

# AFRICAN DEVELOPMENT BANK



**PROJECT : SOUTH AGRO-INDUSTRIAL PROCESSING ZONE  
PROJECT (PZTA-SUD) OR AGROPOLE SUD**

**COUNTRY: REPUBLIC OF SENEGAL**

## APPRAISAL REPORT

### Volume I

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# **AFRICAN DEVELOPMENT BANK**



## **SENEGAL**

### **SOUTH AGRO-INDUSTRIAL PROCESSING ZONE PROJECT (PZTA-SUD) OR AGROPOLE SUD**

### **PROJECT APPRAISAL REPORT**

**RDGW/AHFR/COSN**

December 2019

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## **CURRENCY EQUIVALENTS**

*October 2019*

Currency Unit	:	CFAF
UA 1	:	CFAF 813.31452
EUR 1	:	CFAF 655.957

## **FISCAL YEAR**

1 January – 31 December

## **WEIGHTS AND MEASURES**

Metric System

## **ACRONYMS AND ABBREVIATIONS**

ADPME	SME Development Agency
AFD	French Development Agency
ANCAR	National Agricultural and Rural Advisory Agency
ANSD	National Agency for Statistics and Demography
APIX	Investments and Major Works Promotion Agency
ASEPEX	Senegalese Export Promotion Agency
ASN	Senegalese Standards Association
APROSI	Industrial Sites Development and Promotion Agency
ARMP	Public Procurement Regulatory Agency
ASMIT	Senegalese Agency for Industrial Property and Technical Innovation
BD	Bidding Documents
BMN	Upgrading Office
BOS	Operational Monitoring Bureau
COPIL	Steering Committee for Agricultural Hub Development
CSP	(AfDB) Country Strategy Paper
DCEF	Directorate for Economic and Financial Cooperation
DCMP	Central Directorate for Public Procurements
DD	detailed design
DEEC	Directorate for Environment and Classified Establishments
DRDR	Regional Directorate for Rural Development
ECOWAS	Economic Community of West African States
FNDASP	National Fund for Agricultural, Forestry and Livestock Development
ESMFP	Environmental and Social Management Framework Plan
ESMP	Environmental and Social Management Plan
FONSIS	Sovereign Fund for Strategic Investment
HDI	Human Development Index
ICT	Information and Communication Technology
IREF	Regional Inspectorate for Water Resources and Forestry
ISEP	Higher Vocational Training Institute
IsDB	Islamic Development Bank
ISRA	Senegalese Institute of Agricultural Research
ISS	Integrated Safeguards System
ITA	Institute of Food Technologies
LI	labour-intensive
LOASP	Agricultural, Silvicultural and Pastoral Policy Law

LPSDI	Industrial Sector Development Policy Letter
MDIPMI	Ministry of Industrial Development and Small and Medium Industries
MFI	Microfinance Institution
MTR	midterm review
NDC	Nationally Determined Contribution
NTFPs	non-timber forest products
OS	Operational Safeguards
PD	Preliminary Design
PDCEJ	Support Project for Skills Development and Youth Entrepreneurship in Growth Sectors
PEA	Project Executing Agency
PI	private investment
PIU	Project Implementation Unit
PNS	Nutrition and Health Plan
PO	producer organisation
PPP	public-private partnership
PREAC	Business Environment and Competitiveness Reform Programme
PROVALE	Water Valorization for Value Chain Development Project
PSE	Emerging Senegal Plan
PTIP	Three-Year Public Investment Programme
PZTA	Agro-Industrial Processing Zone Project (Agricultural Hub)
RAP	Resettlement Action Plan
SBD	standard bidding documents
SCE	Construction and Operation Company (of the Agricultural Hub)
SESA	Strategic Environmental and Social Assessment
SME	small and medium enterprise
SMI	small and medium industry
TA	technical assistance
TFP	technical and financial partner
UNIDO	United Nations International Development Organisation
USAID	United States Development Agency
VRD	Site Development
WAEMU	West African Economic and Monetary Union
WB	World Bank

## **PROJECT INFORMATION SHEET**

### Client Information

**BORROWER** : Republic of Senegal

**EXECUTING AGENCY:** Ministry of Industrial Development and Small and Medium Industry  
(MDIPMI)

### **Financing Plan (in thousands)**

Source	Amount (EUR)	Amount (CFAF)	Amount (USD)	Instrument
AfDB	<b>43,100</b>	28,300,000	48,400	Loan
IsDB	27,850	18,300,000	<b>30,000</b>	Loan
Government (including FONSIS)	16,800 (1,525)	<b>11,000,000</b> <b>(1,000,000)</b>	18,800 (1,700)	Budget
<b>TOTAL COST</b>	<b>87,750,000</b>	<b>57,600,000</b>	<b>88,300</b>	-

### **Key Financial Information on AfDB Loan (SAP: P-SN-AAG-003)**

Loan currency:	EUR
Loan amount	EUR 43 100 000
Loan type:	Fully flexible loan
Maturity:	20 years
Grace period:	5 years
Average maturity:	12.75 years
Reimbursements:	Thirty (30) half-yearly payments at the end of the grace period
Interest rate:	Base rate + financing cost margin + lending margin + maturity premium (This interest rate shall be above or equal to zero).
Base rate:	Floating (6-month EURIBOR reviewed on 1 February and 1 August) or any other acceptable rate, with a free base rate fixing option
Financing cost margin :	The Bank's financing cost margin reviewed on 1 January and 1 July, and applied on 1 February and 1 August with the base rate
Lending spread	80 basis points (0.8%)
Maturity premium:	0
Front-end fee:	0.25% of the loan amount due latest than sixty (60) days from the effectiveness date or at first disbursement, whichever comes first. The Borrower may pay the front-end fee either from its own resources or deduct the same from the first disbursement proceeds. The front-end fee due shall be based on the full amount of the loan, notwithstanding any cancellation thereof in whole or in part, occurring after the effectiveness date.
Commitment fee:	0.25% per annum on the undisbursed amount, effective 60 days following the loan signature date and due on interest payment dates (including during the grace period). The commitment fee ceases to accrue at the time of full disbursement or cancellation of the loan.
Base rate conversion option*	Besides the free fixing option, the Borrower may revert to the floating rate or reset the rate on all or part of the disbursed amount of its loan. Transaction fees apply.

Rate cap or collar option*	The Borrower may cap or collar the base rate for all or part of the disbursed amount of its loan. Transaction fees apply.
Loan currency conversion option*	The Borrower may change the currency of all or part of its loan, whether disbursed or not, into another loan currency of the Bank. The new loan currency shall apply for the remaining/full loan period or a shorter duration chosen by the Borrower after the approval of such a request by the Bank. Transaction fees apply.

\* The related conversion options and transaction costs are governed by the Bank's Directives on conversion available on the website: <http://www.afdb.org/en/documents/document/guidelines-for-conversion-of-loan-terms-july-2014-87643/>

NPV (baseline scenario): CFAF 298.21 billion

ERR (baseline scenario): 20.14%

#### Timeframe – Milestones (expected)

Concept note approval	September 2019
Project approval	December 2019
Effectiveness	March 2020
Completion date	December 2024
Closing date	March 2025
Last reimbursement	February 2040

## Executive Summary

### A. *Project Overview*

A1. The **South Agro-Industrial Processing Zone Project** (PZTA-Sud, or Agropole Sud) is among the flagship projects of Senegal's Vision 2035 Emerging Senegal Plan (PSE), which raises the number of growth drivers from two (telecommunications and services) to six, the four new ones being agriculture and agribusiness, housing, mining and tourism. It forms part of Pillar I of the PSE on "Structural transformation of the economy and growth" and is an integral part of the industrial PSE component that provides for the establishment of three "integrated and competitive agricultural hubs". Furthermore, PZTA-Sud is in line with the priorities of the Country Strategy Paper (CSP) for the 2016-2020 period and the Bank's Ten-Year Strategy 2013-2022 through its High 5s "Feed Africa", "Industrialise Africa" and "Improve the quality of life for the people of Africa".

A2. PZTA-Sud is a pilot project to be implemented over five years for a total cost (net of taxes) of approximately EUR **87.75 million, broken down as follows: (i) ADB loan: EUR 43.1 million; (ii) IsDB loan: EUR 27.85 million, and (iii) the State: EUR 16.8 million.** The project comprises 3 components: (a) Support for the establishment of a business ecosystem conducive to private investment in agribusiness; (b) Sustainable improvement of the capacity of agro-industrial producers; (c) Coordination, management and monitoring/evaluation. **A Project Implementation Unit (PIU)**, attached to the Ministry of Industry (Executing Agency), will be responsible for: **(i)** coordinating investments in the agricultural hub; and **(ii)** implementing *public sub-projects*. It will be complemented by the **Sovereign Fund for Strategic Investment (FONSIS)**, for the implementation of *PPP sub-projects* through a Construction and Operation Company (SCE). Lastly, **private companies** will be responsible for *private sub-projects*, in partnership with local financial institutions.

A3. **The project area is the natural region of Casamance**, which has real agro-industrial potential in its three administrative districts of Ziguinchor, Sedhiou and Kolda. Thus, the project aims to contribute to the revival of this region's economic activities to support the current peace and reconstruction momentum. In this regard, the project will have to mitigate the adverse effects of the independence crisis of these last decades through the establishment of an ecosystem conducive to private investment in the agro-industrial sectors with high nutritional and market (national and export) potential. **The key expected outputs of the project** are: (i) increase in the share of locally processed agricultural production from 2% to 20% for mango and from 5% to 30% for cashew nuts; (ii) reach a cumulative amount of catalysed private investment of more than USD 200 million (of which 20% for SMEs/SMIs); (iii) increase by at least 40% the agricultural production of key sectors (mango, cashew and maize); and (iv) create jobs and wealth, including for youth and women. The project was the subject of a comprehensive state-funded feasibility study conducted by a private firm and supported by the United Nations Industrial Development Organization (UNIDO).

A4. **The project will enable the creation and consolidation of about 14,500 direct jobs (of which 50% women and 60% youth) and 35,000 indirect jobs (of which 50% women and 60% youth).** The number of households that will be affected is estimated at 65,000, or about 365,000 people (of which 50% women and 60% youth). The number of people who will be indirectly affected corresponds to the population of the natural region of Casamance estimated at 2 million in 2018. The expected outcomes concern improving the food and nutritional security of beneficiaries as well as their income through improved access to markets, agricultural inputs, and services. To this end, the project provides for **(i)** the increase in private investment thanks to the facilities provided (more favourable business ecosystem, construction of a central agro-industrial module (Adéane), three (3) regional modules (Bignona, Sédhiou and Kolda) and five (5) aggregation and service platforms; and **(ii)** capacity building of value chain actors in agro-industrial sectors (structuring/organisation of value chains, training, ease of access to finance, production by researching in-vitro mango, cashew, maize seedlings, etc.).



## **B. *Needs Assessment***

B.1 Despite efforts by the State, food security remains a challenge and food importation continues to weigh on the trade balance. Thus, imports of cereals and fruits/by-products amounted respectively to CFAF 329.7 billion and CFAF 37 billion in 2017. This is due to the limited private investment as a result of the unfavourable business environment (land, taxation, etc.), inadequate infrastructure (energy, transport, water, ICT, etc.) and poor structuring/organisation of agricultural value chains (which employ about 60% of the working population). Furthermore, there is a low level of processing of agricultural products based on quality industrial processes (barely 13% at national level), low agricultural productivity and high vulnerability to climate change. This situation is more pronounced in the project area where barely 2% and 5% of the mango and cashew nut productions are processed, respectively. Thus, the project aims to facilitate the mobilisation of private investment especially in the processing and marketing of key sectors (mango, cashew, corn, etc.).

## **C. *Bank's Value-Added***

C.1 Through its initiative to support the development of Agro-Industrial Processing Zones (AIPZs), the Bank aims to increase private investment in the agro-industrial sector for a sustainable transformation of the rural economy particularly by providing quality basic infrastructure and a more attractive business environment in the agricultural production basins. The Bank has the requisite experience to support the preparation and implementation of this type of project (including in Togo, Ethiopia, Guinea, Côte d'Ivoire, etc.), which calls for an integrated approach encompassing the entire value chain. Lastly, lessons from similar projects supported by the Bank militate for such an intervention that will mobilise the public component (with ADB and IsDB public windows), PPP (with FONSIS) and private (with FONSIS and financial institutions).

## **D. *Knowledge Building***

D.1 As PZTA-Sud is a pilot operation under the PSE, a mechanism will be put in place for monitoring/evaluation (M & E) of outcomes and impacts. The project will set up a suitable internal monitoring system for project performance led by the Steering Committee, on the one hand, and external evaluation, on the other hand, supervised by the Operational and Monitoring Office (BOS) of the PSE under the oversight of the Presidency of the Republic. The project will support BOS to carry out baseline and end-of-project surveys and, if necessary, specific studies (incentives, private financing, public-private partnership, etc.). Lastly, the results of the M&E mechanism will be leveraged and shared through the BOS e-platform, the analytical reports, the consultation and experience sharing meetings organised at the regional, national and international level.

## VII. Results-Based Logical Framework (RBLF) of Senegal's PZTA-Sud

**NAME:** South Agro-Industrial Processing Zone Project- PZTA-Sud (or Agropole Sud), Senegal

**GOAL:** Contribute towards reducing rural poverty and increasing the share of agro-industry in the country's economic growth

	RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS AND MITIGATION MEASURES
		Indicators (including CSIs)	Baseline Situation	Target (2024)		
IMPACT	1. Contribute towards increasing the value-added of the agro-industrial sector and reducing the poverty rate (particularly in rural areas)	1.0 Share of the industrial sector in GDP (%)  1.1 <b>Value of (i) imported; and (ii) exported food products (in EUR/per capita)</b>  1.2 <b>Rural poverty rate in Casamance (moderate and severe - national threshold of less than USD 2/day)</b>	20.6 (2017)  (i) 65.7; (ii) 43.1 (2017)  71.1% (2011)	25%  (i) 60; (ii) 49  60%	National and UN System Statistics	
OUTCOMES	1/. Increased share of locally processed agricultural production to the required standards.	1.0.1 <b>Installed capacity for modern agricultural product processing</b> (X '000 T/year) (i) mangoes;( ii) cashew nuts; (iii) maize (of which % fortified)  1.0.2 Share of agricultural products processed according to the required standards: (i) mango ;(ii) cashew; (iii) maize; (iv) banana.	(i) 0; (ii) 0; iii) 0 (0%)  (i) 2%; (ii) 5%; (iii) 9%; (iv) 4%	(i) 43; (ii) 16; (iii) 20 (5%)  (i) 20%; (ii) 30%; (iii) 18%; (iv) 10%	Baseline survey and project completion reports  National and Regional Statistics	<u>Risk 1:</u> Lack of private sector interest could limit investment. <u>Mitigation 1:</u> (i) The private sector will be regularly consulted; (ii) the PIU will set up basic infrastructure (including a one-stop shop); (iii) SCE will facilitate the implementation of private sub-projects; (iv) credit access facilities will be put in place; (v) Non-tariff barriers will be applied as required.
	2/. Increased private investment and jobs created/consolidated in agribusiness.	2.0.1 <b>Cumulative amount of private investment catalysed by agribusiness (including SMEs/SMIs) in USD million</b>  <b>2.0.2 Share of agro-industry in the portfolio of (i) banks; (ii) MFIs</b>  2.0.3 Additional decent jobs created /consolidated in the industrial sector (of which 50% women and 60% youth): (i) direct; and (ii) indirect	0 (0)  (i) 5%; (ii) 10%  (i) 0; (ii) 0	>200 (40)  (i) 10%; (ii) 20%  (i) 1400;(ii) 3200	Demographic and health/ nutrition survey	
	3/. Sustainable improvement in the capacity of producers in the key agro-industrial sectors	3.0.1 Change in the average annual income level of farming households (headed by women)  3.0.2 Average agricultural production of the key sectors (x1000 T): (i) mango; (ii) cashew; (iii) maize; (iv) banana  3.0.3 Additional jobs created/consolidated in the agricultural sector (of which 50% women and 60% youth) ( i) direct; (ii) indirect	0%  (i) 43; (ii) 15.3; (iii) 45; (iv)19.2  (i). 0;( ii) 0	15%  (i) 72; (ii) 24.8; (iii) 63; (iv) 42  (i) 13100; (ii) 31800		

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS AND MITIGATION MEASURES
		Indicators (including CSIs)	Baseline scenario	Target (2023)		
OUTPUTS	<b>A/ Support for the establishment of an ecosystem favourable to IP in agribusiness</b>					
	A.1. Enhanced regulatory and institutional environment for private investment.	A.1.1 Increased number of committees responsible for managing PSE (BOS) and integrated agro-industrial hubs (COPIL)	0	2	Baseline survey and project completion reports	<u>Risk 3:</u> The expected benefits could be hijacked by a minority (including land).
		A.1.2 Number of operational SME/SMI support and quality control structures in agro-industry (BMN, DPML, etc.)	0	5		
		A.1.3 Private investment incentives study completed	0	1		
	A.2. Industrial superstructure of the South agricultural hub set up	A.2.1 Area of the serviced APZ (ha) : (i) Central module; (ii) Regional modules; (iii) Aggregation and Services Platform (PAS)	(i) 0; (ii) 0; (iii) 0	(i) 40; (ii) 15; (iii) 10	Half-yearly project progress reports	<u>Mitigation 3:</u> The measures included in the Strategic Environmental and Social Assessment (SESA) (including the Environmental and Social Management Framework Plan - ESMFP), the ESMP/RAP and the IEC should make its mitigation possible.
		A.2.2 Construction and Operations Company (SCE) of the PZTA established by FONSIS operational (including one-stop shop)	0	1		
	<b>B/ Support to the sustainable improvement of the capacity of producers in agro-industrial subsectors</b>					
	B.1. Enhanced capacity of producers in agro-industrial subsectors	B.1.1 E-platform for access to functional services	0	1	Bank supervision reports	<u>Risk 4:</u> Delays in project implementation due to insufficient familiarity with Bank procedures.
		B.1.2 <b>Additional number of farmers with access to (i) markets; (ii) agricultural services; (iii) financing; (iv) planned training</b>	(i) 0;(ii) 0; (iii) 0; (iv) 0	(i) 5000; (ii) 4000; (ii) 3000; (iv) 6000		
		B.1.3 Agricultural area targeted for the production of seedlings & seed (ha): i) grafted mango trees; ii) double-grafted mango trees; iii) cashew trees; iv) double-grafted cashew trees; v) maize (pre-base)	(i) 0; (ii) 0; iii) 0; (iv) 0; (v) 0	(i) 3000; (ii) 25000; (iii) 6000; (iv) 4000; (v) 5000		
		B.1.4 Number of micro-enterprises & SMEs/SMIs having benefited from: i) upgrade of BMN; (ii) funding by financial institutions	(i) 0 ; (ii) 0	(i) 50; (ii) 30		<u>Mitigation 4:</u> Substantial institutional support and regular training will be provided to the PIU, AGEX and the Borrower (Ministries of Economy, Finance).
		B.1.5 Number of partner financial institutions receiving technical assistance	0	3		
			0	3		
	B.2. Increased resilience of communities	B.2.1 PZTA-Sud Regional Monitoring Committees (of which at least 30% women) operational				
		B.2.2 Implementation rate of (i) ESMP; (ii) the Resettlement Action Plan (RAP);	(i) 0;(ii) 0; 0	(i) 90%; (ii) 95%; 65 000		
		B.2.3 Number of women sensitised on nutrition/health issues	0	372 km		
		B.2.4 Length of access roads to the rehabilitated agric. Pole				
	<b>C/ Coordination, management and monitoring/evaluation</b>					
	C.1. Project coordination, management and monitoring/evaluation mechanism set up and operational	C.1.1 Number of quarterly reports submitted on time (including AWPBs)	0 (0)	20		
		C.1.2 Number of audit reports submitted on time and approved : (i) Procurement; (ii) Financial	(i) 0; ii) 0	(i) 5; (ii) 5		
		C.1.3 Baseline surveys, PP and end of project surveys completed	0	2		

KEY ACT.	<u>Components:</u> (A) Support for the establishment of an ecosystem conducive to private investment in agribusiness; (B) Support for the sustainable improvement of the capacity of agro-industrial producers; (C) Coordination, management and monitoring/evaluation	<u>Resources by component:</u> (1) Component A: EUR 47.3 million; (2) Component B: EUR 30.8 million; (3) Component C: EUR 9.65 million	<u>Sources of financing:</u> (i) AfDB: EUR 43.1 million; (ii) IsDB: EUR 27.85 million; (iii) the State: EUR 16.8 million
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## Provisional Project Implementation Schedule

Year	2019		2020				2021				2022				2023				2024				2025
Quarter	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1
<b>Preparatory activities</b>																							
Joint project appraisal (AfDB, IsDB, Government)																							
Loan negotiations (AfDB and IsDB) and approval																							
Signing of loan agreements and fulfilment of conditions precedent to first disbursement																							
Publication of the General Procurement Notice (GPN)																							
Selection of key project personnel and official launch																							
<b>A / Support for the establishment of an ecosystem conducive to private investment in agribusiness</b>																							
Recruitment of the technical assistance firm to support Project Management and service delivery																							
Capacity building of the steering structures: COPIL (meetings & missions) and support to BOS/PSE (baseline, midterm and completion studies, special studies, etc.)																							
Build the capacity of structures responsible for quality, certification, etc. in agribusiness (equipment, training, etc.): DPME, ASEPEX, ADPME, ASN, etc.																							
Selection of the complementary study (DD/BD) and supervision of works of the South Agricultural Hub (central module, regional modules and ASP) and service delivery																							
Selection of the South Agricultural Hub construction company (central module, 3 regional modules and aggregation and service platforms) and service delivery																							
Support Agreement with the Institute of Food Technology and the Upgrading Bureau																							
<b>B / Sustainable improvement of the capacity of agro-industrial producers</b>																							
Build the capacity of POs/SMEs (with a firm to be recruited): transformative sectors, technical and management training, procurement/management of inputs, agricultural services, etc.																							
Build the capacity of Women's Promotion Groups: technical and management training, business plan development, upgrading of priority private sector equipment, financial support.																							
Build the capacity of communities (including leaders): agricultural hub approach, gender, environmental and social management, nutrition, climate change, fragility and resilience, etc.																							
Rehabilitation of access roads: selection of the engineering firm and works supervision, recruitment of the company, and service delivery																							
TA Agreement at ISRA: production of grafted plants (mango, cashew) and pre-basic seeds (maize)																							
Build the capacity of decentralised government structures (equipment, training, missions) and partner financial institutions (line of credit, equipment and training)																							
<b>C / Coordination, management and monitoring/evaluation</b>																							
Establishment of the financial, administrative and accounting management system																							
Procurement of furniture, office equipment and vehicles																							
Coordination, management and monitoring/evaluation																							
Annual audit reports																							
Midterm review																							
Completion report																							

# **BANK GROUP MANAGEMENT’S REPORT AND RECOMMENDATION TO THE BOARD OF DIRECTORS CONCERNING A LOAN TO THE REPUBLIC OF SENEGAL TO FINANCE THE SOUTH AGRO-INDUSTRIAL PROCESSING ZONE PROJECT (PZTA-SUD)**

Management hereby submits this report and its recommendation concerning a proposal to grant a loan of **EUR 43,100,000** to the Republic of Senegal to finance the activities of the PZTA-Sud project, commonly known as “Agropole Sud”.

## **I. STRATEGIC THRUST AND RATIONALE**

### **1.1 Project Linkages with Country Strategy and Objectives**

1.1.1 In 2014, the Government embarked on the implementation of the Emerging Senegal Plan (PSE), which aims to have “an emerging Senegal in 2035 with a society of solidarity in a nation of laws” through the structural transformation of the economic and social system. The strategic thrusts guiding the PSE are as follows: **(i) Thrust 1: Structural transformation of the economy and Growth; (ii) Thrust 2: Human Capital, Social Protection and Sustainable Development; and (iii) Thrust 3: Governance, Institutions, Peace and Security.** Thus, PZTA-Sud or ‘Agropole Sud’ falls within the framework of the PSE’s Thrust 1 and forms an integral part of the second **Priority Action Plan (PAP)** of PSE spanning the period **2019-2023**.

#### **Emerging Senegal Plan (PSE)**

**PSE is the economic policy framework aimed at steering Senegal on the path of emergence by 2035.** Pursuing the vision of “an emerging Senegal in 2035 with a society of solidarity in a nation of laws”, it is structured around 3 thrusts targeting 6 priority sectors, 17 key reforms and 27 flagship projects. Thrust 1 aims at the structural transformation of the economy by strengthening the current drivers of growth and developing new sectors that create wealth and jobs. Thrust 2 “Human Capital, Social Protection and Sustainable Development” aims to improve living conditions for the people while promoting the emergence of viable territories. Thrust 3 aims to modernise public administration and strengthen security, stability, governance, and consolidate the rule of law.

**The first priority action plan (PAP 1) over the 2014-2018 period has raised the GDP growth rate from an average of 3.3% in 2009-2013 to more than 6% since 2015.** Substantial progress has been made in key projects such as the Diass International Airport, the extension of the Dakar-Diamniadio motorway, the Thiès-Touba motorway, the Regional Express Train, the Diamniadio Industrial Park and the rehabilitation of the Dakar-Bamako railroad line. The agricultural sector has been strongly revitalised with the tripling of onion and groundnut production, the tenfold increase in potato production and the 141% increase in rice production. As regards energy, progress has been achieved in the installed capacity from 573 to 1130 megawatts, but also in the generation of renewable energy (solar and wind) with 144 megawatts newly installed. The number of electrified villages over the period has increased from 1648 to 3864. **The second Phase 2019-2023 (PAP II) seeks to remove or mitigate the potential constraints to this growth momentum,** while promoting a better articulation between the development objectives (SDGs) and those of PSE. It emphasises improving the structuring and maturation of projects, and accelerating the implementation of reforms.

**Lastly, the PSE monitoring/evaluation system was strengthened with the implementation of the Harmonised Monitoring and Evaluation Framework (CASE) for Public Policy in 2015,** comprising the Operational Monitoring Bureau (BOS), the Ministry of Economy and Planning and the Organisation and Methods Bureau (BOM). Thus, placed under the authority of the Minister in charge of monitoring the PSE, the role of BOS is to provide decision-making tools to the **country’s highest authority** on a weekly basis. It is also responsible for the organisation, coordination and management of maturation/structuring processes of projects or flagship reforms.

1.1.2 **PZTA-Sud (or Agropole Sud)** is one of PSE's three agro-processing hubs (or integrated agricultural hubs) through private investments in agribusiness. Thus, it is consistent with the **Industrial Sector Development Policy Letter (LPSDI)**, which seeks to raise the industrial sector’s contribution to the GDP from 12 to 25% over the period 2014-35, by targeting the agricultural value chains with high potential (fruits and vegetables, oils, dairy products, cereals, and poultry). This will benefit the domestic market (import substitution) and the international market (fruits and vegetables, fishery products, etc.) as well. It is part of the guidelines of the **Agricultural, Sylvicultural and Pastoral Policy Law (LOASP) 2004-24** aimed at reducing poverty and food security in rural areas. It also aligns with multisector strategies including the **National Strategy for Food Security and Resilience (SNSAR 2015-35)**, the **National Strategy for Social Protection (SNPS 2016-35)** and the **National Strategy for Equity and Gender Equality (SNEEG 2015-25)**.

## 1.2 Rationale for the Bank's Intervention

1.2.1 **Senegal's economy continues to perform well, with average annual GDP growth of around 6.7% over the 2016-2018 period.** This performance is attributable particularly to the dynamism of agriculture, construction, tourism, transport as well as financial and insurance service sectors. However, food imports continue to weigh on the trade balance and food security remains a challenge. Reasons identified include the low level of processing of agricultural products according to quality and competitive industrial processes, the low productivity of the agricultural sector and its high vulnerability to climate change. These constraints result from the limited private investment due to the business environment that remains unfavourable - despite jumping 18 spots in the *Doing Business 2020* ranking, the poor quality of basic infrastructure (energy, transport, water, telecommunications, etc.) and the poor organisation of agricultural value chains (which employ about 60% of the labour force).

1.2.2 The South Agro-Industrial Processing Zone Project (PZTA-Sud) **aligns well with the priorities** of the Bank's **Country Strategy Paper 2016-2020** for Senegal, notably Pillar I on support for agricultural processing. Furthermore, it forms part of the Bank's **Regional Integration Strategy for West Africa (RISP 2016-17, extended to 2019)**. It is in consonance with three (3) of the five (5) operational priorities of the Bank's **Ten-Year Strategy 2013-2022**, namely (i) *the Feed Africa Strategy 2016-2025*; (ii) *the Industrialisation Strategy for Africa 2016-25*; and (iii) *the Strategy for Improving the Quality of Life for the People of Africa 2016-25*. Furthermore, the project is in line with the Bank's **Second Climate Change Action Plan** (CCAP II 2016-2020). Lastly, **the Bank's intervention forms part** of the initiative launched in recent years for the development of "agro-industrial processing zones" in agricultural basins with high market (domestic and export) potential. Accordingly, **Senegal has forged a strategic partnership with the Bank for the implementation of the three (3) "Competitive Integrated Agricultural Hubs"** of the PSE. Therefore, the project will benefit from lessons learned from similar initiatives around the world, and from the Bank's experience garnered in Africa (particularly in Togo, Ethiopia and Guinea), hence its comparative advantage.

## 1.3 Donor Coordination

1.3.1 **Development assistance is coordinated by the Government** through the Economic and Financial Cooperation Department (DCEF) of the Ministry of Economy, Planning and Cooperation (MEPC). **Coordination is carried out by the Consultative Committee of Technical and Financial Partners (TFPs)** through a three-tier consultation mechanism to which the Bank belongs: **the G50, the G15 including a 15-member Executive Committee (COMEX) and thematic groups**. In the dialogues between the TFPs and the Government, the main issues addressed concern implementing the key PSE reforms, including land, portfolio performance, monitoring/evaluation of outcomes, strengthening of the road maintenance fund and resource mobilisation (including domestic resources) under the Ministry of Finance and the Budget (MFB). It is worth noting that for the "integrated competitive agro-industrial hubs" project, the agricultural sector TFPs participate in the meetings of the National Technical Working Group chaired by MDIPMI.

1.3.2 Therefore, PZTA-Sud will make use of the results expected from the interventions of projects supporting increased agricultural productivity and the development of rural entrepreneurship, namely the Water Valorisation for Value Chains Development Project (PROVALE-CV), the Project to Open Up Production Areas in Support of the Local Development Programme (PDZP/PNDL-AfDB), the Support Project for Skills Development and Youth Entrepreneurship in Growth Sectors (PDCEJ-AfDB), the Multinational Programme to Build Resilience to Food and Nutrition Insecurity in the Sahel (P2RS-AfDB), and the Project to Develop Resilience to Recurrent Food Insecurity in Senegal (DRIARS-IsDB).

1.3.3 Specifically, the project will work with the professional organisations engaged in these sub-sectors (producer organisations, aggregators/logisticians, agro-processing entities, and exporters) and synergize with similar ongoing projects, including Shelter for Life funded by the United States Development Agency

(USAID) and the Project to Support Investment and Competitiveness of Agribusiness in Senegal, focusing particularly on the mango industry in Casamance (also USAID-funded). Lastly, the following table shows the amounts currently committed in Senegal's agro-industrial sector.

Sector or Subsector*	Scale		
	GDP	Exports	Labour
Agro-industrial sector	12.9% (2016)	9.1% (2014)	Approximately 70%
Stakeholders – Public Expenditure (ongoing programmes or projects)			
Government	Donors	Amounts (USD million)	Period
USD 100 to 112 million (per year)	WB	95	2012-2019
	IFAD	130	2017-2024
	USAID	277	2013-2017
	AfDB	99.2	2013-2020
	CIDA	79.3	2013-2017
	IsDB	16	2011-2015
	BOAD	35.5	Active Portfolio 2012
	JICA	33	2015-2020
	FAO	6.85	2012-2013
	EU	105.7	2014-2017
	France	79	2014-2017
Donor Coordination Level			
Existence of thematic working groups			Yes
Existence of a general sector programme			No

Sources: PRACAS/DCFE/MEFP

## II. PROJECT DESCRIPTION

### 2.0 Project Intervention Overview

2.0.0 **The project's overall objective** is to contribute towards improving living conditions for the people (including youth and women) through the creation of value-added on agricultural products and the sustainable increase of productivity of the priority agro-industrial subsectors (mango and cashew nut). **The specific objectives** of the project are (i) to create conditions conducive to private investment in the industrial processing of agricultural products, as well as in the provision of inputs and services; and (ii) enhance the capacity of priority sector actors to sustainably increase agricultural productivity.

2.0.1 In terms of concept: the project was designed based on a feasibility study financed by the government with UNIDO support, as per the following principles: (i) the targeting of sectors with a domestic or international market potential, which led to the choice of two priority subsectors (mango and cashew) and three complementary subsectors (maize, banana and non-timber forest products); (ii) the presence of a high-potential agricultural production basin; and (iii) private sector interest in investing, as confirmed during the consultation days (Labs) and with the creation of SOCAAS (Cooperative Society of Actors of the South Agricultural hub). The key expected results of mango processing are puree, nectar, dried mango and vinegar. For cashew, expected products are cashew nuts and cashew juice.

2.0.2 At the physical level: PZTA-Sud (or Agropole Sud) will finance : (i) **a central module** for the industrial transformation of productions from the targeted sectors, their packaging and marketing, for a Phase 1 surface area of 40 ha expandable to 85 ha; (ii) **three regional modules** for secondary packaging and primary processing (local and regional market) covering an area of 5 ha to be serviced, expandable to 10 ha; (iii) **five division-level platforms for aggregation**, cleaning, sorting and primary packaging with a unit area of 3 to 5 ha; and (iv) **collection points in villages** (primary storage facilities). Furthermore, resources are earmarked to ensure access of modules and platforms to regional networks (roads, electricity, ICT, etc.). The land of the agricultural hub, which has been secured according to the requirements of national procedures and the Bank, will be registered in the name of SCE.



2.0.2 At the operational level: three categories of sub-projects (SP) were deemed necessary to implement to ensure the success of the agricultural processing area (or Agricultural Hub), namely:

- **Public sub-projects** (financed from AfDB and IsDB public windows) will be set up by the Project Executing Agency to facilitate private investment. These public sub-projects mainly concern the infrastructure of the central module (located in Adéane), regional modules (Kolda, Bignona and Kolda) and aggregation and service platforms for which the preliminary design studies (PDS) are in progress and those of detailed design (DD) are planned before end-2019. Thus, the project will finance the preparation of bidding documents (BD) as well as construction work. Capacity building of institutional structures (ministries, research centres, technical services, etc.) and actors of value chains (Banks/MFIs, POs, etc.) will be financed by the project to for performance enhancement. Partnership agreements, if needed, will be signed with the said structures.
- The **public-private sub-projects** will be financed via the Sovereign Fund for Strategic Investments (FONSIS) to which this responsibility is entrusted under a MDIPMI-FONSIS-BOS tripartite agreement. Thus, FONSIS will set up a Construction and Operation Company (SCE), a public limited company whose majority capital will be held by the private sector (tenant companies, financial investors and members of inter-professional sectors), but will include public investors (FONSIS, local governments and the Central State). Alongside the relevant State entities, the SCE will be responsible for: (i)

<b>South Agricultural Hub (Agropole Sud) Construction and Operation Company (SCE)</b>
<p><b>The mobilisation of private investment is crucial for the success of Agropole Sud.</b> The criteria influencing the investment decision include the country's quality of life and stability, market size, existence of developed and competitive land for industrial units, quality of infrastructure (water, energy, wastewater treatment, etc.), connection to domestic and export markets, availability of qualified and affordable labour, and the existence of tax/non-tax incentives for targeted activities.</p> <p><b>In this regard, Agropole Sud has several strengths</b>, among which: (i) <b>the participatory structuring of the project</b>, which has helped to obtain the commitment of producers of the targeted sectors and potential private sector interest; (ii) <b>the upgrading of infrastructure</b> thanks to the infrastructure provided for under the project (core module, regional modules, and aggregation and service platforms) and those planned by other actors (existence of the Trans-Gambia bridge, dredging of the Casamance River enabling the arrival of boats of 5500 tonnes, planned rehabilitation of the Senoba-Ziguinchor road, upgrading of the Ziguinchor airport, revival of tourism, etc.); and (iii) <b>the facilitation of investments</b> through the establishment by APIX of an Investment Platform in Ziguinchor and the future Agropole du Sud one-stop-shop, as well as the future implementation by FONSIS (Sovereign Fund for Strategic Investments) of the Agropole du Sud Construction and Operation Company (SCE).</p> <p><b>Thus, on the recommendation of the LAB</b> (5-week participatory workshop organised by BOS, which brought together 96 structures for a total 10,500 working hours), <b>a tripartite agreement (BOS-MDIPMI-FONSIS) was signed to entrust FONSIS with the creation of the SCE, as a founding shareholder.</b> SCE will be a private company, majority owned by private companies including strategic investors (including tenant and inter-professional companies) and financial investors. The State (including FONSIS) and local authorities figure among the public shareholders. FONSIS will be responsible for developing and supporting the implementation of the future SCE business plan, with the possible involvement of a <b>world-class strategic partner with expertise in the development, operation and promotion of private investments in the agricultural hub.</b> The SCE will develop convincing business cases concerning specific investments expected in the modules (central and regional) and <i>divisional</i> -level platforms. In these efforts, SCE will synergize with the actors involved in investment promotion, including BOS, MDIPMI, APIX, and ASEPEX.</p>

developing public-private sub-projects (about 5); (ii) promoting the arrival of private investors in the hub; and (iii) managing, recovering and maintaining the hub. SCE's income will consist mainly of rentals, royalties and business services (see box

- Private sub-projects will be implemented by the interested companies that will be shareholders of the SCE. Among these are five (5) large companies and about 15 SMEs/SMIs. In this regard, this project will finance the intervention of the Upgrading Bureau (BMN) to provide non-financial support to about 35 micro-enterprises and 15 SMEs. Access to financial services will be facilitated through local financial institutions (notably Banque Agricole, PAMECAS and ACEP), which have instruments tailored to the needs of short- and medium-term credit (“warrantage”, leasing, etc.). They will be supported by the Bank through a private sector-window operation under preparation (with PITD) to improve access to long-term resources, which is essential for the development of SMEs/ SMIs of the agricultural hub (see box).

#### Facilitating Access to Financial Services for SMEs/SMIs

**The country's financial system comprises 29 credit institutions**, but its banking penetration rate is 19%. Access to financial services remains a challenge, especially for SMEs/SMIs, which account for around 80% of enterprises, contribute 30% of GDP formation, and employ nearly 60% of the workforce. Furthermore, **there is limited access to credit for the agricultural sector, perceived as risky by the banks and the SFDs** (insufficient financial standing, weak organisational and management structures, unreliable financial information, lack of guarantees, and climatic and edaphic hazards) with total or partial crop losses: climate, price volatility, markets, health hazards, locust invasions, etc.). They have put in place various types of credit, mainly short-term, including: (i) credits for agricultural production; (ii) marketing credits for agricultural products; (iii) credits to breeders' organisations for fattening and marketing; (iv) working capital loans, notably through "warrantage"; and (v) medium-long-term agricultural equipment credits (tractors, tillers, motor pumps, etc.) via collateral.

Thus, **the project will provide support in the form of:** (i) an upgrade of SMEs/SMIs operating in the targeted sectors through a technical assistance agreement to SME/SMI support structures (such as the Upgrading Bureau); (ii) a medium-to-long term line of credit (from the ADB's private window) to be set up with one or two well-established financial institutions; (iii) strengthening the capacity of FS/banks networks (based on a call for proposals) to help them develop financial products adapted to the needs of the agro-industrial sector (warrantage, leasing, etc.), staff training and equipment purchase.

## 2.1 Project Components

The contents of the key project components are shown in the following table.

Components	Cost (EURx10 <sup>6</sup> )	Description of Components
<b>A/ Support for the establishment of an ecosystem conducive to private investment (PI) in agribusiness</b>	<b>47.3</b>	<p><b><i>A1/ Improve the regulatory and institutional framework for PI</i></b></p> <ul style="list-style-type: none"> <li>• Support to the Steering Committee of Agric. Hubs-COPIL (meetings and missions) and to BOS/PSE (baseline surveys, MTR, project completion report, specific studies).</li> <li>• Establishment of SCE by FONSI, and the one-stop shop by APIX</li> <li>• Capacity building of State structures in charge of quality, standardisation, certification and export promotion (equipment, training, ad hoc studies, etc.): MDIPMI, ASEPEX, ASN, DPME, ADPME etc.</li> <li>• Agreement with the Food Technology Institute of Senegal (ITA) for the establishment and management of the Centre of Excellence (lab) of the central module.</li> <li>• TA agreement with the Upgrading Bureau (BMN) for technical support and assistance to SMEs/SMIs of the agricultural hub.</li> </ul>
		<p><b><i>A2/ Establishment of the industrial superstructure</i></b></p> <ul style="list-style-type: none"> <li>• <u>Construction of the central module (Adéane)</u>: (i) external works (drinking water, electricity, sanitation, etc.); (ii) an administrative block (offices, conference room, etc.); (iii) a social space block (nursery, medical centre, gym, restaurants, etc.); (iv) a block of services (training centre, management centre, business incubator, etc.); (v) a logistics block (loading/unloading platform, weighing platform, storage/packaging hangars, etc.); (vi) 4 business blocks (serviced plots, parking lots, etc.); (vii) a technical block (drilling, water tower, generating set, etc.).</li> <li>• <u>Construction of 3 regional modules (Kolda, Sédhio &amp; Bignona)</u> of 10 ha each comprising: i) a serviced site (earthworks, site development ..); ii) logistics block &amp; services (administrative building, management centre, financial services, serviced plots for private investment, market place, loading/unloading dock, weighbridge, storage/packing shed...); iii) a technical block (water tower, borehole, generating set, waste treatment...)</li> <li>• <u>Construction of aggregation and services platforms</u> (5 sites of 5 ha each) with (i) servicing of the site; (ii) a service block (administrative building, weighbridge, loading/unloading dock, etc.); (iii) a technical block (sorting space, primary storage, etc.).</li> <li>• Complementary engineering studies (DD, DCE, etc.) and control and monitoring of infrastructure works in the agricultural hub (firms).</li> </ul>
<b>B/ Sustainable improvement of the productivity of agro-industrial sectors</b>	<b>30.8</b>	<p><b><i>B1/ Build the capacity of agro-industrial sector producers</i></b></p> <ul style="list-style-type: none"> <li>• <u>Improvement of the non-financial services offer</u>: (i) support to training and advisory support structures, POs/SMEs (equipment, training, missions, etc.); (iii) capacity building (technical, managerial, etc.) of POs/SMEs in the value chains (mango, cashew, maize, etc.) by a firm; (iv) agreement with ISRA (production of pre-base maize, mango and cashew seedlings, and support for over-grafting of mango and cashew trees).</li> <li>• <u>Improvement of the financial services offer</u>: (i) capacity building of financial institutions: devising financial products adapted to the needs of the sector, training of personnel, equipment; (ii) access to agricultural index insurance; (iii) medium- to long-term line of credit (ADB Private Window) for 2 financial institutions.</li> <li>• <u>Support for the implementation of an e-platform</u> for access to agro-industrial services (mechanisation, storage, inputs, financing, information, etc.).</li> </ul>

Components	Cost (EURx10 <sup>6</sup> )	Description of Components
<b>B/ Sustainable improvement of the productivity of agro-industrial sectors</b>		<b>B2/ Build the community resilience capacity</b> <ul style="list-style-type: none"> <li>Community capacity building on approach, social marketing and conflict prevention/management, PPP and fragility/resilience.</li> <li>Rehabilitation of 372 km of access tracks to modules and aggregation platforms, and agricultural production areas, etc.</li> <li>Implementation of the Environmental and Social Management Plan (ESMP), the Resettlement Action Plan (RAP), the Nutrition and Health Component and the Climate Change Action Plan.</li> <li>Support to the three (3) South Agricultural Hub Regional Monitoring Task Force (meetings).</li> </ul>
<b>C/ Coordination and Management</b>	<b>9.65</b>	<ul style="list-style-type: none"> <li>Coordination and management, and monitoring/evaluation</li> <li>Procurement, Financial and Accounting Management, and Audit</li> <li>Steering and supervision</li> </ul>

## 2.2 Technical Solutions Adopted and Alternatives Explored

2.2.1 PZTA-Sud aims to contribute to the transformation of the agro-industrial sector, with a view to inclusive agricultural growth reducing poverty and food imports and generating employment. Accordingly, PSE provides for the establishment of three "integrated competitive agro-industrial hubs or agricultural hubs", in public-private partnership. For *Agropole Sud*, the physical agro-industrial architecture planned for the targeted sectors (mango, cashew, corn, etc.) will include i) a centralised serviced module (external works, electricity, sanitation, one-stop shop, etc.) to accommodate the key industrial units and related services (logistics, services, etc.); ii) three serviced regional modules that will serve as storage, secondary packaging and primary processing areas for agricultural products; and iii) serviced aggregation and service platforms to facilitate interaction between value chain actors and to ease producers' access to services, inputs and markets. With the support of the State services, this system will be complemented by improving the access of SMEs/SMIs and POs to technologies (quality plant material, inputs, etc.), knowledge (technical, organisational, management, etc.), physical infrastructure (access roads, shops, etc.) and soft infrastructure (ICT, digital platform, etc.). The system will be complemented by the establishment of the Construction and Operations Company by FONSIS. The company established will be in charge of agricultural hub construction and management, implementation of the PPP sub-projects (5) and support for private sector mobilisation (60 enterprises of which 35 micro, 15 SMEs, 5 large), in conjunction with the other relevant State agencies (APIX, MDIPMI, ASEPEX, etc.).

Table 2.2: Alternative Solutions Explored and Reasons for Rejection

Alternative Solution	Brief Description	Reasons for Rejection
Implement a classic project to support the improvement of agricultural production	Finance the development of infrastructure and equipment for production, harvest and post-harvest	<ul style="list-style-type: none"> <li>The State cannot afford to invest sustainably in the agricultural sector</li> <li>Despite State efforts, food imports have remained on the rise</li> </ul>
Facilitate the establishment of private investors capable of investing in the entire value chain	Secure sufficient land to woo private investors	<ul style="list-style-type: none"> <li>Tens of thousands of families live on agriculture (mango, cashew nuts, etc.); it is unacceptable for private individuals to take the place of these families.</li> </ul>

## 2.3 Project Type

2.3.1 PZTA-Sud is a public investment project that aims to create the conditions for increased private investment in targeted value chains, particularly in the areas of agricultural processing, input supply and food services.

## 2.4 Project Cost and Financing Arrangement

2.4. **Project Cost:** The project's overall cost is estimated at EUR 87.75 million (~ CFAF 57.6 billion), net of taxes and customs duties. This cost is broken down as follows: a portion in foreign exchange estimated at EUR 59.1 million (~ CFAF 38.8 billion) and a portion in local currency amounting to EUR 28.65 million (~ CFAF 18.8 billion). This cost includes provisions for physical and financial contingencies estimated at approximately 3% each. The estimate of the financial contingencies was made based on the current and projected annual rates of inflation of the local currency and foreign exchange estimated on average respectively at 2.5% and 1.5% per year. A summary of the estimated project cost by component and expenditure category is shown in Tables 2.3, 2.4 and 2.5 below, while the detailed tables are given as an Annex to the report.

**Table 2.3: Summary of Project Cost by Component**

PROJECT COMPONENTS	(CFAF Million)			(EUR Thousand)			FE %	% B.C.
	LC.	FE	Total	LC	FE	Total		
<b>A. SUPPORT FOR THE ESTABLISHMENT OF A PRIVATE INVESTOR-FRIENDLY ECOSYSTEM</b>	<b>8 100</b>	<b>21 300</b>	<b>29 400</b>	<b>12 300</b>	<b>32 600</b>	<b>44 900</b>	<b>73</b>	<b>54</b>
Improved regulatory & institutional environment for private investment	1 100	3 300	4 400	1 600	5 100	6 700	76	8
Establishment of the Industrial superstructure	7 000	18 000	25 000	10 700	27 500	38 200	72	46
<b>B. SUPPORT FOR THE SUSTAINABLE IMPROVEMENT OF THE PRODUCTION OF AGRO-INDUSTRIAL SUBSECTORS.</b>	<b>5 000</b>	<b>14 200</b>	<b>19 200</b>	<b>7 700</b>	<b>21 600</b>	<b>29 300</b>	<b>74</b>	<b>35</b>
Capacity building of agro-industrial producers	400	3 700	4 100	700	5 700	6 400	90	8
Building of community resilience	4 600	10 500	15 100	7 000	15 900	22 900	70	28
<b>C. COORDINATION, MGMT &amp; MONITORING/ EVALUATION</b>	<b>4 800</b>	<b>1 400</b>	<b>6 200</b>	<b>7 250</b>	<b>2 100</b>	<b>9 350</b>	<b>26</b>	<b>10</b>
Coordination and project management	4 800	1 400	6 200	7 250	2 100	9 350	26	10
<b>TOTAL BASE COST</b>	<b>17 900</b>	<b>36 900</b>	<b>54 800</b>	<b>27 250</b>	<b>56 300</b>	<b>83 550</b>	<b>68</b>	<b>100</b>
Physical contingencies	400	1 000	1 400	600	1 500	2 100	72	3
Financial contingencies	500	900	1 400	800	1 300	2 100	62	3
<b>TOTAL PROJECT COST</b>	<b>18 800</b>	<b>38 800</b>	<b>57 600</b>	<b>28 650</b>	<b>59 100</b>	<b>87 750</b>	<b>69</b>	<b>105</b>

**Table 2.4: Summary of Project Cost by Expenditure Category**

EXPENDITURE CATEGORIES	(CFAF Million)			(EUR Thousand)			FE %	% B.C.
	LC	FE	Total	LC	FE	Total		
<b>I. Investment cost</b>	<b>15 000</b>	<b>36 600</b>	<b>51 600</b>	<b>22 950</b>	<b>55 600</b>	<b>78 450</b>	<b>71</b>	<b>94</b>
<b>A. WORKS</b>	<b>9 300</b>	<b>24 600</b>	<b>33 900</b>	<b>14 300</b>	<b>37 400</b>	<b>51 700</b>	<b>73</b>	<b>63</b>
Infrastructure	4 300	12 900	17 200	6 600	19 600	26 200	75	32
Construction and rehabilitation	5 000	11 700	16 700	7 700	17 800	25 500	70	31
<b>B. GOODS</b>	<b>1 600</b>	<b>3 100</b>	<b>4 700</b>	<b>2 500</b>	<b>4 700</b>	<b>7 200</b>	<b>65</b>	<b>9</b>
Vehicles	100	200	300	100	300	400	75	-
Equipment	1 500	2 900	4 400	2 400	4 400	6 800	65	8
<b>C. SERVICES</b>	<b>1 500</b>	<b>8 900</b>	<b>10 400</b>	<b>2 200</b>	<b>13 500</b>	<b>15 700</b>	<b>86</b>	<b>19</b>
Training	800	1 400	2 200	1 200	2 200	3 400	65	4
Technical assistance staff	-	2 400	2 400	-	3 600	3 600	100	5
Studies	400	1 200	1 600	600	1 900	2 500	75	3
Contractual services	200	3 800	4 000	300	5 700	6 000	95	7
Audit	100	100	200	100	100	200	60	-
<b>D. MISCELLANEOUS</b>	<b>2 600</b>	<b>-</b>	<b>2 600</b>	<b>3 850</b>	<b>-</b>	<b>3 850</b>	<b>-</b>	<b>3</b>
<b>II. Recurrent cost</b>	<b>2 900</b>	<b>400</b>	<b>3 300</b>	<b>4 400</b>	<b>700</b>	<b>5 100</b>	<b>14</b>	<b>6</b>
<b>A. PERSONNEL</b>	<b>1 900</b>	<b>-</b>	<b>1 900</b>	<b>3 000</b>	<b>-</b>	<b>3 000</b>	<b>-</b>	<b>3</b>
<b>B. TRAVEL ALLOWANCE</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>700</b>	<b>-</b>	<b>700</b>	<b>-</b>	<b>1</b>
<b>MAINT., OPERAT. &amp; REPAIR</b>	<b>100</b>	<b>200</b>	<b>300</b>	<b>100</b>	<b>400</b>	<b>500</b>	<b>69</b>	<b>1</b>
<b>D. OVERHEADS</b>	<b>400</b>	<b>200</b>	<b>600</b>	<b>600</b>	<b>300</b>	<b>900</b>	<b>30</b>	<b>1</b>
<b>TOTAL BASELINE COSTS</b>	<b>17 900</b>	<b>37 000</b>	<b>54 900</b>	<b>27 250</b>	<b>56 300</b>	<b>83 550</b>	<b>69</b>	<b>100</b>

EXPENDITURE CATEGORIES	(CFAF Million)			(EUR Thousand)			FE %	% B.C.
	LC	FE	Total	LC	FE	Total		
Physical contingencies	400	1 000	1 400	600	1 500	2 100	72	3
Financial contingencies	500	800	1 300	800	1 300	2 100	62	3
<b>TOTAL PROJECT COST</b>	<b>18 800</b>	<b>38 800</b>	<b>57 600</b>	<b>28 650</b>	<b>59 100</b>	<b>87 750</b>	<b>69</b>	<b>105</b>

**Table 2.5: Disbursement Plan by Component (in EUR)**

PROJECT COMPONENTS	PROJECT YEARS					Total
	2020	2021	2022	2023	2024	
<b>A. SUPPORT FOR THE ESTABLISHMENT OF A PRIVATE SECTOR-FRIENDLY ECOSYSTEM</b>	<b>13 300</b>	<b>27 900</b>	<b>4 200</b>	<b>1 300</b>	<b>600</b>	<b>47 300</b>
Improvement of the regulatory & institutional environment in favour of the private sector	2 400	2 700	900	500	600	7 100
Establishment of the industrial superstructure	10 900	25 200	3 300	800	-	40 200
<b>B. SUPPORT FOR THE SUSTAINABLE IMPROVEMENT OF THE PRODUCTION OF THE AGRO-INDUSTRIAL SUBSECTORS</b>	<b>5 900</b>	<b>21 000</b>	<b>1 600</b>	<b>1 400</b>	<b>900</b>	<b>30 800</b>
Capacity building of agro-industrial producers	3 000	900	1 000	1 100	700	6 700
Building of community resilience	2 900	20 100	600	300	200	24 100
<b>C. COORDINATION, MANAGEMENT &amp; MONITORING/EVALUATION</b>	<b>3 600</b>	<b>1 500</b>	<b>1 550</b>	<b>1 600</b>	<b>1 500</b>	<b>9 650</b>
<b>TOTAL PROJECT COST</b>	<b>22 800</b>	<b>50 400</b>	<b>7 300</b>	<b>4 250</b>	<b>3 000</b>	<b>87 750</b>

**2.4.2 Sources of Financing:** The project will be financed by the AfDB, the IsDB and the Government of Senegal for the respective amounts of EUR 43.1 million (49%), EUR 27.85 million (32%), and EUR 16.8 million (19%). Thus, it should be noted that the combined amount of the counterpart and IDB financing represents nearly 51% of the total, which indicates the Government's significant commitment. The government counterpart funding contribution, amounting to EUR 16.8 million, includes the seed money provided by FONSIS for implementing public-private sub-projects amounting to CFAF 1 billion, the compensation of affected persons, rehabilitation of some of the roads connecting the platforms/modules to the production areas and the social spending of the PIU. Details of expenditures by source of financing and expenditure category are given in Tables 2.6, 2.7 and 2.8, respectively.

**Table 2.6: Project Financing Plan**

SOURCE OF FINANCING	(CFAF million)			(EUR thousand)			%
	LC	FE	Total	LC	FE	Total	
ADB Loan	8 600	19 700	28 300	13 200	29 900	43 100	49.2
IsDB	6 400	11 900	18 300	9 650	18 200	27 850	31.8
State of Senegal	3 800	7 200	11 000	5 800	11 000	16 800	19.3
<b>TOTAL</b>	<b>18 800</b>	<b>38 800</b>	<b>57 600</b>	<b>28 350</b>	<b>59 400</b>	<b>87 750</b>	<b>100.0</b>

**Table 2.7: Project Cost by Component and by Source of Financing (in EUR thousand)**

PROJECT COMPONENT	ADB		IsDB		STATE		Total
	Amount	%	Amount	%	Amount	%	Amount
<b>A. SUPPORT FOR THE ESTABLISHMENT OF A PRIVATE SECTOR-FRIENDLY ECOSYSTEM</b>	<b>25 000</b>	<b>53</b>	<b>20 700</b>	<b>44</b>	<b>1 600</b>	<b>3</b>	<b>47 300</b>
Improvement of the regulatory & institutional environment in favour of PI	5 500	77	-	-	1 600	23	7 100
Establishment of the industrial superstructure	19 500	49	20 700	51	-	-	40 200
<b>B. SUPPORT FOR THE SUSTAINABLE IMPROVEMENT OF THE PRODUCTION OF THE AGRO-INDUSTRIAL SUBSECTORS</b>	<b>12 900</b>	<b>42</b>	<b>3 500</b>	<b>12</b>	<b>14 400</b>	<b>47</b>	<b>30 800</b>
Capacity building of agro-industrial producers	5 800	87	900	13	-	-	6 700
Building of community resilience	7 100	30	2 600	11	14 300	60	24 100
<b>C. COORDINATION, MANAGEMENT &amp; MONITORING/ EVALUATION</b>	<b>5 200</b>	<b>54</b>	<b>3 650</b>	<b>38</b>	<b>800</b>	<b>9</b>	<b>9 650</b>
<b>TOTAL PROJECT COST</b>	<b>43 100</b>	<b>49</b>	<b>27 850</b>	<b>32</b>	<b>16 800</b>	<b>19</b>	<b>87 750</b>

**Table 2.8: Project Cost by Expenditure Category and by Source of Financing (in EUR Thousand)**

EXPENDITURE CATEGORIES	ADB		IsDB		STATE		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Cost</b>	<b>39 600</b>	<b>48</b>	<b>25 950</b>	<b>31</b>	<b>16 800</b>	<b>21</b>	<b>82 350</b>	<b>94</b>
<b>A. WORKS</b>	<b>21 900</b>	<b>40</b>	<b>21 100</b>	<b>39</b>	<b>11 600</b>	<b>21</b>	<b>54 600</b>	<b>62</b>
Infrastructure	9 100	33	7 000	25	11 600	42	27 600	31
Construction and rehabilitation	12 800	48	14 100	53	0	-	29 900	31
<b>B. GOODS</b>	<b>5 800</b>	<b>78</b>	<b>1 600</b>	<b>22</b>	<b>0</b>	<b>-</b>	<b>7 400</b>	<b>9</b>
Vehicles	200	65	100	35	0	-	300	1
Equipment	5 600	79	1 500	21	0	-	7 100	8
<b>C. SERVICES</b>	<b>11 700</b>	<b>72</b>	<b>2 100</b>	<b>13</b>	<b>2 600</b>	<b>15</b>	<b>16 400</b>	<b>19</b>
Training	3 300	95	200	5	0	-	3 500	4
Technical assistance staff	3 400	90	400	10	-	-	3 800	5
Studies	1 800	70	400	17	400	13	2 600	3
Contractual services	3 000	49	1 000	16	2 200	35	6 200	7
Audit	200	73	100	27	0	-	300	1
<b>D. MISCELLANEOUS</b>	<b>200</b>	<b>4</b>	<b>1 150</b>	<b>29</b>	<b>2 600</b>	<b>67</b>	<b>3 950</b>	<b>4</b>
<b>II. Recurrent Costs</b>	<b>3 500</b>	<b>65</b>	<b>1 900</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>5 400</b>	<b>6</b>
<b>A. PERSONNEL</b>	<b>1 600</b>	<b>48</b>	<b>1 400</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>3 000</b>	<b>3</b>
<b>B. TRAVEL ALLOWANCES</b>	<b>600</b>	<b>69</b>	<b>200</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>800</b>	<b>1</b>
<b>C. MAINT. OPERAT. &amp; REPAIR</b>	<b>300</b>	<b>54</b>	<b>300</b>	<b>46</b>	<b>0</b>	<b>-</b>	<b>600</b>	<b>1</b>
<b>D. OVERHEADS</b>	<b>1 000</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>1 000</b>	<b>1</b>
<b>TOTAL PROJECT COST</b>	<b>43 100</b>	<b>49</b>	<b>27 850</b>	<b>32</b>	<b>16 800</b>	<b>19</b>	<b>87 750</b>	<b>100</b>

## 2.5. Project Area and Targeted Beneficiaries

**2.5.1 The project impact area covers the regions of Ziguinchor, Kolda and Sedhiou** which constitute the natural region of Casamance and had a population of about 1,947,967 in 2018. The agricultural and socio-economic environment of the rural population is characterised by a low access rate to rural roads, storage, processing and agricultural production infrastructure, particularly for youth and women. The area has the distinction of being among the country's most productive in agriculture thanks to its good rainfall and soil quality. However, a large part of agricultural production is difficult to market owing to low value-added for agricultural products.

**2.5.2** The area of intervention has been the focus of attention by the State following the armed conflict of the 1980s and 1990s, thanks to the inclusive dialogue for peace and the implementation of multisector projects (PPDC, PACM, PARCES, PUDC, etc.), some financed by AfDB (PPDC, P2RS, PROVALE) and IsDB (DRIARS, PROMISE, RRVCP etc.). To date, Ziguinchor port and airport are functional, the bridge over the Gambia River was completed in 2019 and the road network expanded with the rehabilitation of the Sénoba-Ziguinchor road. Therefore, the project comes to consolidate these gains by financing the requisite actions to attract private investment in agribusiness. The project will create 14,500 direct jobs and 35,000 indirect jobs. It will benefit approximately 65,000 households, or about 365,000 people (51% women). It will target farmers and the private sector (including SMEs/SMIs) that can invest in agricultural processing and service delivery. Specific actions will target the youth and women to integrate them into the agricultural value chains. The construction of the agricultural hub infrastructure will be based on local labour. Enterprises will receive advisory support to provide decent jobs with basic social security.

## 2.6 Participatory Approach to Project Identification, Design and Implementation

**2.6.1** The project design is based on a participatory and inclusive approach involving all stakeholders: technical services, producer organisations, women/youth groups, civil society, private sector, TFPs and projects. These broad-based consultations took place at all stages, including pre-feasibility and feasibility studies, sub-project or 'LAB' structuring workshops, and project preparation and appraisal missions. Under the supervision of BOS, the **PEMANDU Big Fast Results method** (the equivalent of BOS in Malaysia) was applied to allow full stakeholder participation through the LAB, which brought **150 participants from 96**

**structures** (private sector, financial institutions, public sector, civil society, etc.) for a total of **10,500 hours of work**.

2.6.2 The process helped to (i) delimit the *Agropole Sud* scheme, with a focus on the priority sectors (mango and cashew); (ii) structure the priority sub-projects (public, PPP, and private) to be retained in the agricultural hub; (iii) decide on the creation of a Construction and Operations Company (SCE) of the hub in the form of a company under private law, in particular to implement the PPP sub-projects; iv) adopt the principle of **mandating FONSIS to create the SCE, through a tripartite protocol agreement** duly signed by FONSIS, BOS and MDIPMI. Furthermore, the involvement of various stakeholders has served to identify private investment opportunities to be mobilised, with a view to generating wealth, employment & youth entrepreneurship.

2.6.3 At the project area level, working sessions brought together the territorial administration, local elected officials, technical services (agriculture, livestock, water and forestry, etc.), research institutes (ISRA, ITA, etc.), financial institutions (*Banque Agricole*, PAMECAS, ACEP), representatives of producers, civil society and certain projects. These working sessions served to (i) present the project's intervention strategy; (ii) share the technical choices and channels chosen; (iii) discuss the role of the project actors, gather the opinions of the actors and measure the interest of the beneficiaries and their level of accountability in project formulation, implementation and sustainability. This participatory approach will be continued during project implementation.

## **2.7 Bank Group Experience and Lessons Reflected in Project Design**

2.7.1 **As of 30 September 2019, the Bank's portfolio comprised twenty-nine operations for a total net commitment of UA 1,030 million.** This amount is broken down as follows: UA 864.29 million for the public sector and UA167.14 million for the private sector. The sector breakdown of national public sector projects is as follows: transport (54.0%); water and sanitation (15.1%); rural (17.5%); ICT (6.0%); social (2.1%); energy (3.5%) and governance (1.8%). **The portfolio performance of national public sector projects remains satisfactory with 3 out of 4.** The project effectiveness has decreased on average from 9.4 months to 5 months between 2011 and 2019 and the average time from approval to meeting the conditions precedent to first disbursement has improved from 9.6 months in 2013 to 7 months in 2019. The disbursement rate is 26% for an average portfolio age of 3.5 years. Lastly, the public sector portfolio comprises 4 regional operations for UA 83.52 million (Senegal) and a disbursement rate of around 35%.

2.7.2 **The mid-term review of the CSP 2016-2020, combined with the portfolio review provided lessons and recommendations as follows:** (a) *For the Bank*: i) strengthen Bank support to the private sector to enhance its competitiveness and contribution to growth (including through PZTA); ii) improve the project preparation quality by using the Project Preparation Fund (PPF); iii) increase the role of the Bank's country office in Senegal in project supervision and assistance to reduce file processing times; iv) support agricultural hub development projects; vi) improve the country's absorptive capacity by removing bottlenecks during project implementation (procurement, disbursement, M&E, etc.); (b) *For the Government*: i) strengthen project monitoring (Ministries of Economy, Finance, Industry); and ii) raise the level of domestic resource mobilisation in a context where 50% of AfDB public project financing must be sourced from counterpart funding.

## **2.8 Key Performance Indicators**

2.8.1 The key performance indicators of the project's logical framework are: Impact Indicators: (i) the rural poverty rate; (ii) the per capita value of food imports and exports; (iii) the share of the agro-industrial sector in GDP; Outcome Indicators: (i) modern installed capacity of agricultural product processing; (ii) the proportion of agricultural products processed according to the required standards (mango, cashew, maize, and banana); (iii) the cumulative amount in USD million of private investments catalysed by agribusiness



(including SMEs/SMIs); (iv) additional decent direct/indirect jobs created/consolidated (of which 50% women and 60% youth); (v) change in the average annual income level of agricultural households (headed by women); (vi) agricultural production of key sectors; (vii) the number of jobs created/reinforced in the agricultural sector (of which 50% women and 60% youth).

### **III. PROJECT FEASIBILITY**

#### **3.1 Economic and Financial Performance**

3.1.1 The project is designed to generate direct spin-offs in the processing of targeted crops, through private agribusiness investments in *Agropole Sud* (i.e. about 60 units), which can reach 90 by the end of ten (10) years. Besides the spin-offs on the private companies established in the agricultural hub, the farms will reap substantial income by supplying companies with raw materials for the targeted crops, namely: cashew (over 10,000 ha), mango (over 5,500 ha), maize (over 5,000 ha) and banana (over 1,500 ha). In addition to these benefits generated by the project and reflected in the economic and financial analysis, there will be several others in terms of: (i) creation of temporary and permanent jobs estimated at around 180 per processing unit (about 14,500 in total); (ii) improving and increasing the production of non-timber forest products (such as baobab, honey, seeds and wild fruits, oils and resins, infusions, etc.); (iii) improving the quality of nutrition as a result of capacity building in food fortification and hygiene; (iv) improving access to index insurance; and (v) improving the quality of natural resource management through the application of smart agriculture, climate change adaptation, biogas energy production and forest cover restoration.

3.1.2 **Financial analysis:** the bulk of the above benefits are not tradable or even tangible items, and thus do not lend themselves to a financial performance analysis based on existing markets. As a result, it has not been considered appropriate to include them in quantitative analysis, based on a production model or profit-making activities approach. However, it has been possible to perform a cost/benefit analysis of agribusiness and other agricultural production models (FARMOD), as indicated above.

3.1.3 For agribusiness enterprises, an assumption is proposed based on four (4) types of processing units, namely micro, small, medium and large enterprises, with respective investments of CFAF 7 million, 15 million, 1.345 billion and 15 billion each, according to the average of investment profiles in these kinds of models. In this case, the annual turnover per company is CFAF 3.95 million, 11.48 million, 782.10 million and 8.88 billion, respectively, for micro, small, medium and large units, from the fifth year, on an operating life of approximately 20 years. For agricultural crops from farms and suppliers of agribusiness companies in the parks, FARMOD-type production cost/benefit models (Input/Output, Project and No Project) over a 20-year operating life were used.

3.1.4 Thus, the financial analysis gave: (i) a financial impact of over CFAF 70.54 billion per year from the fifth year of operations expected over 20 years, according to the same type of operations, according the life of the investments. This implies that the financial benefits of the project over the period of operation exceed the cost of the investments needed to finance it; (ii) a cost/benefit ratio of 1.60, which means that the benefits are higher than the cost of the investments; (iii) an internal rate of return of 19.44 %, which is higher than the opportunity cost of capital (the capital cost of financial resources for investments in the project) is estimated at 12%. Based on these results, it can be concluded that the project presents a profitability profile justifying the cost of the investments financially.

3.1.5 **Economic analysis:** the economic analysis was carried out using the reference price method, namely the prices under conditions of economic efficiency, according to the "Pareto" optimum. It was conducted based on the comparison between the "no project" and "project" situation of the production models presented in the financial analysis. In this model, tradable goods, i.e. goods likely to be the subject of commercial transactions beyond the country (FOB at the port and CIF at the Port of Marseille), are

considered. In this case, the reference prices of these products (economic prices) are evaluated based on the ex-ante balance of these crops enabling to obtain export parity prices at farm gate. The labour force was economically valued at 65% of its financial value of CFAF 1,800/day, to take into account the inelasticity of the labour demand in the country in general and in the project in particular. Based on realistic assumptions, the economic rate of return (ERR) of the programme was estimated at 20.14%, with a B/C ratio of 1.62. In light of these results, the overall project profitability is deemed satisfactory.

IRR (baseline scenario) :	19.44% NPV Amount:	CFAF 301.39 billion
ERR (baseline scenario) :	20.14% NPV Amount:	CFAF 298.21 billion

**3.1.6 Sensitivity analysis:** the sensitivity tests conducted based on the reduction in production prices were used to measure the stability of the financial and economic performance indicators. Thus, the tests show that prices should be lowered to 54.17% (break-even or "switching value") to cancel out the additional benefits generated respectively at the financial and economic level, with IRR and ERR equal to the opportunity cost of capital, i.e. 12 %. This test shows that the programme profitability profile is robust, although it has not been performed on all endogenous values of the model. However, the price variable is of paramount importance since it is the only one that is beyond the control of programme management and operation. The summary of the sensitivity analysis is presented in the Technical Annexes (Volume II).

## 3.2 Environmental and Social Impact

### 3.2.1 Environment

**3.2.1.1 PZTA-Sud (*Agropole Sud*)** is classified in Category I. Its classification is justified by the activities likely to cause major environmental and social impacts to the natural and human environment conceived as an agro-industrial development hub. This approach led to the separation of the agricultural hub infrastructure on sites covering the three regions and networking actors of the targeted value chains (producers, processing firms, aggregators, etc.). This classification is also justified by the fact that it could trigger all five operational safeguards. The documents presented are the Strategic Environmental and Social Assessment (SESA) and the SESA summary, which were finalised and posted on 1 August 2019.

**3.2.1.2 Negative impacts:** The key negative impacts expected from the project are: (i) risks of deforestation; (ii) disfigurement of the landscape; (iii) proliferation of disease vectors (malaria); (iv) degradation of ecosystems (soil, wildlife and water resources); (v) waste generation; (vi) dust and smoke emission; and (vii) traffic accidents, etc. The planned mitigation measures include: (a) tree planting; (b) application of appropriate pesticide management measures; (c) strict control of the pesticides used; (d) elimination of expired pesticides; (e) training in integrated pesticide management; (f) producer awareness and training; and (g) watering the site, waste collection, etc. **The estimated cost of the measures to be included in the Environmental and Social Management Plan (ESMP) and entirely financed by the Bank is about CFAF 665,000,000.**

**3.2.1.3 Positive impacts:** The key positive impacts are: (i) business development; (ii) improved mango, cashew and maize cultivation; (iii) linking farmers to processing industries; (iv) direct and indirect employment for youth; and (vi) increased municipal revenue. The cost of enhancing environmental benefits is included in the cost of environmental and social measures.

### 3.2.2 Social

**3.2.2.1 PZTA-Sud** will have a positive social impact in the construction phase in terms of increasing the people's income through the use of local materials (stone, sand, gravel, laterite) and the purchase of materials on the local market (cement, wood, iron, etc.). The work will inject fresh money into local markets, which will contribute to the development of socio-economic activities. The work will also lead to the development of retail trade around construction sites. The supply of construction equipment and materials should boost

transactions in the villages. In the operations phase, there will be a partnership between the agricultural hub and the farmers. The agricultural hub operation should generate around 14,500 direct jobs and 35,000 indirect jobs by 2024. The agricultural hub could be a means of creating jobs in agribusiness, transport, logistics and services (accommodation, catering, etc.), which will improve market access and farmers' income. Therefore, strengthening the skills of actors involved in the cashew and mango sectors (producers, traders, transporters, etc.) should facilitate access to salaried jobs and the creation of self-employment, thus contributing to the fight against poverty, rural exodus and illegal emigration.

### **3.2.3 Environmental and Social Management Framework Plan (ESMFP)**

3.2.3.1 The following mitigation measures are included in the ESMFP: (i) development and reforestation of the agricultural hub module sites; (ii) application of adequate pesticide management measures; (iii) strict control of pesticides used by farmers; (iv) disposal of expired pesticides; (v) training in integrated pesticide management; (vi) sensitisation and training of producers; and (vii) application of the Laws on the Protection of Wildlife and Soil Degradation, etc. The SESA recommends conducting an Environmental and Social Impact Assessment (ESIA) that will: (a) describe the biophysical characteristics of the environment in which the project activities will take place, and highlight the major constraints that need to be taken into account when preparing the land, building, installing equipment, and operating; (b) assess the potential environmental and social impacts of project activities and recommend appropriate mitigation measures including cost estimates; (c) evaluate needs regarding the collection of solid and liquid wastes, their disposal and management, and make recommendations; (d) conduct a review of national environmental policies, legislation, and administrative and institutional frameworks and donor safeguard policies, indicate which of these policies are applicable to project activities, identify any gaps that could exist and make recommendations to fill them.

### **3.2.4 Involuntary Resettlement**

3.2.4.1 Regarding involuntary resettlement, there are legal safeguards to protect the rights of potential project-affected persons. Section 31 of Law No. 64-46 of 17 June 1964 on National Land provides that: "After the declaration of public utility, the compensation to be paid to affected persons is evaluated on specified bases by a commission chaired by the prefect or his/her representative and composed of local representatives of the ministries in charge of public works, economy, lands, and those of the communities and associations including the mayor of the municipality. The compensations are established taking into account exclusively the existing constructions, developments, plantations and crops in the affected area undertaken by the affected persons (Section. 32). Displaced persons will be assisted and supported in their efforts to improve and rebuild their livelihoods and standard of living. The standard of living of resettlement populations will be more favourable than the original situation. Although not a tool offered by the AfDB ISS, the Resettlement Action Plan (RAP) is required as a precaution, to clarify the process whereby land not currently concerned by the project will be developed subsequently. **The projected amount to cover the displacement and resettlement of affected persons is CFAF 1 300 million (from the counterpart funding).**

### **3.2.5 Climate Change**

3.2.5.1 Senegal, in its Nationally Determined Contribution (NDC), agreed to unconditionally reduce greenhouse gas emissions by 3%, 4% and 5% respectively in 2020, 2025 and 2030, compared to "business as usual" (BAU) emissions for those years. The project will contribute to Senegal's climate change policies, particularly for the agricultural sector, with a view to adapting it and achieving the mitigation objectives set out in its Nationally Determined Contribution (NDC), particularly at regional level (Ziguinchor, Kolda and Sedhiou).

**3.2.5.2 The project is vulnerable to climate risk (classified as Category 2).** For this reason, risk management and adaptation options have been incorporated into the project design. The sizing of the structures will be done taking into account the geotechnical and climatic conditions specific to each site. This involves adaptation and mitigation measures in the agriculture, forestry and other land use sectors. In this way, the project will support measures that will enable farmers to mitigate and increase their climate change adaptation and resilience through, among others: **(i)** capacity building of state services (ISRA) to produce resilient and high-yielding varieties (cashew, mango and maize); **(ii)** supporting farmer organisations for better access to efficient and resilient technologies; **(iii)** strengthening the quality of advisory support services to farmers (climate information, digital platform, etc.); **(iv)** facilitating access to index insurance for farmers; **(iv)** improvement and adaptation of plant and forest production techniques; **(v)** changes in agroforestry practices to sustainably improve the production, yields and income of agro-foresters; **(vi)** addition of quality and value to agricultural production through post-harvest operations (storage and primary processing facilities); and **(vii)** access to more profitable markets through investment provided for in the agricultural processing modules (central and regional).

### **3.2.6 Gender**

**3.2.6.1** The project is classified under Category 3 according to the Bank's Gender Marker System. It will be implemented in a social environment where gender inequalities persist and are exacerbated by the migration of men. This situation reinforces the triple role of women with its corollaries of work overload and poverty. Thus, the project will take into account the specific needs of women and men as well as youths of both sexes. The aim is to reduce the inequalities of access for women and men of all social categories to the opportunities offered by the agricultural hub. Actions to be taken include: (i) promoting a gender-sensitive regulatory and institutional framework; (ii) equity in implementing project activities, including a quota of 50% of agricultural project aggregation/primary processing of women-run cooperatives and SMEs (project selection, training, financing, etc.); (iii) development of gender-sensitive infrastructure (childcare facilities, separate showers and toilets, secure and equipped with water, etc.); (iv) support for women's cooperatives and SMEs through the structuring of their businesses and adapted training (including functional literacy, financial inclusion, processing, storage and conservation of agricultural products, leadership, natural resource management, etc.); (v) promoting women's inclusion and leadership in the committees set up/consolidated under the project (50% women); (v) a campaign/sensitisation to fight and prevent malnutrition; and (v) the recruitment of a social development and gender specialist based on the South Branch. **The budget allocated for specific and gender-sensitive activities is EUR 6.3 million, or about 14% of the total amount.**

### **3.2.7 Nutrition and Health**

**3.2.7.1 The Rural Survey of Food Security and Nutrition (ERASAN 2014) shows that households in food-insecure rural areas account for 30% of the total** (153,728 households), of which 12% are in a severe situation and 18% in a moderate situation. The rate of food insecurity is higher for female-headed households at 40.4% compared to 29.4% for men-headed households. The regions of Ziguinchor (63%), Sédhiou (52%) and Kolda (52%) have the highest rates of households with food insecurity. The project will ensure that the modules and platforms take into account the establishment of medical services to support the safety of users. The agreements to be signed with the research institutes, particularly the ITA for the Centre of Excellence, will ensure that the nutritional quality of the processed products are acceptable to the local population and the market. At community level, to ensure resilience, awareness and communication sessions for behavioural change in nutrition, health and hygiene will be supported by the project. For vulnerable groups such as women, activities to support processing for the local or divisional ("*département*") market will be funded, which will increase their income. For better social inclusion, the youth and women who will be selected for the labour-intensive works during the constructions on the agricultural hub sites will come largely from the poorest households. To this end, the project will use the single national registry targeting community-based activities. These activities will be supported by partners already on site such, for instance the Malnutrition

Control Unit. To ensure greater inclusion, the labour-intensive works will target the most vulnerable youth and women. Index insurance for producers is also a social protection measure for inclusion purposes.

### **3.2.8 Youth Training and Employment**

3.2.8.1 The mapping of vocational training institutions in the project area indicates the existence of several Vocational and Technical Training and Handicraft (*FPTA*) structures, of which thirteen (13) in Ziguinchor, seven (7) in Kolda and three (3) in Sedhiou (one of the structures is being established). The project will work with these centres to ensure that agribusinesses moving into the region will have on-site skilled labour for the different trades. The project will help create around 1,400 direct and 35,000 indirect jobs for youth and women in the region, during the construction phase (which will use labour-intensive techniques) and in the operation phase by the 60 companies expected on the different sites. The project will also address the key challenges related to youth entrepreneurship, namely access to land and finance and the acquisition of technical skills for managing agro-industrial enterprises. At the agricultural hub, there are plans to build four training halls which will facilitate the upgrading of the salaried and self-employed workforce. Close collaboration will be established with at least three vocational training centres in the region, such as Goudomp, which is being developed, particularly for the processing of cashew nuts and fruits. The business incubator to be established at the Adéane central module will enable the incubation of youth-initiated projects. As regards access to finance for SMEs, the project will carry out capacity building of at least three financial institutions to develop services tailored to the needs of agro-industrial enterprises, particularly those of youth. Furthermore, the project will collaborate with the Mastercard Foundation, which supports the vocational training institutes in the project area as well as SMEs to strengthen youth employability.

### **3.2.9 Fragility and Resilience**

3.2.9.1. The Casamance Natural Region, the project's impact area, experienced an armed conflict in the early 1980s, whose victims lived mainly in Sedhiou and Ziguinchor regions. The induced fragility endured over nearly four decades slowed public and private investment in the region and has increased the social divide and the feeling of social and spatial exclusion. However, the State has made substantial efforts to develop infrastructure in the transport, energy and social sectors (drinking water, health, education, etc.), and this has contributed significantly towards strengthening social cohesion at inter-regional and national level. That notwithstanding, much effort remains to be made to mitigate the effects of regional disparity, gender inequality and youth underemployment. This peculiarity of the region has been reflected in the project design by taking into account existing resilience capacity in communities to address drivers of fragility. To reinforce this fragile cohesion, the project will support the agricultural potential of each region and organise the targeted sectors to provide economic opportunities for women, youth and vulnerable segments of the population. The sensitive land issue for this region of the country was also considered through the participatory approach undertaken for the project in terms of land tenure security. Areas with high production cashew and mango plantations located along the border strip south of Casamance pose a risk for producers due to the presence of mines in some places. This threat, already covered by the government's partners specialising in this aspect, will be regularly monitored by the project at the National Demining Centre, to ensure that producers operating in the above-mentioned area are protected from this risk (see Annex).

## IV. IMPLEMENTATION

### 4.1. Implementation Arrangements

#### 4.1.1 Institutional Arrangements

4.1.1.1 The Project Executing Agency (AGEX) will be the Ministry of Industry through a Project Implementation Unit (PIU). A Steering Committee (COPIL) chaired by AGEX will be set up to: (i) formulate the strategic thrusts of the agricultural hub programme; (ii) review and approve the AWPB; and (iii) analyse and adopt activity reports (including financial reports) and audit reports. It will include representatives of the ministries in charge of the following portfolios: Planning and Cooperation, Finance, Agriculture, Trade, Gender and Social Affairs, Environment, Regional Planning, Health and Nutrition; as well as representatives of the Private Sector, the Sovereign Fund for Strategic Investments (FONSIS), Federations of Farmers' Organisations, Local Authorities, Consular Chambers and BOS/PSE. The PIU Coordinator will provide secretarial support to COPIL.

4.1.1.2 The Project Implementation Unit (PIU) will be responsible for project coordination, implementation and monitoring. The PIU will be based in Dakar and will ultimately be in charge of the 3 agricultural hub (PZTA) projects (it will have 3 regional agencies corresponding to the three (3) agricultural hubs (South, Centre and North). However, only the *Agropole Sud* agency will be set up under this project. Specifically, the composition of the PIU includes the following staff: (i) a national coordinator; (ii) an agribusiness engineer; (iii) a monitoring/evaluation specialist; (iv) a procurement specialist; (v) an administrative and financial officer; (vi) an investment and finance specialist; (vii) a regional coordinator; (viii) an infrastructure engineer (regional); (ix) an agronomist specialised in agricultural sectors (regional); (x) an environmental safeguards specialist; (xi) a social safeguards specialist; (xii) 3 accountants (including one regional); (xiii) 3 assistants (procurement, administration, monitoring/evaluation); and (xiv) support staff. The baseline survey, midterm surveys and the final evaluation of project outcomes and impacts will be conducted by consultants to be recruited (in conjunction with MEPC, BOS and ANSD).

#### 4.1.2 Procurement Arrangements

4.1.2.1 All Bank-financed procurement of works, goods and consultants services under this project shall be carried out in accordance with the Procurement Policy for Bank Group-Funded Operations ("AfDB Procurement Policy"), October 2015 edition, and the provisions of the financing agreement. Pursuant to this policy and following the various evaluations conducted, all procurement listed in paragraph B.6.3.1 will be carried out in accordance with the country's procurement system ("National System") enshrined in Decree No. 2014-1212 of 22 September 2014 on the Public Procurement Code (CMP), while all other procurement listed in paragraph B.6.3.2 will be carried out in accordance with the Bank Procurement Methods and Procedures (BPM), October 2015 edition, using the Bank's bidding documents (BDs). The use of the National System improves efficiency through the following actions, among others: i) better ownership of the procurement system to be used by the executing agency; ii) time saving with the absence of a second audit (after that of the national entities), namely the Bank's ex-ante review. **However, the Bank reserves the right to request the Borrower to revert to the use of the Bank System if:** a) the legal framework of Senegalese public procurement system changes and becomes unsatisfactory to the Bank; b) the provisions in force were not respected by the Executing Agency; or c) the appropriate risk mitigation measures featuring in the Risk Assessment Action Plan were not observed.

4.1.2.3 **Advance contracting (AC):** during the appraisal mission, the Government informed the Bank of its intention to request authorisation to use advance contracting for the selection of: (i) a firm specialised in human resources to be charged with recruiting the project team staff; and (ii) a technical assistance firm to support PIU. A request accompanied with a procurement plan shall be submitted to the Bank for opinion

before the project is presented to the Bank's Board of Directors.

**4.1.2.4 Procurement Risk and Capacity Assessment (PRCA):** to take project specificities into account, the Bank assessed: (i) risks at the national, sector and project level; and (ii) the capacity of the executing agencies. The findings of these assessments led to the conclusion that the procurement risk level was *moderate* and determined, subject to the application of the mitigation measures proposed in paragraph 5.9 of Annex B.6, the group of procurement to be carried out according to the Bank's system and that likely to be carried out, without major risk, according to the National System. The planned contracts for works amount to approximately UA 27.307 million, for the various goods UA 5.162 million, and for consultancy services UA 8.355 million. Details of these procurement arrangements are available in Annex B.3 of the appraisal report.

### **4.1.3 Financial Management Arrangements**

**4.1.3.1** In accordance with the provisions of the Paris Declaration on Aid Effectiveness, the Bank, like most other TFPs, has agreed to maximise the use of country systems for project and programme management as far as possible. An assessment of the existing country financial and accounting management system was made during the appraisal mission and the required mechanism specified for the project. Thus, the financial management of the project will be carried out by the Project Implementation Unit (PIU), to be put in place by the MDIMPI in its capacity as the Project Executing Agency. The PIU personnel, which will be recruited on a competitive basis, will include among others a coordinator, an administrative and financial manager, an accountant and an accounting assistant. The current accounting system is accrual accounting on software enabling the recording of project operations. The software has the potential to handle multiple projects with budgeting, analytics and general modules, up to the production of financial statements. The project's internal control will be formalised in an administrative, financial and accounting procedures manual to be drawn up once the project is put into effect by a consultant. PZTA-Sud will produce quarterly project monitoring and annual financial statements and submit them to the Bank after approval by the Project Steering Committee. The project financial and accounting audit will be conducted by an independent firm registered on the role of a national or regional order of Bank member countries. The audit firm will be recruited by Project Coordination for three years based on terms of reference approved by the Bank, and paid out of AfDB funds.

### **4.1.4 Disbursement Arrangements**

**4.1.3.1** Disbursements will be made in accordance with Bank rules and procedures. A special account will be opened in the books of a commercial bank to keep a portion of the loan resources. Three disbursement methods will be used: (i) the special account method for training, operating and other minor project expenses; (ii) the direct payment method for settling contracts and agreements for goods, works and services; and (iii) the reimbursement method for expenses chargeable to AfDB but settled with the resources from counterpart funding, with the Bank's prior approval. Bank advances in the Special Account will be made based on the Annual Work Programme and Budget (AWPB) previously approved by the Bank. The State's counterpart funding will be provided for in the State budget.

## **4.2 Project Monitoring/Evaluation**

**4.2.1 Technical and financial monitoring:** the PIU will be responsible for collecting, analysing and compiling information on physical achievements and financial execution. To this end, it will have a scorecard with technical and financial indicators on the progress of the project. Such monitoring will serve to obtain the following information for each activity and with a half-yearly periodicity: physical target, level of achievement, expected costs, actual costs, gaps and explanations of any gaps. This information will be used for preparing the half-yearly project progress reports. Furthermore, in addition to the review work of the Steering Committee, the Bank will field two supervision missions per year, to which should be added a mid-term review mission.

4.2.2 **Impact assessment:** the project impact assessment will be conducted through participatory surveys under the supervision of BOS/PSE. The baseline survey will determine the level of the following indicators in project year zero: (i) current average household income; (ii) annual production of key crops; (iv) industrial processing rate; (v) access to inputs, agricultural services and farmer financing; (vi) marketing performance; and (vii) volume of financing mobilised by SMEs/SMIs. The same survey will be conducted at project completion.

### 4.3 Governance

4.3.1 **Senegal has enjoyed long-standing political stability supported by solid democratic institutions** and demonstrated by the three peaceful democratic regime changes. Senegal ranks 66<sup>th</sup> out of 180 countries on *Transparency International's* Corruption Perceptions Index 2018 and 8<sup>th</sup> in Africa in the indicators "Safety and Rule of Law", "Participation and Human Rights" and "Transparency and Accountability" of the Mo Ibrahim Index of African Governance (IIAG) 2017. This good performance reflects the efforts of the various regimes towards establishing or strengthening key institutions such as the Court of Auditors, the State General Inspectorate (IGIE), the National Financial Information Processing Unit (CENTIF), the National Bureau for the Fight against Fraud and Corruption (OFNAC) and the Public Procurement Regulatory Authority (ARMP), and the introduction of a requirement that senior officials must declare assets (2014). The business environment has improved significantly as reflected by its 18-place jump in the Doing Business 2020 rankings. However, progress is needed in terms of registering property, paying taxes, trading across borders and ease of access to these facilities outside of the capital.

4.3.2 **In view of the project area's sensitivity and the project's complexity, the governance of the South Agricultural Hub is of special interest to the Bank and the Senegalese authorities,** both in its design/ development and operation phases. While promoting private sector interest in the area, such sensitivity to the low-intensity conflict that has affected Casamance<sup>1</sup> is important. Therefore, the project design adopted a highly participatory process in line with the strategic thrusts of PSE. Applying the *Big Fast Results (BFR)* methodology enabled the involvement of all project stakeholders, including private companies, financing institutions, research centres, civil society and the administration, to agree on partnership arrangements for successful its implementation.

4.3.3 This process resulted in the selection of the following options (technical annex):

- **The management of the agricultural hub is entrusted to a dedicated company.** After an in-depth analysis of different PPP approaches, it was decided that a mandate will be granted to FONSIS to create a Construction and Operation Company (SCE). The composition of the capital of SCE will unify the stakeholders' commitment and will include a public sector minority (FONSIS, regional authorities, etc.), and a private sector majority (strategic and financial investors, including major agribusinesses and producer federations).
- **The establishment of an ecosystem enabling the agricultural hub to have access to all the administrative and facilitation services in the South zone.** In this regard, the project will establish close collaboration with the Ziguinchor Regional Investment Platform (PRI) so that its services can meet the needs of the hub's investors. The Adeane central module will also include a specific one-stop shop for the agricultural hub, offering high-end services, complementary to those of the South PRI.

### 4.4 Sustainability

4.4.1 The project was designed in a participatory and integrated manner to ensure sustainability, thanks to the active involvement of the relevant State services in project implementation (ISRA, ITA, ANCAR, DRDR, FNDASP, etc.). Besides, the sectors identified by an analysis of the market potential were confirmed during stakeholder consultations (surveys, missions, workshops, Labs, etc.) among which, the private sector, producer organisations (POs) and the technical services of the State. In addition, the project was designed to

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<sup>1</sup> Rather than exacerbating the underlying causes of conflict, this should contribute towards consolidating the factors that foster peace and the economic and social inclusion of all parties.



consolidate the State in its facilitation role, the private sector in investment and POs in sustainably increasing agricultural productivity. Lastly, the project's design takes into account the requisite conditions to ensure its sustainability, through the following measures : (i) inclusion of measures to improve the agro-industrial sector's business ecosystem at the project area level (one-stop shop, support services, quality control services, financial services, agricultural insurance, etc.); (ii) establishment of basic infrastructure (site development, administrative buildings, social services, common areas, etc.) in the central module (acting as an agro-industrial park), the three (3) regional modules and the five (5) aggregation platforms and services; (iii) the involvement of the private sector (leader) once the project is formulated, thus ensuring easier access to markets (domestic, regional and international), technologies and financing (particularly for POs and SMEs); (iv) support for the structuring and professionalisation of agro-industrial sectors by strengthening the technical and business management capacity of beneficiary groups (including those run by women and youth); (v) facilitating access to efficient plant material for the sustainable increase in productivity and agricultural production of the main sectors (mango, cashew and maize).

## 4.5 Risk Management

4.5.1 Potential risks and mitigation measures have been identified and taken into consideration (see table and logical framework). They will be refined and finalised during the appraisal mission.

Risks	Risk Level	Mitigation Measures/Actions
<u>Risk 1</u> : Lack of interest by the private sector could limit investment	High	<u>Mitigation 1</u> : (i) the private sector will be regularly consulted; (ii) the PIU will put in place basic infrastructure (including one-stop shop); (iii) SCE will facilitate the implementation of private sub-projects; (iv) access to credit facilities will be put in place; and (v) non-tariff barriers will be applied as needed.
<u>Risk 2</u> : Climate change, discharges from industrial units and harmful practices of the population may degrade natural resources	Moderate	<u>Mitigation 2</u> : The use of resilient technologies, planned environmental and social safeguards, access to markets and agricultural insurance will mitigate climate change impacts and industrial risks.
<u>Risk 3</u> : The expected benefits (including land) could be hijacked by a minority	Moderate	<u>Mitigation 3</u> : The measures included in the SESA (including the ESFMP), the ESFMP/RAP, and the project's IEC programme should mitigate this risk.
<u>Risk 4</u> : Delays in project implementation due to inadequate understanding of Bank procedures	High	<u>Mitigation 4</u> : Institutional support and regular training will be provided to the PIU, AGEX, and the Borrower (Ministries of Finance, Economy)

## 4.6 Knowledge Building

4.6.1 PZTA-Sud differs from the value chain projects usually financed by the Bank in the country, mainly in view of the following innovations: the targeting of value chains with market potential, the promotion of private investment in agribusiness (facilities, incentives, etc.), and support to actors in targeted sectors. These innovations will be subject to documented monitoring/evaluation and leveraged to determine the lessons learned by the State, the private sector and other priority sector actors. The State and the Bank will take into account the lessons learned during the exchange of experiences with regional member countries. The lessons learned will be consolidated in the project completion report.

## **V. LEGAL FRAMEWORK**

### **5.1 Legal Instrument**

5.1.1 To finance the project, an agreement will be signed between the Bank and the Republic of Senegal.

### **5.2 Conditions Associated with the Bank's Intervention**

The extension of the ADB loan is subject to the following conditions:

#### **5.2.1 Conditions Precedent to Effectiveness**

The effectiveness of ADB loan agreement shall be subject to the Borrower's fulfilment of the conditions set out in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank (Sovereign Entities), to the Bank's satisfaction.

#### **5.2.2 Conditions Precedent to First Disbursement**

In addition to effectiveness of the ADB loan agreement, the disbursement of loan resources shall be subject to the Borrower's fulfilment of the following condition, to the Bank's satisfaction:

- i) Provide to the Bank evidence of recruiting the key staff of the Project Implementation Unit (PIU), namely the national coordinator, the regional coordinator, the procurement specialist, the financial management specialist, the monitoring/evaluation specialist and the accountant.

#### **5.2.3 Special Conditions Precedent to Disbursement of ADB Loan Resources for Works involving Involuntary Resettlement of the Population**

In addition to effectiveness of the ADB loan agreement and fulfilment of conditions precedent to first disbursement of resources, the disbursement of loan resources for works involving involuntary resettlement of the population shall be subject to the Borrower's fulfilment of the following additional conditions, to the Bank's satisfaction:

- (a) Submit a works and compensation schedule that is consistent with the abbreviated resettlement plan(s) (RAP) and satisfactory in substance and form to the Bank, specifying: (i) each project work area; and (ii) the time frame for compensation and/or resettlement of all project-affected persons (PAPs) for each area;
- (b) Provide satisfactory evidence that all project-affected persons (PAPs) in the works area have been compensated and/or relocated in accordance with the Resettlement Action Plan ("RAP") and/or the works and compensation schedule, as agreed, prior to commencement of such works and in any event prior to the displacement and/or acquisition of the land and/or related assets of the PAP before the actual commencement of works; or
- (c) In lieu of paragraph (b) above, provide satisfactory evidence that the resources allocated for the compensation and/or relocation of PAPs have been deposited in a special account in a bank acceptable to the Bank, if the Borrower can prove, to the satisfaction of the Bank, that the compensation and/or relocation of the PAPs, in accordance with paragraph (b) above, could not be completed in whole or in part, for the following reasons:
  - (i) identification of the PAPs by the Borrower is not feasible or possible;
  - (ii) there are ongoing disputes and/or additional useful steps involving PAPs and/or affecting the compensation and/or resettlement exercise; or
  - (iii) any other reason beyond the Borrower's control, as discussed and agreed with the Bank.

#### 5.2.4 Other Conditions.

The Borrower undertakes to act as follows, to the Bank's satisfaction:

- (i) Prepare and forward to the Bank the administrative, financial and accounting procedures manual covering all management cycles, latest four (4) months following the effectiveness of the loan agreement;
- (ii) Set up a multi-project and multi-chapter integrated management system on which the project's budgetary, analytic and general accounting modules shall be kept, at most 6 (six) months following first disbursement of the loan;
- (iii) Register, in the name of the Sovereign Fund for Strategic Investment (FONSIS), the land set aside for the central module at most 3 (three) months after loan effectiveness and that set aside for the regional modules as well as the aggregation and service platforms at most 6 (six) months after loan effectiveness;
- (iv) Submit the partnership agreements concluded with the Food Technology Institute, the Senegalese Institute of Agronomic Research (ISRA) and the Upgrading Office (BMN) to the Bank for opinion, at most 3 (three) months following effectiveness; and
- (v) Provide the Bank with half-yearly reports on the implementation of the ESMFP, including weaknesses and remedial action taken or scheduled, as needed, and any document deemed reasonably necessary for monitoring the project implementation.

#### **Undertaking. Environmental and Social Safeguards**

- (a) The Borrower undertakes to ensure that the Executing Agency and each of its contractors, subcontractors and agents:
  - i). implement the project in accordance with the ESMP, RAP and/or works and compensation schedule, the Bank's Safeguard Policies and the national law as enforced in substance and in form satisfactory to the Bank;
  - ii). prepare and submit to the Bank, within the Project Report mentioned in Section 7.01 of the Loan Agreement, the quarterly ESMP and RAP implementation reports, including any shortcomings identified and the relevant corrective measures taken; and
  - iii). refrain from any action likely to prevent or block implementation of the ESMP or RAP, including any modification, suspension, renunciation and/or cancellation of any provision of the ESMP or RAP, in whole or in part, without the prior written consent of the Bank.
- (b) The Borrower undertakes to ensure that the Executing Agency and each of its contractors, subcontractors and agents start works in areas affected by project implementation only after all PAPs present in the area have been compensated/resettled in keeping with the RAP and/or the works and compensation schedule.

#### 5.3 Compliance with Bank Policies

5.3.1 The Project complies with all applicable Bank policies.

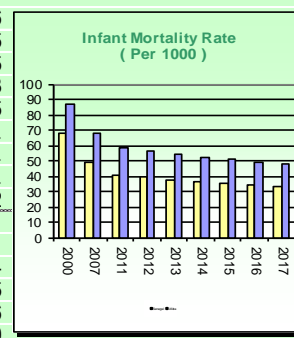
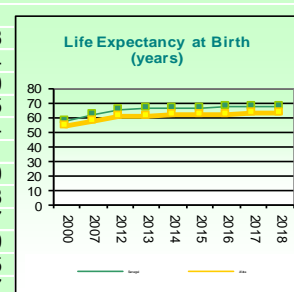
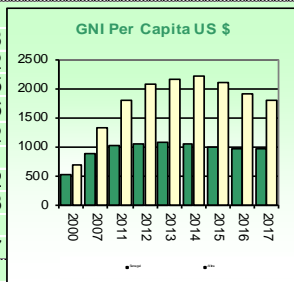
#### VI. RECOMMENDATION

Bank Management recommends that the Board of Directors approve the proposal to grant an **ADB loan of EUR 43.1 million to the Republic of Senegal** for the purpose and under the conditions set forth in this report.

## Annex I: Senegal's Socioeconomic Indicators

### Senegal COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Senegal	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ( '000 Km²)	2018	197	30 067	92 017	40 008
Total Population (millions)	2018	16,3	1 286,2	6 432,7	1 197,2
Urban Population (% of Total)	2018	47,2	42,5	50,4	81,5
Population Density (per Km²)	2018	85,8	43,8	71,9	31,6
GNI per Capita (US \$)	2017	1 240	1 767	4 456	40 142
Labor Force Participation * - Total (%)	2018	57,6	65,9	62,1	60,1
Labor Force Participation ** - Female (%)	2018	45,5	55,5	47,6	52,2
Sex Ratio (per 100 female)	2018	96,7	99,8	102,3	99,3
Human Develop. Index (Rank among 189 countries)	2017	164	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	38,0	...	11,9	0,7
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2018	2,8	2,5	1,2	0,5
Population Growth Rate - Urban (%)	2018	3,8	3,6	2,3	0,7
Population < 15 years (%)	2018	42,7	40,6	27,5	16,5
Population 15-24 years (%)	2018	19,4	19,2	16,3	11,7
Population >= 65 years (%)	2018	3,0	3,5	7,2	18,0
Dependency Ratio (%)	2018	86,6	79,2	53,2	52,8
Female Population 15-49 years (% of total population)	2018	24,4	24,1	25,4	22,2
Life Expectancy at Birth - Total (years)	2018	67,8	63,1	67,1	81,3
Life Expectancy at Birth - Female (years)	2018	69,7	64,9	69,2	83,8
Crude Birth Rate (per 1,000)	2018	34,4	33,4	26,4	10,9
Crude Death Rate (per 1,000)	2018	5,6	8,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2017	32,7	47,7	32,0	4,6
Child Mortality Rate (per 1,000)	2017	45,4	68,6	42,8	5,4
Total Fertility Rate (per woman)	2018	4,6	4,4	3,5	1,7
Maternal Mortality Rate (per 100,000)	2015	315,0	444,1	237,0	10,0
Women Using Contraception (%)	2018	23,1	38,3	61,8	...
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2010-2016	6,8	33,6	117,8	300,8
Nurses and midwives (per 100,000 people)	2010-2016	30,9	123,3	232,6	868,4
Births attended by Trained Health Personnel (%)	2010-2017	53,1	61,7	78,3	99,0
Access to Safe Water (% of Population)	2015	78,5	71,6	89,4	99,5
Access to Sanitation (% of Population)	2015	47,6	39,4	61,5	99,4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	0,4	3,4	1,1	...
Incidence of Tuberculosis (per 100,000)	2016	140,0	221,7	163,0	12,0
Child Immunization Against Tuberculosis (%)	2017	99,0	82,1	84,9	95,8
Child Immunization Against Measles (%)	2017	90,0	74,4	84,0	93,7
Underweight Children (% of children under 5 years)	2010-2016	13,5	17,5	15,0	0,9
Prevalence of stunting	2010-2016	17,0	34,0	24,6	2,5
Prevalence of undernourishment (% of pop.)	2016	11,3	18,5	12,4	2,7
Public Expenditure on Health (as % of GDP)	2014	2,4	2,6	3,0	7,7
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	84,1	99,5	102,8	102,6
Primary School - Female	2010-2017	90,4	97,4	102,0	102,5
Secondary School - Total	2010-2017	45,4	51,9	59,5	108,5
Secondary School - Female	2010-2017	47,4	49,5	57,9	108,3
Primary School Female Teaching Staff (% of Total)	2010-2017	32,9	48,7	53,0	81,5
Adult literacy Rate - Total (%)	2010-2017	42,8	65,5	73,1	...
Adult literacy Rate - Male (%)	2010-2017	52,8	77,0	79,1	...
Adult literacy Rate - Female (%)	2010-2017	33,6	62,6	67,2	...
Percentage of GDP Spent on Education	2010-2015	7,1	4,9	4,1	5,2
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2016	16,6	8,0	11,3	10,4
Agricultural Land (as % of land area)	2016	46,1	38,2	37,8	36,5
Forest (As % of Land Area)	2016	42,8	22,0	32,6	27,6
Per Capita CO2 Emissions (metric tons)	2014	0,6	1,1	3,5	11,0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update : February 2019

UNAIDS; UNSD; WHO; UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. \* Labor force participation rate, total (% of total population ages 15+)

\*\* Labor force participation rate, female (% of female population ages 15+)

## Annex II: Current Bank Portfolio in Senegal

### National Projects

Sector/Operation		Date Approved	Amount Approved (UA million)	Amount disbursed (UA million)	Disb. rate (%)	Disb. Deadline
<b>RURAL</b>						
1	Community Roads Project in support of the PNDL (PPC / PNDL) - OFID	17-Jul-13	7.33	6.48	88.5	31-Dec-19
2	Project to Restore the Ecological and Economic Functions of Lake Guiers (PREFELAG) - ADF	4-Sep-13	15.00	14.77	98.5	25-Dec-19
	- GEF	4-Sep-13	0.96	0.74	76.9	25-Dec-19
3	Food Security Support Project in Louga, Matam and Kaffrine Regions- ADF	26-Apr-13	2.00	1.51	75.6	31-Dec-19
	- GAFSP	26-Apr-13	29.24	23.19	79.3	31-Dec-19
4	Project to Open Up Production Areas in support of the National Programme for Local Development (PDZP/ PNDL)	22-Jun-18	20.00	0.19	0.9	30-Sep-23
5	Climate Information Quality Improvement Project for Building Community Resilience in Senegal (FSCD)	17-Mar-17	0.83	0.01	1.6	31-Dec-19
6	The Water Valorisation for Value Chain Development Project (PROVALE-CV) - AfDB loan	17-July-19	48.83	0	0	31-Dec-24
	- AGTF loan		21.47	0	0	
	<b>Subtotal</b>		<b>145.66</b>	<b>46.89</b>	<b>32.2</b>	
<b>TRANSPORT</b>						
7	Rehabilitation of the Dinguiraye-Nioro-Keur-Ayib Road Project - ADF	28-May-14	23.77	17.65	74.2	31-Dec-19
8	RN2 Rehabilitation and Morphil Island Accessibility Project - AfDB	16-December-15	96.98	41.17	42.4	31-Dec-20
9	Project to Rehabilitate the Sénoba-Ziguinchor-Mpack Road and Open up the Southern Regions - AfDB	27-Jun-18	68.23	0.05	0.07	Dec. 31, 22
			20.07	0	0	
10	Urban Modernisation Programme (PROMOVILLES)	29-Mar-17	91.78	20.59	22.4	31-Dec-20
11	Regional Express Train (TER) Project - AfDB	21-Jun-17	146.85	61.43	41.8	31-Dec-20
	<b>Subtotal</b>		<b>447.68</b>	<b>140.89</b>	<b>31.5</b>	
<b>ICT</b>						
12	Digital Technology Park Project - AfDB	21-Oct-15	48.93	3.65	7.5	31-Dec-20
<b>ENERGY</b>						
13	Project to improve access to electricity in peri-urban and rural areas (PAMACEL) - AfDB	03-Oct-18	29,15	0.12	0.4	31-Dec-22
<b>WATER AND SANITATION</b>						
14	Reinforcement of Multiple-Use Water Supply along the Louga-Thies-Dakar Road from the Keur Momar Sarr Treatment Plant Project.- AfDB	18-Nov-16	52.18	12,03	23.0	30-Jun-21
15	Water and Sanitation Sector Project (PSEA) - ADF	23-Apr-14	20.00	9.35	46.8	30-Jun-20
	- RWSSI	23-Apr-14	4.82	2.86	59.4	30-Jun-20
16	Emergency Community Development Programme Support Project (PA-PUDC) - AfDB	27-Sep-18	48.16	0.12	0.2	31-Dec-22
	<b>Subtotal</b>		<b>125.16</b>	<b>24.36</b>	<b>19.4</b>	
<b>SOCIAL</b>						
17	Senegal Virtual University Support Project (PAUVS)	18-Dec-13	3.38	2.22	65.8	31-Dec-19
18	Project for Support to Skills Development and Youth Entrepreneurship in Growth Sectors (PDCEJ)	17-Sep-18	14,00	0.13	0.9	31-Dec-23
	<b>Subtotal</b>		<b>17.38</b>	<b>2.35</b>	<b>13.5</b>	
<b>GOVERNANCE</b>						
19	Private Sector Promotion Support Project (PAPSP)	10-Sep-12	4.04	3.20	79.2	30-Sep-19
20	Institutional Support Project for Resource Mobilisation and Attractiveness of Investments (PAIMRAI)	17-Jul.-19	10.84	0	0	30-August-23
			<b>14.88</b>	<b>3.20</b>	<b>21.5</b>	
<b>TOTAL</b>			<b>828.84</b>	<b>221.46</b>	<b>26.7%</b>	

\* Source: SAP-PS September 2019

Sector breakdown: Transport (54%); Rural (17.5%); Water and Sanitation (15.1%); ICT (6%); Energy(3.5%); Social (2.1%); and Governance (1.8%)

### Private Sector Window Projects

	Sector/Operation	Date Approved	Amount Approved (UA million)	Amount disbursed (UA million)	Disb. rate (%)	Closing date
1	Blaise Diagne International Airport (AIBD)	17-Dec-10	56.19	56.19	100	5-Mar-29
2	Dakar toll highway Project - Preferred loan	19-Jul-10	7.60	7.60	100	31-Dec-25
3	Sendou Power Plant Project - Preferred loan	25-Nov-09	44.15	44.15	100	31-Dec-24
	- Additional loan	30-Oct-15	4.01	4.01	100	
4	Malicounda Power Plant Project	27-Nov-18	41.15	0	0	31-Dec.36
5	Rice Project of Compagnie Agricole de Saint Louis, Senegal (CASL)	22-Jun-16	10.96	10.96	100	23-Mar-22
<b>TOTAL</b>			<b>164.06</b>	<b>122.91</b>	<b>74.9%</b>	

### Multinational Projects

	Sector/Operation	Date Approved	Amount Approved (UA million)	Amount disbursed (UA million)	Disb. rate (%)	Disb. Deadline
1	<b>RURAL</b> Resilience Building Programme in the Sahel (P2RS)	16-Mar-15	22.25	16.58	74.5	30-Jun-20
2	<b>TRANSPORT</b> Trans-Gambia Bridge Construction Project and Improvement of Crossborder Movement (Senegal Loan)	16-December-11				
3	Rosso Bridge Construction Project - ADF loan Senegal - FIAf grant (PAGODA)	09-December-16 29-Jun-18	3.18 7.50 8.01	0.04 0.21 0.16	1.2 2.8 2.1	31-Dec-19 31-Dec-20
	<b>Subtotal</b>		<b>18.69</b>	<b>0.41</b>	<b>2.2</b>	
4	<b>ENERGY</b> OMVG Energy Project	30-Sept-15	42.50	13.62	32.0	Dec. 31, 20
<b>TOTAL</b>			<b>83.44</b>	<b>30.61</b>	<b>36.7%</b>	

\* Source: SAP-PS September 2019

Sector breakdown: Energy (50.9%), Rural (26.6%) and Transport (22.5%)

### **Annex III: Key Projects of the Sub-Sectors Financed by the Other TFPs**

No.	Project Name	Status	Amount	Donors	Regions	Period
<b>A</b>	<b>Ongoing Projects</b>					
1	Emergency Community Development Programme (PUDC) - Value Chain Infrastructure	Ongoing	USD 198,000,000	State	Fatick, Kaffrine, Kaolack, Kedougou, Kolda, Matam, St Louis, Sedhiou, Tambacounda and Ziguinchor	2015
2	Community Paths Project in Support of the National Local Development Programme (PPC/PNDL) - Rural Infrastructure	Ongoing	UA 45,000,000	AfDB / OPEC	All of Senegal	2013-2018
3	Food Security Support Project in the Louga, Matam and Kaffrine Regions (PASA-Loumakaf) - Infrastructure and Development	Closing	USD 40,000,000 UA 2 000 000	GAFFSP/ ADF	Louga, Matam and Kaffrine	2014-2018
4	Support Project for Agricultural subsectors - Extension (PAFA E) Value chains	Ongoing	USD 50, 400,000	IFAD	Kaolack, Kaffrine, Fatick, Diourbel and Louga	2016-2021
5	Support Programme for Agricultural Development and Rural Entrepreneurship (PADAER) Food security and jobs	Closing	USD 46,000,000	IFAD / Spain	Kedougou, Kolda, Matam and Tambacounda	2012-2017
6	Multinational Resilience Building Programme in the Sahel (P2RS) Infrastructure, value chain and food security	Ongoing	USD 40,000,000	AfDB	Fatick, Kedougou, Kolda, Matam, Sedhio, Tambacounda and Ziguinchor	2016-2020
7	Project to build resilience to recurrent food insecurity in Senegal (DRIARS) Infrastructure, value chains and food security	Ongoing	30,000,000 USD	IsDB	St. Louis, Matam, Fatick, Tambacounda and Ziguinchor	2017-2021
8	Project Casamance Development Hub (PPDC) Facilities and value chain	Ongoing	USD 42, 000,000	WB	Ziguinchor, Sedhiou and Kolda	2014-2018
9	Support Programme for Senegal's National Agricultural Investment Programme (PAPSEN) Local Economic Development Facilities and Food Security	Ongoing	EUR 30,000,000	Italy	Sedhiou, Thies, Diourbel, Fatick and Kolda	2017-2019
10	Italy - Senegal Agricultural Programme (PAIS) Facilities, employment and food security	Ongoing	EUR 18,000,000	Italy	Dakar, Kolda, Sedhiou, Thies, Diourbel and Fatick	2014-2016
11	Project to support the reduction of migration through the creation of rural jobs in Senegal (PACERSEN) Infrastructure, jobs	Ongoing	EUR 20,000,000	EU	Kaffrine, Tambacounda, Louga, Diourbel, Fatick, Sedhiou, Kolda and Kedougou	2018-2020
12	Project to support the resilience of agricultural sectors (PARFA) infrastructure	Ongoing	USD 8,200,000	Global Environment Fund	Kaolack, Fatick, Kaffrine and Diourbel	2018-2021

No.	Project Name	Status	Amount	Donors	Regions	Period
13	Matam Agricultural Development Project (PRODAM) Agricultural and rural development	Ongoing	-	BOAD	Matam	2013-2020
14	Regional Multiple-Use Water Supply Facilities for Food Security (PAHMUSA) Drinking water and irrigation	Ongoing	USD 2, 342,000	WAEMU	Thies	2017-2019
15	Regional Economic Programme (PER) Planning /Food Security	Ongoing	USD 7,500,000	WAEMU	Dakar, Fatick, Kaffrine and Tambacounda	2017-2020
16	Inclusive and Sustainable Agribusiness Development Project in Senegal (PDIDAS) Infrastructure and value chain	Ongoing	USD 80,000,000	IDA	Louga and Saint Louis	2014-2019
17	Support Project for the Promotion of Employment for Youth and Women (PAPEJF) Jobs, value chain	Ongoing	UA 23.54 million	ADF	Kaolack, Fatick, Thies, Kolda Ziguinchor, Sedhiou and Dakar	2014-2018
18	Regional Project to Support the Irrigation Initiative in the Sahel (PARIIS)/Sahel Irrigation Initiative Project (SIIP) Hydro-agricultural facilities	Ongoing	USD 25,000,000	IDA	Podor, Matam, Bakel, Kolda, Sedhiou and centre Groundnut basin	2017-2020
19	Project to Support the Reduction of Rural Emigration and Reintegration in the Groundnut Basin (PARERBA) Infrastructures, value chain	Ongoing	18,000,000	EU	Groundnut Basin	2018-2021
20	Sahel Regional Pastoral Support Project (PRAPS) Animal infrastructure	Ongoing	30,000,000	IDA	All of Senegal	2015-2021
21	Youth insertion project Agri-Jeunes	Ongoing	EUR 54,000, 000	IFAD	All of Senegal	2019-2024
<b>B</b>	<b>Projects in the Preparation Phase</b>					
1	Food Processing Zone Project (SCPZ Nord)	Under preparation	UA 70,000,000	AfDB	North Senegal	2019



#### **Annex IV: Matrix Fragility Driver Mainstreaming in the Project Area**

<b>Drivers of Fragility</b>	<b>Situation, challenges and resilience measures supported by the State's general policy with the support of technical and financial partners (TFPs)</b>	<b>Measures supported by the AfDB intervention under PZTA-Sud (2020-2024)</b>
<b>Inclusive Policy</b>	<p>Senegal has always enjoyed political stability since its independence in 1960, but in 1982 this was undermined by secessionist political demands in the country's southern region, marked by a feeling of exclusion of the Casamance region from the national development programmes. The first two post-independence Presidents of Senegal did strive towards building one nation, making the use of the Wolof language the entry point of national identity. This political will for national unification was unfortunately met with resistance from the Casamance region given that the egalitarian set-up of the Diola ethnic group differs from that of the other ethnic groups in Senegal which are hierarchical in nature. These policies of unification of the people were perceived by the Casamance people as discriminating against their traditional customs which reject any conventional chieftaincy. Other sources of resentment of marginalisation and exclusion were the issuance of the 1964 Land Law relating to National Land, as supplemented by the 1972 reform of territorial administration excluding the recognition of customary land law. Additionally, the immigration of people from north to south in search of arable land was perceived by indigenous local communities as grabbing their land. In Diola culture, land is sacred and handed down from generation to generation. The Diola in particular have on multiple occasions been dispossessed and their lands allocated as migrant settlements, land for the construction of tourism infrastructure and agricultural land for orchard planting. The underinvestment and underdevelopment of Casamance also formed part of the problems that generated frustration among the Casamance people who for years often accused the central government of neglecting or even abandoning the country's south. The lack of investment in Casamance has led to a slowdown in the South's development and exacerbated the labour market problems of the local population. Faced with this challenge of an inclusive peace-seeking policy, the governments of the third and fourth Presidents of Senegal have worked to restore national and regional stability and peace through inclusive dialogue with the people and the secessionists and there has been visible progress towards building more inclusive resilience for all sectors.</p>	<p>Through the implementation of PZTA-Sud activities, the community resilience thus built will not have a direct impact on political inclusion but will usher in new prospects for political representativeness and participation in political activities.</p>

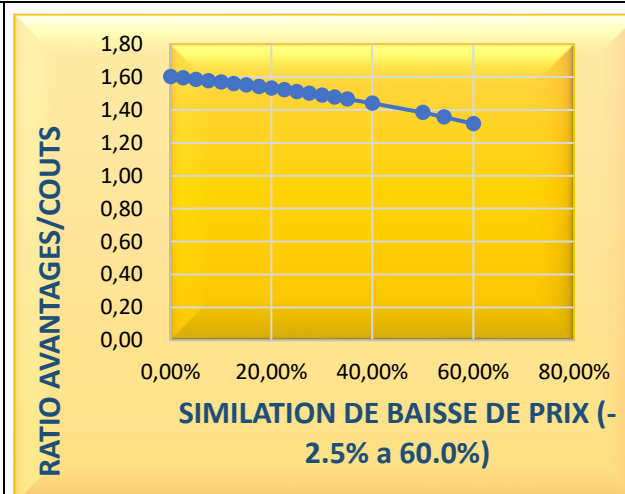
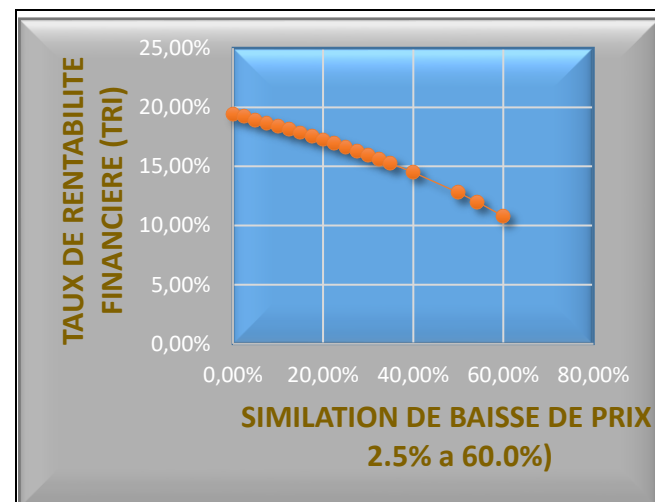
Drivers of Fragility	Situation, challenges and resilience measures supported by the State's general policy with the support of technical and financial partners (TFPs)	Measures supported by the AfDB intervention under PZTA-Sud (2020-2024)
<b>Security</b>	Due to the low prevalence of violent crime and armed conflict, Senegal has maintained a high capacity for law enforcement and defence institutions. With the acceptable military spending relative to GDP, the security institutions are well capacitated and helping to ensure the nation's stability. While there is moderate pressure from violence and conflict, the public remains highly confident in its defence institutions and has always relied on its security institutions to contain a moderately weak attack. However, the presence of anti-personnel mines remains a reality along the southern border strip of Casamance.	PZTA-Sud does not directly contribute to the security factor, but it provides solutions to food security while mitigating the risks that could cause the security situation to deteriorate.
<b>Justice</b>	Senegal has a tradition of justice with renowned members of the judiciary even if between 2010 and 2011 this renown was tainted by challenges pertaining to the independence of the judiciary, the transparency of the judicial process, more equitable access to justice and property rights. Since 2013, this situation has gradually improved and trust in the Senegalese justice system remains a reality. The independence of the judiciary, which was challenged in the recent past by certain magistrates who were using it to serve illegitimate interests, has returned to its good standards, namely to continue serving the citizens and the State including in the anti-corruption fight, even in its highest instances. The slowdown in of anti-corruption drive in some state structures could nevertheless pose a risk for investment and jeopardise the implementation of the Emerging Senegal Plan (PSE) given that legal and judicial security constitute two determining factors in wooing investors.	The PZTA-Sud does not directly contribute to the justice system but it addresses the issue of social and spatial inclusion, a source of social injustice, taking into account the vulnerable groups, particularly women and youth in the project activities to be implemented.
<b>Economic and Social Inclusivity</b>	Senegal has often experienced periods of stable and moderate economic growth, driven both by political stability and the implementation of policies aimed at efficient management of the economy. Despite the country's economic and social progress, the natural region of Casamance has always felt neglected by the central government compared to the rest of the national territory. One sticking point of the Casamance crisis was the issue of public services distribution and access thereto for local populations. This regional, economic and social disparity has generated income inequalities that have steadily widened over time. Furthermore, the increased and uncontrolled urbanisation of the regional capital has impacted rural populations and their ability to access public services, creating an economic and social gap between rural and urban areas marked by increased continuous poverty exerting great pressure on the Casamance and	Various sectors selected under the PZTA-Sud such as access to roads/tracks, rural electrification (health and training centres), technologies as well as the establishment of an e-platform for access to services (inputs, finance, markets, etc.) are far-reaching inclusive social and economic actions.

Drivers of Fragility	Situation, challenges and resilience measures supported by the State's general policy with the support of technical and financial partners (TFPs)	Measures supported by the AfDB intervention under PZTA-Sud (2020-2024)
	Senegalese social fabric. The problem of unemployment of youth in Casamance and the rest of the country pushes them towards illegal immigration which could empty the regions of the workforce seeking decent jobs.	
<b>Social Cohesion</b>	With an extremely high freedom of expression index, Senegal has a relatively high capacity to facilitate the creation of associations without government interference. However, the requisite infrastructure for the region's development remains inadequate in Casamance. Despite the visible progress made in transport infrastructure linking the three regions of Casamance to one another, and between the Casamance and Dakar by sea and land, gender- and age-based inequality mean that women and youth are under-represented in the political, economic and social sphere in the Casamance region due to regional marginalisation given the centralisation of activities in Dakar and the other regions of the country.	The geographical location of PZTA-Sud constitutes an initial response to the imbalance noted in the provision of services between urban and rural areas and Casamance compared to the rest of Senegal. Through the implementation of all project activities, a number of the planned components will contribute towards establishing the public utility easements required to initiate proper socio-economic integration of communities.
<b>External Outcomes/ Regional Multiplier Effects</b>	Casamance lies at the centre of the West African sub-regional area and constitutes a natural link between Senegal and Gambia and Guinea Bissau. Ziguinchor, this region's main city is less than 150 km from two West African capitals, Banjul and Bissau. The geographical, agro-ecological and socio-cultural continuity of Casamance also opens a corridor towards Kolda and Tambacounda towards Mali. Casamance is thus positioned to become an economic hub and a link between the Gambia, Senegal and Guinea Bissau. The implementation of development projects, particularly within the framework of the development hub launched by the State, will have to take into account the dynamics of sub-regional integration in West Africa as well as all the policies already adopted or in progress at the level of ECOWAS. Through a balanced development strategy between the national and the regional, Ziguinchor could become a regional city where Gambians, Bissau-Guineans and Senegalese will organise their commercial	PZTA-Sud support does not have a direct impact on the external outcomes, but various interventions of the Bank and other TFPs are tending to contribute towards creating an environment conducive to the diversification of the local economy through agricultural sector development. To mitigate the effect of exogenous shocks, the establishment of AHs and the

Drivers of Fragility	Situation, challenges and resilience measures supported by the State's general policy with the support of technical and financial partners (TFPs)	Measures supported by the AfDB intervention under PZTA-Sud (2020-2024)
	and financial transactions capable of boosting the regional economy. Casamance's regional potential is facing cross-border challenges such as illicit trafficking of forest wood and drugs to neighbouring countries, cross-border crime, insecurity along borders and the challenge of management of water resources as a shared heritage.	professionalisation of the agricultural sector offer new opportunities for the private sector, an engine of economic growth.
<b>Climatic / Environmental Impacts</b>	Senegal has a great capacity for environmental conservation and emergency preparedness thanks to government resources allocated to the prevention of natural disasters. Despite this capacity, the rainy seasons in Casamance most often leave the arable land flooded or without water thus worsening the vulnerability of the local populations as well as their social vulnerability to the volatility of food prices, agricultural inputs and producer prices. However, Senegal's vulnerability to food insecurity and natural disasters is mitigated by an efficient national environmental and social policy aimed at the sustainable use of available resources.	By focusing on the development of regional and central platforms, PZTA-Sud plans to mitigate climate and environmental impacts as part of the implementation of all project activities. All these aspects are reflected in the project formulation.

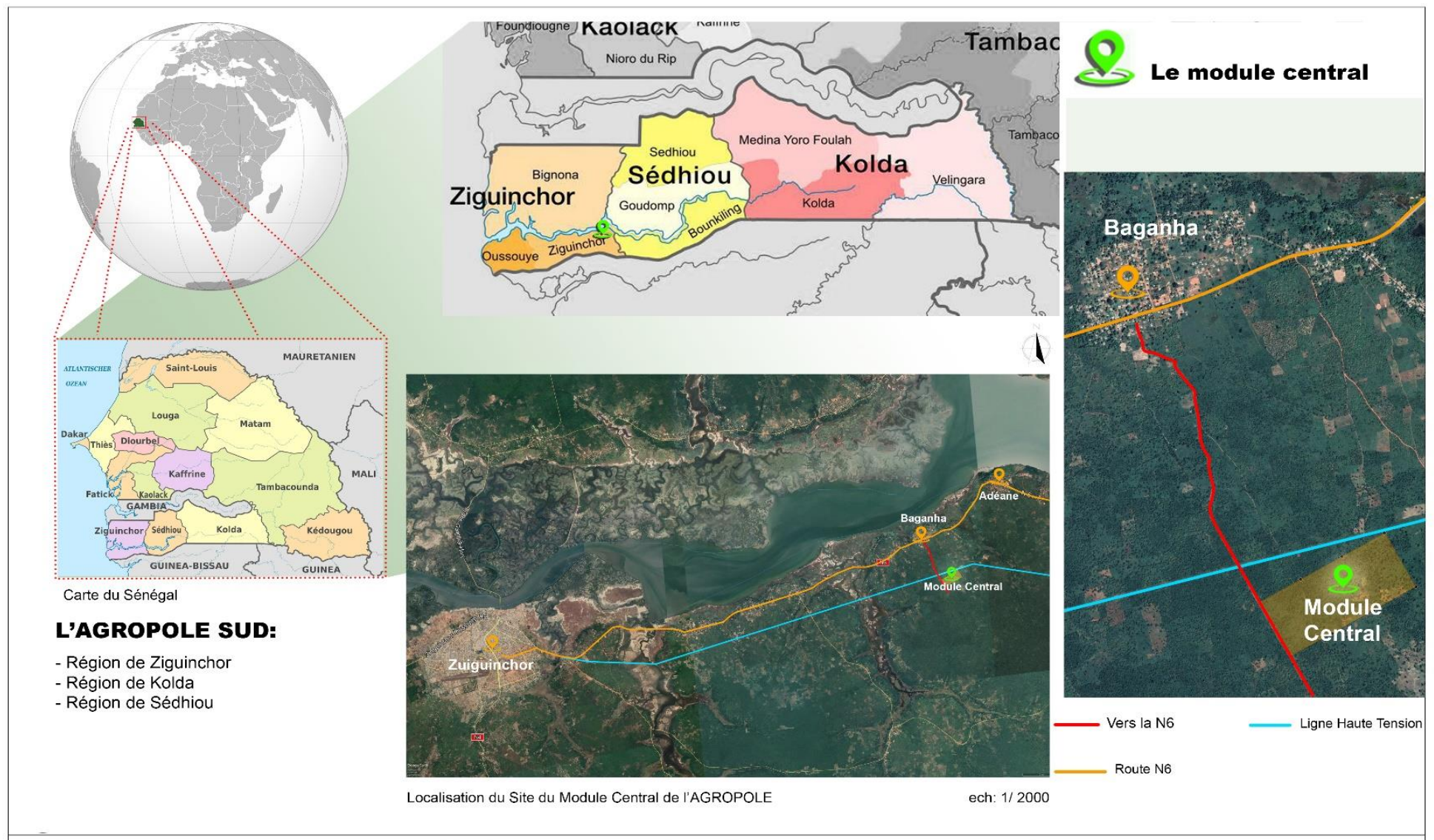
## Annex V: Rapid Illustration of Economic and Financial Analysis

Scenario Summaries						
Scenario Values	Current Values:	Price Reduction -2.5%	Price Reduction -5%	Price Reduction -50%	Price Reduction -54.17%	Price Reduction -60%
Variable cells:	Break-even point					
Price Reduction	0.00%	2.50%	5.00%	50.00%	54.17%	60.00%
Resulting cells:						
NPV	301 394 206.65	293 105 045.96	284 815 885.26	135 610 992.71	121 784 672.67	102 454 349.92
IRR	19.44%	19.19%	18.93%	12.79%	12.00%	10.79%
Ratio A/C	1.60	1.59	1.59	1.38	1.36	1.32





## Annex VI: PZTA-Sud Intervention Area Map in Senegal



## Annex VII: General Presentation Plan of the South Agricultural Hub (Agropole du Sud or PZTA-Sud)

### BACKGROUND

The agro-industrial sectors are among the priority sectors of the Emerging Senegal Plan (PSE). Improving the performance of these sectors through the processing of agricultural products has been a strong decision of the State of Senegal. To this end, he has taken steps to :

- Curb food dependency
- Boost exports for sustained and sustainable growth
- Control rural exodus for job creation
- Stimulate the rural economy

### GOALS

To provide a viable and lasting solution to these issues, the decision was taken to create 3 AHs (or AIPZ). To each are assigned specific objectives relating to agricultural, pastoral or fisheries activities existing in the corresponding regions.

- The North Agricultural Hub will cover the regions of Saint-Louis, Matam and Louga
- The Centre Agricultural Hub will cover the regions of Kaolack, Fatick, Kaffrine, Diourbel
- The South Agricultural Hub will cover the regions of Ziguinchor, Sedhiou, Kolda
- The South zone was chosen as pilot for the establishment of the first agricultural hub in view off its under-tapped high potential

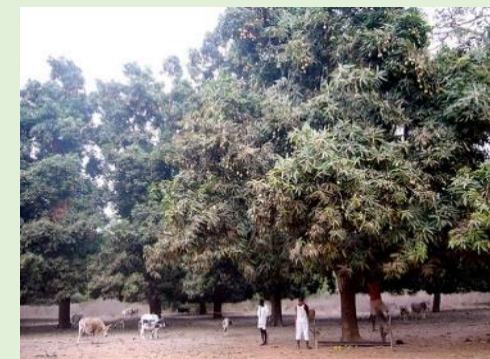
Each agricultural hub is composed of :

- a Central module
- Regional modules
- *Divisional ("Département")* platforms
- Collection points

### REGIONAL OCCUPANCY PLAN

The SouthAgricultural Hub site is split in 3 regions according to the following regional occupancy plan:

- 1 central module (Adéane)
- 3 regional modules (Bignona, Sédhio and Kolda)
- 5 divisional ("*département*") platforms
- Collection points: number, locations and areas to be defined for: (i) Central Module; (ii) Each Regional Module; and (iii) divisional ("*département*") aggregation and services platforms



Module Type	Region/ Division (" <i>Département</i> ")	Municipality	Area
Central Module	Ziguinchor Region	Adeane	85 ha
Ziguinchor Regional Module	Ziguinchor/Bignona Region	Bignona	10 ha
Sédhiou Regional Module	Sédhiou/Sédhiou	Sédhiou	10 ha
Kolda Regional Module	Kolda/ Kolda	Kolda	>10 ha
Oussouye Division (" <i>Département</i> ") Platform	Ziguinchor/ Oussouye	Oussouye	3 to 5 ha
Goudomp Division (" <i>Département</i> ") Platform	Sédhiou/Goudomp	Goudomp	3 to 5 ha
Boukiling Division (" <i>Département</i> ") Platform	Sédhiou/Boukiling	Madina Wandifa	3 to 5 ha
Velingara Division (" <i>Département</i> ") Platform	Kolda/Velingara	Velingara	3 to 5 ha
Medina Yoro Foula Division (" <i>Département</i> ") Platform	Kolda/Medina Yoro Foula	Medina Yoro Foula	3 to 5 ha

### CENTRAL MODULE SITE

The site of Agropole Sud is located in Adeane municipality, Bignona division ("*département*"). It is in a heavily wooded area, but has no dwellings. Its landholding measures 85 ha made available to the project by the municipality and the people. It is relatively rectangular in shape. It is close to a high-voltage line, a paved road (less than 3 kilometres from the site) and agricultural production sites.