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MINISTRY OF ECONOMY, FINANCE AND PLANNING

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INTRODUCTION

In recent years, Senegal has returned to a path of economic growth. According to estimates, GDP grew on average by about 5 percent annually over the last six years. This performance can be attributed to an improved macroeconomic and regulatory framework, but also in large measure to the private sector development strategy implemented by the authorities.

Yet despite the resumption of economic growth, social indicators remain a cause of concern. The country's economic performance, while strong, has not contributed as much as was hoped to improving living standards or to a substantial reduction in poverty levels.

Analysis of the situation shows that social development has been lagging, and that poverty has actually increased. A Priorities Survey (ESP) provided data on living standards that were subsequently confirmed and expanded, with internationally comparable figures, by a household survey (ESAM). The indications are that over 58 percent of households are living below the poverty threshold defined in terms of a minimum caloric intake (2400 calories per day for adults).

At the Copenhagen Summit on Social Development in March 1995, which boosted efforts to define alternative strategies for reversing the trend toward impoverishment—especially among rural groups—poverty and exclusion were also recognized as occurring worldwide.

More recently, in January 2000 at the Libreville Summit, African Heads of State and Government undertook to redouble their efforts to promote strong and sustainable growth and to reduce poverty by half by the year 2015, in accordance with the Copenhagen commitments.

A new dynamic is clearly underway in the efforts now being made by policymakers and national and international development players in the struggle against poverty and exclusion. The initiative on behalf of highly indebted poor countries, of which Senegal is one, is part of this new dynamic.

This is the perspective from which this interim paper has been prepared by the Government of Senegal to define a medium-term strategic framework for growth and poverty reduction. It traces the recent evolution of the country's economic situation and outlines the structural and sector policies that will be implemented to correct distortions in the way the benefits of growth are now distributed.

The objectives outlined in the document will be subject to review in light of the participatory process the Government plans to undertake. With respect to the preparation of the strategy, starting with the first quarter of 2000, the Government will carry out specific research and studies designed to generate more current information regarding poverty and to update the social indicators. The purpose of this exercise will be to assemble materials to help the authorities obtain a clearer grasp of household living standards. The latest available statistics on social conditions date back to 1994. These efforts should facilitate preparation of a Poverty Reduction Strategy Paper (PRSP) by end-December 2001.

I. RECENT ECONOMIC AND SOCIAL DEVELOPMENT TRENDS

Senegal recorded GDP growth rates averaging 5 percent over the period 1996-1999. Yet these results are still below the double-digit growth target set for the year 2001 in the Ninth Plan. The productive sector, while relatively healthy, is still characterized by weak integration of economic activities.

1. The return to growth

Senegal's authorities undertook to achieve the goals of competitiveness and sustainable human development during the period 1997-1999. To this end, a growth-oriented macroeconomic strategy was adopted, based on promoting the productive sector and encouraging private investment. This approach produced encouraging results in terms of the main indicators: real GDP growth exceeded 5 percent, and inflation was kept at 0.8 percent in 1999, compared to 1.1 percent in 1998 and 1.8 percent in 1997. Economic growth, relatively satisfactory over that period, was stimulated primarily by the tertiary and secondary sectors. The primary sector, on the other hand, had a mixed record, with output declining in 1997 and 1998 before recovering in 1999.

Domestic demand was still dominated by expenditures on goods and services. While rising from 12.3 percent in 1997 to 12.6 percent in 1999, the domestic savings rate was still low, however, and not enough to obviate the need for external financing or to sustain an ambitious long-term investment program.

Given sound demand management policies, consumer prices showed little fluctuation over the period 1997-1999. Average annual inflation was cut by one half between 1997 and 1998 and fell further in 1999. The reduction in external tariffs implemented in the second quarter of 1998 contributed to the fall in inflation during that year.

Fiscal policy achieved an improvement in the basic budget surplus, thanks to a strong increase in revenues despite the lowering of customs duties in April 1998, and a better control over current spending. This surplus, which was 2.7 percent of GDP in 1997 and 2.6 percent of GDP in 1998, fell to 1.7 percent in 1999, reflecting a sharp rise in investment spending financed from domestic resources.

During the period 1997-1999 the balance of payments recorded a structural deficit in the trade account, which rose to CFAF 193 billion in 1999 compared with CFAF 160 billion in 1998 and CFAF 154 billion in 1997. This deterioration reflected higher growth of imports than exports with the result that the import coverage ratio (exports/imports) declined from 77 percent in 1997 to 76.2 percent in 1999.

Monetary developments over the period 1997-1999 reflected: an improvement in the country's external position; an increase in domestic credit; and a growth in the money supply.

2. Gaps in the pattern of growth

Despite the return to economic growth, some sectors, such as agriculture, which provides the livelihood of 60 percent of the population, participated only marginally in the increase in GDP. The record of economic growth, while appreciable, failed to reduce unemployment rates or improve living standards for the mass of the people. Social development declined and poverty worsened. A Priorities Survey (ESP) of 1991 indicated that 33 percent of the population was deemed poor, based on a per capita indicator of CFAF 110.8 per day and allowing for a daily intake of 2,400 calories. In 1995, the Senegalese Household Survey (ESAM), using the same methodology, concluded that 65 percent of population was considered poor, based on CFAF 392 per day per adult.

II. OBJECTIVES AND STRATEGIES FOR PROMOTING GROWTH AND REDUCING POVERTY

1. Objectives

Over the coming years, the Government is committed to strengthening its poverty reduction efforts by pursuing a comprehensive strategy, with **the aim of reducing the incidence of household poverty by 50 percent by 2015**. Poverty is to be measured and evaluated on the basis of the “energy approach,” taking account of the variables “food and basic social services”, with the cost of the bundle being approximately 1 dollar PPP. The Government will seek to achieve this goal at a faster pace if economic conditions are favorable. Operationally speaking, the strategy focuses on the following main approaches:

1. Pursue quality macroeconomic policies with the aim of achieving strong, sustainable, and balanced growth;
2. Ensure that sectoral reforms and policies are consistent with the national poverty reduction strategy;
3. Continue to implement the Poverty Alleviation Program [*Programme de lutte contre la pauvreté (PLP)*] currently in progress.

2. Growth strategies

In order to achieve these objectives, the Government’s strategy will build on the economic and social progress achieved over the period 1995-1999, and maintain the economy on a higher growth path. To this end, the authorities will intensify efforts to strengthen the fiscal position, and to complete structural and sectoral reforms now under way in the areas of agriculture, livestock, fisheries, energy, transportation, private sector development, and promotion of good governance at the central and local levels.

Implementation of this strategy choice will involve transfer of increasing responsibility to the private sector in order to stimulate broader growth and create jobs. For the State, this implies a refocusing of its mission on meeting social demands more effectively. The strategy will be centered around:

- Enhancement of the quality of public expenditure in light of commitments to the 20/20 initiative;
- An approach to regional development that involves a more active partnership between the State, social and professional groups, and local communities;
- Economic growth supported primarily by private investment in a favorable economic, fiscal, legal, and social environment;
- Rational management of the environment to reduce the impact of climatic hazards and human behavior induced by deteriorating living conditions, and to restore the equilibrium of natural eco-systems.

3. Poverty reduction strategy

To ensure that the benefits of growth are more equitably distributed and to correct distortions inherent in sector investment programs, a specific anti-poverty program (PLP) was adopted in December 1997. The underlying strategy was developed in consultation with all constituencies (public administration, local communities, civil institutions, and development partners).

The overall objectives of the PLP strategy are:

- Promotion of income-generating micro-enterprises supported by an appropriate credit system (micro-credit);
- Improvements in access to essential social services, based on cooperation with local governments and grassroots organizations to develop community infrastructure;
- Creation of an effective information and monitoring system for measuring the impact of development programs on living standards;
- Strengthening of capabilities at the grassroots level.

To implement the comprehensive strategy, the authorities will use the same strategic approach as for the PLP, to wit:

- A demand-oriented approach: based on the belief that solutions to local problems are likely to be more sustainable to the extent that the target communities are able to participate in designing and implementing those solutions. Accordingly, the projects which support implementation of the program's objectives will deliberately reflect specific needs and requirements as identified by grassroots communities themselves in close partnership with technical personnel.
- A participatory approach, focusing on accountability: the conceptual centerpiece of the demand-oriented approach. This will be perceived as an active process in which initiative is taken by the general public, using resources and procedures (institutions and mechanisms) over which the public can exercise effective control. The process will require target

communities to become involved in projects, and to play a meaningful role in the financing of current and capital outlays.

- The outsourcing and partnership strategy: the implementation of the PLP will emphasize this approach, which highlights the roles played by the primary beneficiaries, decentralized government agencies, decentralized local governments, as well as those *in situ* executing agencies that have demonstrated *inter alia* managerial capacities (whether technical or with respect to mobilization) (NGOs, grassroots community organizations, enterprises, etc.). A mechanism based on institutional arrangements (memorandums of understanding, subcontracting, etc.) will help to manage the partnership between the central government, intermediate organizations, and the general public. In this strategy, the central government will serve to coordinate, facilitate, promote, and supervise the execution of investment projects.
- The introduction of a strategic coordination framework at the national and local levels ensuring greater accountability for executing agencies in the performance of their operational activities.
- The targeting of vulnerable areas with a view to developing micro-projects designed to complement sectoral investment programs and their implementation in the form of groups of actions aimed at achieving social change and improved living standards for the general public.
- Effective management of the strategy will require the introduction of a program to **strengthen the institutional capacities of all participants in the process**. The quality of government actions will be instrumental in ensuring success. This will necessitate the implementation of the program of good governance.

III. POLICIES TO PROMOTE GROWTH AND REDUCE POVERTY

1. Macroeconomic and sectoral policies

On the budgetary front, Senegal, in consultation with the West African Economic and Monetary Union (WAEMU) countries, will introduce a series of ambitious reforms to improve revenue generation and ensure strict management of public spending, reforms that will be based on better resource allocation designed to maintain a positive basic fiscal balance through the year 2002. In this regard, the basic budget surplus, which stood at 1.7 percent of GDP in 1999, should in fact remain stable on average over the years 2000 and 2001, taking into account the introduction of the Common External Tariff.

In view of the problems encountered regarding the utilization of appropriations (in certain sectors in particular) the Government intends – on the basis of the conclusions of the public expenditure review – to introduce a budgeting-by-objectives system to be tested in the Health and Education Ministries. The State will improve the correlation between programming and budgeting so that it can establish a link between its investment and operating budgets, thereby

improving the effectiveness of public expenditure. It will also continue allocating additional resources to the social sectors, while improving programming and execution of public expenditure in these sectors.

Health Ministry budget expenditures will continue to grow, the aim being to ensure that the 9 percent share of annual budgetary expenditures standard is reached in 2002, as recommended by WHO. Increased funding for the national primary education system will help to raise school enrollment rates.

On the monetary front, the Central Bank will continue to pursue a prudent policy compatible with growth and inflation objectives and with improving the external position of Senegal in particular and of WAEMU in general. The monetary authorities will seek to protect the value of the common currency so as, on the one hand, to lend credibility to the current exchange rate regime in an international environment marked by globalization, and on the other to buttress the anchor of the CFA franc to the euro. Monetary policy will also encourage greater financial integration among the WAEMU countries. In addition, as the result of sound fiscal policies and the improved environment for private investment, the banks are expected to increase financing for productive investment, especially in the industry and services sectors, and to support the efforts of businesses to reorganize and adapt themselves to the accelerating pace of foreign trade liberalization.

The Government will implement appropriate **structural and sectoral policies** in order to place the economy solidly on the path to strong and sustainable growth so that it will be able to successfully meet the pressure of social demands. In the process, the authorities will continue with reforms already launched in the areas of regulatory and legal framework, transportation, energy, and mining policies as well as agriculture, livestock, and fishery policies.

Regarding the agriculture sector where the majority of poor are found, the Government's development policy seeks to ensure the competitiveness of agricultural output, and includes an anti-poverty dimension that will involve rural people in various economic and social infrastructure projects. The objectives of this policy include: (i) achieving an annual growth rate of at least 4 percent in the sector; (ii) enhancing food security through more diversified and competitive local production; (iii) creating jobs and generating high enough incomes sufficient to mitigate rural poverty efficaciously; and (iv) protecting the environment.

These objectives will be achieved by improving rural infrastructure and making micro-credit available to small producers.

2. Poverty reduction programs

The Government will continue to foster improvements in vital social sectors, in particular education and health. Efforts to improve the status of women and to combat poverty will also be reinforced.

Significant progress has already been made in the **field of education**. Efforts must continue, however, if the Government's priority objectives for this sector are to be achieved. These objectives include: raising the primary education enrollment rate to 70 percent in the year 2000 and to 75 percent in 2001; improving the enrollment rate for girls; and upgrading the quality of the education system at all levels.

Successful implementation of the Ten-Year Education and Training Program (PDEF) is a priority within the goal of universal school enrollment by 2008. In addition, better management of student flows, creating a better fit between technical and vocational teaching and local needs, and better allocation of public resources will help to increase the effectiveness of the education system. The private sector will be called on to help meet the existing heavy demand, with the authorities reinforcing the efforts to this end incorporated in the Higher Education Improvement Project (PAES). Meeting the goal of universal enrollment by the year 2008 (a gross enrollment rate of 95 percent) will mean placing particular emphasis on enrolling girls and on eradicating illiteracy, especially among women, in the context of the Ten-Year Education and Training Program.

As part of the national policy on literacy training, basic education, and the use of national languages, the literacy rate will be raised to more than 50 percent by the year 2000. Women, who constitute the great majority of illiterates, will be the target of special attention, particularly in rural areas. Development partners will be asked to contribute to these efforts. The literacy training process will be monitored closely to ensure its sustainability.

Where **health policy and social action** are concerned, the activities provided for in the National Health Development Plan (PNDS), which covers the period 1998-2007, are intended to improve the national health situation. The Plan is centered around a series of strategic guidelines that have been translated into priorities within the five-year (1998-2002) Integrated Health Development Program (PDIS) adopted in 1997.

Efforts to ensure greater equity in the provision of health care (by 2007, the National Health Development Plan horizon) will mean: wider availability of essential drugs; greater access to health services (compliance with health care facility standards: per capita ratio of health care facilities); improved care (guarantee of a minimum services package and enhanced technical standards: primary care, prenatal care, vaccination coverage, emergency obstetrical care, emergency surgery, STD/AIDS prevention); monitoring of endemic diseases and epidemiological surveillance; compliance with staffing standards (number of personnel per health care facility).

The priority objectives of this Plan are currently being pursued through the Integrated Health Development Program (PDIS 1998-2002).

Successful implementation of PDIS will lead to a sounder health environment with reduced instances of infant and maternal mortality, lower fertility rates thanks to greater efforts in family planning, and a more solid financial basis for the public health system. Hospital reform will also continue at an accelerated pace and the Government will continue to work toward the short-term goal of allocating 9 percent of annual budgetary expenditures to health, as recommended by

WHO. This will make quality health service more available to vulnerable groups. The number of individuals per health center and per health post should be 150,000 and 10,000, respectively in the year 2000, compared with 158,000 and 11,000 respectively in 1997.

In the area of gender and development, successful execution of the National Action Plan for Women (PANAF) will be vigorously pursued. This Plan will help to improve the economic status of women. As part of this, domestic tasks, particularly in rural areas, will be alleviated by making proper equipment available, and women's organizational and entrepreneurial capacities will be strengthened.

Concerning the environment, the Government will pursue its sustainable development strategy by using the participatory method, which seeks to empower local groups in the management of natural resources. In the context of the National Environmental Action Plan (PNAE) now under way, all projects or programs are formulated by government departments or agencies in accordance with the National Environmental Management Program (PNGE), which summarizes priority actions identified in key sectors. The Environmental Code will serve as the frame of reference for the obligatory environmental impact studies that must be carried out in connection with any project involving land development, civil works, infrastructure, or industrial and agricultural installations that pose environmental risks. In addition, special attention will be paid to preserving human habitats, in particular coastal areas and wetlands, in the face of climate change and the need to fight pollution.

On the employment front, the Government, in 1997, in coordination with labor and management groups and civil society, formulated a National Employment Policy (PNE), which sets a long-term goal of achieving full employment. Over the short and medium terms, the intent is to reduce unemployment, underemployment, and poverty by working toward the following three objectives:

- Reducing unemployment in urban areas;
The participatory approach will be adopted to develop a concerted program of action to promote income-generating activities.
- Developing local employment and slowing rural exodus;
- Developing employment opportunities for a rapidly changing labor force.

In addition to these initiatives, many other steps are being taken to create jobs. In the all-important agriculture sector, for instance, these include the National Rural Infrastructure Program (PNIR), the Integrated Water and Soil Management Program (PGIES), and the Small Irrigation Development Program (PDPI).

While regional devolution will allow for better distribution of decision-making responsibilities, it will still be important to ensure that tasks are well defined so that responsibilities can be efficiently allocated between the central and local levels. At the present time, nine areas of responsibility have been transferred from the central-government to the local-government level. The current assessment of decentralization points to a lack of material, financial, and human resources at the local level for formulating and executing planning instruments (PRDI, PICs, PLDs). With only three years to go before the next regional elections, no Integrated Regional

Development Plan (PRDI) is yet in operation. In part, this reflects the delay in creating the Regional Development Agency (ARD), which was established only on May 5, 1998. Responsible for promoting regional and local development, this entity will be the key player in preparing the PRDIs, Community Investment Plans (PICs), and Local Development Plans (PLDs). The ARD will strengthen project formulation and management capacities.

In rural areas, the Government will continue its efforts to:

- Provide access to drinking water, with the goal of 35 liters/day/capita by the year 2010, thanks to a program of drilling wells for villages of more than 1000 inhabitants that are not served by conventional water supply systems. In urban and peri-urban areas, the emphasis will be on providing public standpipes and sewer systems.
- Extend rural electrification to a coverage rate of 15 percent in the year 2000, and continue with the present rural telephone service program to equip municipal district seats and villages of more than 2000 inhabitants with at least one telephone line in the year 2000 so that every Senegalese is within five kilometers of a telephone.
- Develop rural roads as part of the strategy supported by the Transportation Sector Program (PST) and the National Rural Infrastructure Program (PNIR) so as to facilitate trade and communication in rural areas.

IV. SCHEDULE FOR PREPARATION OF POVERTY REDUCTION STRATEGY

The Government will hold broad consultations with all the parties concerned in order to prepare the final version of the poverty reduction strategy paper. The strategy paper will be available in December 2001, following its adoption by the Government.

The summary timetable for preparation of the strategy will be as follows:

<i>April-July 2000</i>	<i>Implement budgeting-by-objectives at pilot ministries (June 2000: begin budget conferences for the Health and Education Ministries);</i>
<i>May-November 2000</i>	<i>Launch the profile updates and poverty indicator studies (June 2000: launch surveys);</i>
<i>December 2000-January 2001</i>	<i>Prepare first version of the working document on the poverty reduction strategy;</i>
<i>February-June 2001</i>	<i>Technical meetings to prepare a second version of the working document on the poverty reduction strategy;</i>
<i>July-December 2001s</i>	<i>Hold national consultations on the strategy (July: focus groups (including the private sector, press, unions, women's groups, NGOs, and local representatives); August: synthesis from the commissions; September-October: Government examines report; November: complete and adopt final report; December 2001: send document to World Bank and IMF).</i>

The Government plans to adopt the following three measures:

1. Implement the WAEMU Common External Tariff in full, while avoiding any additional distortions in the trading system that might arise from relying too heavily on the protection mechanisms provided under the WAEMU/CET.
2. Increase the gross school enrollment rate at the elementary level and the enrollment rate for girls, to achieve 70% in 2000 (compared to 65.5% in 1999) and 60% (compared to 55.5% in 1999), respectively.
3. Increase employment opportunities for vulnerable groups, in particular women and young people, by making credit more available for local projects and for businesses that employ these groups.

Senegal: Summary and Timetable of Policy Objectives and Actions

Objective 1: Reduce Poverty Incidence and Malnutrition Among Children Under 5

	Reference	2000	2003	2010
Outcome indicators				
Poverty incidence % (1995)	57.9	57	48	30
Urban % (1995)	30	28.5	24	15
Rural % (1995)	79.5	76	64	40
Proportion of income accruing to the poorest 20%	n.a.	n.a.	n.a.	n.a.
Stunting rate among children under 5 % (1996)	23	22	17	5
Underweight among children under 5 % (1996)	22	21	16	5
Wasting rate among children under 5 % (1996)	20	19	16	5
Performance indicators				
GNP per capita US\$ (1999)	610	610	709.5	1128.6
Public Investment as % of GDP (1999)	8.2	8.5	10	10
Real GDP growth rate (1999)	5.1	6.5	7.5	9
Investment rate (1999)	18.8	21	25	30
Policy actions	<ul style="list-style-type: none"> • Increase the absorptive capacity for external assistance and domestic resources; • Intensify coordinated measures to help the most disadvantaged social groups; • Emphasize the implementation of labor-intensive projects; • Design and implement a poverty monitoring and assessment system. 			
Budgetary implications				

Objective 2 : Raise Literacy and Educational Attainments

	Reference	2000	2003	2008
Outcome indicators				
Illiteracy rate % (1999)	51.8	48.6	45.8	29.4
Male (1999)	41.4	38.9	36.6	23.5
Female (1999)	62.2	58.3	55.0	35.3
Performance indicators				
Gross enrollment rate (all) %	65.5	68.6	78.0	93.7
Ratio girls/boys in primary education (1999)	0.79	0.82	0.88	0.97
Gross enrollment rate (girls) %	58.1	60.1	66	75
Policy actions	<ul style="list-style-type: none"> • Implement a cost recovery policy for post-primary education levels; • Implement an extensive classroom construction program, and move to a contract-based hiring system for teachers at all levels; • Strengthen literacy programs; • Encourage private sector involvement in the education sector; • Implement a vocational training program with a focus on apprenticeship and the integration of young people into the labor market; • Optimize the allocation of resources among the different levels of education. 			
Share of education in the general budget %	33	33	33	33
Share of basic education in the education sector budget %	39.98	40.99	44.16	50

Objective 3 : Lower Infant, Child and Maternal Mortality Rates

	Reference	2000	2003	2008
Outcome indicators				
Infant Mortality rate (per 1,000) (1997)	68	65	58	48
Under 5 mortality rate (per 1,000) (1999)	139	132	113	98
Maternal mortality rate (per 100,000) (1992/93)	510	480	410	320
Performance indicators				
Immunization coverage % (1999)	45.1	50	65	90
Percentage of births attended by medically-trained personnel (1999)	45	49	62	82
Pre-natal care coverage	67.3	69	75	82
		2000		2010
Access to safe water				
Urban %		90		95
Rural %		43		95
Access to urban sanitation %		37		n.a.
Water bacteriological quality (% of samples which conform to safety standard)		93.5		96
Policy actions	<ul style="list-style-type: none"> • Strengthen ongoing programs (AIDS program, endemic disease control program, reproductive health program); • Finalize hospital reform; • Improve access to health care for underserved and vulnerable groups; • Strengthen health infrastructure programs; • Promote alternative sources of financing for the health sector (mutual health insurance organizations, private health insurance companies); • Speed up the implementation of the Long-Term Water Project for the region of Dakar; • Monitor ongoing projects to increase water production capacity to 425,000 cubic meters per day; • Continue to build new wells and carry out the national borehole interconnection program; 			

<p>Policy actions</p>	<ul style="list-style-type: none"> • Implement reform of the motorized borehole management system; • Implement the program for building 10,000 sewer connections for Dakar, Saint-Louis, Louga and Kaolack; • Finish the drainage program for the cities of Rufisque and Saint-Louis; • Prepare sewerage master plans for all cities in Senegal, in close coordination with local authorities.
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Objective 4: Sustainable Development

	1995	2000	2001	2002	2003	2004	2010
<p>Outcome indicators</p>							
<p>Policy actions</p>	<ul style="list-style-type: none"> • Implement the National Environmental Action Plan (NEAP); • Conduct environmental impact studies for all large investment projects; • Strengthen local-level capacity to manage the environment and natural resources. 						