

Annex 4: Detailed Project Description

SENEGAL: SN-Participatory Local Development Program

Component 1: Support for the decentralization, deconcentration, and participatory local development policy (US\$ 3.3 millions)

This component aims at supporting national structures involved in decentralization as they launch complementary actions to make decentralization more effective and to ensure consistency with participatory local development. Specific objectives of the component are: (i) to update the legal, regulatory and institutional framework governing decentralization; (ii) to assist the government to establish operational mechanisms to implement the national decentralization policy; and (iii) to support efforts to implement deconcentration policies and to improve the consistency of deconcentration policies with decentralization and participatory local development. The component is divided in three sub-components:

Subcomponent 1.1: Update of the legal, regulatory and organizational decentralization framework for the integration of DCC.

PNDL. The PDLP's subcomponent 1.1 contributes to the PNDL's subcomponent 1.1 whose aim is to update the legal, regulatory and organizational decentralization framework.

Diagnostic: A package of 5 laws and 25 decrees orders issued in March 1996 constitute le current legal framework for the decentralization process in Senegal. This battery of texts includes inter alia the devolution of competencies from the central State to Local Governments (LGs) for local planning, natural resource management, and provision of some basic services such as education and health. It explicitly envisages partnership between LGs and community-based organizations (CBOs)¹. However, such a legal and regulatory framework revealed insufficient for: (a) sectoral ministries to give up exercising their former power on investment resources despite their legal devolution to LGs; (b) LGs to spontaneously develop partnerships with their CBOs to build basic infrastructure and deliver related services; and (c) regional newly created structures (ARD) to play a clear and efficient role. However, some Government projects implemented since year 2000 with external funding² have evidenced that: (i) LGs have capacity to implement LG-scale local subprojects included into their PLD, and (ii) CBOs have a strong comparative advantage to identify and implement village-scale subprojects that suit their priority needs. The LG-managed national workshop of November 27, 2005, has recommended that the PNDL institutionalize the LG-CBO partnership framework, on the basis of the subsidiarity principle. Such an adaptation of the decentralization framework to CDD for improved efficiency is in the Government agenda to allow more resource transfer to LGs along with formal responsibility devolution.

¹ « Les collectivités locales [...] associent en partenariat, le cas échéant, à la réalisation des projets de développement économique, éducatif, social et culturel, les mouvements associatifs et les groupements à caractère communautaire » Law 96-06 dated march 22, 1996, Article 3.

² Including PNIR for LGs, and PFDS for CBOs.

PNDL objective for subcomponent 1.1: The PNDL objectives to update the legal and regulatory framework can be broken down into 4 groups:

- Group 1 – global governance : local tax reform, elected representative status, creation of a local civil service, judiciary system reorganization, review of the role of regions, of ARDs, and of the CNDCL;
- Group 2 - realignment of sectoral ministries along with decentralization : deconcentration charter, sectoral policies adjustment to decentralization ; redefinition of relationships between central government, LGs and CBOs to better deliver services at the local level;
- Group 3 - local governance by LGs: reorganization of local consultation frameworks, procedure harmonization for local participatory planning, legal status of local basic infrastructures, contract management delegation by LGs to CBOs ;
- Group 4 - village/neighborhood level governance: modalities for the creation, organization and functioning of CBOs for community-based development in the context of LG-governed local development.

Strategy: Achieving the two first groups of objectives does not depend only on PNDL, but is also depending on the progress of other Government projects and reforms such as PRSC, PAC-2, PDEF-2, etc. with whom the PNDL needs to develop a strong coordination. The first group of objective (global governance), which requests a long a complex implementation process, is expected to be achieved at the end of PNDL's second phase. The second group of objectives (realignment of sectoral ministries) is expected to be achieved by the end of the pilot phase, however depending on the progress of parallel sectoral support projects such as PDEF-2). On the other hand, achievement of the 3rd and 4th groups of objectives is under PNDL control, and is expected during the first 18 months of PNDL.

Target groups: For this subcomponent, target groups are: (a) ministerial bodies in charge of reforms, for all sectoral ministries involved in basic services delivery (such as health, education, water, transport) and cross-cutting ministries in charge of territorial management (such as decentralization, local governments, interior affairs) and human resource management (such as civil service) and financial management (economy, finances and budget); (b) the three associations of local government representatives, and UAEL ; (c) representatives of the main CBO federations (pupil-parents associations, health committees, water committees, women, youth, handicapped people, etc.).

Activities: To achieve the above objectives, activities will mainly be: technical advice services, information and validation workshops, working documents production and duplication.

Coordination with other projects: The first group of objectives presents important overlaps with PRSC objectives regarding decentralization, local tax reform, cadastre, civil service reform, deconcentration/decentralization of the health system, and with PAC regarding some of these points in the urban development context. The second group of objectives presents overlaps with the deconcentration/decentralization objectives aimed by sectoral projects/programs such as PDEF-2, PSAOP-2, etc. Implementation of this subcomponent would be done in close coordination with these projects to prevent duplication of efforts and ensure synergy.

Implementation arrangements: The overall coordination of the subcomponent would be the responsibility of the Ministry in charge of decentralization and local governments, in close collaboration with: (i) for the 1st group of objectives, transversal ministries in charge of finance, budget, civil service, and interior affairs; (ii) for the 2nd group of objectives, sectoral ministries in charge of basic service delivery such as education, health, water, transport; (iii) for the 3rd group of objectives, with UAEL, the ministry in charge of interior affairs, and (iv) for the 4th group of objectives, the ministry in charge of community and social development. Each ministry will designate the concerned directorate. The ministry in charge of local governments and decentralization will ensure the coordination with Technical and Financial Partners (PTF) to keep them closely informed on the progress of the subcomponent, through regular meeting. Due to the importance of legal issues, this ministry will ensure coordination with the concerned working groups in the National Assembly. The PNDL Executive Secretariat will play a crucial facilitation role between all partners.

Cost and Financing: The cost of the 3 subcomponents of component 1 is estimated by the Government at about US\$ 5 millions, from which 42% representing US\$ 2 millions would be provided by IDA, 11% by FECL to equip LGs, the remaining part (45%) being unfunded yet. The financing needs for this subcomponent would also be partially covered by the financial support provided by PRSCs and sectoral projects such as PDEF-2 when common objectives are aimed.

PLDP: The subcomponent 1.1 of the PLDP supports PNDL subcomponent 1.1 as follows:

PLDP objectives for subcomponent 1.1: The PLDP will support the 4 groups of objectives of PNDL subcomponent 1.1. However, due to other PTF and PRSC interest for the first group of objectives, the PLDP would more focus on the 3 other groups. Also, due to other PTF support to sectors, the PNDL alone cannot be kept accountable for the achievement of the 2nd group of objectives. On the other hand, IDA is the only partner with combined experience (through PNIR and PFDS) in supporting LG and CBO development. For these reasons, the main objective of PLDP for this subcomponent is to achieve the 3rd and 4th groups of objectives. Regarding the 3rd group of objectives, the PLDP would focus on the adaptation of text organizing the local planning process, notably to include poverty targeting and harmonization of the planning process at the LG level with the priority planning at the village/neighborhood level. Performance indicators of PLDP for this subcomponent would therefore be limited to PNDL indicators for the last 2 groups of objectives.

Activities financed by PLDP for subcomponent 1.1: All activities planned in the PNDL for subcomponent 1.1 (to achieve the 4 groups of objectives) are eligible for financing under PLDP subcomponent 1.1.

Cost and financing of PLDP subcomponent 1.1: This subcomponent will finance 100% of activities incurred to achieve objectives of Groups 3. It will partially finance activities incurred to achieve objectives of Group 2 which are expected to be mainly funded by sectoral project/programs such as PDEF-2 and PSAOP-2. PLDP financing would complement PTF and PRSC support to activities aiming at achieving the first group of objectives.

Subcomponent 1.2: Setting up operational mechanism to finance the participatory local development.

PNDL. The subcomponent 1.2 of the PDLP supports PNDL subcomponent 1.2 – aiming at putting in place operational mechanisms for CDD – as follows.

Diagnostic: Although the law 96-07 has provided that LG would receive, from central government, financial resources corresponding to the devolved responsibilities, this does not materialize yet. Funding LGs through FDD has so far been trivial compared to needs to implement these responsibilities³, and provided, in addition, with long delays, incompatible with efficient management. The bulk of government financial resources for basic infrastructure have remained under the control of sectoral ministries. However, with donor support, the Government has successfully tested, on the one hand, channeling resources to LG through the Trésor Public, for implementation of LG's projects developed in the context of their PLDs (PNIR example), and on the other hand, channeling resources to CBOs for the implementation by them of small scale projects (PFDS example).

PNDL objective for subcomponent 1.2: At this stage of its development, the PNDL has two groups of objectives for this subcomponent: to adapt/develop the set of existing texts, mechanisms and tools for:

- Group 1 - collect LGs' proper resources, including (i) local taxes, tax-base and collection, (ii) mechanism to collect resources from concessionary companies (SONELEC, SDE, etc.), and (iii) training of staff to use the tools;
- Group 2 – implementation of resource transfer to LGs: including: (i) assessment of the financial volume corresponding to devolved competencies to LGs; (ii) set up of a unified financial circuit to channel external fund through regular channels; (iii) feasibility of the creation of a unified fund to flow funds to LGs; (iv) index-linking FECL on VAT; (v) development of criteria to allocate resources to LGs, and speed up of resource transfer. .

The PNDL should, in addition include in its sub-component 1.2, the set up of operational mechanisms for:

- Group 3 – resource transfer from LGs to CBOs for the implementation of sub-projects belonging to the PLD and for which CBOs have a comparative advantage according to the subsidiarity principle.

Implementation: The overall coordination of the sub-component would be under the responsibility of the ministry in charge of finance and budget in collaboration with: (i) for the first 2 groups of objectives, the ministry in charge of LGs and UAEL, and (iii) for the 3rd group of objectives, the ministry in charge of social development.

PDLP

³ The FDD has increased from CFAF 5 billion in 1997 to CFAF 13 billion in 2005. The draft budget for 2006 is proposing CFAF XX billions in 2006.

Diagnosis: Past experiences in financial management by LGs and CBOs of projects for improving access to basic services, have been a success as evidenced by PNIR and PFDS. Although targeting mechanism has been different, the lesson is that targeting the poorest basic communities is more efficient than any other targeting mechanism. It is established that basic communities have a comparative advantage to implement projects addressing their priority needs, and in such case, rapidity access to financial resources by CBOs is the condition to quickly perform project implementation

PLDP objective for is subcomponent 1.2: The PLDP would support the three groups of objectives of PNDL subcomponent 1.2. However, considering the high PTF interest for issues related to the first group of objectives, the PLDP would rather focus more on the last 2 groups of PNDL objectives. On the basis of its past experience with PNIR and PFDS, IDA has a comparative advantage to support these 2 groups of objectives, and has a unique experience regarding the financing of CBOs for the execution of priority subprojects in the context of existing PLD. The PLDP performance indicators for this subcomponent would be limited to the PNDL indicators related to the 2nd and 3rd groups of objectives (**indicators for the 3rd group need to be developed**)

Activities financed under PLDP for subcomponent 1.2: All activities in the PNDL's subcomponent 1.2 are eligible for PLDP subcomponent 1.2.

Cost and financing of PLDP subcomponent 1.2. This subcomponent will finance 100% of activities related to the 3rd group of objectives. It will partially finance activities to reach the objectives of Groups 1 and 2 with consideration of other funding through PRSC and other PTF projects.

Sub-component 1.3: Developing Guidelines for local governments and communities to implement CDD.

PNDL. The subcomponent 1.3 of the PDLP supports PNDL subcomponent 1.3 – aiming at putting in place operational mechanisms for CDD between LGs and CBOs as follows.

Diagnostic. Although the decentralization legal framework issued in March 1996 provides room for partnership between LGs and CBOs, little has been done in terms of standardized tools and guidelines to help the work of LGs. What has been done is a piece-mill of donor-supported non-harmonized tools developed through individual projects. None of these tools is providing LGs with mechanisms to empower their communities through the CDD approach promoted by PNDL.

PNDL objective for sub-component 1.1: The PNDL objectives are as follows: (i) clarification of roles and missions, (ii) develop and rationalized the institutional and organizational frameworks for LG and CBOs, (iii) promote and reinforce inter-LG interventions; and (iv) develop LGs' and CBOs' support structures.

PLDP. The subcomponent 1.3 of the PLDP supports PNDL sub-component 1.3 as follows:

PLDP objectives for subcomponent 1.3. The PLDP will support the 1st, 2nd, and 4th sub-objectives of PNDL sub-component 1.1 as follows:

- Clarification of roles and missions. For each sector (Education, Health, Water, Agriculture, etc.) the respective roles and missions of each partner (central and deconcentrated levels of sectoral ministries, LGs, Communities and the private sector, will be clearly defined. The output is a reference guide that spells out, for each type of sub-project to be financed by PNDL/PLDP, who is responsible for what. A first description of actors' roles and missions will be set up in the Project Implementation Manual and will be regularly updated on the basis of experience. Before MTR, a draft Reference Guide describing the roles and missions of each actor will be finalized by the Ministry in charge of LGs and its partners. By the end of the Project, the final version of the Reference Guide will be formally adopted by the Government.
- Develop, update, rationalize and implement the institutional and organizational framework for LGs and CBOs. The objective is to develop official uniform Guidelines for LGs, Communities and Sectoral ministries (at the deconcentrated level) to guide their implementation of the CDD approach. These Guidelines will cover: (i) the LG organizational chart update to implement CDD, (ii) uniformed guidelines to guide LGs in the process to plan their Local Development Plan including the CDD approach with their communities, (iii) uniformed guidelines to develop a single village-based organization to plan and implement local development at the village/neighborhood level and move out of the myriad of local CBOs created for each individual project; (iv) implementation of the CDD approach including delegation of responsibilities from LGs to their communities. The PNDL Project Implementation Manual will provide the starting framework that will allow actors to learn from experience. Before MTR, institutionalized Guidelines describing the organizational framework to implement CDD will be finalized by the Ministry in charge of LGs and its partners. By the end of the Project, the final version of the Guidelines will be formally adopted by the Government.
- Develop LGs and CBOs support structures. This sub-objective of PLDP component 1.3 is to help the Government clarify the future role of the Local Development Support Centers⁴ and ARDs in the context of the new CDD strategy promoted by the PNDL.

Strategy: For each of the above sub-objectives, the strategy is as follows:

- Clarification of roles and missions. The strategy is three-pronged: first, the basic strategic principle to delineate roles and missions, is the subsidiarity principle; second, the responsibility to delineate roles and responsibilities according to the subsidiarity principle should be the concerned sector, so that this delineation would be reflected in the sectoral strategy (eventually to be updated under subcomponent 1.1); third, all partners currently supporting the concerned sector should be involved in the activities.
- Develop, update, rationalize and implement the institutional and organizational frameworks for LG and CBOs. The strategy is based on the learning-by-doing process. At project start, the actors will operate on the basis of the Project Implementation Manual that spells out the initial organizational framework to operate PNDL. The Guidelines will

⁴ The "Centres d'Appui au Développement Local - CADL" on behalf of the Ministry in charge of Local Governments are the former "Centre d'Expansion Rurale Polyvalents - CERP" under the Ministry in charge of Agriculture

be developed by the partners under the overall coordination of the Ministry in charge of LGs, on the basis of lessons learned during PNDL implementation.

- Develop LGs and CBOs support structures. The strategy will be based on a participatory approach including all stakeholders.

Target groups: For this subcomponent, target groups are: (a) ministerial bodies in charge of reforms, for all sectoral ministries involved in basic services delivery (such as health, education, water, transport); (b) the ministry in charge of Local Governments, (c) the associations of local government representatives at the sub-regional level, and UAEL ; (c) representatives of the main CBO federations.

Activities: To achieve the above mentioned objectives, activities will mainly be: technical advice services, information and validation workshops, working documents production and duplication.

Implementation: The overall coordination of the sub-component would be under the responsibility of the ministry in charge of Local Governments, in close collaboration with UAEL. For the clarification of roles, each sectoral ministry will be responsible to determine the appropriate role distribution for the identification, development and implementation of the subprojects pertaining to the sector, The Executive Secretariat will facilitate the work of the above mentioned partners...

Component 2: Local Investment Fund (US\$ 32.5 million)

The overall objective of this component is to improve access to basic social services for rural and urban poor populations' through the financing of sub-projects identified at the local level, and/or in the context of national priority activities; Specifically, the component will support (i) the supply of basic social services through village-level and/or neighborhood-level projects; (ii) the implementation of national priority activities identified with the collaboration of sector ministries.

Sub-component 2.1: Financing basic socio-economic infrastructures and services

PNDL. Sub-component 2.1 of the PLDP supports sub-component 2.1 which focuses on financing access to basic essential services for all inhabitants.

Diagnosis: A large number of grassroots communities do not have access to the basic services defined in the Minimum Package of Essential Services (PMSE) (see appendix 1 to this annex). Since the law on decentralization was passed in 1996, the LGs have had the responsibility of supplying some basic services to their communities. However, despite the increase in FECL funds⁵, they can in no way cover transferred competencies thus drastically limiting the LGs' capacity to provide such services. Whenever LGs received resources from elsewhere (for instance the PNIR), they proved that they could handle provision of such services very efficiently. Likewise, the AFDS also proved that grassroots communities are fully capable of

⁵ From CfaF 2 billion in 1996 to CfaF 13 billion in 2005

implementing small scale basic service supply projects, and that LGs can take advantage of their village-level capacities to achieve their local development objectives. Furthermore, the PNDL having determined that about 6.000 grassroots communities have very little access to PMSE, the PNDL is therefore targeting them.

PNDL strategy for its sub-component 2.1: The strategy is based on the following principles:

- Targeting the poorest communities. The PNDL's priority is to finance the PMSE in the 6,000 poorest communities (See targets in *Annex 17 to be developed*);
- Applying the subsidiarity principle for the implementation of sub-projects to supply PMSE by LGs or their communities (CBOs). The principle is that sub-projects should better be executed at a level closest to the beneficiaries provided that this level has the capacity to carry out the task. This level has a comparative advantage over all others in terms of efficiency.
- Multisectoral demand-driven approach. The project will finance investment projects identified, developed and proposed by communities and LGs, regardless the sector.
- Legal ownership (*maîtrise d'ouvrage*) of basic infrastructure by LGs and eventual contract management delegation by LGs to CBOs. For sub-projects falling under the authority legally delegated by central government to LGs, the latter are the owners of the works (*maîtres d'ouvrage*). Implementation responsibility of small scale projects at village level would be delegated by LGs to village-based CBOs. Funding provided to LGs would be used either to implement sub-projects for structural investments that could benefit several villages or to finance sub-project agreements entered into by LGs with their CBOs so that the latter can implement projects at the village level.
- Compliance with sub-projects' eligibility criteria: (i) inclusion of subproject in the PLD; (ii) being part of the PMSE; (iii) for projects at village level, identification, preparation and execution by the grassroots community concerned by delegation from its LG; (iv) respect for policies, strategies and of the concerned sector; (v) compliance with the provisions of the environmental risks' management plan ;
- Financing through usual Government financial channels. Funding by the PNDL of projects for the supply of essential services and infrastructures would go through the regular MEF channels for the financing of LGs which would in turn be able to finance the projects of their grassroots communities. The financial circuit is described in detail in Annex 6.
- Financing through a joint Government/development partners fund. The Local Investment Fund (LIF) would comprise funds supplied from: (a) the FECL and BCI; and (b) projects of development partners for investments in basic infrastructures and services for local development, including PLDP. ;
- Gradual decentralization of Government's investment funding. FECL funds would be gradually increased by the Government from XX billion CFAF in 2005 to XX billion FCFA in 2006 (*to be confirmed at appraisal*). The BIC would be decentralized beginning with the Ministries of Education and Health: 60% in 2006 (*to be confirmed at appraisal*) focusing on regions where PNIR and AFDS have already built the LGs' and CBOs' capacities, and subsequently in other areas as and when their capacity is strengthened (through component 3 activities);
- Eligibility to LIF of subprojects submitted by LGs will be on the basis of eligibility criteria, including a negative list, provided in the PIM;

- Financing by the SE-PNDL, from the resources of the LIF, to LGs and CBOs for eligible subprojects will be done through contractual Financing Agreements between SE and LGs;
- Maximum financing for LGs on the basis of: (a) population, and (b) the number of poor communities. Each LG would have access to PNDL funds up to an amount determined by the sum of the two following amounts : (a) an amount for structural investment projects at the LG level (benefiting several villages) calculated on the basis of CfaF XX 000 per inhabitant (*to be determined during appraisal*); and (b) an amount for village-scale projects calculated on the basis of CfaF 7.5 million equivalent to US\$15,000: (*to be confirmed during appraisal*) multiplied by the number of targeted poor communities (belonging to the 6000 referred to earlier) in the LG in question.

PNDL objective for sub-component 2.1: At the end of the program, the cumulative funding from the Government and development partners enabled 100% of the inhabitants of Senegal to have full access to 100 % of the PMSE (*the duration of the PNDL should be adjusted realistically to meet this objective*). During the first three years, the PNDL will accord priority to the country's poorest 6.000 communities. The percentage of funds directly managed by CBOs on behalf of LGs will not be less than XX% of PNDL's total financing for the component (*percentage to be determined at appraisal according to the subsidiarity principle, see Annex X*) ;

PNDL target groups under sub-component 2.1: They are the 110 urban LG (*Communes*) and the 320 rural LG (*Communautés Rurales - CR*). However, the PNDL has adopted the following phased approach: during the first three years, the first target group of this component will comprise all the 320 CR and within these CRs, the country's 6,000 poorest grassroots communities (villages/neighborhood). The urban local communities (communes) will be covered by the PNDL in subsequent phase; nevertheless, the communes where are fishermen villages targeted by the PGIRMC are also included in the first group.

Activities financed by the PNDL under component 2.1: They are mainly sub-projects prepared by the LGs and CBOs that meet the eligibility criteria.

PNDL implementation of sub-component 2.1: The overall coordination of the sub-component, the mobilization of funds from Government and external partners, and the management of the LIF are the SEP's responsibility. Detail of implementation responsibilities for this sub-component will be as follows:

- targeted communities will be responsible for identifying, preparing, submitting to their LG, implementing and monitoring small scale subprojects (benefiting to a single village or neighborhood) for access to PMSE;
- LGs will be responsible for submitting to SE their proposal for LIF financing. Proposals should include large scale projects (benefiting several villages or neighborhoods) to be directly implemented by them, and Agreements with their communities to finance small scale subprojects to be implemented by communities;
- SE-PNDL through ARDs will be responsible for: (i) approving LGs' proposals for LIF financing, (ii) ensuring timely provision of financial resources form LIF for these proposals, including payment to LGs and Communities respectively, depending in the type of project; and (iii) monitoring the execution of financial agreements by LGs and communities;

- Prefectures will monitor the respect by LGs of PNDL rules
- Ministry of Finance will be responsible for: (i) the supply of Government resources; (ii) the management of Government financial circuits; and (iii) monitoring of all PNDL expenditures. Details of the roles of each of the stakeholders and their relationship are contained in the Program Implementation Manual (PIM). ***Submission of a draft PIM acceptable to IDA will be a condition of negotiations.***

Cost and financing of PNDL sub-component 2.1: The funding required to ensure that each inhabitant has access to PMSE is estimated by the PNDL at the equivalent of 180 billion equivalents to US\$360 million, over a 5 year period. The Government intends to finance at least US\$XX million (***to be determined during negotiations***) through the FECL (at least CFAF 12 billion per annum beginning 2006) and through the BIC (CFAF 3 billion annually for education and health). IDA would contribute up to US\$XX million (***to be confirmed at appraisal***) during the first 3 years. The overall potential funding of this subcomponent is estimated at US\$XX million, leaving the amount of US \$XX million i.e. X% still to be found by the Government.

PLDP.

PLDP strategy for its component 2.1: PLDP strategy is patterned along the lines of the PNDL strategy.

PDL target groups of component 2.1: The PLDP target groups are these of the PNDL pilot phase, i.e. the 320 rural LGs and the 6,000 poorest communities, plus the fishermen villages targeted by the GIRMAC and their corresponding LGs.

PLDP Objective for sub-component 2.1: The PLDP objective is to assist the Government to start setting up a financing system for the PNDL as described above, by financing the investment sub-projects of the LGs and their targeted CBOs to provide for PMSE in the form of « matching funds ». At the end of the PLDP, at least 320 rural LGs would have financed sub-projects to the tune of an aggregate amount of at least US\$XX million including a minimum percentage (XX%) in Government counterpart funds equivalent to US\$XX broken down as follows : (a) at least one multi-village sub-project per CL for a maxim of XX% of the total financing for the sub-projects (***percentage to be determined at appraisal***) and (b) at least one village sub-project in at least 80% of the country's poor communities (***percentage to be set at appraisal***). It is expected that: (i) the 110 LGs that have already participated in the PNIR, and (ii) the eligible communities among the 1,000 grassroots communities that have taken part in the PFDS project already have the necessary capacity to prepare, submit and execute single and multi-village sub-projects and are in a position to rapidly absorb their share of the resources as soon as the credit becomes effective. The other LGs and CBOs will require more time for building their capacities with the support of PLDP components 3.1 and 3.2, prior to absorb resources.

Activities financed by the PLDP under component 2: The PLDP would finance LGs and CBO investment sub-projects for the PNDL's first three years.

Cost and financing of PDL sub-component 2.1: Each LG participating in the PNDL would have access to a maximum amount financed by the PLDP as stated in the above mentioned PNDL strategy. IDA funds for this subcomponent will cover a limited part of the needs (20%-

30% *to be confirmed at appraisal*). The Government should deposit funds from the FECL and BIC into the Investment Fund, i.e. XX billion CFAF per annum during the three years of the project to match IDA finds. ***The Government's commitment to supplement IDA funds (through the FECL and BIC) to attain the PLDP objectives will be a condition of negotiations.***

Implementation of PLDP component 2.1: Mechanisms for the implementation of the PLDP are those of the PNDL without any modification. The details of the roles of each of the stakeholders, as well as the implementation schedule are included in the PNDL Implementation Manual. ***The submission of a draft Operational Manual by the PNDL-MEP acceptable to IDA would be a condition of negotiations.*** The modalities of financial management are also described in detail in the PNDL Administrative, Financial and Accounting Procedures Manual which contains specific sections on IDA financing. ***The submission of a draft PNDL Manual, acceptable to IDA would be a condition for negotiations.***

Sub-component 2.2: Financing advisory services to develop local economic activities:

PNDL. Sub-component 2.2 of the PLDP supports sub-component 2.1 which focuses on the development of local economic activities.

Diagnosis: Poverty in Senegal combines lack of access to social services and lack of access to opportunities for economic development. Local development needs, in turn, to be multisectoral, encompassing social and economic development.

Objectives: The PNDL objectives for its sub-component 2.2 are to finance: (i) the set-up of trading infrastructure; (ii) income generating activities; and (iii) the identification of fields of economic activities with expansion potential; (iv) capacity-building of Microfinance institutions. to improve access of the poor to microfinance products and services.. .

PLDP. Sub-component 2.2 of PLDP is supporting PNDL's sub-component 2.2 as follows:

Diagnosis: Poor communities targeted by PNDL belong to the rural economy and the large majority of these are composed of producers in agriculture, livestock, forest, fisheries, handicrafts, etc. Women groups are often interested/involved in transformation of agricultural products. They often lack knowledge of the latest techniques and information needed to improve their skills and develop new projects or IGAs that have potential to generate higher income and profits. Past top-down and centralized approaches for the provision of technical advices to grassroots producers by ministries in charge of economic development have largely failed while demand-driven and more regionalized approaches have been tested successfully inter alia by PFDS and the Ministry of Agriculture's PSAOP-1, leading to the inclusion of the present sub-component in PNDL/PLDP and a specific component (C3) in PSAOP-2 currently under preparation, needing in turn close harmonization between the two projects.

Objective: The objective of this advisory services sub-component is to enhance the capacity of PNDL targeted communities, sub-groups or of individuals of these communities to improve their knowledge about their economic activities – mainly agriculture, livestock, fisheries and handicrafts – and to design or improve and manage IGAs that can be financed by MFIs.

Target group of PLDP for sub-component 2.2. All PNDL 6,000 targeted poor basic communities will benefit from this sub-component. Communities belonging to GIRMAC targeted villages, willing to re-orient their activities towards non-fishing ones, will also be included in the group. The PNDL target group is different from the PSAOP target group which is limited to Producer Organizations (POs), the latter being or not being part of the PNDL target group.

Strategy: The strategy is based on the following principles:

- Demand-driven provision of technical advices. Advisory services to communities for economic development (including agriculture, livestock, fisheries, forest, and handicrafts) should be provided on demand from communities. Each community will choose and propose one priority economic/technical area for which it needs technical advices which will be financed by PLDP via matching grant;
- Community choice of technical advice need based on participatory needs assessment. Under sub-component 3.3 aiming at strengthening the capacity of grassroots communities to plan and implement subprojects, GMT will be provided to targeted communities (and groups within communities). This training will help communities identify which new IGA they would like to create or how to improve an already existing IGA;
- Community contracting for technical advices. While communities have chosen the type of advisory service they need, they will contract, on a competitive basis, the provision of such advice to a competent private sector-based technical advice providers. Concerned line ministries such as these in charge of agriculture, livestock, fisheries, handicraft, will create, regularly update and disseminate to communities a roster of qualified technical advice providers and a list of standard duration and unit-costs per type of technical advice;
- Sectoral ministries roles refocused to their core public functions of regulation of the delivery of technical services (disengaging from direct service provision), i.e. (i) provide information and tools to communities regarding the sector strategy vis-à-vis geographical situation, needs and business opportunities, so that communities can make informed decisions on the type of technical advisory service they need; (ii) develop maintain an disseminate standard contracts and a roster of accredited technical service providers; (iii) supporting decision-making bodies for resource allocation; and (iv) monitor the contribution of the activities to the sector strategy and provide corrective orientation as necessary. Such a refocus is also a PSAOP-2's objective for ANCAR;
- Allocation of funds by the SE on the basis of eligibility criteria spelled out in the Project Implementation Manual (*submission of a draft PIM acceptable to IDA will be a condition of negotiation of the Project*).
- Coordination with other Projects. The allocation of funds for technical advices related to the agricultural/livestock sector would be managed by SE in close collaboration with, eventually through delegation to (to be discussed during appraisal), the Demand-Driven Service Fund (FSRRD) set up by the PSAOP-2, in order to follow similar procedures and resource allocation criteria, and prevent eventual risk of duplication; and
- Exit strategy. With support of the PLDP, the PNDL will test this demand-driven approach for technical advice provision, on an adhoc implementation basis, using the SE-PNDL and its regional branches to manage the funds for the present sub-component. Under sub-component 1.1, the PLDP will support de development of an exit strategy from such adhoc mechanism to an institutionally sustainable mechanism to provide public funds to

communities to finance technical advices for economic developments. A draft of such system should be available for MTR, and the final set up in place before PLDP ends.

Activities. Under this sub-component, the Project will support the provision of matching **(matching to be discussed during appraisal)** grants to targeted communities to finance services provided by private sector technical advisors chosen by the communities. It will provide a one-time grant for each targeted community to pay for the advisory service, with a co financing **(to be discussed during appraisal)** by the community to cover at least 10% of the cost, of which at least 5% will be in cash **(to be discussed during appraisal)**. Eligible advisory services would cover inter alia: agricultural production, animal farming techniques, fishing, raw materials transformation, craft industry techniques, access to markets and distribution channels for products generated by communities, design and implementation of new IGAs, business plans proposals to MFI financing through credit.

Implementation: The overall responsibility of the coordination of the sub-component will be ensured by the SE-PNDL. Detailed responsibilities are as follows:

- Targeted communities will: (i) identify their technical advice needs, (ii) request funding for a Technical Advice Agreement to finance the response to their needs, (iii) select the technical advisors through competition after receiving adequate training on selection of consultant services through the GMT program provided under sub-component 3.3, and (iv) make use of the received technical advice for improving their economic performance and, eventually, obtaining loans from MFIs.
- Concerned line ministries will be responsible for: (i) creating and maintaining a roster of qualified technical advice providers from which communities will build their short lists for competitive selection; (ii) providing information and support to communities to prepare their request for technical advice, such as unit costs, TOR examples, and; (iii) provide information regarding the sector objectives, strategies and best practices, and (iv) participate to the approval process of the technical advice financing. For technical advices in the field of agriculture and livestock, these responsibilities will be ensured according to the chain of responsibilities organized under PASOP-2, and the PLDP Implementation Manual will take into account the relevant sections of the PASOP-2's PIM.
- The SE-PNDL will be responsible for: (i) setting up the system, managing information to all actors, coordinating the present sub-component with GMT sub-component (3.3), (ii) approving communities' proposals for technical advice financing on the basis of eligibility criteria, and providing funds to communities through its regional branches (ARD) on the basis of contract Agreements; (iii) monitoring and evaluation the performances of: a) the communities to develop/implement the financing agreement, b) the technical advice providers to provide their services; and c) the line ministries and agencies to provide adequate support to communities; (iv) coordinating with the line ministries to facilitate their support to communities; (v) coordinating with PSAOP-2 and ANCAR to harmonize procedures (with the FSRRD) as regards technical advices for agriculture and livestock; and (vi) developing in liaison with concerned stakeholders an exit strategy towards a more sustainable institutional system for regular financing of demand-driven technical advice provision.

Cost and financing. Technical Advice Agreement to be financed by PLDP are not expected to cost more than FCFA 1,0 million (equivalent to about US\$2,000) per Agreement. This amount should be harmonized with amounts provided to POs under PSAOP-2's sub-component C3.

Component 3: Technical assistance and capacity building (US\$ 7.2 million)

Capacity building under this component targets all stakeholders involved in implementing decentralization and local development policies including government services, local governments, community-based organizations, the private sector and the civil society. The objective of the capacity-building component is to improve the effectiveness and efficiency of the services provided by local development actors. This component is broken down into four sub-components:

Sub-component 3.1: Building capacity for government services. The sub-component will contribute to the improvement of technical capacity of central and deconcentrated public services and will enhance their technical support in the implementation of decentralization and participatory local development policies. Activities under the component will target members of the program's national steering body, technical services of ministries and administrative authorities involved in project implementation. It will finance the following activities: (i) evaluation of sector projects to better identify and clarify roles and responsibilities of all stakeholders at the national level involved in the implementation of decentralization and local development policies, in accordance with the "subsidiarity principle"; (ii) designing operational mechanisms and procedures for deconcentrated services to provide advice to local government and community-based organizations, and establishing a list of required qualifications for implementation of local development, deconcentration and local development policies; (iii) preparing action plans for the transfer of human and budgetary resources to deconcentrated services for assistance in the implementation of sector policies, and for providing technical support to local governments and community-based organizations in the implementation of development activities; (iv) preparing and implementing a communication strategy targeting all stakeholders involved in decentralization and participatory local development; and (v) training the staff of deconcentrated services to ensure efficiency of their performance in assisting local governments and community-based organizations in the local development process.

Sub-component 3.2: Developing the capacity of local governments.

PNDL: PDLP sub-component 3.2 supports PNDL sub-component 3.2 focusing on building capacity of local communities.

Diagnosis: LGs in Senegal have weak human, financial and organizational capacities. During the period 2000-2005, about XXX rural local communities were able to strengthen their capacities through decentralization support projects financed by the PTFs (PSIDEL, PADELU, PADMIR, PROCED, and PNIR). This support was translated into action mainly through the preparation of local development plans (PLD) through a more or less participatory approach and, in the case of some projects, partial implementation of the plans. No development plan envisaged: targeting the poor, using the principle of subsidiarity, or delegating responsibility to

the grassroots communities for the execution of sub-projects at village level. AFDS has developed training tools to facilitate relations between the LGs and grassroots communities.

PNDL strategy for sub-component 3.2: The PNDL strategy for this sub-component is to: (i) define a set of minimum skills that LGs must possess, including skills for partnership with their grassroots communities, and assess their initial status against the list; (ii) harmonize and consolidate ongoing or past capacity-building programs (including PSIDEL, PADELU, PADMIR, PROCED, et PNIR); (iii) scale up from a limited number of LGs supported by these projects, to all LGs nationwide with support of the program, (iii) complement the capacity-building program which has so far been limited to actual decentralization from central to local governments, with a program to strengthen the latter's capacity to build partnerships with their grassroots communities; (iv) ensure actual ownership of the PNDL by the concerned line ministries; (v) ensure the linkage between the PNDL with the PRSP and supporting PRSCs particularly with regard to fiscal and budgetary decentralization and the development of a local public service; (vi) measure the progress made by each CL in acquiring the skills on the reference list. A tentative list of minimum skills to be acquired by LGs is given in Annex 18 (*to be developed*).

PNDL objective for sub-component 3.2: The objective is to make sure that upon completion of the PNDL all LGs would have acquired 100% of the minimum skills to implement CDD, on the basis of a list of minimum skills, namely:

- organizational capacity: LGs are equipped and trained to: (i) evaluate their status and consider ways and means of attaining the MDGs locally, and draw up development plans accordingly, (ii) plan and implement sectoral policies (for education, health, water, etc.) in their PLDs; (iii) target and prioritize access of their poorest communities to the minimum package of essential services; (iv) make use of the subsidiarity principle to classify sub-projects to be implemented either directly by the LGs and those which should be entrusted to the grassroots communities for implementation; (v) prepare and/or update PLDs taking into account targeted poor groups, the subsidiarity principle, combining LG's planning for development and CBOs' participatory priority prioritization at the village level, integrating the new role of grassroots communities in sub-project implementation; (vi) coordinate implementation of community sub-projects; (vii) budget and execute their PLD, including the financing of their grassroots communities; (viii) monitor and evaluate implementation of their development plans and contributions from their grassroots communities, et assess LG's contributions to the attainment of DRSP objectives and MDGs.
- human capacity for local development: At program's end, all LGs have adequate human capacities to efficiently implement the participatory local development (CDD), particularly physical and financial planning as well as the support to CBOs;
- financial management capacity: At program's end, all LGs have adequate financial management, procurement and financing skills, capacity to adequately finance their CBOs, and to implement their priorities set in their PLD in relation with PNDL overall objectives.

Target Groups of PNDL sub-component 3.2: These are elected representatives and staff of all LGs in Senegal, i.e. 110 urban LG (*Communes*) and 320 rural LG (*Communautés Rurales*). However, PNDL is designed for a phased implementation. During the first three years, the first

target group for this sub-component is limited to elected representatives and staff of all 320 rural LG plus 42 small urban LG which were part of the former PFDS. They will receive support according to their needs, taking into account progress already achieved with supports from previous projects. Other elected representatives and staff from larger urban LG currently supported by PAC, will be involved during a second phase. However, urban LG including villages targeted by GIRMAC would also be included into the first phase.

Activities financed by PNDL to build LG capacity to implement CDD. Activities financed by the program are mainly:

- to build organizational capacity, activities for: (i) information and training of LG elected representatives and staff; (ii) production of training materials and guides; (iii) technical advisory services to help LGs implementing their capacity-building programs;
- to build human capacity for local development, Government financing to LGs through FDD to put in place a minimum staff to plan/manage LDPs and support/coordinate CBOs' developmental activities;
- to build human capacity for financial management, training of *Trésor Public's* staff on new PNDL financial mechanisms through which LGs will finance CBOs for small scale project implementation.

PNDL implementation arrangements for this sub-component: The Program Executive Secretariat (SEP) has the overall responsibility of the LG capacity-building program, in collaboration with the elected representatives associations and the CAEL. The ARDs would monitor the LG implementation of their capacity-building program. They would monitor their progress on the basis of a set of criteria to define capacity-reference.

Coordination with partners: Many external partners are currently supporting LG capacity-building through decentralization projects that are moving to closure during PNDL implementation period. It is expected that donors would follow on these projects through subsequent support to PNDL

Cost and financing: The cost to strengthen LGs' capacity is estimated on an average basis of Fcfa XX millions per LG. The cost to build organizational capacity will be 100% financed by partners. Cost to build human capacity would be shared by the Government for recurrent costs (through FDD) and donors for training costs.

PLDP: Sub-component 3.2 of PLDP will support PNDL subcomponent 3.2, as follows:

Strategy and objective: The PLDP will follow PNDL strategy with no change. PLDP's objective is to contribute to build specific capacity of targeted LGs. At PNDL end, 70% of LGs are expected to achieve 90% of the criteria of the reference-frame defining LG minimum capacity (percentage to be confirmed at Project appraisal). ***Presentation by the Government of a final reference frame for LG minimum competencies, with measurable and quantified performance indicators, agreeable by IDA, is a condition of Project appraisal.***

Target groups: PLDP's targeted group for this subcomponent is all rural LGs in the country, with exception of these that are currently supported by another development-partner's project

during the support period. As soon as this support ends, these LGs are automatically included in PLDP target group. Urban LGs are excluded from PLDP support, with the exception of the 42 that were supported by PFDS and these that include fisher villages targeted by GIRMAC.

Implementation and coordination with partners: The project is implemented according to PNDL implementation arrangements. The roles of all actors are detailed in the PNDL Program Implementation Manual (PIM). ***Submission by the Government of a draft PIM, agreeable by IDA, is a condition of Credit negotiation.***

Cost and financing: The cost of the LG capacity-building program supported by IDA is estimated on the basis of Fcfa XX million per LG (***to be determined at Project appraisal***)

Subcomponent 3.3: Capacity-building program for community-based organizations and vulnerable groups.

PNDL: Sub-component 3.3 of the PDLP supports PNDL's subcomponent 3.3 to build community-based organization's and vulnerable group's capacity.

Diagnostic: Capacity of community-based organizations does exist, but have LG have not taken advantage of it. During the past period (2000-05), about 700 village-based communities targeted by AFDS (belonging to the PNDL targeted villages) in five regions, have strengthen their capacity to identify, prepare and implement a subproject, including financial and procurement management. In parallel, about XX forest village communities assisted by PROGEDE have built their capacity to develop their village physical asset. These projects have evidenced that, provided they receive appropriate support for capacity building, village-based organizations have the capacity to be efficient partners for LGs for local development.

PNDL objective for subcomponent 3.3: The objective of PNDL is to build community-based organization capacity to directly participate to the local development process organized by LGs. At PNDL end, the target group of 6,000 poorest villages amongst the 15,000 in the country (see **Annex** on targeting): have received GMT training and technical assistance to identify, develop and implement at least one subprojects with their new skills, and are satisfied of it.

PNDL strategy: The program strategy to strengthen community-based organization capacity is to build on PFDS' and PROGEDE's achievements. It is based on the knowing-by-doing principle that combine: (a) a GMT training program (see Annex 16); (b) immediate use of newly acquired skills in a subproject (financed under component 2), and (c) a light technical assistance during subproject implementation. On this basis, the PNDL would strengthen targeted basic communities in the following areas: (i) community organization and dynamics, including participatory assessments of poverty, and of human, social, physical and environmental capital; (ii) participatory needs assessment; (iii) participatory planning and community subproject cycle integrated into the LG's PLD planning cycle; (iv) IGA management; (v) marketing ; (vi) community-based financial and procurement management; and (vii) subproject sustainability and basic infrastructure maintenance; and participatory monitoring and evaluation. To this end, the PNDL will combine AFDS' and PROGEDE's capacity-building methods, and adapt them to the decentralization context.

Strategy to scale up: To move from about 1,000 basic communities (PFDS and PROGEDE projects) to about 6,000 in PNDL, the strategy will take advantage of the 1,000 community-based trainers (*formateurs relais*) trained during previous projects. At least 200 have reached the proficiency level of GMT junior trainers, and about 500 have achieved a standardized quality level of expertise in procurement with community participation.

PNDL target groups for basic community capacity-building: All PNDL targeted poor basic communities will benefit from the full PNDL capacity-building program, with exception of village-communities which have already benefited from PFDS' and PROGEDE' capacity-building programs. In addition, the PNDL will include the list of fishermen villages targeted by GIRMAC.

Activities financed by PNDL to strengthen basic communities' capacity: Activities financed by the program mainly include: (i) training including workshops for village representative training and technical assistance for GMT services and subproject implementation support; (ii) adaptation and duplication of training materials.

PNDL implementation arrangements for the subcomponent: Implementation of the capacity-building program for basic communities is the responsibility of LGs (*Communes* and *Communautés Rurales*). However, due to the weak capacity of the latter, their responsibilities would be limited during the PNDL's first phase to: (i) trigger the PNDL support to targeted communities (as soon as the targeting process is completed and LGs' interventions for targeted communities are scheduled over the 5-year PNDL period); (ii) participate to the selection of GMT trainers and technical assistance to communities; (iii) monitor the implementation of the capacity-building program in the targeted villages belonging to their territory; and (iv) participate to the ex-post evaluation of the results of the capacity-building program implementation. During this period, the SEP (Program Executive Secretariat) will, on behalf of the LGs, be responsible for the supply of the services. As soon as the LGs' capacities are built – especially financial management capacity – they would progressively take over the delivery of services, eventually through the recruitment by LGs of the village-based trainers (*formateurs relais*). The regional ARDs will be responsible for monitoring and evaluating the program implementation within their respective territories.

Cost and financing: The unit cost of the capacity-building program is estimated on the basis of past PFDS experience at about CFAF 900,000 per village (US\$ 1,600 equivalent) for GMT and technical assistance (see detail in Annex 16). During PNDL, financing will be first provided by external donors through the SEP, and will be gradually shifted to LG, as soon as their financial capacity would be appropriately improved through FDD.

PLDP: The subcomponent 3.3. of PLDP supports PNDL subcomponent 3.3 as follows:

Objective: The PLDP's objective for this subcomponent is to implement the PNDL capacity-building program for the first 3 years of the 5-year PNDL. This objective corresponds to train 60% of the 6,000 communities targeted by PNDL, i.e. about 3,600 communities, minus these having already benefited from PFDS and PROGEDE (about 1,000). It is expected that at Project's end, 2,600 communities out of the 6,000 targeted communities in the 320 participating rural LGs and 42 urban LGs would have built their capacity to identify, prepare and implement

at least one village-scale subproject within their PLD's framework. Villages targeted by GIRMAC are part of this objective.

Activities and costs: Activities financed by PLDP are these scheduled by PNDL for the training and support of 2,600 communities targeted by PLDP, including adaptation and duplication of the illustrated training guides for communities and trainers guides. IDA will finance 100% of the cost of these activities on the basis of the unit costs achieved by PFDS at its end.

PLDP implementation arrangements for the subcomponent: The roles of each actor are detailed in the PNDL Program Implementation Manual. ***Submission by the Government of a draft PIM, agreeable by IDA, is a condition of Credit negotiation.***

Sub-component 3.4: Strengthening the capacity of microfinance institutions to deliver financial services to targeted local poor population.

PNDL. Sub-component 3.4 of the PLDP supports PNDL's subcomponent 3.3 to build community-based organization's and vulnerable group's capacity.

Diagnosis: Despite recent progress, the majority of low income households and particularly those in rural areas of Senegal still lack access to basic financial services. The microfinance sector which clientele is primarily low income populations has been expanding rapidly, and now reaches twice the number of households served by the banking sector. Microfinance Institutions (MFIs) are located in urban as well as rural areas and now able to reach about 18 percent of mainly poor households. Although MFIs are able to satisfy their funding needs through the banking system, they lack resources, both physical and financial, to expand services beyond their present territorial limits of operation to more disadvantaged areas. Thus, despite remarkable progress in outreach by MFIs, still a majority of the rural populations have no access to financial services for either investment or income generating activities (IGAs).

Objective of the PNDL for MFIs. : The PNDL's objective for MFI is part of its sub-component 2.2 aiming at developing local economic activities. This specific part aims to strengthen MFIs' capacity to facilitate access of poor clientele to credit.

PLDP. The subcomponent 3.4. of PLDP supports PNDL subcomponent 2.2 as follows:

Diagnosis. A large number of targeted communities live in poor and isolated areas where the lack of basic infrastructure makes it difficult and very costly for MFIs to start a program. Most often, populations in these communities are poorer than the usual microfinance clients and demand financial services that are not available, and ought to be adapted to their needs. In addition, social intermediation and training is essential to help the poorest communities build the necessary skills to manage IGAs that will improve their revenues and for which they need access to financial services. Greater outreach of MFIs and their expansion to certain areas of the country are hindered by the high costs of operating in isolated geographic areas with low population density, and an absence of roads and other basic infrastructure. Some MFIs also need to extend their services to more women who often have difficulty meeting qualification criteria of MFIs, or do not find financial products and services that are suitable to their specific needs and activities.

During 2000-05 the PFDS has tested a support to limited MFIs to solve these problems and improve their capacity to outreach the poor clientele targeted by this project. Although the project is not completed the ex-post evaluation of the MFI sub-component show that the participating MFIs have expanded their clientele among the poor communities targeted by the project. The present sub-component intends to build on lessons learned from this test and scale up (further description in Annex 17).

Objective: The main objective of this sub-component is to help MFIs expanding their financial services in microfinance (savings, loans, and micro-insurance), among the targeted poor populations, by providing better adapted financial products and services to the targeted population and especially for their income generating activities (IGAs). Grants will be provided to eligible MFIs which have suitable business plans for the development of new financial products and services that better suit the needs of the targeted local communities (detailed description in Annex 17). Credit-with-education programs⁶ by MFIs to local community groups will be encouraged, or any similar program which would combine credit with group training. At the end of the Project, it is expected that XX MFIs would have entered into partnership with the SE-PNDL. .

.PLDP Strategy for sub-component 3.4. The strategy is based on the following:

- Strengthening the capacity of existing MFI capacity, rather than promoting the creation of new ones. MFI industry has reached a fair level of maturity. MFIs need to be strengthened to perform their mandate to reach the poor rather than to be multiplied. MFIs with large networks and branches in rural areas will be highly desirable.
- Demand-driven approach. The Project will fund the institutional capacity building of MFIs which are willing and prepared to collaborate in order to help them extend and adapt their financial products and services to poor communities.
- Selection of partner-MFI through competition of interested MFIs on the basis of specific criteria and detailed in the Project implementation manual. (See **Annex 17** for details).
- Provision of counterpart grants to MFIs to help them strengthening their capacity to expanded clientele in the targeted groups through the provision of adapted financial products and services that better match the needs of targeted communities with a special attention to financing IGAs.
- Business-plans. The counterpart grant will be provided on the basis of business plans – developed on the CGAP model -- showing that, provided they get the grant, they should achieve the expected expansion.
- Eligible expenditures within a business-plan are costs generated by the implementation of business-plan activities (for works, goods, training and services), including education for target population groups to facilitate the development and management of IGAs activities
- Partner-MFIs use their own funds to provide loans to their new clients, including loans to poor communities for the management of IGAs.

⁶ The credit with education program was developed by Freedom from Hunger (FFH), a well-known American NGO. The program aims especially at training poor women, who are immediately affiliated with an MFI for access to loans in order to undertake income-generating activities.

Target groups: Targeted MFIs are institutions that are present in the local communities or are interested in expanding their reach to target communities. It is expected that about ?? XX MFIs will enter into partnership with the project.

Activities: Activities financed by this sub-component will be counterpart grants to MFIs financed on the basis of Partnership Agreements signed by eligible MFIs with the SE-PNDL to finance eligible MFI's activities within the framework of a business-plan proposed by candidate MFIs.

Implementation of PLDP Component 3.4: The SE-PNDL will be responsible for the overall implementation of this sub-component as described in Annex 12..Other details on the roles and responsibilities of each stakeholder, eligibility criteria and monitoring indicators will be included in the project implementation manual. Details of responsibilities are as follows:

- MFIs will be responsible for preparing their business-plan and the related proposal for Partnership Agreement;
- The Microfinance Unit of the MoF will be responsible for: (i) participating to the approval process of the proposals for Partnership Agreements; (ii) monitoring the performances of the partner-MFIs during the execution of the business-plan; (iii) evaluating the performance of the sub-component as regards the access of the poor to microfinance services;
- The SE-PNDL will be responsible for: (i) evaluation the proposals for Partnership Agreements on the basis of predetermined criteria with support of MoF and ALAFIA; (ii) providing the counterpart-grants; (iii) monitoring the execution of the Partnership Agreements by MFIs; and (iv) evaluating the performances of the sub-component as regards its impact on the poverty level of the targeted communities.

Cost and Financing: Partnership agreements to individuals MFIs cannot exceed FCFA XX?? Million (about US\$XX?? equivalent); and will be financed by IDA credit. The MFIs' counterpart consists of loans extended to solidarity groups from their own funds.

Sub-component 3.5. Improving the technical capacity of the private sector and NGOs to improve the supply of services
TO BE DEVELOPED

Component 4: Project coordination, communication; monitoring and evaluation; and environmental and social management (US\$ 6.4 million)

PNDL. Component 4 of the PDLP supports PNDL's set up of institutional and implementation arrangements.

Diagnosis. The Government considers that, although the PNDL will make use of existing agencies to implement the various components, it also needs a specific agency to facilitate the expected changes in the other existing institutions. Therefore, the Government intends to create a Program Executive Secretariat (SEP) within the Prime Ministry -- a light and efficient body --, to

facilitate and coordinate the program implementation. In particular, it will facilitate the restructuration of the regional ARDs. The SEP is a totally new institution, and the regional ARDs will be fully renewed. A functional M&E system will be an essential element for the success of the program.

Objective. The objective of the sub-component is to put in place: an effective and efficient Executive Secretariat and to renew the ARDs. The SEP will: (i) facilitate and day-to-day coordinate the implementation of the PNDL and donors' supporting projects; (ii) provide secretariat services to the PNDL Steering Committee, (iii) coordinate the implementation of the communication strategy supervise, (iv) monitors and evaluate the progress of the PNDL and supporting donor's projects, and (v) organize joint reviews.

Strategy.

- Strategy to set up the SEP. The SEP will be and must remain a relatively small unit to coordinate and facilitate PNDL implementation. It should facilitate and never substitute to the actual PNDL implementing actors: ministries, local governments, communities and private sector. To ensure the SWAP-type approach of the PNDL, the SEP will manage all external donor-support to the program. To this end, the SEP will be staffed with specialists contracted out from the private sector. The composition of the SEP team is based on lessons learned from PNIR and PFDS, and may comprise key essential specialists for PNDL facilitation/coordination: (i) an Executive Secretary, (ii) an operation officer, (iii) one or two capacity-building specialist(s), (iv) a physical investment specialist, (v) a microfinance/IGA specialist, (vi) a communication specialist, (vii) a financial management specialist assisted by accountant(s), (viii) a procurement specialist, (ix) an environment specialist, and (x) a monitoring and evaluation specialist (*list to be discussed at PDLP appraisal*) and support staff.
- Strategy to review the ARDs. The ARDs will restructure to facilitate/coordinate the program at the regional level. To do so, ARDs will be restaffed with contracted out personnel including: a director, a coordinator of socio-economic activities, an administrative and financial officer, and support staff.
- Strategy to set up the M&E system. Both PNIR and PFDS have developed an M&E system, one more focusing on LGs, the other more focusing on communities. The PNDL's M&E system will build on both and provide information, in adequate format to all stakeholders : Steering Committee, Ministry of Finance, sectoral ministries, LGs, and communities.

Cost and Financing. The cost of the PNDL central administration is currently estimated at about FCFA 250 million per year equivalent to US\$0.5 million, while the cost of regional offices is estimated at about Fcfa 1 billion per year equivalent to US\$2 million per year (*cost to be adjusted at PDLP appraisal*). The cost of the central office does not have to be sustained: the SEP will be phased out with the PNDL, while the cost of the regional offices of ARDs needs to be gradually supported by the Government. External financing of the component will be mostly supported by IDA during the first years, then shared with other donors as soon as they join the program. Government financing of the component

PLDP. The 4th component of PLDP supports PNDL's institutional and implementation arrangements as follows.

Diagnosis. The PLDP is the first donor-funded project supporting the PNDL. In line with the SWAP-type approach of the program, its Executive Secretariat will also be responsible for the overall implementation of the IDA-funded PLDP, and the ARD will be also used for the regional implementation of the PLDP.

Objective. The Project's objective for this component to set up the institutional PNDL management system (SEP and renewed ARDs), and ensure that the SEP will coordinate the overall implementation of the program in line with the PNDL, and the implementation of the PLDP in line with the World Bank's requirements, including fiduciary management ones. The Executive Secretariat will be specifically responsible for (i) preparing and consolidating work programs, budgets and annual statements of results; (ii) ensuring coordination and integration of project activities and components and ensuring synergy with PNDL; (iii) ensuring that lessons learned are disseminated and shared with all stakeholders; (iv) formulating and implementing a communication strategy targeting various audiences to disseminate knowledge and lessons learned; and (v) handling monitoring and evaluation activities in order to provide timely information on project performance

Strategy. The PLDP will make full use of the PNDL institutional setup for SEP and ARD, (provided that the composition of the SEP would be acceptable to IDA). It will support the combination of both PDFS' and PNIR's M&E systems.

Activities. Under this component, the Project will finance:

- Cost of the SEP staff and the regional staff in the ARDs, and related training; office equipment and vehicles, and operating costs for regular supervision, and joint reviews with donors;
- Technical assistance for setting up the PNDL's M&E system and for ex-post, program/project assessments, and program/project evaluation studies
- For environmental and social management: (i) *technical assistance* to ensure effective implementation of the ESMF, environmental monitoring, annual reviews and mid-term reviews of micro-projects, and carrying out of environmental impact assessments as necessary; (ii) *Environmental training* for key personnel (Environmental Coordinator; Regional and Local Environmental Focal Points), members of the regional ad hoc Committees and the Local Environment Commissions; municipal and rural councils (presidents of the Local Environment Commissions); and technical advisors; and (iii) *Public information and awareness raising* in the areas of, for example, natural resource management, pest management, medical waste management, management of small dams, and use of the ESMF.

Cost and financing. Banks support to the component is estimated at \$6.4 million. *Cost sharing with the Government will be discussed during PLDP appraisal.*