Abstract

This paper provides a critical analysis of the social policies considered and implemented by the Senegalese government in response to the global financial and economic crisis. The crisis occurs in the country at a period when the economy was seriously ailing following the recent surge in foods and fuel prices. The analysis shows that the country should undertake structural reforms to reduce its vulnerability to external shocks. Also, it needs to do more on social protection policies to mitigate the social impact of the crisis and minimize cutbacks in investments in human capital critical to long-term growth and social stability.
1. **Introduction**

Like many developing countries, Senegal is currently affected by the global financial and economic crisis. This occurs in a critical context for the country. The domestic economy was seriously ailing following the surge in staple foods and fuel prices in 2006-2008. In an attempt to mitigate the impact of these increases in the fuel and food prices, the Senegalese government undertook policy measures, especially untargeted subsidies, which have seriously affected its fiscal position. It resulted in a public finance crisis that left the government with limited fiscal space for implementing counter-cyclical policies in response to the global economic crisis. Conversely, the government strategy did not prove to be efficient in protecting the most vulnerable. In spite of recent dropping, prices of commodities still remain high adding a burden on households’ budgets. In addition, the country lacks coherent and ready-to-use social protection or social safety net program that could be scaled up to mitigate the impact of the crisis.

The global economic crisis has direct impacts on African economies through a contraction of international trade, reduced exports (both in volume and value), reduced foreign direct investments (FDIs) and decreasing remittances from migrant workers. At a second-step, the crisis also affects the labour market following a reduction in the aggregate demand. This will translate into a reduction of the labour demand and a diminution of wages and salaries. It will result in a move of workers from the formal to the informal market; as well as a deterioration of governments’ fiscal strength and debt sustainability (World Bank 2008b, 2008c, 2009; IMF 2009a, 2009b). In contrast, the financial crisis has little impact on African economies, particularly on Franc CFA countries zone, because of their low integration on global financial markets.

Beyond the macroeconomic effects, the crisis trickles down to households through various channels, namely the labour market and remittances. A contraction of the labour demand and a reduction of the received remittances expose households to more poverty and vulnerability. (World Bank 2008b; IDS 2009: Issue 7.2). As a result of that and in the absence of sound public policies, households may adopt coping and mitigating strategies – such as selling productive assets, pulling (female) children out of school, or reducing health service and food consumption – that could jeopardise their future capacities earning and bring pernicious long-term consequences (World Bank 2008b, 2009). Further complications may also arise if governments lack institutional capacity and fiscal resources for cushioning the impacts of the crisis (World Bank 2008a). Also, the crisis has a potential social and political ‘dark side’ with the diminution of the extended family solidarity, the weakening of the relationships between migrant workers and their relatives, and the reduction of the population’s confidence in their government.

On various proposals that developing countries should undertake to respond to the crisis in the short run and to strengthen their resilience in the longer term, social policy is deemed as critically important. The aim is to address the social impact of the crisis and protect investments in human capital to ensure early recovery and long-term growth.

---

1 A simulation model used by the Institute of Development Studies (IDS) from the University of Sussex, focusing only on changes in commodity trade and prices (and ignoring impacts that work through other channels), estimates that a decline of five per cent in gross domestic product (GDP) of the high-income countries would reduce their demand for goods and services from all regions, contract the value of world trade by 5.6 per cent, and cause exports from all developing countries to fall by about US$71 billion (IDS 2009: Issue 7.7).

2 See also IDS (2009) for a synthesis of a series of case studies on the crisis in low-income countries.

3 Senegal is a member of the West African Economic and Monetary Union (WAEMU), currency depreciation is not a significant financial risk.
This paper provides a critical analysis of the social policies considered and implemented by the government to respond to the crisis. It also explores how the Senegalese government could seize the opportunity of the global crisis to adapt and scale up social protection programmes that have been on the agenda for long. The paper builds on the exploitation of policy documents as well as interviews with the representatives of some 25 institutions (both from the government and donors/civil society), performed by the authors in Dakar in March-April 2009.

The rest of the paper is structured as follows. Section 2 depicts the main channels of transmission of the global crisis, as well as expected impacts in Senegal. Section 3 critically analyses the existing policy framework in Senegal, in particular the social protection measures that have been experimented in the country and/or are promoted by donors. Section 4 suggests what opportunities the global crisis could bring in induce the government in taking long-lasting measures for increasing social protection, and Section 5 concludes.

2. Impacts of the global crisis in Senegal: Context and Transmission channels

2.1. Context

Senegal has a population slightly above 11 million inhabitants and was ranked 153rd in terms of Human Development Index in 2006, with a GDP per capita of 1,592 USD PPP (UNDP). At the time of leading interviews for the present case study (March-April 2009), the national authorities and local population were less concerned by the global (“external”) crisis than by the “internal”, public finance one that emerged in 2006. Indeed, when the global economic crisis spread late 2008, the Senegalese economy was quite fragile because of a double shock. First, the increase in world prices for food and fuel during 2006-2008 raised import costs. Second, partially because the government responded to the food and fuel crises by subsidizing a series of products in a non-targeted manner, it faced more and more difficulties in honouring its debt vis-à-vis local furnishers and it accumulated considerable payment arrears towards the private sector, unable to sustain its activities. According to IMF estimates, arrears would have culminated at 225 billion CFA francs (some 342 million Euros) in October 2008, plus some 74 billion CFA francs (113 million Euros) of extra-budgetary expenses (FMI 2008). These major budgetary slippages, equivalent to 5% of GDP in 2008, implied a harsh deterioration of payment possibilities by the public Treasury, together with negative impacts on the economic activity as the private sector could not refinance its activities. They also reduced the government’s ability to implement countercyclical measures.

Even if these two major problems have been solved in 2009, the macroeconomic situation in Senegal has deteriorated for two years. Despite a performing primary sector, growth has been limited to 2.5% in 2008 (FMI 2009) and is estimated at 3% in 2009 (IMF, 2009c). The explanations for such a low growth rate are rather to be found in the “internal” crisis. As for poverty, despite some progress over the past years, a large part of the Senegalese population – particularly in rural areas – still stands below poverty lines. A study underlying the preparation of the Poverty Reduction Strategy Paper (PRSP) shows that in 2002, the elasticity of poverty incidence was -1.38, which means that one point of per

---

4 The cost of temporary subventions is mostly attributable to fuel subsidies, which cost about 300 billion CFA francs (some 457 million Euros) over two years. The total cost of fuel and food subsidies over the period 2006-2008 is estimated at 7% of GDP. The government decided to suppress these subventions mid-2009, so as to decrease budgetary pressures.

5 Extra-budgetary expenses are commonly used by the Senegalese government in order to relax the constraints imposed by the international community. These are often unbudgeted expenditure contracted by public agencies such as hospitals and universities benefiting from some degree of autonomy. Such a practice has been generalised in the past years in relation with huge infrastructure projects contracted in the capital city. An audit of the extra-budgetary expenditure accumulated by the State has been initiated in 2009.
Social and Political Dimensions of the Global Crisis: Implications for Developing Countries

capita growth should bring about a 1.38 point reduction in poverty. Yet, high growth rates recorded in the last decade have not translated into expected reduction in poverty and a survey performed in 2006 shows that 44% of interviewed heads of the family had the feeling that poverty had increased over the five last years (MEF/ANSD 2007). With an estimated growth rate of 2.5% in 2008 – which is hardly above the demographic growth rate of 2.4% – last year has been “lost” for poverty reduction.6 Nevertheless, medium term macroeconomic perspectives are not that bad; the IMF expects a growth rate of 5.5% over the period 2009-2013, mainly concentrated in the construction, telecommunications and transport sectors (FMI 2008, 2009).7

2.2. Transmission channels

As for the impacts of the global crisis over the Senegalese economy, analyses suggest that the direct effects from the financial crisis over the banking and financial system are globally weak. This is notably due to protection measures prevailing in the WAEMU, weak exposure of local banks on international markets, and independency of subsidiaries established in Senegal, which have their own capital (MEF/CEPOD 2009; FMI 2008).

By contrast, West African economies, among which Senegal, have rapidly suffered from the global economic crisis. It is difficult to isolate the specific impacts due to the global crisis and those due to the internal public finance crisis, and the inexistence quantitative assessment of the impacts of the crises is still available. Nevertheless, even if specific data on the “current” global crisis is lacking, it is important for the government to monitor the evolution of the situation and inspire from the lessons from other crises. Indeed, experience from past financial crises, notably in Asia, shows that they have increased poverty, sometimes very much (World Bank 2008a; IDS 2009, Issue 7.2) and that the main transmission channels of crises on poverty are unemployment, inflation, reduction in public expenditure, and GDP contraction (Baldacci et al. 2002, quoted in IDS 2009). Besides, distributional impacts of crises are highly unequal, and revenue inequalities tend to rise during crises, raising pressure on poverty (Ravallion 2008). According to a recent study by the OECD (2009b), experience suggests that the current economic crisis will lead to rising poverty levels in poor countries, as they lack the means to provide comprehensive safety nets. The share of informal employment also tends to increase during economic turmoil: job losses in the formal sector should lead to a surge in informal employment, depressing wages and incomes as the majority of the poor depend exclusively on labour for their survival.

So far, the main transmission channels by which the global crisis is spreading in Senegal, as well as its expected effects on the real economy, have been identified as follows (FMI 2008, 2009; MEF/CEPOD 2009):

- A reduction in remittances from migrant workers due to the economic slowdown in Europe and America would be particularly harsh for the economy and poor households. Remittances flowing through official channels amounted to some 460 billion CFA francs (700 million Euros), that is, about 10% of GDP.8 Some 11.5% of households benefit from such transfers. A recent microeconomic study shows that they significantly contribute to increase per capita expenditure (mean of +60%), especially in Dakar (+95%) and in other cities (+63%), but on the contrary they

---

6 Unless growth has been concentrated on the poorest – but this is not the case.
7 In 2007, the GDP composition was the following: 12% for the primary sector, 21% for the secondary sector, 47% for the tertiary sector, and 20% for public administration. In the past years, the tertiary and the construction sectors have driven economic growth, while traditional sectors (peanuts and fishing) have regressed (source: DPEE).
8 Remittances figures vary from source to source. Official figures from the Central Bank do not take account of informal channels of transmission, which could considerably increase their total value.
weakly impact on expenditure in rural areas (+6%). Transfers also have a strong positive impact on reducing poverty incidence (-31%) and deepness (-6%) – but, by contrast, they tend to increase poverty severity (+41%) because they deepen revenue gaps between the poor and the less poor, the latter benefiting most from transfers (MEF/DPEE 2008). Considering that remittances are mostly used for current consumption needs and compose an important element of the fight against poverty (PNUD 2008), a decrease in remittances from migrant workers is likely to have a direct impact on household consumption, and therefore reduce the internal demand. Moreover, as a part of transfers is used for investments – especially in real-estate – a reduction in remittances could also negatively impact the economic activity, especially through the construction sector. The evolution of the Service Turnover Index in January 2009 already showed a decrease of nearly 30% in the “real estate” post, compared to the previous year (MEF/DPEE 2009). As another example, as they account for 10% of GDP, a 20% reduction in remittances would entail a 2% drop in GDP. Besides, remittances partially compensate for the structural deficit of the Senegalese balance of payments, and their reduction could have negative consequences at this respect. However, according to early estimates by the Central Bank of Western African States (BCEAO), no diminution has been recorded in 2008 – on the contrary, transfers have still risen that year.

- Tourism activities and associated currency entries are very likely to suffer from the crisis, which jeopardizes economic and formal employment perspectives. The evolution of the Service Turnover Index already showed that in January 2009, the post “hotels, bars and restaurants” faced a decrease of nearly 15% compared to January 2008.

- Delay or cancellation of FDI projects as well as a decrease in financial flows (delay in current projects and drying up of fresh capital sources) could also harm economic and employment prospects. Before the crisis, FDI share in GDP was expected to jump from 0.5 to 5% between 2005 and 2010 (FMI 2008). Yet, some forecasts estimate that FDIs in Senegal might be reduced by 50%. No reliable data is available yet, but large investment projects realised in the framework of public-private partnerships (PPP) (e.g. new airport, toll expressway, extension of container port) should be maintained, but could be delayed if financing conditions and global demand keep unfavourable. A mining project with Arcelor-Mittal seems to be under cancellation process. Note also that some studies envisage a possible increase of FDIs from China to Africa following the crisis (IDS 2009).

- As for Senegalese exports, the Ministry of Economy and Finance (MEF) forecasted that the impact of the crisis should be moderate as their primary destination is Western Africa (accounting for over 50% of exports) with basic products; Europe accounts for only 25% of exports (10% for France) and Asia for 15 to 17.5%. On that base, MEF estimated the reduction of exports to only 0.8 to 0.9% (BCEAO 2009; MEF/CEPOD 2009). However, foreign exchanges have already declined by 13.3% in January 2009 for exports, and by 9.7% for imports, compared to January 2008 (MEF/DPEE 2009).

- A reduction in aid flows – which also represent about 10% of GDP – because of donors’ own budgetary constraints is not likely in the short term, because current programmes are going on and at the global level, ODA trends are rising. However, Senegal might be disadvantaged in

---

9 That means that one third of households that benefit from remittances would pass under poverty line if they did not.

10 In 2008, total net official development assistance (ODA) from members of the OECD’s Development Assistance Committee (DAC) rose by 10.2% in real terms to USD 119.8 billion. This is the highest dollar figure ever recorded. This represents 0.30% of members’ combined gross national income. Some further increases in aid can be expected. A new survey of donors’ forward spending plans suggests an 11% increase in programmed aid between 2008 and 2010, including larger disbursements by some multilateral agencies (OECD 2009a).
future repartition of aid, all the more since governance has been questioned following budgetary slippages in 2008.\footnote{Following the discovery of budgetary slippages and misreporting mid-2008, some donors providing budget support have suspended their financing until the normalisation of relationships with IMF in December.}

- Finally, domestic resources endure repercussions from the internal crisis. Budgetary receipts have been below expectations since early 2009 (MEF/DPEE 2009). Combined to the tightened fiscal space due to arrear payment, further budget constraints are foreseeable and likely to result in a reduction of social service and infrastructure expenditure.

In sum, the expected direct impacts of the crisis on the Senegalese economy are mostly: (i) a direct impact on households affected by reduced remittances from migrants and increased joblessness; (ii) an impact of government’s fiscal position; (iii) a further reduction of the formal private sector; and (iv) broader impacts on the economy, among which reduced growth rate and correlated reduced pace in poverty reduction. Sectors most concerned by the crisis are the building industry and tourism, and populations most affected are workers from these sectors and households dependent upon remittances from migrants.

Further impacts are likely to take place in the medium term and thus possibly compromise the reaching of MDGs if no counteracting measure is taken. Principal transmission channels for second-step effects are: (i) the reduction of public resources, which may be accompanied either by deepening the deficit – and therefore increased indebtedness and future challenges – or by cutting in expenditure – and thus negative effects on social services, infrastructures, reforms and growth;\footnote{Public expenditures are an essential determinant of private investment and growth in Senegal; the endogenous growth mechanism argues in favour of fostering public investments in addition to improving business climate (MEF/ANSD 2008).} (ii) the reduction of household revenues and all associated problems in terms of poverty and possible destruction of human capital (malnutrition, reduced scholarship, reduced resort to health services, etc.); (iii) labour market effects such as increased worker precariousness, higher unemployment, contraction of the formal/decent labour market, together with increased vulnerability.

Finally, the global crisis could exacerbate domestic socio-political tensions in the form of reduced trust of the population vis-à-vis the authorities (weakening of the private sector due to the accumulation of unpaid arrears by the government), reduced extended family solidarity, and/or increased social troubles\footnote{Findings from a participatory study in poor communities in five countries (Bangladesh, Indonesia, Kenya, Jamaica, and Zambia) led by IDS in February 2009 indicates that the effects of the global financial crisis are beginning to be felt and that stress levels have been rising in many households. There are signs of rising domestic violence, as well as incipient signs of inter-group tensions. Petty crime, drug and alcohol abuse were reportedly on the rise in some countries (IDS 2009: Issue 7.3).} and migrations\footnote{To this respect, another hypothesis would rather be that migrations might decrease because of difficulties to find a job in Europe – but still, no data can confirm or infirm it.}. Here again, specific data on the “current” global crisis is lacking, but the government can inspire from the lessons and “micro” data collected from past crises, notably the food crisis in 2006-2008.\footnote{In particular, surveys by the World Food Programme (WFP) and associates in the framework of the food crisis could be helpful in understanding household reaction to crisis. PAM (2008) presents the results from a survey on food security in rural areas and confirms that many households facing the crisis responded by modifying their food consumption profile and resorting to other coping mechanisms. Another study by FAO / UNICEF / WFP (2008) shows that many households have been severely hit by price shocks in semi-urban areas as well. This has also impacted on food consumption and resort to public services. Main coping strategies have been modifying meals; taking on additional income-generating activities; obtaining more credit and to a certain extent using savings; reducing expenditure on sectors/items such as health, clothing, ceremonies, and hygiene products; and,}
3. The existing social policy framework in Senegal

Confronting the crisis, national authorities face many challenges for sustaining growth and poverty reduction efforts without jeopardizing macroeconomic stability, structural reforms and fiscal sustainability. They also have a critical role to play to develop appropriated policies for protecting vulnerable households from negative impacts of the crisis through programmes that create jobs, ensure the delivery of core services, and provide safety nets. Based on experience from past crises, the International Financial Institutions (IFIs) have identified a series of monetary and fiscal policy measures that can help governments from developing countries in limiting the negative effects of the crisis (e.g. World Bank 2008b, 2009; IMF 2009b). However, these prescriptions are not necessarily adapted to country contexts (ActionAid/BIC/EURODAD 2008), while local ownership of policy measures is a crucial determinant of their success; on the other hand, the capacity of governments to cope with the impacts of the crisis depends on both fiscal capacity to incur an increased fiscal deficit as well as institutional capacity to implement programs aimed at mitigating the poverty impact of the crisis (World Bank 2008c). The government of Senegal has limited possibilities of action due to important constraints. As it is member of the WAEMU and as the CFA franc is linked to Euro, it cannot resort to monetary policy. Moreover, it has a limited fiscal space for implementing countercyclical policies, so that it is crucial to target policy measures and to receive support from donors (IMF 2009b). Moreover, the institutional capacities of the Senegalese administration are judged to be medium (World Bank 2008c) – at least for policy design, but many development partners deplore that implementation capacities are lacking, so that reforms and measure are often not sustained to the end – and the statistical apparatus is not precise enough to allow good targeting of the most in need. Besides, some interviewed people also deplore the lack of systematic dialogue with other stakeholders for policymaking, which reduces policy ownership and relevance.

3.1 General Policy framework

The general policy framework in Senegal is defined in the second PRSP called Document de Stratégie pour la Croissance et la Réduction de la Pauvreté that covers the period 2006-2010. It is organised around four strategic axes:

1. Wealth creation for a pro-poor growth;
2. Speeding up of the promotion of access to basic social services;
3. Social protection, prevention and management of risks and catastrophes;
4. Good governance, decentralised and participative development.

Axe 1 is accompanied by a Strategy for Accelerated Growth (SCA) and seems to be the priority of the government. It has been voted and is managed by the office of the Prime Minister together with the MEF. It aims to bring Senegal to the rank of emergent countries by 2015 through reaching growth

---

17 Generally speaking, transfer programmes targeting the poorest often result in a bigger stimulus on aggregate demand, due to their higher propensity to consume (IMF 2009b). Subsidies on food imports tend to benefit mostly to the non-poor, so that social protection are more promising, provided they are well targeted geographically (Wodon and Zaman 2008).
18 Unfortunately, ODA tends to be pro-cyclical, that is, increase when the global situation is good, and decrease in case of downturn (Arbache and Page 2007).
rates of 7 to 8%, resting upon two pillars: (i) setting up of an international-class business environment and (ii) promotion of growth clusters with high economic and social potential. However, the SCA still has not been implemented up to its ambition, principally because of institutional problems. Axe 2 receives the largest part of donors’ resources (about 37% over the period 2005-2007) and Axe 4 has also been more and more emphasized in recent years (PNUD 2008).

As for Axe 3 – in which this paper is most interested – it rests on the National Strategy for Social Protection (SNPS) 2005-2015, but is still the less emphasized axe of the PRSP in terms of implementation; it is insufficiently fed by concrete projects and probably under-financed, in part because of institutional problems (République du Sénégal 2008). In order to reach the SNPS objectives, the PRSP retains four components through which measures should be implemented: (i) reform and strengthening of formal social security systems; (ii) extension of social protection; (iii) prevention and management of major risks and catastrophes; and (iv) social protection of vulnerable groups. The SNPS notably aims to improve the equity of social protection, to extend coverage of health insurance from 20 to 50% of the population over the period, and to implement a social protection regime for informal workers. However, the SNPS is not unanimously praised, notably because it insufficiently differentiates between various types of population; and despite its existence, no real priority in terms of social protection emerges. Several punctual measures have been initiated by the government, among which:

- The statutory order of Agricultural-forestry-pastoral Act (signed in 2008) makes provision that all rural Senegalese should have access to a social protection; it therefore extends to informal sector workers, but it still has not been implemented.

- The Sesame Plan, launched in 2006 upon Presidential initiative, aims to extend health care service protection to all eldest people. It is managed by a national structure with regional and local agencies. Health care structures are required to offer free services to people over 60 presenting their ID, and bills are sent to the national structure for reimbursement. User committees have been set up to check the effectiveness of the system and share information about it. Mid-2009, the programme had already benefited to some 450,000 elder people. Pereznieto and Fall (2009) reckon that if it proves to be financially viable, it could be a model for deploying a health care coverage for other vulnerable groups. However, its implementation has undergone some problems (the State would not have reimbursed some of the bills, arguing that health structures had over-charged services) and the fund has proved to be insufficient, and still has not been refuelled.

- Some health care services are free for some categories of patients, like deliveries (in five regions) and caesareans (countrywide except in Dakar). The cost is financed by State subsidies and a complementary support from some donors like UNICEF and UNFPA.

- In sum, existing health financing mechanisms cover only about 20% of the population (Pereznieto and Fall 2009).

Other formal social protection systems do exist, based on the covering of civil servants and private-sector employees against risks, especially health ones (social security, private insurances, complementary professional mutual companies), but they cover only a small part (less than 20%) of the population. As for people who are not entitled to formal protection systems, there exists a network

---

19 Agriculture and agro-industry; sea products and aquaculture; textile and garment industry; communication technologies and internet services; tourism, cultural and art craft industries.

20 Note that despite the creation of new formal mechanisms, traditional, community-based social protection systems such as “tontines” and resorting to extended family support keep on being the most accessible to the majority of the population (Pereznieto and Fall 2009).
of social protection and reinsertion centres that are supposed to support vulnerable people (disabled, elderly, widows and orphans, etc.); a Social Development Fund has been settled in order to finance small projects undertaken by target population (youth, women and elderly); and public hospitals in Dakar are supposed to provide free health care for the most in need – but these systems benefit the poorest only to a small extent. All in all, existing social protection programmes perform poorly, they are no longer adapted to the reality, and they are limited in their financial and management capacity to respond to needs (Pereznieto and Fall 2009).\(^{21}\)

Considering the delays in implementing the SNPS, several donors prompt the government to adopt rapid measures in favour of the most in need through for instance nutritional complement programmes (WFP, World Bank, …), a school meals programme targeted on high impact regions (WFP)\(^{22}\), punctual food-for-work programmes, and various initiatives for extending health care protection (mutual insurances, etc.). For instance, the International Labour Organisation (ILO) runs a programme aimed at developing a universal health insurance scheme that guarantees access to a full primary and secondary health care package (including access to generic medicines) to beneficiaries. The scheme would be managed by a national structure financed by a State fund as well as donors, which would pay the health care structures.\(^{23}\)

### 3.2 Recent reactions on the social front

Advancing that better targeting of social protection measures to the most in need is necessary, a coalition of donors (IMF and World Bank on the one hand, UNICEF on the other) is trying to convince the government to launch a cash transfer scheme in Senegal. UNICEF has initiated a consultation process on the question and, comparing the advantages and drawbacks of different options, intends to develop a pilot project for transferring cash to all children under five living in areas identified as very poor. It was calculated that an allowance of 45,600 CFA francs (about 70 Euros) per year and per under-5 child would approximately correspond to 30% of adult food poverty line. Even if this would be insufficient to eradicate child poverty, such a cash amount is judged sufficient to have a significant impact on the consumption of the poorest. Such a universal child allowance would cost 1.7% of GDP once in place in 2010, which represents less than half of the untargeted food and fuel subsidies granted by the government in 2006-2008 – and would generate, according to UNICEF, a much more effective impact on poverty reduction (UNICEF Sénégal 2009; EPRI 2009). Besides, the World Bank is also launching a conditional cash transfer programme based on a former nutrition project; and the WFP is planning to launch a pilot food vouchers project in Pikine (suburb of Dakar). These donors thus seem convinced that successful experiences led in other countries (Latin America, Eastern Africa, etc.) could be replicated in Senegal and that cash transfers are a promising, effective and efficient way of developing pro-poor reforms and building a modern social security system. However, many interviewed persons are quite doubtful about it because cash transfers do not have sufficient grounds in Senegal, they are insufficiently connected with existing systems and strategies, there is not enough local expertise and ownership, the management system risks to be very costly and

\(^{21}\) For an in-depth analysis of national social protection programmes, see Pereznieto and Fall (2009). That study scrutinises the social protection mechanisms currently available in Senegal, as well as those which implementation is considered.

\(^{22}\) School meal programmes are generally well perceived, even if they have encountered some management problems in the past (misappropriation of funds) and if the government does not invest much in them.

\(^{23}\) According to ILO estimates, the annual primary and secondary health care expenditure financed out-of-pocket in Senegal amount to about 13,5000 CFA francs (some 20 Euros) per capita. The ILO programme considers asking a contribution of 3,500 CFA francs per year and per beneficiary, the rest being financed by the State. It will be tested in two regions during two years before being extended.
the population might have adverse behavioural reactions, such as substituting those transfers to other revenues.

At the time of leading the present study, the Senegalese government had hardly started the reflection on how to cope with the global crisis; the short run priority was improving the public finance situation, especially paying arrears to the private sector – which was indeed a necessary condition for boosting the domestic economy and improving confidence of the population and donors towards the government. No specific measure targeted on the impacts of the financial and economic crisis had been taken, and the medium term strategies kept being guided by the PRSP and Accelerated Growth Strategy (SCA). Indeed, the government reckons that fostering growth through the SCA remained necessary to confront the crisis because only a structured and endogenous economic basis can generate the means of living of the population, and enable the country to face exogenous shocks. A priority measure is thus increasing agricultural production to decrease food dependency and vulnerability.24

By contrast, the government had quickly responded to the rising fuel and food prices in 2006, by subsidising and/or reducing taxes on electricity, Butane gas and a series of foodstuffs (rice, wheat, milk, etc.). In 2008, it has also solicited access to the Exogenous Shocks Facility (ESF) of the IMF in order to mitigate the balance of payment impact of rising import prices.25 More interestingly, in order to coordinate the efforts to respond to the food crisis that started in 2006-2007, the government took the initiative to elaborate, through a participative process involving donors, an Emergency Social Programme (PSU). The latter rests on a poverty diagnosis consensually shared with stakeholders. It proposes, on the one hand, short term measures such as subsidies and de-taxation of foodstuff, reference stores, boosting of the food self-production through the “GOANA” (great agricultural offensive for food and abundance), strengthening of food assistance to vulnerable households, promotion of school meals, etc.; and, on the other hand, middle- and long term structural measures such as strengthening of food security and promotion of food self-sufficiency, promotion of revenue-generating activities, improvement of livelihood of vulnerable populations, etc. However, despite its technical qualities as well as in terms of participation, the PSU lacks targeting and baseline data, and it has never been financed nor implemented in a global manner. A few donors co-financed some parts of it – which were anyway part of their usual business (e.g. WFP for school meals and prevention of malnutrition) – but the initial craze aroused at its launching quickly passed by, and the PSU was soon forgotten. As for the GOANA, it is probably a priority measure of the government in terms of fight against poverty, but it is not unanimously praised and has been insufficiently implemented.26

4. The opportunities of the global crisis for expanding social protection

A major issue emanating from our case study is that while Senegal has many of the basics of a social protection system, efforts in the field are very fragmented, no priority emerges that could consist in an

24 The Senegalese economy suffers from structural problems that render it less resilient to external shocks, and put the most vulnerable at risk. In addition to a lack of infrastructure in rural areas, two major problems can be pointed: (i) the balance of payments is structurally in deficit, notably because of high dependency on food imports (rice imports amounted to 131.3 billions CFA francs, or 200 million Euros, in 2007, which accounts for nearly 6% of total import value; wheat imports amounted to 57.9 billion CFA francs, or 88 million Euros, that is 2.6% of total imports) and fuel imports (553.3 billion CFA francs or 844 million Euros in 2007, that is 24.5% of imports) (BCEAO 2009); (ii) rural networks and markets are poorly organised, which hampers local development. These problems necessitate middle- and long-term actions to be solved, which is necessary for food self-sufficiency, pro-poor growth and balanced development.

25 Early 2009, France also provided Senegal with an emergency loan of 125 million Euros to help the government in paying back part of its internal debt.

26 It is notably criticised – like the PSA – for being excessively grounded on the promotion of export cultures, at the expense of food-producing cultures which could help reduce food dependency vis-à-vis foreign countries (ENDA Tiers-Monde 2008).
Embryonic universal coverage system, and the government has difficulties in taking the leadership for managing the multitude of initiatives, implementing and sustaining consistent reforms to an end. In this section, we argue that the global crisis could be a trigger element for the government to rationalise the social protection sector, identify real priorities and taking long-lasting measures for increasing social protection.

Several points deserve attention in this respect. First, if universal social protection coverage can be a middle term objective, actions must be taken in the short run to counter the effects from the crisis; these should be consistent with the global picture and should not compromise long term sustainability. Fiscal sustainability call for better targeting emergency measures aimed at protecting the most vulnerable from crisis impacts. However, targeting is not an easy matter because the statistical apparatus is insufficient to allow identifying poor and vulnerable households; targeting thus should initially be based on geographic (poorest areas) or social (according to e.g. age or sex) variables, or on self-selecting mechanisms (e.g. food for work programmes with a very low wage attracting only poorest workers from the informal sector). Measures that are likely to have rapid impact over the most affected and vulnerable populations are the fight against malnutrition (which is chronic in Senegal) and financial access to health care.

Beyond such immediate actions, longer-term efforts should be dedicated to develop consistent social protection systems. While existing ones mostly concern formal sector employees and civil servants, it is urgent to reorient efforts towards informal sector workers and rural poor, for instance in the spirit of the Agricultural-forestry-pastoral Act. This should be accompanied by real efforts to develop rural areas through the promotion of food-producing cultures and better organising crop production networks, which would also help strengthen Senegal’s resilience to external shocks and improve its balance-of-payment position.

Third, the government should also be more pro-active to create formal and decent jobs. The OECD (2009b) indeed asserts that in the current context of global economic crisis, “immediate and unconventional action is urgently needed to prevent the likely surge in unemployment and insecure, poorly paid jobs from increasing poverty around the world. While formalization should remain the ultimate objective, a comprehensive package of actions should also promote good quality job creation in the informal sector. These measures should boost public works, micro-credit and conditional transfer programs in order to improve infrastructure, skills development, institutional reform and access to resources for informal businesses.”

In addition to these principles, the institutional setting for designing and implementing an appropriate social protection system – encompassing both emergency measures and middle-term mechanisms aimed at universal coverage – should be carefully thought. The idea of joining efforts to counter negative effects of the crisis just as for the Emergency Social Plan (PSU) conceived in 2007 could be recycled as the participative process has proved promising. Yet, strategies should be updated in the light of principles pointed above, they should be evaluated and prioritised; and clear responsibilities should be defined for their timely implementation. Sustained efforts on the part of the administration will be necessary to go beyond announcement effect and ultimately implement reforms; consistent capacity development activities should be supported in this respect.

Developing a coherent social protection system with universal ambition requires huge resources. Support from donors will probably be necessary, at least in the beginning. If the government of Senegal develops a credible system, there is no reason why donors should go on financing different programmes that do not integrate into the national system; they should therefore align their interventions on the national strategies (in the spirit of the Paris Declaration) and joint financing mechanisms will probably be needed. Provided public finance slippages are avoided and the capacities...
of administration are reinforced, an increase in budget support could also help the government in finding adequate fiscal space for scaling up social protection schemes. Another innovative way of mobilising funds for development and protection of the vulnerable could be the following. Despite they represent at least 10% of GDP, remittances from migrant workers are not “optimally” used, as they are not organised and are mostly spent for consumption and buildings – but only a very small part of it is spent for productive purposes. An interesting idea would be to create a mechanism of “centralisation” of (some percentage of) remittances and invest them either in productive projects (e.g. through credit mutual societies), and/or for the development of more universal social protection systems (e.g. through micro mutual health insurance schemes).

5. Conclusion

To conclude, while Senegal incurs a multiform crisis that reduces its ability to face the current global crisis, the latter may also be viewed as an opportunity to seize in order to implement long-lasting reforms. Besides structural reforms aimed at decreasing the economy’s – and people’s – vulnerability towards external shocks, notably in terms of food dependency, the crisis prompts the need to achieve real steps towards more universal social protection of the population. Some donors seem convinced that importing systems such as cash transfers from other parts of the world is promising. Yet, we argue that the government of Senegal ought to build on existing (embryonic) social security strategies that are more deeply rooted into local systems are with which the administration is more familiar, revise them and scale them up. In particular, an effort should be made to cover not only civil servants and employees from the formal sector, but also rural and informal workers, as is planned in the Agricultural-forestry-pastoral Act. This would require adapting the text to differentiate between categories of beneficiaries, as well as sustained efforts for implementation.

While the way ahead is long to reach universal social protection coverage, the government of Senegal faces a major constraint because of competing needs (Axe 3 of the PRSP has so far been the less promoted) and low fiscal space. Thus it is necessary to rationalise social protection strategies in order to exert all efforts into the same direction, in the spirit of the emergency Social Programme, and possibly to find alternative financing sources. If the government of Senegal proves to be able to design and implement a coherent and efficient social protection system, donors could be willing to support it, either through direct support, or through increased budget support. Besides, a system for collecting part of remittances from migrant workers could also be set up in order to co finance social protection.

27 ODA to Senegal reached some 635 million USD as annual mean in 2006-2007, that is 9.3% of GDP and about 40% of the capital budget. It is principally channelled through investment projects and technical cooperation (87.1%), while budget support, even if rising, accounts for only 12.9% of total ODA (PNUD 2008).
Social and Political Dimensions of the Global Crisis: Implications for Developing Countries

6. References

- ActionAid USA, the Bank Information Center (BIC) and the European Network on Debt and Development (EURODAD). 2008. Quick Fixes or Real Solutions? World Bank and IMF responses to the global food and fuel crises. December.


  - “What are the Likely Poverty Impacts of the Current Crises?”, Issue 7.2 by Andy Sumner and Sara Wolcott;
  - “Voices of the Poor in the Current Crises”, Issue 7.3 by Naomi Hossain;
  - “Macroeconomic Policy, Stimuli, Aid, and Budgeting: What Options?”, Issue 7.5 by Ricardo Gottschalk;
  - “China and the Global Financial Crisis: Implications for Low-income Countries”, Issue 7.6 by Sarah Cook and Jing Gu;
  - “The Impact on Developing Countries of an OECD Recession”, Issue 7.7 by Sherman Robinson and Dirk Willenbockel;
  - “From Crisis Management to Institutional Reform”, Issue 7.9 by Anna Schmidt.


See also the following websites: http://www.ansd.sn/ and http://www.dpee.sn/pages/index.php

7. **List of interviewed persons in Dakar**

- Aliou Faye and Mamadou N’Dong, Centre d’Etudes de Politiques pour le Développement (CEPOD)
- Ibrahima Wade, Comité d’Orientation et de Suivi de la Stratégie de Croissance Accélérée
- Thierno Niane, Cellule de Suivi du Programme de Lutte contre la Pauvreté (CSPLP)
- Sogué Diarisso, Direction de la Prévision et des Etudes Economiques (DPEE)
- Alioune N’Dong, MEF
- Amadou Saïdou Ba, Moustapha Cissé and Magatte Niang, APIX
- Tonia Marek and Alain D’Hoore, The World Bank
- Saidou Ba, IMF
- Philippe Thomas, Khadidjatou Tall and Khadidiatou Gassama, Delegation of the European Commission
- Ousmane Ndoye, UNDP
Social and Political Dimensions of the Global Crisis: Implications for Developing Countries

- M. Azzedine Salah, UNICEF
- Christine Bockstal and Céline Félix, STEP/ILO
- Ndeley Agbaw, Yuve Guluma et Mamadou Wane, WFP
- Marc De Feyter and Frédéric Bernard, Belgian Embassy
- Emmanuelle Roumegous and Yannick Prost, French Embassy
- Alexandra Diaby, Agence Française de Développement
- Maarten Gischler, Dutch Embassy
- Pierre Ndiaye and Amadou Diouf, BCEAO
- J. Habib Sy, Directeur, Aid Transparency