. These two objectives are no longer being pursued by the donors, although certain modifications to the policy of a fixed peanut producer price will be sought. International price trends support the CPSP's and SONACOS' expectations that price compensation will be in approximate balance for 1989, compared to a loss of about CFAF 27 billion in 1988.

While the ESF program has operated successfully, it is the evaluator's contention that budget support to the GOS through the gift of counterpart funds had the opposite effect of that desired; that is, it has hindered structural adjustment rather than fostered reform in at least two observed areas: (1) reduction of the civil service payroll, and (2) privatization of loss-making parastatal enterprises. Reduction of the excessively large and costly civil service has been a reform conditionality of the World Bank since 1984. Budget support, however, has made it possible for the GOS to avoid or postpone these key reforms. It also has enabled the GOS to maintain and even increase accustomed public expenditure patterns.

The evaluator recommends that the counterpart funds from ESF disbursements be redirected to employment-creating activities in the private sector, especially for small and medium-sized enterprises. If ESF counterpart funds can be utilized only for GOS budget support, consideration should be given to terminating this program in favor of project assistance, such as USAID's Community and Enterprise Development Project. The USAID-GOS working group on policy reform should be continued independently of any budget support.

S U M M A R Y (Continued)

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## ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

"Evaluation of the Economic Support Fund (Fund), USAID/Senegal, Program Grant Years IV and V, Final Report", TvT Associates, September 1989.

## COMMENTS

### L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

1. Review Process: The USAID/Senegal Project Committee met to review the evaluation report on November 13, 1989.
2. Evaluation Findings and Recommendations: USAID in general is satisfied with the overall substance of the evaluation report.

While we are in general agreement with the conclusions and lessons learned as articulated on pages 39 and 40 of the evaluation report, we do not entirely agree with the recommendations derived from these conclusions by the evaluator.

The evaluation report suggests that budget support for payment of GOS arrears to the private sector may have had counter-productive effects on the GOS's implementation of structural reforms related to public employment. Although public employment did not fall significantly during the period under review, the GOS did make significant economies elsewhere, with government expenditure falling from 32 percent of GDP in 1981, to 24 percent in 1985, and to 21 percent of GDP in 1989, a drop of more than one-third since 1981. Thus expenditure control was a major success, not a major failure, of structural adjustment in Senegal, a success in which donor policy dialogue, supported by budget assistance, played an important role. We do not feel it would be realistic or wise at this point to redirect all ESF funds to the private sector for employment creation activities. We feel there must be a carefully chosen and well researched mix of support activities.

In collaboration with the IMF, World Bank and the French, we have already been successful in developing a banking sector reform program which should have far reaching effects on the Senegalese economy if project implementation proceeds in the agreed upon manner. Thus, one of keys to successful non project assistance in Senegal is close coordination and collaboration with the other major donors involved in policy reform so that maximum leverage and coordinated, complementary focus and activity are brought to bear on the GOS to carry out the policy reforms deemed necessary to stabilize and stimulate the economy. USAID/Senegal intends to very carefully pursue policy reform activity in this manner in the future.

We also think that the recommendation that budget support funds be used directly for job creation in the private sector, specifically through credit activities such as the Community and Enterprise Development Project, is unrealistic. Job opportunities come through economic growth. The greatest constraint on growth has been aimed at revising those policies, including reform of the banking sector which could increase credit available to the private sector. Project activities such as the small credit component of the Community and Enterprise Development Project are important pilots, to demonstrate the potential for lending to small enterprise, to surface policy or regulatory constraints and to suggest credit mechanisms. Their direct impact in terms of jobs created is limited. Their real impact is in their influence on institutional reform which in turn will create the environment for private sector growth and increase job opportunities.

.../...

Finally, USAID believes that the evaluation report could have been more clear and more consistent in its use of language throughout the document in order to maintain the necessary distinction between Conditions Precedent to Disbursement, and Covenants. The USAID position is that all Conditions Precedent were satisfied or satisfied as amended. Although the text of the evaluation report sometimes correctly identifies Covenants as such (for example on page 53), in most instances they are not so labeled. This lack of proper labelling in the text is compounded in the summary (page 1), by adoption of the general term "policy measures" which indiscriminately combines Conditions Precedent and Covenants in a discussion of the adequacy of GOS policy performance. In cases where the evaluation report speaks generally of "policy measures" or "objectives" the reader may need access to the original grant agreements and amendments in order to adequately maintain the distinction between Conditions Precedent and Covenants.

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