

Findings

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Good Practice
Infobrief



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Senegal: Urban Development and Decentralization Program

The project provided a credit of \$75 million and was implemented over the years 1998-2004. It had 4 development objectives : (i) improve the financial and organizational management of municipalities;(ii) improve the programming of priority urban investments; (iii) rationalize and simplify the financing of urban investments; and (iv) upgrade basic infrastructure in urban and some rural communities. The project addressed the gap between the capacity of local governments and the expectations of the new regulatory and institutional framework. It covered all the country's municipalities and became the backbone of Senegal's decentralization program. At the project's outset, the financial and organizational management of the Senegalese municipalities was known to be weak, but little information existed about the situation in each municipality. No investment programming had been carried out to reflect their priority needs and capacity to finance them.. The project also recognized that funding allocations were not being made fairly or transparently. All four development objectives were fully achieved cost-effectively and sustainably.

Impact on the Ground

- The project reached all 67 urban municipalities who received 46, 452, 608, 615 CFA in financing. UDDP was the first project in the region to introduce the concept of municipal contracts in support of the Senegalese Decentralization . policy. These municipal contracts were based on urban audits and on financial audits of municipalities aiming to identify (1) a Priority Investment Program, (2) a Maintenance program and (3) a Municipal Adjustment Program. The project increased the financing capacity of the municipalities by 20%. Ninety seven percent of the 421 implemented priority investment projects were completed largely within budget and are fully operational – streets, schools, health centers, commercial facilities, etc. This was achieved by streamlining the many existing «guichets» – this resulted in the following : (a) on intergovernmental transfers, the project was able to capture 1 billion FCFA per year and demonstrate that these funds could be used transparently and selectively; (b) it was able to close down the dysfunctional Compte de Credit Communal and open a line of credit for selected number of creditworthy municipalities; (c) with regard to local revenues, it helped to focus on targeted fiscal and non fiscal measures and thereby ensure substantial counterpart funding from the municipalities; and (d) it was able to create an attractive platform for donor investment in the urban sector such as AfD (French Development Agency). These 421 sub-projects in 67 municipalities and 310 sub-projects in 212 rural districts were based on an inventory of basic infrastructure and services, a tool that assessed and identified gaps in the level of neighbourhood services. Each sub-project was screened on the basis of a poverty and environmental impact evaluation.

- Since 1998, current revenues have grown at a rate of more than 3% above the cumulative effect of inflation and demographic growth in the municipalities. They account for over 90% of the municipal total revenues and their growth partly derives from a sustained average annual increase of about 7% per year.
- The process of mobilizing municipal resources improved significantly. This was achieved through broadening the tax base and local taxes collection in the large cities such as Dakar, Rufisque, Thies, Kaolack, Saint-Louis and Louga, as well as through the development of commercial facilities in nearly every municipality.
- The project contributed to the rationalization of municipal expenditures. The payroll share in real administrative costs fell to 28% in 2003 from 37% in 2001 (to 23% from 32% if Dakar is excluded). Municipalities were consistently able to participate in financing the investments stipulated under the program for internal cash generation and loan repayments (close to 100% repayment rate) using no more than 6% of their own resources and still devote at least 3% to maintaining their asset base. Simultaneously, many of them started working (assisted by the central government) on clearing the arrears to the utility companies.
- Policy dialogue led to enacting a law reforming the local taxation system – the focus was on increasing local revenues from taxes on property and businesses.
- The project facilitated the comprehensive analysis of the Intergovernmental Transfer Fund (FECL) and building consensus on improving its operating procedures.
- Important changes resulted in the behavior of municipalities: (a) they abided by credit and auto-financing discipline; (b) they complied with reciprocal contractual obligations with the central government through municipal contracts and agreements; (c) they mastered and made use of new tools for programming municipal investments; and (d) they bought into improving municipal management practices, including taking difficult staffing decisions. Participation also became an intrinsic part of municipal management. The municipal tools developed under the project have been replicated in other countries such as Cameroon, Guinea, Mauritania, Rwanda and Niger.
- The Municipal Development Agency (MDA) had succeeded by the end of the project, in becoming a technically competent financial municipal institution.
- The respective operational processes of the MDA and AGETIP were clearly delineated and modified with experience, thus streamlining and speeding-up the cycle of audits-municipal contract-implementation on the ground; this also helped to implement the project within budget.
- The capacity of the local private consulting industry to produce quality studies was enhanced. Twenty-three consulting firms were trained on the mechanisms of conducting urban, financial and organizational audits. Critical municipal data now exist on the actual level of infrastructure and services, patterns of urbanization, pockets of poverty, municipal budgets, and municipal organization and practices.
- As each urban municipality was audited by local technical experts, an exhaustive database of urban, financial and organizational locally-produced data was made available to local and central decision-making bodies.

Lessons learned

- Well-crafted programming tools and clear rules of the game are essential to bring municipalities on board and induce local governments to adhere to the discipline and culture of municipal contracts.
- The «partnership» implementation formula with a clear distribution of responsibilities between sector institutions was critical to empowering all stakeholders. Thus, the Ministry of Finance, the MDA and AGETIP, local governments and community groups were able to contribute meaningfully to project implementation.
- Municipal contracts work. The key here is municipal audits that help shape municipal programs based on priority needs and local realities and are targeted at specific, realistic goals and commitments.
- The project succeeded because it created a platform not based on political considerations, measured the absorptive capacity of municipalities and customized the investment and maintenance program to fit the financial and managerial capacity of each municipality. Effectively empowering local governments led to no defaults in counterpart funding or on loan repayments.

This Infobrief has been excerpted from Implementation Completion Report No 32408. For more information, e-mail Catherine D. Farvacque-Vitkovic: Cfarvacque@worldbank.org.

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