Republic of Senegal
Social Protection public expenditure review
2010-2015

Summary and key recommendations
Solène Rougeaux

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## Acronyms and Abbreviations

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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ANSD</td>
<td>National Statistical and Demographic Agency (Agence Nationale de la Statistique et de la Démographie)</td>
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<td>ARC</td>
<td>African Risk Capacity</td>
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<td>ASPIRE</td>
<td>Atlas of Social Protection – Indicators of Resilience and Equity</td>
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<tr>
<td>CEC</td>
<td>Equal Opportunity Card (Cartes d'Égalité des Chances)</td>
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<td>CFAF</td>
<td>CFA Franc</td>
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<tr>
<td>CMU</td>
<td>Universal Health Coverage (Couverture Maladie Universelle)</td>
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<td>CNAAS</td>
<td>National Agricultural Insurance Fund of Senegal (Caisse Nationale d'Assurance Agricole du Sénégal)</td>
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<td>CEC</td>
<td>Food Security Commission (Commissariat à la Sécurité Alimentaire)</td>
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<td>DGAS</td>
<td>General Directorate of Social Action (Direction Générale de l'Action Sociale)</td>
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<td>DGPSN</td>
<td>General Delegation for Social Protection and National Solidarity (Délégation Générale à la Protection Sociale et à la Solidarité Nationale)</td>
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<tr>
<td>ESPS</td>
<td>Poverty Monitoring Survey in Senegal (Enquête de Suivi de la Pauvreté au Sénégal)</td>
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<tr>
<td>FCA</td>
<td>Agricultural Catastrophe Fund (Fonds de Calamité Agricole)</td>
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<tr>
<td>FNR</td>
<td>National Retirement Fund (Fonds National de Retraite)</td>
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<tr>
<td>FSN</td>
<td>National Solidarity Fund (Fonds de Solidarité Nationale)</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IGA</td>
<td>Income-Generating Activity</td>
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<td>IPAR</td>
<td>Agricultural and Rural Forecasting Initiative (Initiative Prospective Agricole et Rurale)</td>
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<td>IPRES</td>
<td>Retirement Savings Fund of Senegal (Institut de Prévoyance de Retraite du Sénégal)</td>
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<tr>
<td>LFI</td>
<td>Initial Finance Bill (Loi de Finance Initiale)</td>
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<td>LFR</td>
<td>Amending Finance Bill (Loi de Finance Rectificative)</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MEF</td>
<td>Ministry of the Economy and Finance (Ministère de l’Économie et des Finances)</td>
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<tr>
<td>PNBSF</td>
<td>National Family Security Grants Program (Programme National de Bourses de Sécurité Familiale)</td>
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<tr>
<td>PRNIA</td>
<td>National Food Insecurity Response Program (Plan de Riposte Nationale à l’Insécurité Alimentaire)</td>
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<td>PRODES</td>
<td>Economic and Social Development Support Program (Programme de Renforcement des Dynamiques de Développement Économique et Social)</td>
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<tr>
<td>PSE</td>
<td>Emergent Senegal Plan (Plan Sénégal Émergent)</td>
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<tr>
<td>RNU</td>
<td>Single National Registry (Registre National Unique)</td>
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<tr>
<td>SE/CNSA</td>
<td>Executive Secretariat of the National Food Security Council (Secrétariat Exécutif du Conseil National à la Sécurité Alimentaire)</td>
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<tr>
<td>SNPS</td>
<td>National Social Protection Strategy (Stratégie Nationale de Protection Sociale)</td>
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<td>WPF</td>
<td>World Food Program</td>
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Summary and Key Recommendations

1. **Senegal has made the protection of vulnerable groups a strategic priority of its development since the 2000s.** The Emergent Senegal Plan (PSE) places social protection at the heart of the government’s strategy. However, despite progress made over the past decade toward achieving the Millennium Developments Goals (MDG), Senegal still scores low in terms of rates of infant and maternal mortality, nutrition, and education. Similarly, despite a significant decline in the poverty rate at the beginning of the 2000s, the rate almost stagnated after 2005 to stand at 46.7% in 2011, and extreme poverty has not declined significantly since 2001.

2. **The PSE defines social protection as “a set of measures aimed at protecting populations against the emergence of social risks.”** It brings together the public social security systems as well as private or community systems, with three objectives: assistance, insurance covering premiums, and empowerment of social categories.” This definition is consistent with that of the World Bank based in its 2012–2022 strategy, which stipulates that the “systems, policies, and programs for social protection and work promotion help individuals and societies manage risk and volatility and protect them against poverty and destitution thanks to instruments that improve resilience, equity, and opportunities.”

3. **Senegal’s social protection structure is characterized by multiple implementing actors and poorly defined sector boundaries.** It is difficult to accurately enumerate this very large number of programs. Further, the institutional organization and implementation of these programs is complex. Although a sector coordination mechanism was established in 2013, despite the efforts agreed upon in this area, the coordination has seen only limited results. The multitude of actors and the institutional plan that connects them render coordination particularly difficult.

4. **The review of expenditure in the social protection sector is therefore a priority if we are to identify the options available for increasing the effectiveness and impact of the social protection system on the most vulnerable populations.** This review covers the 2010–2015 period. It is based on the analysis of data from approximately 50 programs divided into 4 categories:¹
   - Social assistance programs
   - Shock response programs
   - Labor market access programs
   - Social insurance programs

5. **A snapshot of sector expenditure shows little change in the share of social protection expenditure in Senegal in relation to GDP or the total State budget.** In 2015, total social protection expenditure represented approximately 3.4% of the country’s GDP (see Figure 1), a rise of just 0.2 percentage points when compared with 2010. Similarly, the portion of social protection expenditure within total State expenditure changed only slightly over the period. In 2015, total social protection expenditure represented approximately 3.4% of the country’s GDP (see Figure 1), a rise of just 0.2 percentage points when compared with 2010. Similarly, the portion of social protection expenditure within total State expenditure changed only slightly over the period.

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¹ This is the author’s classification. It is based it on categories used by ASPIRE but slightly reworked to highlight current issues in Senegal’s social protection sector.
expenditure (other than social insurance) represented 4.6% of the total budget, very close to the 4.3% observed in 2010. Over the period, this percentage varied between 3.3% and 5.1%. Expenditure on programs for social assistance, shock response, and employment support continues to be half of total health expenditure and a quarter of total education expenditure.

6. As a percentage of GDP, Senegal spends more on the social protection sector than other countries in the region, however most of the expenditure is allocated to social insurance. Average social protection expenditure for countries in the region with available data stands at 2.5% of GDP, while Senegal’s total expenditure hovers above 3%. However, this difference can be largely explained by the substantial percentage of social insurance expenditure relative to total expenditure (2% of GDP, which is double the regional average).

7. The objective of this summary is to present five key conclusions emerging from the analysis that need immediate political action aimed at improving the efficiency of the system and increase its impact on the most vulnerable populations. The full report presents a detailed analysis of expenditure in the sector, coverage of benefits, and the level of efficiency of programs as well as the system itself. The five key recommendations are:
   - Recommendation 1: Improve program targeting
   - Recommendation 2: Strengthen the efficiency and effectiveness of the social protection system
   - Recommendation 3: Develop the effectiveness of shock response mechanisms to increase resilience among vulnerable and poor populations facing covariant shocks
   - Recommendation 4: Promote productive household investments to increase the productivity of the most vulnerable populations
   - Recommendation 5: Comprehensively review the retirement system to ensure its financial sustainability and equity

Note: in the regional average, the response to shocks programmes are accounted for together with the social assistance programmes.

Source: Author, compilation of collected data and World Bank, 2017, Realizing the full potential of social safety nets in Africa for regional data
Finding 1: Most social protection programs do not effectively target poor people

Most social protection resources are allocated to non-poor populations

8. Despite massive efforts to allocate additional resources to social assistance programs, these programs represent only 16% of total social protection expenditure. The portion of total social assistance expenditure (not including university scholarships) as part of total social protection expenditure rose from 10% to 16% over the period. This increase in expenditure occurred simultaneously with the establishment of nationwide social nets, particularly through the National Family Security Grants Program (PNBSF).

9. Most social protection expenditure is currently allocated to social insurance programs that benefit only 6% of the population. The five social insurance programs (two retirement funds, work accident compensation, maternity leave, and family allowances) benefited 822,591 individuals in 2015 (approximately 6.1% of the population) but represented 60% of total expenditure (Figure 1). According to ESPS II data, only 30% of retirement benefits recipients were women, and only 11% of those in the richest quartile contribute to the National Retirement Fund (FNR) or the Retirement Savings Fund of Senegal (IPRES) compared to between 0.5 and 1.5% in the other quartiles. The rest of the social protection program represented 39.5% of total expenditure and benefitted 7,267,231 people (or over 50% of the country’s population).

10. In terms of distribution, at least 50% of total social protection expenditure directly benefits the two quintiles of the country’s richest households. In fact, the university scholarships, FNR, and IPRES programs alone account for 67% of total social protection expenditure, and 73% of beneficiaries from these programs belong to the wealthiest two quintiles (or the richest 40%). Yet these figures do not include expenditure related to subsidies, which most of it also directly benefit the richest households. Geographically, these three large programs essentially benefit an urban population residing in Dakar. 67% of recipients of student scholarships reside in Dakar, and 24% live in another of the country’s urban centers. As for retirement benefits recipients, 62.4% of them live in Dakar, and 27.8% live in other urban centers (ESPS II). This is very different from the geographic distribution of poverty, which shows that close to 70% of poor people and 84% of extremely poor people lived in rural zones in 2011 (ESPS II, 2011).
11. Further, resources allocated to subsidies are higher than those for social assistance programs. While the amount spent on subsidies between 2011 and 2015 fell considerably (from CFAF 194 billion to 49 billion), this reduction does not reflect the results of a structural reform. An increase in the price of fuel in upcoming years would automatically involve a significant increase—of several tens of billions of CFAF—in electricity subsidies. This could have a negative impact on the budget available for social assistance programs. In 2015, subsidies related to agricultural equipment and inputs constituted the largest percentage of total subsidies and almost matched the amount spent by social assistance programs (excluding university scholarships). These are the only subsidies whose amounts have not decreased over the period. However, they are poorly targeted and disproportionately benefit farmers in the richest quintiles. According to recently published study by the Agricultural and Rural Forecasting Initiative (IPAR, 2015), 59.7% of farmers who are not poor receive a subsidy as opposed to 49.4% of poor farmers.

12. Senegal’s social protection programs use mainly the category-based targeting method to identify beneficiaries even though not all households in these categories are poor. Fully 50% of programs for social assistance, shock response, and labor market access make exclusive use of this methodology, and 21% use geographic and category-based targeting. In 2015, among non-contributive social protection programs (social assistance, labor market access, and shock response), only 26.3% of expenditure was based on an evaluation of poverty, consumption, or the level of food or nutritional insecurity of households. The vast majority of expenditure (73.7%) was category-based or geographically targeted (Figure 2). In fact, the level of poverty of beneficiaries was not estimated until the creation of the Single National Registry (RNU) and the National Family Security Grants Program (PNBSF), which estimates poverty to identify beneficiaries from among RNU households.

![Figure 3 - Percentage of expenditure by type of targeting in 2015 (without social insurance programs)](source: Author, based on collected data)

13. While category-based targeting is relevant for certain programs, using this method alone can result in an inequitable system. In fact, even if the poverty rate is high within certain targeted categories, they may also include households or individuals who are not poor. For example, approximately half of disabled Senegalese individuals live below the national poverty line. This also applies to elderly people (ESPS, 2011). Thus, targeting all disabled people and all elderly people means that 50% of resources are being directed toward such people but also that 50% goes to people who are not poor. These leakages are substantial and point to the need to consider living conditions (poverty, consumption, food insecurity,
etc.) in addition to disability and age. This is also true of all children under five (in both rich and poor families) receiving free care and of pregnant women (rich or poor) benefitting from free caesarians.

14. **The recent development of the Single National Registry (RNU) is a positive approach to improving the targeting of programs aimed at poor and vulnerable people.** Thanks to the recent creation of the RNU, Senegal has made a significant effort to identify its poorest households. The RNU is a database containing data on 450,000 Senegalese households, or 28% of the country’s total population. These households were pre-identified by neighborhood or village committees as being the poorest in their community. They are distributed throughout the country. Each program can apply its own criteria to RNU households in order to extract beneficiaries according to its specific objectives. For example, a program aiming to serve young children or one targeting households without access to land can search the RNU for matching households by using filters. In this way, the RNU guarantees that available resources are mobilized toward the poorest.

15. **However, the RNU is not yet being used to its full potential in Senegal.** Expenses of programs (other than social insurance programs) using the RNU as a targeting mechanism represented only 9% of total social protection expenditure in 2015. Senegal could generate substantial savings and have a greater impact on poor households, ensuring that programs targeting these households use the RNU to identify potential beneficiaries.

**Recommendation 1: Improve Program Targeting**

16. **The targeting of programs for the poor and vulnerable groups should be improved to take into account the households’ poverty level.** This would improve program effectiveness. In this context, priority should be given to the following three actions:

   a. **Action 1.1:** Redirect part of the expenditure dedicated to programs benefiting the richest populations to programs benefiting the poorest populations;
   
   b. **Action 1.2:** Use the Single National Registry (RNU) to target poor and vulnerable households;
   
   c. **Action 1.3:** Use a combination of targeting methods rather than a purely category-based approach.

   **Action 1.1: Redirect part of the expenditure dedicated to programs benefiting the richest populations to programs benefiting the poorest populations**

17. **Increasing the effectiveness of poverty-reduction efforts will require allocating more resources to programs that target the poorest populations.** This can be done in two ways: (1) redirecting part of the expenditure dedicated to programs benefiting the richest populations to programs targeting the poor, and (2) increasing the budget of programs targeting the poor. It is clear that given Senegal’s current fiscal situation, the first option should be explored before considering a budget increase.
18. Redirecting part of the expenditure dedicated to programs for the richest populations to programs for the poorest populations could be done by reducing the expenditure dedicated to these programs or by reducing some of the benefits provided by these programs. For example, the student loan program could be reformed. Today, the program’s ambitions are universal while the number of students increases every year; it should be reformed to reduce and limit the number of beneficiaries and thus allow the government to control and reduce the program’s budget. Another example would be to reduce the benefits the National Retirement Fund (FNR) provides to insured beneficiaries (the FNR currently provides an average annual pension that is twice the amount of per capita GDP and approximately 80% of the insured beneficiary's salary).

19. Redirecting some of these programs to the most vulnerable populations would also be an option. For example, 59.7% of non-poor farmers benefited from the agricultural subsidy program, compared to only 49.4% of poor farmers. The program’s implementation procedures and beneficiary targeting methods could be revised so that poor farmers would benefit more widely from the program. Another example could be to reform the subsidies to energy consumers. Even though these subsidies were low during the period studied, they will undoubtedly increase if oil prices rise. They could be reformed to benefit the poor to a greater extent.

Action 1.2: Use the Single National Registry to target poor and vulnerable households

20. For the first time, Senegal has a national tool designed to identify poor households. Using community-based targeting and a survey, the Single National Registry (RNU) makes it possible to record a set of socioeconomic variables about households that can be used when selecting program beneficiaries and to estimate household consumption using a scoring system. Programs targeting the poor and vulnerable groups should use this new resource to improve the effectiveness of social protection interventions. Some new programs have done so (such as the insurance branch of the CMU), but this has yet to become common practice. For example, given the limited resources of social assistance programs, the Equal Opportunity Cards (CEC) program should use the RNU to ensure that the disabled living in poor households receive the majority of the support, thus avoiding focusing significant resources on the disabled living in non-poor households.

21. Securing the RNU’s future means improving its quality. Thoroughly updating the RNU’s data on a regular basis is essential to keeping a social registry of poor households up-to-date. To do so, the RNU must regularly organize campaigns designed to completely update its data, which will involve having communities recertify poor households and conducting household surveys. Thus, when other social programs use the RNU, they will continuously update the RNU’s data through the feedback they provide. Social programs cannot wait for the RNU to be perfect before using it, as its construction and improvement are an iterative process that will gain in strength through the greater use of its data.

Action 1.3: Use a combination of targeting methods rather than a purely category-based approach

22. International experience shows that it is better to combine targeting methods, for example by combining geographic and livelihood-based targeting or category-based and consumption level-based
targeting to affect the poorest and most vulnerable populations. A purely category-based approach should only be used for programs whose design would avoid directing significant resources to the non-poor.

23. **Using the RNU does not mean excluding other targeting methods.** On the contrary, given the limits of the RNU and the need for programs to control the list of their beneficiaries, programs must verify the eligibility of the identified individuals or households and complete their own database in addition to using the RNU. For example, the National Food Insecurity Response Program (PRNIA) could use the RNU to generate a list of eligible households and then complete the targeting through community validation.

Finding 2: The social protection system lacks effectiveness and efficiency in combating poverty

24. **International experience often singles out countries that have implemented too many programs, each with poor coverage, limited benefits, inadequate administrative mechanisms, and high administrative costs.** The presence of numerous programs causes overlaps, and their poor coordination does not allow for the best possible synergies. Senegal’s social protection system faces this difficulty.

25. **Senegal’s social protection system is fragmented into a large number of programs in a complex institutional context.** This review identified 19 social assistance programs, 6 shock response programs, 11 labor market access programs, and one social insurance program active during 2015 and directly implemented by the State. Each of these programs has its own implementing mechanism and tools. In addition, the institutional setup for the implementation of these programs is far from simple. These programs are implemented by no fewer than 9 line ministries and 12 agencies. Further, the institutions in charge of social protection programs are typically hampered by a degree of institutional instability and often experience changes in ministerial oversight. Further, the mechanisms do not always seem to meet demands for effectiveness.

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<th>TABLE 1 - NUMBER OF STATE INSTITUTIONS RESPONSIBLE FOR IMPLEMENTING SOCIAL PROTECTION PROGRAMS DURING 2015</th>
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<td><strong>Number of programmes being implemented in 2015 by the government</strong></td>
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<tr>
<td>Number of ministries in charge of implementing these programmes</td>
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<td>Nbr of agencies in charge of implementing these programmes</td>
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<td>Total number of institutional actors involved</td>
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Source: Author, based on collected data
26. **Recent progress has been made in terms of improving the coverage of social assistance programs, but this has not been accompanied by the streamlining of small programs and projects.** Since 2013, the government has committed to implementing national programs with clear and ambitious coverage objectives. For example, the PNBSF currently covers all households living in extreme poverty, and the universal health coverage aims to reach 75% of the population by 2017. However, the majority of programs define their objectives based on available budgets rather than on an analysis of national needs given the targeted populations and issues involved. Consequently, they cover a small number of individuals or households (in the hundreds or thousands only) and are not based on an overall vision in terms of coverage of needs at the national level, which limits the sector’s strategic dialogue.

27. **Small programs have too few resources to have a meaningful impact at the national level and dilute the resources that could be used by other programs.** Of the 38-social protection programs active in 2015 and covered by the study, over half (21) had a budget of less than CFAF 1 billion. An examination of the fixed administrative costs for all programs quickly reveals that the portion of management costs of these small programs is high, which limits sector efficiency. Larger programs can reduce management costs through significant economies of scale and consequently serve more poor households with equal funding.

28. **Monitoring the performance of the sector and the budget is particularly difficult.** The sector is highly complex because it is essentially multi-sectoral and its boundaries are poorly defined. For example, until now, the annual sectoral review led by the General Delegation for Social Protection and National Solidarity (DGPSN) has not managed to collect exhaustive financial data on all programs. One of the main reasons is the lack of allocation of specific budget line items for the social protection sector in the finance bill or the budgetary system.

29. **Moreover, the various actors involved do not have the same level of comprehension of the challenges they face and do not share a unified vision of the sector for Senegal.** Monitoring of the sector is coordinated by an agency under the Office of the President, which has little authority over sectoral ministries. The Presidency should be involved in the coordination of the sector in order to play the role of orchestrator and motivate coherence and consensus among the various actors.

**Recommendation 2: Strengthen the Efficiency and Effectiveness of the Social Protection System for Fighting Poverty**

30. **Given poverty levels in Senegal, the social protection system must improve its efficiency and effectiveness if it is to reduce poverty.** The social protection system cannot focus solely on the poorest populations, it must provide a complete and coherent set of services and programs households can navigate depending on their situation. The allocation of resources dedicated to the various social protection programs constitutes both a technical and political process. In this context, the following actions are recommended:
- Action 2.1: Systematically evaluate program effectiveness;
- Action 2.2: Limit the number of small programs and consolidate these;
- Action 2.3: Establish tools that can be shared by the various programs;
- Action 2.4: Institutionalize and improve the sector’s multi-sectoral coordination.

**Action 2.1: Systematically evaluate program effectiveness**

31. **The systematic evaluation of the effectiveness and impact of programs targeting the poorest populations is essential to determining the technical and political orientation of the allocation of resources to these programs.** Although international experience can be used to start new programs that could have a promising impact (see Box 2 in full report on the impact of cash transfer programs in Africa), evaluating national policies is vital. Senegal’s government currently has little information on the impact of its social protection programs. However, it has launched an evaluation of the impact of the PNBSF, the results of which should be available in 2019. Given the budgets dedicated to the health insurance and free health care arms of the CMU, impact evaluations of these programs should be carried out. The same is true for the National Food Insecurity Response Plan (PRNIA).

**Action 2.2: Limit the number of small programs and consolidate these**

32. **Senegal should limit the number of small social assistance programs. Consolidating existing small programs into larger programs would result in:** 1) saving resources by reducing implementation costs and making resources available, and 2) increasing their impact on target groups by offering a minimum level of quality and coordination between programs. For example, Senegal could: (a) close the Ward of the State Support Program as well as the Disinherited Children Program and redirect their beneficiaries to the PNBSF; (b) close the Destitute Patients Healthcare Program and redirect its beneficiaries to the CMU; or (c) close or consolidate the Elderly Support Program, the Poverty Strategy Implementation Support Program, the Leper Empowerment Program, and the Community Rehabilitation Program into a broad national program aimed at improving the productive capacities of vulnerable groups (see Recommendation 4) and redirect the beneficiaries concerned.

**Action 2.3: Establish tools that can be shared by the various social safety net programs**

33. **Consolidating these programs would release at least CFAF 1,490 billion from the national budget.** These financial resources could be allocated as additional resources to existing large programs or to launch a new program aimed at improving the productive capacities of vulnerable groups.

34. **To build an efficient social safety net system, the various programs must share the same tools,** including a shared targeting mechanism (the Single National Registry – RNU), a claims mechanism, and a payment mechanism, among others. Establishing and using shared tools will reduce operating costs and improve program quality. In addition, using the RNU will increase synergies of action between programs.
By using these various tools, the social safety net programs will also improve the quality and efficiency of the tools themselves: the more they are used, the more their operations and efficiency will improve.

**Action 2.4: Institutionalize and improve the sector’s multi-sectoral coordination**

35. **Improving the sector’s multi-sectoral coordination could improve its efficiency and effectiveness.** To achieve this, the following actions could be taken: (a) have the Prime Minister’s office coordinate the National Social Protection Strategy’s (SNPS) inter-ministerial monitoring committee in order to stimulate shared coordination and vision among all actors; and (b) organize this multi-sectoral coordination by sub-sector (social assistance or social safety nets, shock response programs, job market programs and social security) in order to reduce the scope and number of participating actors and focus discussions on the technical links to be established between programs.

36. **Defining how each program contributes to achieving national goals could help avoid programs that act too independently.** This would create a stronger sense of belonging to a coherent system in which programs reinforce one another in order to reach national objectives.

37. **Finally, key social assistance programs and tools should be institutionalized in order to firmly consolidate them within Senegal’s social protection system.** Presidential and governmental initiatives as well as key donor projects have led to recent progress in building the national social safety net system. These initiatives and programs should be integrated into the social protection legislative framework in order to perpetuate them and ensure their long-term funding.

**Finding 3: Response mechanisms for covariant shocks have few resources and are ineffective**

38. **The resources dedicated to the shock response mechanism do not allow for adequate response planning.** The budget allocated to these programs is often delivered after the shock. For the 2010–2015 period, the Initial Finance Bill (LFI) allocated no budget twice for the National Solidarity Fund (FSN) and once for the National Food Insecurity Response Program (PRNIA). Between 2010 and 2015, the Amending Finance Bill (LFR) increased the FSN’s budget by 35.8% and that of the PRNIA by 115%. This is all the more harmful given that the Amending Finance Bill is generally agreed after the lean season, which limits the impact of the national response to food insecurity on households.
39. While Senegal has made significant strides in setting up a financing mechanism for dealing with serious crises thanks to the annual payment of the African Risk Capacity (ARC) insurance premium, the resources available to respond to low intensity shocks are limited. For example, the budget allocated and executed for the response mechanisms related to agricultural shocks is low. Also, the food insecurity response plan continues to be highly dependent on external resources and is in part executed by external partners because of a lack of financing from national actors.

40. Shock-related programs are ineffective. For programs with available data, the coverage of needs is limited, including the National Agricultural Insurance Fund of Senegal (CNAAS), the FSN, and the PRNIA. As noted above, support often arrives long after shocks have taken place. Further, thorough targeting of certain programs toward the poorest and most vulnerable populations is also lacking. Additionally, most responses to shocks are in kind (as opposed to through cash transfers), which complicates the implementation of the response and reduces its efficiency (except in places where supplies of agricultural commodities would be limited). Finally, the amounts allocated per beneficiary appear very high compared to other social assistance programs or even relative to the poverty line. Further analysis is needed to determine the effectiveness and the opportuneness of such large transfers. Finally, the institutions in charge of the response to shocks have few tools with which to standardize response procedures, which would allow for rapid and harmonized reactions to crises and shocks.

41. The coordination of shock response programs remains limited. Little information is available on which to evaluate the performance programs and allow for better programming and coordination. Several programs have no data available on the number of beneficiaries, including the Agricultural Catastrophe Fund (FCA) or the Food Security Commission (CSA), which tracks the number of tons distributed rather than the number of persons or households served. Consequently, the populations served and the costs of support per beneficiary are unknown, even though these are essential elements for programming. Further, while the resilience of populations to shocks is one of the objectives of the National Social Protection Strategy (SNPS), the shock response mechanisms are not integrated into the mechanism for coordinating social protection, apart from those that are institutionally anchored in the DGPSN (FSN and CSA). Instead, each shock response program is managed in a relatively isolated manner.

### Table 2- Variation of the Budget Allocated Between the International Finance Bill and Amending Finance Bill

| Source: Author, based on collected data |

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<thead>
<tr>
<th>Only the programs with the largest budgets have been selected</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Average change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstitution of the food security stock</td>
<td>50%</td>
<td>210%</td>
<td>0 in LFI</td>
<td>66.7%</td>
<td>313.3%</td>
<td>50%</td>
<td>115%</td>
</tr>
<tr>
<td>National Solidarity Fund</td>
<td>100%</td>
<td>100%</td>
<td>0 in LFI</td>
<td>15%</td>
<td>0.0%</td>
<td>0 in LFI</td>
<td>35.8%</td>
</tr>
</tbody>
</table>
Recommendation 3: Develop the Efficiency of Shock Response Mechanisms to Improve the Resilience of Poor and Vulnerable Populations to Covariant Shocks

42. Given climate change and the frequency with which Senegal is subject to a lack or irregularity of rainfall, the social protection system should establish a mechanism designed to improve the resilience of the most vulnerable households in an efficient manner. In this context, three actions are recommended:

- Action 3.1: Use social safety net program tools to improve the efficiency and effectiveness of shock response programs;
- Action 3.2: Improve the funding of shock response programs during their planning and in the amounts allocated;
- Action 3.3: Improve the quality and coordination of the implementation of shock response programs.

Action 3.1: Use social safety net program tools to improve the efficiency and effectiveness of shock response programs (targeting mechanism, payment, claims, etc.)

43. In several countries, social safety net system tools have shown how effective they are in improving the cost effectiveness of shock response programs. For example, in Kenya and Ethiopia, adaptive social protection programs have been established and can be activated rapidly to respond to cyclical shocks at lower cost by using social safety net identification and payment mechanisms. This improved cost effectiveness allows governments to provide assistance to vulnerable households at lower cost while also decreasing their reliance on emergency response actors.

44. In Senegal, shock response programs could use the Single National Registry (RNU) to identify beneficiaries in order to: (1) rapidly identify households or individuals that are eligible for the program; (2) reduce targeting costs; and (3) make the allocation of resources to the most vulnerable households a priority.

45. Shock response programs could be associated with a social safety net program in order to use their administrative and operational frameworks in their implementation. For example, using the operational mechanism of the cash transfer program (PNBSF) could give a shock response program rapid access to all households regardless of their place of residence. The PNBSF has a network of over 6,000 community relays and 300 supervisors throughout the country, which could provide for better targeting, inform communities or beneficiaries, or serve as a conduit for claims, among others. It would be relatively easy for shock response programs to use this mechanism by amending the initial contract linking the PNBSF and social operators (local NGOs that manage the community relays and supervisors).

46. Social safety net program payment and claims systems could be of use to shock response programs. The PNBSF payment system could be used by some shock response programs in order to: (1)
complete transfers more rapidly; (2) increase the accountability and traceability of transfers; and (3) improve the relevance of the transfers to beneficiaries. The claims system currently used by the PNBSF could also be used by shock response programs to increase program accountability at lower management costs while improving the quality and efficiency of the claims system through its more frequent use.

Action 3.2: Improve the funding of shock response programs during their planning and in the amounts allocated

47. To respond to household shocks in a timely manner and thus limit the recourse to shock response practices that are destructive for the economy of vulnerable households, Senegal’s government should establish a funding strategy designed to respond to recurring shocks. Such a strategy depends on the recurrence of shocks, their intensity, the number of households typically affected, the impact of such shocks on these households, and thus the cost of an adequate response for these households. Based on estimates, the government could determine a funding strategy that uses a series of mechanisms designed to respond to the shock profile, including the national budget, insurance, loans, special funds, obligations, etc. Once the array of financial tools corresponds to needs, the government could make the required resources available more rapidly and launch the response program immediately. This would greatly improve the efficiency and impact of programs for households affected by shocks.

48. To establish a proper shock response funding strategy, the response plan’s triggers must be defined clearly and precisely, as must response types in relation to the critical thresholds reached. The involvement of the Ministry of the Economy, Finance, and Planning (MEFP), the Prime Minister’s office, and social protection actors is essential to defining this strategy and planning.

Action 3.3: Improve the quality and coordination of the implementation of shock response programs

49. To improve the quality and coordination of the implementation of shock response programs, the required resources must be made available rapidly (see Action 3.2), the social safety net system tools must be used (see Action 3.1), and the coverage and impact must be maximized at lower cost. The amounts of transfers allocated to beneficiaries by certain shock response programs are relatively high. For instance, the allocation given to PRNIA beneficiaries is CFAF 45,000 per month per household, which corresponds to 100% of the food needs of a 9-person household. Since households have some resources even during the hunger season, this amount probably exceeds their needs and thus limits the number of households that can benefit from the program for a given budget. Establishing an amount that more adequately corresponds to actual needs would minimize costs and maximize the impact on households within a given budget.

50. Furthermore, if a response is to be fully effective, it must be planned, as must the coordination of actors in the field. A quality response requires proper planning and the coordination of actors at the central and local levels. Given the multi-sectoral nature of the actors involved in shock response, the Prime Minister’s office has a specific role to play. While adopting a shock response funding strategy would facilitate the annual planning and coordination of the response, all actors have an essential role to play in its operational implementation.
Finding 4: Few programs are available to promote productive investments for the poorest populations

51. There are many State-managed programs aiming to boost the productive capacity of households. Yet few target the poorest households. Large sums are allocated to microfinance development, but this is not necessarily adapted to the poorest households. The programs targeting those living in poverty are far outstripped by needs. Three of the four programs targeting vulnerable people have extremely low coverage. The fourth, the Economic and Social Development Support Program (PRODES), has significant coverage but is entirely dependent on external financing. Further, the fragmentation of these programs prevents the economies of scale and efficiency gains that are indispensable for increasing their impact on these populations.

52. Similarly, despite an effort to streamline programs facilitating productive work for young people from vulnerable homes, coverage of needs remains low, yet those needs are vast. First, the cohort of young people joining the workforce increases each year and currently stands at about 300,000 per year. Second, a significant portion of the young population is inactive in that they neither work nor study, especially among young women. This young population lives in very poor households and faces multiple obstacles and therefore needs a specific approach for the development of productive activities for young people.

Recommendation 4 : Promote Productive Household Investments in order to Increase the Productivity of the Most Vulnerable Populations

53. Improving household productivity is the best safeguard against chronic poverty and vulnerability to shocks. This means combining social assistance programs with efforts to promote investments in the human capital of children (to ensure better productivity for the next generation) as well as efforts to promote the productive capacity of young people and adults. In this context, the following actions are recommended:

- Action 4.1: Adapt productive programs to the poorest population, expand them, and make sure social assistance beneficiaries are integrated into them;
- Action 4.2: Strengthen the productive capacities of poor young adults by responding to the many constraints they encounter and making wide use of existing mechanisms;
- Action 4.3: Improve the functioning of the labor market by connecting job seekers and employers and developing skills certification mechanisms through the private sector.

Action 4.1: Adapt productive programs to the poorest population, expand them, and ensure that social assistance beneficiaries are integrated into them

54. Senegal’s government should develop programs aimed at increasing the productive capacities of poor households at the national level. Since a limited number of individuals currently benefit from productive programs, these cannot have the desired impact on poverty reduction. As mentioned above
(Action 2.2), productive programs for the most vulnerable households (PAPA, PRBC, etc.) should be consolidated into a national program with the necessary resources in order to reach a substantial number of poor households.

55. Furthermore, these programs should implement a combined approach in order to address in a coordinated manner the multiple constraints the poor encounter. International experience has shown that cash transfers alone have a productive impact on economic activities in the short term, yet this impact can be magnified by complementing transfer programs with a multi-dimensional productive support package. However, the elements of the support package must be well-developed so that they correspond to the particular profile of Senegal’s social safety net beneficiaries.

Action 4.2: Strengthen the productive capacities of poor young adults by responding to the many constraints they encounter and making wide use of existing mechanisms

56. As with poor households, productive programs targeting poor young adults should be implemented to respond to the many constraints this target group encounters. Interventions offering various services are those that have the most impact on the employability of young adults and help facilitate their entry into the labor market. More specifically, these interventions combine technical training and applied professional experience with training courses on life skills. In addition, depending on the constraints experienced by the target groups, the most effective programs combine these different types of training with literacy interventions, business start-up support (financial and technical), financial and child care support for the duration of the program, skills certification, and intermediation (among other services). Adapting the specific content of each program to the characteristics of its target group is one of the keys to success. Moreover, these programs tend to have a stronger impact on the employability of young women and at-risk, disadvantaged, and low-skilled young people.

Action 4.3: Improve the functioning of the labor market by connecting job seekers and employers and developing skills certification mechanisms through the private sector

57. Senegal’s government should establish and operationalize the network of counseling, information, and intermediation services for the employment and self-employment of young adults. Among other things, this network could include intermediation services for employment in the formal and informal private productive sector (CV counseling for young adults, information on economic interest groups, information on job opportunities) and counseling services and information on training opportunities or inclusion in programs aimed at improving productivity and vocational integration, including employment counseling services, profiling and identification of individual constraints and solutions, information services on training, internship, and apprenticeship opportunities, economic interest group (EIG) training support, etc.
Finding 5: The sustainability and equity of the retirement system are in doubt

58. **In Senegal, approximately 23% of the over-60 population receives retirement benefits.** IPRES covers approximately 18% of those over 60, which is slightly above regional trends. For its part, FNR benefits reach 4.6% of those over 60.

   ![Figure 4 - Share of Old Age Pension Beneficiaries in Above 60 Years Old Population](image)
   *Source: Author, based on collected data*

59. **The formula for calculating FNR retirement contributions seems overgenerous and inequitable.** When the amount spent per beneficiary is analyzed, the average pension is twice as high as per capita GDP and approximately 80% of the insured salary. This average FNR payment is also more than three times the average pension paid by IPRES (based on estimates made by dividing retirement expenditure by number of beneficiaries). The State contribution rate is very high: for the FNR, the employer is the government, and the employer’s portion of the retirement contribution rate (23%) is therefore a direct cost to the State. Even if the retirement system were in budgetary balance, this rate could be considered problematic from both a budgetary and an ethical standpoint. In fact, Senegal has the highest public service retirement contribution rate in the region (the average retirement contribution rate paid by employers for public service retirement systems in the region is 12%), and the beneficiaries tend to be relatively prosperous.

60. **In total, the FNR’s expenditure is high and increases each year without the FNR achieving budgetary balance.** In 2014, the FNR’s total expenditure was 1% of GDP, having significantly increased between 2010 and 2014 even though the total number of beneficiaries changed little. Further, while the reforms at the beginning of the 2000s allowed for the re-absorption of the cash deficits and the creation of surpluses, the fund’s positive situation was short-lived because the deficit re-appeared in 2011. In 2013, the fund had a deficit of CFAF 4 billion and used its credit balance to address the deficit. At this rate, the FNR will no longer have a credit balance within six years, and its deficit will need to be directly met from the State budget, to the detriment of other State programs.
61. IPRES has an 80% dependency rate, which is to say that 295,000 people contribute to IPRES and 219,363 receive retirement benefits (both old age and survivor). This raises significant questions about the sustainability of the retirement system. The rate, which is close to 100%, may require a higher contribution rate to fully finance pensions. This may indicate that the system is on its way to saturation, it has experienced a contraction in coverage, or survivors who benefit from the retirement of their spouse do so for a long period, starting at a relatively young age. However, additional data are needed to be able to draw conclusions on the fiscal sustainability of the IPRES system.

62. The IPRES regime is financed by a system where current workers’ contributions are used to pay the pensions of current retirees and has accumulated a surplus that generates investment income. In 2014, investment income represented 11% of contribution income. However, in the same year, the Audit Office pointed to several aspects of the financial management of receipts, investments, and techniques of IPRES. Without major reforms to its management, these elements augur a progressive decline in IPRES’ financial position.

Recommendation 5 : Revise the Entire Pension System to Ensure Its Financial Sustainability and Fairness

63. The current pension system must be fundamentally and entirely revised in order to give Senegal an efficient and sustainable system that does not jeopardize the national budget’s resources at the expense of programs aimed at the poor. In this context, the social protection sector should implement Action 5.1 below, which consists of analyzing the pension system in its entirety.

Action 5.1: Evaluate the financial situation of the FNR, the financial performance of the IPRES system, and the fairness of the benefits provided by FNR and IPRES

64. A systemic analysis of the pension system must include several complementary elements. The financial situation of the National Pension Fund (FNR) should be reviewed immediately in order evaluate the fiscal risk it presents for the national budget. In addition, the financial performance of the Retirement Savings Fund of Senegal (IPRES) over the last decade should be further analyzed in order to anticipate future financial needs. Finally, the fairness of the benefits provided by FNR and IPRES should be thoroughly evaluated.

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2 The value of accumulated IPRES credits is not known.
Box 1- Summary of recommendations

Recommendation 1: Improve Program Targeting

- Action 1.1: Redirect part of the expenditure dedicated to programs benefiting the richest populations to programs benefiting the poorest populations;
- Action 1.2: Use the Single National Registry (RNU) to target poor and vulnerable households;
- Action 1.3: Use a combination of targeting methods rather than a purely category-based approach.

Recommendation 2: Strengthen the Efficiency and Effectiveness of the Social Protection System for Fighting Poverty

- Action 2.1: Systematically evaluate program effectiveness;
- Action 2.2: Limit the number of small programs and consolidate these;
- Action 2.3: Establish tools that can be shared by the various programs;
- Action 2.4: Institutionalize and improve the sector’s multi-sectoral coordination.

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