The Opportunities of the Global Crisis for Social Policy Enhancement in Senegal

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  - diminution of wages and salaries,
  - workers move from the formal to the informal sector
Senegalese context

- Internal crisis: ailing public finance
  - Non-targeted subsidies to limit the impact of food and fuel prices surge (total cost 2005-2008: 7% of GDP)
  - Accumulation of payment arrears towards the public sector (225 billions Francs CFA)
  - Extra-budgetary expenses (5% of GDP in 2008)

- Limited GDP growth rate and Poverty still pervasive
  - In 2008, GDP growth rate limited to 2.5 (demographic growth rate: 2.4) and for 2009, the GDP growth is estimated at 3.0
  - 2002-PRSP indicates an elasticity of poverty incidence of -1.38: one point of GDP growth brings about 1.38 point of poverty reduction.
  - 2006 survey shows that 44 percent of interviewed head of households had the feeling that poverty has increased over the last five years.
How the global crisis is spreading in Senegal? (1)

- A reduction of remittances from migrant workers.
  - Remittances flowing through official channels amount to 460 billions Francs CFA (10 percent GDP), and about 12% of households benefit from such transfers,

- Tourism activities ans associated currency entries are affected by the crisis: 15% decrease the post "Hotels, bars, and resto" (Service Turnover Index) in January 2009 (January 2008).

- Delay or cancellation of FDI projects: FDI share in GDP was expected to jump from 0.5 to 5% between 2005 and 2010 (IMF, 2008). However some large investment projects are being delayed or cancelled due to the crisis (e.g. mining project with Arcelor-Mittal).
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- Remittances flowing through official channels amount to 460 billions Francs CFA (10 percent GDP), and about 12% of households benefit from such transfers,
- Recent microeconomic study show that transfers contribute to reducing poverty incidence (-31%), and deepness (-6%).

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The MoF forecasted a moderate impact on Senegalese exports (a reduction of only 0.8 to 0.9%). However, in January 2009 exports declined by 13% compared to January 2008.

Reduction in aid flows because of donors’ own budgetary constraints.

Tightened fiscal space: fiscal revenues have been below expectations since early 2009 (MEF/DPEE, 2009)
Globally the Senegalese government has limited possibilities of actions due to important constraints:

- As a member of the WAEMU, it cannot resort to monetary policy,
- Limited fiscal space,
- Limited institutional capacities to undertake reforms and implement them completely.
The Senegalese government has hardly started the reflection on how to cope with the global crisis. The short run priority is to improve the public finance situation. No specific measures targeting the impact of the global crisis are undertaken. The only existing strategies are guided by the PRSP, the Accelerated Growth Strategy (SCA), and the Emergency Social Programme (PSU).
Some ideas flagged by donors and partners

- A coalition of donors led by UNICEF is trying to convince the government to launch a cash transfer programme,
- World Bank is also launching a conditional cash transfer programme based on a former nutrition project,
- WFP is planning to launch a pilot food voucher project in Pikine (Dakar suburb)
Re-thinking the social protection policy

- Many fragmented initiatives,
- The global crisis could be a trigger element for the government to rationalize the social protection sector,
- Long-term efforts to develop consistent and financially viable social protection system,
- Fiscal reform for better targeting emergency measures
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