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IDA/R2017-0088/1

April 7, 2017

<p>Closing Date: Wednesday, April 26, 2017 at 6 p.m.</p>

FROM: Vice President and Corporate Secretary

Senegal - Tourism and Enterprise Development Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Senegal for the Tourism and Enterprise Development Project (IDA/R2017-0088/1), which is being processed on an absence-of-objection basis.

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Document of
The World Bank

Report No: PAD2071

FOR OFFICIAL USE ONLY
INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF EUR 69.80 MILLION
(US\$74.00 MILLION EQUIVALENT)
TO THE
REPUBLIC OF SENEGAL
FOR A
TOURISM AND ENTERPRISE DEVELOPMENT PROJECT
April 05, 2017

Trade and Competitiveness Global Practice
Social, Urban, Rural and Resilience Global Practice
Africa Region

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CURRENCY EQUIVALENT
(Exchange rate as of February 28, 2017)

Currency Unit = CFA Franc (CFAF)
US\$1 = FCFA 619
US\$1 = EUR 0.943312930

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADEPME	<i>Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises</i> (SME Development Agency)
AFD	<i>Agence Française de Développement</i> (French Development Agency)
ANPEJ	<i>Agence Nationale pour la Promotion de l'Emploi des Jeunes</i> (Youth Employment Promotion Agency)
ANSD	<i>Agence Nationale de la Statistique et de la Démographie</i> (National Statistics and Demographics Agency)
APIX	<i>Agence Chargée de la Promotion de l'Investissement et des Grands Travaux</i> (Agency for Promotion of Investment and Major Works)
ARMP	<i>Agence de Régulation des Marchés Public</i> (Public Procurement Agency)
ASEPEX	<i>Agence Sénégalaise de Promotion des Exportations</i> (Senegal Export Promotion Agency)
BPC	Business Plan Competition
CA	Contracting Authority
DA	Designated Account
DB	Doing Business
DC	Director Committee
DCMP	<i>Direction de la Comptabilité et des Marchés Publics</i> (Directorate of Accounting and Public Procurement)
DI	<i>Direction de l'Investissement</i> (Directorate of Investment)
EMAF	Export Market Access Fund
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial Management
GDP	Gross Domestic Product
GoS	Government of Senegal
ICA	Investment Climate Assessment
ICR	Implementation Completion and Results Report
ICT	Information and Communication Technology
ICZM	Integrated Coastal Zone Management
IFR	Interim Financial Report
ISP	Implementation Support Plan
IT	Information Technology
M&E	Monitoring and Evaluation
MSME	Micro, Small, and Medium Enterprise
MC	Ministry of Commerce, Informal Sector, Consumption, Promotion of Local Products
MEFP	Ministry of Economy, Finance, and Planning
MICE	Meetings, Incentives, Conferencing, Exhibitions
MT	Management Team
MTAT	Ministry of Tourism and Air Transport
MTR	Midterm Review

NPV	Net Present Value
O&M	Operation and Maintenance
OHADA	<i>Organisation pour l'Harmonisation en Afrique du Droit des Affaires</i> (Organisation for the Harmonization of Business Law in Africa)
OSS	One-Stop-Shop
PAP	Project-affected Person
PCMU	Project Coordination and Monitoring Unit
PDO	Project Development Objective
PIM	Project Implementation Manual
PPD	Public-Private Dialog
PIPP	Private Investment Promotion Project
PPR	Post Procurement Review
PSC	Project Steering Committee
PSE	<i>Plan Sénégal Emergeant</i> (Emerging Senegal Plan)
SAPCO	<i>Société d'Aménagement et de Promotion des Côtes et Zones Touristiques du Sénégal</i> (Senegal Coastal and Tourism Zones Development Agency)
SBD	Standard Bidding Document
SIGMAP	<i>Système Intégré de Gestion des Marchés Publics</i> (Integrated Public Procurement Management System)
SMAF	Senegal Market Access Facility
SME	Small and Medium Enterprise
SSA	Sub-Saharan Africa
SYSCOA	<i>Système Comptable Ouest Africain</i> (West African Accounting System)
UNWTO	United Nations World Tourism Organization
TA	Technical Assistance
VAT	Value Added Tax
WEF	World Economic Forum

Regional Vice President:	Makhtar Diop
Country Director:	Louise J. Cord
Senior Global Practice Directors:	Anabel Gonzales, Sameh Naguib Wahba Tadros
Practice Managers:	Rashmi Shankar, Meskerem Brhane
Task Team Leaders:	Kofi-Boateng Agyen, Laurent O. Corthay, Isabelle C. Kane

REPUBLIC OF SENEGAL
TOURISM AND ENTERPRISE DEVELOPMENT PROJECT

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PAD DATA SHEET*Republic of Senegal**Tourism and Enterprise Development Project (P146469)***PROJECT APPRAISAL DOCUMENT**

Report No.: PAD2071

Basic Information			
Project ID P146469	EA Category A - Full Assessment		Team Leader(s) Kofi-Boateng Agyen, Isabelle Celine Kane, Laurent Olivier Corthay
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 26-Apr-2017	Project Implementation End Date 30-Jun-2022		
Expected Effectiveness Date 28-Aug-2017	Expected Closing Date 30-Jun-2022		
Joint IFC No			
Practice Managers/Manager Rashmi Shankar, Meskerem Brhane	Senior Global Practice Directors Anabel Gonzalez, Sameh N. W. Tadros	Country Director Louise J. Cord	Regional Vice President Makhtar Diop
Borrower: Republic of Senegal			
Responsible Agency: Agence pour la Promotion des Investissements et des Grands Travaux (APIX) – Agency for Promotion of Investment and Major Works			
Contact: Mountaga SY	Title: Director General		
Telephone No.: 221 338490555	Email: mountaga.sy@apix.sn		
Project Financing Data (in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	74.00	Total Bank Financing:	74.00
Financing Gap:	0.00		

Financing Source				Amount		
International Development Association (IDA)				74.00		
Total				74.00		
Expected Disbursements (in USD Million)						
Fiscal Year	2017	2018	2019	2020	2021	2022
Annual	2.00	14.00	18.00	23.00	13.00	4.00
Cumulative	2.00	16.00	34.00	57.00	70.00	74.00
Institutional Data						
Practice Area (Lead)						
Trade and Competitiveness						
Contributing Practice Areas						
Social, Urban, Rural and Resilience Global Practice						
Proposed Development Objective(s)						
The Project Development Objective (PDO) is to create conditions necessary to increase private investment in tourism in the ‘Saly’ area, and strengthen enterprise development in Senegal.						
Components						
Component Name				Cost (USD Millions)		
Sustainable Tourism Development				50.00		
Supporting Enterprise Creation and Growth				19.50		
Project implementation				4.50		
Systematic Operations Risk- Rating Tool (SORT)						
Risk Category					Rating	
1. Political and Governance					Moderate	
2. Macroeconomic					Moderate	
3. Sector Strategies and Policies					Moderate	
4. Technical Design of Project or Program					Substantial	
5. Institutional Capacity for Implementation and Sustainability					Moderate	
6. Fiduciary					Substantial	
7. Environment and Social					Substantial	
8. Stakeholders					Low	
9. Other					Substantial	
OVERALL					Substantial	

Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?		Yes [] No [X]	
Does the project require any waivers of Bank policies?		Yes [] No [X]	
Have these been approved by Bank management?		Yes [] No [X]	
Is approval for any policy waiver sought from the Board?		Yes [] No [X]	
Does the project meet the Regional criteria for readiness for implementation?		Yes [X] No []	
Safeguard Policies Triggered by the Project			
		Yes	No
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project Steering Committee		27-Nov-2017	
Description of Covenant			
Schedule 2, Section 1, A. 1: The Recipient shall: (a) establish not later than 3 months after the Effective Date and maintain, at all times during the implementation of the Project, a Project Steering Committee (PSC) with functions, composition and resources satisfactory to the Association; and (b) ensure that the PSC shall be chaired by the MTAT and comprise representatives of the Implementing Agencies, the private sector and other relevant stakeholders, and shall meet at least once every year or more often if required for the purposes of, <i>inter alia</i> : (i) providing overall strategic and policy direction on all activities supported under the Project: (ii) facilitating the coordination of Project activities among the participants in the PSC and the removal of any obstacles to the implementation of the Project; and (ii) reviewing the Annual Work Plans for the Project.			
Name	Recurrent	Due Date	Frequency
Establishing and Maintaining a Technical Committee		27-Nov-2017	
Description of Covenant			
Schedule 2, Section 1, C: The Recipient shall establish by no later than 3 months after the Effective Date, and maintain, until the completion of the Project, a technical committee, to be chaired by the director general of ADEPME, and to include representatives from Implementing Agencies and key actors with the requisite qualification and experience.			

Name		Recurrent	Due Date	Frequency
Adopting a Project Implementation Manual			27-Oct-2017	
Description of Covenant				
Schedule 2, Section 1, D. 1: The Recipient shall: (i) shall adopt, not later than 2 months after the Effective Date a Project Implementation Manual satisfactory to the Association; (ii) shall carry out the Project in accordance with the Project Implementation Manual; and (iii) shall not amend, abrogate, waive or permit to be amended, abrogated or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Association.				
Name		Recurrent	Due Date	Frequency
Recruitment of Auditors			27-Dec-2017	
Description of Covenant				
Schedule 2, Section II, B. 4: The Recipient shall by not later than four (4) months after the Effective Date: (i) recruit the external auditors with qualification satisfactory to the Association; and (ii) appoint, through APIX, an internal auditor pursuant to terms of reference and with qualifications and experience satisfactory to the Association.				
Conditions				
Source Of Fund	Name		Type	
IDA	Withdrawal Conditions		Disbursement	
Description of Condition				
Section IV, B. 1: Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) under Category (3) until and unless a specific ESIA, satisfactory to the Association, has been adopted and disclosed by the Recipient.				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Kofi-Boateng Agyen	Team Leader (ADM Responsible)	Senior Private Sector Specialist		GTC07
Isabelle Celine Kane	Team Leader	Senior Disaster Risk Management Specialist		GSU19
Laurent Olivier Corthay	Team Leader	Senior Private Sector Specialist		GTC07
Mountaga Ndiaye	Procurement Specialist (ADM Responsible)	Consultant		GGO01
Fatou Fall Samba	Financial Management Specialist	Senior Financial Management Training Officer		GGO26
Alexandra C. Bezeredi	Safeguards Specialist	Lead Social Development		GSU01

		Specialist			
Astou Diaw-Ba	Team Member	Senior Program Assistant		AFCF1	
Irene Marguerite Nnomo Ayinda-Mah	Team Member	Program Assistant		GTC07	
Jean Michel Noel Marchat	Team Member	Lead Economist		GTC07	
Maman-Sani Issa	Safeguards Advisor	Regional Safeguards Adviser		OPSPF	
Mehdi Benyagoub	Team Member	Private Sector Specialist		GTC07	
Ruma Tavorath	Safeguards Specialist	Environmental Specialist		GEN07	
Shaun Mann	Team Member	Senior Private Sector Specialist	Tourism	GTCCS	
Yacouba Konate	Safeguards Specialist	Social Development Specialist		GSU01	
Sofya Muradyan	Team Member	Private Sector Specialist	Enterprise Development	GTCID	
Ruxandra Costache	Counsel	Senior Counsel		LEGLE	
Faly Diallo	Team Member	Finance Officer	Loan Operations	WFALA	
Aissatou Diallo	Team Member	Senior Finance Officer	Loan Operations	WFALN	
Hillary C. Johnson	Team Member	Economist	Econ Analysis	EAPCE	
Extended Team					
Name		Title	Office Phone	Location	
Ma Soukha Ba		Economist		Dakar	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Senegal	Thiès	Saly	X	X	Saly is a touristic resort North of Mbour. The project will also impact other areas in Senegal, but the main infrastructural works are located on the Saly coast.
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required?		Consulting services to be determined			

I. STRATEGIC CONTEXT

A. Country Context

1. **Senegal is a stable democracy and a low-income country located in the westernmost part of Africa.** In 2015, its gross domestic product (GDP) per capita was (US\$1,044), with a relatively diversified economy compared to the sub-region. Sixty percent of GDP is accounted for by services (primarily telecommunications, finance, and real estate), which also accounts for nearly a third of GDP growth. Due to exchange rate fluctuations, the GDP reduced; however, its purchasing power parity, reached US\$2,421 in 2015. The industrial sector accounts for 23 percent of GDP growth, with manufacturing representing 12 percent of GDP. The primary sector (dominated by crops, livestock, and fishing) accounts for 15 percent of GDP, with recent significant expansions in the extractives sector.

2. **Economic growth, which has been relatively weak and volatile in Senegal in the past, has significantly strengthened recently.** Over the past 25 years, GDP growth in Senegal has been below the average of Sub-Saharan Africa (SSA) and other emerging developing countries, with substantial annual variations associated chiefly with the country's significant vulnerability to external shocks. Because of relatively weak growth performance and population growth at about 2.8 percent annually in the 1990–2015 period, real GDP per capita has only increased by 17 percent in Senegal since 1990, against 45 percent on average in SSA and 134 percent in emerging and developing countries. This said, Senegal's growth performance has improved recently, with GDP growth reaching 6.5 percent in 2015, and is forecast to be 6.6 percent for 2016, with progressively higher rates in the years to come. This recent positive trend has been largely driven by a healthy services sector, strong performance in agriculture (as a result of favorable rains in particular), as well as strong private consumption and advantageous terms of trade. Exports also contributed substantially to this growth and increased by almost 16 percent in volume in 2015.

3. **However, this improved economic performance has not really translated into substantially higher job creation.** Past moderate growth weighed heavily on the ability of the economy to create formal jobs in particular, and employment growth has not kept track with GDP growth. In 2015, for example, employment grew¹ by 3.4 percent while GDP growth hit a record 6.5 percent. This modest employment growth rate has been consistent throughout the 2000–2015 period, when year-on-year employment growth averaged 3.2 percent. In 2016, Senegal's estimated² employment ratio³ was only 45 percent overall, suggesting that less than one in two working-age individuals were employed (including those with part-time employment only). This general figure also masks strong disparities between genders, with male employment ratio (59 percent) much higher than female employment ratio (33 percent). It is estimated that about 200,000 jobs must be created each year to absorb new entrants to the job market and contribute to forestall the high levels of youth migration. In addition, stronger efforts will be required to strengthen female participation in the economy.

4. **The long-term underperformance of the Senegalese economy thus reflects enduring structural constraints and persistent infrastructure gaps.** The structural constraints arise from weaknesses in sector policies, the business environment, and continued infrastructure gaps including in energy, transport, and communications.⁴ While macroeconomic policy has been adequate, limited fiscal space and strict monetary arrangements provide little room to spur growth. Improving the business climate has been a priority for the Government, and Senegal has scored as a top reformer twice recently,

¹ Sources: *Agence Nationale de la Statistique et de la Démographie* (ANSD) and national accounts.

² See: ANSD. 2016. *Enquête Nationale sur l'Emploi au Senegal*.

³ Share of people who have a job (remunerated or not) as part of the working-age population.

⁴ See: Senegal Economic Update, First Edition, December 2014, World Bank.

but the country still ranks in the lower part of global rankings for doing business.⁵ In addition, Senegal faces the climate change and natural disaster risks from extreme precipitation, droughts and sea level rise. In particular, deteriorating climatic conditions in areas surrounding cities are likely to increase human migration, further increasing already high urbanization rates and pressure for creation of jobs in urban areas. Sea-level changes and increased intensity of storm surges are known to lead to coastal erosion, which poses a major threat to the population and economy of Senegal.

5. **To address these challenges, the Government adopted in 2014 a new and comprehensive national development strategy, the Emerging Senegal Plan (*Plan Sénégal Emergent*, PSE), that aims to accelerate its progress toward becoming an emerging economy by 2035** with the objective of sustaining high growth rates and a diversified economy, as well as becoming a center of attraction for investment (domestic and foreign). The PSE is formulated around three pillars: (a) higher and sustainable growth and structural transformation; (b) human development; and (c) governance, peace, and security. The PSE is being rolled out and is expected to raise growth rates to 7 percent by 2019, with economic activity expected to be driven by an expansion of globally competitive production allowing increased exports, investment in new sectors, and recovery and expansion in tourism. In addition, in early 2017, the Government launched its second Business Environment and Competitiveness Reform Program (*Programme de Réforme de l'Environnement des Affaires et de la Compétitivité*), which lays out reform priorities to improve the business environment over the next three years. This operation will be an important tool to deliver on these ambitious objectives.

B. Sector and Institutional Context.

6. **As laid out in the PSE, Senegal is focusing on private sector-driven growth as a key driver to enhancing productivity and the competitiveness of the economy, and for which tourism, agriculture, export generation, construction, mining, and information and communication technology (ICT) have been identified as critical sectors.** These sectors are expected to be major contributors to boosting shared prosperity and reducing extreme poverty, through increased production, employment, and exports. To achieve these objectives, tackling key constraints to firm formation and growth, in particular among micro, small, and medium enterprises (MSMEs), which are the main job creators,⁶ protecting economic investments and activities against climate impacts, identification, and removal of other sectoral growth constraints will be necessary.

7. **Tourism, as one of the top foreign exchange earners, is a priority sector to contribute to job creation, especially for the youth, women, and less skilled workers and is expected to drive economic growth.** Senegal used to be a booming tourism destination, second only to Kenya in arrivals; today it does not rank among the top 10 destinations of SSA. In 2013, it generated an estimated 16 percent of export earnings, 11.6 percent of GDP, and just over 10 percent of all employment.⁷ The sector, however, faces a series of critical challenges because of a near absence of public sector focus and resources that have collectively contributed to a reduction in the sector's competitiveness and market presence. Challenges have included a lack of effective marketing and promotion, overdependence on a few markets, or limited capacity in key public agencies. Additionally, there has been a contraction in demand following severe beach erosion at the country's main tourist destination of Saly, the 2014 Ebola threat, and fears of terrorism, leaving a substantial component of the industry in near crisis.

⁵ Currently, Senegal ranks 147 out of 190 in the World Bank Group's Doing Business in 2017 report, as well as 112th out of 138 in the Global Competitiveness Report 2016–2017 of the World Economic Forum (WEF).

⁶ MSMEs create 60–70 percent of all jobs in Organisation for Economic Co-operation and Development countries and represent 95 percent of enterprises.

⁷ 2015, Senegal Country Report, World Travel and Tourism Council.

8. **Climate change is expected to bring increased storm damage along the coastline because of sea-level rise and increased storm surge.** It is anticipated to result in coastal sea-level rises of 20 cm by 2030 and 80 cm by 2080. For a coastal zone that is the main socioeconomic driver for the country and hosts 80 percent of economic activities (horticulture, seaside tourism, fishing, services, and so on), the degradation due to climate impacts has contributed to expose some of the country's economic assets. This is a priority area identified in Senegal's Nationally Determined Contribution (NDC) to the Paris Agreement⁸. The ongoing beach erosion in Saly and the other touristic destinations along the *Petite Côte* is a pressing issue, given its current and future impact on investments and on jobs in the sector. Taking strong and sustained actions on a coastal climate resilience strategy that addresses the ongoing erosion impacts will help protect Senegal's main tourism destination. Senegal is committed to address this coastal vulnerability because of climate change impacts and for the tourism industry to grow, it will need to expand its value proposition, including strengthening a sustainable Integrated Coastal Zone Management (ICZM) plan, and a clear statement of intent to protect seaside tourism assets not only to secure investments, jobs, and linked economic activities but also to underline Senegal as a competitive destination.

9. **Besides the tourism sector, other export sectors represent a key driver of growth and source of job creation.** This said, Senegal's presence and performance in international markets have been relatively weak and below potential in spite of having relatively productive enterprises⁹ and access to major export markets through partnerships.¹⁰ In recent times, although other recent data indicate that export sophistication is being enhanced, generally, export products have shifted toward less sophisticated goods requiring lower levels of human capital and technological content, and non-commodity export performance is hampered by low firm-level export intensity, defined as the share of export revenues in the firm's total sales. Results from the 2016 Investment Climate Assessment (ICA) estimate that about 15 percent of formal firms participate in exports, while direct exports only constitute 2.5 percent of the country's total sales. Efforts are needed to strengthen the country's exports and help a larger pool of export-oriented business seize opportunities in international markets.

10. **The Government's focus on sustaining reforms aimed at removing significant constraints in the investment climate, in infrastructure,¹¹ in human capital,¹² in innovation and technological readiness,¹³ and in the legal and regulatory environment is commendable and must be encouraged.**

⁸ [Senegal Nationally Determined Contributions](#)

⁹ Results from the ICA (2016) show that exporting enterprises are more productive than non-exporting firms, and that total factor productivity and unit labor costs of Senegal compare favorably to those in the region.

¹⁰ See: 'Everything but Arms' initiative, African Growth and Opportunity Act (AGOA), Generalized System of Preference of Japan, Canada, Korea, newly signed Economic Partnership Agreements with the European Union and being a member of Economic Community of West African States (ECOWAS), which has a market of 308 million consumers.

¹¹ This largely refers to electricity supply. Due to insufficient or delayed investment in generation capacity during the last decade, there is a gap between supply and demand which has resulted in major service disruptions in recent years. Electricity tariffs in Senegal are among the highest in Africa and the World. The sale price of electricity per kWh is of US\$0.24 in Senegal, against US\$0.16 per kWh for Cameroon, US\$0.15 per kWh for Ghana, and US\$0.13 per kWh for Cote d'Ivoire.

¹² A lack of skilled labor force is among the main deterrents of economic competitiveness. Senegalese gross school enrollment rates are well below SSA low-middle-income countries rates—about 84 percent for primary, 36 percent for secondary, and 8 percent for tertiary education, while they average around 106 percent, 50 percent, and 9 percent in other SSA low-middle-income countries. This accumulation of low human capital leads to an oversupply of unqualified workers.

¹³ Although the country has assets in research (for example, high number of researchers and research institutions) this does not translate into innovations (new products, better production and delivery processes, and so on) due to weak linkages between the research sphere and the business sector. R&D expenditure is small: 0.48 percent of GDP

Although investment-climate reforms have recently gained momentum in Senegal and have led to it attaining the status of ‘top global reformer’ in Doing Business (DB2015), the country is still ranked 147 out of 190 countries and 112 out of 138 under the Global Competitiveness Index. The need to deepen these reforms remains real. According to the 2016 ICA, other major constraints facing firms include competition from the informal sector (58 percent of firms), access to finance (55 percent), electricity (49 percent), and access to land (44 percent). Other key issues that also continue to hamper firms’ ability to grow include the lack of information on international markets, support to prospect new markets, small company size, overall unpreparedness, difficulties to upgrade product quality, internal organization, and processes to access information on trading opportunities, and establish dialogue with potential business partners.

11. As in most developing countries, the informal sector in Senegal accounts for a large portion of the economy. While robust data are not available, it is estimated that the informal sector generated close to 42 percent of GDP in 2011. The same year, the informal nonagricultural sector was estimated to employ about 2.2 million persons or 49 percent of the active labor force (ANSD 2013). This sector thus provides the primary source of income for a large fraction of the population; by contrast, the formal sector is limited and represented slightly more than 8,100 registered businesses in 2012 and generated around 58 percent to 60 percent of GDP. To better understand the enterprise population in the country, the Government of Senegal (GoS) launched a large-scale business census (*Recensement Général des Entreprises*) at the end of 2016. This should provide valuable information to guide policies aimed at improving firm formalization. The project will provide support that will aim to reduce the levels of informality, through provision of risk capital, skills training, and a gender and youth employment focus to further open up the entrepreneurship space. In addition, the longer-term strategic focus of the project is to strengthen Senegal’s tourism value proposition and grow new markets and market segments that enhance the resilience and sustainability of the sector.

12. The GoS recognizes the issues constraining tourism and enterprise development in facilitating its job creation goals. Together with donors such as the World Bank Group, it is collaborating on a number of endeavors nationally, such as Integrated Coastal and Marine Resource Management Project, Skills for Jobs and Competitiveness Project, and Inclusive Agribusiness Project. These efforts are also complemented at the regional level by programs such as the West Africa Coastal Areas Management Program¹⁴ with which the project will establish synergies and contribute to knowledge sharing. In these efforts, several stakeholders play key roles in implementing its development agenda, including the Ministry of Economy, Finance, and Planning (MEFP); Ministry of Tourism and Air Transport (MTAT); the Ministry of Commerce, Informal Sector, Consumption, Promotion of Local Products (MC); and the Ministry of Environment. The following institutions will be specifically involved with the project—the MC and its agency, SME Development Agency (*Agence de Développement des PME*s, ADEPME), the MTAT, and the Agency for Promotion of Investment and Major Works (*Agence Nationale Chargée de la Promotion de l’Investissement et des Grands Travaux*, APIX), which has working relations and good experience managing projects financed by international agencies.

C. Higher Level Objectives to which the Project Contributes

13. The project is aligned with the achievement of the long-term objectives of the PSE as expressed under one of its pillars: ‘Accelerating inclusive growth and creating employment’, which

in 2008—below the 1 percent target for African countries. Less than 1 percent of researchers work in the business sector (African Innovation Outlook [AIO] 2010).

¹⁴ The West Africa Coastal Areas Program deals with climate challenges and related coastal erosion issues that commonly affect West African countries along the coast and plans to support the strengthening of Senegal’s national ICZM design and monitoring.

specifically aims at promoting growth, developing exports and Senegal as a touristic hub. The proposed project builds upon a consistent policy dialogue with the GoS and the domestic private sector, and the project's structure has received the approval of these stakeholders.

14. **The project is expected to generate positive externalities and bolster shared prosperity, especially through support for enterprise growth, sustainable tourism development, and by addressing the climate change related risks and impacts.** The project is expected to contribute to an enhanced business environment that will enable private sector-driven growth in the identified and other sectors and will be key for long-term growth with jobs. More and better jobs are in turn expected to lead to poverty reduction and shared prosperity. The proposed operation also contributes to objectives of the World Bank's 2013–2017 Country Partnership Strategy, which supports the GoS efforts to accelerate growth and create jobs, including through creating more fiscal space for improved macroeconomic stability, an improved business environment, and increased private investment.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. **The Project Development Objective (PDO) is to create conditions necessary to increase private investment in tourism in the 'Saly' area, and strengthen enterprise development in Senegal.**

16. **The project seeks to complement other ongoing reforms that promote economic development and ultimately expand private-sector-led job creation.** It will therefore tackle challenges that continue to have a negative impact on the competitiveness of the tourism sector and contribute to reducing constraints that have inhibited enterprise development and growth, and exports.

Project Beneficiaries

17. **The direct project beneficiaries are** (a) businesses in the tourism sector, which will benefit from improved access to markets, better public goods provision in the targeted tourism segments, future coastal management planning for tourism and other economic opportunities, the fishermen communities in the Saly area who will benefit from beach protection and restored sustainability of their fishing businesses; (b) small and medium enterprises in Senegal, including micro-enterprises in the tourism sector, which will benefit from enterprise formation, and growth through support under the project's matching grant funds, business plan competition (BPC), as well as through an improved business environment in the targeted regional centers; and (c) public agencies such as ADEPME, *Société d'Aménagement et de Promotion des Côtes et Zones Touristiques du Sénégal* (SAPCO), and the MTAT. The proposed reforms will include implementation of special efforts to help ease the entry of more women into the job market and improve their ability at enterprise creation and growth and formalization of their businesses, in view of the hypothesis that a complex business environment disproportionately affects women because they have less time than men.¹⁵

18. **Citizen engagement.** Project-financed interventions are being driven by local and national-level demand and will be subject to public consultations and feedback at these and other aligned levels. All project-supported interventions, including social and environmental safeguards measures, were disclosed and discussed in public fora, and stakeholder input was considered in the design and implementation arrangements. Citizen engagement will be measured through, among others, the proxy indicators such as 'Beneficiaries of the beach erosion mitigation measures that feel project investments reflected their needs'

¹⁵ Ellis, Amanda, Claire Manuel, and C. Mark Blackden. 2006. *Gender and Economic Growth in Uganda: Unleashing the Power of Women*. World Bank, Washington, DC.

and ‘Beneficiaries of the BPC and matching grant scheme that indicate the support reflected their needs’. These will be measured by annual surveys which enquire about the participants’ satisfaction with key activities under the project.

PDO Level Results Indicators

19. **Achievement of the PDO will be measured by the following outcome indicators** (see Annex 1: Results Framework and Monitoring for details):

- (a) Net area of beaches gained due to protection and restoration investments under the project in the intervention areas (according to defined criteria: sand beach for swimming, fisherman village areas - m²)
- (b) Private investments in tourism (hotels) in the Saly area (absolute numbers) - increased at least 2 percent by end of project (Percentage)
- (c) Share of enterprises supported under the Senegal Market Access Facility (SMAF) with increase in annual volume of exports of at least 2 percent from time of provision of support (Percentage)
- (d) Share of new enterprises supported under the BPC in operation (i) 6 months and (ii) 24 months after receiving full payment of support (Percentage)
- (e) Average time it takes to complete government-to-business services on investment platforms/OSSs is decreased by at least 25 percent (Percentage)

III. PROJECT DESCRIPTION

A. Project Components

20. **The project is aligned with the GoS’ goal of ‘making the country an emerging economy by 2035’ as expressed in the first pillar of the country’s strategic plan (PSE): ‘Accelerating inclusive growth and creating employment’.** This implies improving the investment climate and competitiveness of the Senegalese economy to promote growth, attraction of private investment, enterprise formation and growth, increased exports, and the development of Senegal as a regional tourism hub that would bring increased employment. The project will also complement the ICZM, which, among others, aims to protect viable locations of economic opportunities and integrate climate change adaptation activities.

Component 1: Sustainable tourism development (EUR 47.2 million – US\$50.0 million equivalent)

21. **The objectives of this component are in line with the GoS’ efforts to address coastal vulnerability under its ICZM plan, which includes strategic measures for better coastal management, fight against coastal erosion, and measures for protecting economic investments.** This component will provide support for advisory services, capacity building, destination planning and management activities, resilience measures to minimize coastal erosion due, in part, to climate change, new product and market development, and a mix of destination level investments in the Saly area. The project will undertake targeted beach renovation works that aim to encourage beach regeneration and to prevent further beach losses due, in part, to climate change impacts on the Senegalese Coast as outlined in the 2013 Economic and Spatial Study of the Vulnerability and Adaptation to Climate Change of Coastal Areas. This approach is expected to contribute to strengthening investor confidence in select tourism areas identified in the PSE through improving the quality and the management of existing tourism areas

(such as Saly), decreasing the prospects of future coastal erosion and degradation from climate change, and strategic planning for the development of new zones along the Petite Cote.

22. This component will finance the costs of three categories of activities:

- (a) Technical assistance (TA) for
 - (i) Designing and implementing targeted beach restoration and erosion mitigation infrastructure to protect coastlines with vulnerability to climate change;
 - (ii) Installing an operation and maintenance (O&M) system for the protection of public investments and their ongoing maintenance;
 - (iii) Strengthening the ICZM mechanism;
 - (iv) Carrying out awareness creation of the beaches renovation activities and technical studies to complement coastal management planning in the Saly beaches zone to assist in mitigating climate change impacts;
 - (v) Strengthening destination planning and management of integrated tourism zones, using the Petite Cote as a pilot, under the direction of the MTAT;
- (b) Works to preserve hotel infrastructures and to protect the fisherman village of Saly Niakh Niakhal against rapid coastal erosion impacts, including (i) installation of groins, (ii) breakwaters, and (iii) dredging for beach recharge; and
- (c) Institutional capacity building (human resources, logistics, and information systems); communication; advisory services; and technical workshops for the MTAT and affiliated agencies (SAPCO, Senegalese Tourism Promotion Agency [*Agence Sénégalaise de Promotion Touristique*, ASPT]), local government structures, and the local community. These activities will aim, among others, at sensitization on climate change impacts, as well as investment generation and aftercare for identified and targeted tourism zones.

23. This approach is expected to contribute to improve strategic planning for the development of new tourism zones, strengthened investor confidence, decreased prospects of future coastal erosion, and degradation from climate change. An amount estimated at US\$3.5 million will be provided as counterpart funds by the GoS to cater for potential compensation to people affected by access routes and the civil works to be financed by IDA resources, which could result in businesses losing revenue.

Component 2: Supporting enterprise creation and growth (EUR 18.4 million – US\$19.5 million equivalent)

24. The objective of this component will be to further improve Senegal's investment climate with a view to establishing relevant business infrastructure to facilitate government-to-business services, enhance access to finance (risk capital), and other business development services. This component aims to contribute to the creation of innovative firms, foster the competitiveness of local enterprises, and improve their ability to strengthen their presence and growth into domestic, sub-regional, and international markets. It is also designed to directly help increase and diversify exports by fostering better access to export markets for existing small and medium enterprises (SMEs) and supporting the creation of new exporters. This component will also implement special efforts to support female

enterprise creation and development. Further, many government services offered to firms are accessible only in Dakar, creating disparities; therefore, this component supports the development of regional ‘one-stop-shops’ (OSSs also referred to as *Plateformes de l’Investissement*), which will offer access to streamlined government-to-business services in the regions (Mbour/Saly in the Center Region, Ziguinchor in the Southern Region; and Saint-Louis in the Northern Region).

25. This component will finance the costs for implementing the following activities:

- (a) Carrying out of a program of activities, including (i) provision of TA needed for the administration and management of a matching grant for eligible Senegalese enterprises and BPC targeted at eligible Senegalese enterprises, (ii) provision of grants to eligible enterprises under the matching grant system and BPC mentioned above, and (iii) capacity-building initiatives for staff of ADEPME, the recipient’s SME development agency.
- (b) Strengthening the recipient’s investment climate outside of the Dakar metropolitan area, with a view to enhancing firms’ growth, facilitating the use of exports procedures and putting in place infrastructure to facilitate access to finance and improved business development and management skills, including through the provision of (i) TA activities for analytical work; (ii) required capacity-building activities for APIX and relevant agencies to ensure needed skills are available for an OSS; (iii) information technology (IT)/office equipment and the computerization of select offices in the regions and their connectivity to APIX and relevant agencies’ central systems in Dakar; (iv) computerization of the commercial and collateral registry established under *Organisation Pour L’harmonisation En Afrique Du Droit Des Affaires* at each regional OSS; and (v) capacity building for APIX and relevant agencies’ staff implementing this component.

Component 3: Project implementation (EUR 4.2 million – US\$4.5 million equivalent)

26. This component will provide support to APIX to manage and coordinate the project and provide resources to strengthen its capacity on procurement, financial management (FM), coastal management, environmental and social safeguards management, communication, and monitoring and evaluation (M&E) through the provision of relevant advisory services. Support will also finance operating costs, select training and knowledge exchange visits, limited premises rental to accommodate consultants, and goods and equipment for the project office and audits.

B. Project Cost and Financing

27. The proposed credit in the amount of US\$74.0 million¹⁶ is designed as an Investment Project Financing through an IDA Credit to the Republic of Senegal. The GoS has requested that the credit be in Euros under the IDA Single Currency Lending Pilot Program. A Financing Agreement will be signed with the GoS. The GoS will provide counterpart funds estimated at US\$3.5 million equivalent, which would be used to cover potential compensation to persons affected by the access roads/civil works under Component 1, and US\$1.5 million in incremental operational costs under Component 3.

¹⁶ In accordance with current Republic of Senegal per capita income and IDA 17 lending criteria, the credit will be financed under the Single Currency IDA regular credit terms, with 38-year maturity including a 6-year grace period. The single currency amount (EUR 69.8 million) will be converted to the final SDR amount for commitment authority and country allocation management purposes on the day of project approval. For information, the estimated value of the credit in Special Drawing Rights (SDR) is SDR 57.4 million.

Project Components	Project cost (US\$, millions)	IDA Financing (US\$, millions)	% IDA Financing
1: Sustainable tourism development	50.00	50.00	100
<i>1.1 Destination strengthening and repositioning program</i>	7.00	7.00	100
<i>1.2 Beach renovation, protection, and integrated coastal management</i>	43.00	43.00	100
2: Supporting enterprise creation and growth	19.50	19.50	100
<i>2.1 Senegal market access facility</i>	6.00	6.00	100
<i>2.2 Business plan competition</i>	10.00	10.00	100
<i>2.3 Improving the subnational business environment</i>	3.50	3.50	100
3: Project implementation	4.50	4.50	100
Total baseline cost	74.00	74.00	100

C. Lessons Learned and Reflected in the Project Design

27. **The project design incorporates lessons learned from the design and implementation of finance and private sector development projects in Africa** (World Bank 2012) and relevant country experiences (Tunisia and Nigeria for firms' support).

28. **An analysis of the World Bank Group portfolio in Africa over the 2000s shows that project complexity is a key factor affecting project outcomes.** Projects with too many components tend to have unsatisfactory outcomes (66 percent of projects with more than nine subcomponents had unsatisfactory outcomes). Hence, it is critical to ensure that the design of the project is simple and with clear actions, objectives, and expected results. A significant trend in the Africa portfolio in the 2010s has been the need to restructure a number of projects to simplify their design and to retrofit stronger M&E frameworks. As a result, the overall design of the proposed project is kept simple, with three main components and five subcomponents in total.

29. **It is also important to develop PDO-level indicators that are attributable to project interventions in considering expected outcomes at project closure.** For projects aiming to achieve tourism-related outcomes, it is difficult to establish clear attribution of project activities because of the often complex nature of project interventions and the number of unpredictable or exogenous factors that affect outcomes (for example, regional conflicts and financial crisis). The paucity of statistics and the lack of any kind of reliable data on tourists visiting Senegal will make it especially challenging to measure tourism-related outcomes. As such, the proposed project PDO-level indicators were designed to be directly linked and, as much as possible, attributable to the project interventions. Meanwhile, the project will support the establishment of systems that will improve tourism data collection and sustainable institutional structures that can direct and drive tourism growth (destination management partnerships). In addition, while the project Results Framework will not include indicators such as 'increased job opportunities' and 'increased daily spend from tourists', this data will be tracked as part of the project's M&E system. A baseline survey will be conducted in 2017 to capture pre-project conditions in reference to firms, employment, investment, and tourists in selected areas (for example, Saly).

30. **Experience in Senegal shows that consensus with regard to the content of project activities is critical to ensuring ownership and successful implementation.** This was clearly highlighted in the Implementation Completion and Results Report (ICR) of the Private Investment Promotion Project

(PIPP)¹⁷ which had a weak consensus on its multiple activities. To avoid this, extensive discussions were organized with public and private stakeholders on project design. The activities (SMAF, strengthening activities for tourism, beach renovation, and regional OSS) are largely drawn from the client's strategic plans (PSE, Stradex, tourism sector strategy), thus ensuring ownership.

31. **From a technical perspective, the project's design is informed by international experience and practice, as well as detailed technical studies.** For example, for SMAF, lessons learned from past World Bank Group projects in Tunisia suggest that these funds work best when they are hosted under the tutelage of a public agency while remaining financially and operationally autonomous. Hence, a team of private consultants (local and international) and public servants will form the management team (MT) of the fund. Similarly, drawing lessons from these projects in Tunisia, SMAF assistance will be adapted to different profiles of firms to match the types of assistance required with the specific challenges firms face.

32. **In the same way, the operational details of the BPC are drawn from the World Bank Group's experience** in implementing the 'You Win' program in Nigeria and the 'JITIHADDA' BPC in Kenya.

33. **It is critical to proactively link investments in tourism to a supporting delivery system.** Beyond just investing in restoring beaches and improving infrastructure in particular areas, connecting these to tourism circuits/itineraries and to a supporting tourism delivery system encourages private sector investments. At the local level, experience from a number of countries shows that a critical mass of public investments in individual-scale activities and public assets is required before the renewal becomes self-sustaining. At that point, an upward spiral begins, involving the private sector. More developers invest in real estate, more businesses open, and more investments are made. Furthermore, as experience in three regional development projects in Georgia shows—after redeveloping old Tbilisi—the Government was able to recoup the cost of investments from increased tax revenues from properties, personal income, corporate income, value-added tax, and property sales' transaction fees. Acknowledging these results, the project will finance activities in selected municipalities that link public investments with destination promotion and pedestrian-scale investment aimed at encouraging local economic development and creating more dynamic and interesting places to live and visit.

34. **Regarding the beach restoration subcomponent, the design of protection infrastructure was identified in a World Bank Technical Assistance conducted from 2011 to 2013** (Social, Urban, Rural, and Resilience Global Practice [GSURR]/Global Facility for Disaster Reduction and Recovery [GFDRR]). The project builds on the findings of this TA to tailor the erosion mitigation measures proposed for Saly.

35. **The project design has also been informed by two ongoing IDA-financed operations in Senegal: Skills for Jobs and Competitiveness (TVET) Credit and Sustainable and Inclusive Agribusiness Credit.** These lessons range from implementation capacity shortfalls within the public administration and difficult Public-Private Dialog (PPD) mechanisms to ensuring complementarity of proposed interventions under the different projects.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

¹⁷ The PPIP was a 2003–2010 project which aimed to help create the conditions to stimulate a sustained increase in private investment in Senegal, through an improved investment climate, greater private participation in economic activities.

36. **The project will be implemented over a period of five years. ADEPME, the MTAT, and APIX are the implementing agencies responsible for implementing specific components of the project.** APIX will have project coordination responsibilities as well (including fiduciary responsibilities and reporting). Project completion is expected on June 30, 2022, and a midterm review (MTR) will be carried out by June 2019, or 24 months after project effectiveness. Given the multi-ministry nature of the project, high-level oversight will be required to ensure consistency of interventions, removal of occasional blockages, and continued resonance of project objectives with client's development objectives. This implies (a) establishing and operationalizing a fully functioning high-level Project Steering Committee (PSC) with agreed terms of reference, which would, among others, provide strategic advice and oversee project progress; (b) setting up and providing the required support to assure a functioning Project Coordination and Monitoring Unit (PCMU) at APIX; (c) ensuring proper management of the SMAF and BPC; (d) providing clearance of the annual work program by the PSC; and (e) ensuring legal and proper structures are in place to assure that all the World Bank Group safeguards rules are strictly adhered to.

37. **Project Steering Committee.** The project will operate under the guidance of a high-level PSC chaired by the Minister of Tourism which will include at least representatives from the MEFP and other relevant ministries, APIX, and from the private sector. The PSC will meet at least twice a year. The PSC will facilitate project execution by providing in-time policy and strategic guidance and also ensure elimination of blockages as a result of official bureaucracy that could negatively affect project implementation.

38. **Project Coordination and Monitoring Unit.** The overall responsibility for project execution will be delegated to a PCMU to be set up within APIX under the direct supervision of a designated project coordinator. It will be in charge of coordinating and monitoring implementation of the project in accordance with the Project Implementation Plan. The PCMU will be headed by an experienced project coordinator and have administrative structures, processes, and staffing allowing an efficient administration of the project. While the PCMU will be a light structure (including a procurement expert, a public relation specialist, and a finance/accounting expert), which will be able to recruit technical specialists when necessary to support implementing agencies, the PCMU bears the fiduciary responsibility in the implementation of the project. The implementing agencies (ADEPME, MTAT, and APIX) bear the technical responsibility for their respective subcomponent. The Project Implementation Manual (PIM) approved by the World Bank will clarify in detail, the roles, and responsibilities of each stakeholder. The PCMU will be provided project coordination resources and will be responsible for the preparation of monitoring reports and other documents required by the World Bank. It will ensure that budgetary, procurement, disbursement, accounting, auditing, and reporting arrangements are carried out in accordance with agreed procedures. The PCMU will serve as the Secretariat to the PSC and will be in charge of (a) organizing the PSC meetings, (b) providing all necessary information on project performance and monitoring to the PSC and the World Bank Group, and (c) developing and implementing the overall project communication policy. The PCMU will prepare biannual progress reports and annual progress report for submission to IDA and the PSC, no more than 30 days after the end of the period, in a form agreed in the PIM.

39. **Project Technical Committee.** The project will also establish and operate a Technical Committee that will ensure the resolution of technical and implementation challenges on a regular basis (at least every other month during the first year of project implementation), with frequency of meetings subject to revision in subsequent years. This committee will comprise representatives from implementing agencies and key state actors with the requisite qualification and experience to contribute to technical reviews. The Director General of ADEPME will serve as chairperson of the Technical Committee. The committee will be a subgroup of the PCMU.

40. **A PIM will be drafted by the PCMU, with input from all implementing agencies and in consultation with the World Bank Group.** This manual will provide (a) detailed descriptions of the roles and responsibilities of all implementing agencies, the Project Coordination Unit and the PSC; (b) the institutional and operational guidelines for each component/subcomponent of the project including procedures manuals for the BPC, and the matching grant; (c) thresholds for grant approvals; and (d) a detailed project performance framework.

41. **SMAF and BPC management.** The SMAF matching grant and the BPC will be executed under the overall supervision of a Director Committee (DC) set up within ADEPME. Each financing mechanism should be executed by an MT consisting of local and internationally experienced experts. The DC should be headed by the Director General of ADEPME and will be composed of representatives from the MC, MEFP, MTAT, APIX, Senegal Export Promotion Agency (*Agence Senegalaise de Promotion des Exportations*, ASEPEX), the private sector, and sector associations. It will ensure (a) proper execution of the SMAF and BPC according to their operational manuals; (b) approve SMAF grant requests, BPC winners, and the annual work program submitted by the MT; and (c) submit annual activity and financial status reports to ADEPME's Board of Directors, the MC, MEFP, and the World Bank. Separate procedures manuals will be prepared for each facility and form part of the PIM.

42. **The SMAF MT** will mainly be responsible for program promotion, support to enterprises and professional associations in the preparation of export plans, appraisal, and recommendations for approval of export plans, supervision, and monitoring of the results of such plans, and the contracting of independent evaluations of plans. A key requirement will be to reduce constraints/delays from institutional/bureaucratic hurdles and ensure swift disbursements.

43. **The BPC MT** will mainly be responsible for program promotion, selection of enterprises, monitoring of the provision of support, supervision, mentoring, and monitoring of the results of the BPC, and the contracting of independent evaluations of plans.

B. Results Monitoring and Evaluation

44. **The PCMU will be responsible for collecting the necessary data from different administrative sources and ensuring the M&E of outputs and results of each component of the project.** ADEPME will be responsible for collecting the data and ensuring effective M&E of outputs and results of the SMAF and BPC subcomponents and will report the M&E information to the PCMU. ADEPME will have a full-time M&E specialist dedicated to the project. In addition, the PCMU will have a part-time M&E specialist who will support the project by compiling the indicators and evaluating the results of the project. The MTAT will also have a project management and M&E specialist. While these individuals will be responsible for daily M&E activities of the project, they will also provide capacity building for the institutions involved in the project. The PSC will closely monitor the M&E indicators during its regular meetings. In addition, the World Bank Task Team will closely monitor the M&E indicators and results and provide technical support through at least two to three supervision missions per year. Corrective actions will be discussed and agreed with the GoS, as necessary.

45. **Provided they are feasible (in design and sample sizes), rigorous impact evaluations of the SMAF and BPC components will inform on the project's impact on beneficiaries and provide guidance on best practices for similar future operations in Senegal and other countries.** The project will cover the costs of data collection. The World Bank will provide TA, including researchers' time and travel and all activities related to impact evaluation design, implementation, analysis, and the dissemination of results.

C. Sustainability

46. **The impact of the project is expected to be sustained well beyond the life of the project.** Government institutions supported under the project will continue to operate after the project closes. The Government is committed to the implementation of the project, which is one of the responses of the World Bank Group to various requests for assistance in areas of firms' access to finance, skills, and enterprise development and support to improve the business environment. The authorities and stakeholders in Senegal understand that the country is at a turning point—with the implementation of the PSE and the crisis in the tourism sector—and that proper support to export and non-export firms, the tourism sector and the business environment will help the country meet its growth objective and therefore contribute to shared prosperity and poverty reduction.

47. **The following factors will specifically be critical for the sustainability of the project benefits:**

- (a) In Component 1, besides the beach renovation program itself, the fact that maintenance and the strengthening of the integrated coastal management mechanism will be dealt with will ensure the sustainability of the public works financed under the project. Further, measures to strengthen and reposition Senegalese tourism will have a lasting impact.
- (b) Component 2 should have structural consequences for participating firms, the local consulting and advisory services market, and financial services institutions. Participating firms should benefit from an easier access to finance after their participation due to the support provided by the project. Further, the SMAF will help the development of a local supply of consultants with skills in not only export development but also other SME development, an important factor of success in this area.
- (c) By supporting the creation of OSSs (*Plateformes de l'investissement*) in the regions, the project will help level the playing field for firms in underserved communities by fostering SMAFs in access to administrative services needed by firms, including specialized services to exporters. This should reduce firms' transaction costs.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

Risk Rating Summary Table

Risk Categories	Rating
1. Political and governance	M
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project	S
5. Institutional capacity for implementation and sustainability	M
6. Fiduciary	S
7. Environment and Social	S
8. Stakeholders	L
9. International crisis, terrorist threats, health epidemics in the sub-region	S
Overall	S

Note: H: High; S: Substantial; M: Moderate; L: Low.

48. **The macroeconomic risk and political and governance risk are considered Moderate. Real GDP growth for 2015 was 6.5 percent and is expected to be sustained in 2017.** Despite a stable political context and sustainable debt levels, Senegal remains exposed to external factors such as

commodity price movements and the euro area crisis. Failure to rein in the fiscal deficit further, or a worsening of the external position, could lead to some worsening of economic prospects and difficulties in implementation. The risk is considered as Moderate. On the political and governance risk, the new growth strategy, the PSE, has been well received by key stakeholders, locally; development partners; and the international private sector. However, it also raised the expectations of the population but the risks of significant social unrest remain Moderate. Fiduciary risk is considered Substantial, given recent upward revisions in procurement review thresholds. Increased oversight and use of additional experienced client staff will be provided to assure the procurement function follows national and World Bank fiduciary guidelines.

49. **Each individual component is technically sound.** However, some external factors (international crisis, terrorist threats in the region, and a health crisis such as the recent Ebola epidemic in the sub-region) may affect the performance of either component despite a successful implementation. As a result, due to exogenous shocks, desired results in exports or tourist arrival may not be reached. The project is classified as a Category A project, thus requiring a full environmental and social assessment because of the coastal shoreline protection infrastructures financed under Subcomponent 1.2. The project is not expected to involve land acquisition leading to involuntary resettlement, but there could be temporary economic displacement of local businesses and residents while the civil works are being carried out on the beach and offshore. TA related to new tourism destination development may also touch upon access to land and resettlement issues. As a result, several environmental and social policies are triggered (Environmental Assessment OP/BP 4.01, Natural Habitats OP/BP 4.04, Physical Cultural Resources OP/BP 4.11, and Involuntary Resettlement OP/BP 4.12). Environment risks (extreme events) may threaten project activities and/or mild adverse environmental impact may occur despite mitigation measures. Mitigation measures are included as part of the detailed ESIAs, which the project will implement. These include regular consultations, as well as construction of protective infrastructure to prevent beach erosion, in the hotel area as well as downstream, to protect the fishermen's village of Saly Nikh Nakhal. The recipient has also allocated counterpart funding to compensate for potential financial losses induced by project activities. For these reasons, the Technical design risk, the Environmental and Social risks, and external risk factors such as an international crisis affecting the sub-region, terrorist threats and a health crisis similar to the recent Ebola epidemic, these risk categories are considered Substantial.

50. **The overall project risk is considered as Substantial** on account of the environmental and social risks, fiduciary requirements, and technical design of the project.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

51. **The rationale behind having this project as a World Bank Group operation is to provide financial and TA to support the GoS to help develop the tourism industry, improve MSME's capabilities and access to markets and improve the investment climate for firms.** These activities are ultimately expected to protect and generate private investment and lead to job creation, thereby helping in reaching the twin World Bank Group goals. The World Bank Group is uniquely positioned to do so because of its financial capabilities and international expertise. The project draws on lessons learned from similar experiences in other countries. To realize the expected economic benefits, Saly beaches rehabilitation will prevent property damage and lost tourism income and the matching grants will facilitate increased volume of exports access to new export markets as well as the development of new and improved quality of products. Training and seed financing for start-ups under the BPC will boost new business creation and survival, improve sales, and generate employment. In addition, the communication around the BPC could foster the interest of youth in entrepreneurship and hence support new firm creation

beyond the direct beneficiaries of the program. The overall net present value (NPV) of the project is US\$162.8 million with a 10 percent discount rate (see annex 5 for details). Even in a very pessimistic scenario—with assumptions—the NPV of the project is US\$46.8 million, and in an optimistic scenario, the NPV is US\$383.9 million. The simultaneous implementation of project components will leverage their individual achievements by feeding off each other's benefits, thus increasing the NPV. For example, a firm in the tourism sector can benefit from sector-level market and product development activities while identifying and working with new clients through the SMAF.

B. Technical Analysis

52. **The project design was informed by sustained World Bank engagement with the GoS,** including the 2009 and 2016 ICAs, a 2013 Economic and Spatial Study of the Vulnerability and Adaptation to Climate Change of Coastal Areas, the 2014 enterprise survey, the yearly DB reports, day-to-day policy dialogue, a 2014 Tourism Sector Quick Assessment and the ongoing technical studies on beach erosion mitigation launched under the project preparation. Design also benefited from sector dialogue conducted for the 2012 Country Partnership Strategy and during PSE preparation. Constant dialogue between World Bank staff and management with the highest officials in the country and the direct engagement of technical staff from ADEPME, the MTAT, and APIX has informed the design of the project, which seeks to balance its activities with the institutional capacities, the local context, and internationally accepted practices in trade and competitiveness projects.

53. **This project will tackle some of the specific constraints that limit enterprise creation and growth, as well as development of the tourism sector.** By helping improve access to new markets through appropriate financing mechanism (SMAF, BPC), the project also aims to increase exports. Further, helping Senegal reestablish its competitive position and develop a diversified and sound tourism industry will contribute positively to export income and poverty alleviation. Finally, ensuring the provision of administrative services to firms (including services to exporters) will help improve the overall investment climate and reduce transaction costs for firms. This three-sided intervention will help create more favorable conditions for exports and growth in the economy and provide the GoS with some of the tools needed to reach its targets.

C. Financial Management

54. **An FM assessment of APIX, which will be responsible for the FM activities of the project, was conducted.** The objective of the assessment was to determine (a) whether APIX has adequate FM arrangements in place to ensure that the funds will be used for the intended purposes efficiently and economically and the entity is capable of correctly and completely recording all transactions and balances related to the project; (b) if the project's financial reports will be prepared accurately, reliably, and on time; (c) if the entity's assets will be safeguarded; and (d) whether the project will be subject to auditing arrangements acceptable to the World Bank. The assessment complied with the FM Guidelines for World Bank-Financed Investment Operations, effective March 1, 2010, and the AFTFM FM Assessment and risk rating principles.

55. **APIX's existing FM system is adequate for the FM tasks of this project.** The FM capacity built under the ongoing Dakar Diamniadio Toll Highway Project (Cr 4579-SN) and the use of the country system safeguard (TF099383) project funded by the World Bank will be strengthened to manage the activities of the project. The overall FM performance based on recent implementation support missions was satisfactory, and the auditor's opinion of the last financial year was unqualified. However, to consider specific activities to be implemented by APIX and other entities directly involved in the project such as

ADEPME and the MTAT, the existing FM Manual is updated. In addition, an accountant with experience and qualification satisfactory to the Association has been recruited within the PCMU.

56. **In conclusion, the FM arrangements meet the World Bank’s minimum requirements under OP/BP 10.00 (Investment Project Financing).** The overall residual risk rating for the project is Moderate. Details on the FM arrangements for this project are included under annex 2.

D. Procurement

57. **Based on the assessment of the agencies’ capacity to implement World Bank procurement,¹⁸ the executing agencies will have the capacity to carry out their procurement duties, provided that the recommended actions are taken before effectiveness.** The overall risk is rated Substantial.

58. **APIX, the institution hosting the PCMU, will be responsible for the overall project coordination and fiduciary responsibility.** It possesses satisfactory know-how, technical expertise, and experience in World Bank procurement procedures during the implementation of the past World Bank-financed projects.¹⁹ Regarding the direct beneficiaries of the project—ADEPME, the MTAT, and APIX—their procurement organizational structure and conformity with the National Procurement Law are satisfactory.²⁰ However, the record-keeping and filing system is manual in all agencies; filing spaces and equipment according to World Bank procedures are missing in ADEPME and the MTAT. A key risk relates to the process of procurement control and approval by staff within certain agencies which are not experienced in World Bank procedures, as this may bring a risk of rigidity in the interpretation of the texts.

59. **To mitigate these risks, the following corrective measures have been agreed on:** (a) the existing administrative and accounting, procedures of the PCMU will be revised to be in accordance with the World Bank’s procurement procedures and reflected in the PIM; (b) procurement training sessions and workshops will be organized for beneficiaries at the project launch by the World Bank and agreed-upon local institutes; (c) the procurement specialist based in the PCMU will support procurement processes within the executing agencies, particularly the MTAT, and all procurement documents from ADEPME and the MTAT will be transmitted for no-objection through the PCMU, which will ensure quality control; and (d) through the provision of equipment and training, an adequate electronic filing system will be set up within ADEPME and the MTAT to improve filing of project records.

60. **To ensure that proper monitoring and control systems are in place, the project will prepare a Procurement Operation Manual, describing clearly the adequate procurement and selection procedures to follow for the implementation of the project.** It is expected that the executing agencies will have the capacity to meet World Bank Group reporting requirement and produce adequate reporting on procurement processing as well as contract management. To ensure that this is done properly, the project will designate in each executing agency a staff who will be responsible for the reporting. The content of the report and the expected contribution of the components managers will be clearly defined.

¹⁸ The assessment was carried out by the World Bank’s procurement specialist in December 2014 and was completed and updated in January 2015. The assessment reviewed the organizational structure for implementing the project and the interaction between the different agencies involved in the project.

¹⁹ PPIP and SN-Dakar -Diamniadio Toll Highway Project.

²⁰ Procurement Units (*cellules de Passation des Marches*) exist and are responsible mainly for (a) controlling quality and application of the rules and (b) advising all the decision makers on procurement matters. A Ministerial Committee in charge of bid opening, evaluation, and contract award is operational. The various entities have diverse procurement experiences. Several staff members of these entities were trained in national procurement procedures organized by the Public Procurement Agency (*Agence de Regulation des Marches Publics*, ARMP) and Directorate of Accounting and Public Procurement (*Direction de la Comptabilite et des Marches Publics*, DCMP).

61. **Procurement Plans were prepared by the beneficiaries and consolidated by APIX.** The Procurement Plan is based on the Project Implementation Plan drafted by the units responsible for each component. They were given the methodology and tools to finalize the Procurement Plan which assisted them in preparing such detailed program of activities with costing.

62. The details of the procurement assessment results and the agreed-upon arrangements are given in annex 2.

E. Social (including Safeguards)

63. **The project triggers OP 4.12 (Involuntary Resettlement).** While the project is not expected to cause permanent physical displacement, the access routes, storage area for the materials, and other activities will disturb local residents and tourists and affect several economic activities, including hotels, restaurants, and vacation residences. Several possible sites have been identified for storage sites; these are either public spaces or private properties that the project will rent. Trucks will bring materials through existing alleyways to the beach, where an access road will be established between the existing structures and the beach. The construction of the breakwaters will also affect fishing activities, though the longer-term impacts are expected to be positive. As the arrangements for the temporary civil works to support the construction have not been finalized, the project is negotiating with the local community an approach and timeline for the works that will minimize economic displacement and adverse impacts on quality of life. A Resettlement Policy Framework has been prepared, consulted upon, and disclosed. The numbers of project-affected persons (PAPs) are not expected to be large (no more than 500 people), but consultations with the PAPs will be critical to reach a consensus on ways in which the economic impacts of the project can be minimized through careful planning and coordination. To this end, the PCMU is hiring a dedicated social specialist, along with expert facilitators to ensure that the project-affected communities are consulted and participate in project implementation in a meaningful way. The project sponsor will also ensure that the project has adequate compensation for loss of income/livelihood due to the civil works. Resettlement Actions Plans will be prepared during project implementation.

64. **Gender.** The project is fully gender-informed and promotes the participation of women in consultation processes and access to the benefits of the project. Given the investments in infrastructure, it is expected that among direct project beneficiaries at least 50 percent will be women, including women who process fish catches. However, women are also expected to benefit from project activities that support export and tourism-led economic development (for example, artisans, owners and employees of hotels, restaurants and shops, and other people providing goods and services). The project will closely monitor gender impacts, by disaggregating relevant indicators by gender as part of the project reports and the Results Framework. APIX will also monitor the participation of female beneficiaries in capacity-building activities and matching grant facilities and, where necessary, take corrective actions to assure gender inclusion. The baseline and follow-up surveys—conducted as part of the project Result Assessment—will cover tourists, local residents, and firms and will be designed so as to produce gender disaggregated results. Finally, the project will systematically seek ways to promote gender-informed investments and policy actions in activities that it will finance and to ensure women participation in social facilitation activities in Saly.

F. Environment (including Safeguards)

65. **Infrastructure works related to coastal protection have both potentially positive and negative impacts on the shoreline.** They can influence the configuration of the shoreline, through inducing sediment transport and addressing issues of coastal erosion, which has a positive impact on fisheries and tourism. However, they can also have short-term ecological impacts, such as disturbance of birds and destruction of marine coastal habitats with their associated flora and fauna. Longer-term

impacts of hard coastal protection structures can include damage to benthic communities and fish and possible invasion of nonindigenous species through diminished ebb tidal deltas. Poorly designed structures can cause side deposition of mud and seaweed and capture litter or debris while also causing increased erosion further down the beach coastline. Currents around the ends of breakwaters and reefs can be strong and dangerous for swimmers. Due to the potential risk associated with a sensitive and complex ecosystem such as the coastal shoreline, the project has been classified as Category A. A detailed Environmental and Social Impact Assessment (ESIA) has been undertaken by international technical consultants, commissioned by APIX, who also collaborated closely with the design consultants. The ESIA includes a baseline analysis and details the potential positive and negative impacts and recommended mitigation measures. Three rounds of consultations were undertaken with primary stakeholders and the revised ESIA and Environmental and Social Management Plan (ESMP) were disclosed in-country and at the World Bank's InfoShop, on December 24, 2016.

66. Environmental and social risks are Substantial in this project because of the potential level of risk associated with undertaking coastal shoreline protection infrastructural works. The risks associated with coastal construction are further compounded by variable, uncertain, and aggressive hydraulic conditions. Appropriateness of the infrastructural design is critical for the cumulative and associated impacts while varying conditions of winds, waves, and tides can influence construction. Therefore, the project has been classified as a Category A project and has triggered three OPs related to environmental safeguards. Infrastructural works related to coastal protection have short-term positive impacts on fisheries and tourism but can also result in short and longer-term negative impacts on the coastline. They can influence the configuration of the shoreline and changed beach profile through inducing sediment transport. Poorly designed structures can disrupt the longshore current and, in most cases, will result in beach erosion down-drift of the last infrastructural protection.

67. Currents around the ends of breakwaters and reefs can often be strong and dangerous for swimmers. Sand nourishment of beaches is a costly but temporary solution, as beaches must be re-nourished on a regular basis. If the grains of sand are not exactly the same size as that of the natural beach, the newly nourished beach may erode faster than the natural beach. Beach nourishment can cause bottom organisms and habitats to be smothered by 'turbid' water that has sand and mud suspended in it. It could introduce beach debris, nonindigenous sediment, and/or vegetation, potentially damaging local ecology. The shoreline is moved seaward into deeper water, causing the beach to drop off quickly, posing a hazard to swimmers.

68. APIX has also prepared an Environmental and Social Management Framework (ESMF), to address the potential impacts related to provision of grants to eligible enterprises under Component 2. The ESMF will capture the potential environmental issues related to environmental performance target sectors and potential environmental impacts of proposed investments in the form of production scaling up or technology upgradation.

G. WBG Grievance Redress

69. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service

(GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Republic of Senegal

Project Name: Tourism and Enterprise Development (P146469)

Results Framework

Project Development Objectives							
PDO Statement: To create conditions necessary to increase private investment in tourism in the ‘Saly’ area, and strengthen enterprise development in Senegal.							
These results are at		Project Level					
Project Development Objective Indicators							
		Cumulative Target Values					
Indicator Name	Baseline	2017	2018	2019	2020	2021	End Target
Net area of beaches gained due to protection and restoration investments under the project in the intervention areas (according to defined criteria: sand beach for swimming, fisherman village areas - m ²)	0.00	0.00	0.00	5,000	10,000	25,000	25,000
Private investments in tourism in the Saly area (Absolute numbers) - increased at least 2% by end of project	0.00	0	1	2	2	2	2.00
Share of enterprises supported under the SMAF with increase in annual volume of exports of at least 2% from time of provision of support (Percentage)	0.00	0	0	20	25	25	25.00
Share of new enterprises supported under the BPC in operation (a) 6 months and (b) 24 months after receiving full payment of support (Percentage)	0.0 (0.0)	80.0 (30.0)	80.0 (40.0)	80.0 (40.0)	80.0 (40.0)	80.0 (40.0)	80.0 (40.0)
Average time it takes to complete government-to-business services on investment platforms/OSSs is decreased by at least 25%	9.0 (days)	5.0	5.0	10.0	15.0	25.0	25.0

Intermediate Results Indicators							
		Cumulative Target Values					
Indicator Name	Baseline	2017	2018	2019	2020	2021	End Target
Component 1: Sustainable tourism development (EUR 47. Million - US\$50.0 million equivalent)							
Integrated coastal management plans have been developed and dedicated unit for its implementation has been established (Yes/No)	No	No	No	No	No	Yes	Yes
Institutional and financial arrangements for exploiting and maintaining the infrastructures of the beaches have been defined and agreed to (Yes/No)	No	No	No	No	Yes	Yes	APIX
Number of groins and breakwaters properly installed (Number)	0.00	0	5	11	15	21	21
Effective public-private dialog mechanisms for destination access and management are established (Yes/No)	No	No	Yes	Yes	Yes	Yes	Yes
Tourism sector beneficiaries who consider that the project is responsive to their views (citizen engagement - Percentage)	0.0	50.0	60.0	60.0	75.0	75.0	75.0
Component 2: Supporting enterprise creation and growth (EUR 18.4 million - US\$19.5 million equivalent)							
Number of beneficiary firms that exported to a new market after receiving support from the SMAF	0	0	5	15	20	25	25.00
Value of additional exports of businesses supported under the SMAF (CFAF/US\$)	0	0	5.0	10.0	15.0	20.0	25.0 million
Female entrepreneurs who received training and support to write a business plan under the BPC (Percentage)	0.0	10	15	20	50	100	100
Number of BPC beneficiary enterprises	0.0	150	250	350	400	500	500
Number of SMEs accessing registration and business advisory services at regional investment platforms (potential and existing) (Number)	0.0	100	300	500	800	1,000	1,000
At least three regional investment platforms/OSSs established and operational	No	No	No	Yes	Yes	Yes	Yes
At least five services available on investment platforms/OSSs (Yes/No)	No	No	Yes	Yes	Yes	Yes	Yes
Number of new workers employed by enterprises supported under the BPC/SMAF (Number)	0.00	0	0	50	100	200	200

Direct project beneficiaries (Number) - Core	0.00	100	200	300	500	1,000	1,200
Female beneficiaries (Percentage) - Core	0.00	20.0	25.0	25.0	30.0	30.0	30.0
Implemented reforms supporting private sector development (corporate indicator) No/Yes	No	No	No	No	No	Yes	Yes
Firms benefiting from private sector initiatives (corporate indicator)	No	No	No	No	No	Yes	Yes
Beneficiaries of job-focused interventions (corporate indicator)	No	No	No	No	No	Yes	Yes

Indicator Description

Project Development Objective Indicators				
Indicator Name	Description (indicator definition and so on)	Frequency	Data Source/ Methodology	Responsibility for Data Collection
Net area of beaches gained due to protection and restoration investments under the project in the intervention areas (according to defined criteria: sand beach for swimming, fisherman village areas - m ²)	The net evolution indicator will be calculated considering both areas of beaches protected from coastal erosion trend and restored beaches, including through sand recharging. The baseline of this indicator is the shoreline outline modeling without any protection and restoration investments from year to year. Annual Gain (g) + annual decline x number of years (n) x linear (L)	Annual, MTR and end of project	APIX/MTAT/SAPCO	APIX
Private investments in tourism (hotels) in the Saly area (Absolute numbers) - increased at least 2% by end of project	Amount of investments reported by SAPCO and APIX for Saly hotels in the intervention area.	Annual	APIX	APIX
Share of new enterprises supported under the BPC in operation (a) 6 months and (b) 24 months after receiving full payment of support	ADEPME will maintain contact with beneficiaries and will collect information on their current status, and annually after receiving and using the grant.	Annual, MTR, and end of project	Beneficiary surveys, ADEPME	ADEPME
Share of enterprises supported under the SMAF window with increase in annual exports of at least 2% from time of provision of support by end of project	ADEPME will maintain contact with beneficiaries and will collect information on their current status and on an annual basis	Annual, MTR, and end of project	Beneficiary surveys, ADEPME	ADEPME

Average time it takes to complete government-to-business services on investment platforms is decreased by at least 25%	Measure the time taken to complete transactions requested by enterprises on investment platforms and compare with previous times	Annual and end of project	APIX	APIX
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Intermediate Results Indicators				
Indicator Name	Description (indicator definition and so on)	Frequency	Data Source/ Methodology	Responsibility for Data Collection
Integrated coastal management plans have been developed and dedicated unit for its implementation has been established	The Government has developed management plans for the coastal intervention area.	MTR and end of project	APIX	APIX
Institutional and financial arrangements for exploiting and maintaining the infrastructures of the beaches have been defined and agreed to	The government has confirmed institution in charge and made annual budget provisions for maintaining structures	MTR and end of project	APIX/SAPCO	APIX
Number of groins and breakwaters properly installed	The number of installations in the ocean in the intervention area	MTR	APIX/AEGIS	APIX
Effective public-private dialog mechanisms for destination access and management are established	PPD established in Saly and elsewhere with project support	MTR and end of project	MTAT	MTAT
Tourism sector beneficiaries who consider that the project is responsive to their views (citizen engagement)	Beneficiary survey to ascertain citizen engagement on Saly area sub-component	MTR and then annual	APIX/SAPCO/MTAT	APIX
Number of beneficiary firms that exported to a new market after receiving support from the SMAF	Each project beneficiary will report their level of exports before receiving the grant and 18 months after receiving the grant.	Annual	Beneficiary surveys, ADEPME	ADEPME
Value of additional exports of businesses supported under the SMAF	Each project beneficiary will report their sublevel of exports before receiving the grant and 18 months after receiving the grant.	Annual.	No description provided	No description provided
Female entrepreneurs who received training and support to write a business plan under the BPC	Number that applied compared to number selected for training and supported to write business plans; percentage	Annual	Beneficiary surveys, ADEPME	ADEPME
Number of BPC beneficiary enterprises	Winners of the BPC who received payment	Annual	Beneficiary surveys, ADEPME	ADEPME

Number of SMEs accessing registration and business advisory services at regional centers (potential and existing)	Number of SMEs that access these services at the newly established centers	Annual after establishment	APIX	APIX
At least three regional investment platforms/OSSs established and operational	The number of OSSs established and operational with project support by end of project	Annual	Administrative data	APIX
At least five services available on investment platforms/OSSs	The number of OSSs operational with project support by end of project	Annual	Administrative data	APIX
Number of new workers employed by enterprises supported under the BPC/SMAF/Saly Hotels	Measure number of employees and fishermen before and after receipt of support	Annual	ADEPME	ADEPME
Direct project beneficiaries	<p>Direct beneficiaries are people or groups who directly derive benefits from an intervention (that is, children who benefit from an immunization program or families that have a new piped water connection). Please note that this indicator requires supplemental information.</p> <p>Supplemental value: female beneficiaries (percentage).</p> <p>Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.</p>	Annual	Beneficiary surveys, ADEPME	ADEPME
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	Annual		

Annex 2: Detailed Project Description

Component 1: Sustainable tourism development (EUR 47.2 million - US\$50.0 million equivalent)

1. In the 1980s, Senegal was a booming African tourism destination, second only to Kenya in arrivals; today it does not rank among the top ten destinations of SSA. The industry's core leisure markets are in decline and the sector now faces a series of critical issues which have reduced its competitiveness (see annex 6 for details), such as a lack of effective marketing and promotion, no destination planning or management, an overdependence on too few markets, increases in taxes and charges, the introduction of complex visa requirements, and limited capacity in key agencies. Additionally, there has been a further contraction in demand following severe beach erosion at the country's main destination of Saly and the 2014 threat of Ebola leaving a substantial component of the industry in crisis.

2. The result is that a large segment of Senegal's tourism industry is not performing profitably, loses competitiveness, and has little capacity to withstand further shocks. Tourism is a labor-intensive export sector that can help boost overall growth, increase forex earnings, and generate employment, especially for youth, women, and less-skilled workers. It is therefore key for the country to support it.

3. To take the industry forward, the declining competitiveness of the core product needs to be addressed along with the building of capacity and effectiveness in both the public and private sectors. This will require the setting of clear direction for the development of new destinations, the building of capacity in the newly reformed promotion agency, an assessment of the impact of key government policies (taxes and visas), the rebuilding of an effective partnership between the public and private sectors and the development of an accurate and timely data collections and analysis function to inform decision making and guide industry development. It will also involve building linkages between the tourism and other related sectors of the economy (for example, agriculture), improving natural and cultural asset protection, providing improved visitor information, and mobilizing investment once the key destinations are prioritized and specific opportunities are identified.

4. However, the current situation requires an urgent response. Senegal's brand is primarily associated with low-cost sun/beach holiday. This brand is being damaged by rapidly declining competitiveness and the beach erosion problem, especially in Saly. While there are plans to develop new zones, it is essential to take action to protect existing investments and markets. The resorts in Saly represent a core product and, even in decline, remain a key link between the tourists and the economic impact of the industry. This is critical for those specific properties that have deteriorating beaches and for the other properties in the Saly destination that are suffering by association. There is also a 'knock-on' effect for the entire destination because of the importance of the beach product in defining Senegal's brand and market position. While this segment may not be the most suitable for long-term development, it is currently in danger of collapse and its protection in the short term is essential.

5. Given Senegal's high untapped touristic potential, its strategic geographical position, and long-standing tradition of tourism, there is excellent potential for long-term, sustainable growth in the sector. Growth is dependent on careful analysis, planning, institutional strengthening, and targeted support to the private sector. The longer-term strategic focus of this component is on building up the wider, macro-level competitiveness of the destination, in tandem with more targeted destination building at key geographic locations. This approach will ensure that all private sector-led growth across the tourism economy is well enabled and that necessary resources can simultaneously be focused on priority destinations to act as catalysts for growth and diversification of Senegal's brand and overall product offering.

6. Targeting the project intervention on the development of the destinations along the Petite Cote axis will ensure a greater impact in the use of resources and contribute to strengthen investor confidence

to gain interests in the Senegal destination. Lessons from this destination development and management experience will be drawn to inform future developments in the remaining tourism poles identified in the National Tourism Strategy. The tourism market analysis (annex 5) has highlighted that this extended zone could be the most market ready, with the highest market appeal, given its proximity to the new Aéroport International Blaise Diagne (Blaise Diagne International Airport) and the Abdou Diouf International Conference Center; access from Dakar made easy with the new Diamniadio toll road, existing infrastructure and tradition of tourism; existing master plans in key sites that have been identified in the PSE as flagship projects (Pointe Sarène, Mbodiène, and Joal Finion); and existence of day excursion opportunities.

7. The component will thus finance a destination repositioning and strengthening program and beach renovation work at the Saly-Portudal resort.

Subcomponent 1.1: Destination Repositioning and Strengthening Program (EUR 6.6 million - US\$7.0 million equivalent)

8. The objective is to assist Senegal to reestablish its competitive position in its core markets and develop a diversified and sound tourism industry, which contributes positively to economic development and poverty alleviation. This subcomponent is to be implemented by the MTAT and will include a stream of sector-wide interventions that will strengthen the overall public action at the macro level as well as a program of targeted investments in destination development in the Petite Cote axis. This will involve financing (a) analytical, (b) market and product development, and (c) capacity-building activities.

9. The sector-wide level activities include (a) analytical and data collection activities, (b) TA to stimulate internal air traffic, and (c) institutional strengthening of the Ministry of Tourism.

Analytical and Data Collection Activities

10. These activities will reinforce the knowledge base of the sector and the implementation of a data collection system that will help guide M&E and future policy making.

11. The project will support the preparation of a Senegal Tourism Competitiveness Study containing a comprehensive inventory of existing products and a wide ranging market segmentation analysis to identify new markets, products, and price points. It should also contain (a) a review of the overall tax regime and operating environment for tourism businesses to identify any further regulatory or investment barriers, which may need reform; (b) an assessment of overall quality and standards issues with recommendations on building SMAFs; (c) an analysis on skills and human resource capabilities across the sector together with recommendations on building SMAFs; (d) a review of internal access and transportation links including the potential for internal air transportation; and (e) the opportunities for future product development that includes community-based groups, local producer associations, and linkages with related sectors such as agriculture.

12. The activity will also support the assessment of current resources and capacity for data collection and analysis in the MTAT, satellite institutions, and among private sector stakeholders (such as the associations). The project will then design and help implement a national collections and analysis capability in the MTAT. The project will provide required TA and equipment. This will form the basis for establishing an M&E system for tourism performance.

TA to the MTAT to Stimulate Internal Air Traffic

13. These activities will be based on the results of the Tourism Competiveness Study. Preliminary support may include the establishment of a PPD platform focused on expanding internal air, road, and maritime access to tourist destinations. The strong potential of some tourism destinations is indeed undermined by the difficult access to sites, despite the existence of nearby airports and aerodromes. The proposed platform should be convened with transportation authorities, tourism stakeholders, and international experts to provide best practices for targeted transportation investments and to demonstrate the economic benefits of air liberalization.

Institutional Strengthening of the MTAT and Capacity Building

14. The project will also support the institutional strengthening of the MTAT and affiliated agencies such as SAPCO and ASPT, and key tourism stakeholders. It will finance the development and implementation of a capacity-building plan for the ministry and support the reestablishment of an effective PPD mechanism to build greater trust within the sector, enhance investor confidence, and act as a platform to continually analyze and upgrade the sector.

15. The destination-level activities will focus on the Dakar and Petite Cote poles and will include market and product development, destination promotion, and capacity-building activities.

16. Market and product development activities will help build the competitive offer and maximize receipts per visitor within the framework of an Integrated Destination Development Plan.

17. The project will support the development and implementation of such plans for the Petite Cote axis. The plans will unveil the tourism potential of the zone, with specific measureable targets that maximize economic, social, and cultural benefits for visitors and residents and minimize negative impacts. The specific nature of the work required and the sequencing and prioritization will depend on several factors including the work of the competitiveness study, proper acknowledgement of potential safeguards issues, and ease of developing suitable infrastructure to support destination development. These plans should carefully review each region's tourism potential (tangible, intangible cultural assets, and so on) and identify tourist sites; determine the level of investments needed to conserve, manage, and enhance their touristic appeal; and suggest incentives packages for investors. They should exert great effort in identifying income-generating activities and jobs for local communities through increased linkages between coastal developments and communities and develop themed circuits and itineraries that also include ecotourism and community-based tourism attractions. The plans would finally include a marketing and branding strategy for each region. In particular, plans should include:

- Market assessments and positioning of each of the destinations and the products within them;
- Analysis of the policy and incentive framework and removal recommendations of site-level barriers to private sector investment;
- Assessment of the utility/service/core infrastructure mix and suitability;
- Assessment and recommendations for the institutional arrangements for destination management;
- Exploring public-private partnership opportunities in key product development zones, especially those areas slated for master plans, subject to the priorities established by the Government;
- Thorough review of existing or potential environmental and social safeguards issues associated with the zones to be developed and a clear set of recommendations to mitigate them; and

- Development of a targeted investment strategy and organization of a promotional campaign to attract investors once master plans and investor packages revised.

18. Destination promotion activities will aim at increasing demand for existing products and opening up new areas and products through

- The development and implementation of a marketing plan for Senegal, including the effective promotion of new integrated development areas, and regional cooperation in tourism and circuits development. This will be largely informed by the Competiveness Study and may also include specific segment or site marketing strategies, and the development of an online marketing portal. It is important to maintain a focus on business tourism as well as leisure;
- Support in operational areas including effective attendance at trade shows and negotiations with stakeholders such as airlines and wholesalers. This is focused specifically on the implementation of the marketing plan;
- Assistance to the MTAT to finalize a hotel quality classification system; and
- Assistance to relevant authorities to establish tourist services and information centers in tourist sites, town halls, and other strategic locations for visitors.

19. Building the capacity of major sector stakeholders in the destinations through TA in the following areas:

- Assistance for establishing effective, systematic tourism investment promotion activities within relevant institutions. This will include permanent representation in target foreign markets, investor missions, campaigns, content, and the development of an investor's web portal.
- Improving heritage protection and the interpretation of sites, considering intangible heritage and including cultural heritage and natural assets protection research.
- Support to the establishment and strengthening destination-level PPD mechanisms. This could include the establishment of Tourism Advisory Committees and destination management organizations to strengthen competitiveness and their ability to drive growth in the destination. These institutions will build on the experience and capacity of existing community-based service-providers or destination management entities such as the local *Syndicat d'initiative*, to act as effective destination management organizations and enhance capacity for analysis, advocacy, and contribution to product and market development, joint planning of marketing programs, and joint missions to prospective markets.

Subcomponent 1.2: Beach renovation, protection, and integrated coastal management (EUR 41.0 million - US\$43.0 million equivalent)

20. Global warming is anticipated to result in coastal sea-level rise in Senegal, of 20 cm by 2030 and 80 cm by 2080. The country's location—adjacent to the Atlantic Ocean—with its 700 km of coastline is subject to sea-level rise, marine submersion, risk of salinity, and increasing coastal erosion. Senegal's coastal zone is home to 60 percent of the population (around 7.8 million out of an estimated 13.5 million); to most of the urban areas; and to 80 percent of economic activities (horticulture production, seaside tourism, fishing, port activities, tertiary sector, and services).

21. Beach erosion is already a critical issue not only for the touristic resort of Saly with its beaches as its main attraction but also for other economic players operating in the tourism value chain. To mitigate

the threat of coastal erosion and its negative impact on Senegal's economy, the GoS has instituted the preparation and operationalization of an ICZM plan, which includes strategic measures for better coastal management, fight against coastal erosion, and resilience measures for economic investments at sectoral and spatial level.

22. Through the ICZM and the tourism sector resilience objectives, the protection of seaside tourism assets in Saly as the main Senegal tourism zone remains a priority not only to secure hotel investments, employment, and linked economic activities but also to restore Senegal as a competitive destination for new and existing investors in the tourism sector. The lack of an implemented coastal climate resilience strategy in the tourism sector is recognized by the Government to be one of the main constraints in the marketing of Senegal as an attractive tourism destination. The project seeks to address, among others, erosion impacts in Saly and to use the lessons to be learned to help address similar existing threats in the newly planned tourism zones of Pointe Sarène, Joal Finion, Basse Casamance, Saint-Louis, and the Saloum Delta, and so on.

23. The subcomponent will therefore help counter current erosion impact and focus on restoring the competitiveness and attractiveness of Saly and help restore economic opportunities in the economic catchment area. APIX will implement this component with the Ministries of Tourism and Environment as the main public sector beneficiaries and technical partners. The Ministry of Tourism will set up a beach renovation Technical Committee comprising members with the requisite qualifications and experiences, which will serve as the group to review all infrastructural and other technical work under this subcomponent.

24. Saly is mainly a beach resort covering some 7.5 km of shoreline and is located to the northwest of Mbour, just over a one-hour drive from Dakar, the capital city. The project site is mainly a beach resort, comprising beachfront hotels and residential areas. This shoreline is currently in strong regression: up to 6 m per year in the most exposed sectors. By 2080, 60 percent of the current beaches could disappear due to sea-level rise and extreme events.²¹ The beach erosion is aggravated by many small emergency protections built by the affected hotels, most of the time without prior suitable technical studies. To restore some of the affected beaches and preserve hotel activities and infrastructures, a range of restoration and protection solutions combining breakwaters, groins, and sand recharging has been identified by a World Bank TA Study conducted from 2011 to 2013. Further detailed technical studies were conducted to confirm the technical options.

25. The targeted area for the protection infrastructures was initially 4.3 km of this shoreline. However, given the potential negative impacts of the project in the downstream zone (500 m to 1 km after *Plage Cocotier*), additional mitigation measures consisting of protection infrastructure (breakwater and groin) and sand recharging will be considered to reduce the risks of erosion in the downstream zone of the affected Saly hotels. The analysis of Saly shoreline progression, swell, current, topo-bathymetry, hydro-sedimentology, and climate change impacts projection have led to the division of the initial intervention area into four sectors, for which optimal options for their protection and restoration are proposed in table 2.1. A fifth sector is now under consideration because of the potential negative impact of the project in the downstream zone (500 m to 1 km after *Plage des Cocotiers*). For this fifth sector partially settled by fishing communities, an additional mitigation measure that entails protection infrastructure for the Saly Niakh Niakh fishing village is required as part of the global solution as well as sand recharging to reduce the risks of erosion after the last installed protection infrastructure.

²¹ Source: World Bank. 2013. *The Economic and Spatial Study of the Vulnerability and Adaptation of Coastal Areas to Climate Change in Senegal, Synthesis report*. Washington, DC: World Bank.

26. The civil works for protecting and restoring the beach identified under the project will be implemented in two phases:

- Phase 1 will finance civil works for protection including 10 breakwaters and 5 groins for the Saly resort area and one additional protection infrastructure (breakwater/groin type) to protect the fisherman village of Saly Niakh Niakhal against potential negative impacts of the infrastructure to be installed in the Saly touristic zone. This phase will also finance additional detailed studies of a dredging option for beach sand recharging (geotechnical studies, exploitability of the pre-identified zones, environmental and social impacts assessment, and so on), and an M&E system of the impacts of the installed infrastructure and shoreline progression to optimize selected options for sand recharging activities and ‘mitigation measures for the downstream zone after the last installed protection infrastructure’. The detailed studies will include lessons learned from Phase 1 as well as the results of the M&E of the infrastructure impacts and shoreline progression and these lessons will be factored into the O&M budget line.
- Phase 2 will finance sea dredging and beach recharging for Sectors 1, 2, and 3 (the sand volumes needed are estimated at 500,000 m³) and mitigation measures for the downstream zone after the last installed protection infrastructure. The sea dredging for beach recharging activities will start only after the finalization of the related ESIA, which is satisfactory to the World Bank has been adopted and disclosed by the Government of Senegal (i.e. adoption of the ESIA is a withdrawal condition).

Table 2.1. Beaches Renovation Solution and Protection Option Recommended by the Detailed Technical Studies by Sector along the Saly Shoreline

Sector	Solution/Option of Protection	Optional Solution for Beaches Restoration (Sand Recharging m ³)
1 (<i>Plage cocotier - Espadon hotel</i>)	4 breakwaters and 3 groins	500,000 m ³ (optimal estimation)
2 (<i>Espadon Hotel - Epi Safari</i>)	6 breakwaters	
3 (<i>Epi Safari - Port du Lamentin</i>)	2 groins	
4 (<i>Port du Lamentin - Nord Lamentin Hotel's beach</i>)	None	None
5 Zone to be negatively affected by the project in the downstream zone of Saly hotels (solution for risks mitigation)	1 breakwater or groin (for <i>Saly Niakh Niakhal</i> fisherman village)	Mitigation measure for the downstream zone after the last installed protection infrastructure

27. Specifically, the subcomponent will finance (a) the design and implementation of erosion mitigation infrastructure options combining groins, breakwaters, and sand recharging to preserve hotel infrastructures and activities against rapid coastal erosion impacts; (b) design and implementation of an O&M system including mechanisms to monitor the impact of the infrastructure and shoreline progression; (c) social facilitation and communities engagement; and (d) development of an ICZM for Saly including a procedures manual, capacity-building program for the Saly administrator, and regulation framework for coastal management. The proposed Saly integrated coastal management mechanism will be developed in line with the existing national ICZM plan and principle.

28. The proposed infrastructures of protection are calibrated for 50- to 100-year storm returning period. The infrastructure's lifetime is estimated to be a minimum of 30 years with no substantial maintenance or required additional works. The project will hire ‘social facilitators’ (nongovernmental, consulting firms) to design and implement a communication strategy and communities’ engagement activities for better ownership of the project investments. This activity will strongly encourage women

participation and will aim to engage local residents, community groups, and hotel owners and management in project-supported protection measures and response to the reduction of coastal erosion impacts.

29. The project will ensure that the funded investments will be cost-effective and managed adequately by a designated entity. It will include the following activities: (a) a consultancy for the design of an institutional and financial mechanism for the infrastructures of protection and restored beaches O&M; (b) support for the functioning of the agreed O&M, including capacity-building program for the targeted entity responsible for the O&M; and (c) financial allocation for the O&M system for the two first years after the finalization of the civil works to ensure the transition period until the functioning of Government O&M.

30. The infrastructure built for the protection of this beach will not need additional works (for maintenance purposes) for at least 20 to 30 years.

Figure 2.1. Subdivision of the Intervention Area in 4 Sectors



Source: EGIS

Figure 2.2. Overview of the Saly Littoral from Hotel Teranga to Plage des Cocotiers (Sectors 1 and 2)



Source: EGIS

Figure 2.3. Overview of the Saly littoral from Lamentin beach hotel to Hotel Teranga (Sectors 3 and 4)



Source: EGIS

31. Lessons from this destination development and management experience will be drawn to inform future developments in the remaining tourism poles identified in the PSE and the National Tourism Strategy.²²

Component 2: Supporting enterprise creation and growth (EUR 18.4 million - US\$19.5 million equivalent)

32. The objective of this component is to help Senegalese firms increase and diversify their revenues by alleviating an important access to finance and market access constraint that impedes them from increasing their exports and diversifying their markets. This is to be done through (a) financing the establishment of an export matching grant window accessible to existing firms operating in Senegal, which is a market-friendly way of delivering private sector support in the form of specialized ‘internationalization services’ under a one-off public support; and (b) a BPC to help sustain the creation of new firms and development of recently formed enterprises with growth potential.

Subcomponent 2.1: The Senegal Market Access Facility: financing export development and services for Senegalese private firms (EUR 5.7 million - US\$6.00 million equivalent).

33. The objective of the SMAF window is to support the development of exports of private enterprises and to grow the number of exporters in Senegal. To ensure sustainability of the support, the fund will also aim to reinforce the competencies/skills of professional organizations and consultants so they can provide quality advisory services to Senegal’s exporters.

34. The SMAF will be a window within ADEPME’s enterprise development matching grant program that will support Senegalese firms through co-financings for up to 100 individual firms and for 10 professional associations (partnership/consortiums) for the preparation/planning and implementation of export development services. The fund will align its interventions with the Government’s export orientation as laid out in STRADEX²³ for greater diversification, for reinforcing the export potential of Senegalese products/services, and for increasing access in existing and non-traditional markets. As a result, the fund will contribute to improve the capacity of Senegalese exporters to better integrate with

²² The PSE mentions the important potential that needs to be developed in Pointe Sarène and Joal Finio (on the Petite Cote), among others.

²³ STRADEX is the country’s export strategy, issued in 2003 and updated in 2011.

international markets and global value chains and increase exports. All firms exporting goods and services, indirectly or directly, can participate in the program.

35. The SMAF is designed in complementarity with existing similar initiatives. First, it will be located in ADEPME, which currently operates a matching grant fund which has broader objectives than export promotion and aims at improving the competitiveness of enterprises operating in Senegal. It currently has limited resources to both serve the goals of supporting domestic enterprise growth and export growth. This matching grant currently finances services that aim at (a) improving firm management, (b) developing new products and markets, (c) facilitating technological transfer and innovation adoption, and (d) facilitating access to finance. To ensure the complementarity between both funds and upcoming initiatives that will be piloted by ADEPME but funded by other donors, proceeds from the IDA credit will specifically finance the grants and operations of the export-oriented SMAF window, which will be, as much as possible, fully integrated in the umbrella matching grant program of ADEPME. The existing operational manual of ADEPME's umbrella matching grant program has been amended to clearly lay out the specifics of the World Bank-financed SMAF window, including World Bank-approved disbursement and management arrangements, as well as complementarities with the other windows. A clear distinction has been made between the activities that are supported by the different windows, and a unified M&E will ensure that firms are not getting duplicated support across the different windows.

36. There are no significant overlaps anticipated with other existing matching grants programs. The Enterprise Upgrading Program supported by the French Development Agency (*Agence Française de Développement, AFD*) and the United Nations Industrial Development Organization and implemented by the *Bureau de Mise à Niveau* support equipment and services investments, but it has been mostly supporting larger and more structured enterprises. The *Projet de Développement Inclusif et Durable de l'Agrobusiness au Senegal* (PDIDAS) supported by the World Bank offers matching grant to small agricultural enterprises to establish irrigation systems.

37. The matching grant will be based on a risk-sharing scheme where firms will provide 50 percent of the financing required for export development services, associations will provide 30 percent, while the fund is to provide the remaining 50 percent and 70 percent, respectively. It will be a demand-driven scheme based on a first-come-first-served principle. The co-financing under this fund will originate from the proceeds from the World Bank credit allocated to this component: US\$6 million over a five-year period. The fund will be hosted by ADEPME. It will be managed by a team of international/national experts with proven experience in export development services. In most cases, the assistance will consist of working alongside beneficiary firms during the course of preparing and implementing an export plan for a period not to exceed 24 months.

38. Lessons from previous projects—notably Tunisia Export Market Access Fund (EMAF I and EMAF II), Cambodia, Mauritius, and other export matching grants—show the existence of common design and incentive features that can ensure proper management and operational efficiency. The SMAF will be inspired by some of these while at the same time introducing required adjustments to provide the tailored services that Senegalese firms need. Features below ensured smooth management and operational efficiency of past operations and will be included in the SMAF:

- Autonomy of the fund and operation by a team of private consultants and public servants
- Efficiency and timeliness in processing application, procurement, and payments
- Necessity to distinguish and track positive effects on firms to increase additionally and impact instead of picking winners
- Ability to find fast growing geographical and product oriented niches

- Dissemination of knowledge and expertise to improve professional export and trade organizations and improve expertise among selected value chains

Operational and Institutional Features

39. **Public-private partnership.** The principle of a public-private partnership whereby the fund is hosted under the tutelage of a public agency but operated by an autonomous group of private experts and public servants has proven effective and will be applied in the present case (see Tunisia EMAF I and II ICRs). To maximize its operational effectiveness, the matching grant fund will remain financially and operationally autonomous. A team of private consultants of local/international trade specialists and public servants with combined substantial experience in export development, export market requirements, local business experience, and management of matching grants will work together to maximize synergies. In turn, this partnership will also contribute to start local market-based consulting able to provide the required services.

40. **Activities of the SMAF.** The SMAF will finance marketing or commercial activities aimed at developing exports outside the channels already being used by the enterprise. The matching grant's support will not limit itself to providing grants but will also endeavor to support enterprises in combining/refining their export plans and building the capacity of local consultants and professional associations. In most cases, assistance will consist of working alongside beneficiary firms during the course of preparing and implementing an export development plan. More specifically, services will consist of the following:

- Market and product research on new export market, dissemination of information related to product certification and standards
- Promotional and marketing activities to position firms on new potential or existing markets
- Support to firms seeking specific accreditation and certifications for export and assistance to comply with international norms and standards
- Programs linking vendors and suppliers, buyers, and buying chains
- Provision of specific training and seminars on firm development and industry-level development
- Assistance to development of e-commerce, and e-learning modules for export managers inside firms
- Support to the SMAF in the internal supply/logistical chain of the firms for growth and expansion

41. Specific additional activities will complement the action of the SMAF to leverage the direct assistance provided to firms and should include the following: (a) initiatives to support high-growth sectors by building up capacity through training and seminars and organic certification training; (b) promotion and marketing of the matching grant through various promotional activities (communications campaigns); (c) support export related knowledge - training and mentoring of export consultant by specialized practitioners; (d) in-country marketing of the SMAF, exploration activities to find potential niches at the regional levels; and (e) promotional activities of the 'Origine Senegal' label.

42. **Eligibility criteria and operational details.** Two types of entities will be supported by the SMAF. First, the classical SME and second, grouping of firms or associations of entrepreneurs. Indeed, despite having viable and exportable product/service, small firms often cannot meet basic financing or technical criteria to access and pay for export related services. By coming together through commercial

associations (for example, Economic Interest Groups in Senegal), smaller and micro firms can benefit from using one set of services or more. Companies from the same sector will be able to come together to achieve economies of scale—that is, to prepare common export plans—and/or cost share in purchasing export services.

43. To better match the firms' needs, SMAF support will be adjusted by types of firms by classifying firms into three categories: domestic firms (with 0–10 percent of their yearly turnover coming from exports), exporters (with 11–50 percent of their yearly turnover coming from exports), and confirmed exporters (with more than 50 percent of their yearly turnover coming from exports). Eligibility criteria and benefits from SMAF will be adjusted as shown in Table 2.2 which is based on discussions with institutions involved in private sector development, mainly ADEPME, APIX, ASEPEX, and private sector associations). For example, while a new exporting handicraft firm will be required to provide one year of accounts, a confirmed exporting manufacturer will be required to provide two years of accounts and to have a yearly turnover of CFAF 250 million (about US\$440,000). The matching grant will not support the following entities: state-owned enterprises, professional organizations that do not support their members in the development of their exports, and large enterprises (with more than CFAF 1 billion [approximately US\$1.6 million]). In fact, it is assumed that large firms have better access to existing matching grants such as the *Bureau de Mise à Niveau*. In addition, the *Fonds d'Accès aux Marchés d'Exportation* (FAMEX) experience in Tunisia suggested that export promotion matching grants schemes have had a greater impact when it comes to helping medium-size companies that are fairly well structured, to take the plunge and start export operations. It is not clear whether the financing of large companies creates the additionality effects that are sought in these programs, even if they have a strong potential to export.²⁴

44. With the caveats noted above, although all SMEs exporting goods and services (indirectly or directly) will be allowed to participate in the program, including those in agro-industries, manufacturing (including artisans), and services (including tourism and ICT), the matching grant will feature services specific to certain sectors. Sectors with high growth potential such as tourism and horticulture will each have a reserved quota of 15 percent of applications. Lessons learned from international experience indicate that building and demonstrating specific sector expertise early on is key for a successful matching grant launch, as targeting sectors with built-in acquired expertise and growth potential can translate into more impact than generic non-sector-specific services. In turn, this can serve to build credibility for the fund as word about the functioning and value added provided by the fund's services circulate among the business community.

45. A scheme based on cost and risk sharing will reduce the perceived risk associated with matching grant reimbursement schemes. In the case of the SMAF, the matching grant will commit funds jointly with the firm on the basis of a real risk and cost-sharing principle whereby the fund will pay for the export services directly to a service provider once the firm demonstrates its commitment to disbursing its share of the disburseable proceeds. This simultaneous joint financing scheme will send strong signals that the fund's MT is committed to engage in joint risk and reward. It will also convey the message that it is a true cost and risk-sharing scheme and will incentivize both the beneficiary firms and the fund's MT to work closely.

46. **SMAF management.** The SMAF will be executed under the overall supervision of a DC, and will be executed by an SMAF MT consisting of local and internationally experienced experts in matching grant management. The DC should be headed by the Head of ADEPME and will be composed of representatives from the MC, MEFP, MTAT, APIX, ASEPEX, the private sector and sector associations.

²⁴ Cadot, Olivier, Ana M. Fernandes, Julien Gourdon, and Aaditya Mattoo. 2012. "Are the Benefits of Export Support Durable? Evidence from Tunisia". World Bank Policy Research Paper.

It will ensure (a) proper execution of the SMAF according to its operational manual; (b) approve grant requests and the annual work program submitted by the MT; and (c) submit annual activity and financial status reports to ADEPMEs Board of Directors, MC, MEFP, and the World Bank. The MT will mainly be responsible for program promotion; support to enterprises and professional associations in the preparation of export plans, appraisal, and recommendations for approval of export plan; supervision and monitoring of the results of such plans; and the contracting of independent evaluations of plans. A key requirement for the MT will be to reduce constraints and delays associated with institutional/bureaucratic hurdles and ensure swift disbursements.

47. **Financing of operations and monitoring.** In addition to the joint financing allocated to eligible firms, proceeds from the World Bank credit will finance the day-to-day operations of the fund MT, the acquisition of material and equipment related to the operation of the MT (acquisition of hardware and technical support). In addition, resources will be allocated to ensure adequate M&E of the fund's performance such that the following qualitative and quantitative parameters will be monitored and tracked for each beneficiary: (a) total exports generated; (b) status (new, confirmed or established exporters); (c) exports markets and products (new, existing); (d) eventual organizational and managerial changes at the firm level; (e) delays for approval or rejection decisions on applications; and (f) follow-up of procedures from the operational manual (annual reports, audits, and other procedural requirements).

Subcomponent 2.2: Business plan competition (EUR 9.4 million - US\$10.0 million equivalent)

48. Despite the awareness creation and the various measures established to ease business creation (APIX OSS) and well documented in DB reports, enterprise creation in Senegal is still very low compared to what is seen in the region. BPCs are merit-based schemes that seek to stimulate business creation by acting as pilots to support high-potential entrepreneurs through the alleviation of two major constraints—seed capital/access to finance and skills—faced by entrepreneurs. Access to finance is indeed a critical challenge faced by Senegalese enterprises as shown by the results from various enterprise surveys. It is also critically important for businesses owned by young people and for start-ups—largely because of their lack of collateral to secure funding from credit institutions and perceived high level of risk. Early support to enterprises through business development services and capital can result in the emergence of strong new firms producing new goods, leading to product diversification and, potentially, export diversification. In addition to the direct benefits provided to high potential entrepreneurs, large positive spillovers are expected to accrue to the wider group of potential entrepreneurs, in encouragement, motivation, and knowledge about the existing support framework for enterprise development.

49. This component aims to foster the creation of new Senegalese firms that can operate on the domestic market but can also export, either initially or within one to two years of their creation. The project will finance the (a) organization of a BPC aimed at assisting entrepreneurs in launching new businesses with export potential, and (b) a one-time grant provided to winners. Implementation will involve (a) organizing an information campaign to raise awareness and invite proposals for new business ideas, (b) selecting the most promising business concepts, (c) providing them with support in the drafting of business plans and required training in the areas of business planning and entrepreneurship, (d) selecting winners, (e) providing seed capital (one-time equity) ranging between US\$5,000 and US\$50,000 for up to 200 of them,²⁵ and (f) providing technical advice and mentoring to awardees to launch their business.

Process

²⁵ This will be disbursed in installments over an 18-month period through a banking institution.

50. The project will support the organization of an annual BPC (at least four editions over the course of the project). Given the low rates of women participation in such competitions, one to two competitions will only be open to women. In addition, additional communication efforts and outreach activities will be undertaken to ensure a strong participation of women entrepreneurs.

51. The BPC will follow a multiple stage-process, ending with a final selection of up to 200 awardees per competition distributed equitably across the country. The broad steps of the process, based on the successful YOU-Win competition in Nigeria, are as follows:

- (a) **First-stage application (Target 3,000 candidates).** To be eligible for the program, applicants will have to be Senegalese citizens, ages 40 or younger, proposing the creation of a new business venture that includes export activities. The business will have to be located in Senegal and must employ Senegalese persons and must not involve the production or distribution of weapons, alcohol, tobacco, or gambling. Applicants will be required to register online. The application should include basic personal information, proof of age and nationality, the proposed location of the business, along with the following information for all applicants:
 - (i) A statement as to why they want to be an entrepreneur, how they derived their business idea, and why they will succeed
 - (ii) A description of their business idea, what their market will be, why people will buy their products, why will they export and where, who their competition is, how the business will make money, and the risks foreseen and how they will overcome them
 - (iii) Additional information such as the key steps needed to start their business, a description of their qualifications and experience, and how much money they need
- (b) **Application scoring.** Names and other identifying information will be removed before scoring to ensure impartiality. Marks should be given for the quality and viability of the business idea, the amount of exports and job creation likely, the abilities and market understanding of the applicant, and the passion and commitment displayed in the application, and the likelihood of the proposed business succeeding.
- (c) **Business plan training (expected 1,500 trainees/cycle).** Candidates selected previously will benefit from 4–5 days of business training. Candidates who will not attend training will not be eligible to submit a business plan. The aim is to provide basic tools and techniques to help both in writing a business plan and in running a business. The course should cover:
 - (i) The different sections of what should go into a business plan and what sort of things funders would look for in each section;
 - (ii) How to find out more about the competition and competitive environment;
 - (iii) How to find out more on export markets and key requirements to access them;
 - (iv) Understanding your competitors and how you can differentiate yourself;
 - (v) Business plan financials (compiling a balance sheet, cash flow forecast, and profit and loss forecast; financial planning, and break-even analysis);
 - (vi) Legal and regulatory matters: different forms of legal registration and how/where to register, different forms of business (*Société Anonyme*, *Société A Responsabilité Limitée*, individual firm), taxation obligations;
 - (vii) Introduction to marketing strategy—creating a marketing plan, different strategies for selling, marketing research, and market segmentation;

- (viii) How to establishing an online presence and engage with customers through social media;
 - (ix) Presentation skills and developing a funding pitch and sales pitch;
 - (x) Strategies for growth—the role of horizontal and vertical integration, of product diversification, and of strategic alliances; and
 - (xi) A quick introduction to the International Finance Corporation-developed SME toolkit available online (all participants will be given a CD copy of this)
- (d) **Business plan submission and business plan scoring (expected submission of 750 to 1,000 plans per competition).** Applicants who attended the training will then have to submit their business plan. This business plan will require much more detail than the first round application and will require applicants to effectively use their training. It will require information on the business profile, including the product, its customer base, pricing, the experience and qualifications of the owner, a detailed description of physical capital, premises, form of business organization, cash flow and projected income statements for the first year, exports, employment, financing strategy including other sources of capital, eventual use of e-commerce, and marketing plans.
- The business plans will then be scored. Criteria should focus on the market, exports, management skills, and business experience, articulating the risks and financing needs of the business and cash flow prospects.
- (e) **Selection of winners.** A selection committee will then define a final set of up to 150 winners.
- (f) **Quality checking of winners and finalization of winners (up to 150 winners).** Following a selection of provisional winners in the previous step, an independent firm will review all winning business plans to validate whether the award amount requested for was reasonable given the proposal and to propose business milestones and targets, along with a disbursement schedule.
- (g) **Award ceremony.** This should be televised and available on the Internet too. It will be held in the presence of the Minister of Commerce, Head of ADEPME, and representatives of the World Bank and International Finance Corporation.

52. A local university with a wide network of enterprise development centers or equivalent establishments will be selected to conduct the screening of business concepts, training of first stage winners, and receipt and screening of business plans.

53. The final awards will be between CFAF 2.8 million (US\$5,000) and CFAF 28.7 million (US\$50,000)—depending on specific business needs of winning enterprises. The competition will be launched simultaneously across Senegal to enable youth in all regions to participate. Awardees will receive their grant funds in tranches and will also be supported through a robust monitoring program which incorporates provision of specialized aftercare services and periodic visits from the implementing agency and a recognized business school.

Implementation

54. ADEPME, will be taking the overall lead in the planning and execution of this sub-component, through a competitively selected dedicated program secretariat. ADEPME is actively seeking to develop synergies with other organizations in charge of entrepreneurship promotion in Senegal.

55. The BPC is designed to scale up smaller business competitions that were run by ADEPME previously. It will also complement existing initiatives aimed at promoting entrepreneurship in Senegal. It will work closely with organizations supporting ICT entrepreneurs. In addition, ADEPME has signed a partnership with *Agence Nationale pour la Promotion de l'Emploi des Jeunes* (Youth Employment Promotion Agency [ANPEJ] located under the Ministry of Youth, Employment and Civic Values Promotion, whereby ANPEJ has committed to provide an annual contribution of CFAF 50.0 million (US\$83,000) for BPC grant awards). ADEPME also has a SME certification program (*Programme de Labellisation des PME*) similar to investment readiness training that aims to support SMEs to better present their accounts and prepare applications for bank financing, which is a scale-up of complementarity with existing initiatives.

Subcomponent 2.3: Improving the business environment (EUR 3.3 million - US\$3.50 million equivalent)

56. Although investment climate reforms have recently gained momentum, with Senegal attaining the status of ‘top global reformer’ in DB2015, the country is still ranked 161 out of 189 countries. Hence, the business environment is still severely constrained. Further, many services offered to firms are accessible only in Dakar, thereby creating disparities. The objective of this component is to improve the provision of government-to-business services in the regions with a view toward firms’ growth, facilitating the use of export procedures and establishing infrastructure to facilitate access to finance.

57. Therefore, this component will support the development of regional OSSs (also referred to as *Plateformes de l'Investissement*), whereby APIX as the leading organization—in coordination with other agencies/ministries such as ASEPEX, ADEPME, the Ministry of Justice, local municipalities, and other entities—will offer streamlined administrative services to businesses in the regions, namely Saly in the Center Region (the area of intervention of the second component of the project), Ziguinchor in the Southern Region, and Saint-Louis in the Northern Region.

58. In each location, appropriate buildings with good Internet connection are being identified by APIX and will be made available for the project.

59. Such coordinated administrative support within the regional OSS should (a) help simplify administrative procedures (for example, tax/social security/company registrations, building-permits); (b) help improve administrative services offered to Senegalese exporters (authorizations, exporter/importer cards); and (c) facilitate access to credit for SMEs by means of computerizing the existing Dakar-based Organisation for the Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires*, OHADA) commercial/moveable property collateral registry (that is, *Registre du Commerce et du Credit Mobilier*) at each *Plateforme de l'Investissement*.

60. The component will specifically finance the following: (a) relevant analytical work to ensure OSSs offer services appropriate for their geographic area and mission; (b) required capacity-building activities for APIX and relevant institutions (MC, ASEPEX, and the Ministry of Justice), both in Dakar and in the regions, to ensure needed skills are available for the OSS; (c) the purchase of required IT/office equipment and the computerization of the three regional offices so that they can be connected to the APIX headquarters in Dakar and the development of a common IT interface; and (d) the computerization of the OHADA RCCM commercial/collateral registry at each regional OSS.²⁶

²⁶ Well-functioning financial markets can contribute to sustainable growth, economic diversification, and investment, because they typically provide an efficient mechanism for evaluating economic and financial risks and returns and managing risk allocation. Financial infrastructure is an essential part of all financial systems. The quality

Table 2.2. Basics on the SMAF

	Domestic Firms (0–10% of yearly turnover coming from exports)	Exporters (11–50% of yearly turnover coming from exports)	Confirmed Exporters (more than 50% of yearly turnover coming from exports)	Associations (ex. Economic Interest Groups)
Main need	<ul style="list-style-type: none"> • Access new markets • Structure and sustain export activities • Develop capacity as exporters 	Sustain and/or increase exports in new and/or existing markets	<ul style="list-style-type: none"> • Sustain and/or increase exports in new and/or existing markets • Support firm's capacity to access global markets and eventual participation in global value chains 	<ul style="list-style-type: none"> • Access new markets • Structure and sustain export activities • Develop capacity as exporters
Export Services (examples)	<ul style="list-style-type: none"> • Products and markets: Building firms' export readiness with support design and orientation of products and services - market development • Management/capacity building: Trainings and technical support • Provide research on quality standard/product compliance/phytosanitary labeling/packaging 	<ul style="list-style-type: none"> • Products and markets: Product support and market development - selecting target markets and products • Promotion and marketing: Provides direct TA to firms on product labeling - and meeting quality standard and national and international norms • Promotion through trade fairs and linking/identifying buyers/suppliers 	<ul style="list-style-type: none"> • Products and markets: Help firms establish activities in foreign markets including implementation and internalization • Promotion marketing: Improving processes and management - production capacity and technological know-how • Improving product quality 	<ul style="list-style-type: none"> • Products and markets: Building firms' export readiness with support design and orientation of products and services - market development; • Management/capacity building: Trainings, technical support • Provide research on quality standard/product compliance/phytosanitary labeling/packaging
Maximum grant amount	CFAF 25 million (approximately US\$44 000)	CFAF 50 million (approximately US\$88,000)	CFAF 100 million (approximately US\$176,000)	CFAF 25 million (approximately US\$44,000)
Subsidy ratio (%)	50	50	50	70
Implementation	1 to 2 years	1 to 2 years	1 to 2 years	1 to 2 years
Multiple Export Plans	Yes, if disbursement on initial plan is above 50% and there is a new export plan for new market and/or product	Yes, if disbursement on initial plan is above 50% and there is a new export plan for new market and/or product	Yes, if disbursement on initial plan above 50% and there is a new export plan for new market and/or product	Yes, if disbursement on initial plan above 50% and there is a new export plan for new market and/or product

	Domestic Firms (0–10% of yearly turnover coming from exports)	Exporters (11–50% of yearly turnover coming from exports)	Confirmed Exporters (more than 50% of yearly turnover coming from exports)	Associations (ex. Economic Interest Groups)
Eligibility criteria	First-come-first-served <i>Manufacturing</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 75 million <i>Services</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 50 million <i>Handicraft</i> <ul style="list-style-type: none"> 1 year of accounts 	First-come-first-served <i>Manufacturing</i> <ul style="list-style-type: none"> 2 years of accounts Maximum turnover: CFAF 150 million <i>Services</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 50 million 	First-come-first-served <i>Manufacturing</i> <ul style="list-style-type: none"> 2 years of accounts Maximum turnover: CFAF 250 million <i>Services</i> <ul style="list-style-type: none"> 2 years of accounts Maximum turnover: CFAF 80 million 	First-come-first-served <i>Manufacturing</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 80 million <i>Services</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 30 million <i>Handicraft</i> <ul style="list-style-type: none"> 1 year of accounts Maximum turnover: CFAF 30 million
Sectors	15% tourism/15% horticulture/70% other	15% tourism/15% horticulture/70% other	15% tourism/15% horticulture/70% other	15% tourism/15% horticulture/70% other

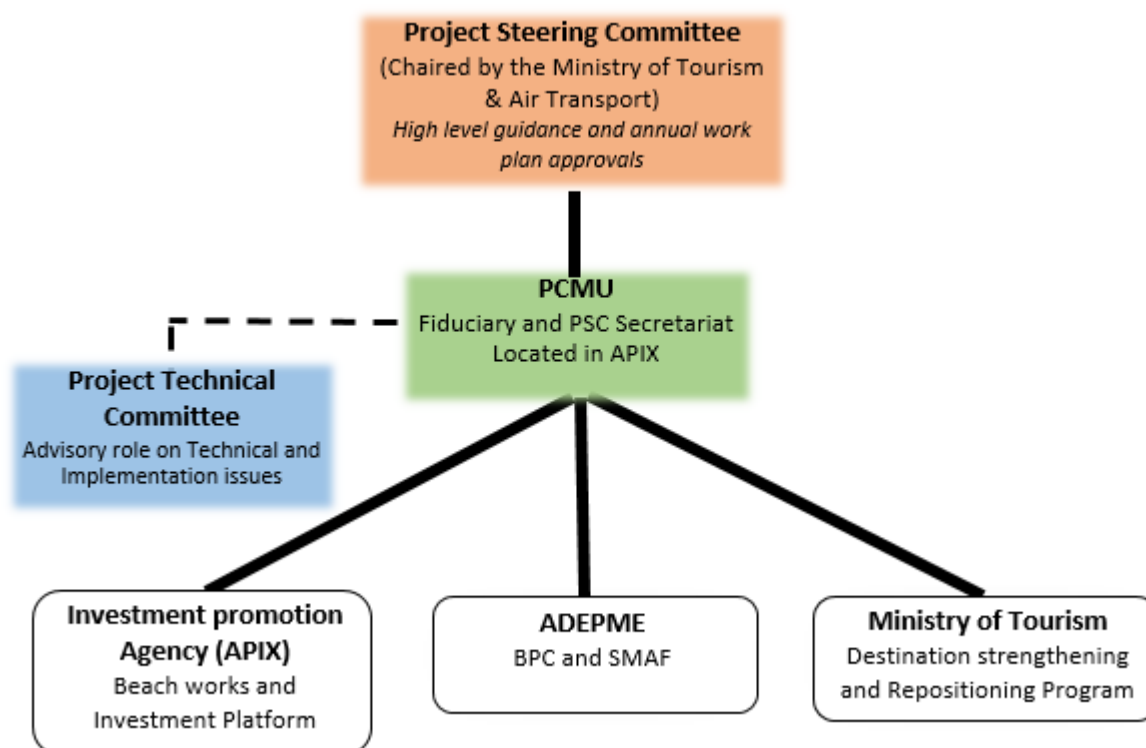
Annex 3: Implementation Arrangements

Republic of Senegal: Senegal Tourism and Enterprise Development

Project Institutional and Implementation Arrangements

1. The project will be implemented over a period of five years. The implementing institutions will be ADEPME, the MTAT, and APIX. Project completion is expected on June 30, 2022. An MTR will be carried out by June 2019.
2. Given the multi-ministry and agency nature of the project, high-level support is required to ensure consistency of interventions, remove occasional blockages, and assure continued resonance of project objectives with client's development objectives. This implies (a) establishing and operationalizing a fully functioning high-level PSC with agreed terms of reference to, among others, provide strategic advice and oversee project progress; (b) setting up and providing required support to assure a functioning PCMU at APIX; (c) ensuring proper management of the SMAF and BPC; (d) clearance of the annual work program; and (e) ensuring legal and proper structures are in place to assure that all the World Bank Group safeguards rules are strictly adhered to.
3. As illustrated in figure 3.1, the Ministry of Tourism will serve as the project executing agency and will have overall responsibility for project management.

Figure 3.1. Project Management Structure



4. **PSC.** The project will operate under the guidance of a high-level PSC chaired by the Minister of Tourism and Air Transport (or his representative) which will include representatives from the MEFP, MTAT, APIX, and private sector organizations. The PSC will meet at least twice a year. The PSC will

facilitate project execution by providing in-time policy and strategic guidance and also ensure elimination of blockages as a result of official bureaucracy that negatively affect project implementation.

5. **PCMU.** The overall responsibility for project execution will be delegated to a PCMU to be set up within the APIX premises under the direct supervision of a designated project coordinator. It will be in charge of coordinating and monitoring implementation of the project in accordance with the Project Implementation Plan. The PCMU will be headed by an experienced project coordinator and have administrative structures, processes, and staffing, allowing an efficient administration of the project. While the PCMU will be a light structure (including a procurement expert, a public relations specialist, and a finance/accounting expert) without final decision-making responsibility with respect to project activities, it will be required to engage just-in-time technical advisers to support implementing agencies identified as lacking the requisite capacity. The parties directly involved in the project (ADEPME, the MTAT, APIX - Investment Climate Unit, and the beach restoration team) will be individually responsible for decisions that affect their own respective components, that is, they will have primary responsibility for their component's or subcomponent's implementation. The implementing parties should have the relevant capacity to oversee their respective components. Project resources will be used to provide specialized advisory services as needed to support the optimal and timely implementation of their components. The PCMU will be provided project coordination resources and will be responsible for the preparation of monitoring reports and other documents required by the World Bank. It will ensure that budgetary, procurement, disbursement, accounting, auditing, and reporting arrangements are carried out in accordance with agreed procedures. The PCMU will serve as the Secretariat to the PSC and will also be in charge of (a) organizing the PSC meetings, (b) providing all necessary information on project performance and monitoring to the PSC and the World Bank Group, and (c) developing and implementing the overall project communication policy.

6. **Project Technical Committee.** The project will also establish and operate a Technical Committee that will ensure the resolution of technical and implementation challenges on a regular basis (at least every other month during the first year of project implementation, with frequency of meetings subject to revision in subsequent years). This committee will comprise representatives from implementing agencies and key state actors with the requisite qualification and experience to contribute to technical reviews. The Director General of ADEPME or his representative will serve as chairperson of the Technical Committee.

7. A PIM will be drafted by the PCMU, with input from all implementing agencies and in consultation with the World Bank Group. This manual will provide (a) detailed descriptions of the roles and responsibilities of all implementing agencies, the Project Coordination Unit and the PSC; (b) the institutional and operational guidelines for each component/subcomponent of the project, including procedures manuals for the BPC and the matching grant; (c) thresholds for grant approvals; and (d) a detailed project performance framework.

8. **SMAF and BPC management.** The SMAF matching grant and the BPC will be executed under the overall supervision of a DC set up within ADEPME. Each financing mechanism should be executed by an MT consisting of local and internationally experienced experts. The DC should be headed by the Head of ADEPME and would be composed of representatives from the MC, MEFP, MTAT, APIX, ASEPEX, the private sector, and sector associations. It would ensure (a) proper execution of the SMAF and BPC according to their operational manuals, (b) approve SMAF grant requests, BPC winners, and the annual work program submitted by the MT, and (c) submit annual activity and financial status reports to ADEPME's Board of Directors, the MC, MEFP, and the World Bank.

9. The SMAF MT will mainly be responsible for program promotion, support to enterprises and professional associations in the preparation of export plans, appraisal, and recommendations for approval

of export plans, supervision and monitoring of the results of such plans, and the contracting of independent evaluations of plans. A key requirement will be to reduce constraints/delays from institutional/bureaucratic hurdles and ensure swift disbursements.

10. The BPC MT will mainly be responsible for program promotion, selection of enterprises, monitoring of the provision of support, supervision, and monitoring of the results of the BPC, and the contracting of independent evaluations of plans.

Financial Management and Disbursement Arrangements

11. The following are the FM arrangements for the project:

Internal Control and Internal Auditing Arrangements

(a) Internal Control Arrangements

12. The existing Manual of Administrative Financial and Accounting Procedures is adequate, and it (a) clearly defines FM procedures; (b) gives a clear description of operations documentation; (c) provides a clear description of the internal control systems that will be used by the project; and (d) maintains an appropriate safeguard of the assets and funds. However, it should be updated to (i) clarify roles and responsibilities of all stakeholders particularly for ADEPME and the MTAT and (ii) give clear description of budget monitoring and reporting process.

(b) Internal Auditing Arrangements

13. An internal auditor with qualification and experience satisfactory to the World Bank should be recruited. Currently, the position is vacant and needs to be filled.

Accounting Arrangements

14. The PCMU has a multiprojects computerized accounting system which is adequate to take into account these additional activities. The current accounting standards in use in Senegal for ongoing World Bank-financed projects will be applicable. *Le Système Comptable Ouest Africain* (SYSCOA) is the assigned accounting system in West African Francophone countries. Project accounts will be maintained on an accrual basis, supported with appropriate records and procedures to track commitments and safeguard assets. Annual financial statements will be prepared by APIX in compliance with SYSCOA standards.

Budgeting Arrangements

15. APIX will prepare an annual budget based on the agreed annual work program and the annual Procurement Plan. The budget will be adopted by the PSC before the beginning of the year and its execution will be monitored on a quarterly basis. Annual draft budgets will be submitted to the World Bank's 'no-objection' before adoption and implementation, no later than November 30 every year. Periodic reports of budget monitoring and variance analysis will be prepared by the FM team.

Financial Reporting Arrangements

16. APIX will prepare quarterly Interim Financial Reports (IFRs) for the project in form and content satisfactory to the World Bank. These IFRs will be submitted to the World Bank within 45 days after the end of the quarter to which they relate. APIX prepared and agreed with the World Bank on the format of

the IFRs during negotiations. APIX will also prepare the project's financial statements in compliance with SYSCOA and World Bank requirements.

External Auditing Arrangements

17. The Financing Agreement will require the submission of audited financial statements for the project to IDA within six months after the end of each fiscal year end. The audit report should reflect all the activities of the project. An external auditor with qualifications satisfactory to the World Bank will be appointed to conduct annual audits of the project financial statements.

18. Table 3.1 summarizes the auditing requirements.

Table 3.1. Summary of Auditing Requirements

Entity	Audit Report	Due Date
APIX	<ul style="list-style-type: none"> Financial statements (including reconciliation of the Designated Accounts (DAs) with appropriate notes and disclosures) Management Letter 	Annual, by June 30. 2017- 2023
PROJECT	<ul style="list-style-type: none"> Financial statements (including reconciliation of the DAs with appropriate notes and disclosures) Management Letter 	Annual, by June 30. 2017- 2023

Flow of Funds and Disbursement and Banking Arrangements

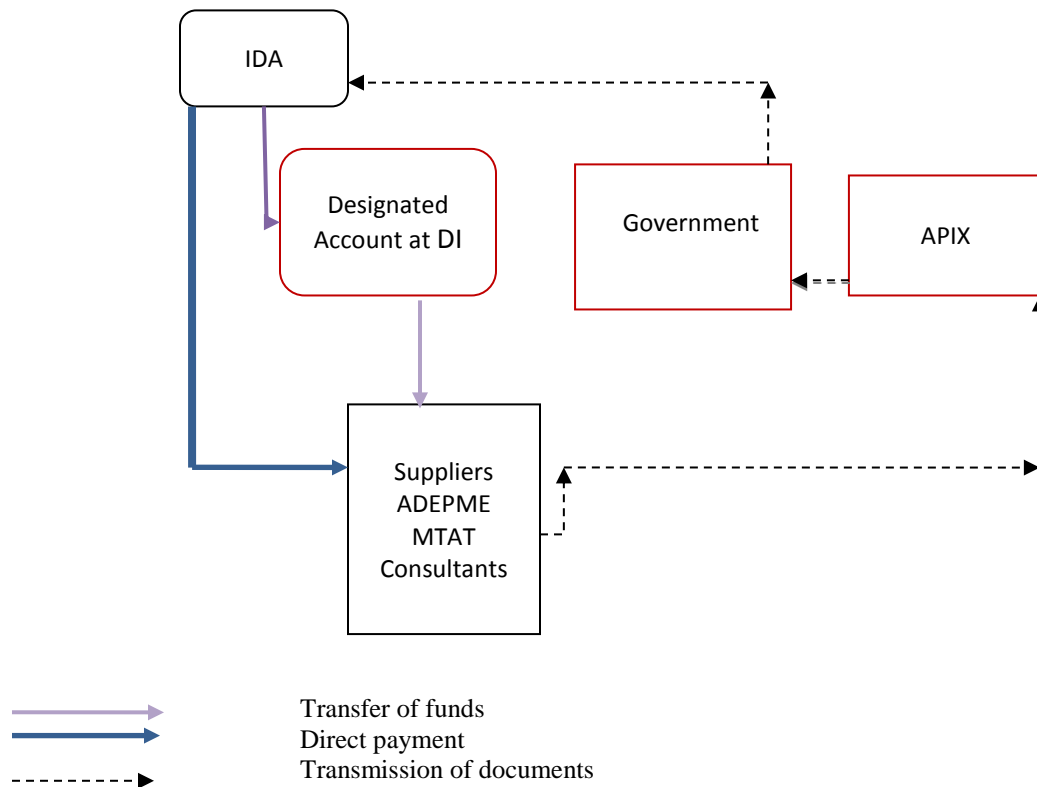
(a) Disbursement Arrangements

19. The following disbursement methods may be used under the project: reimbursement, advance, direct payment, and special commitment as specified in the Disbursement Letter and in compliance with the World Bank Disbursement Guidelines for Projects, dated February 1, 2017. Disbursements will be transactions-based, whereas withdrawal applications will be supported with statements of expenditures. A DA will be opened in a commercial bank acceptable to the Association to facilitate payment for eligible expenditures. The DA will be managed according to the disbursement procedures described in the Manual of Administrative and Financial Procedures in compliance with the Disbursement Letter. The DA would be managed by the Directorate of Investments (DI), in coordination with APIX. The allocation of the DA will cover approximately six months of expenditures.

20. The DA will be replenished through the submission of withdrawal applications on a monthly basis by the APIX-Project Coordination Unit through the DI and will include reconciled bank statements and other documents as may be required.

(b) Funds Flow Arrangements

Figure 3.2. Funds Flow Arrangements



Financial Management Action Plan

21. The actions mentioned in table 3.2 need to be taken to enhance the FM arrangements for the project.

Table 3.2. FM Action Plan

	Action	Date Due By	Responsible
1	Prepare and agree with the World Bank on the format of the IFRs	Completed during Negotiations	APIX
2	Update the existing FM Manual to take into account the FM arrangements of this project	Completed during Negotiations	APIX
3	Draft the terms of reference for financial audits of the project; Selection of the external auditor and Appointment of the internal auditor	Completed during Negotiations Not later than three months after effectiveness	APIX
4	Recruitment of an accountant with experience and qualification satisfactory to the Association; Recruitment of internal auditor with qualification and experience satisfactory to the World Bank should be recruited	Not later than three months after effectiveness	APIX

Financial Covenants

22. The Borrower shall establish and maintain a financial management system including records, accounts, and preparation of related financial statements in accordance with accounting standards acceptable to the World Bank.
23. The Financial Statements will be audited in accordance with international auditing standards.
24. The Audited Financial Statements for each period shall be furnished to the Association not later than six (6) months after the end of the project fiscal year.
25. The Borrower shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project, in form and substance satisfactory to the Association.
26. The Borrower will be compliant with all the rules and procedures required for withdrawals from the Designated Accounts of the project.
27. **Conclusion of the assessment.** The conclusion of the assessment is that the financial management arrangements meet the World Bank's minimum requirements under OP/BP 10.00. The overall residual risk rating for APIX is Moderate.

Procurement

28. **National procurement system and ongoing reforms.** Senegal adopted a Public Procurement Law in June 2006 and a new Public Procurement Code in September 2014 (decree No. 2014-1212, dated September 22, 2014) as part of the action plan of the Country Procurement Assessment Review for Senegal carried out in FY2003. The new Public Procurement Code registers an increase in procurement thresholds and introduces a new concept of unsolicited bids.
29. In general, the legal framework is in line with international standards and the West African Economic and Monetary Union's guidelines. The ARMP responsible for policy and handling complaints from bidders and the Procurement Department (DCMP) responsible for controls of procurement transactions are fully operational and appropriately deal with their respective missions. Controls within most of the key contracting authorities (CAs) are effective through their respective Procurement Commission and Procurement Units. An Integrated Public Procurement Management System (Système Intégré de Gestion des Marchés Publics, SIGMAP) for collecting, disseminating, and managing procurement information and monitoring procurement statistics has been developed and is operational at the level of the DCMP and some of the line ministries. The Government intends to spread the SIGMAP over all CAs, including municipalities, to improve efficiency, information gathering, and monitoring of procurement transactions. Most of the key decisions regarding sanctions, contract awards, sole source justifications, and complaints are posted on the public procurement website (www.marchespublics.sn). National standard bidding documents (SBDs) have been drafted and are being used by the CAs. However, there is a need to ensure regular external and internal procurement compliance reviews from the ARMP and to strengthen the capacity of its new Procurement Investigation Unit. In general, Senegal's procurement laws and regulations do not conflict with IDA guidelines. However, provisions related to the restriction of the eligibility of bidders to only those coming from the West African Economic and Monetary Union countries would not be applied. No special exceptions, permits, or licenses need to be specified in credit documents because IDA procedures take precedence over those laws and regulations.

Applicable Procurement Policies and Procedures

30. Procurement for the proposed project will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised in July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised in July 2014; and the provisions stipulated in the Financing Agreement. About fraud and corruption, the guidelines that apply are 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011. The various items under different expenditure categories are described in general in the following paragraphs. For each contract to be financed by the credit, the following are agreed between the recipient and the World Bank in the Procurement Plan—the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame. The prior review and procurement method thresholds indicated in the following paragraphs are intended for the initial Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and SMAFs in institutional capacity.

Procurement Documents

31. The procurement will be carried out using the World Bank's SBDs or Standard Request for Proposals for all international competitive bidding for goods and works and recruitment of consultants, respectively. For national competitive bidding, while waiting for the Government and the World Bank to respectively validate and give the no-objection on the national SBDs in preparation, the recipient would use the World Bank's SBD for international competitive bidding for goods and works and the World Bank's Standard Request for Proposals for recruitment of consultants. In the same vein, the Sample Form of Evaluation Reports developed by the World Bank would be used until the new national samples are reviewed and found satisfactory to the World Bank.

Advertising Procedure

32. General Procurement Notice, Specific Procurement Notices, Requests for Expression of Interest, and results of the evaluation and contracts award should be published in accordance with advertising provisions in the procurement guidelines (see paragraph 30 above).

Procurement Methods

33. **Procurement of works.** Works procured under this project would include but are not limited to beaches restoration and protection in Saly area.

34. Direct contracting may be used where necessary, if agreed in the Procurement Plan, in accordance with the provisions of paragraph 3.9 of the Procurement Guidelines.

35. **Procurement of goods.** Goods procured under this project would include IT equipment and supplies, office supplies and furniture, and material required to do the beach restoration and protection work in Saly.

36. **PIM.** The PIM would include a specific chapter describing the procedures and tools in accordance with the World Bank's Guidelines for Simplified Procurement and Disbursement for Community-based Investments (March 3, 1998).

37. **Selection of consultants.** Consultants' services procured under this project would include the following: supervision of civil works, financial audit, contract management, and studies. Short lists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraphs 2.7 and 2.8 of the Consultant Guidelines.

38. **Single-source selection.** In exceptional cases, this method would be used in accordance with the provisions of paragraphs 3.9 to 3.13 of the Consultant Guidelines, with IDA's prior no-objection.

39. **Procurement of non-consulting services.** The description, estimated cost, and the procurement methods would be defined in the Procurement Plan.

40. **Training, workshops, seminars, and conferences.** Training activities will comprise workshops and training in the region and abroad, based on individual needs as well as group requirements; on-the-job training; and hiring consultants for developing training materials and conducting training. All training and workshop activities will be carried out on the basis of approved annual programs that will identify the general framework of training activities for the year, including (a) the type of training or workshop, (b) the personnel to be trained, (c) the institutions that will conduct the training, and (d) the duration of the proposed training as well as the outcome and impact of the training.

41. **Operating costs.** The operating costs would include (a) staff, (b) travel expenditures and other travel-related allowances with prior clearance from IDA, (c) equipment rental and maintenance, (d) vehicle maintenance and repair, (e) accommodation, and (f) utilities and communication expenses. Operating costs financed by the project will be procured using the administrative procedures described in the PIM that would be reviewed and found acceptable to the Association.

42. **Procurement implementation arrangements.** Executing agencies have been identified for each component (or subcomponent) to ensure smooth implementation.

- (a) Component 1: Sustainable tourism development
- (b) Component 2: Supporting enterprise creation and growth

43. The specific responsibilities of APIX, ADEPME, and the MTAT include

- (a) Managing the overall planning of activities and the implementation of procurement process and monitoring activities/components for which each entity is directly responsible on a day-to-day basis, in line with the PIM and the World Bank Guidelines; and
- (b) Preparing draft bidding documents, draft requests for proposals, evaluation reports, and contracts in close collaboration with the PCMU.

44. APIX will have overall fiduciary responsibility and will carry out the following activities to mitigate the procurement risk: (a) overall coordination and quality control/assurance of all draft procurement documents (bidding documents, requests for proposals, evaluation reports, terms of reference, contracts, and so on) prepared by the executing agencies; (b) preparation and updating of the Procurement Plan in close collaboration with the executing agencies; and (c) seeking and obtaining approval of the DCMP and then IDA on all procurement documents, if necessary.

45. **Assessment of the agencies' capacity to implement procurement.** An assessment of the agencies' capacity to implement procurement was carried out by the World Bank's procurement specialist

in December 2014. This assessment was completed and updated in January 2015. The assessment reviewed the organizational structure for implementing the project and the interaction between the different agencies involved in the project.

46. The assessment found that APIX possessed satisfactory know-how, technical expertise, and experience in World Bank procurement procedures gained during the implementation of past projects financed by the World Bank (PIIP and Diamniadio Toll Highway Project). Their procurement capacities include having (a) acceptable experience in applying the World Bank's procurement procedures (from planning to contract awards); (b) demonstrated proficiency in managing contracts (scheduling and quality control of delivery); and (c) staff with acceptable knowledge in procurement procedures.

47. With regard to the direct beneficiaries of the project, ADEPME and the MTAT, the procurement organizational structure and conformity with the National Procurement Law are satisfactory. Procurement Units (*cellule de Passation des Marches*) exist and are responsible mainly for (a) controlling quality and application of the rules, and (b) advising all the decision makers on procurement matters. A Ministerial Committee in charge of bid opening, evaluation, and contract award is operational. The various entities have diverse procurement experiences. Several staff members of these entities were trained in national procurement procedures by the ARMP.

48. The filing system is manual in all agencies. There is a need for equipment filing and spaces in ADEPME and the MTAT according to World Bank procedures.

49. The key issues and risks concerning procurement implementation have been identified and include the procurement process control and approval by staff within certain agencies not experienced in World Bank procedures, which may bring a risk of rigidity in the interpretation of the texts and delay in the processing. During the preparation, it was noted that some insufficient involvement of technical staff in the preparation of procurement planning, which may, if not mitigated, further affect procurement handling and contract management.

50. An agreement has been reached on the following corrective measures:

- (a) The existing administrative and accounting procedures of the PCMU would be revised in accordance with World Bank's procurement procedures and to clarify the role of each member involved in the procurement process and in the review and approval system; these changes would be introduced in the PIM that should be adopted not later than two months after the Effective Date.
- (b) The training sessions and workshops would be organized for beneficiaries and financed by the project (workshop for all staff involved in procurement, key staff in the agencies, and members of the Procurement Units and the Procurement Committees of ADEPME and the MTAT) at the project launch, and training sessions would be organized in procurement.
- (c) All procurement documents from ADEPME and the MTAT would be transmitted for no-objection through the PCMU, which would ensure quality control.
- (d) The procurement specialist based in the PCMU would support procurement processes within the executing agencies, particularly the MTAT.
- (e) An adequate electronic filing system would be set up for the project records, and the project will finance equipment and training for ADEPME and the MTAT to improve filing.

51. The overall project risk for procurement is Substantial.

Procurement Plan

52. The recipients has developed a draft Procurement Plan for project implementation that provides the basis for the procurement methods. This plan covering the first 18 months period has been agreed between the recipient and the Association. Immediately upon approval of the Credit and with the recipient's agreement, the plan will be published on the World Bank's public website and will be available on the national procurement website (www.marchespublics.sn) and APIX's website that is maintained by the PCMU. The Procurement Plan will be updated at least annually in agreement with the World Bank team or as required to reflect the actual project implementation needs and SMAFs in institutional capacity.

53. **Fraud and corruption.** All procuring entities, as well as bidders, suppliers, and contractors, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.23 of the Consultant Guidelines.

54. **Frequency of procurement supervision.** In addition to the prior review supervision to be carried out from the World Bank offices, the capacity assessment of the implementing agency has recommended (a) supervision missions at a minimum of every six months to visit the field, and (b) one annual procurement post review.

55. **Procurement and technical audit.** A procurement and technical audit would be carried out at least every two years during project implementation and report on the procurement process, contract management, fiduciary compliance, and so on.

56. **Implementation readiness.** A dedicated project unit within APIX has been assigned to be responsible for coordinating project implementation. APIX has experience implementing IDA-financed projects and therefore, has thorough knowledge of World Bank procurement rules and procedures. ADEPME, the Business Environment Unit in APIX, and the Ministry of Tourism will have primary responsibility for their components. An assessment of the Project Coordination Unit and the primary implementation agencies indicate uneven capacities in project implementation, but these are being addressed by the development of project implementation manuals that will guide implementation and will be supported by relevant TA, as needed. The Project Preparation Advance applied for is also supporting implementation readiness.

57. **Procurement.** The World Bank will conduct several supervision missions every year and annual post procurement reviews (PPRs; the ratio of PPR is at least one to five contracts). The World Bank may also conduct an Independent Procurement Review at any time until after two years of the closing date of the project. Throughout implementation, appropriate support and capacity-strengthening measures will be offered to the project's procurement staff as necessary.

Environmental and Social (including safeguards)

58. Environmental and social risks are Substantial in this project because of the potential level of risk associated with undertaking coastal shoreline protection infrastructural works. The risks associated with coastal construction are further compounded by variable, uncertain, and aggressive hydraulic conditions. Appropriateness of the infrastructural design is critical for the cumulative and associated impacts while varying conditions of winds, waves, and tides can influence construction. Therefore, the project has been classified as a Category A project and has triggered three operational policies related to environmental

safeguards. Infrastructural works related to coastal protection have short-term positive impacts on fisheries and tourism but can also result in short- and longer-term negative impacts on the coastline. They can influence the configuration of the shoreline and change beach profile by inducing sediment transport. Longer-term impacts of hard coastal protection structures can include ecological damage and disturbance to marine coastal habitats, benthic communities, and fish, and possible invasion of nonindigenous species through diminished ebb tidal deltas. Poorly designed structures can disrupt the longshore current and, in most cases, will result in beach erosion down-drift of the last infrastructural protection.

59. The project triggers OP 4.12 (Involuntary Resettlement). While the project is not expected to cause permanent physical displacement, the access routes, storage area for the materials, and other activities will disturb local residents and tourists and affect several economic activities, including hotels, restaurants, and vacation residences. Several possible sites have been identified for storage sites; these are either public spaces or private properties that the project will rent. Trucks will bring materials through existing alleyways to the beach, where an access road will be established between the existing structures and the beach. The construction of the breakwaters will also affect fishing activities, though the longer-term impacts are expected to be positive. As the arrangements for the temporary civil works to support the construction have not been finalized, the project is negotiating with the local community an approach and timeline for the works that will minimize economic displacement and adverse impacts on quality of life. A Resettlement Policy Framework has been prepared, consulted upon, and disclosed. The numbers of PAPs are not expected to be large (no more than 500 people), but consultations with the PAPs will be critical to reach a consensus on ways in which the economic impacts of the project can be minimized through careful planning and coordination. To this end, the PCMU is hiring a dedicated social specialist, along with expert facilitators to ensure that the project-affected communities are consulted and participate in project implementation in a meaningful way. The project sponsor will also ensure that the project has adequate compensation for loss of income/livelihood because of the civil works. Resettlement Action Plans will be prepared during project implementation.

60. **Environmental.** Infrastructure works related to coastal protection have both potentially positive and negative impacts on the shoreline. They can influence the configuration of the shoreline, through inducing sediment transport and addressing issues of coastal erosion, which has a positive impact on fisheries and tourism. However, they can also have short-term ecological impacts, such as disturbance of birds and destruction of marine coastal habitats with their associated flora and fauna. Longer-term impacts of hard coastal protection structures can include damage to benthic communities and fish and possible invasion of nonindigenous species through diminished ebb tidal deltas. Poorly designed structures can cause side deposition of mud and seaweed and capture litter or debris while also causing increased erosion further down the beach coastline. Currents around the ends of breakwaters and reefs can be strong and dangerous for swimmers. Sand nourishment of beaches is a costly, temporary solution, as beaches must be re-nourished on a regular basis. If the grains of sand are not exactly the same size as that of the natural beach, the newly nourished beach may erode faster than the natural beach. Beach nourishment can cause bottom organisms and habitats to be smothered by ‘turbid’ water that has sand and mud suspended in it. It could introduce beach debris, nonindigenous sediments and/or vegetation, potentially damaging local ecology. The shoreline is moved seaward into deeper water, causing the beach to drop off quickly, posing a hazard to swimmers. Due to the potential risk associated with a sensitive and complex ecosystem such as the coastal shoreline, the project has been classified as Category A. A detailed ESIA has been undertaken by international technical consultants, commissioned by APIX, who also collaborated closely with the design consultants. The ESIA includes a baseline analysis and details the potential positive and negative impacts and recommended mitigation measures. Three rounds of consultations were undertaken with primary stakeholders and the revised ESIA and ESMP have been disclosed in-country and at the World Bank InfoShop. An ESMF for the project has also been consulted upon and disclosed in-country and at the World Bank InfoShop. The ESMF will capture potential impacts related to provision of grants to eligible enterprises under Component 2. The ESMF will capture the

potential environmental issues related to environmental performance in the target sectors and potential environmental impacts of proposed investments in the form of production scaling up or technology upgrades.

61. Lessons learned from Phase 1 of the project will be incorporated into Phase 2, especially efforts to minimize impacts on businesses and residences situation on or near the beach. The project includes a grievance mechanism to address complaints, which will be bolstered by an ongoing process of consultation and local engagement.

62. The project sponsor has solid experience on resettlement, including economic displacement, drawing on their recent experience with the Dakar Toll Road, which involved resettling 22,000 people and managing extensive temporary livelihood disruptions. The Resettlement Policy Framework has been consulted upon and disclosed in-country and at the World Bank InfoShop.

63. **Consultations.** For the preparation of the ESIA/ESMP, ESMF, and Resettlement Policy Framework, the project undertook consultations with representatives that included the following groups: residents and businesses (for example, hotels, restaurants) on the beach, as well as in the areas beside the routes to the beach and possible storage sites; fishermen and fisherwomen; other commercial interests on the beach (for example, artists, artisans, sportspeople, drivers, shops); local communities, including those beside the project area and upstream/downstream of the ocean areas; and local authorities, including those responsible for the technical aspects of the project. All the people consulted recognized the impact beach erosion is having on quality of life, security of tenure, and livelihoods. Coastal erosion was acknowledged as an ongoing problem, exacerbated by increasingly severe storms resulting from climate change. The consultations discussed technical options and their costs. A key concern was the need to provide a technical solution that would last as long as possible, with manageable costs.

64. The Project Action Plans emphasized the importance of minimizing the environmental and social impacts of the civil works, in particular, the storage sites and access routes to and on the beach. The primary concern is that the civil works should disrupt as little as possible access to the beach by local residents and tourists. Works should be properly secured with signage. The Project Action Plans suggested that carefully planned works by section could alleviate such adverse impacts. There are concerns about traffic, noise, dust, waste and debris, trucks parked in narrow alleyways, and the placement of the access routes on the beach, which will be set in front of residences and businesses, parallel to the beach. A number of Project Action Plans stressed the need for safety in the project, not only at the construction sites, but with regard to the trucks moving through local traffic. They also requested that access routes be repaired/rehabilitated after the project was completed. Finally, the importance of ensuring that noise and dust was managed so that people could enjoy the beach and local venues as much as possible, including in the evenings. Questions were raised regarding land take resulting in involuntary resettlement and restrictions of access to resources. This is unlikely, but access routes and civil works could result in businesses losing revenue, and the Project Action Plans stressed the importance of adequate compensation.

65. The impact on local fisheries was also discussed. In general, the fishermen say they can adjust the areas in which they fish while the breakwaters are being constructed, but they wanted to be actively involved in scheduling the works and ensuring the security of their boats, fish landing sites, homes, and other structures. The fisherwomen understood that their work at the landing sites could be disrupted and they too emphasized the importance of having a schedule that allowed them to continue working as much as possible during construction, including a temporary landing site. They also asked that the construction sites be secured in such a way as to not be dangerous for children who stay with them while they work. Communities upstream and downstream of the project's ocean areas proposed that the project be complemented eventually with various efforts to rehabilitate lagoons and bays. Local communities

stressed the importance of sensitizing contractors to hiring local workers as much as possible. Local knowledge will be beneficial for ensuring the works are successful and will consider local sensitivities and cultural interests.

66. The project team ensured that the ESMPs and Resettlement Action Plans include robust measures for addressing adverse environmental and social impacts, as well as restoring livelihoods and promoting sustainable development. A key mechanism for this is a local consultation framework, which will involve the Project Action Plans and other interests on an ongoing basis in the scheduling and implementation of the ESMPs and Resettlement Action Plans, with the aim of keeping the beaches open as much as possible and sustaining tourism and other local activities. To this end, the project is committed to engaging facilitators to manage the works, as well as establishing a robust grievance redress mechanism.

Project Monitoring and Evaluation

67. The M&E of the project will be critical for continuously improving it during its duration, as well as for assessing its effectiveness. Identifying and tracking through time manageable but relevant indicators is essential to measure the project's outputs and inform its implementation. Measuring impact through rigorous methods will allow for expanding future investments, as well as guide future projects in the country and elsewhere. In addition to a significant focus on M&E during implementation, particular attention will be paid to building sustainable monitoring capacity beyond the life of the project. This will focus on reinforcing M&E capacity in ADEPME, the MTAT, and APIX.

68. The Results Framework and Monitoring is outlined in annex 1, including the project's results and intermediate indicators. The main objective of the project is to develop exports and improve Senegal's investment climate. As previously mentioned, the PSE identified expanding competitive production, increasing exports, and reinvigorating the mining and tourism sectors as priorities for boosting growth in Senegal. Furthermore, potential exporting firms are hindered by their size, demand for their products, and access to finance to facilitate exporting. In addition, most institutions are based in Dakar. As such, the project aims to support export development, including tourism, and address some of the institutional constraints that firms face. Progress in reaching these outcomes will be measured through the value of additional exports of supported businesses, the number of international tourist arrivals, the number of businesses that have used the regional offices supported by the project, and the parity in the number of days to register a business in Dakar and outside of the capital. These indicators will be tracked through administrative data and through beneficiary surveys related to the M&E of the components.

69. **An impact evaluation will be fully integrated into the project.** The evaluation will use counterfactual analysis to establish the direction and magnitude of the causal effect of the interventions, including the SMAF and the BPC. Counterfactual analysis is used to obtain precise estimates of the causal effect of an intervention (or a set of interventions) on the outcomes of interest separately from the effect of other time-varying factors. The impact analysis will be able to capture intended and unintended benefits of project interventions and to identify best practices for the implementation of such interventions. The objective is to compare the change in outcomes of interest for the participants in the programs against what would have happened in the absence of the programs (counterfactual).

70. Furthermore, the project will secure enough resources to conduct effective M&E activities. ADEPME will be responsible for collecting the data and ensuring effective M&E of outputs and results of the SMAF and BPC components. ADEPME will report the M&E information to the PCMU, which will compile the results indicators for all of the project components. The PCMU will be responsible for collecting the necessary data from different administrative sources and ensuring the M&E of output and results of the second and third components of the project.

71. ADEPME will have a full-time M&E specialist dedicated to the project, and he/she will have the responsibility of following closely both the SMAF and the BPC activities. In addition, the PCMU will have a part-time M&E specialist who will support the project with compiling the indicators and evaluating the results of the project. While these individuals will be responsible for daily M&E activities of the project, they will also provide capacity building for the institutions involved in the project.

72. Output-level and results M&E indicators and implementation will be closely reviewed by the PSC and by the World Bank team in charge of the supervision of the project to ensure that the required targets are achieved. If ever the planned results are not reached, the supervision team will need to closely analyze the reasons and develop a strategy to improve the results (possibly to review the approach of the subcomponent if results do not meet expectations).

73. The management of the impact evaluations will be a responsibility of the World Bank. The project, under the supervision of the World Bank, will fund and contract out the surveys needed for the impact evaluation, but the World Bank will secure out of its budget enough human and financial resources to cover the researchers' time and travel. The World Bank will work with the M&E specialists, and as applicable, with local researchers and consultants/consulting firms, but will be fully responsible for overseeing, designing, implementing, analyzing, and disseminating the impact evaluations' studies. The World Bank will be responsible for completing an Implementation Completion and Results Report, and its researchers will be responsible for publishing, as relevant for these studies, papers, (baseline or follow-up) reports, and presentations to policy makers in the region.

Annex 4: Implementation Support Plan

Strategy and Approach for Implementation Support

1. The Implementation Support Plan (ISP) is designed to consider risks identified in the Systematic Operations Risk-rating Tool and to mitigate them. Hence, it is built on the following key considerations:

- Project implementation is to be decentralized (a) institutionally to several participating institutions (ADEPME, the MTAT, and APIX), and (b) regionally through the OSSs of APIX and the beach works at Saly.
- The ministries and some of the institutions involved in project delivery have limited experience in implementing donor-funded projects; familiarity with World Bank project implementation guidelines and procedures is: (a) negligible within MTAT; and (b) limited within ADEPME. On the other hand, APIX is highly experienced with the implementation of World Bank financed-projects.
- Such a project that includes in its second component a matching grant and a BPC can present risks of corruption and political capture in funding mechanisms (misallocation of grants, fraud in BPC). Both schemes will be put under appropriate and regular fiduciary monitoring.

2. Given these issues, some resources beyond the statutory World Bank allocation will be required to support project implementation.

Implementation Support Plan

3. As a result, the proposed ISP is based on the following:

- **Project implementation support.** The project will be overseen by a field-based team (Dakar office) which will coordinate with the local country office and decentralized fiduciary staff as necessary. In addition to the usual practice, safeguards, and fiduciary staff, the team will also include a small number of high-level international staff/consultants who have been involved in project preparation and will continue to assist the borrower. During the first 24 months of the project life, three field implementation support missions will be carried out each year to support the institutions involved in the project.
- **FM.** FM implementation support missions will be consistent with a risk-based approach and will involve a collaborative approach with the task team (including procurement). The objective of the ISP is to ensure that the project maintains a satisfactory FM system throughout the project's life.

Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Annual for APIX (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions	During implementation and as and when needed.

Table 4.1. Financial Management Information System

- **Procurement.** The World Bank will conduct several supervision missions per year and annual PPRs; the ratio of PPR is at least one to five contracts. The World Bank may also conduct an Interim Procurement Review at any time until after two years of the closing date of the project. Throughout implementation, appropriate support and capacity-strengthening measures will be offered to the project's procurement staff as necessary.
 - **Government coordination.** The setting up of an Inter-ministerial Steering Committee to ensure coordination between various departments and the private sector will assist in improving coordination between key stakeholders. Continued high-level dialogue between the Government and World Bank and other development partners will also be maintained and play a critical role in ensuring ownership and continued support.
 - **Technical inputs.** Technical expertise will be provided by GTCDR staff and high-level international consultants as needed.
4. Finally, the ISP will be revised on a regular basis during implementation on the basis of project progress and continuous risk assessment.

Main Focus of World Bank Support to Implementation and Cost

Table 4. 2. Annual Estimate – Year 1 and 2

Time Horizon	Focus	Skills needed	Resource Estimate (US\$)
0–24 months	Team leadership, coordination, dialog with authorities	TTL overall project design	48,000
	Procurement review of bidding documents; procurement supervision, and training	Procurement specialist	21,000
	FM supervision	FM specialist	14,000
	Financial support to enterprises	Consultant	10,000
	Support to the tourism sector	Industry knowledge specialist	25,000
	Beach work	Coastal systems engineer	40,000
	Business environment	PSD specialist	10,000
	Environmental and social safeguards	Safeguards specialist	15,000
			183,000

Table 4. 3. Annual Estimate – Years 3 to 5

Time Horizon	Focus	Skills needed	Resource Estimate (US\$)
25–60 months	Team leadership, coordination, dialog with authorities	TTL overall project design	32,000
	Procurement review of bidding documents; procurement supervision and training	Procurement specialist	14,000
	FM supervision	FM specialist	14,000
	Financial support to enterprises	consultant	10,000
	Support to the tourism sector	Industry knowledge specialist	15,000
	Beach work	Coastal systems engineer	25,000
	Business environment	PSD specialist	12,000
	Environmental and social safeguards	Safeguards specialist	15,000
TOTAL			122,00

Note: PSD = Private Sector Development; TTL = Task Team Leader.

Table 4. 4. World Bank Support - Team Skills Mix Required

Annual Estimate - Year 1 and 2				
Time Horizon	Skills Needed	Staff Weeks	Trips	Comments
0–24 months	Team leadership, coordination, dialogue with authorities	8	2	Dakar and HQ based
	Procurement review of bidding documents Procurement supervision and training	6	0	Dakar office based
	FM supervision	6	0	Dakar office based
	Financial support to enterprises	4	3	HQ based
	Support to tourism sector	4	3	HQ based
	Beach work	4	3	HQ based
	Business environment	4	0	Dakar office based
	Environmental and social safeguards	6	0	HQ based
Annual Estimate - Year 3 to 5				
Time Horizon	Skills Needed	Staff Weeks	Trips	Comments
25–48 months	Team leadership, coordination, dialogue with authorities	7	2	Dakar and HQ based
	Procurement review of bidding documents Procurement supervision and training	4	0	Dakar office based
	FM supervision	4	0	Dakar office based
	Financial support to enterprises	4	3	HQ based
	Support to tourism sector	3	3	HQ based
	Beach work	3	3	HQ based
	Business environment	3	0	Dakar office based
	Environmental and social safeguards	4	0	HQ based

Note: HQ = Headquarters.

Annex 5: Economic and Financial Analysis

1. The goal of this project is to contribute to the achievement of the client's development agenda, which is to accelerate progress toward becoming an emerging economy by 2035 with the objective of sustaining high growth rates and a diversified economy, as well as becoming a center of attraction for investment (domestic and foreign). The project would contribute by creating the conditions necessary (protection of beaches and so on) for increased private investment in tourism in Saly and to strengthen business creation and SME growth. The project's two components will help achieve this goal by focusing on different aspects of growth and export development. The first component will support the development of the tourism sector. The second component will boost exports and SME development and growth through direct support to firms. It will also create an improved business-enabling environment, especially in regions outside of the capital. The different components create synergies that would enable assisted firms to benefit from different project activities simultaneously. Conceptually, an exporter or prospective exporter in the targeted beneficiaries' population will realize its export potential with the help of the SMAF in accessing new markets and/or increasing the export potential of its product/service, while at the same time the project will address larger investment climate issues that would ultimately make it easier for exporters and prospective exporters to operate.

2. The activities proposed to be financed under the project are expected to contribute to significant economic benefits; however, there are associated positive externalities that do not lend themselves to easier recognition compared to the financial and economic benefits typically realized under a private investment. Therefore, while government under the PSE, seeks to enhance the quality of public investments and at the same time ensure that its debt levels are sustainable, there are market failures in which it needs to intervene, that is, in areas in which the private sector will normally not invest. The rationale for public provision is to address identified market failures through interventions that would: (a) ensure improvements in the investment climate (investment platforms, beach restoration); (b) assure additional support for capacity building, tourism promotion and increased competitiveness of the product; and (c) enable SMEs to have access to seed, and other risk capital and business skills, in order to facilitate further private investment which are necessary to grow the MSME sector, and improve the tourism sector which will contribute to "accelerating inclusive growth and creating employment".

3. The rationale behind having this project as a World Bank Group operation is to provide financial and TA to support the GoS to generate more exports, help develop the tourism industry, and improve the investment climate for firms, thereby helping in reaching the World Bank Group twin goals. The World Bank Group is uniquely positioned to do so because of its financial capabilities and international expertise. The project draws on lessons learned from similar experiences in other countries.

The Matching Grant: SMAF

4. The matching grant subcomponent will help beneficiary firms/associations access new markets, develop new export products or services, or improve the quality of products destined for export. All of these outputs should contribute to increased volume of exports in monetary terms. As business develops, firms may hire new workers. Furthermore, the additional sales would generate additional revenue for the Government through increased tax contributions. In addition to these measurable outcomes, it is expected that beneficiaries will build up expertise of international markets and knowledge capacity, thereby improving their international competitive position and creating sustained outward oriented performances capacity and total additional exports. The matching grant will also build the capacity of trade organizations. International experience shows that strengthening these organizations yields significant benefits in the form of increased knowledge on export markets and buyers as well as market access.

5. Furthermore, the matching grant subcomponent could have important spillover effects on non-beneficiaries. There is evidence that previous export-oriented matching grant programs have fostered the development of consulting services. Additionally, knowledge could be shared from one firm to another as employees change jobs, businesses observe their competitors, or firms exchange information through their networks.

6. The NPV of the matching grant component was calculated using the following assumptions:

- The average annual increase in sales and employees is similar to the results compared to a control group from the impact evaluation of the EMAF in Tunisia.²⁷ While the characteristics of the firm beneficiaries may be different in Senegal than in Tunisia, the proposed Senegal SMAF subcomponent was modeled partially on the Tunisian EMAF project. As a result, the assumption is that the program can produce similar results. Specifically, the assumption is that Senegal EMAF will generate up to a 38.9 percent increase in the value of firm exports and a 5 percent increase in the number of employees starting in the year after a firm's participation in the program. The effect is assumed to be constant for four years; however, the cost-benefit analysis only considers the costs and benefits for the duration of the project.
- The average beneficiary firm has similar characteristics in exports, employees, and salaries to the average exporting firm in the Senegal Enterprise Surveys.
- The total cost of the subcomponent is US\$6.0 million.
- There are 100 beneficiaries.

7. Under these assumptions, the matching grant component yields an NPV of US\$40.1 million with a 10 percent discount rate. However, the actual NPV would be higher, as the benefits of tax revenues and spillover effects are not included in the analysis due to a lack of data. A sensitivity analysis shows that if the actual results of project impacts and the characteristics of the firms are 30 percent lower or higher than the values assumed, the NPV would be US\$15.6 million and US\$78.3 million, respectively.

Business Plan Competition

8. Through the BPC subcomponent, the beneficiaries will receive training and support for the development of a solid business plan, and certain beneficiaries will receive seed financing to implement their business plans and related exports objectives. In addition to directly supporting the creation of new businesses through the provision of seed capital, the support in the development of business plans will better enable entrepreneurs to convince investors and to open a business that will succeed. Thus, the subcomponent will support new business creation, which will have economic benefits for sales, job creation, and additional tax revenues for the Government. In addition, the communication around the BPC could foster the interest of youth in entrepreneurship and hence support new firm creation beyond the direct beneficiaries of the program.

9. The economic analysis uses the following assumptions:

- The results for firm creation and job creation would be similar to the results observed in Côte d'Ivoire. Côte d'Ivoire was chosen as a comparator because of similarities in the

²⁷ See: Gourdon, Marchat, Sharma, and Vishwanath. 2011. "Ex-Post Impact Evaluation of an Export Promotion Matching Grant: Tunisia's EMAF II." *MENA Knowledge and Learning Quick Notes Series*. Number 40.

structure of the economy and population. Furthermore, the BPC in Côte d'Ivoire involved a similar target population. The assumptions are based on discussions with experts who worked on the BPC in Côte d'Ivoire. It is assumed that there is a 30 percent firm creation and survival rate among entrepreneurs who were trained in the BPC but who did not receive prizes and that these businesses create, on average, two jobs during the first years of existence. For entrepreneurs who receive both the training and the prizes, it is assumed that 80 percent will be created and still exist a year after receiving the prize and that, on average, three jobs will be created during the first years of existence.

- It is assumed that the impacts will begin in the same year as the firm participates in the BPC, and the effects will continue to be felt throughout a four-year period, with a 5 percent growth rate.
- There are four years of competition: during the first year, 1,000 entrepreneurs receive training to write a business plan, of which 150 receive prizes; during years 2–4, 1,500 entrepreneurs receive training to write a business plan, of which 200 receive prizes.

10. Using these assumptions, the NPV of the BPC is estimated at US\$54.8 million with a 10 percent discount rate. However, as data on fiscal recovery were unavailable, this calculation only includes the benefits in sales and job creation. As a result, the actual NPV of the BPC would be higher if it included the benefits in taxes and spillover effects. If the main assumptions are modified to be 30 percent lower or higher, the calculated NPV ranges between US\$21.0 million and US\$106.5 million.

Support to the Tourism Sector

11. SMAFs in the tourism industry can be measured through the increase in the number of tourist arrivals, the increase in the average length of stay, or the increase in tourists' expenditures. Elaborating tourism development plans could increase tourism arrivals and the variety of options available to tourists. As such, they could encourage tourists to stay longer or to purchase additional activities. The beaches in Saly have been identified as an important tourist attraction; however, coastal erosion is diminishing the size and the quality of the beaches. It could have important economic implications for damaged property and lost revenue as tourists could stop coming or shorten their stays due to the lack of attractiveness of the beaches.

12. This analysis is focused on the NPV of interventions proposed under the beach restoration component. The effects of the tourism TA program are difficult to quantify and are not monetized in this analysis. In addition to avoiding physical damage and loss of tourism revenue, rehabilitating the beach in Saly will foster an increase in investment and increase the amount of tourism related revenue. Furthermore, in addition to the positive impacts of the Saly beach rehabilitation, the component will also elaborate tourism development plans. These plans will reinforce the benefits of the Saly beach rehabilitation and encourage tourists to stay longer or to purchase additional activities. They may also help boost tourist arrivals. Although the lack of data makes it difficult to quantify the positive value of the tourism component, it is clear that the tourism component will have a significant, positive NPV.

13. The economic analysis of the Saly beach restoration component makes the following assumptions:

- The economic analysis is carried out over a period of between 30 and 50 years with the hypothesis that no additional investment is made during this period.

- Maintenance costs are almost nil for the first 20 years except for exceptional events (swells) and would represent, on average, 0.25 percent of the total cost of the infrastructure during the first years (0 to 30 years). This percentage should increase starting from 2031.
- The duration of the works is 20 months.
- The discount rate is 6 percent (with the sensitivity analysis also considering 10 percent and 15 percent).
- Hotels exposed to coastal erosion will lose at least 60 percent of their economic value from the time their facilities are attacked by the sea.
- Property value considers the market value but underestimates the real value. These estimates provide an order of magnitude for potential losses but not an accurate assessment.
- Considering the average beach losses per sector and the linear area concerned, the loss of land is about 4,500 m² on average per year.
- The positive and negative impacts are evaluated on the basis of data from the Ministry of Tourism from 2007 (length of stay of international tourists, average expenditure, and so on). A tourist spends on average CFAF 35,000 outside the hotel during his stay.
- The benefits, according to the hoteliers, will start at the end of the proposed reconstruction of the beach; however, they are already using it as a selling point. The period of construction could, however, affect the hotels (for example, loss of revenue).
- The status quo (not implementing the proposed beach works) will imply serious consequences in the very short term (2017 and 2018) on tourism in Saly—only six hotels will be operating in the resort, the number of international tourists will decline at a rate of around 1,500 tourists/year to 8,500 tourists/year in five years, and unemployment will increase, with about 540 additional employees losing their jobs, representing a payroll of about CFAF 1.2 billion, or a shortfall of about CFAF 600 million per year for businesses in general. This situation will have a very significant negative effect on the dynamism of other sectors such as trade and handicrafts.
- Forty percent of hotel turnover is generated from catering, with more than 80 percent of needs supplied by local suppliers. On average, they have a net margin of around 20 percent.
- The restoration of beaches will enable Saly to regain some of its capacity to attract private investment. A total average increase of 55,000 tourists is expected over five years. A renewal of activities to reach the level of the years 2000/2005 will only be possible with the implementation of certain accompanying measures. The following are also anticipated: recruitment of more than 400 additional people, not to mention the safeguarding and consolidation of hundreds of jobs (about 500), and hotel turnover increases of CFAF 4.2 billion per year on average, with net profits of about CFAF 400 million in two years and then about 1.5 billion in five years.
- The value added tax (VAT) rate is 10 percent. Impacts on tax revenues have been assessed solely on the basis of VAT on turnover of hoteliers, employment charges, and company profits. The expected decrease of 8,500 tourists in five years will result in a loss of tax revenues in the order of CFAF 500 million. On the other hand, the implementation of the project will allow an increase in tax revenues (VAT and Corporate Income Tax) of around CFAF 2.1 billion annually in five years.

14. Using these assumptions, the NPV of the beach restoration component is positive overall except for a discount rate of 15 percent when using average and low assumptions on the number of tourists and jobs. Table 5.1 sums up the economic analysis of the beach restoration component.

Table 5.1. Total NPV (US\$)

Hypotheses/Discount Rates	6%	10%	15%
Average assumptions (+46,000 tourists over 5 years and +400 jobs)	43,025,804	15,545,045	−687 863
Low assumptions (+32,500 tourists over 5 years and +400 jobs)	20,135,925	1,299,830	−9,469 575
High assumptions (+55,000 tourists over 5 years and +450 jobs)	58,892,870	25,424,981	5,407,094

15. The breakeven point for a zero NPV at a 10 percent discount rate is obtained with a gain of 30,900 tourists over five years.

Business Environment

16. There is a widespread body of literature on the impact of regulations and administrative burdens on growth and investment. Solid institutions are an important factor in the enabling environment, and the third component aims to reinforce the institutions that serve the private sector, especially SMEs, in regions outside of the capital. In addition to fostering firm creation and growth, this component would foster shared prosperity by bringing better services to the interior of the country. The regional OSSs could foster firm creation, which would have economic impacts on new sales, job creation, and increased tax revenues. Results from impact evaluations in Mexico, Colombia, Portugal, and India showed that SMAFs, in the time and procedures to register a business, increased the number of registered companies by approximately 5 percent.

17. The economic analysis of the investment climate component makes the following assumptions:
- The benefits of the component are measured for firm creation.
 - The median firm in Saint-Louis from the Senegal Enterprise Survey is used to estimate benefits in sales and salaries for the newly created firms.
 - The increase in business creation is assumed to be 5 percent, such as in the results from impact evaluations in other countries.
 - The increase in business creation applies to the approximate number of firms created outside of the capital in 2010.

18. Using these assumptions, the NPV of sales and jobs of new businesses supported by the OSSs is estimated at US\$52.4 million with a 10 percent discount rate. As data to estimate fiscal recovery and the benefits of the other services at the OSSs, beyond business creation, are not available, the NPV of the third component would likely be much higher. The sensitivity analysis demonstrates that depending on the types of new businesses that are created, the NPV could range between US\$9.3 million and US\$173.7 million.

Table 5.2. Synthesis of the Economic Analysis

	NPV in US\$: Average Assumptions		
Discount Rate	6%	10%	15%
Matching grant	48,931,464	40,133,513	31,672,041
Business plan competition	64,455,864	54,782,111	45,205,670
Saly beach rehabilitation	43,025,804	15,545,045	-687,863
Investment climate component	63,230,150	52,425,603	41,912,299
Total	219,643,282	162,886,272	118,102,147
	Total Project NPV in US\$		
Hypotheses/Discount Rate	6%	10%	15%
Average assumptions	219,643,282	162,886,272	118,102,147
Low assumptions	75,745,211	46,846,758	26,837,525
High assumptions	488,448,314	383,949,096	294,656,403

19. The overall NPV of the project is US\$162.8 million with a 10 percent discount rate. Even in a very pessimistic scenario, the NPV of the project is US\$46.8 million, and in an optimistic scenario, the NPV is US\$383.9 million.

Annex 6: Tourism Analysis

1. In the 1980s, Senegal was a booming African tourism destination, second only to Kenya in arrivals. Today, it does not rank among the top ten destinations of SSA,²⁸ slipping well behind South Africa, Kenya, Uganda, and Swaziland, for example.²⁹ While the sector is endowed with a relatively rich asset base, it has been largely unable to realize its full potential, and growth has been heavily influenced by varying degrees of political support and external shocks.

2. This analysis adopts a market perspective to determine how well various tourism markets and sub-segments are currently performing. It looks at supply and demand dynamics for key products, notes key challenges facing the private sector, and provides recommendations that could be employed to boost growth going forward.

Context

Arrivals and Growth Patterns

3. The industry reports nearly two decades of strong growth from the 1980s until 2000, buoyed by strong political leadership and a supporting enabling environment. Senegal was positioned as an ‘exotic’ destination for short-haul Europe and the sector received good strategic guidance, strong promotion, and high levels of investment from both the public and private sectors.

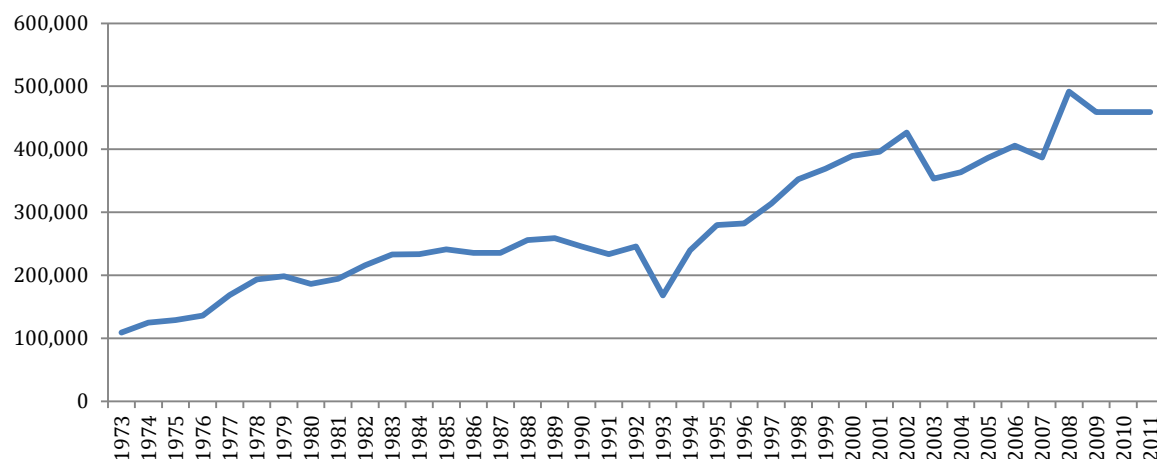
4. From 2000, most of the industry players report a shift in how the sector was perceived and supported by the Government, followed by a subsequent decline in sector growth. On public support, the last 15 years have seen a virtual cessation of data collection, a breakdown in once structured PPD, virtual absence of promotion (including the disbanding of the agency responsible for marketing Senegal), lack of strategic direction, a poorly functioning visa system, and an increase in the taxation burden on the sector. Further challenges include the economic crisis in Europe and the recent rise of Ebola in West Africa.

5. However, this reported ‘decline’ does not immediately show up in the statistics. Since 2000, according to the United Nations World Tourism Organization (UNWTO) and World Travel and Tourism Council, tourist arrivals seem to have steadily increased (an average of 8 percent per year). They were estimated at 980,000 international tourist arrivals in 2012, of which 444,432 arrived by air at Aéroport Léopold Sédar Senghor (MTAT). This steady increase does not tally with the reports from the industry, especially the leisure sector. While ‘purpose of visit’ data are not available to validate, this analysis proposes that the arrivals figures are largely driven by the growth in business and trade tourism that has boomed in recent years with the growth of Dakar as a regional trade, conference, transit, and business hub.

Figure 6.1. International (Nonresident) Arrivals 1973—2011

²⁸ Diagnostic Trade Integration Study Update (2013).

²⁹ UNWTO: Tourism Barometer 2013.



Source: DS/DEPT/MTAT and UNWTO.

6. While arrivals may be increasing, it does not appear that the leisure segment's market share is experiencing corresponding growth. In addition to interviews, some raw data may be able to support this hypothesis. National statistics show a decrease in average length of stay over the last few years, yet private sector operators in the leisure segment report that their guests have not shortened their trips—and in fact are largely unable to because of flight schedules. This would appear to support the suggestion that the leisure segment is experiencing a decrease in market share and that macro-level trends do not paint an accurate picture of the leisure segment.

Destination Asset Base

7. As a destination, Senegal is competitively endowed with many strengths and opportunities, for example,

- Short-haul access to Europe;
- Year-round good weather, particularly good during European winter;
- Tradition of hospitality (Teranga);
- Experienced, innovative, and committed private sector;
- New airport to open widening access to the region;
- An environment which is politically stable, secure, and free from terrorism; and
- Diverse and rich asset/product base, including
 - 700 km of coastline;
 - Strong business and meetings, incentives, conferencing, exhibitions (MICE) product in Dakar;
 - Rich cultural heritage, including Saint-Louis and several United Nations Educational, Scientific, and Cultural Organization (UNESCO) protected assets;
 - Largest park in West Africa, unique wildlife species;
 - Senegal River for cruising;
 - Striking desert 'Sahara' product;

- French influence on gastronomy and food culture; and
- Increasingly internationally recognized music and arts scene (Griots/Youssou N'Dour).

Industry Developments and Markets

8. The industry estimates that around 80 percent of the leisure market of Senegal is currently supplied by tour operators. There are several players in the market although numbers are greatly reduced from the country's 'heyday'. These include the two biggest European players, *Touristik Union International* and Thomas Cook (represented by Nouvelle Frontiers and Jet Tours, respectively), who have about 50 percent of the market share between them. Other significant players include FRAM and Lux Voyages, and there are several other more niche operators serving some of the smaller properties. Of these tour groups, the predominant country of client origin is France, followed by Belgium and Spain. The remaining 20 percent of the leisure market is made up of foreign independent travelers who plan and book their holidays directly with the service providers. While little is known about this market, it appears there is less dominance of the French and a wide variety of ages, professions, and interests.

9. Over the last 10 years, the industry reports a significant growth of domestic demand, both from locals and expatriates in Dakar. This has come about with the growth of the middle class and associated disposable income, an improvement in road infrastructure and accessibility, and a greater availability of vacant rooms in previously full hotels that prioritized longer-staying guests. All operators report that locals pay higher prices than foreigners who book as part of a group.

Institutional Support

10. In recognition of the sector's potential to contribute economically and its more recent decline, tourism development has been made a priority in the PSE 2014–2018. The PSE allocates nearly CFAF 2 billion for 2014, then 5.7 billion and 5.5 billion NCFA in 2015 and 2016, respectively, for an integrated tourism development plan. Several targets have also been set.

Figure 6.2. Ambitions Expressed by the PSE and the National Strategy for Tourism

	2013	2016	2018
No. of Tourists	980,000	1.5 million	2.0 million
No. of Beds	34,062	50,000	60,000
Receipts (CFAF)	300 billion	600 billion	800 billion

11. The PSE also recognizes the various challenges at the sector level, including lack of effective marketing and promotion, poor service quality, lack of qualified labor, and insufficient investment in seaside tourism. Subsequently, the Ministry of Tourism recently launched a full national sustainable tourism development plan and strategy in early 2014. If fully implemented, tourism can truly become a more globally competitive economic sector as the country evolves into an increasingly popular destination for holidays and business travel. The strategy emphasizes development in six main 'poles' or regions: Dakar; the north (Saint-Louis, Parc National des Oiseaux de Djoudj, Nature Reserve of Gueumbeul); Thiés/Diourbel (Petit Côte, Saly); Sine-Saloum; the east (National Park of Niokolo Koba, Dindéfelo waterfall); and Casamance.

Product Segments and Performance

12. Senegal as a destination has a wide product offering, yet the market has been largely split into three segments.

Business and MICE

13. The business segment focuses on Dakar as the administrative and commercial capital of Senegal as well as its function as a regional hub for West Africa and draws demand from private business, government, international, and nongovernment agencies. The Dakar hotel market also services the conference and meetings industry where there is a vibrant and busy meetings calendar, and smaller air-crew and leisure markets. It includes properties operated by international brands, including Carlson Rezidor, Accor, and Radisson. A recent study by W. Hospitality³⁰ showed the Dakar market performing well with occupancies across the key commercial properties averaging approximately 60 percent in 2013. This figure is very healthy, especially considering that new supply has come into the market. The source of demand mix is estimated by W. Hospitality to be business - 45 percent, conference - 30 percent, air crew - 15 percent, and leisure - 10 percent.

14. There are two distinct hotel segments—upscale and economy/mid-market hotels. Properties at the higher end (Terrou-Bi and Radisson Blu) have performed strongly while mid-market properties associated with international brands have also done well. There are several new properties entering the market and extensions under way at a number of others. These include a new 122-room Park Inn by Radisson, a 140-room Hyatt, the redevelopment of Hotel des Almadies which will be rebranded as a Sheraton upon opening, and extensions at Radisson Blu, Terrou-Bi, and Hotel Jardin Savana.

15. Overall, commercial and economic growth in Senegal and the region continues to drive growth in business travel in Dakar and this segment has been less affected by external shocks in recent years, with the exception of a temporary decline in late 2014 because of the Ebola crisis in surrounding countries.

16. **Beach/Leisure.** This has been the mainstay of the historical tourism product for Senegal based on good weather and attractive beach destinations. The main demand comes from Europe and is focused in the months between November to end April. Saly is the primary destination, the beach and sun are the core products, and demand is driven by European tour operators. While there is a range of product standards, the component includes properties that are performing at two different levels.

17. The first group comprises larger, older properties which tend to cater to the mass market. These have been struggling for some time. These are generally positioned at three-star standard and below and price is the key driver. Their high dependence on tour operators from declining European markets has seen occupancies and profitability fall, leading to limited capacity to reinvest and reposition. As a result, they have slowly become less attractive and have lost competitiveness among the key European markets. In addition, their single market focus and narrow product offering means that they are especially affected by the highly seasonal character of the holiday travel market. This has made them particularly vulnerable to the multiple additional and more recent shocks of increased taxes, changes in the visa regime, and beach erosion, which has specifically affected the Saly properties. Finally, the impact of the 2014 Ebola crisis has been severe for these properties.

18. In the face of these multiple challenging events, the response for a lot of the larger properties (who relied somewhat on volume and tour operators) was to drop prices resulting in a ‘race to the bottom’. It is these businesses which largely form the backbone of the industry that are in the worst position now—with degraded facilities, low occupancies (around 30 percent), and low revenue—and currently, the destination cannot be competitive even on price. The mass market, particularly from Europe, has a wide range of options in the Maghreb. Hotels are closing every year and more are planned to close in the near future. In the trading hotels, staff numbers have been significantly reduced. The situation is critical.

³⁰ W. Hospitality 2014.

19. There is a second group of hotels which appears to be performing at a higher level. These tend to offer a higher-quality product, attracting a more affluent clientele. They do not report major issues. Occupancies have been consistent or growing year on year, businesses are profitable, and there are new entrants to the market. These properties are not competing on price and have been more resilient to the external shocks described above. Most appear to be well-managed (often foreign) with a high-quality offer that meets international standards, as well as being somewhat ‘unique’ or ‘innovative’. Critically, while these businesses do use some ‘niche’ tour operators, most are sustained by a growing local and expatriate market, as well as foreign independent travelers. This domestic demand has cushioned them somewhat from the Ebola crisis, but cancellations are still high.

20. Performance also appears to be related to management capacity and access to wider distribution and marketing systems. The Baobab Resort, which is part of a large international Decameron Group, is clearly trading better than its competitors although it also appears to be less affected by the beach erosion problem. In addition to business it generates through the Decameron network, it has successfully diversified away from the French market, has been able to attract a growing conference clientele, and expanded its room stock from 142 to 257 rooms in 2012.

21. Tour operators report that other key beach/leisure destinations around the country are experiencing a similar pattern although the beach erosion problem is confined to Saly. The upper market is more affected by Ebola than by the pricing issues. At the lower end of the market, Ebola is the ‘final straw’ for many. For others, it is a problem but less so, as their markets are better informed and include more repeat visitors who understand the destination better. As a key destination, Saly is largely defined by lower-end products and is especially hard hit by the combination of all three key issues—beach erosion, price decline, and Ebola.

Eco/Cultural Circuit

22. The eco/cultural circuit segment has been active for some time but has struggled in recent years to become a firmly established alternative to the better known beach/leisure segment. Again, there appear to be two separate components.

23. The first is dominated by tour operators with *Touristik Union International* (Nouvelles Frontieres), Thomas Cook, and FRAM largely sharing the market. The eco/cultural tour product follows a structured pattern of travel around the country using coaches to visit several destinations with single night stays in each. Tours allow guests to meet local people, visit villages, and tour natural and cultural sites. This market is in decline. Tour operators indicate that it has more than halved over the last eight years and continues to lose share to the beach/leisure segment. This ‘circuit’ market is considered to be a mass market, with a mixed clientele but still largely dependent on the French component. Part of this decline is due to the security issues in the Casamance area (which was once a major destination) resulting in the withdrawal of tour operators from that location. In addition, the circuit product is less profitable for tour companies. This is due to higher unit costs resulting from more complex itineraries combined with less price elasticity as the ‘destination’ price in the mind of the consumer tends to be set by the much higher volume, lower price beach/leisure offering. Further diversification is needed before these products can establish their own price points in the market.

24. Being largely dependent on tour operators and strongly driven by price, hotels servicing this component are essentially price-takers. As such, they are directly affected by the declining competitiveness of the destination among the core markets controlled by the tour operators. Ebola has had a major impact on this segment.

25. Like the beach/leisure segment, there is a second component of the eco/cultural market which is more profitable. These tend to involve more independent and unique properties which have developed a 'niche' of their own and which are managed by more experienced operators. Many of these are smaller, self-managed properties which rely more heavily on direct bookings and attract more affluent travelers with mixed profiles, including families, couples, and older people. They tailor their offering to their local environment, allowing the client to experience an ecological/cultural/adventure product from the one location. As they are positioned at a higher price point, they report less impact from the tax and visa issues. Their more direct link to their markets has enabled them to partly manage the Ebola impact although they are affected, some seriously.

Other Markets

26. In addition to the three core components, there are also smaller specialized segments based on specific advantages which Senegal can offer. They include specialized wildlife markets and medical tourism which is believed to have potential based on the relatively good quality and availability of Senegal's medical facilities. These have their own distribution systems and could hold further potential for development as part of a diversification strategy for the destination.

27. Finally, there is a nonresident, longer-staying holiday market. This comprises people who have purchased properties in Senegal, usually near the beach, and return for regular holidays or who reside in Senegal for part of the year as part of their retirement. They are mainly French nationals. This market is important in its impact on construction but does not generate the same economic impact as the major business and leisure segments. Along with the specialized markets, the nonresident market has been less affected by the current issues facing the industry.

Key Issues and Analysis

28. The attached strengths, weaknesses, opportunities, threats analysis shows that Senegal is in a relatively good position for further development of its tourism sector. The underlying tourism asset base is strong with some segments such as business, conference, and domestic markets showing strong growth. It has high connectivity, long standing relationships with major international tourism actors, a capable private sector, political stability, and a renewed interest by the Government to prioritize the sector.

29. However, events and trends over the last 20 years have resulted in an overdependence on a core market segment that is now in decline. The industry reports that Senegal's leisure tourism started to lose market share some 15 years ago. Before this, there was a broader representation of origin markets although the product was still seen as largely beach holidays offered at competitive prices through reliable international tour operators. It was not a mass market but more 'exotic' in character. In addition to France, there was strong representation from Italy, Switzerland, Great Britain, Spain, and Germany. With a lack of promotion across these source markets and a lack of investment in the assets, the non-French markets started to decline. A lack of diversity of product, which left France as the core market, and increasing competition among the French market led to price competition, reduced margins, and further contraction of investment. Along the way, Senegal was unable to cement the 'exotic' character of its offer and became a mass market product. This image still prevails even though there is a wide range of possible offers. The leisure segment reports no real rate growth for the last 10 years. With Ebola, prices have declined in real terms this year.

30. With the increases in airport taxes and charges in 2005, the destination became more expensive than emerging competitors, particularly those within five hours flying time from Europe such as Tunisia, Morocco, and Egypt. The 2014/15 season package pricing for a one-week holiday in Senegal through FRAM was EUR 1,200 compared to EUR 790 in Egypt or Morocco for the equivalent product (seven

nights, full boarding). The industry believes it can compete with these destinations up to EUR 100 price premium but no more.

31. The price impact on Senegal's competitive position was exacerbated by the global financial crisis of 2008. Its effects, especially in Europe, saw demand change. Core markets became much more price sensitive and Senegal had not developed a wider range of products that would allow it to offer the additional value to justify the increased priced compared to its competitors.

32. Policy changes following elections in 2011/12 resulted in a removal of the promotion agency and a change in the visa regime. The removal of the promotion agency effectively transferred responsibility for all destination marketing to an already struggling private sector, a loss of strategic direction for the industry and a loss of clear market position in major origin markets. This was compounded by the loss of Air Afrique, which had formerly provided strong support for Senegal. The new visa regime added more costs and difficulty in accessing the destination.

33. The result is that a large segment of Senegal's tourism industry is not performing profitably, is losing competitiveness, and has little capacity to withstand significant further shocks. The industry faces a series of challenges which need to be addressed to build a platform for long-term growth.

34. There are both macro-level and local-level challenges facing the sector. Not all of the challenges are faced equally by each of the sub-segments of the industry. The list in Table 6.1 (in no particular order) shows the key issues faced by each part of the industry.

Table 6.1. Impact of Key Issues by Segment

Issue	Detail	Business MICE	Beach Leisure Upper	Beach Leisure Lower	Eco/Culture Upper	Eco/Culture Lower
Lack of promotion	Earlier Government withdrawal from destination promotion leaving industry to sell both destination and product with limited means; lack of capacity in newly reformed promotion agency	M	H	H	H	H
Airport tax	Significant impact on cost of travel to the destination	L	M	H	M	H
Visa process	Increasing complexity and lack of clarity for foreign travelers especially core markets controlled by tour companies	L	M	H	M	H
Lack of data	Inadequate and unreliable sector data; difficult collections process and low compliance from industry	H	H	H	H	H
Lack of PPD	Loss of effective dialogue and trust between public and private sectors	M	H	H	H	H
Beach erosion	Severe beach erosion threatens 11 of the main hotels, an important core of Senegal's tourism	N	M	H	L	L
Inadequate	Road and air access to more	L	M	M	H	H

Issue	Detail	Business MICE	Beach Leisure Upper	Beach Leisure Lower	Eco/Culture Upper	Eco/Culture Lower
Infrastructure	remote destinations; high cost of water and power					
Ebola threat	Ebola, or the perception of Senegal as part of an 'at risk' geographical area is an issue that is widespread and applicable to all products. It is not a systemic issue, but needs to be addressed nevertheless	H	H	H	H	H
Lack of operational sub-regional airports	Inadequate connections to more remote locations inhibits demand and limits diversification of product	L	H	H	H	H

Note: H = High; M = Medium; L = Low; N = Nil.

35. Going forward, Senegal's tourism industry needs to be managed carefully over the next five years for the sector to fully recover from the present crises and to develop into a sustainable sector which can continue to generate substantial employment and contribute to the country's economic development. There is a strong product, the private sector is organized and knowledgeable, and there are no major blockages to implementation. While the domestic and regional markets show promise, the industry as a whole must rely on the international markets for future growth.

36. It is clear that currently the Petite Cote, particularly the Saly zone, is the strategic core of Senegal's tourism. With better protection and management of this zone, product offers such as community and nature tourism activities (that is, the Ecogôte experience, ecotourism activities, adventure excursions, and so on) could be expanded, thus maximizing the economic impact of tourism in the region and beyond. Improved protection and management could best be achieved through an approach based on integrated destination development planning.

37. As improved access to Cap Skirring and Saint-Louis are explored, either or both of these destinations could be possible pilot examples of additional integrated destination strategic plans. With the development and implementation of these plans, investment and marketing outreach could become better targeted and more productive, especially with regard to attracting more tour operators interested in offering extended stays and opportunities for spending in Senegal, that is, those designed around possible themed circuits throughout the country.

38. To take the industry forward, the declining competitiveness of the core product needs to be addressed along with the building of capacity and effectiveness in both the public and private sectors. This will require the setting of clear direction for the development of new destinations, the building of capacity in the newly reformed promotion agency, an assessment of the impact of key government policies (taxes and visas), the rebuilding of an effective partnership between the public and private sectors, and the development of an accurate and timely data collections and analysis function to inform decision making and guide industry development. It will also involve building linkages between the tourism and other related sectors of the economy (for example, agriculture), improving natural and cultural asset protection, providing improved visitor information, and the mobilization of investment once the key destinations are prioritized and specific opportunities are identified.

39. However, the current situation requires an urgent response. Senegal's brand is primarily associated with low-cost sun/beach holiday. This brand is being damaged by rapidly declining competitiveness and the beach erosion problem. While there are plans to develop new zones, it is essential to take action to protect this segment, at least in the short term. It is a core market and, even in decline, remains a key link between the tourists and the economic impact of the industry. This is critical for those specific properties that have deteriorating beaches but also for the other properties in the Saly destination that are suffering by association. There is also a 'knock-on' effect for the entire destination due to the importance of the beach product in defining Senegal's brand and market position. While this segment may not be the most suitable for long-term development, it is currently in danger of collapse and its protection in the short term is essential.

40. The need to address the threat of Ebola is equally urgent. This affects the entire industry and is compounding an already dire situation.

Table 6.2. Strengths, Weaknesses, Opportunities, Threats Analyses

Infrastructure		
Strengths	Weaknesses	Opportunities
Aviation <ul style="list-style-type: none"> 27 airlines connecting Dakar to multiple generating markets. Four international airports (Dakar, Ziguinchor, Saint-Louis, Cap Skirring), airport in Tambacounda, 9 smaller aerodromes. Aéroport International Blaise Diagne (Blaise Diagne International Airport) - the new airport will increase appeal and offer a convenient gateway to Petit Cote beach resorts. Roads <ul style="list-style-type: none"> Dakar-Thies road is improving. Coastal Zone <ul style="list-style-type: none"> Petit Cote offers multiple resort properties catering to international markets. Port <ul style="list-style-type: none"> Rated well by the WEF. 	Aviation <ul style="list-style-type: none"> Inadequate internal air connections High airport taxes and fees Roads <ul style="list-style-type: none"> Generally poor quality throughout country hinders access. Coastal Zone <ul style="list-style-type: none"> Severe beach erosion threatens 11 of the main hotels, an important core of Senegal's tourism. Saly development exceeded past master plan parameters, resulting in a degraded destination. Utilities <ul style="list-style-type: none"> High energy and water costs Internet <ul style="list-style-type: none"> Uneven, unpredictable service 	Aviation <ul style="list-style-type: none"> With frequent major air service, there are mutually beneficial opportunities to involve airlines in tourism marketing. The new airport could be a catalyst for further Petit Cote SMAFs. Coastal Zone <ul style="list-style-type: none"> SAPCO master plans for Pointe Sarène, Mbodjiene, Potou, and Joal Finion. Master plans combined with special economic zone concepts could accelerate investment and generate up to 30,000 jobs (SAPCO estimates). Port <ul style="list-style-type: none"> Cruise port potential
Product, Marketing, and Promotion		
Strengths	Weaknesses	Opportunities
Institution <ul style="list-style-type: none"> Tourism promotion agency is expanding staff and budget. Marketing <ul style="list-style-type: none"> Longstanding relationships with major international tourism actors (hotels, tour operators). Proximity with main generating markets. Product <ul style="list-style-type: none"> 700 km of coastline with year-round sunshine. 	Institution <ul style="list-style-type: none"> Stronger coordination and joint marketing needed with private sector. Marketing <ul style="list-style-type: none"> Innovative marketing, especially online via social media is lacking. Weak international image and branding of product diversity. Product <ul style="list-style-type: none"> Product offers are stuck in the 	Product <ul style="list-style-type: none"> Existing product offers of Lamantin and Ecogôte demonstrate strong potential for getting visitors off the beach and into more community-based experiences. Extensive product opportunities in interior, especially if Government's strategy is funded and implemented.

<ul style="list-style-type: none"> • Already existing diverse products attracting coastal visitors such as Acro Baobab Zipline, Reserve de Bandia, and the Ecogîte demonstrate village experience. • Unique cruise on the Senegal River to Podor. • Rich cultural heritage, including World Heritage Sites, Saint-Louis traditional town, and architecture. <p>Parks</p> <ul style="list-style-type: none"> • Substantial network of national parks open to visitors offering rich wildlife experiences. • Djoudj National Park combined with Senegal River cruise is a strong offer. 	<p>1980s sun and sand focus; overdependence on this segment.</p> <ul style="list-style-type: none"> • Worn-out equipment and facilities in many hotels. • Weak linkages between coast and interior. • Lack of luxury hotels in the countryside. <p>Parks</p> <ul style="list-style-type: none"> • Generally, too remote, inaccessible, and lacking facilities for most visitors. 	
Human Resources		
Strengths	Weaknesses	Opportunities
<ul style="list-style-type: none"> • Tradition of hospitality - ranks 6 out of 140 in the world. • Existence of functioning hospitality schools. 	<ul style="list-style-type: none"> • Inadequate education and training to support tourism growth. • Neither public nor private sector investing enough. • Service quality and qualified staff are lacking. 	<ul style="list-style-type: none"> • Growing demand for hospitality education from industry and students. • Community involvement in tourism-related activities.
Investment and Policy Reform		
Strengths	Weaknesses	Opportunities
<ul style="list-style-type: none"> • Overall political stability • Renewed interested from the Government expressed through the PSE, national strategy, new minister in charge of PSE monitoring directly advising the President on tourism issues • Open Skies Aviation Policy. • Existing master plans providing incentives for investment 	<ul style="list-style-type: none"> • Visa confusion and costs. • Protectionism in favor of domestic airlines hinders internal aviation development. • Airport fees. • Insufficient access to credit for new project and renovations. • SAPCO offering interesting investment opportunities, but Saly overdevelopment example is a disincentive. 	<ul style="list-style-type: none"> • Generally positive investment climate. • Investment funds (such as <i>Fonds Souverain d'Investissements Stratégiques</i> (FONSIS) and <i>Fonds de Garantie des Investissement Prioritaires</i> (FONGIP) exist.

Annex 7: Statistics

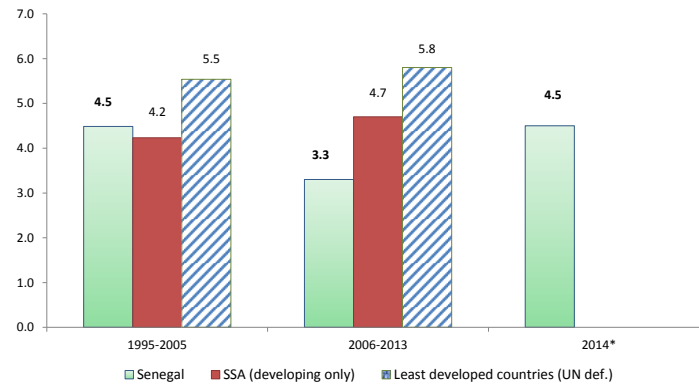
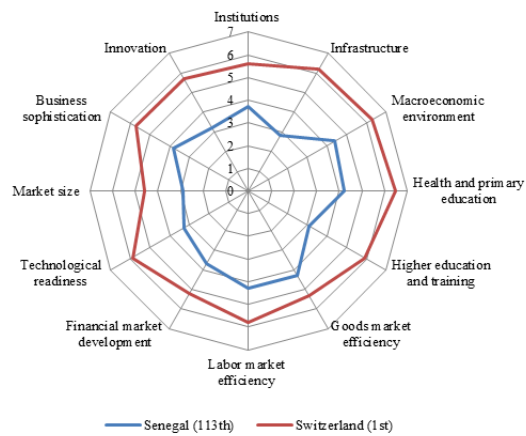


Figure 7.1. Average GDP Growth (Percent)

Source: World Development Indicators, January 2015.

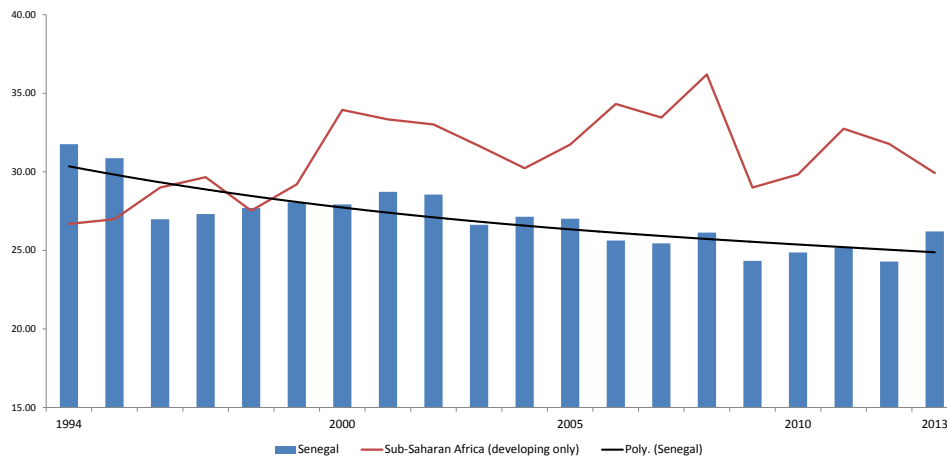
Figure 7.2. Senegal Global Competitiveness



Source: WEF 2014.

Note: Scores range from 1 to 7 (best).

Figure 7.3. Good and Services Exports (Percent of GDP)



Source: World Development Indicators, January 2015.

Note: The red curve is a second order polynomial trend.

Product	2003 Share in exports (%)	Product	2013 Share in exports (%)	2003- 2013 Growth rate (%)
Fish products	22.3	Fuels	17.5	50.1
Fuels	20.1	Gold and other metals	**	13.3
Inorganic chemicals; organic or inorganic compounds	12.1	Fish products	10.3	6.1
Fertilizers	*	Salt; sulphur; earths and stone...	8.0	79.5
Salt; sulphur; earths and stone...	3.8	Inorganic chemicals; organic or inorganic compounds	6.4	17.6
Animal or vegetable fats and oils ...	*	Soups, broths and miscellaneous edible preparations.	**	5.0
Tobacco and manufactured tobacco substitutes	3.2	Tobacco and manufactured tobacco substitutes	4.8	71.2
Cotton	3.1	Iron and steel.	**	4.4
Vehicles and parts and accessories thereof.	*	Horticulture - Edible vegetables and certain roots and tubers.	**	2.0
Essential oils and resinoids	*	Preparations of cereals, flour, starch or milk; pastrycooks' products.	**	1.8

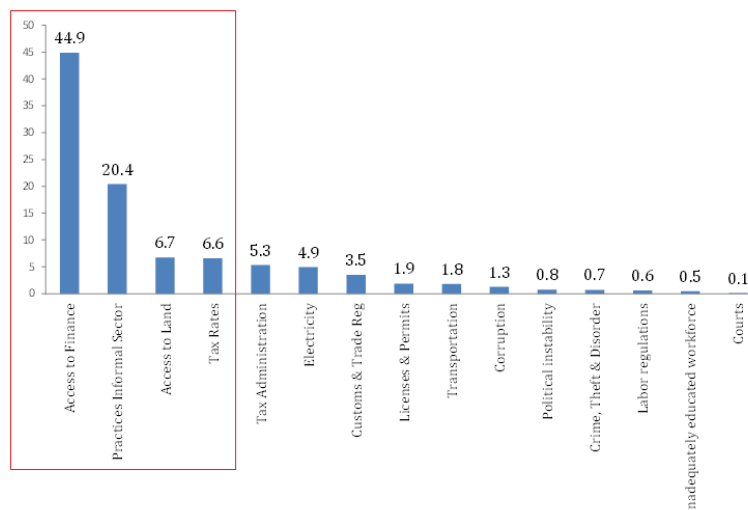
Table 7.1. Top 10 Exports in 2003 and 2013

Source: WITS – Comtrade, February 2015.

Note: * Products that disappeared from the top 10 exports between 2003 and 2013.

** Products that appeared in the top 10 exports between 2003 and 2013.

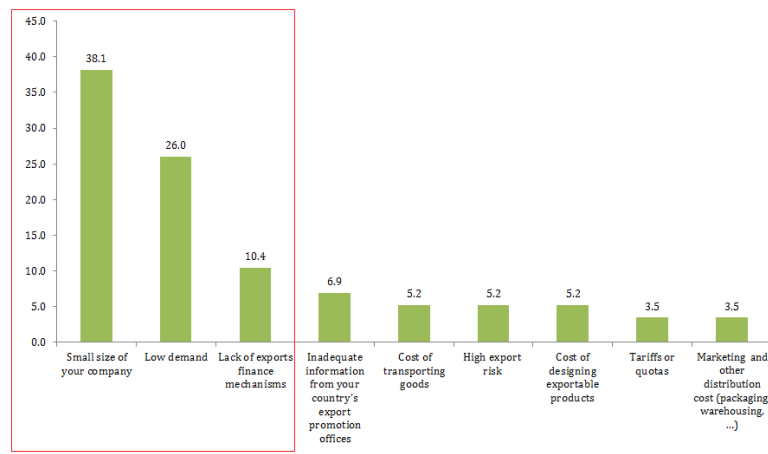
Figure 7.4. Senegal: Top Business Environment Constraints in 2014 (Percentage of Firms, n = 410)



Source: Enterprise survey 2014.

Note: Preliminary data, partial sample.

Figure 7.5. Senegal: Top Constraints to Exports for Firms not Exporting but Willing to Do It (Percentage of

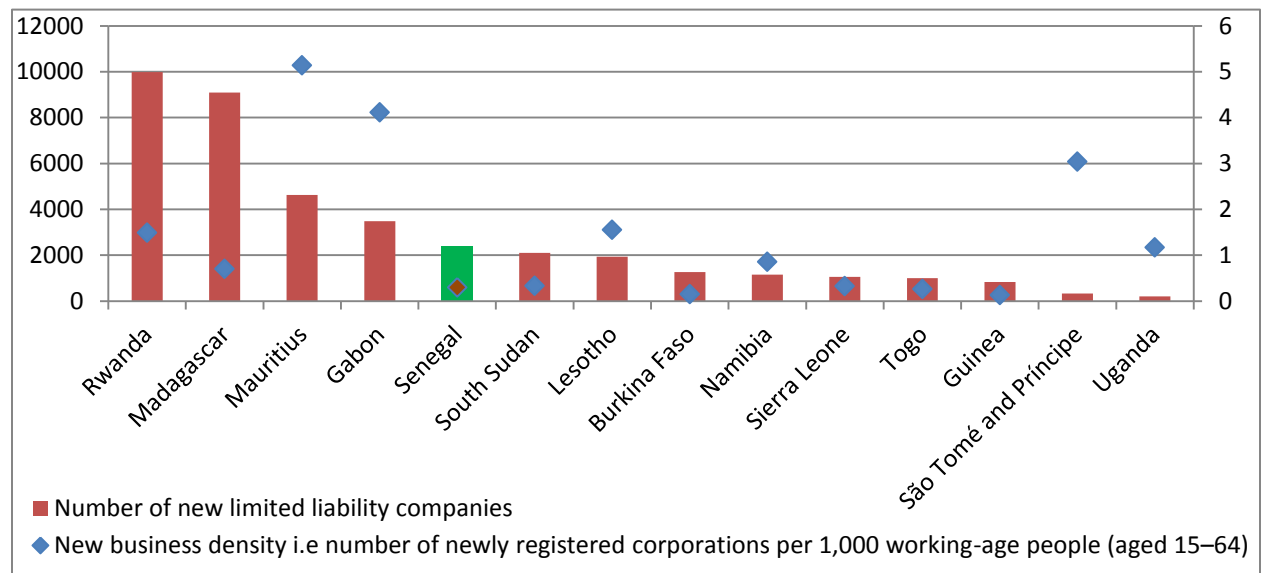


Firms, n = 130)

Source: Enterprise survey 2014.

Note: Preliminary data, partial sample.

Figure 7.6. Low Entrepreneurship in Senegal



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