

**USAID/Senegal**

**Annual Report**

**FY 2004**

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## Senegal

### Performance:

Background: Senegal's economy remains weak and is not growing fast enough to provide jobs for the rapidly growing population, of which more than half are under 20 years old. While economic growth averaged 5% from 1995-2002 and is estimated at 6.4% in 2003, largely due to excellent rainfall and consequent high crop yields, the country is struggling to put in place the institutional reforms that are necessary to sustain long term growth. The World Economic Forum ranks Senegal 79th out of 102 countries in growth competitiveness, slightly less competitive than Ghana and just ahead of Uganda. In this year's competitiveness report, Senegalese businessmen identified access to financing as the single most problematic factor for doing business. The trade system is classified as "open" following the recent elimination of explicit non-tariff barriers. However, Senegal has yet to attract much foreign investment; a Presidential Investors Council launched in 2002 has recommended reforms to improve the investment climate. Fiscal management is good with the budget deficit held to 1% of GDP in 2003 but inefficient public enterprises (notably the peanut and electricity companies) continue to drain public resources. The government is working with the World Bank and other development partners on restructuring plans for these sectors. Corruption is a problem as reflected in Senegal's rank (76 out of 133 countries) in Transparency International's 2003 corruption perception index. The government recently established a committee to fight corruption and developed a plan to improve transparency in public management including the adoption of a new procurement code.

Low levels of education and poor health are at the heart of Senegal's development challenge, although social indicators are improving due to substantial government and donor investments. More than 50% of all adults, especially women, are unable to read or write. Rising primary school enrollment (76% in 2002) will eventually reduce illiteracy. High under five child mortality (142.5 deaths per 1,000 live births in 1999) and a high incidence of malaria are among the factors that limit life expectancy to 52 years. While HIV/AIDS prevalence (1% in 2003) is among the lowest in Sub-Saharan Africa, Senegal's total fertility rate remains high (5.2 in 1999); use of modern contraceptives is limited (8% among married women in 1999); and maternal mortality is among the highest in the sub-region. Low labor productivity and a Sahelian environment of poor soils, erratic rainfall, and rapidly disappearing forests create the conditions in which gross national income per capita is only \$470 (in 2002) and 53.9% of households live below the poverty line.

U.S. Interests and Goals: Senegal is a democratic and moderate Muslim nation committed to fighting terrorism. A stable country in an unstable region, and a model of religious and ethnic tolerance, it plays a key role in conflict resolution in West Africa and beyond. A founder of the New Partnership for Africa's Development (NEPAD), President Wade is an advocate for private sector-led growth and trade as the essential engines of Africa's economic growth. Senegal is one of the few African and Muslim countries ranked as free by Freedom House. More than ten active political parties, a vibrant civil society with constitutionally granted rights to protest, a capacity to organize and administer free and transparent elections, an independent and diversified media, and the recent appointment of a human rights ombudsman in the President's office are evidence of Senegal's democracy.

It is in the US national interest to assist Senegal to enhance the productivity of its people and, in so doing, create jobs for unemployed youth, improve access to education and health care and further institutionalize democracy. If poverty is not visibly reduced, the country risks the sort of struggle with demagoguery that has led to the destabilization many of its neighbors. The pro-Western orientation and moderate Islam practiced by 95% of the population could also be challenged by radical elements.

Donor Relations: Donor collaboration and information exchange are excellent. Donor coordination is led

by the World Bank and the United Nations Development Program (UNDP). Numerous sectoral committees such as the Private Sector Working Group led by the US and ad hoc groups allow donors to share information and lessons learned and explore new opportunities. Direct development assistance to Senegal in 2002 was estimated at \$320 million (9.5% of GDP). More than half of total development assistance was provided by the World Bank/IDA (22%), France (19%) and Japan (11%). The United States provided \$29 million, or approximately 9% of development assistance, ranking it fifth, behind the European Union. Most aid is in the form of project and technical assistance, while 6.8% is budget support. During the last Consultative Group meeting in June 2003, donors pledged some \$1.4 billion to finance the 2003-2005 Priority Action Plan of Senegal's Poverty Reduction Strategy (PRSP). The challenge ahead is to improve capacity to absorb foreign aid. While the rate of disbursement of donor funds averages 30%, USAID's disbursement rate is 75%. Senegal should reach the Heavily Indebted Poor Country (HIPC) initiative completion point in 2004, opening the door to a new IMF poverty reduction facility and reduction of the debt stock. External debt in 2002 was 63% of GDP.

Challenges: USAID programs are helping to create an enabling environment for effective decentralization through training and capacity building for local government and civil society structures. However, lack of budget resources allocated to the local level and the competing roles of locally elected officials and central government representatives call into question the Government of Senegal's (GOS) commitment to its decentralization policy. While continuing to push for effective implementation of decentralization - a key to more rapid social and economic development - USAID will reassess its decentralization activities in light of GOS's actions.

The weakening value of the dollar over the past year has adversely affected all USAID projects. Contractors and grantees were forced to scale back or eliminate a number of activities planned for this year due to the 15% erosion in the exchange rate. USAID is actively working with partners to identify economies of scale and focus on the highest impact activities, but some planned results will have to be reduced as well.

While prospects for a peace accord in 2004 between the GOS and separatist rebels in the Casamance region are good, the GOS needs to pay more attention to strategic planning for the return of refugees and the demobilization, demilitarization and reinsertion of ex-combatants. USAID is helping the region prepare for peace with peace building, health and education activities and will continue to discuss best practices in demobilization and reinsertion with the GOS.

Developing public-private alliances that leverage additional resources and respond to host country priorities takes time and requires the active participation of all stakeholders. Senegal was named the pilot country for the Digital Freedom Initiative (DFI), a program that promotes economic growth by transferring the benefits of information and communication technology (ICT) to entrepreneurs and small businesses in the developing world. A local steering committee has been instrumental in identifying activities appropriate for Senegal and a local ICT lobby was created to advocate for further reform in the telecommunications sector. In the health sector, USAID's private sector partners are providing at least as much funding as USAID for insecticide-treated bed nets and care and support for people living with HIV/AIDS. Next year, USAID hopes to leverage more private resources for natural products, anti-retroviral drugs and technology investments in schools.

Key Achievements: Significant progress was made this year in professionalizing the microfinance sector, increasing child immunization coverage and the use of modern contraceptives, strengthening local governments' planning and management capacity, expanding girls' enrollment in primary schools, and promoting peace in the Casamance after twenty years of conflict.

Private Sector Development: This program helps strengthen private enterprise development by increasing access to capital for small entrepreneurs via the microfinance sector, promoting national policies that encourage growth and providing business development services (BDS) to small and micro-enterprises. This year, the 52 microfinance institutions (MFIs) assisted by USAID served over 25,000 individuals and entrepreneurs. Savings deposits grew by nearly 100% while the number of loans more than doubled. Key recommendations from the USAID funded Roadmap Investment Survey were

incorporated into an action plan which was adopted by the President's Investor's Council. These recommendations include the preparation of a law (already adopted by the Council of Ministers and scheduled for presentation to the National Assembly) that gives Senegal's Investment Promotion Agency the authority of a true "one stop shop" for all formalities and fixes strict deadlines for the government agencies to complete them. Finally, indicating an improvement in the business environment, the number of small and medium enterprises registering with the GOS leapt by 25% to over 85,000, greatly exceeding USAID's 66,000 target in 2003.

**Trade Capacity Building:** This year marked the start-up of a new trade capacity building activity. It aims to increase exports in selected sectors such as handicrafts, agricultural, natural, and ethnic food products. USAID will also assist the GOS and professional associations prepare for international trade negotiations. In addition, the Africa Trade and Investment Policy Initiative funded the University of Minnesota to work with Senegalese farmers to export fresh vegetables to the United States under the Africa Growth and Opportunity Act (AGOA). The DFI will build Senegal's export capacity by introducing information technology that increases entrepreneurs' ability to access market information, advertise their products, and locate buyers.

**Democratic Local Governance:** The goal of this program is to help local governments provide quality services to their citizens. Activities in 97 of Senegal's 402 municipalities provided local officials and leaders with participatory and transparent budgeting and planning tools that allowed them to increase revenue and improve service delivery. During the reporting period, 67% of partner local governments correctly followed prescribed budgeting processes and executed planned priority activities with their own resources or incentive funds from USAID. Local governments or community-based organizations used 47 incentive grants to make improvements in sanitation, health services and local market management. Twelve of the 16 local governments deemed to have sufficient planning capacity to apply for local development funding from the European Union (EU) had participated in USAID's program. As of September 2003, four of the twelve local governments had been granted \$1.6 million by the EU. Most of the partner local governments established working committees composed of elected officials and representatives of businesses and civil society to manage major income sources such as market places and forest lands and to monitor public service delivery. 75% of USAID-assisted local governments increased locally collected revenue.

**Agriculture and Natural Resources Management:** This new program uses a market-based approach to develop business partnerships based on non-traditional agricultural products and non-timber forest products by increasing conservation, good governance and entrepreneurship. The program has already initiated dialogue between local governments representing 68 villages and the national forestry department on the benefits of community-based forest management. As a result, local governments and the forestry department will co-manage 54,000 hectares of forest for the first time. USAID also worked with local producers to help them form producer groups that can negotiate joint ventures and sign contracts with other businesses. This resulted in one producer group obtaining a contract to provide 350 metric tons of Baobab fruit at a price 75% higher than they were previously able to obtain.

**Decentralized Quality Health:** The focus of this program is to increase access to and use of quality health services while also increasing the local financing of community health services. In 2003, USAID worked with an additional 39 communities bringing the total number of USAID-assisted communities to 149. All developed high quality local health plans and budgets. In addition, \$387,750 was transferred by partner local governments into the matching fund account, representing a 61% increase over FY 2002. The implementation of community Integrated Management of Childhood Illnesses (IMCI) has begun in nine Health Districts with the training of 2,287 community health workers. Immunization coverage improved in USAID-assisted areas from 42% in 1999 to 67% in 2003. The use of modern contraceptives as measured by couple-years-of-protection (CYP) increased by 18% nationwide in FY 2003, for a total of 245,204 CYPs. The number of health district depots which experienced contraceptive stock-outs was reduced from 20 in 2002 to 8 in 2003. Based largely on the results of a USAID-supported malaria drug resistance surveillance system, Senegal adopted a new national policy of Intermittent Preventive Treatment (IPT) of malaria in pregnancy. To strengthen the national sexually transmitted infections (STI) prevention program, USAID trained providers in all health centers and posts within its 29 districts in the

syndromic approach to the management of STIs. Voluntary Counseling and Testing (VCT) services have greatly increased and a total of 4,029 persons used VCT services in 2003, representing a 61% increase over 2002.

**Conflict Resolution in the Casamance:** This program has been engaged in an effort to stabilize the Casamance region by working with civil society and local government partners in a wide range of peace building, income generation, and conflict mitigation activities designed to touch the everyday lives of women, youth, children and internally displaced people affected by the conflict. USAID's work with both the Government of Senegal and the rebel group, MFDC, led to two major events, the historic May 4th meeting between the leader of the rebellion, Father Diamacoune and President Wade, and an internal conference held by the MFDC to design a coherent negotiation platform for peace talks. Grassroots initiatives supported by USAID included 92 separate events to encourage dialogue, collaboration, and prevention of violence reaching 10,031 individuals. 16 local organizations were involved in peace promotion activities, exceeding the target of 10. Poultry, pork raising and vegetable gardening activities established profitable links with hotels and businesses in Ziguinchor and the tourist resort of Cap Skirring. These clients purchase 95% of project-produced eggs and chicken. This year, 22 health posts were established in remote areas that previously had no basic health care services and 57 schools were rehabilitated. Due to improved security, USAID has been able to expand its other non-conflict programs in health, education and democratization into the region.

**Girls' Education:** This was the last year of full implementation for the Education for Democracy and Development Initiative (EDDI) program to increase girls' access to and retention in primary school and marked the launch of a new program focusing on expanded access to quality middle school for girls, which builds on the previous program's success. Girls' enrollment in EDDI-funded elementary schools rose by 25% this year. Four life skills modules (democracy and citizenship, environment, entrepreneurship, and health and hygiene) developed by USAID and the Ministry of Education (MOE) were developed, tested and validated by the MOE to complement the elementary school curriculum. The new program assembled a coalition of partners and started program operations in the three target regions, Fatick, Tambacounda and Kolda. Collaboration with the MOE has been excellent, enabling resolution of key policy issues.

**Gender:** Attention to gender issues is embedded in all of USAID's programs in Senegal. For example, democracy activities encouraged greater participation of women in local politics and governance. Nearly all locally elected women officials were trained in decentralization principles, procedures and fundamentals of local government management. Women are the main beneficiaries of the improved capacity of microfinance institutions. USAID-supported MFIs made 28,775 loans to women in 2003. Eight new village banks were established in the Casamance bringing the total number of village banks established by the program to 87. These banks extended credit to over 5,130 women members who use credit to start or improve existing micro-businesses. Improving the school environment and teaching practices to make schools more girl-friendly increased girls' enrollment by 29% over the life of the EDDI program. Family planning activities targeted men as well as women due to men's influence within families and in making reproductive decisions. Women were empowered to be full partners in local decision-making bodies and to advocate for increased political and financial support in the improvement of reproductive health services.

**Country Close and Graduation:**

## Results Framework

### **685-001 Sustainable Increases in Private Sector Income Generating Activities in Selected Sectors**

#### **SO Level Indicator(s):**

Number of Registered Small and Medium Enterprises (SMEs)  
Ratio of USAID-supported Microfinance Institutions(MFIs) loans to total MFI loans nationwide

- 1.1 Trade and Investment Policy Environment Strengthened
- 1.2 Improved Access to Financial Services
- 1.3 Increased Use of Best Technical and Managerial Practices
- 1.4 Increased Commercialization of Non Traditional Agricultural and Natural Products

### **685-002 Improved Local Delivery of Services and Sustainable Use of Resources in Targeted Areas**

#### **SO Level Indicator(s):**

% of citizens in Local Government (LG) Units (Rural Communities and Communes) in SO#2 zones of intervention who report satisfaction with the quality of services delivered by their LGs

% of citizens in Local Government Units (Rural Communities and Communes) in SO#2 zones of intervention who report satisfaction with the management of public services and resources.

- 2.1 Increased capacity of local level institutions
- 2.2 Increased access to financial resources
- 2.3 Improved basic skills of the population
- 2.4 More effective policies and regulations related to decentralized services

### **685-003 Increased Use of Decentralized Health Services in Targeted Areas**

#### **SO Level Indicator(s):**

Couple Years of Protection (CYP)  
Number of persons using the services of Voluntary Counseling and Testing (VCT) centers

- 3.1 Improved Access to Quality Reproductive Health Services
- 3.2 Increased Demand for Quality Reproductive Health Services
- 3.3 Increased Financing of Health Services from Internal Sources

### **685-008 Increased Girls' Access and Retention in Targeted Primary and Vocational Schools**

#### **SO Level Indicator(s):**

# of girls enrolled in targeted vocational training centers for the first time

# of school age girls enrolled in grade 1 for the first time

3) Grade to grade promotion rate of girls enrolled in targeted elementary schools

8.1 Increased support of parents and Local Governments to primary and vocational schools in targeted areas.

- 8.2 Improved environment in targeted primary schools
- 8.3 Improved environment in targeted vocational training centers

### **685-009 Improved Enabling Conditions for Peace via Economic, Social and Political Development**

#### **SO Level Indicator(s):**

Number of violent clashes or attacks

- 9.1 Improved Standards of Living for Affected Populations
- 9.2 Increased Self-Reliance for Local Development Actors
- 9.3 Improved Conditions for Local Level Conflict Reduction

### **685-010 Increased Access to and Improved Quality of Middle School Basic Education, especially for Girls**

#### **SO Level Indicator(s):**

Final exam success rate

Transition rate (from grade 6 to grade 7)

**10.1** Increased capacity of middle schools

**10.2** Improve teaching and learning environment in middle schools

**10.3** Increased participation of Local Governments and communities in education management and financing

**685-FFP Regional Food Security and Emergency Food Aid**