SENEGAL

1. 2/10/69
   (Dakar)
   Marcel Croissier, UNDP Resident Representative in Dakar

2. "
   Amadou Sow, Director of UBS (Union Senegalaise de Banque)

3. "
   Charles Gallicca, President of the Senegalese Chamber of Commerce
   Also President of the Cotoa textile factory

4. "
   Ould Daddah, Executive Secretary of the Organisation des Etats
   Riverains du Senegal (OERS)
   Robert N'Daw (Mali), Secretary for Senegal River Studies
   Massamba Diouf Senif (Senegal), Secretary for Social and Cultural
   Affairs
   Oumar Balde (Guinea), Secretary for Integration and Planning

5. "
   President Leopold Sedar Senghor
   "
   Abdou Diouf, Minister of Planning and Industry
   "
   Habib Thiam, Minister of Rural Development
   "
   L. Dean Brown, U.S. Ambassador
   "
   Prof. Seydou Sy, Dean of Law School, University of Dakar
   "
   Jean Collin, Minister of Finance
   "
   Daniel Cabou, Minister, Secretary General to the Presidency

2/9/69
   (Sebikotane)
   Alphonse N'Diaye, Governor of Thies Region
   Massan Doye, Prefect of Thies
   "
   Mr. Boulanger, Director, Siscoma (agricultural equipment producer)

2/9/69
   (Thies)
   Papa Ibra Tall, Director of a training center for artistic rug weaving
   "
   Khalil Sall, Director, Railway Company

2/9/69
   (Bambey)
   Ibrahima Niang, Governor of Diourbel Region
   Bouboucar Faye, Prefect of Bambey
   "
   Mr. Sanger, Director of the Agricultural Research Station
   Mr. Toute, Deputy Director

2/9/69
   (Diourbel)
   Thierno N'Dao, Prefect of Diourbel
   "
   Mr. Jessula, President of a private groundnut oil mill
   Mr. Forrestier, Director

6. 9/10/69
   Jacque Diouf, Executive Secretary, African Groundnut Council
   (located in Lagos)
   Ambassador Cheikh Ibrahima Fall
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<td>Amb. Andre Coulbary</td>
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MEMORANDUM FOR THE RECORD

February 20, 1969

Meeting Between Mr. McNamara and Mr. Croisier, UNDP Resident Representative in Dakar, Senegal, February 10, 1969 at 9:45 a.m. Messrs. Chaufournier and Steckhan were also present.

Mr. McNamara asked Mr. Croisier about his views on past performance and future prospects of Senegal and how the World Bank could further economic development in Senegal. Mr. Croisier, 60 years old, had been in Dakar since November 1964. He had worked for the United Nations since 1951, mainly on resident assignments in Afghanistan and Gabon.

In reply, Mr. Croisier spoke for about 30 minutes. In his opinion, the Senegalese were a friendly people, however, without sufficient "work discipline." The President of Senegal and some of his ministers (especially Diouf, the Minister of Planning and Industry) were very devoted and competent. Minister of Finance Colin, although not a brilliant economist, was a capable and hard working minister with a good accounting background.

Turning to agriculture, Mr. Croisier emphasized the low productivity in that sector. Agriculture produced only 30% of GNP while 85% of the population was rural. He attributed this to the inefficient system of compulsory rural cooperatives. Under this system, the farmers were compelled to sell their crops to the cooperative and received the purchase price only after the bulk of the other members of the cooperative had turned in their crops. Moreover, the members had to share in the high overhead costs of the cooperative. As a consequence, quite a few Senegalese farmers sold groundnuts for cash underhand in The Gambia, although prices there were lower than in Senegal.

As far as industry and commerce were concerned, they accounted for 70% of GNP and were largely in the hands of French and Lebanese entrepreneurs. Senegalese did not easily lend themselves to managerial work. The Government was aware of this problem and tried to set up small Senegalese enterprises with the help of the newly created SONEPI (Societe Nationale pour l'Etude et la Promotion Industrielle) and UNDP.

UNDP's role, as described by Mr. Croisier, was to concentrate on high priority projects especially in agriculture. At present, UNDP had 15 Technical Assistance and 6 Special Fund projects underway. A special problem for UNDP in this connection was to find competent Senegalese counterparts to carry on the work after the UN experts had completed the projects.

With respect to the Bank's role in Senegal, Mr. Croisier thought the Bank would be well advised to finance big projects only in stages, making financing of the consecutive stage dependent on satisfactory completion of the previous stage. In Mr. Croisier's experience, the Senegalese authorities had not always properly supervised the use of external funds for priority projects.

Mr. Croisier then turned to the Senegal Basin, a Special Fund project, and emphasized the importance of the studies for the development and integration of the region there. Mr. Croisier emphasized that he understood the Bank's position but the preinvestment studies were necessary to get all the facts before making a policy decision on future large-scale investments in the Basin.

President has seen
In general, Mr. Croisier stated that Senegal did not have a thought-through plan establishing investment priorities. For that reason, he urged the World Bank to mount a general survey mission in cooperation with other Specialized Agencies to establish proper priorities in Senegal. Such a mission could lay the basis for a uniform approach of all UN agencies towards development priorities in Senegal. He hastened to add that the cooperation between the World Bank and UNDP had substantially improved over the last years.

Mr. McNamara refrained from commenting on Mr. Croisier's proposal and asked him how he explained the decline in per capita income. Mr. Croisier blamed the inefficient agricultural system and the loss of the Malian hinterland for the decline. In his view, food self-sufficiency was the first priority but Senegal did not yet have a detailed plan.

Mr. McNamara then turned to political problems, asking in particular about the extent of opposition to the present government. Mr. Croisier replied that the opposition was mainly found among young people who, for instance, were responsible for last year's disturbances at the University. Dakar had also seen a general workers strike last year. However, the Government had so far managed to control the situation and had responded positively to demands for more university fellowships and an increase in the minimum wage. Such responses, however, did not go to the root of the problem: basically the opposition wanted to get rid of President Senghor who was criticized for lavish living and pro-French inclinations.

Rainer B. Steckhan

RBS:ml
Meeting between Mr. McNamara, Mr. Chaufournier and Mr. Amadou Sow, Director of UBS (Union Senegalaise de Banque) in Dakar on Monday, February 10 at 12:15

Mr. McNamara asked Mr. Sow about his views on the problems and prospects of Senegal and the role of the World Bank in this area.

Mr. Sow believed that Senegal had a promising future especially in agriculture, fishery and livestock.

In his view, the reasons for the decline of real per capita income over the last few years were twofold: inability to adjust to the smaller Senegalese market after the loss of the rich hinterland in 1960 and excessive population increase without comparable increase in job opportunities. He also thought that it would be wrong to measure Senegal's economic performance against countries such as the Ivory Coast, which started at independence from a higher base of industrialization and diversified agriculture.

In the private sector, further steps would have to be taken to increase Senegalese participation in business. UBS, his own bank, had taken steps in this direction. When the bank was set up, 20% of the staff were French and 80% Senegalese. Today the proportion of Senegalese was 98%, many of them in executive positions. Furthermore, the original Government participation in UBS was reduced from 50% to 44% (the balance being held by foreign banks) and it was ultimately planned to double the original capital of francs CFA 500 million and to sell shares to Senegalese investors. He hoped to be able to reduce the participations of the Government and the foreign Banks to 33% of the subscribed capital each and to reserve the remaining third for IFC and Senegalese investors. He also showed keen interest in a World Bank loan for relending to Senegalese enterprises. Mr. Sow conceded that, at present, UBS lent 95% of its funds short-term (6 to 12 months) and that rediscounting facilities with the Central Bank were limited to loans of up to 5 years. But he wanted to transform UBS to a development bank and had already taken participation in Senegalese enterprises. Mr. Sow concluded his plea for World Bank assistance by stating that, it would be appropriate to channel long-term loans for socialized agriculture through the state-owned development bank and loans for industry through UBS which enjoyed the confidence of foreign and local investors.

Mr. Sow confirmed Mr. Gallence's view that the agricultural sector in its present socialist form was less efficient than in the capitalistic pre-independence days. He added that farmers were forced to sell their crop to the cooperative for notes and were paid in cash only after the bulk of the other members had delivered their crop to the cooperative. In fact, farmers had to wait for up to one month before receiving cash and many had to cash in immediately their notes with Senegalese traders at a discount of up to 60%.

Mr. McNamara inquired about the reasons for the Government's apparent reluctance to remedy the inefficiency of the agricultural sector. Mr. Sow thought the reasons were surely ideological: the cooperative was justified as reflecting the solidarity of farmers. In point of fact, the cooperatives, unlike business enterprises, were not voluntary at all and for that reason not as efficient as private enterprise.

Mr. McNamara thanked Mr. Sow for a stimulating and educative discussion.
Meeting with Mr. Charles Gallenca, President of the Senegalese Chamber of Commerce – Monday, February 10, 1969 at 11:40

Present: Mr. McNamara and Mr. Chaufournier

Mr. Gallenca expressed his pleasure at Mr. McNamara's visit to the Senegalese Chamber of Commerce, as a member of the International Chamber of Commerce, and a standard bearer of the free enterprise idea in Senegal. Mr. Gallenca remarked that private foreign capital had continued to flow into the country after independence. Thus, over the last 20 months, foreign firms had invested in projects such as private electricity plant, SFI, SIES and a sugar refinery.

Mr. McNamara asked Mr. Gallenca for his views on the causes of the decline in real per capita income and the prospects of the country. Mr. Gallenca blamed many of the country's deficiencies on the introduction of a socialist system in agriculture and the withdrawal of private commercial enterprises from the interior of the country. Other contributing factors in Mr. Gallenca's view were the deteriorating terms of trade for groundnuts, the loss of preferences, an increase in the cost of imported semi-manufactured and manufactured goods and excessive Government spending on "social" projects. In Mr. Gallenca's opinion, the Government should not spend more on social projects than warranted by the level of its revenues. One of the best ways to increase Government revenues was to allow free enterprise to operate without state intervention and to share in corporate profits through reasonable taxes. It was fortunate that President Senghor himself strongly believed in private enterprise. However, Mr. Gallenca continued to say, in an agricultural country like Senegal the stimulus for economic development would have to come from increased purchasing power of the peasant and under the present socialist system productivity and farm income were too low. In the long run, Mr. Gallenca believed Senegal had a viable and promising economy and he was optimistic that after three bad years – and 1968/69 was certainly one of those – it would recover and develop more rapidly.

Mr. McNamara then asked Mr. Gallenca what the World Bank could usefully do in assisting Senegal and Mr. Gallenca replied that diversification of agriculture to such fields as rice, cotton, sugar and fishery was of prime importance. Senegal had good grazing grounds for livestock but in years of drought such as the current year, cattle mortality was high. Moreover, the livestock breeders were still nomads and would have to be conditioned to a more sedentary way of life. All in all, prospects for livestock were improving as airfreight rates declined and demand for meat especially in Europe, increased. Similarly, the export of vegetables (especially green beans) and fruit by air to Europe in wintertime was becoming increasingly profitable.

Mr. McNamara then asked Mr. Gallenca whether the number of French advisors posed a political problem and whether there was any danger of abrupt departure. Mr. Gallenca replied that the number of permanent French advisers was very limited, perhaps 2 or 3 per ministry. However, many young Frenchmen had elected to serve as temporary technical advisors in Senegal for a period not exceeding 2 years in lieu of military service. The situation was different in education and the private sector where the number of Europeans was great indeed. All Europeans seemed to be quite content in Senegal and there was no danger of any mass departures.

President has seen
In the private sector, Mr. Gallenca added, European executives were predominant and it would take a long time to create a middle class of Senegalese entrepreneurs. However, in the interest of economic stability, it was essential to prepare Senegalese for executive positions in private business and some progress had been made. The setting up of a mixed Societe de Promotion Industrielle with the help of UNIDO, FED and French aid was a step in the right direction. In essence, the problem was how to implant in the African mind a sense of responsibility and a private business outlook.

Mr. McNamara thanked Mr. Gallenca for a most elucidating discussion and invited him to contact his office on his next visit to Washington. He also hoped that Mr. Gallenca would write to him or Mr. Chaufournier if he, Mr. Gallenca, felt that the Bank could do more to assist sound economic development in Senegal. Mr. Gallenca was visibly touched and pleased by Mr. McNamara’s words.
MEMORANDUM FOR THE RECORD

Meeting with the Executive Secretary of the Organisation des Etats Riverains du Senegal (OERS) and his three Secretaries

Robert N'Daw (Mali) – Secretary for Senegal River Studies
Massamba Diouf Senif (Senegal) – Secretary for Social and Cultural Affairs
Oumar Balde (Guinea) – Secretary for Integration and Planning

Present: Messrs. McNamara, Kochman, Chaufournier, Steckhan

Mr. Ould Daddah, (Mauritania) Executive Secretary of OERS welcomed Mr. McNamara and emphasized the importance of his visit to the area. He outlined briefly the organization and membership of OERS. Mr. Ould Daddah explained further that the work of OERS was guided by the following four principles: the absolute priority of economic over political matters which meant that even in times of political tensions between the member states, OERS could carry on its work; extension of cooperation to all fields of economic activity including transportation, telecommunications, fisheries and industry; flexibility of operations; and diversification of the sources of funds (in this connection Mr. Ould Daddah expressed the hope that the World Bank would be able to provide funds for OERS studies).

Mr. McNamara asked the Executive Secretary for his views on major developments in the river basin over the next 15 to 20 years. Mr. Ould Daddah and his associates explained that the flow of the Senegal River varied at present between 5 ccm. and 5,000 ccm. per second. It was planned over the next 20 years to make the river navigable, use its water to irrigate 200,000 hectares of land and to harness its power. In general, the work of the OERS Secretariat over the next decade was expected to extend to the control of livestock diseases, the harmonization of laws governing economic activities, eradication of river blindness, and integrated economic planning for the region.

Mr. McNamara thanked Mr. Ould Daddah and his Secretaries for their very interesting exposes.

Rainer B. Steckhan
Rainer B. Steckhan

cc: Messrs., Chaufournier
    Hoffman
    Pajmans

President has seen
"Were 9/68 estimates constant or market prices?"

Have reached a cul de sac because of weakening of terms of trade when left protection of French market 2 years ago -- rendered worse by 3 bad crops -- therefore peasants reduced their purchase of fertilizer and hence fertilizer plant is adversely affected: government must therefore subsidize fertilizer.

The "other problem" is competitive bids for Siscomb -- they should be preferred because tools are adapted to local farms and repair stations are established.

A third problem is power and water authority -- are making large profits and government is now negotiating with them. The "leaders" of the authority want government to nationalize them but President is refusing -- his philosophy is "government participation and private initiative."

The government places emphasis on culture and education because an educated man works better -- devotes 1/3 of government expenditure to education -- intends to make University more operational on pattern of US, e.g., University of California.

Give great importance to painting, sculpture, sports to allow people to feel creativity, tradition and pride. Wants a museum for African art.

But 3-1/2 million people can't create an economy by themselves, much less a civilization: therefore want to create larger economic and political organization -- fights against Balkanization of African states.

Hopes for irrigation project in 50 years to treble or quadruple crop output.

African unity will not be based on opposition to "issues" but on regional institutions; are making progress toward West African group; will be difficult to establish because must include British and French speaking. Ivory Coast opposes.

In primary education plans to move away from French system. Will orient primary to 5 years and do away with "certificate." In 6th year will have options of "academic" or "technical" or "apprenticeship."

Want compulsory education to 15 with 1/4 going on.

Want to rest educational system on research; French system of criticism; but also admire American level of effectiveness. And associate with this African creativity and traditions.

President said Senegal imports not 2/3 but only 1/4 of food. Next "Plan" has objective of food self-sufficiency. French regimen had geared the economy to ground nut and it is important now to diversify.
OFFICE MEMORANDUM

TO: Files
FROM: Cornelis J. Jansen
SUBJECT: Visit to Mr. McNamara of Mr. J. Diouf, Executive Secretary of the African Groundnut Council

DATE: September 15, 1969

Mr. Jacques Diouf, Executive Secretary of the African Groundnut Council visited Mr. McNamara on September 10 at 4.15 p.m. He was accompanied by the Ambassador of Senegal, Mr. Sheikh Ibrahima Fall, and Mr. Kochman, the Executive Director. Mr. Jansen was also present at this meeting.

Mr. Diouf explained that the African Groundnut Council was an intergovernmental organization comprising Nigeria, Niger, Mali, Senegal, The Gambia, Sudan and Congo (Kinshasa), which countries account for 70 percent of world groundnut and groundnut oil exports.

The objectives of the Council were to promote technical efficiency in the industry and to promote the use of groundnuts and groundnut oil in the developed world. The Council had recently commissioned a study by the UNCTAD/GATT International Trade Center regarding the market prospects of groundnut products. This study showed that the market for groundnut products would continue to shrink in the future due to advances of other fats and oils, notably sunflower seed oil and soya bean oil. The promotional activities recommended by the International Trade Center would cost $1.5 to $2.0 million a year for three years. Since member governments felt that they were unable to finance this amount, Mr. Diouf was exploring whether international agencies or bilateral aid sources could provide assistance. At a question from Mr. McNamara Mr. Diouf further explained that these promotional activities would be aimed at industrial processors of fats and oils, as well as the final consumer. Mr. McNamara asked whether the degree of quality control in groundnut production was satisfactory. Mr. Diouf replied that progress was being made in this field. Producer prices in countries that are members of the Council had been linked to quality control checks which were aimed mostly at determining the free fat acidity of the product. The Council also encouraged campaigns against plant diseases.

Mr. McNamara said that he heartily endorsed the aims of the Council. The adverse effect on export earnings and growth of declining prices and a shrinking market share might easily outweigh the aid which the Bank Group and other institutions could provide to the groundnut exporting countries and he therefore wished the Council all success in its endeavors. The financing of promotional campaigns
was not in the range of operations undertaken by the Bank Group but if in the course of its activities the Council would experience need for assistance in other fields, the Bank Group would be prepared to consider whether it would be in a position to help.

C.J. Jansen:ps

cc: Mr. Robert S. McNamara  
Mr. J. Burke Knapp  
Mr. Roger Chaufournier  
Mr. Bruce M. Cheek  
Mr. John C. de Wilde  
Mr. Lionel J.C. Evans  
Mr. Roger E. Rowe  
Mr. Antonio J. Macone  
Mr. Dieter Elz
OFFICE MEMORANDUM

TO:      Mr. Andrew M. Kamarck
THROUGH: A. J. Macone
FROM:    Dieter Elz

DATE:    September 9, 1969

SUBJECT: The African Groundnut Council

1. The African Groundnut Council was formed in 1964 and established headquarters in Lagos in 1966. The Council is open to all African countries which are members of the Organization for African Unity. Senegal, Nigeria, Niger and Zambia are now full members and several other major groundnut producers, including Sudan, are observers. Countries participating in the African Groundnut Council, including observers, account for about 80 percent of African exports of groundnuts and groundnut oil and 70 percent of the world trade in these products.

2. One of the Council's objectives, according to FAO literature, is "to insure remunerative prices for groundnuts and groundnut products in world markets by joint action amongst African groundnut producers." To further this aim, the Council is in the process of establishing a promotional office in Geneva, initially to coordinate sales policies of member countries, but ultimately to handle all their sales. It is possible that the Executive Secretary of the Council, Mr. Jacque Blouf, would like to discuss this topic during his visit to the Bank. The Council is also interested in improving technical efficiency in the industry. It has set up a technical committee to examine this question and facilitate the exchange of technical and scientific information as well as an economic committee which will be concerned primarily with the problem of insuring remunerative prices on world markets. As far as we know, the Council has not attacked the question of a commodity agreement; discussions of this nature have taken place only in the FAO study group and in the context of a general fats and oils agreement and have made little progress.

3. In 1966-68, world exports of groundnuts and groundnut oil amounted to about 1.1 million tons (oil equivalent), representing 10.4 percent of total world fats and oils exports (10.6 million tons in 1966-68). The yearly average growth rate for groundnut export volume was 3.0 percent from 1956-58 to 1966-68. In the 1970's, this growth rate is expected to increase slightly because of acceleration of growth in output through improved production technology. For these supplies to be absorbed, prices are likely to have to decline from their 1966-68 average levels, but global export earnings from groundnuts and groundnut oil should continue to grow. Average prices for 1966-68 (c.i.f. Europe) were $181 per long ton for groundnuts and $288 per long ton for the oil.

4. In the longer perspective, prices of groundnuts and groundnut oil declined rather sharply between the Korean War and 1958-59. Since then groundnut oil prices have declined further by about 0.7 percent yearly while groundnut prices have shown little trend. The current year, 1969, has been a relatively good one for groundnuts because world supplies have been short due to reduced supplies from Nigeria, which accounts for about 35 percent of world groundnut oil exports. Consequently, average c.i.f. Europe prices for January-July 1969 are exceptionally high: $216 per long ton for groundnuts and $339.4 per long ton for groundnut oil.

Non areas: President has seen

DELz: AJMacone: hbb
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara           DATE: May 5, 1970
FROM: Roger Chaufournier
SUBJECT: Visit of the Governor for Senegal

1. Mr. Adama Diallo, Secretary of State for Planning and Governor of the Bank for Senegal since February 1970, is visiting the Bank this week to negotiate a $2.1 million IDA credit for a highway maintenance project. Mr. Diallo was previously Director of the Cabinet of the Senegalese Minister of Finance.

Past Bank Group Activity

2. As of now, one Bank loan (Port of Dakar - $4.0 million in 1966), one IDA credit (Railway rehabilitation - $9.0 million in 1966) and one blend operation (Agricultural credit operation - $3.5 million Bank loan - $6.0 million IDA credit in 1969) have been made in Senegal. The $2.1 million IDA credit now being negotiated is expected to be signed during the current fiscal year.

The Economy

3. Senegal is passing through a difficult period. Economic growth over the past 10 years has been unsatisfactory (at an average of 3%) partly by the breaking up of former French West Africa of which Dakar was the focal point, partly through a loss of preferential prices for its single export crop, groundnuts, partly as a result of a number of side factors such as unfavorable weather conditions, inadequate marketing organization, etc. While the Senegal Government has followed a responsible financial policy, its economic policies, on the other hand, have lacked the proper focus and the necessary vigor to stimulate growth. As a result of all these factors the economy is virtually stagnant and this threatens to have political consequences, though some pressure has been diverted by the recent appointment of a Prime Minister (Mr. Diouf, the former Minister of the Plan and Governor of the IBRD).

4. A comprehensive economic mission visited the country in November 1969 and is now finalizing its report, the draft of which has recently been discussed with the Government. Bank projections of overall economic growth are relatively optimistic and foresee a substantial improvement from the past trend to a rate of 4.8%. This, however, will require a reorientation of economic policies, and assumes that agricultural diversification efforts will be vigorously pursued and that groundnut production will overcome its major problems.

President has seen
Lending Program

5. Senegal has launched its third Four-Year Plan (1970-1973). A tight financial situation constitutes a bottleneck to the implementation of this rather ambitious program which would call for total public and private investment of $460 million. The mission's estimates are, however, that the availability of financing will be in the neighborhood of almost $200 million of which slightly over $100 million in foreign financial aid. External aid will have to be on concessional terms and cover a significant amount of local cost. The proposed IBRD/IDA lending program (copy attached) aims at speeding up economic growth primarily in the rural sector (agriculture, livestock, fisheries) thus enlarging the tax base and easing the public finance difficulties. Diversification of the Senegalese economy, away from groundnut cultivation, is a prominent feature of the program. Bank Group operations over the coming 6 years are expected to average $12 million per annum making the Bank Group a major lender.

Issues for Discussion

(a) Railway credit and further lending

6. The project financed by the 1966 Railway credit is a problem project, now expected to be completed by September 1971, some two years behind the original schedule. Though performance under the project has long been unsatisfactory, it has recently improved since requests sternly put forward by the Association have been met to a large extent. One major question remained outstanding however. The IDA credit finances 100% of external and 40% of local costs, leaving 60% of local costs to be covered by the railway's own funds. In case such funds were not available, the credit documents make it an obligation for the Government to provide the necessary financing. The Senegalese Minister of Finance has proven to be very reluctant to do so and in fiscal year 1970 he actually did not provide adequate funds on the pretext that financial discipline had to be imposed on all public entities which should be forced to live within their means.

7. As a result of continued representation at the level of Senegal's Prime Minister who has discussed this matter with the President of the Republic, Minister Diallo informed us that he has been authorized to assure the Association that sufficient funds will be provided by the Government to allow completion of the project during fiscal year 1971. We had previously informed the Government that we would not present the proposed highway credit to our Board unless the financial issue under the railway credit were solved. We propose to send a supervision mission to Senegal to review the railway budget towards the end of May. In the meantime, against the background of action already taken by the Government and considering the assurances given by Secretary Diallo on behalf of President Senghor, I recommend that we proceed with the highway maintenance project as soon as negotiations now under way are satisfactorily completed.
(b) IFC investment in fertilizer industry (SIES)

8. Through a convention the Government has with SIES, it has the obligation, under a "take or pay" clause, either to absorb 60,000 tons of fertilizer or to indemnify the company for overhead and a variable return on its equity based upon the shortfall of fertilizer orders up to a level of 60,000 tons. As fertilizer consumption has sharply dropped in Senegal (for a combination of reasons: adverse weather conditions, high farmers' indebtedness, inadequate farmers' incentives), the Government has to pay - and agrees to do so - an amount of $1.5 million during this month of May. Though the Government is perfectly aware of its obligations and is decided to honor them, it equally deplores the necessity to make such a contribution at a period when the country is facing serious financial difficulties.

9. The SIES problem is in a way a reflection on the Senegal Government policies which in the past have tended to favor the urban industrial interests over those of agriculture. This is a preoccupation to which our economic report is addressing itself and we will be seeking ways of advising the Government in a direction which, in our judgment, will restore a better balance in the incentives to be provided for economic development. In so doing we will be exploring the means by which increased consumption of fertilizer can be stimulated and the various measures the Government will have to take to that effect.

10. A supplementary note prepared by IFC and providing you with further details on the SIES problem is attached.

Attachments

MJPaijmans/RChaufournier:pmc
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IFC Investment in Senegal

In May 1966 IFC invested approximately US$ 3.5 million in Société Industrielle d’Engrais au Sénégal (SIES) consisting of an equity participation of US$ 810,000 equivalent (about 18% of the company’s share capital), a long-term loan of US$ 2,450,000 and a contingent commitment of US$ 200,000. The plant which came into production in 1968 is designed for an annual production of approximately 85,000 m.t. of complex fertilizer for the local market and 25,000 m.t. of triple superphosphate.

The company, conceived to supply a growing fertilizer market in Senegal, was faced from the time of its coming into production in the middle of 1968 with a considerable decrease in local consumption. Local fertilizer sales, which had consistently increased to 63,000 tons in 1967, decreased to 46,000 tons in 1968 and to 22,000 tons in 1969. The forecast for 1970 is for a slight increase to about 34,000 tons.

A recent IFC mission has investigated in detail the reasons for the unexpected low consumption of fertilizer in the country and found that while potential need for fertilizer in Senegal appears well beyond the figure already reached in 1967, a combination of economic, political, institutional and climatic reasons have caused the farmers to seriously curtail their fertilizer consumption. The Government is keenly aware of the issue and the resulting losses for the economy. Measures are therefore presently being considered to stimulate the farmers' use of fertilizer.

The low sales volume has caused the company to produce substantially below the level necessary to attain the profitability or cash break-even point. SIES has therefore to rely on the agreement with the Government according to which the latter will either purchase 60,000 tons of fertilizer per year or pay an indemnity to the company to cover the shortfall below 60,000 tons. For the year ended June 30, 1969, this amount was calculated at CFAF 413 million (about US$ 1.5 million). The Minister of Finance has promised to pay this amount to the company prior to May 5, 1970.

GKreuter:jd
Memorandum for the Record

DATE: April 2, 1971

FROM: Roger Chaufournier

SUBJECT: Senegal: Meeting of Mr. McNamara with Mr. Diallo, Minister of Planning

On Thursday, January 21, passing through Dakar on his way back from Mauritania, Mr. McNamara met with Mr. Adamu Diallo, Minister of Planning of Senegal. The meeting was devoted to a review of the measures required to cope with the groundnut situation. Minister Diallo said the Government was unable to accept all the recommendations of the Bank. He did not believe that there was a need to increase the price to the producer. There was evidence that producers have continued to seed larger areas than before. The Government could not undertake to increase the producer price unless it could be assured that the world price for groundnuts would be kept at the present level. Otherwise the Senegalese budget could not support the financial burden of increasing producers' prices. If world prices fell, the Government would again have to reduce producer prices and such action would be more detrimental in the long run than maintaining price stability. At the end of the season, however, should satisfactory world prices be maintained, the Government would pass the benefit of these favorable prices to the farmer in the form of a refund.

The Minister said that the Government had just concluded its review of the groundnut situation and had decided on a number of measures which would be communicated to the Bank very shortly. The Minister confirmed that the Senegalese Government would ask the Bank to cancel the $3.5 million Bank loan for the groundnut productivity program, while reallocating the proceeds of the IDA credit to the revised program.

P.S. Since then, and after further discussions with the Bank, the Senegalese Government has agreed to a program which gives promise of improvement. The program provides for new incentives to the farmer, including an increase in the producer price.
OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Martijn J. Paijmans

DATE: May 12, 1971

SUBJECT: SENEGAL - Visit by State Secretary of Planning

1. Mr. Seck recently appointed to the posts of State Secretary and Governor for Senegal, met with Mr. McNamara on May 7; Ambassador Fall and Alternate Executive Director Bonkar were also present. It was the Secretary's first visit to the Bank to negotiate a technical education project. Mr. Seck expressed his satisfaction with the Group's work in Senegal in general and with the technical education project in particular, he hoped that this project would be a start for a wider Bank Group involvement in the education sector.

2. Mr. Seck transmitted to Mr. McNamara a message from the President of the Republic expressing the importance the latter attaches to the projects the Bank undertakes in his country and his desire to personally sign the credit agreement on the technical education project - and, if possible, on two agricultural projects - during a visit he intends to make to Washington on June 18. In view of President Senghor's program in the course of which he will also visit President Nixon, 2:45 p.m. would be a suitable time to schedule a meeting with Mr. McNamara.

3. Mr. McNamara expressed his appreciation for the President's message and said that, pending Board approval of the projects and completion of formalities, he would be very pleased to sign the above-mentioned credits with President Senghor.

MJPaijmans:pmc

cc: Messrs. Mendels
Chaufournier
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**REMARKS**

Senegal - Visit of new Bank Governor.

1. Depending on Mr. Chaufournier’s return from Paris, he or I, together with Mr. Paijmans, will join in the meeting at 5:00 p.m. Friday.

2. Mr. Knapp has agreed to increasing the Training IDA Credit to $2 million to cover a good Technology and Chemistry Department in the Technological Institute which is the key element of the Project (Paragraph 5.).

From Bruce M. Cheek
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Bruce M. Cheek
DATE: May 6, 1971
SUBJECT: SENEGAL - Courtesy call by Mr. Casmare Seck, Secretary of State for Planning of Senegal, and Mr. Cheikh Ibrahima Fall, Ambassador of Senegal

1. The Secretary of State for Planning is currently in Washington to negotiate a technical and agricultural education project. He has requested to meet briefly with you and an appointment has been arranged for 5 p.m. on May 7. Ambassador Fall will accompany Mr. Seck. Mr. Knapp meets Mr. Seck at 2:30 p.m. on May 6.

2. Born in May 1938 at Rufisque, Mr. Seck was educated at Dakar and Paris Universities (Department of Law and Economics). He also attended Senegal's National Administration School. From 1966 till 1968 he was Deputy Governor of the Thiès region, in charge of Development. In March 1966 he became "Directeur de Cabinet" (Private Secretary) of Minister of Planning Abdou Diouf. When Mr. Diouf became Prime Minister in February 1970, Mr. Seck stayed on as his Directeur de Cabinet until April 10, 1971 when he became a Cabinet member. President Senghor has appointed him Governor for the Bank.

3. Ambassador Fall was born in Dakar in 1930. He was educated at the University of Rennes in France. His career has been in teaching, civil service (he has been Director of Commerce, Industry and Handicrafts) and foreign service (successively Ambassador to Germany, U.S.S.R. and U.S.A.).

4. The Secretary of State for Planning does not speak English. The Ambassador does but prefers an interpreter.

5. The $1.8 million technical and agricultural education project now being negotiated was originally part of a much broader project comprising general education. The general education component was deferred pending a final decision on implementation of an education reform. The Bank Group has expressed its willingness to participate in the financing of general education and considers the operation currently being negotiated as setting the stage for a future larger project. The matter of a general education project will be discussed during the negotiations.

6. Prime Minister Diouf has recently replied to a letter of Mr. Knapp of March 22, 1971 on the agricultural credit (groundnut-millet) project. Our requirements regarding the setting up of a coordinating machinery are fully met and, in addition, a series of important incentive measures have been taken. They include a substantial increase in the producer price, cancellation of debts, an exceptional ristorno to compensate for adverse climatic conditions and a premium based on surpluses planted during the last season. The latter measure will be financed by BFC. This set of measures should ensure a revival of groundnut production.

President has seen
7. As you know President Senghor will visit Washington on June 18 and would like to use this opportunity to sign three IDA credits (Terres Neuves settlement project, Casamance Rice project, Technical and Agricultural Education project). He would also like to explore with you personally ways and means of establishing contact with foundations and other organizations likely to support a project for a new Museum of African Art in Dakar (my memorandum of May 4, 1971). Both the Secretary of State for Planning and the Ambassador will probably bring up the subject of President Senghor's visit. As agreed with you we are preparing a reply to President Senghor's letter indicating your willingness to meet with him on June 18 and to discuss the museum project in further detail.

RAdams/dj

cc: Mr. Chaufournier (c/r)
    Mr. Christoffersen
    Mr. Pajjmans
OFFICE MEMORANDUM

TO: Mr. Leif Christoffersen
FROM: Roger Chaufournier

DATE: June 16, 1971

SUBJECT: SENEGAL: President Senghor's Visit to Washington

After several conflicting versions, we now know President Senghor's desires concerning signing of the three Senegalese credits. The following proposal emerges which is agreeable to Mr. Kochman and to the Senegalese.

2:45 - Signing at the Bank (Mr. McNamara's office)

The following persons would accompany President Senghor:

H.E. Cheikh Fall, Ambassador to the U.S.
Mr. Ousmane Seck, Secretary of State for Planning
Mr. Birama Fall, Counselor at Senegalese Embassy in Washington
Mr. Moustafa Niasse, Cabinet Director of the President
Mr. Alioune Fall, Director, Senegal Radio
Mr. Mohamed Nassim Kochman, Executive Director

3:00 - President Senghor, Ambassador Fall, Minister Seck and Kochman will meet briefly with Mr. McNamara, Chaufournier and Paijmans for a general review of Bank operations in Senegal.

3:15 Mr. McNamara will accompany President Senghor to Blair House for a private meeting with him.

cc: Mr. Mendels
    Mr. William Clark
    Mr. T. Jones (Legal)
    Mr. Paijmans

RChaufournier:sm
Draft Press Release - Senegal Signing

The International Development Association (IDA) will provide assistance totalling $7.05 million for the development of agriculture and education in Senegal under agreements signed in Washington, D.C. today by President Leopold Senghor of Senegal and Robert S. McNamara, President of the World Bank Group.

The three projects covered by the agreements are: (1) the first phase of a program for the development and settlement of land in the Terres Neuves; (2) a project for expanding rice production in Casamance, Senegal's main rice-growing region; and (3) the rehabilitation and expansion of facilities for technical and agricultural education.

Speaking on the occasion, Mr. McNamara said: "These operations support the overall development strategy of Senegal's third Four-Year Plan. Both agricultural projects are designed to bring about extensive benefits for the economy as a whole by expanding Senegal's potential to move beyond the present monocrop economy. We expect that there will be sizeable increases in the income for participating farmers."

Recalling President Senghor's desire to improve the quality of public services in the rural sector, and for the training of nationals active in this field, Mr. McNamara declared: "The education project directly serves this objective, and supports your Government's policy of gradually replacing expatriate staff, and achieving greater Senegalization."

Mr. McNamara concluded by referring to the climate of mutual confidence and understanding which prevailed in the World Bank Group's relationships with Senegal, and added: "I am confident that this will enable us to implement the Bank's program, and to participate increasingly in your efforts for the economic and social advance of the people of Senegal."
The IDA credits under the agreements amount to $1.35 million for the Terres Neuves project, $3.7 million for the Casamance rice project, and $2 million for the education project. Each of the credits is for a term of 50 years, including a 10-year grace period. They are interest free, but carry a service charge of 3/4 of 1% to cover IDA's administrative expenses.
OFFICE MEMORANDUM

TO: Files
FROM: Raphael Méda

DATE: September 20, 1971

SUBJECT: SENEGAL - Visit by Mr. Papa Ibrahima Tall.

1. Visiting the United States under a State Department program, Mr. Tall, a Senegalese tapestry manufacturer, paid a courtesy visit to Mr. McNamara on September 9, 1971. Mr. Samba Ba, the press attaché of the Senegalese Embassy was also present. In his capacity as Director of the Manufacture de Tapisserie de Thiès, Mr. Tall had visited the U.S. on many occasions and one of his works contributed to the decoration of the walls of the main hall of the United Nations headquarters in New York.

2. Mr. McNamara inquired about the activity of the center which he visited in 1969 during his trip to Senegal where President Senghor offered him a tapestry made by Mr. Tall. In reply, Mr. Tall explained that things were progressing quite smoothly on the production side as well as with respect to training. He said that he was now looking for some financial assistance in order to improve his equipment. Commenting on the commercial aspect, he mentioned that market trade conditions were very favorable in the U.S. Consequently, he was seeking some suggestions concerning the various institutions which might be financially interested in artistic products. He added that such suggestions would be most helpful as he was also in charge of organizing a worldwide jazz meeting in Dakar contemplated for 1973.

3. Mr. McNamara replied that the State Department might be the best place to get the necessary information for such contacts.

Méda:seb

cc: Mr. Christoffersen
    Mr. Chaufournier
January 24, 1985

To: File

From: Blanche M. Moore

Poète aux Mains Magique - tapestry created by Mr. Papa Ibra Tall.

Mr. Tall's tapestry, Poète aux Mains Magique, was a gift to Mr. McNamara, received after he had become President of the World Bank. The cartoon had been drawn at Mrs. McNamara's request during a visit to Senegal before Mr. McNamara had come to the Bank. The original intention was that the McNamaras would buy the finished tapestry, should they decide to have it woven. The Senegalese Government pre-empted that decision and presented the tapestry to Mr. McNamara. Upon his retirement, the Bank decided the tapestry was Mr. McNamara's personal property and it was given to him. He, in turn, donated it to the African Art Museum (Smithsonian Institution), where it now hangs.
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Roger Chaufournier

DATE: September 8, 1971

SUBJECT: SENEGAL - Courtesy call by Mr. Papa Inrahima TALL, Director of the Manufacture de Tapisserie de Thiès, Senegal

1. Mr. Tall is currently in Washington on a 40 day visit of the U.S. organized by the State Department. He has requested to meet briefly with you and an appointment has been arranged for 4:30 on September 9. Mr. Samba (a Press Attaché at the Senegalese Embassy to Washington) will accompany Mr. Tall.

2. Born in 1935 at Tivaouane, Mr. Tall was educated at Dakar and Paris Universities (Department of Arts and Architecture). From 1959 to 1960 he obtained certificates in tapestry, ceramics and print making. After his studies, he was appointed Director of the Manufacture de Tapisserie de Thiès.

3. Mr. Tall is not fluent in English but the Press Attaché is.

4. Mr. Tall was in charge when you visited the Thiès "manufacture" in February 1969. He is well known in the artistic world and his paintings contributed to the decoration of the walls of the main hall of the United Nations headquarters in New York. His paintings have been reproduced and sold for the benefit of UNICEF.

Rhéda: seeb

President has seen
I am invited to visit the United States of America next September. I will be very pleased if I could see how my tapestry "POSTE AUX MAINS MAGIQUES" is hung.

With best regards, [Signature]
Mr. McNamara: December 15, 1971

For your meeting on Friday, December 17, at 4:45 p.m.

You may recall that Ambassador Coulbary translated when you had dinner with President Senghor in Senegal.

Unless you think it necessary, Mr. Chaufournier feels no staff member need be present.

AL
Ambassador Coulbary will call on you on December 17 for a courtesy visit. This note is to give some information on the Ambassador's personal background and briefly review the status of the Bank Group's relations with Senegal and recent economic developments.

Born in 1937, Ambassador Coulbary carried out his higher level education at the University of Dakar and the School of English in Cambridge, England. After some university-level teaching experience (English, French) in England and Senegal, Mr. Coulbary entered the diplomatic service in 1961, first as a counselor at the Senegalese Embassy in London. Subsequently he served his country as the Chief of Protocol in the Ministry of Foreign Affairs (1962–65), Ambassador in Liberia and Sierra Leone (1965–66), President Senghor's personal adviser (1967), and Ambassador in Ghana (1968–71). On July 16, 1971, he was appointed as Senegal's Ambassador to the United States.

The Bank Group's relations with Senegal are very good. While the planned quintupling of our lending to Senegal from $13 million in 1964-68 to $64 million in 1969-73, resulting in increased Bank exposure, is an important factor, the Senegalese Government is genuinely interested in establishing a dialogue and seeking Bank advice on a wide range of operational matters and economic policy issues. Such a dialogue is particularly facilitated by the high professional competence of the present economic team, under the leadership of Prime Minister Abdou Diouf and Planning Minister Ousmane Seneck, as well the efficient institutional setup of the planning mechanism.

Most recent economic developments are characterized by a sharp recovery of groundnut production (from 450,000 tons in 1970 to an estimated 750,000 tons in 1971) which, given the still overwhelming importance of groundnuts, is bound to trigger a general economic recovery and an improvement in the fiscal situation. As you know, since independence in 1960, Senegal has experienced low economic growth rates resulting from a combination of (i) the loss of its traditional export market for manufactures following the disintegration of former French West Africa and (ii) the loss of the guaranteed price for groundnuts in the French market in 1967-68, as well as poor harvests in recent years. Economic recovery is also likely to further strengthen the country's political stability. As a result, President Senghor is increasingly turning his attention to international political issues. Recently he headed a delegation composed of four African Presidents who, following a mandate by the OAU, visited Egypt and Israel to help find a solution to the Middle-East conflict.
Projects included in our lending program (copy of the Five-Year Lending Program is attached) are in line with the objectives of the current Senegalese Four-Year Plan (1969-73), which are aiming at broadening the base of the economy through diversification of agriculture and making the best possible use of the country's human and natural resources. We have approved two credits in agriculture during FY 1971 (for rice development and land resettlement) and preparation in that sector is well advanced for a rice/tomato project, as well as a follow-up credit operation for groundnuts/millet to be considered in FY 1973. A technical and agricultural education project, approved in FY 1971, will be followed by a larger general education project in FY 1973 in line with the progress the Government is presently making in implementing its educational reform designed to modernize and improve secondary and higher education.

Institution building is a major element in the projects we are presently preparing for public utilities, urban development (the Bank's first "site and services" project for the city of Dakar) and railways, which are scheduled for Board presentation in the current and next FY. Finally, the Senegalese Authorities have recently requested the Bank's assistance in preparing a large tanker repair project (total cost $90 million) which may have an important employment effect in one of the few areas outside agriculture suited for diversifying the economy.
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<td>4.0</td>
<td>18.6</td>
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<td>IDA</td>
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<td>TOTAL</td>
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| IBRD    | 11.1    | 4.0     | 5.0    | 12.5   |
| IDA     | 8.0     | 22.0    | 7.0    | 12.0   | 5.0   |
| TOTAL   | 19.1    | 26.0    | 7.0    | 17.0   | 17.8  |

| 3       | 6       | 2       | 5       | 3       |

LENDING PROGRAM (9/3/71)

| IBRD    | 4.0     | 19.5    | 21.0    | 6.0     | 10.0   | 5.0 |
| IDA     | 9.0     | 35.1    | 42.0    | 10.0    | 3.0    | 8.0 |
| TOTAL   | 13.0    | 54.6    | 63.0    | 16.0    | 13.0   | 8.0 |

| 4       | 4       | 2       | 4       | 2       |

P & B 11/18/71
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier

DATE: May 21, 1975

SUBJECT: SENEGAL - Your Meeting with His Excellency Leopold Sedar Senghor, President of the Republic of Senegal

1. You are to meet President Senghor on Thursday, May 22 at 3:30 p.m. and in response to his wish, sign with him documents relating to two projects recently approved by the Board: Debri-Lampeter Engineering (Credit Agreement) and Sine Saloum Agricultural Development (Loan and Credit Agreements).

2. Following the signing ceremony, President Senghor has indicated that he would like to speak with you. During these talks we expect him to take up the current status of the Senegal River Basin Development Program (OMVS), the possible participation of the Bank in the financing of the DAKARMARINE Tanker Repair Project, and possibly, the Dakar Museum of Black African Art.

Bank Relations With Senegal

3. Our relations with Senegal are very good. Our program of activities has been designed through a continuous dialogue with the Senegalese authorities and reflects well our common objectives of diversifying the economy, improving economic and fiscal management, stimulating domestic food production for home consumption and export, increasing farm productivity while striving to protect domestic agriculture from climatic variations and world price fluctuations, and of distributing the benefits of growth more widely.

4. Our dialogue with the Government has been comprehensive. In addition to normal project identification and preparation activities, we have regular exchanges of views with Government on broad policy questions such as producer prices, consumer subsidies, organization and management, and development planning in general. There are at present no major areas of disagreement with the Government. Those divergences which do occur between us do not concern objectives or policies but rather relate, on their side, to the speed with which we act and to what appears to some Government officials as excessively rigid and complicated procedures. On our side, we would like to see improvement in the speed and vigor with which the Government implements agreed policies and organizational measures.

5. President Senghor himself is quite pleased that we were able to quickly reach agreement on and finance a second education project to which he attached great importance and which he had mentioned when he signed the Terres Neues, Casamance Rice and First Education projects in your office four years ago.

OMVS

6. President Senghor has always been a strong proponent of regional cooperation. In his recent address to the Annual Meeting of the Governors of the African Development Bank in Dakar on May 5, he stressed the need for solidarity amongst African nations in order to establish economic units.
larger than the individual countries; only by these means could sufficient amounts of resources be mobilized to permit an effective attack on the most pernicious blocks to development.

7. In 1972 Senegal, Mauritania and Mali signed an agreement formally establishing a regional organization to regulate and develop the water resources of the Senegal River: The "Organisation pour la Mise en Valeur du Fleuve Sénégal" (OMVS). OMVS, helped by UNDP, has prepared an ambitious, long-range development program that ultimately would permit development of year-round irrigation on 130,000 ha along the river of which about 220,000 ha would be in Senegal, 160,000 ha in Mauritania and 40,000 ha in Mali. The program provides also for power generation and the improvement of navigation on the river. Total estimated investment over a 40-year period is $3.5 billion. Two potential regulatory dams have been studied by OMVS: a large multipurpose dam at Manantali on the Bafing, a tributary of the Senegal River, in Mali; and a much smaller dam at Diama near the mouth of the Senegal River (estimated to cost $40 million at 1974 prices). The latter dam would prevent salt water intrusion from the sea at low river flows, and provide sufficient water storage to irrigate about 30,000 ha in Senegal and Mauritania. Most of these 30,000 ha are already equipped for single-crop irrigation and can be converted relatively quickly and cheaply for double-cropping.

8. Since July 1974, the Bank has been actively involved with other donors in assessing the merits and feasibility of the OMVS program. At this stage, subject to the results of detailed feasibility studies for each of the various components, the Bank's position is that while hydro-power and navigation aspects may be important potentially, their value at this time cannot readily be assessed, and for this reason the economic justification of the program should and could rest basically upon agricultural development. Given this situation, early construction of the Diama Dam appears justified. Fonds d'Aide et de Coopération of France (FAC) is financing the engineering studies for Diama, and France and several other donors including the Bank Group have indicated they would be prepared to finance its construction. The irrigated development at Debi-Lampsar, involving 5,000 ha for double-cropping that is the subject of the engineering credit to be signed by you and President Senghor would be a substantial part of the area that would be served by Diama, and would be constructed to make use of the Diama reservoir potential as soon as it becomes operational, as now planned, in about 1980. In March 1975 the People's Republic of China completed a master plan for the Manantali dam which was approved by OMVS's Council of Ministers; the estimated cost is in excess of $200 million.

9. The prospects for substantial progress in harnessing the resources of the Senegal River were thus quite favorable in early 1975 when the UNDP suggested that the Bank accept the role of executing agency of a UNDP technical assistance project designed to strengthen the technical and administrative capabilities of OMVS. We were in the process of discussing the terms of such an involvement when we were informed by President Senghor in Dakar two weeks ago that a border dispute between Mauritania and Senegal threatened to halt all OMVS-directed river development until arbitration proceedings, probably through the International Court of Justice in The Hague, were completed.
10. It is too early to assess the seriousness of the dispute mentioned above. All of the political reasons underlying it are not clear to us, but we are concerned that a major opportunity to provide real protection against the vicissitudes of weather and rainfall in three Sahelian countries not be lost. We do not want to overreact to the situation, but on the other hand, before proceeding to mobilize the resources envisaged under the Bank/UNDP project, we would want to be reassured that its basic purpose was agreed to by all of the Governments concerned. You may wish to ask President Senghor, in his present capacity as President of ONF, if he feels he will be able to obtain the agreement of Mali and Mauritania to the proposed technical assistance and what should be the next step in this regard. Incidentally, even if the Diama Dam is not built as scheduled, the Debi Lamassar project would remain economically viable although the yields would be substantially reduced since double-cropping would not be possible.

DAKARMARINE

11. In August 1973 the World Bank, in concert with the European Investment Bank and FAD, agreed to finance technical and economic feasibility studies of a large tanker repair facility to be constructed at Dakar. The proposed yard, to consist of two drydocks capable of handling respectively ships up to 300,000 deadweight tons (dwt) and 500,000 dwt, was to be built and owned by the Government of Senegal and operated by a consortium of private shipping and engineering concerns under a lease contract. The feasibility studies are nearly completed, and they show that the ship repair yard is technically feasible. However, the project carries very high financial risks for the Government because of the great uncertainty surrounding the ship repair market, uncertainty caused by drastically altered oil consumption patterns following the autumn 1973 oil price hikes, the opening and possible widening of the Suez Canal, the probable construction of new repair yards in the Persian Gulf area, and changing refining patterns with probable shifts towards smaller ships carrying lighter, refined products.

12. The total cost of the DAKARMARINE infrastructure, estimated in 1974 prices but including a contingency provision, is likely to be in excess of $175 million. In view of the obvious adverse impact on Senegal’s economy an investment of this magnitude could have, should the project’s market not materialize, we have been extremely frank in our discussions with the Government and our financing partners in the studies in pointing out the need to reduce the Government’s potential financial risk. We think the Government should seek appropriate debt service guarantees from the private promoters of the project and market guarantees from potential financial partners who also control shipping (mainly OPEC countries). This is the spirit in which you replied, on April 15, to President Senghor’s March 19, 1975 letter to you on this subject.

13. The Senegalese are thus aware of our misgivings about this project. But they have invested considerable political capital in the project and are unwilling to drop it as long as there is a remote chance the finance for it may be forthcoming, if not from us then from some of the OPEC countries. At least two of these (Kuwait and Iran) have refused to commit
themselves to the project until the World Bank has rendered a definitive judgement as to its feasibility. We are completing a paper, based on the studies we have helped finance and some additional information we requested in February and just received, which will clearly lay out the desirable aspects of the project (there are many) alongside the risks. While not committing the Bank to finance the project, we hope this paper will aid the Government in securing both finance and market guarantees. Without these, we would have to recommend that the project not go forward.

14. I should add that during my recent visit to Dakar I was given a counterproposal prepared by the Government which calls for a different phasing of the civil works. The purpose of this phased project would be to reduce the financial risks by holding down the initial investment; however, a preliminary review indicates that the return on the phased project remains submarginal and does not change the need for the kinds of guarantees we suggest.

The Museum for Black African Art

15. You are well aware of President Senghor's abiding interest in encouraging the preservation of African culture; "Le Musée d'Art Négro-Africain" is thus a major preoccupation. We understand that prior to his arrival in Washington, President Senghor will have been to Mexico City to see the Museum of Anthropology there designed by the Mexican Architect, Pedro Ramírez Vásquez. Mr. Vásquez has been retained by UNESCO to design the museum which will be the centerpiece of a cultural center to be constructed in Dakar. Very preliminary estimates in January 1974 put the cost of the center at about $13 million (including $4 million for the museum itself).

16. President Senghor might reiterate the request by his Government that the Bank participate in the financing of the museum in the context of the Petites Côtes tourism infrastructure project which we expect to appraise next fall. In view of the Government's request, the staff of the Tourism Projects Department has been in contact with UNESCO, which is in the process of completing the preparatory studies. Whether or not the Bank could consider the inclusion of the museum in the proposed tourism project will depend, in part, on the data the studies will be made available and on their quality. President Senghor may also ask you to assist him in mobilizing funds for the project through various foundations.

cc: Messrs. de la Renaudière
Thalwitz
Gillette
Cash
Duvinageau
Wadsworth
Maimaris
Odone
Bauer
Brown
de Raet

MGillette:dlt
OFFICE MEMORANDUM

TO: Memorandum for the Record
FROM: Jonathan C. Brown
DATE: May 11, 1976
SUBJECT: SENEGAL – Mr. McNamara's Meeting on the Pahlavi Project

1. On April 9, 1976, Mr. McNamara met with the Ministers of Planning of Iran and Senegal, Messrs. Magidi and Seck, accompanied by Ambassador Coulibary of Senegal, Ambassador Amuzegar of Iran and Messrs. Stephanian, D. Diour, and J. Diour of IRASENCO. Present for the Bank were Messrs. Knapp, Chaufourrier, Wapenhans, Fuchs, Pajmans and myself.

2. Minister Magidi began the meeting by reviewing previous Iranian assistance to Senegal in agriculture, for the proposed Diama Dam on the Senegal River, and for the Industrial Free Trade Zone near Dakar. He said that Iran and Senegal are now cooperating on a much larger effort, the Pahlavi Project, 1/ which would include a phosphate mine, refinery and fertilizer plant. Iran and Senegal have jointly established IRASENCO with initial capital of $80 million to finance the project. Infrastructure associated with the project, in particular a mineral/petroleum port, would be financed entirely by the Government of Senegal. Minister Magidi said the purpose of his visit to Mr. McNamara was to ask the World Bank to consider financing the port.

3. Minister Seck traced the evolution of Iranian-Senegalese cooperation ending in the establishment of IRASENCO. He asked the Bank to help in further studies, to organize donors and finally to finance the mineral/petroleum port. There are indications that other infrastructure would be done by other agencies. 2/

4. Mr. McNamara asked how much the World Bank would be requested to finance, who would finance the industrial units and where would their products be sold. Mr. Magidi said the Port would cost about $90-100 million but there was no estimation at this stage of how much might be asked from the Bank. He added that the OPEC Fund could be approached to help finance the port if the Bank thought the project was justified. The industrial units would be financed by IRASENCO's capital and by commercial loans and suppliers' credits. Refinery products would be for the most part consumed locally while the phosphates would be exported. Mr. Magidi added that it would be important in realizing the project that the World Bank give assurances on the viability of the Pahlavi Project as soon as possible.

5. Mr. McNamara concluded by saying that the first priority would be for the Bank's staff to establish the economic and technical viability of the project. If the conclusion were favorable then the amount of possible Bank participation would depend on a number of factors: (i) an estimation of Senegal's creditworthiness; (ii) a determination as to whether Bank lending

1/ See Mr. Thalwitz's memorandum of March 19, 1976 to Mr. Knapp.
2/ Canadian interests may finance the power plant with a suppliers' credit and CIDA is interested in power distribution. To our knowledge, there is no other source of finance for the road and rail connections or for storage facilities.
would be in substitution for present projects in the Senegal lending program or additional; and (iii) if Bank financing were additional, it would face the constraints imposed by the Bank's present level of capital.

Cleared and cc: Mr. Chaufournier

cc: Messrs. McNamara (through Mr. Burmester)
    Knapp
    Wapenhans
    de la Renaudière
    Fuchs
    Paijmans
    Brandreth
    Cash
    de Lusignan
    Dewey
    Gillette
    Billington
    de Leede

JBrown:dlt
OFFICE MEMORANDUM

TO: Mr. J. Burke Knapp
FROM: Wilfried Thalyutz, Acting Vice President
DATE: March 19, 1976

SUBJECT: SENEGAL - The Pahlavi Project: Request to meet Mr. McNamara by the Ministers of Plan of Iran and Senegal:

Summary

Iran and Senegal have recently announced their intention to build a refinery/petrochemical complex, mineral port and new phosphate mine in Senegal. The total cost for the project, named after the Shah of Iran, would be about $436 million. We have received a cable (translation attached) from Senegal asking Mr. McNamara to meet on April 12 with the Minister of Plan of Senegal, Mr. Ousmane Seck, and the Minister of State for Planning and the Budget of Iran, Mr. Abdul Majidi. The purpose of this mission according to the telex is to ask the Bank to participate in the Pahlavi project's basic infrastructure, in particular petroleum, transportation and communications facilities.

1. As a result of various meetings over the last few years between President Senghor and the Shah of Iran the idea emerged of a joint Senegalese-Iranian project based on Iranian crude refined in Senegal for the export market and phosphate mined in Senegal and exported to Iran. In early 1975 the two countries commissioned Arthur D. Little to do a general economic feasibility study of the project which was followed by a more detailed study by Soros and Associates of the mineral port. We have followed the progress of this project in general but until last month Senegal has not been prepared to furnish us with details.

2. In early February, Mr. Seck revealed the structure of the project. Senegal and Iran have jointly established IraSenco which will have paid-in capital of $80 million. Senegal's 50 percent participation will be financed by an Iranian loan of $40 million at 8 percent interest repayable in 14 years with four years grace. IraSenco will then borrow on the international money markets and from development institutions, on the basis of a guarantee by Iran and Senegal, additional funds to finance: (i) 100 percent of a petroleum refinery with an initial capacity of 1.5 million tons and possible extension to 2.5 million tons. The first phase is estimated to cost $130 million, the output will be exclusively for export; (ii) 61 percent of a new $200 million phosphate mine (Tobene) with a capacity of 2 million tons per year; (iii) 46 percent of a $7.6 million ammonia and urea plant with a capacity of 680 tons per day; and (iv) 50 percent of the $5.0 million Shell gasoline distribution system in Senegal.

1/ All costs in this memorandum are as of end 1975.
2/ We believe that the Government of Senegal has been reluctant to involve us in large industrial projects because of our role in preventing the proposed Dakar-Marine ship repair yard from going ahead in the absence of firm market assurances. The balance of investments referred to in paragraphs (ii), (iii) and (iv) would, we assume, be financed by foreign private or Senegalese public enterprises.
3. The total initial investments by IraSenCo in these four projects would be about $256 million in 1975 prices. The petroleum and phosphates will be purchased at "world market prices".

4. Senegal by itself will be responsible for financing the infrastructure associated with the project:

(i) a $110 million mineral/petroleum port for the Pahlavi project and for iron ore from the proposed Paleme mine which is currently being studied by Krupp (Germany) and BRGM (France);

(ii) $50 million for power generation for the project. The power distribution system ($5 million) will be financed by CIDA as part of a larger power distribution project;

(iii) $10 million for constructing a railroad connecting the phosphate mine with the port;

(iv) $10 million for roads, water, telecommunications and geotechnical studies.

5. According to our conversations with Mr. Seck in early February, Iran has promised to assist Senegal in obtaining money for the infrastructure from the OPEC development fund for which pledges have been reported. Our information on the project is very general. We have an idea of what was in the Arthur D. Little report but have not been given a copy; in February Mr. Seck gave us the Soros study on the port. We are in the process of gathering more information; our questions center on the following areas:

(i) Are the prospects for the export of refined petroleum products in West Africa favorable. Our initial investigation suggests they are not. Thus assured markets becomes a critical issue;

(ii) Are the price forecasts for petroleum and phosphates such that both countries will benefit; how will the risks and benefits be divided between Senegal and Iran; what must Senegal receive to justify the fact that it must finance the infrastructure itself;

(iii) Is it possible to go ahead with the very expensive mineral port based on IraSenCo operations alone without being certain that the 5-6 million tons per year of iron ore from Paleme (see para. 4) will be available;

(iv) Are there alternatives to the present project conception, such as expanding the present refinery in Senegal, and how receptive would the two countries be to alternatives.
6. The Government of Senegal has put considerable political capital into the Pahlavi project. There have been numerous exchanges of visits of high officials between the two countries concluding in the visit to Senegal last month of the Empress and the Prime Minister of Iran to put the first stone into the new city/1/ which will be created to house workers for the project. The outline of the project has been publicly announced increasing Government's commitment to its present scale.

Recommendation

7. In view of the importance of this project for Senegal, of Iran's involvement and of the request from these two high officials, we believe Mr. McNamara should meet with the two Ministers. We cannot at this time pass a judgment on the Pahlavi Project and while we will attempt to get additional information about it before April 12, we will probably not be in a position to make a firm recommendation about the merits and the risks of the project and the position which should be taken by the Bank. However, we hope to learn more about the details of the proposal during the visits of Messrs. Majidi and Seck and plan to hold technical discussions with the Iranian/Senegalese delegation after the meeting with Mr. McNamara.

8. We have discussed the Senegal request with the EMEA Region which feels that as matters concerning our relations with Iran stand today, the desirability of a meeting between Mr. McNamara and Minister Majidi should be carefully thought through. There is still the outstanding Aide Memoire to be finalized following Mr. McNamara's luncheon with Dr. Amuzegar, Chief of the Iranian Economic Mission. This Aide Memoire specifically refers not only to the overall framework of the Bank/Iran relationship, but also, further to a proposal from the Government of Iran, to the possibility of Iran co-financing Bank supported projects in countries of Iran's choice as a counterpart or "offset" to the Bank resuming net lending in Iran. Considering the reference made to the OPEC Fund, this approach could be an initiative towards pressing us into an early implementation of this proposal.

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1/ The costs of this city, which will also be borne by Senegal, are not known.

cleared with and c.c. Messrs. Paijmans de Lusignan

c.c. Messrs. Cargill Chaufournier o/r Burmester de la Renaudière Fuchs Brandreth Cash Gillette o/r Payson de Leede Billington

JCBrown/mjk
Mr. Chaufournier

Following the Grand Iranian-Senegalese Cooperation Commission, M. Abdol Magidi, Minister of State for Plan and Budget of Iran and the Minister of Plan and Cooperation of Senegal have been designated to present to Mr. McNamara the investment program for the Keur Farah Pahlavi Complex (the old Cayar project). This presentation is to request participation of the Bank in financing this complex, in particular the port, transportation and communications, etc. The Minister of Plan of Iran and I shall be happy to have a meeting with Mr. McNamara on April 12. It may be possible to have a working level meeting under your direction. Sincerely,

Telex unsigned but assume it must be Ousmane Seck, Senegalese Minister of Plan and Cooperation.
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: J. Burke Knapp

DATE: April 8, 1976

SUBJECT: SENEGAL - The Pahlavi Project: Visit by Ministers of Iran and Senegal

You will be receiving a visit tomorrow afternoon from Mr. Majidi of Iran and Mr. Seck of Senegal who will ask about Bank assistance in financing infrastructure related to certain joint ventures by the two countries in Senegal, including an oil refinery and phosphate mining development. Attached is a memorandum on this subject to me from Mr. Thalwitz, dated March 19. Mr. Chaufournier is meeting Mr. Seck this afternoon, and Mr. Wapenhans will be seeing Mr. Majidi tomorrow morning. We may therefore have further information for the meeting.

The external financing requirements for the infrastructure concerned are large and it would be very difficult to fit them into our present Bank/IDA lending program in Senegal unless some special security were obtained. The first thing we think of is an Iranian Government guarantee, which you will note is to be given with respect to the refinery, phosphate mine, etc. themselves. You will also note that co-financing is contemplated from the OPEC Development Fund.

With regard to the last paragraph of Mr. Thalwitz' memorandum, the Aide Memoire was transmitted by me to Mr. Amuzegar on March 25, and we have had no response except his statement that he was forwarding it to Mr. Ansary. You will recall that we rejected the Iranian proposal to have our loans to Iran offset by their loans to developing countries; this point was made in my covering memorandum to Amuzegar, rather than in the Aide Memoire itself.

Attachment.

cc: Messrs. Chaufournier
    Wapenhans

JBNapp:vm
OFFICE MEMORANDUM

TO: Mr. Sven Burmester, Personal Assistant to the President
FROM: Armand Razafindrabe, Executive Director

DATE: March 19, 1976

SUBJECT: Appointment for Ministers Ousmane Seck (Senegal) and Abdol Magidi (Iran) with President McNamara

Their Excellencies Minister of Planning and Cooperation, Ousmane Seck of Senegal and State Minister for Planning and Budget, Abdol Majidi of Iran would like to call on President McNamara on the 12th of April 1976.

I have been instructed from Senegal to seek such an appointment. The Ministers will discuss with President McNamara possible Bank financial involvement in an Iranian-Senegalese joint venture, the so-called Cayar Project, in Senegal.

Thank you for your cooperation in arranging the appointment.
Dear Mr. McNAMARA

Acting upon instructions from my Government, I have the honour to inform you of the forthcoming arrival in Washington of our Minister of Planning and Cooperation Mr. Ousmane SECK.

The Minister will be here on or around April 12, 1976.

Mr. Ousmane SECK and his colleague from Iran, Minister Abdol MAGIDI, have been mandated by our two Governments to present to you the program of investments of the project "KEUR FARAH PAHLAVI" (formerly known as the CAYAR PROJECT) and seek the participation of the Bank in the financing of the infrastructure of the project, notably the new port and the networks of roads and telecommunications.

Pending on the confirmation of the date of 12 April, I would be most obliged of your indication of the time at which you would favour the Ministers with an appointment.

Please accept, Mr. McNAMARA, the assurance of my highest consideration.

[Signature]

Andre J. COULBARY
Ambassador

Mr. Robert S. McNAMARA
President
The I.B.R.D.
1818 H. Street N.W.
Washington D.C. 20433
OFFICE MEMORANDUM

TO: Files

FROM: Xavier de la Renaudière, Director, WACPII

DATE: February 13, 1979

SUBJECT: SENEGAL - Education Project - Visit of Minister Alexandrenne to Mr. McNamara

1. Mr. Alexandrenne, Minister of Planning and Cooperation of Senegal, and Mr. Coulbary, Ambassador of Senegal, visited Mr. McNamara on January 25, 1979. Mr. Koch-Weser and I attended the meeting.

2. Minister Alexandrenne referred to the letter, dated January 10, 1979 of President Senghor to Mr. McNamara. He commented the Bank's relatively large and diversified lending program in Senegal and the Bank's advisory role in the macroeconomic field, especially in public finance and investment. The Minister then talked about the proposed education project and in particular the management training and the rural development institutes, to which the Government attaches highest priority.

3. During project preparation the charters of these two schools became an issue. The Bank and Senegal agree that these two schools should be production oriented training centers rather than strictly academic institutions. This calls for effective management and flexible procedures. In the Bank's view, flexibility should go so far as to exempt the two schools from ex ante expenditure control by the Ministry of Tutelle to which most public establishments have to submit to by law. Such an exemption would, however, set an undesirable precedent for other organizations. A satisfactory solution would be to establish a revolving fund (Caisse d'Avance), which should allow for enough flexibility to ensure efficient management of these schools.

4. At the end of the meeting Mr. McNamara and Mr. Alexandrenne both acknowledged that there was full agreement between Bank and Government on objectives to be pursued in the organization of the two schools. Mr. Alexandrenne, in particular, was confident that in light of his earlier discussions with the staff of the West Africa Region a practical solution would be found to the above problem.

cc: Mr. McNamara's office (2)
    Mr. Chaufournier (WAN)
    Mr. Gillette (WA2)
    Ms. Brathwaite (WA2)
    Mr. Verspoor (WAP)

XdelaRenaudière:flm
SENEGAL - Visit of Minister Alexandrenne
Thursday, January 25, 1979 - 6:00 pm

While the attached memorandum goes into some of the issues in detail, I think you need only be concerned with the objectives. I am confident that as long as we agree on the objectives, we shall find a practical solution in our subsequent discussions with the Minister.

Roger Chaufournier

We ought not encourage Minister M to believe that you can conduct negotiations on project matters with him — you should not comment on things at all. Let's take about Senegal from...
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Ernest Stern)
FROM: Roger Chauffourier, RVP, Western Africa Region
DATE: January 24, 1979
SUBJECT: SENEGAL - Proposed Third Education Project
Briefing Paper for visit by His Excellency Louis Alexandre, Minister of Planning and Cooperation, on Thursday January 25, 1979 at 6:00 p.m.

1. The proposed project comprises separate components for strengthening the quality and coverage of primary, technical, and vocational education, and for establishing two new institutions of higher education to train University-level agronomists and business managers. Total project costs net of taxes are estimated at US$33 million equivalent, of which $22 million would be financed by the proposed IDA Credit; additional financing would be provided by the French Caisse Centrale de Coopération Economique (CCCE) ($4.5 million), and an allocation from the EEC Special Action Fund (US$4.5 million). The project was appraised in June 1978, and except for the outstanding issue discussed in this memorandum, is now substantially ready for presentation to the Loan Committee.

2. The main unresolved issue concerns a decision on the legal status to be ascribed by the Government to the proposed higher education institutions, the National College of Agriculture (INDR) and the Management Training Institute (ESGE). We have had continuing discussions with the Government since appraisal to find a mutually acceptable solution which would satisfy our concern about management of the schools. There is agreement on the objectives which are essential for the two institutions: (i) that they be created under the most advantageous conditions possible; (ii) that they be endowed with the best possible management, operating under financial and administrative regulations which would permit them to ease through the difficulties of starting up and become operational as soon as possible, and (iii) that management of the institutions should be fully participatory, with representation on the Governing Boards by the ultimate users of their graduates (for the INDR, this would include the Ministry of Rural Development, the National Agricultural Research Institute, and the Rural Development Societies; for the ESGE, the employers would be the numerous private and para-public enterprises in Senegal).

3. After a detailed assessment of various possible options, Bank staff had concluded that the desired objectives could best be achieved either through the status of public enterprise with ex post financial control, or through attachment to the University of Dakar with considerable autonomy.

4. It is very important to note here that the finding of a workable solution is also very critical to the proposed participation of the CCCE in a joint financing arrangement for the INDR, since the CCCE fully shares our views and feels equally strongly (perhaps even more so) about the need for efficient financial management procedures.

5. As we recognized two weeks ago that we were well on the way to a stalemate on this issue, and that project processing was becoming seriously delayed, we cabled the Government our willingness to send a joint Bank/CCCE mission to discuss the issue at the Ministerial level. Government suggested instead that such a mission should take place only after Minister Alexandre had visited Washington to present the official position.
6. The Senegalese position is to make INDR and ESGE a "service" of the Ministry of Higher Education, a status given to most of the other post-secondary schools in the country. Unfortunately we are not at all well disposed to accept this solution, since we consider this the least satisfactory of the options available because:

(i) employers of the graduates of these institutions could play only an advisory role through a pedagogical council. Instead of this, we and the CCCE would wish to see a fully operational Board of Directors which would allow the influence of employers on the study programs, budget, and recruitment of students;

(ii) the two institutions would be subject to civil service financial regulations, and would not be able to retain revenues generated. We find this disturbing since, for ESGE in particular, we expect that when it is fully operational, substantial revenues would be generated from conferences, seminars, upgrading courses, and the provision of management consultant services; it is therefore highly desirable that ESGE be financially autonomous;

(iii) under the "service" status, the annual renewal of the revolving fund (caisse d'avance) for routine operating expenditures would create problems of financial management. Under any other proposal than the "service", a caisse d'avance could be established with adequate provisions for its flexible operation.

7. In making the proposal for the status of "service", the Government uses as references two other educational institutions in Senegal which have this status and which work well. We contend that the situation of those two institutions is completely different from that of the INDR and ESGE, and that using them as references is quite inappropriate. The Thiès Polytechnique is funded by Canadian overseas aid, and most of its costs continue to be paid by Canada; it is in any case a "service" of the Ministry of Armed Forces which is one of the better financed agencies in Senegal. The Ecole Nationale d'Administration et Magistrature (ENAM) is a "service" of the Ministry of Higher Education, the status which the Government is proposing for INDR and ESGE; but ENAM is a smaller school in terms of budget and teaching staff, and more importantly, since the Government is the prime user of its graduates, user influence is assured within the present system, which would not be the case for the Agricultural and Management Institutes.

8. Depending on the results of our meetings with Minister Alexandrenne, we would still be prepared to send a follow-up mission to Senegal, since regardless of what option is selected, a variety of details would need to be worked out at the technical level to assure that we effectively achieve our objectives.

Cleared and cc: Mr. de la Renaudière, WA
Cleared in substance and cc: Messrs. Thalvitz (WAPDR), Cole and Verspoor (WAPED)
cc: Messrs. Bouhaouala (WAPDR), Gillette and de Leece (WAP), Vuylsteke (LEG), Brown (Dakar), Bissat, Cooper and Lair (WAPED).
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Ernest Stern, V.P.D.)

FROM: Wilfried P. Malwit, Acting RVP, Western Africa Region

DATE: April 4, 1980

SUBJECT: SENEGAL - Briefing Note for the Visit of President Senghor on Monday, April 7, 1980, at 4:00 p.m.

1. A courtesy meeting between President Senghor and yourself has been arranged through Mr. Andre Coulbary, the Senegalese Ambassador to the United States. The meeting is scheduled for Monday, April 7, 1980, at 4:00 p.m. The present memorandum summarizes (i) the main directions of our operational work in Senegal, and (ii) the critical balance of payments situation of the country which may justify Bank/IDA program lending.

Lending Operations: Priority to Rural Development

2. Our lending operations have in recent years become quite diversified (see attached note on past and proposed projects). However, the emphasis remains on improving productivity in the agricultural and rural sector.

3. Over the past 20 years production and incomes in rural areas have not significantly increased. Available options suggest a three-pronged strategy for the development of this vital sector in the future. First, groundnuts will remain the major source of income in rural areas, providing also about half of the country's total export receipts in good years. It is possible to build upon the post-drought recovery of this subsector which in high rainfall years produced well over a million tons of groundnuts after having fallen back to less than 600,000 tons in the drought years of the early 70s and again in 1977/78. It would require only minimal improvements in production techniques but serious attention to sector organization with respect to extension services and marketing, and improved price incentives for farmers. Second, improvements in rainfed foodcrop production are imperative in order to reduce the food deficit which amounted to 400,000 tons in normal years. Although there is scope for increased food production in the groundnut basin the opening up of less populated areas, particularly in the southeast, could further increase the food production potential. Third, irrigation in the Senegal Valley provides more protection against droughts at a higher level of technology which can only be introduced gradually to permit the building-up of institutions, design and implementation capacity, and farmer training for a new and complex activity. Over the last decade the rate of bringing into production irrigated areas hovered around 1,500 ha per year. Five - six thousand ha of the 15,000 established during the last ten years are in need of rehabilitation. It is possible that President Senghor will refer to OMS the regional organization tying together Senegal, Mali and Mauritania in a common effort to develop the Senegal River Basin. The governments have noted that we will not participate in the financing of the infrastructure program consisting of two dams in Senegal and Mali, a package that is difficult to justify. However, the governments appreciate our assistance in the utilization of water resources through our involvement in irrigation development, even before any part of the infrastructure package is implemented.
Mr. Robert S. McNamara
April 4, 1980

4. Progress in implementing this strategy has been slow. One of the major constraints is the existence of ponderous, overstaffed and poorly managed governmental agencies, particularly ONCAD, the apex organization of the cooperative system which had to arrange for overdraft facilities with the banking system to the tune of $275 million equivalent to cover operating deficits and subsidies.

5. Farmer dissatisfaction with the existing system has caused an alarming increase in credit delinquencies; at present, total farmers' indebtedness is estimated at the equivalent of US$70 million. We have attempted to address these problems through individual projects, and more recently, through general policy discussions on the sector. We are encouraged by some positive signals. Government has recently indicated willingness to foster genuine farmer participation and to improve the efficiency of agricultural agencies. Efforts are under way to give farmers the opportunity to organize themselves into self-managing groups at the village level. Finally, Government is reviewing the role, structure and operations of all the public agencies involved in the rural sector with a view to improving their efficiency and reducing superfluous staff.

**Economic Dialogue**

6. Of prime importance in our operational strategy at the moment is a proposal for Bank/IDA program lending, to provide urgent balance of payments support to the country and to assist its recently-prepared economic and financial rehabilitation program.

7. Over the past ten years, the Senegalese economy has been subject to wide fluctuations in groundnut production associated with periodic droughts. This, coupled with large fluctuations in world prices of groundnuts and phosphates, the country's main exports, led to a high degree of instability in export earnings and in the country's balance of payments position, as imports cannot be easily compressed and the country has no significant external reserves. This situation masked the depressing fact that Senegal was suffering from a long-run economic stagnation with per capita income virtually unchanged between 1960 and 1977 at $380 (in 1977 prices). In order to overcome development constraints the Government stepped up public investment from 5.3% of GDP in 1970 to 10.3% in 1979. This larger public investment program, unfortunately, concentrated heavily on low-return capital intensive projects, was financed by a combination of official development assistance and a growing proportion of Eurodollar and other commercial borrowings. The result: a rapid increase in total external debt and debt service with no significant impact on output and export earnings. The country's debt service ratio, which was only 5.6% in 1976, rose to 15% in 1979 and may exceed 17% this year.

8. In the past, severe declines in net export earnings were often offset by improvements in other balance of payments categories. However, in 1980 an exceptional accumulation of negative factors (very poor groundnut and cereal crops, low world groundnut prices and a further sharp rise in petroleum prices) combined to produce an estimated current account deficit of some $440 million (almost 17% of GDP), a level which is clearly unsustainable.
9. In order to cope with the twin problems of the current balance of payments gap and the launching of a program of structural economic adjustment to solve basic development problems, the Government, in close collaboration with the Bank and IMF, has prepared and has started the implementing of a medium-term public finance rehabilitation program with the following main objectives: (i) a major increase in public savings from close to 0% of public investment during some of the last few years to 15% in 1980-81 and 25% by 1985, (ii) measures to strictly limit external borrowing and maintain the debt service ratio below 15% of export earnings, (iii) a number of decisions aimed at stopping the growth and improving the management of an overextended and inefficient public enterprise sector, and (iv) a variety of fiscal and other measures to encourage foreign and local private investment.

10. The purpose of the proposed first $50 - $75 million Bank Group program lending operation followed by a second $50 million Bank program loan in FY82 would be to help finance the projected balance of payment deficit jointly with the IMF, the EEC/STABEX and other sources of non-project assistance and to help the Government implement its ongoing financial rehabilitation program, together with more basic measures as follows: (i) a system of across-the-board increases in import duties and an export subsidy scheme to correct the present overvaluation - estimated at about 25% - of the Senegalese CFA, (ii) measures to improve the composition, quality and financing plan of the country's public investment program, and (iii) preparation and gradual implementation of a variety of reforms to improve the management of existing agricultural development agencies.

11. Details on the proposal are included in an initiating memorandum which is now with Mr. Stern for review. A preappraisal mission has completed its field work this week and will report its findings and conclusions shortly. If the principle of program lending is approved by the loan committee, we shall prepare the appropriate documentation, firm up the details of the proposed policy package, negotiate a first program lending operation in the field at the end of this fiscal year and, hopefully, present it to the Board in early FY81.
Bank Group Operations in Senegal

1. The Bank Group has had 41 operations in Senegal to date: 12 Bank loans totalling $79.49 million, three third-window loans of $20.6 million, 22 IDA credits totalling $144.39 million, and four IFC investments totalling $3.9 million. The Bank Group's share in total external aid disbursements during the 1977-81 will stay at around 12% of which 54% in IDA financing. The Bank Group's share in outstanding disbursed debt which was 18% in 1979 is expected to reach 20% in 1985. Its share in public debt service which was 3.8% in 1979 will not exceed 5% in 1985.

2. The objectives of Bank Group lending in Senegal fall under five main headings.

First, priority continues to be given to rural development, including development of irrigation in the Senegal River Valley Region, rainfed agriculture in the well-watered southern regions of the country, intensification of groundnut production and diversification into new crops and new regions, proposed national projects for improvement of agricultural research and for reforestation, and the recently approved Small Rural Projects which represents an innovative approach to development of the Senegalise rural sector inasmuch as it rests on active participation of local farmers' organizations. As in the past, agricultural lending over the next few years is expected to exceed one third of the total. Secondly, the Bank Group has supported diversification of the economy by lending to the growing industrial sector through the Societe Financiere Senegalaise pour le Developpement de l'Industrie et du Tourisme (SOFISEDIT), a development finance company established with Bank Group assistance in 1974, and through an ongoing project for development of tourism infrastructure. Thirdly, Bank Group projects have supported modernization and expansion (where economically desirable) of the country's infrastructure. A Second Aviation Project was approved by the Executive Directors in early FY79. Also, an engineering project approved later in FY79 finances studies and technical assistance for water supply and sanitation development in 11 secondary centers, and is expected to pave the way for future Bank Group involvement in that sector. A Fourth Highway Project emphasizing improved road maintenance was approved by the Board this fiscal year. Fourthly, assistance is being provided under the Third Education Project approved in FY79 to help the Government re-orient and expand the country's education system at all levels, by meeting in particular the needs for trained high- and middle-level technicians and managers in the modern sector and in agricultural development activities, and by increasing access to primary level education, particularly in rural areas. Further, the Bank Group remains conscious of the need to support other projects in the social services sector (within the limits of the Government's ability to bear the recurrent costs involved), and has started preparing a production-oriented Integrated Food and Nutrition Project. Finally, continuing assistance is being provided to help Government increase its absorptive capacity for planning, executing, and managing development projects through institutional support within individual Bank Group projects, and through broader efforts such as the Para-Public Sector Technical Assistance Project which will initiate measures to resolve some of the issues regarding the financial management and Government control of public enterprises.
Mr. Léopold-Sédar Senghor President since September 5, 1960. Born on October 9, 1906 at Joal, President Senghor was the first black African to earn a degree at the Ecole Normale Supérieure in Paris (French "Agrégation"), qualifying him to teach in a lycée. From November 1946 to November 1958 he served as a deputy representing Senegal in the French National Assembly; he formed the Senegal Democratic Bloc (BDS) in 1948 which later became the Senegal Progressive Union (UPS) in 1958 in which he still holds the secretary-general's post. From March 1955 to February 1956 he was Secretary of State at the Presidency of the Council (Faure government), then became Minister in the French government and Senator of the French Communauté from 1959–60. He was chief advisor of the West African Federation (AOF) from 1947–1959 and helped form the Parti de Regroupement Africain (PRA) in 1958. When the PRA fragmented, he helped form and became President of the Mali Federation (1959–60). He became President of Senegal on September 5, 1960 and was re-elected in February 1968.